

Increased opportunities for corruption plus reduced accountability equals a dangerous recipe for local government

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*A report released today by Transparency International UK highlights increased opportunities for corruption and reduced accountability for local authorities. **Nick Maxwell** examines the legislative and policy changes that are contributing to the increased risks of corruption, and argues for the consideration of corrective and preventative policy measures.*



Today, Transparency International UK publishes our latest report “[Corruption in UK Local Government: The Mounting Risks](#)”. The report reviews corruption risks facing local government and provides an assessment of the effect of a number of legislative and policy changes on those risks. Our report finds no conclusive evidence that there is widespread corruption in local government at present – however, the corruption risks are assessed to be significant and are mounting as a result of recent changes, principally those in the [Localism Act](#) and proposed in the [Local Audit and Accountability Bill](#). The research indicates that there is an opportunity for corrective and preventative policy measures in the short term, before a corruption problem escalates in the medium to long term.

Corruption is a notoriously difficult crime to measure. Criminals (including business people and officials who engage in corruption) typically go to great lengths to conceal their activity. Corruption often involves the very people who are entrusted to make decisions with discretion, who are able to restrict information about their activity, and who are able to limit the opportunity for accountability for their actions.

Perception surveys are often – perhaps too often – used as a proxy for an indication of the scale of the crime. Transparency International produces a range of [international perception surveys of corruption](#). Specifically in the UK, our perception surveys indicated that there might be a problem with corruption in local government. In 2011, a Transparency International-UK [survey](#) found that 47% of people polled felt that UK local government was affected by corruption.

Partly as a result of this survey data, Transparency International commissioned this latest report into local government. The research methodology relies on thorough analysis of corruption risks, derived through expert interview and by deconstructing case studies, and it enables an assessment of what recent changes to the policy environment imply for those risks. Such an approach would never yield comprehensive information about the scale of corruption occurring, but it does provide an understanding of weaknesses in the system and whether the situation is deteriorating or improving.

At a theoretical level, the research and our assessment hinges on [Robert Klitgaard’s ‘Controlling Corruption’ model](#) – i.e. the model that corruption is most likely to occur in conditions where public officials have the opportunity to exercise discretion in a decision-making process or are the sole person responsible for a particular decision (they have discretionary and monopoly power), and when they perceive that their misconduct will not be detected or punished (there is a lack of accountability).

The government has, since its formation in 2010, pursued a ‘localism agenda’. The previous government’s central standards framework was regarded by the new administration as an excessive and bureaucratic dampener on healthy local democracy. From August 2010, the Secretary of State for Communities & Local Government announced plans to disband the Audit Commission, transfer the work of the Audit Commission’s in-house practice into the private sector, put in place a new local audit framework, abolish the Standard Board regime and hand

responsibility for ethical standards back to local authorities. The resulting Localism Act received Royal Assent in 2012. The Local Audit and Accountability Bill will finalise the reform process and is currently before Parliament.

Local Government presents clear opportunities for unethical officials and elected members to exploit public trust for private gain. Local public officials enjoy considerable discretionary powers over public services such as health, education, housing, land, water and sewage. According to some estimates, public sector outsourcing alone could be worth £101bn by 2014-15.

In terms of significant examples, this report sets out historical cases of:

- Bribery in local government, such as in the case of a councillor in the West Country who was recorded making claims that he could obtain planning permission in return for payment;
- Collusion, such as the construction contracts bid-rigging scandal in local government after which the Office of Fair Trading (OFT) issued penalties to 103 companies worth a total of £129.5 million;
- Conflicts of interest, such as that of former leader of Lincolnshire County Council who sought to influence the route of a new bypass so as to divert it through his own land for financial benefit;
- Corruption-related fraud, such as the case of the head of energy procurement for the Local Authority South east Region, who defrauded over 120 local authorities at a personal gain of around £400,000;
- electoral corruption, such as the in the 2004 Birmingham local elections, when over 1,500 votes cast were subsequently identified as fraudulent.

The inherent corruption risks in local government relate to procedures for awarding public contracts and overseeing their implementation, as well as to new risks arising from the growing tendency to outsource service provision and the transfer of personnel between public and private roles that this entails. Planning decisions remain highly discretionary and are vulnerable to corruption in several areas. Councillors and officers have opportunities to collude in social housing fraud, and the new system of individual electoral registration will bring new opportunities for corruption.

In the report, we identify twelve areas where there is an inherent substantial risk that corruption will occur because individuals have excessive discretionary or monopoly power and sixteen areas where accountability structures have been weakened as a result of recent and ongoing reforms. Transparency International's wider research in the public sector indicates that among the key determinants of effectiveness in countering corruption are:

- A clear tone from the top and supportive institutional environment;
- Ownership and clear assigning of responsibilities;
- effective assessment of corruption risks;
- The independence of the units or authorities whose duty is to prevent or investigate corruption;
- A supportive legal environment;
- visible and effective whistleblowing mechanisms;
- The institutional will to mount effective investigation and prosecution of corruption;
- Strong sanctions implemented against those who are caught – both legal and other;
- A commitment to transparency.

However, the recent and proposed changes fundamentally erode the powers and independence of the bodies responsible for monitoring conduct. By doing so, they reduce our ability to deter, detect and punish misconduct. It will be much harder to hold officers and councillors to account in future because the government is abolishing the Audit Commission, and has replaced its broad responsibilities for public audit with a requirement for local authorities to contract out external audit to private providers. In addition, it has proposed removing statutory employment protection for key council officers in safeguard roles.

The government has also abolished the Standards Board regime, removed the statutory requirement for councils to have standards committees, and ended local authorities' power to suspend members as a sanction for poor

behaviour. The changes apply largely to England, but the wider policy messages are applicable across the UK. Under the new standards and audit frameworks, corruption is likely to increase while policy makers, the public and police will likely have much less information about how and where corruption is occurring in local government.

The effect of the changes has been to create a situation in which corruption could thrive. Our intention is for this research to stimulate more debate and policy awareness of the corruption risks, so that this difficult to measure or quantify problem can be better understood and the risks mitigated. The lesson Transparency International has learnt across the world is that it is better to take notice of emerging risks of corruption and to act early, because once corruption takes root it can be very hard to eradicate.

Note: This article gives the views of the author, and not the position of the British Politics and Policy blog, nor of the London School of Economics. Please read our [comments policy](#) before posting.

About the Author

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