



Department for  
Communities and  
Local Government

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



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Department for Communities and Local Government  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF  
Telephone: 030 3444 0000

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# Introduction

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

[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, the government has decentralised power to local communities, and the appropriate accountability mechanisms are in place. The Treasury has now included this requirement in the *Managing Public Money* guidance<sup>1</sup>.

The two system statements set out in this document describe the accountability systems for local authorities and fire and rescue authorities. They have been signed off by Melanie Dawes as accounting officer for the Department for Communities and Local Government. They set out the current funding systems, legislation and guidance which form the system at present and signpost changes which are expected. Inevitably, there are changes for matters covered in the system statement from time to time as policy evolves. This statement will be updated as appropriate to ensure it is substantively correct.

This statement has been updated from the 2013 iteration primarily to reflect changes resulting from the commencement of measures in the Local Audit and Accountability Act 2014, including the closure of the Audit Commission on 31 March 2015.

The Department for Communities and Local Government accounting officer is the lead accounting officer for local authorities. The local government system statement therefore covers the core accountability system for local authorities, which is concerned with issues such as their financial management and democratic accountability.

Departments which oversee other services run by local government have published statements in relation to these services. The main additional systems cover [education and children's services](#) (Department for Education), [adult social care and public health](#) (Department of Health), [transport](#) (Department for Transport), [waste](#) (Department for Environment, Food and Rural Affairs) and fire (Department for Communities and Local Government, included in this document). These statements explain any other grants transferred to local authorities, and relevant legislation and regulation in respect of those services. There is also an accountability system statement from this Department relating to the funding transferred to the [Greater London Authority](#), which has arrangements which are in some respects unique when compared to other authorities.

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<sup>1</sup> In updated [Annex 3.1](#).

# Accounting Officer Accountability System Statement for Local Government

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 Revenue Support Grant, which the department manages on behalf of government. Revenue Support Grant is the second largest grant made to local authorities by central government. It supports delivery of their core services.<sup>2</sup> 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 in practice, 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
  - the sources of information available to me on whether the system is effective
5. The system statement is a living document. It will be updated as government policy changes as necessary to ensure it remains substantively correct. For example, this statement reflects the changes that have resulted from the commencement of measures in the Local Audit and Accountability Act 2014.
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 published on the relevant department's website.

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<sup>2</sup> 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

7. The main additional systems cover [education and children's services](#) (Department for Education), [adult social care and public health](#) (Department of Health), [transport](#) (Department for Transport), [waste](#) (Department for Environment, Food and Rural Affairs) and fire (Department for Communities and Local Government, included in this document). *Annex A* details the relationships between departments and service specific statements. There is also an accountability system statement from this Department relating to the funding transferred to the [Greater London Authority](#), which has arrangements which are in some respects unique when compared to other authorities, and in relation to local growth.
8. There is 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 accounting officer 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 amounted to around £13.7 billion in 2014-15, of which £12.7 billion was paid to local government to support the delivery of councils' 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 £2.3 billion to local government in 2013-14 to support the implementation of departmental priorities such as housing and planning.
10. I am also accountable for the framework that determines the sums payable to and from local authorities under business rates retention which came into effect in April 2013, and for those funds from business rates which pass through Government accounts.
11. I am directly accountable for ensuring regularity, propriety and value for money in the distribution of resources from these budgets to local authorities, and for the framework which determines the sums payable under business rate retention. 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.
12. 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.

13. I am accountable for maintaining the system, and will publish highlights of how the system has worked over the previous year in my Department's Annual Report and Accounts Governance Statement. Should I be concerned that the system is failing to provide me with the necessary assurances, I will make the appropriate recommendations for change to Ministers.
14. Councils are accountable to their electorate for the spending decisions that they make. Where other government departments have placed additional accountability arrangements on local government services, those departments are accountable for the functioning of those additional accountability systems.

## How the core accountability system for local government works

15. Local authorities are established in statute, with their responsibilities largely set out through a framework of legal duties. Councils are subject to more than 1200<sup>3</sup> 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

16. I am directly accountable for the distribution of resources from Local Government Departmental Expenditure Limit to local authorities, amounting to £12.7 billion in 2014-15. These resources are distributed to local government through Revenue Support Grant and according to a formula which takes into account the population and profile of the recipient local authority.
17. I am also accountable for the distribution of business rates. Since April 2013, the Government has allowed the local authority sector to retain 50 per cent of business rates revenue and the growth on their share to incentivise them to promote economic growth. When the scheme began, a fair and stable point (baseline) was set to reflect the amount of business rates they were expected to collect compared to their level of need. This allowed for appropriate distribution between areas that can collect high and low levels of business rates from their communities. The scheme provides significant protection from business rates volatility by ensuring that no local authority's income will drop below 92.5 per cent of its baseline funding level. However, authorities facing the highest demand for services still receive substantially more funding per dwelling.

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<sup>3</sup> A list of these duties is available at: <https://www.gov.uk/government/publications/review-of-local-government-statutory-duties-summary-of-responses--2>

18. 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 or February. The formula and results are published on the Department for Communities and Local Government website.<sup>4</sup>
19. 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.
20. The majority of funding to local authorities from the Local Government and the Department for Communities and Local Government Departmental Expenditure Limit, including all current revenue funding, is distributed by unringfenced grant.<sup>5</sup> This means that 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.
21. The majority of central funding for local government is unringfenced. The two major exceptions are schools funding and Public Health grant. 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 of 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](#) and [Department of Health](#) set out the relevant arrangements for schools funding and the new Public Health grants in their respective accountability system statements.

## **Ensuring regularity and propriety at the local level**

22. 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
23. 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

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<sup>4</sup> [Local Government Finance Settlement: England, 2015 to 2016, DCLG](#)

<sup>5</sup> The department still pays a small number of ringfenced grants. Decent homes funding will be given as a ringfenced grant for the duration of the Spending Review.

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, and the Localism Act 2011 (“the 2011 Act”), which allows councils to return to the committee system form of governance. For 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. For councils that 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. The council must make it clear in standing orders how and by whom decisions will be taken. Also under these regulations, the Secretary of State could, by regulation, provide that certain matters are reserved for the full council to decide.

24. 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 authority<sup>6</sup> shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers [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. This role is complemented and reinforced by authorities’ duty under section 5 of the Local Government and Housing Act 1989 to appoint a monitoring officer, who must report to the council when any proposal, decision or omission is likely to lead to contravention of any enactment, rule of law or statutory code. Legislation therefore sets the standards councils must meet and provides an internal check that they have been met. The main duties set out in legislation are summarised in the paragraphs below.<sup>7</sup>
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

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<sup>6</sup> 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.

<sup>7</sup> Controls for parish councils are different in certain respects from those described here which apply to principal councils.

Government Act 2003, section 15) 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 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 28 and 31 of the Local Audit and Accountability Act 2014). 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 4 of the Local Audit and Accountability Act 2014 (the Act). The auditor is required to give an opinion on the truth and fairness 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, in the use of resources and that all statutory provisions relating to the accounts have been complied with (section 20). In addition, the auditor is under a duty to "make a report in the public interest" if necessary (under section 24 – Schedule 7 of the Act). Any public interest report must be considered by the full council within one month of receipt (section 24 – Schedule 7 of the Act). All of this information should be in the public domain. The local auditor is required to send a copy of the report to the Secretary of State.
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 22 of the Act). Audited bodies are required to co-operate with their appointed auditor.
30. Under section 31 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 closed the Audit Commission on 31 March 2015 and has established a new framework for local public audit. The Local Audit and Accountability Act 2014 repealed the Audit Commission Act 1998, closes the Audit Commission and set out a robust local audit framework. It has the same scope of audit and auditor duties, meaning that the changes will not reduce the value of audit from the perspective of regularity, propriety and value for money. The Act gives local bodies the freedom to appoint their own auditors from an open and competitive market and manage their own audit arrangements, with

appropriate safeguards in place to ensure auditor independence, whilst ensuring a continued high standard of audit. Auditors will continue to be under a duty to consider whether they need to issue a public interest report and if they do, the local body will need to publish that report and it will be sent to the Secretary of State. The Financial Reporting Council and professional bodies will oversee the new audit framework, mirroring the regulatory roles within the companies sector. The National Audit Office will produce the code of audit practice and supporting guidance, and also enhance its existing programme of value for money examinations, to undertake a small number of studies which more explicitly take in local delivery.

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 consider the concern as part of their audit of the council. 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 ‘prescribed person’, which in the case of issues associated with value for money, fraud and corruption in local government was the Audit Commission (until 31 March 2015) and/or the appointed auditor (Public Interest Disclosure Order 2014). See [Blowing the Whistle: list of prescribed people and bodies](#). The Comptroller and Auditor General will become the prescribed person for disclosures in respect of local bodies from 1 April 2015.
33. As part of the new framework for local public audit, the Department for Communities and Local Government has made provisions that will ensure auditors remain prescribed persons and continue to be able to receive protected disclosures. Councils are strongly recommended to have whistleblowing arrangements in place as recommended in the Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives *Delivering Good Governance in Local Government: Framework* (2007).<sup>8</sup>
34. Also relevant to regularity and propriety, transparency arrangements have been covered in the value for money section below (paragraph 49 onwards).

## **Achieving value for money at the local level**

35. 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.

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<sup>8</sup> 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.

- *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.

36. Local authority functions include the provision of a broad range of services covering the main areas of local government 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.
37. 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.
38. There is no requirement on councils to have a single framework setting out value for money targets or indicators<sup>9</sup>. 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.
39. 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.
40. 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.

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<sup>9</sup> The statutory duty to prepare a Sustainable Community Strategy is being withdrawn through the Draft Deregulation Bill, published for pre-legislative scrutiny - <https://www.gov.uk/government/publications/draft-deregulation-bill>

41. 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*<sup>10</sup> (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.

42. 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 2014/15*<sup>11</sup> 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 “proper practice” which local authorities must follow.<sup>12</sup> In 2012, the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives amended their example governance statement for local authorities to explicitly include compliance with the principles of the Chief Finance Officer statement.<sup>13</sup>

43. 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 Department for Communities and Local Government allocated £26 million in 2014-15 to Local Government Improvement and 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

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<sup>10</sup> [CIPFA: The role of the chief financial officer in Local Government](#)

<sup>11</sup> [CIPFA/LASAAC: The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15](#)

<sup>12</sup> 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

<sup>13</sup> [CIPFA/SOLACE: Delivering Good Governance in Local Government: Framework \(Addendum\)](#)

also relevant to preventing any council from getting into serious difficulties – see the following section on *How the system responds to failure*).

44. 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 arrangements 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.
45. 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.
46. As well as individuals, local groups can challenge the council on its service delivery. A voluntary or community body, a charity or a parish council can exercise the “community right to challenge” created under the Localism Act 2011 and subsequent regulations. Groups need to submit a written expression of interest. Local authorities must consider and respond to expressions of interest which, if accepted, will trigger a procurement exercise for that service. The interested group will then take part in the procurement exercise, alongside others. This opportunity to challenge provides a mechanism for improving local services which may be underperforming.
47. Audit provides an important 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 20, Local Audit and Accountability Act 2014).
48. 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.
49. The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 introduce greater transparency and openness into meetings of council’s executive, its committees and sub-committees.

They replace the '2000 regulations'<sup>14</sup>, and to a large extent mirror its provisions but with certain changes that establish a clear presumption that meetings of a cabinet, its committees and sub-committees must be open to the public except in limited defined circumstances. Under these 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.

50. Similarly, greater transparency and openness have been introduced to the meetings of a full council, its committees, sub-committees and joint committees through the Openness of Local Government Bodies Regulations 2014 (the 2014 Regulations). Members of the public, including journalists, now have the rights to film, photograph or make sound recordings of proceedings at their public meetings; thus enabling those who are not present at the meetings to know how decisions are made. Certain decisions taken by officers under general or specific powers delegated by the council or its committees, subcommittees and joint committees must be recorded and published as soon as practicable, and it is an offence for an officer of a council to withhold documents or prevent a member of the public from inspecting them.
51. Regarding the publication of data, the Department for Communities and Local Government published the *Local Government Transparency Code 2014* in October 2014. The code sets out the minimum data that local authorities should be publishing, the frequency it should be published and how it should be published which 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.
52. Part 2 of the Local Government Transparency Code is mandatory, and local authorities now have a duty to comply.
53. In addition to the requirements of the Local Government 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

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<sup>14</sup> The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2000

authority in relation to pay and reward of staff must reflect its current pay policy. Relevant local authorities are also required by Accounts and Audit (England) Regulations 2011 to publish details of senior remuneration in annual statement of accounts.

54. It is for local authorities to publish data that will allow citizens to easily compare local performance and spend data. In November 2013, the Local Government Association made the sector's own online tool for comparable data, *LG Inform* publicly available. The public can use it to build their own reports, compare the performance in one local authority area against that of neighbours or other comparator groups. The LG Inform database includes a wide range of datasets that government collects as shown on the Single Data List, as well as other metrics collected by councils. 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.
55. 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.
56. 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.
57. 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

58. 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.
  - 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.
59. 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/>
60. 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.
61. 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.
62. 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 corporate governance peer challenge teams to support councils facing challenges.
63. 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. Information sharing arrangements are 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 meets 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. Alongside this, the Department for Communities and Local Government's "Localities" arrangements - where all the senior civil servants in the department are twinned with one or more councils - offer senior level engagement with each Local Authority area. That arrangement is separate from performance considerations and focuses largely on policy and implementation. However, information from that arrangement is shared where appropriate.

64. 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 section 10 of the Local Government Act 1999 (as amended by Schedule 10 of the Local Audit and Accountability Act 2014). This gives the Secretary of State the power to appoint a person to undertake a corporate governance investigation.
65. If a council was still unwilling to engage with the Local Government Association in light of the evidence gathered after an investigation, under section 15 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.
66. Though intervention in a local authority is rare, the Department for Communities and Local Government has experience of doing this where necessary. In 2010, the Department intervened at Doncaster, putting in place three Commissioners to run the council. This intervention ended in 2014, after Commissioners reported significant improvement by the local authority. More recently, the Department has sent in Commissioners to Tower Hamlets and Rotherham. This demonstrates that the Department is prepared to use intervention powers to safeguard public money where necessary.

## Information for the Accounting Officer

67. As Accounting Officer, I need to know that the system I have set out is working and whether changes are needed, and will receive annual advice from the Department about this (see paragraph 13). I have a range of sources of information available to me which enable me to have an overview of the system, as follows:
  - *close links between the department and individual local authorities.* I meet personally on a regular basis with key figures from the local government sector. This direct contact is also maintained through the department's Localities Leads, where all the senior civil servants in the department are twinned with one or more councils.
  - *links to national organisations and availability of policy reports.* The department is well connected to national organisations such as the Local Government Association, and think tanks which write reports on the challenges facing the sector. The Audit Commission currently conducts research about local

authorities. In the future, the National Audit Office will carry out a small number of value for money studies.

- *regulators*. Audit will be regulated by the Financial Reporting Council and professional bodies will oversee the new audit framework, mirroring the regulatory roles within the companies audit sector [following the closure of the Audit Commission]. In other department's system statements, Ofsted and the Care Quality Commission play a key role in regulating adult and children's social care and safeguarding.
- *sector led improvement* – while this is clearly the responsibility of the sector, the department has committed to share information with the Local Government Association and with other departments.
- *transparent data* on a wide range of council services.
- *direct contact by councils*: authorities that wish to use such flexibilities as the department's order making powers or capitalisation will contact the department directly.

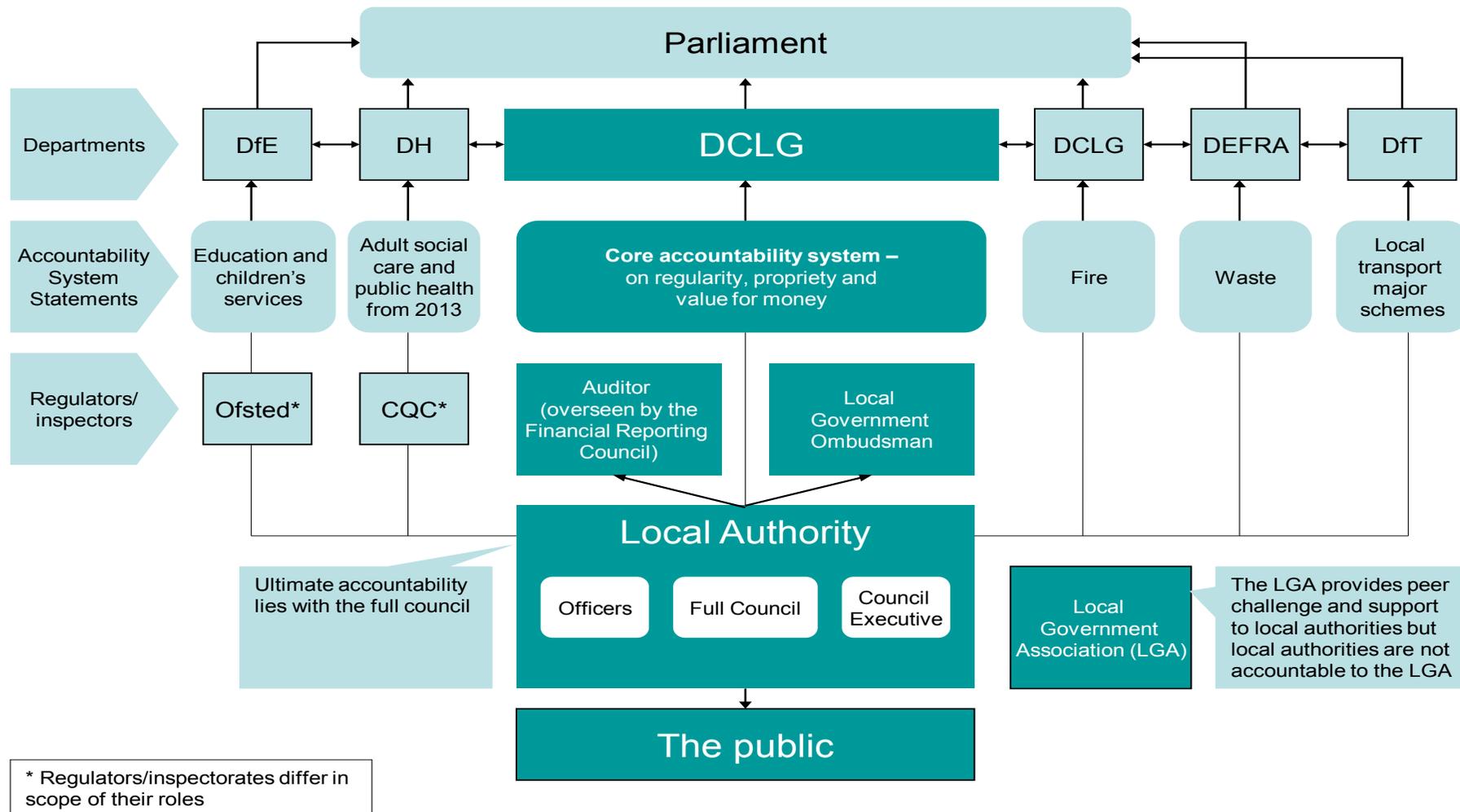
68. Taken together, these sources provide me with assurance that the system is working. The combination of all of these sources of information above mean that the department is well placed to understand whether the system requires any changes, and would have the information to know whether intervention by the Department was needed as a last resort.

## Conclusion

69. 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.

**Melanie Dawes**

Diagram showing the accountability system statements relevant to local government and the main organisations involved in them



# Accounting Officer Accountability System Statement for Fire and Rescue Authorities

## Introduction

This document sets out the accountability system for fire and rescue authorities for the financial year 2014-15. It has been signed off by Melanie Dawes as Accounting Officer for the Department 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 as necessary to keep it substantively up to date.

### Fire and rescue authorities

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. The differences are set out here.
3. The system statement is a living document. It will be updated as government policy changes.

### Scope of accounting officer 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 2014-15 single-purpose fire and rescue authorities (outside London) received £1,461 million of revenue spending power. Single-purpose fire and rescue authorities (outside London) will receive £1,417 million of revenue spending power under the 2015-16 settlement, of which 48% (£680 million) is revenue support grant and business rates baseline, with further substantive funding to be supplied through council tax.<sup>15</sup>

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<sup>15</sup> Budgeted Net Current Expenditure for Fire and Rescue Services in 2014-15 was £2,123 million. For single purpose fire authorities this figure was £1,391 million, of which £418 million was funded through Revenue Support Grant and £326 million funded through Retained Business Rates income. The latest outturn figures available are for 2013-14, and show total Net Current Expenditure for Fire and Rescue Services of £2,089 million, of which £1,311 million was for single purpose fire authorities.

5. I am also responsible for the budget to deliver Department-specific fire and rescue programmes which amount to approximately £32.6 million revenue funding in 2014-15, excluding Private Finance Initiative; and capital grant funding of £70 million. In 2015-16, the budget for fire and rescue programmes will amount to approximately £32 million revenue funding, excluding Private Finance Initiative; and Fire Transformation funding of £75 million.
6. The 2015-16 final revenue funding amount for each fire and rescue authority will be dependent on the amount of business rates collected and paid to each individual fire and rescue authority by its relevant billing authorities under the new business rates retention scheme.
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 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 authorities<sup>16</sup> - 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.<sup>17</sup>

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<sup>16</sup> 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).

<sup>17</sup> There is an accountability system statement from this Department relating to the funding transferred to the [Greater London Authority](#), which has arrangements which are in some respects unique when compared to other authorities.

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 National Framework for England 2012*.
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 Fire and Rescue National Framework for England sets out the Government's priorities and objectives for English 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.

### **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 share of business rates from relevant billing authorities in their area, a small levy on council tax, and locally generated income (e.g. fees from certain activities, such as training).
14. In April 2013, the Government reformed the way in which local government is funded through the introduction of the business rates retention scheme. The local government sector (local authorities and fire and rescue authorities) are now able to benefit directly from supporting local business growth by keeping half of any increases in business rates revenue to invest in local services.
15. The methodology was designed to provide a fair and stable starting point at the beginning of the Business Rates Retention Scheme. The emphasis has now shifted towards incentivising growth in business rates, allowing authorities to benefit from this. However, authorities facing the highest demand for services still receive substantially more funding per dwelling.
16. In order to provide two-tier counties (i.e. those with lower tier councils) and fire authorities with significant protection from business rates volatility, the Government has set the major precepting shares so that all two-tier county councils and all single purpose fire and rescue authorities are top-up authorities. No authority receiving a top-up payment will be required to make a levy payment.
17. The safety net threshold will ensure that no local authority's income within the business rates retention scheme will drop below 92.5 per cent of its baseline funding level.

18. As part of the business rates retention scheme, local authorities may be designated as pools and therefore treated as a single authority for the purpose of certain calculations under the new scheme. This will give them scope to potentially generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area. In 2014-15, there are 18 business rate pools which include some fire and rescue authorities.
19. Single purpose fire and rescue authorities outside London will receive Settlement Funding Assessment totalling £743.929 million in 2014-15 and £683.484 million in 2015-16.

### **Ensuring regularity and propriety at the local level**

20. 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.
21. 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.<sup>18</sup> 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**

22. 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.
23. The *Accounts and Audit (England) Regulations 2011* already require all authorities (including fire and rescue authorities) to publish their financial statements. The *Local*

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<sup>18</sup> 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*.

*Government Transparency Code 2014* recommends that they also publish online details of all their expenditure over £500. All fire and rescue authorities have now done this. The Transparency Code was issued to meet the Government's desire to place more power into citizens' hands to increase democratic accountability, make it easier for local people to contribute to the local decision making process and help shape public services.

24. Each fire and rescue authority must meet the requirements set out in the Fire and rescue national framework for England (July 2012)<sup>19</sup> on accountability and accessing comparable data.

## How the system responds to failure

25. 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.
26. 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.
27. 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 of any evidence of failure. The current protocol for these purposes is *Protocol on Government Intervention Action on Fire and Rescue Authorities in England*, produced in 2013.

## Conclusion

28. 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. The key elements are legal controls and democratic accountability to local people. In addition to the general requirements on local authorities, there are additional arrangements in place to ensure authorities carry out their national resilience functions effectively.

**Melanie Dawes**

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<sup>19</sup> Chapter 2 of the Fire and Rescue National Framework for England, published July 2012,