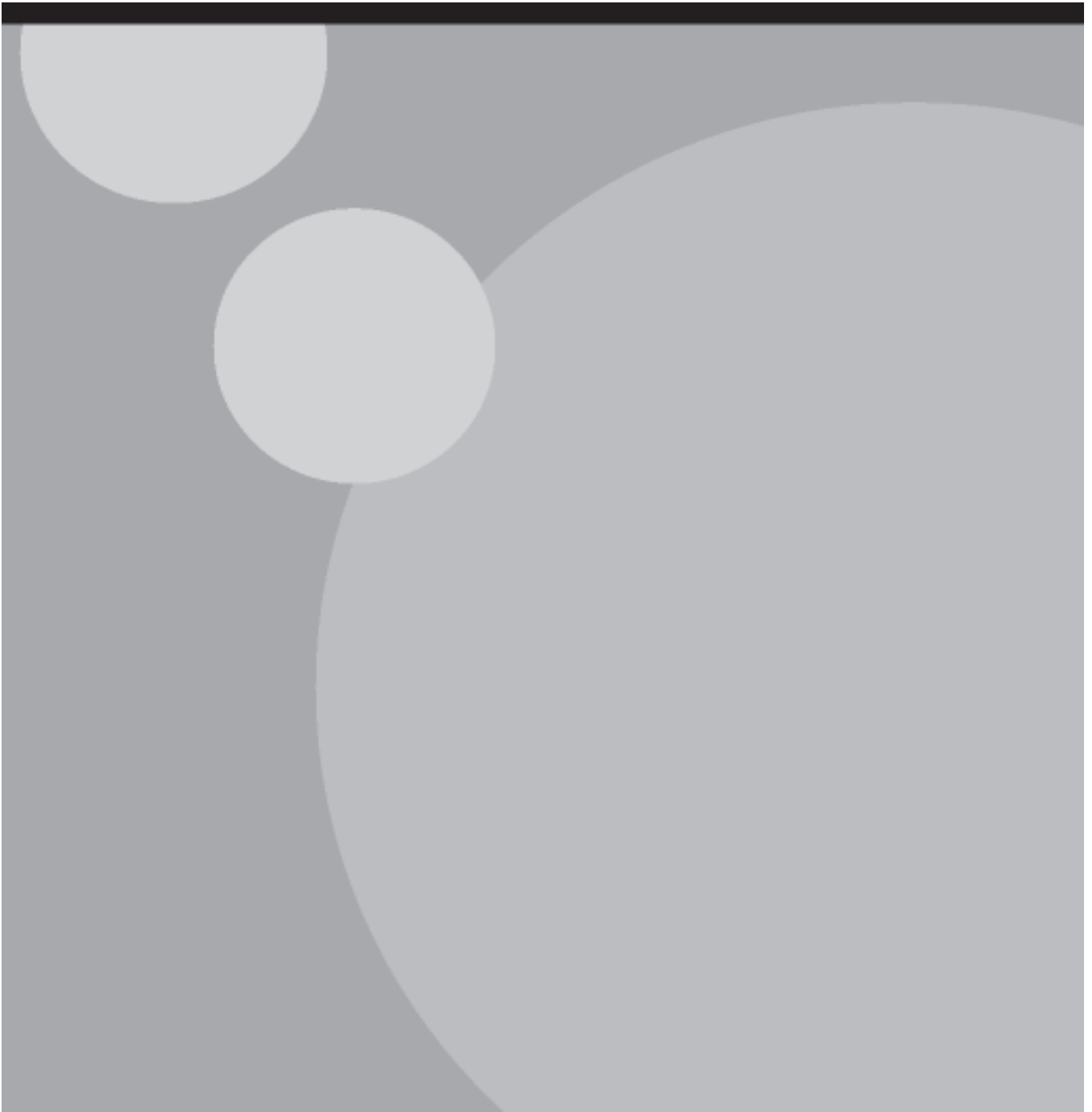




Accounting Officer Accountability System Statement for Local Government





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March 2012
Department for Communities and Local Government

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Department for Communities and Local Government Accounting Officer Accountability System Statement for Local Government

March 2012

Accounting officers in government departments are accountable to Parliament for the proper stewardship of the resources allocated to the department. Details of the requirements to ensure regularity, propriety and value for money are set out in the HM Treasury Guidance [Managing Public Money](#).

Sir Bob Kerslake's report [Accountability: Adapting to decentralisation](#), published in September 2011, proposed that in future departmental accounting officers should publish accountability system statements explaining how they achieve accountability for the grants they distribute to local bodies. This allows accounting officers to demonstrate that, as the government moves to decentralise power to local communities, the appropriate accountability mechanisms are still in place. The Treasury has now included this requirement in the *Managing Public Money* guidance, via [a letter](#) to departments on 17 February 2012.

This document sets out the accountability system for local authorities and fire and rescue authorities for the financial year 2012-13. It has been signed off by Sir Bob Kerslake as accounting officer for the Department for Communities and Local Government. It sets out current funding systems, legislation and guidance which forms the system at present, and it signposts changes which are expected to be made during the year.

The Department for Communities and Local Government accounting officer is the lead accounting officer for local authorities. This system therefore covers the core accountability system for local authorities, which is concerned with issues such as their financial management and democratic accountability. Annex B sets out the arrangements in place for fire and rescue authorities, which are also a departmental responsibility.

Departments which oversee other services run by local government will publish statements in relation to these services. The main additional systems cover education and children's services (Department for Education), adult social care (Department of Health), public health (Department of Health), transport (Department for Transport), waste (Department for Environment, Food and Rural Affairs), fire (Department for Communities and Local Government) and housing (Department for Communities and Local Government). These statements will explain any other grants transferred to local authorities, and relevant legislation and regulation in respect of those services. The statement will be available on the relevant department's website.

Department for Communities and Local Government Accounting Officer Accountability System Statement for Local Government
Sir Bob Kerslake

1. As accounting officer for the Department for Communities and Local Government, I am accountable to Parliament for the proper stewardship of the resources allocated to the department. Details of the requirements to ensure regularity, propriety and value for money are set out in the HM Treasury Guidance *Managing Public Money*. This statement explains how I will meet my responsibilities in relation to local government.
2. The Department for Communities and Local Government distributes the majority of funding voted to it directly to local authorities; principally through formula grant, which the department manages on behalf of government. Formula grant is the second largest grant made to local authorities by central government. It supports delivery of their core services.¹ I am therefore the lead accounting officer in central government with respect to local government.
3. Local authorities' budgets comprise money from a number of sources. This includes funding from other government departments and locally raised sources (principally council tax). These resources are pooled at the local level. I must therefore provide assurance that a core framework is in place which requires that local authorities act with regularity, propriety and value for money in the use of all of their resources.
4. This is my statement showing how this system operates. It covers:
 - The scope of my accountability in relation to local government
 - How the core accountability system for local government works
 - How the system responds to failure
5. The system statement is a living document. It will be updated as government policy changes. For example, government has recently published the response to its consultation on the future of local audit and has consulted on the retention of business rates by local authorities. The implementation of these changes will require revisions to this statement.
6. The core system for local government is supplemented by additional accountability arrangements for some of the services provided by local government. These systems are owned by government departments and are set out by them in their respective accountability statements. These statements are either published, or will be published shortly, on the relevant department's website.
7. The main additional systems cover education and children's services (Department for Education), adult social care (Department of Health), public health (Department

¹ The Dedicated Schools Grant, distributed by DfE, is the largest central grant to local authorities. Value for money in regard to this grant is mostly outside the scope of this statement, since the funding is transferred directly to schools with less control for local authorities in determining locally what services are commissioned

of Health), transport (Department for Transport), waste (Department for Environment Food and Rural Affairs), fire (Department for Communities and Local Government) and housing (Department for Communities and Local Government). Annex A details the relationships between departments and service specific statements.

8. There is also a relationship between this statement and the Home Office statement in relation to Police and Crime Commissioners. In the Police Reform and Social Responsibility Act 2011, Police and Crime Commissioners and Chief Constables are established as corporations sole. They will follow governance models based on best practice in local government, and some of the same legislation will apply. For example, Police and Crime Commissioners and Chief Constables will have Chief Finance Officers operating under many of the same rules and statutes described below.

Scope of my accountability in relation to local government

9. I am accountable for two budgets which provide funding for local government. The Local Government Departmental Expenditure Limit is the budget for local authority core funding, which I manage on behalf of government. This amounts to £24 billion in 2012-13, of which £23.6 billion is paid to local government to support the delivery of their core services. The budget for the Department for Communities and Local Government policy (known as the Department for Communities and Local Government Departmental Expenditure Limit) has also allocated £1.5 billion to local government in 2012-13 to support the implementation of departmental priorities such as housing and planning.
10. I am directly accountable for ensuring regularity, propriety and value for money in the distribution of resources from these budgets to local authorities. Other departmental accounting officers are accountable for distribution of grants from their budgets to local government to support delivery of other policy areas, as outlined in paragraph 6 above.
11. I am accountable for a core system which provides the necessary assurances that local authorities will spend their resources with regularity, propriety and value for money. In practice, this is the framework within which local authorities spend all of their resources, including other locally and centrally raised resources. It can be relied upon by all other departmental accounting officers who provide funding to local authorities. I am accountable for maintaining the system and, should it fail to provide me with the necessary assurances, I will make the appropriate recommendations for change to Ministers.
12. Councils are accountable to their electorates for the spending decisions that they make. Where other government departments have placed additional accountability arrangements on local government services, they are accountable for the functioning of these systems.

How the core accountability system for local government works

13. Local authorities are established in statute, with their responsibilities largely set out through a framework of legal duties. Most councils are subject to more than 1200² duties which set out what councils must do and set checks and balances on their actions. These duties include the role of officers and accountability to the public. The core accountability system is largely based on the application of these legal duties.

The allocation and distribution of resources to local government

14. I am directly accountable for the distribution of Formula Grant, which distributes resources from Local Government Departmental Expenditure Limit to local authorities, £23.6 billion in 2012-13. The objectives of Formula Grant are: to provide funding based on the relative needs and relative resources of each local authority; to provide stability and predictability; and, for the 2011-12 settlement period, to ensure that those local authorities that are most dependent on government funding get smaller reductions of formula grant funding.
15. These funds are distributed by a complex formula, which aims to achieve a fair and sustainable distribution of resources between authorities. The formula takes into account the needs and resources of each authority relative to all other authorities providing the same service. It is also “damped” to put a limit on how authorities’ grant can change year-on-year. Stability in an authority’s funding is provided by the grant “floor”, that is, a lower limit to the percentage year on year grant change for any authority. When calculating formula grant allocations, the department uses the best data that is available on a consistent basis for all authorities at the time of calculating the multi-year settlement.
16. As set out in the Local Government Finance Act 1988, local government must be consulted on this distribution before it is finalised and Parliament must sign off the distribution through the Local Government Finance Report each January/February. The formula and results are published on the Department for Communities and Local Government website.³
17. With regard to the Department for Communities and Local Government Departmental Expenditure Limit, grants to authorities are distributed either via specific formulae or through a bidding process, depending on what distribution process is appropriate for the purpose of the grant.
18. The majority of funding to local authorities from Local Government and Department for Communities and Local Government Departmental Expenditure Limit, including all current revenue funding, is distributed by unringfenced grant⁴. This means that

² A list of these duties is available here.

<http://www.communities.gov.uk/localgovernment/decentralisation/tacklingburdens/reviewstatutoryduties/>

³ *Local Government Finance Settlement 2011/12*, DCLG

<http://www.local.communities.gov.uk/finance/1112/grant.htm>

⁴ Housing Revenue Account Subsidy is distributed by DCLG as ringfenced funding. However, it is not a grant and will be abolished under legislation in the Localism Act 2011. The process for doing this will start from

DCLG Accounting Officer Accountability System Statement for Local Government

the grant itself imposes no conditions on what the money is spent on or how it is spent. It is the government's aim that all grants to local government be unringfenced, as this gives local authorities freedom and flexibility to allocate the money across the range of services they provide to meet local needs.

19. The majority of central funding for local government is unringfenced. The two major exceptions are schools funding and a new Public Health grant (from 2013-14). These grants impose conditions on what the money is spent on and how it is spent. It is therefore for the Department for Education and the Department for Health (and any other departments who might issue ringfenced grants in the future) to take additional measures, beyond those set out in this paper, to ensure that those grants are spent according to the conditions. The Department for Education statement sets out the role of the authorities' section 151 officer in relation to the Dedicated Schools Grant.

Ensuring regularity and propriety at the local level

20. The principal local checks on regularity and propriety are as follows:

- Clarity about who is accountable for resources. Ultimate accountability lies with the full council
- A set of financial duties and rules which require councils to act prudently in their spending
- Internal checks that the rules are followed through the duties on the Chief Finance Officer (section 151 officer) of the council; and external checks by an independent auditor
- Transparency through publication of annual accounts and all spending over £500

21. There are legal and formal controls in place to ensure that it is clear who is accountable for the money at the local level. Ultimate accountability lies with the full council (the elected members of the council collectively). The relevant legislation is the Local Government Act 2000 ("the 2000 Act"), which introduced governance arrangements based on an executive, either the mayor and cabinet executive or leader and cabinet executive. For these executive forms of governance, the 2000 Act (and underpinning secondary legislation) provides that the full council sets the budget and policy framework; the executive implements that budget and policy framework. The executive is responsible for proposing the policy framework and budget to full council.

22. The Localism Act 2011 ("the 2011 Act"), which received Royal Assent on 15 November 2011, made some changes to the provisions in the 2000 Act on local authority governance arrangements, including the introduction of the committee system form of governance. It does not change the executive models a local authority may operate, as described above. For those councils that choose to adopt the committee form of governance, the 2011 Act and underpinning

regulations will allow local authorities the flexibility to make decisions in full council or delegate decision making to committees, sub committees, other local authorities or officers. Details of how, and by whom particular decisions will be taken are set out in a council's standing orders. In practice, it is likely that the majority of decisions will be taken by committees or sub-committees which then report periodically to the full council, but the Secretary of State may, by regulation, provide that certain matters are to be reserved for the full council to decide, for example the council budget and policy framework.

23. A system of legal duties requires councillors to spend money with regularity and propriety. Under section 151 of the 1972 Local Government Act, "every local authority⁵ shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers [known as the section 151 officer or Chief Finance Officer] has responsibility for the administration of those affairs." The section 151 officer is an important mechanism for holding councils to account, as he/she has duties and powers to alert councillors and the auditor in the case of unlawful expenditure. Legislation therefore sets the standards councils must meet and provides an internal check that they have been met.
24. The main duties set out in legislation are summarised in the paragraphs below.⁶
25. In handling the routine management of their budgets, local authorities must set their council tax at a level which will balance their budget (Part 1 of the Local Government Finance Act 1992 and, for the Greater London Authority, Part 3 of the Greater London Authority Act 1999). Under section 25 of the Local Government Act 2003, the section 151 officer must report to the council when the council tax is being set on the robustness of the estimates and the adequacy of the reserves allowed for in the budget. Elected members must have regard to the report.
26. Authorities must restrict borrowing to what is affordable (sections 2 and 3 of the Local Government Act 2003). They must comply with the Chartered Institute of Public Finance and Accountancy *Treasury Management Code of Practice* (Local Government Act 2003 s15) which requires authorities to produce an Annual Investment Strategy, outlining policies on monitoring and managing investment risk. This must be agreed by full council. Accounts and Audit (England) Regulations 2011 require that Members maintain a sound system of internal control including arrangements for the management of risk, and an effective internal audit.
27. There are mechanisms in place for occasions when routine processes fail. The Local Government Finance Act 1988 requires the section 151 officer to issue a report (a section 114 notice) to all councillors if there is unlawful expenditure or an unbalanced budget. The authority's full council must meet within 21 days of the issuing of the section 114 notice to consider it, and during that period the authority

⁵ In England, this means county councils, district councils, London borough councils and parish councils; similar provisions in the Greater London Authority Act 1999 apply for the GLA and the Local Government and Housing Act 1989 for the Common Council and certain other authorities.

⁶ Controls for parish councils are different in certain respects from those described here which apply to principal councils.

is prohibited from either pursuing the course of action which is the subject of the report (in the case of unlawful expenditure) or entering into new agreements involving the incurring of expenditure (in the case of an unbalanced budget). Councillors therefore cannot avoid being aware of illegal activity, for which the auditor can pursue them in the courts (sections 17 and 24 of the Audit Commission Act 1998). This is a strong incentive to avoid illegal actions.

28. The system includes external checks, such as an independent audit. Local authorities are required to have an annual external audit under section 2 of the Audit Commission Act 1998. The auditor is required to give an opinion on the accuracy of the financial statements of the audited body and to satisfy themselves that arrangements are in place in the authority to achieve effectiveness, efficiency and economy, and that all statutory provisions relating to the accounts have been complied with (section 5). In addition, the auditor is under a duty to “make a report in the public interest” if necessary (under section 8 of the Act). The section 8 report must be considered by the full council within one month of receipt (section 11, subsequently amended by the 2003 Local Government Act).
29. The auditor has powers to ensure they have the information they need. The auditor “has a right of access at all reasonable times to every document relating to a body subject to audit which appears to him necessary for the purposes of his functions” (section 6). Audited bodies are required to co-operate with their appointed auditor.
30. Under section 24 of the Act, an auditor may make an application for judicial review with respect to any decision of a body, or failure of a body to act, which it is reasonable to believe would have an effect on the accounts of that body.
31. The government plans to close the Audit Commission and establish a new framework for local public audit. The Government proposes to broadly retain the scope of audit, meaning that the changes will not reduce the value of audit from the perspective of regularity, propriety and value for money.⁷ Under the new arrangements, authorities will appoint their own independent auditors, based on advice from an independent audit panel. The Financial Reporting Council and National Audit Office will oversee the new audit framework. The new arrangements will be established by legislation. We are planning to publish a draft bill for pre-legislative scrutiny in spring 2012.
32. Local government staff can have an important role in flagging wrong-doing within a council. A member of staff in a council can contact the auditor, who could investigate the concern. Employees of a council who become “whistleblowers”, as in other businesses or agencies, are protected from dismissal or adverse treatment by Public Interest Disclosure Act 1998. For a disclosure to be protected, it must usually be made to the appropriate regulatory body, which in the case of local government is the Audit Commission and/or the appointed auditor (Public Interest Disclosure Order 1999). The Department for Communities and Local Government will ensure that appropriate arrangements are put in place following the disbanding

⁷ The consultation closed on 30 June 2011.

of the Audit Commission. Councils are strongly recommended to have whistleblowing arrangements in place in the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives *Delivering Good Governance in Local Government: Framework* (2007).⁸

33. Although also relevant to regularity and propriety, transparency arrangements have been covered in the value for money section below.

Achieving value for money at the local level

34. The council as a whole, through the council executive, is accountable for allocating a local authority's resources. There are a range of checks and systems in place to provide assurance that they achieve value for money:

- *Councillors are best placed to judge what value for money means in local terms.* As councillors are democratically elected by local people (Local Government Act 1972) they are well placed to judge where resources need to be allocated to match what communities really need
- *They have strong incentives and duties to achieve value for money.* Within a limited financial envelope, they are under legal duties to carry out a wide range of functions, and can be voted out if they do not deliver. They are under a legal duty of best value which means they have to achieve continuous improvement in how they deliver their functions.
- *They have access to expertise on how to achieve value for money.* through senior officers and peers elsewhere in the sector. For example, the Chief Finance Officer must provide advice and support to councillors on how to achieve value for money and drive value for money through the organisation.
- *They can be scrutinised internally and externally.* A council's performance can be scrutinised by the public and by councillors outside of elections, and also by an independent auditor who will look at arrangements to achieve value for money. This scrutiny is supported by the availability of transparent, comparable data on performance and on spending.

35. Local authority functions include the provision of a broad range of services covering the main areas of local government (Formula Grant) spend. These include adult social care, children's services and specific duties, for example, to house unintentionally homeless people (Housing Act 1996, Homelessness Act 2002). In two tier areas, functions are split between county and district councils.

36. Within the framework of these statutory duties, councillors are free to set their own priorities and determine outcomes. They make complex decisions about how to allocate resources to competing priorities, such as providing care services, improving roads or keeping council tax low.

⁸ Available to purchase from CIPFA here - <http://secure.cipfa.org.uk/cgi-bin/CIPFA.storefront/EN/product/BU012a>. The Framework was accorded 'proper practice' status in 2007/08 by DCLG through non-statutory guidance.

37. There is no requirement on councils to have a single framework setting out value for money targets or indicators⁹. However, to be effective organisations, councils will need goals. The majority set out their own strategic framework. Councillors then hold officers to account for delivery. Many councils use sophisticated data systems to monitor their performance.
38. Ultimately, the requirement to undergo re-election creates a strong incentive for the council executive to set, explain and deliver on their priorities. The council Mayor or Leader will need to communicate to the electorate how they have achieved the priorities that they have set out.
39. This incentive to manage their affairs effectively is reinforced by the Best Value duty on local authorities. Under the Local Government Act 1999, a council must “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. They must consult local people on how they should fulfil this duty.
40. Being responsible for the “proper administration of [a council’s] financial affairs”, the section 151 officer has a role in helping councils to fulfill their financial duties, which includes achieving best value. He can offer expert advice to councillors, and drive value for money through the organisation. The Chartered Institute of Public Finance and Accountancy statement, *The Role of the Chief Financial Officer in Local Government*¹⁰ (Chief Finance Officer statement), makes it clear that achieving best value is expected of section 151 officers as part of their professional standards. Key requirements of the role are:
- being a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority’s strategic objectives sustainably and in the public interest;
 - being actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority’s financial strategy; and
 - leading the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
41. These principles are already accepted by the sector, and are part of established good practice for local authorities. The *Code of Practice on Local Authority Accounting in the United Kingdom*¹¹ requires authorities, in their annual governance statements published with their annual accounts, either to state that they comply with the Chief Finance Officer statement or to explain how their arrangements deliver the same impact. This code is designated in regulations as

⁹ Ministers have announced their intention to withdraw the statutory duty to prepare a Sustainable Community Strategy and will seek a legislative opportunity to do so.

¹⁰ Available here http://www.cipfa.org.uk/pt/download/role_of_CFO_in_LG_2010_WR.pdf

¹¹ Available to purchase from CIPFA <http://secure.cipfa.org.uk/cgi-bin/cipfa.storefront/4f16bdef05e4c5b0273f3efdf40706cc/Product/View/PUBAC116H>

“proper practice” which local authorities must follow.¹² Later in 2012, the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives will be revising their guidance on local authority governance¹³ to provide further advice to authorities on how to comply with the principles of the Chief Finance Officer statement.

42. Like other organisations, councils can benefit from support on how to improve their performance. The department provides funding to the Local Government Association for the delivery of improvement services to all local authorities by top-slicing Revenue Support Grant. The Local Government Finance Settlements for 2011-12 and 2012-13 set out that, in these years respectively, £32.5m and £29.25m will be paid to Local Government Improvement & Development (part of the Local Government Association) through top-slice. The Local Government Association has published a Prospectus setting out the improvement services to be provided with this resource and the outcomes to be delivered. The Local Government Association will meet with the remaining regulators and government to receive information about the performance of the sector, which will help them offer the right support at an early stage (this work is also relevant to preventing any council from getting into serious difficulties – see the following section on *How the system responds to failure*).
43. In addition to the wider democratic checks, councils are subject to scrutiny which may cover value for money more directly. Councils can be questioned by individual members of the public who have an interest in council business. More formally, all councils operating executive governance arrangements¹⁴ currently have at least one Overview and Scrutiny Committee (introduced in the Local Government Act 2000) made up of councillors. They have powers to ‘call-in’ a particular council decision shortly after it has been made. They can refer an executive decision back to the executive for further consideration. If they believe the decision was taken outside the policy or budget framework, they can refer it to the full council.
44. For local authorities that choose to operate a committee system, decisions will not be taken by individual executive members, but rather by committees composed in a manner which reflects the political make up of the authority. This allows for cross-party scrutiny of decisions. Committee system local authorities have the choice to decide whether they want a dedicated Overview and Scrutiny Committee or not. If a local authority chooses to have an overview and scrutiny committee, the scrutiny committee will have the same role and powers as the scrutiny committees in local authorities which operate executive arrangements.

¹² Via Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, which lends the document proper practice status, and *Accounts and Audit (England) Regulations 2011*, which requires authorities to follow designated proper practice

¹³ The guidance note on their *Delivering Good Governance in Local Government: Framework*, available to purchase here <http://secure.cipfa.org.uk/cgi-bin/cipfa.storefront/4f16bdef05e4c5b0273f3efdf40706cc/Product/View/BU012a>

¹⁴ Currently this means all principal councils, but will change as the Localism Act provisions on returning to the Committee system are brought into force.

45. Audit provides an additional check on value for money, as auditors are required to satisfy themselves that arrangements are in place in the authority to achieve effectiveness, efficiency and economy (section 5, Audit Commission Act 1998). The government's new arrangements for local audit will retain the same broad scope, with the assessment of the local authority's arrangements for securing value for money intended to be risk based and proportionate.
46. Effective scrutiny by councillors and the public requires availability of comparable information on spending and the outcomes achieved. All councils produce public accounts, have open meetings and are required to consult with the public, and all are subject to the Freedom of Information Act.
47. With regard to open decision-making, council meetings (or parts of council meetings) must be held in public where a key decision is being made or where an officer will be present (Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000). Members of the public can normally ask questions and present petitions to public meetings. Under the same regulations, the public are also entitled to have access to documents relating council meetings and documents relating to executive decisions made by executive members or officers. This ensures that the council decision-making process is open to scrutiny by the public.
48. Regarding the publication of data, the Department for Communities and Local Government has produced a *Code of Recommended Practice for Local Authorities on Data Transparency*¹⁵. Subject to consultation, Ministers are minded to make the Code a legally binding requirement to ensure authorities can be held fully accountable to the local people they serve. The code sets out that, as a minimum, the public data that should be released includes:
- expenditure over £500, (including costs, supplier and transaction information).
 - Senior employee salaries, names (with the option for individuals to refuse to consent for their name to be published), job descriptions, responsibilities, budgets and numbers of staff.
 - councillor allowances and expenses;
 - copies of contracts and tenders to businesses and to the voluntary community and social enterprise sector;
 - grants to the voluntary community and social enterprise sector should be clearly itemised and listed;
 - policies, performance, external audits and key inspections and key indicators on the authorities' fiscal and financial position;
49. In addition to the requirements of the transparency code, new measures introduced in the Localism Act 2011 require councils to be open about their approach to pay. Sections 38 to 43 of the Act and the accompanying guidance: Openness and Accountability in Local Pay require local authorities to prepare, approve and publish a 'pay policy statement'. Any decisions taken by an authority in relation to pay and reward of staff must reflect its current pay policy.

¹⁵ Available here <http://www.communities.gov.uk/documents/localgovernment/pdf/1997468.pdf>

50. In practice, many councils already publish local performance information. By the end of summer 2012, the Local Government Association will have launched the sector's own online tool for comparable data, LG Inform, which will be available to the public. Future versions of LG Inform will allow the public to build their own reports using comparable data. In the interim, we are working with the Local Government Association to make available a voluntary report from LG Inform, which councils can publish on their websites if they choose to, that will allow citizens to easily compare local performance and spend data. This is based on the wide range of datasets that government continues to collect under the Single Data List. It is primarily for councils themselves to ensure they respond to citizen requirements for additional data, but government retains the right, on behalf of citizens and as a last resort, to require councils to collect and submit comparable local performance data on any aspect of their service delivery
51. For certain key local government services, the government has produced comparable data sets, notably on education and adult social care. Further details are in the relevant departmental system statements.
52. In summary, in the core system for which I am accountable, there are clear roles for the public, the council executive, councillors, the sector and auditors in ensuring that value for money is achieved. For many services, this provides sufficient assurance.
53. As stated at paragraph 6 above, for a range of services, there are additional accountability arrangements in place to secure delivery and ensure value for money. This may be because a service is high risk or because the service is being used by vulnerable people who are less able to influence service delivery through choice and voice. One example is children's safeguarding, where universal inspection is in place to ensure that children are protected. In other areas, councils have statutory duties to set out a strategic plan, for example a Transport Strategy (Transport Act 2000). The nature of the additional checks is proportionate to the nature of the service, and all government departments are currently considering how their approach can be made more localist. For example, a number of departments have developed payment by results schemes for services to be delivered by council or other service providers – including the voluntary and community sector – and will have built in value for money measures into these contracts. The additional arrangements are set out in full in system statements by the relevant department. These are summarised at Annex A.

How the system responds to failure

54. Councils which do not deliver for their local communities can be voted out by citizens. However, there are a range of external systems in place should councils fail to fulfil their functions which contribute to the maintenance of regularity, propriety and value for money. These are summarised below:
- For cases affecting an individual, the Local Government Ombudsman provides an independent route of complaint and redress.

DCLG Accounting Officer Accountability System Statement for Local Government

- For service specific failure, for example in children's services, the relevant government department has in some cases put in place specific failure and improvement regimes.
 - In terms of the overall corporate performance of a council, the Local Government Association is co-ordinating the local government sector in providing peer support to councils.
 - As a last resort, government has powers to investigate and intervene.
55. Where service failure occurs in an individual case, the Local Government Ombudsman (established under the Local Government Act 1974) can investigate. All council services can be investigated including housing, planning, education, social care, council tax, housing benefit and highways. As well as producing reports on individual complaints investigated, the Ombudsman prepares an annual review that is sent to all councils about their performance in dealing with complaints made about them to the Ombudsman. These reviews are available on the Ombudsman's website. <http://www.lgo.org.uk/CouncilsPerformance/>
56. Where the safeguarding of vulnerable people may be at stake, for example in adult social care or children's services arrangements for tackling these cases are covered under additional accountability statements (see for example the Department for Education statement,). They involve improvement and monitoring from the local government sector, led by the Local Government Association, programmes of inspection to identify failure and powers to intervene by government.
57. There are also rare cases of corporate failure that affect the whole authority. These may be cases where relationships between councillors and officers have irretrievably broken down and there may be failure across a number of services.
58. To prevent a council reaching this point, the Local Government Association co-ordinates the provision of peer support to councils on corporate performance. This can be particularly effective at key moments, such as when an authority is experiencing a transition. Sector-led improvement and support is co-ordinated at political level in the Local Government Association through their Improvement Board. Through their network of principal advisers, the Local Government Association is able to arrange mentoring by peers from another authority for members and officers, and peer review teams to support councils facing challenges.
59. The Local Government Association has a systematic approach to identifying those councils that could benefit from preventative improvement support, based on data and informal conversations with the sector. This will be set out in a forthcoming document. Information sharing arrangements are also being put in place between the Local Government Association and government departments and the Inspectorates to ensure that the Local Government Association has the best possible intelligence to focus support. In addition, the Local Government Association will meet regularly with the Department for Communities and Local Government and each party will share intelligence about performance concerns and to assess the progress of sector support.

60. If an issue could not be resolved, or if a council refused to engage with sector led improvement, the Secretary of State could commission a corporate governance investigation to ensure a robust evidence base. He has a power to do so under s10 of the Local Government Act 1999. Currently the inspection must be carried out by the Audit Commission. The Department for Communities and Local Government will ensure that an equivalent power remains after the disbanding of the Audit Commission.
61. If a council was still unwilling to engage with the Local Government Association in light of the evidence gathered after an investigation, under s15 of the Local Government Act 1999, the Secretary of State has powers to intervene. He can direct authorities to take actions, and ultimately direct another body to take over specific functions of a council.
62. The Department for Communities and Local Government has a model for handling an intervention based on recent experience of intervention at Doncaster, which involves working closely with the local government sector. This can be used for future interventions, although it will be adapted to allow for the disbanding of the Audit Commission.
63. The process in Doncaster was as follows. After a Corporate Governance Inspection report by the Audit Commission and discussion with key stakeholders in Doncaster and the local government sector, the Secretary of State issued an intervention direction. This direction appointed a non-executive Recovery Board and three Commissioners to support and challenge the council and monitor recovery. The Secretary of State also appointed a new Chief Executive. These actions placed experienced leadership at the helm in Doncaster to closely monitor events and seek to bring about cultural change.

Conclusion

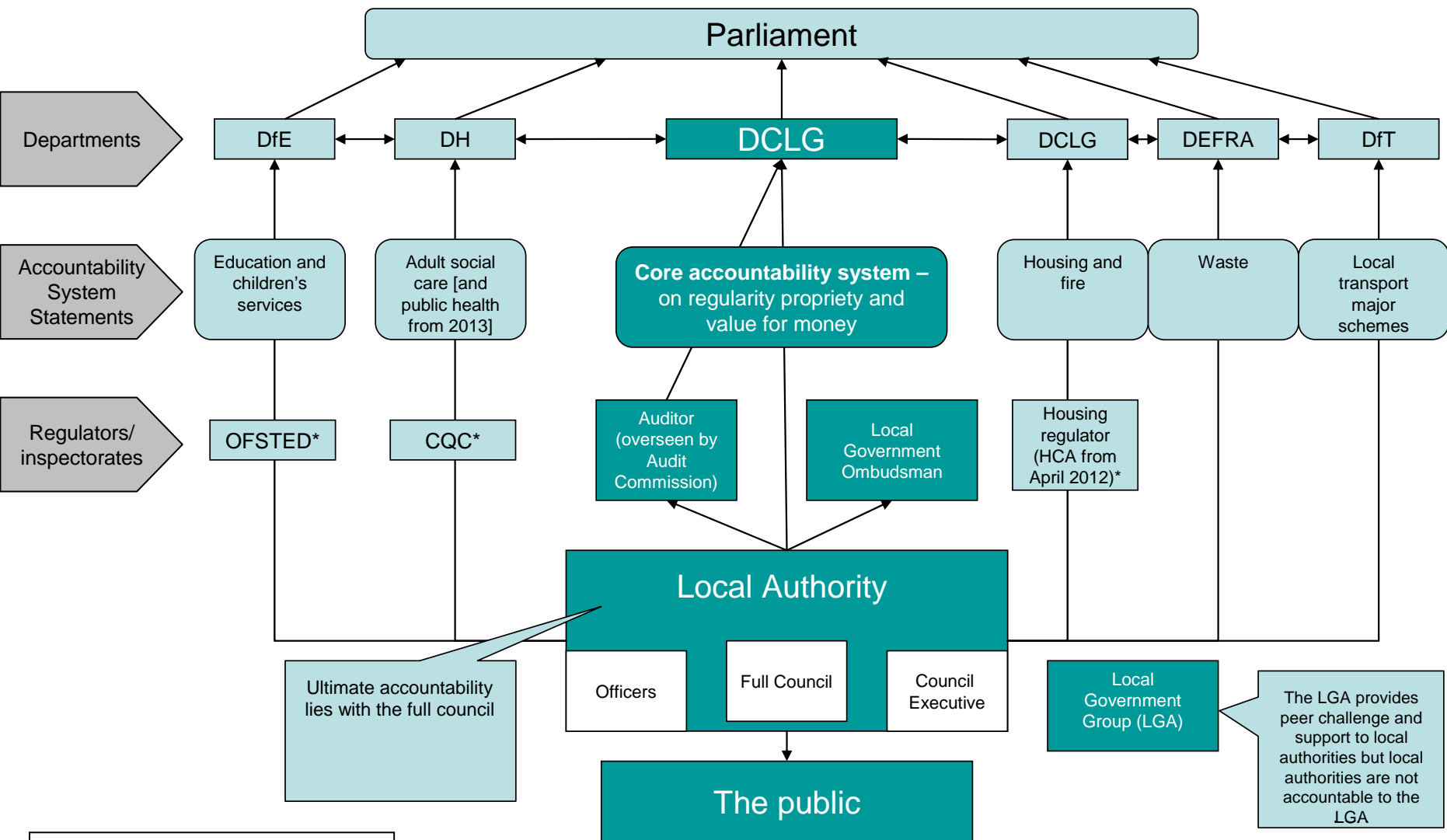
64. There is a robust core framework in place which I can rely on as accounting officer for the Department for Communities and Local Government to provide assurance that councils will spend their money with regularity, propriety and value for money. The key elements are legal controls and democratic accountability to local people. The system provides assurance that the government's decentralising agenda can be achieved in relation to local government without compromising the proper spending of public money.

Sir Bob Kerslake

**Accounting officer for the Department for Communities and Local Government
March 2012**

Annex A – Diagram showing the accountability system statements relevant to local government and the main organisations involved in them (see separate attachment)

Diagram showing the relation between key organisations in local government accountability system statements.



* Regulators/inspectorates differ in scope of their roles



Department for Communities and Local Government Accounting Officer Accountability System Statement for Fire and Rescue Authorities

March 2012

Accounting officers in government departments are accountable to parliament for the proper stewardship of the resources allocated to the Department. Details of the requirements to ensure regularity, propriety and value for money are set out in the HM Treasury Guidance [Managing Public Money](#).

Sir Bob Kerslake's report [Accountability: Adapting to decentralisation](#), published in September 2011, proposed that in future departmental accounting officers should publish accountability system statements explaining how they achieve accountability for the grants they distribute to local bodies. This allows accounting officers to demonstrate that, as the government moves to decentralise power to local communities, the appropriate accountability mechanisms are still in place. The Treasury has now included this requirement in the *Managing Public Money* guidance, via [a letter](#) to departments on 17 February 2012.

This document sets out the accountability system for fire and rescue authorities for the financial year 2012-13. It has been signed off by Sir Bob Kerslake as Accounting Officer for the Department. The document is a supplement to the Department's accountability system statement for local government (also available on website), and sets out how the general framework for local authorities differs for fire and rescue services.

As with the Department's accountability system statement for local government, this system statement is a living document. It will be updated as government policy changes.

Department for Communities and Local Government Accounting Officer Accountability System Statement for Local Government Sir Bob Kerslake

1. As Accounting Officer for the Department for Communities and Local Government, I am accountable to Parliament for the proper stewardship of the resources allocated by the Department to fire and rescue authorities. Accordingly, I am required to set out an accountability system statement in respect of these resources.
2. The main elements that I have set out in my core local government accountability system statement with regard to local authorities also apply to fire and rescue authorities. This includes the same set of strict financial controls, and the accountability to local communities. However, the legislative framework is different for fire and rescue authorities in some respects, partly because of the unique role and requirements of fire and rescue authorities in providing national resilience. This paper sets out these differences.
3. The system statement is a living document. It will be updated as government policy changes.

Scope of my accountability in relation to fire and rescue authorities

4. Within the budget for local authority core funding, for which I am accountable, are the funds allocated to the fire and rescue authorities. In 2011-12, the budgeted expenditure by single purpose fire and rescue authorities amounted to £1,450 million, 51% of which was funded by formula grant.¹
5. I am also responsible for the budget to deliver Department-specific fire and rescue programmes which amounted to approximately £65.6m million revenue funding in 2011-12, excluding Private Finance Initiative; and capital grant funding of £116.5 million. These revenue and capital figures include funding for future control room services.
6. The 2012-13 formula grant figure for (single tier) fire and rescue authorities is approximately £1,014 million.
7. I am accountable for ensuring that this core system works satisfactorily; that it delivers the necessary powers, flexibilities, and controls to enable the fire and rescue authorities to do their job; and that the funding they receive is spent with regularity, propriety and with due regard for value for money. I am accountable for changing this system, following appropriate instruction from ministers

How the accountability system for fire and rescue authorities works

8. Fire and rescue authorities are responsible for the delivery of a wide range of fire and rescue services. Fire and rescue authorities are locally-accountable

1. Budgeted Net Current Expenditure for Fire and Rescue Services in 2011-12 was £2,224 million, of which £1,450 million was for single purpose fire authorities. Net Current Expenditure in 2010-11 (the latest year in which outturn figures are available), was £2,165 million, of which £1,396 million was for single purpose fire authorities.

bodies of made up of elected members from the councils within their geographical area and are responsible for ensuring that their fire and rescue service performs well, is delivered efficiently, and in their communities' best interests. They are therefore accountable for their actions and their performance.

9. There are 46 fire and rescue authorities, which are:

- Metropolitan authorities - made up of a number of metropolitan districts, these authorities consist of local authority elected members from constituent councils.
- County authorities - where the fire and rescue service is one of a number of services provided by the county council, whose overview and scrutiny committees play an important role in ensuring accountability of county fire and rescue authorities.
- Combined authorities² - serve combined county council and unitary authority areas and consist of local authority elected members from constituent councils.
- London Fire and Emergency Planning Authority—a functional body of the Greater London Authority whose membership includes nominees from the London Boroughs, the London Assembly, and Mayoral appointees. The London Fire and Emergency Planning Authority has an additional layer of governance in the form of the London Assembly.

10. The fire and rescue authorities function within a long-established statutory and policy framework with which they are familiar. The key documents setting this out are:

- the *Fire and Rescue Services Act 2004*;
- the *Civil Contingencies Act 2004*;
- the *Regulatory Reform (Fire Safety) Order 2005*;
- the *Fire and Rescue Services (Emergencies) Order 2007*; and
- the Fire and Rescue Service National Framework for England 2008 - 2011³

11. These documents set out the main duties, responsibilities, controls and powers relating to fire and rescue authorities, for which they receive funding.

12. A key document for Fire and Rescue Services is the National Framework. This document covers a broad range of activities and responsibilities including resilience and prevention, protection and response. The current National Framework (2008-11) sets out the Government's priorities and objectives for fire and rescue authorities in England. The Government is working with the sector to develop and consult on a revised National Framework as part of resetting the relationship between central Government and fire and rescue authorities, placing an emphasis on local accountability while focusing on issues where there is a clear national interest, for example national resilience.

² Unitary fire and rescue authorities are a type of local authority that has a single tier and is responsible for all fire and rescue services within their area. (Examples include Cornwall, the Isles of Scilly).

³ This is currently under review. The new draft Framework is out to consultation. It was launched on 13 December 2011 and ends on 19 March 2012.

The existing National Framework remains in force until the new one is brought into effect in 2012.

The allocation and distribution of resources to fire and rescue authorities

13. Each fire and rescue authority obtains their funding from several sources such as grants from central government; a small levy on council tax, and locally generated income (e.g. fees from certain activities, such as training).
14. The majority of the funding from Government grant given to a particular fire and rescue authority is based on a complex formula which takes into account the relative needs of that authority as against their available resources. The relative needs element for the fire and rescue authorities is determined by a calculation involving a basic amount per resident, with top-ups for things like coastline, deprivation, high risk areas, fire safety enforcement, community fire safety and area costs, and therefore varies from one authority to another.
15. As with the local authority formula grant, this funding is 'damped' to prevent extremes of variation in year-on-year funding; with a 'grant floor' ensuring stability. The formula and the results are published on the Department's website.⁴ The majority of funding to fire and rescue authorities is not ring-fenced.

Ensuring regularity and propriety at the local level

16. The Department is responsible for policy and funding for fire and rescue authorities in England and retains strategic responsibility for national resilience. The main controls on regularity and propriety for local authorities apply for fire and rescue authorities, such as the ultimate accountability of councillors, and strict financial rules. Fire and rescue authorities have a duty to implement national policy and legislation and are, accordingly, accountable to their communities for their actions and decision making.
17. The core local government statement sets out the duties of section 151 officers (under the *Local Government Act 1972*) to ensure proper administration of local authorities' financial affairs. This also applies to any role they may have as a fire and rescue authority, including the responsibilities in the case of unlawful expenditure or an unbalanced budget. Other legislation exists which has the effect of applying the concept and responsibilities of the Responsible Financial Officer to all fire and rescue authorities.⁵ In effect, this means that the concept of financial accountability for expenditure of resources is the responsibility of the nominated Responsible Financial Officer in the relevant fire and rescue authorities.

Achieving value for money at the local level

⁴ *Local Government Finance Settlement 2011-12, Department for Communities and Local Government*

⁵ The Responsible Financial Officer concept is applied to metropolitan county fire and rescue authorities under section 73 of the *Local Government Act 1985*; to combined fire and rescue authorities under section 112 of the *Local Government Finance Act 1988*; and to the London Fire and Emergency Planning Authority under section 127 of the *Greater London Authority Act 1999*.

18. In demonstrating their accountability to communities for the service they provide, fire and rescue authorities need to:

- be transparent and accountable to their communities for their decisions and actions, and to provide the opportunity for communities to help to plan their local service through effective consultation and involvement
- have scrutiny arrangements in place that reflect the high standard communities expect for an important public safety service; and
- provide assurance to their communities and to government, on financial, governance, operational matters, national resilience capability, and interoperability.

19. The *Accounts and Audit (England) Regulations 2011* already require all authorities (including fire and rescue authorities) to publish their financial statements. The Code of Recommended Practice for Local Authorities on Data Transparency recommends that they also publish online details of all their expenditure over £500. All fire and rescue authorities have now done this.

20. We are also working on a number of fronts to improve local transparency so that people can access comparable data and information on fire and rescue authority performance. This includes:

- meeting the requirements set out in the draft National Framework⁶ for fire and rescue authorities on accessing comparable data;
- work to make the fire and rescue Incident Recording System datasets available for use by fire and rescue services and to enable them to be deposited in the UK Data Archive for use by the wider public;
- proposals to legislate to require certain data (currently subject to the Code of Recommended Practice for Local Authorities on Data Transparency) to be published later in the year.

How the system responds to failure

21. As with local authorities in general, Government's expectation is that sector partners will provide initial support and Government would only intervene in the most serious of failures or if sector-support is refused or not able to turn around the under performance.

22. The Chief Fire and Rescue Adviser is appointed by the Queen and, as an inspector, by the Secretary of State, under Section 28 of the *Fire and Rescue Services Act 2004*. This Act provides powers to obtain information or to take action in any circumstances where Government may wish to have an investigation or assessment – for example, a major fire incident investigation or where there are serious concerns regarding the discharging their functions or even corporate failure.

⁶ Paragraph 2.8 and 2.9 of the draft Fire and Rescue National Framework for England, Consultation, published December 2011, closes March 2012. The Framework may be revised as a consequence of responses received.

23. The Secretary of State has wide ranging powers of intervention should he deem the risk of failure of a fire and rescue authority sufficiently imminent or serious (section 22 and 23 of the Fire and Rescue Services Act 2004). Intervention powers have never been used for fire and rescue authorities. In exercising these powers, the Secretary of State is required to have regard to an intervention protocol, and is required to consult and make use evidence of failure. The current protocol for these purposes is the *Protocol on Central Government Engagement in Poorly Performing Local Authorities*, produced in 2003. As the protocol makes reference to some processes which are no longer in place, we are looking into how we could appropriately revise the protocol in due course, working with the sector.

Conclusion

24. There is a robust core framework in place which I can rely on as Accounting Officer for the Department to provide assurance that fire and rescue authorities will spend their money with regularity, propriety and value for money. In addition to the general requirements on local authorities, there are additional arrangements in place in ensure authorities carry out their national resilience functions effectively.