



COUNTING THE PENNIES

Increasing transparency in
the UK's public finances

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As the UK chapter of **Transparency International**, we stand together with colleagues in over 100 countries to demand an end to corruption at home and abroad.

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Counting the pennies: increasing transparency in the UK's public finances

Research Paper

Summary

The UK has, in theory, one of the most open governments in the world when it comes to publishing data on public contracts and transactions. This should help detect and deter corruption, ensure the public sector secures value for money and give small companies better access to public contracts. However, the system is not working properly in practice. This paper analyses the major stumbling blocks to greater public finance transparency, reveals key areas for improvement and makes three recommendations for change that would help make this important initiative a success.

Our research

This paper is based on interviews with experts on public finance transparency, a user testing hackathon with students from the University of Sussex's Centre for the Study of Corruption, and analysis from Spend Network – a company that uses open spending data to create new insights for government and its suppliers.

Key statistics¹

£2.312 trillion

the value of transactions made public by local authorities and central government between 2011 and 2015

35%

the proportion of contracts awarded where it is not clear who the supplier is

81,057

the total number of different ways transaction data has been structured by public bodies, making it difficult to use

0.75%

the proportion of transactions that contain company registration numbers, which allow you to identify the exact supplier

94

the number of contracts that are reported to have been completed before they were awarded, according to published data

¹ Unless specified otherwise, all data in this paper is produced by Spend Network and covers the period 2011 to 2015 for all central government and local government bodies.

Introduction

Successive governments have made open data a priority and more recently this has included an emphasis on public finance disclosures. Since 2010, public bodies in both central and local government have been encouraged to publish the details of certain financial information on a regular basis. From 2015, this has been a mandatory requirement.

As a result of this initiative, there are now millions of records of tenders, contracts and transactions spanning the last five years that had hitherto been undisclosed to the outside world. Across central and local government, this covers over £2.312 trillion worth of transactions, and for local government in England alone, there are almost 63 million individual lines of data on items of spending. According to the latest Open Data Index, this initiative helps put the UK in the top tier for publishing tender and transaction level data about public finances.²

These efforts to increase transparency about public finances can only be welcomed. Public procurement is internationally recognised as a corruption risk and is included under Article 9 of the UN Convention Against Corruption.³ Providing greater scrutiny over this process can help detect and deter attempts to abuse entrusted power for private gain in the UK. There are also several other benefits of public finance transparency beyond fighting corruption. These include helping the public sector as a whole understand who it does business with and increasing value for money in procurement, providing the private sector with more insights into potential business opportunities, and giving greater information to citizens about how public bodies spend taxpayers' money.

This may lead many to conclude that the UK's job is done and that it should hold itself up as a model for other countries to follow. However, our research has found there are still a number of issues with how the government's framework for public finance transparency is implemented in practice. If unchecked, these could fundamentally undermine the utility of this initiative.

For both the layperson and expert the data are relatively inaccessible, with there being no single location where it can be accessed. The data often contains inaccuracies, anomalies and omissions. A lack of standardisation in how the data are published also means that in-depth analysis is inhibited, and the level of detail and contextual information provided undermines the meaningfulness of this resource. And not every citizen has the time or skills necessary to analyse and interpret the data as it is being published in its current form.

The UK Government has announced a number of important commitments that could help the UK make progress on improving the quality of public finance data. This includes rolling-out open contracting – the new gold standard for procurement transparency – across central government and engaging data users in how to improve the management, use and availability of public data. These pledges are timely, but also show an implicit acknowledgement that there is still work to be done before the UK can truly say its finances are the most transparent in the world.

² <http://index.okfn.org/place/> [Accessed 10 June 2016]

³ https://www.unodc.org/documents/treaties/UNCAC/Publications/Convention/08-50026_E.pdf [Accessed 10 June 2016]

Public finance data has the potential to...

Detect and deter corrupt behaviour

There is growing recognition that open data can help in the fight against corruption. Transparency International UK's 2015 research identified that it has the potential to detect and deter corrupt practices, especially lobbying abuses and undeclared conflicts of interest.⁴ Global Witness and OpenCorporates have used open data to highlight corruption in the jade trade in Myanmar.⁵ The G20's anti-corruption working group has published a set of principles that recognise how open public finance data can help detect and deter illegal and ethically questionable practices.⁶ And financial transparency more generally has been proposed as a solution for various issues ranging from corruption in football⁷ through to corruption in Slovakian⁸ and Hungarian public procurement.⁹

Increase public understanding about what taxpayer's money is spent on

Greater openness about budgets,¹⁰ the procurement process¹¹ and public expenditure¹² can help increase the accountability of public institutions and officials. It allows citizens to see how public bodies prioritise their spending, how public contracts are contested and where the money finally goes. This can then help inform their input into formal oversight mechanisms, such as public audit processes, Parliamentary committees and voting at elections.



Increase value for money in public sector procurement

There are significant potential benefits to public administration if the quality of procurement and transaction data is improved. Lord Carter's recent report into NHS productivity and performance highlighted how better analysis of transaction data could potentially save the health service £500million on basic products, such as examination gloves and disposable aprons.¹³ Prescribing Analytics – a group of doctors, academics, and tech start-ups – found that the NHS could also save £27million a month by switching from

⁴ Transparency International UK, *How open data can help tackle corruption* (June 2015)

<http://www.transparency.org.uk/publications/how-open-data-can-help-tackle-corruption-policy-paper/>

⁵ <https://www.globalwitness.org/jade-story/> [Accessed 10 June 2016]

⁶ <http://www.g20.utoronto.ca/2015/G20-Anti-Corruption-Open-Data-Principles.pdf> [Accessed 10 June 2016]

⁷ <https://theodi.org/blog/fifa-open-data-tackle-corruption-save-football> [Accessed 10 June 2016]

⁸ Transparency International Slovakia, *Not in force until published online* (May 2015) <http://www.transparency.sk/wp-content/uploads/2015/05/Open-Contracts.pdf>

⁹ <http://www.redflags.eu/> [Accessed 24 June 2016]

¹⁰ <http://www.internationalbudget.org/data-evidence/case-studies/> [Accessed 10 June 2016]

¹¹ <http://www.open-contracting.org/2015/07/23/the-impact-of-open-contracting-data/> [Accessed 10 June 2016]

¹² <https://okfn.org/about/our-impact/impact-case-study-7-openspending/> [Accessed 10 June 2016]

¹³ Lord Carter of Coles, *Operational productivity and performance in English NHS acute hospitals* (February 2016) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/499229/Operational_productivity_A.pdf

branded to generic statins, a drug that lowers cholesterol.¹⁴ And the Institute for Government and Spend Network have highlighted how analysis of public contracts can help the public sector understand who it does business with and could help drive value for money.¹⁵

Provide greater information for businesses tendering for public contracts

Greater procurement transparency could help companies seeking business with the public sector by providing them with more information about opportunities and rates being paid. The former Prime Minister's advisor on small businesses, Lord Young, has highlighted how Contracts Finder could help smaller and medium-sized businesses gain greater access to public sector contracts.¹⁶

...however this is currently difficult because of...

Poor quality data

Despite the UK Government's effort to promote greater transparency in public finances, there are still significant issues with the quality of the data that is being published.

Accessibility

There are at least 333 public bodies publishing transaction data over 318 websites. This makes it time-consuming to collate on a regular basis and raises questions about the function of the UK Government's data publishing platform, data.gov.uk. Ian Makgill, Managing Director, Spend Network said of data.gov.uk **"We barely use it [data.gov.uk]. I hardly ever use it. I think of the 300 plus scrapers we've got set about eight of them scrape to data.gov"**.

There are also problems with the timeliness of disclosures, with many public bodies publishing transaction data late. This is recognised in the UK Government's Commitment 9 of the 2016-18 Open Government Partnership National Action Plan.¹⁷ Spend Network estimates that **around 40 to 50 per cent of public bodies publish transaction data late** based on the bodies' own publishing regimes.

Accuracy

A significant amount of the transaction data that is being published appears to be redacted unnecessarily, in effect hiding the details of potentially substantial payments. As an illustration of the size of these transactions, Table 1 (below) shows the top ten largest amounts of monthly redacted payments made by ten different public bodies between 2011 and 2015. For example, **the Department for Education reported £4million of spending in a way that made it unclear where the money was going.**¹⁸ In another, **Lancashire County Council reported paying £6.9million to an unnamed PFI contractor.**

According to data from AppGov.org, a website that collates public transaction data, £512 million of transactions in one London Borough, equivalent to 52 per cent of all transactions they have published to date, were redacted so there was little information about the nature of the payments. On average, all other London Boroughs only redacted 11 per cent of their transactions.¹⁹

¹⁴ <http://www.prescribinganalytics.com/analysis> [Accessed 10 June 2016]

¹⁵ Institute for Government and Spend Network, *Government Contracting: Public data, private providers* (June 2014) p.28 http://www.instituteforgovernment.org.uk/sites/default/files/whitehall-monitor/WM_GovernmentContracting_ProvisionalData.pdf

¹⁶ Lord Young, *The report on small firms: 2010-2015* (February 2015) pp.24-27 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/402897/Lord_Young_s_enterprise_report-web_version_final.pdf

¹⁷ HM Government, *UK Open Government National Action Plan 2016-18* (May 2016) <https://www.gov.uk/government/publications/uk-open-government-national-action-plan-2016-18/uk-open-government-national-action-plan-2016-18>

¹⁸ Up to £4million of expenditure was not declared transparently, having been bundled into a line including more than £4billion transferred to the Education Funding Agency that was labelled as 'redacted'.

¹⁹ <http://www.appgov.org/apg/la/lalist3/London%20Borough> [Accessed 19/07/2016]

Table 1: Largest amounts of redacted expenditure in a single month by the top ten redacting public bodies (2011 – 2015)

Public body	Value (£)	Month / Year
Hackney London Borough Council	14,050,026	May-15
Derbyshire County Council	10,000,000	Feb-13
Nottingham City Council	10,000,000	Jun-14
Barnsley Metropolitan Borough Council	8,000,000	Jun-11
Lancashire County Council	6,978,345	Oct-13
Walsall Metropolitan Borough Council	6,227,886	Apr-11
Thurrock Borough Council	5,000,000	Dec-15
Department For Education	4,927,020	Dec-12
Southend-On-Sea Borough Council	4,719,148	Dec-11
Buckinghamshire County Council	3,795,590	Oct-12

Transactions are only supposed to be redacted under limited circumstances, for example, if releasing it would breach data protection legislation. Guidance on publishing transaction data makes it clear that the names of contractors should be published by default because it is in the public interest to do so.²⁰



Some of the data has key details missing, for example, at least **35 per cent of tender data does not include who the contract was finally awarded to**. Those collecting and analysing public finance data from across all types of public bodies have to use Freedom of Information (FOI) requests on a regular basis to clarify the details of what is being published. Between March and May 2015 alone, Spend Network had to submit 156 FOI requests to clarify or secure the release of financial disclosures by public bodies that is supposed to be released automatically. And there are also inaccuracies in the data with some basic details containing errors, for example, based on published data **94 contracts ended before they were awarded**.

²⁰ Department for Communities and Local Government, *Local Government Transparency Code 2015* (February 2015) p.8
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/408386/150227_PUBLICATION_Financial_LGTC_2015.pdf

Meaningfulness

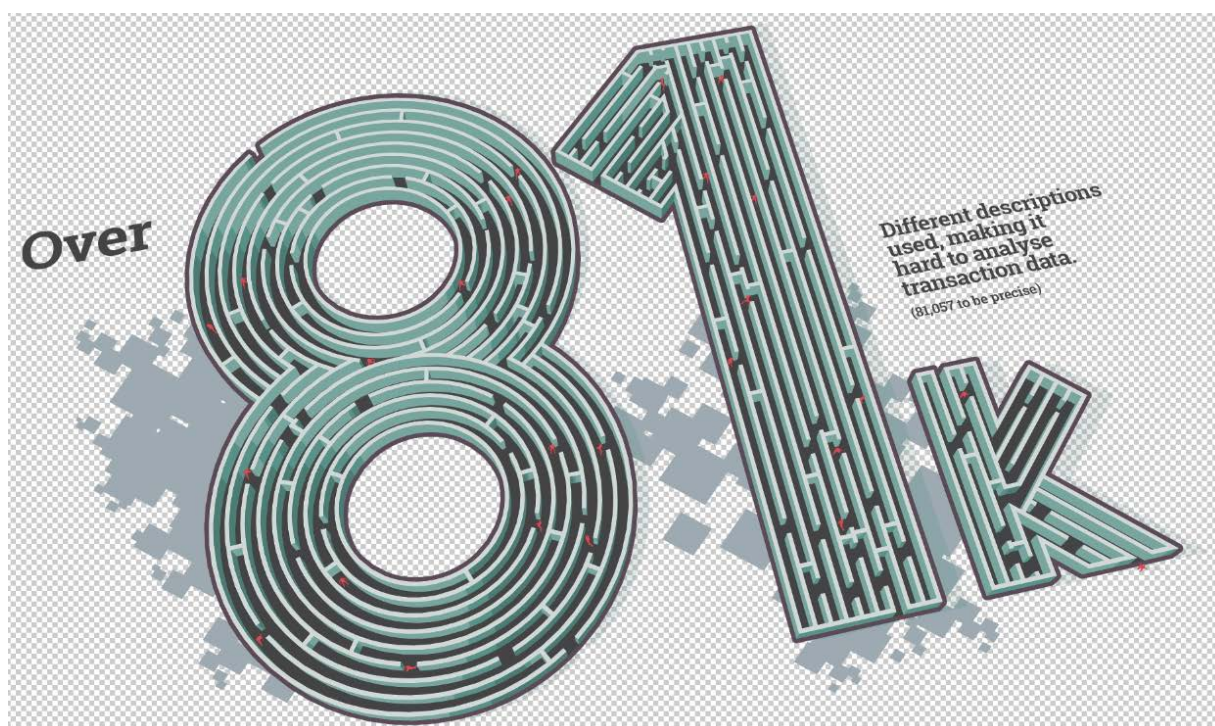
The level of detail included in the transaction data raises questions about how meaningful it is for either the layperson or the expert. Each transaction must include a description of what was purchased however the quality of these descriptions is often so low it is almost meaningless. Andrew Rowson from Data Diligence highlighted the potential scale of the issue by claiming that “sometimes 85 per cent of [lines of data] say 'any other business' or 'third party'...which isn't much use”.

According to Spend Network's data, one local authority did not publish date values in its transaction data for three years, so there was no information about when expenditure was being incurred.

Another authority did not publish any date values between 2011 and 2013. There are also transactions where the date of spending was either in the future or years in the past when the data was published.

Intelligibility

The way transaction data are published and presented makes it difficult to contextualise and understand. For example, data about each part of the spending process – tenders, contracts and transactions – are published in isolation from each other, with very little to link each part of the process. Only 0.75 per cent of transactions between 2011 and 2015 contained company recognition numbers, which allow you to identify the identity of the exact supplier. This makes it almost impossible to follow the money from inviting contractors to bid for work through to payments being made.



The way the data are presented over time also changes significantly, even within public bodies, which makes it much harder to analyse what is being spent, when and with whom. Analysis of existing transaction disclosures has identified that 81,057 different column names have been used by public authorities to describe the money they have spent. This inconsistent use of labels means you have to tidy public sector spend data before analysing it, which is unnecessarily time-consuming.

Un-published data

Feedback from users of public finance data have highlighted large gaps in some datasets, especially before mandatory standards were introduced for local government in 2015. The cause of this is unclear however it means analysts have to request missing data through the FOI process, which our research has

found can take a long time.²¹ In order to get hold of missing data, Spend Network estimate they have a qualified person who is writing 30 or 40 FOIs requests a month.

Platforms available for analysis

Publishing good quality raw data is only part of the solution, there also need to be accessible online platforms to help interested individuals to explore and analyse the data that are being published, and any related information. During our hackathon with students at the University of Sussex, we asked participants to try and link tender documents with contracts awarded and individual transactions for that contract. We then asked them to see whether they could identify basic red flags for corruption, for example, actual spending exceeding the amount in the contract. Their experiences highlight issues with the existing tools provided to do this kind of analysis. One participant said “**You can’t find malpractice with the tools that have been provided**”, whilst another summarised the issue as follows “**We’ve got different pieces of a jigsaw but don’t know how to put them together**”.

To make public finance data more accessible, there needs to be more integrated tools bringing together these various disclosures. This could include providing linked data on budgets, tenders, contracts and transactions to show the flow of money through public bodies like, for example, the Checkbook NYC portal in New York.²² It could also involve linking registers of gifts and hospitality to procurement data to highlight any potential conflicts of interest that might be held by public officials taking part in the decision-making process for awarding contracts.

Citizens’ capacity and capability

Our research confirms that not every citizen has the time or skills necessary to analyse and interpret the data that is being published. Even if they are interested in finding out what happens with their money, they might not have data analysis skills or experience of understanding public procurement processes. At our hackathon, one student summarised the mood of participants by saying “**If you’re a citizen you would simply give up [trying to use this data]**”. This is why it is important to make sure that this data is made more accessible through online interactive tools that require little or no prior knowledge or expertise.

...and there are limits to what it can do...

It might be better at deterring than detecting corruption

Our research has found that despite the uses of open data, action by law enforcement agencies still appears to be the main way in which criminal corrupt activity is exposed.²³ Open data may constrain criminals seeking to undertake certain types of activity, and transparency reporting requirements can force them to lie – which in itself may be illegal – in order to avoid reporting criminal acts. However, law enforcement investigations are likely to remain the primary means of identifying and prosecuting criminal activity, which almost by definition are clandestine in nature.

There’s only so much the public can do with the data

When individuals identify corrupt activity with open data, they often still need to report it to law enforcement agencies or other public officials, like public auditors. In order for justice to be achieved, these bodies need to be effective and responsive to the allegations they receive.²⁴

²¹ Transparency International UK, *How open is the UK Government: UK open governance scorecard results* (September 2015) <http://www.transparency.org.uk/publications/test/>

²² <http://www.checkbooknyc.com/budget/yeartype/B/year/117> [Accessed 10 June 2016]

²³ Transparency International UK, *How open data can help tackle corruption*

²⁴ International Budget Partnership et al, *Creating Incentives for Budget Accountability and Good Financial Governance Through an Ecosystem Approach* (May 2016) <http://www.internationalbudget.org/wp-content/uploads/incentives-for-accountability-through-ecosystem-approach-may-2016.pdf>

...however public finance data remains an essential part of the UK's National Information Infrastructure, so what needs to be done?

Whether it be used for tackling corruption, anti-fraud, accountability or procurement purposes, public finance open data is an essential part of the UK's National Information Infrastructure (NII). The UK Government has made a number of strong commitments to greater transparency as part of the Open Government Partnership National Action Plan for 2016-18.²⁵ These include refining its existing NII, rolling-out open contracting standards across the public sector and engaging with stakeholders on the data it publishes. These commitments are welcome however it is now imperative that government works closely with civil society, business and other key stakeholders to make sure these are implemented in practice.

Recommendations

Recommendation 1: Roll-out open contracting across the public sector

To help improve the quality of public finance data, the UK Government should roll-out the open contracting data standard across central government and then other public bodies as a matter of priority.

Recommendation 2: Engage users in open data collation and publication processes

To help ensure public sector open data meets users' needs, the UK Government and other public bodies should embed collaborative and feedback mechanisms in their open data collation and publication processes by the end of 2018.

Recommendation 3: Include more data to identify companies doing business with the public sector

To help identify which companies are doing business with the public sector, public bodies should include company recognition numbers in contract and transaction data.

²⁵ HM Government, *UK Open Government National Action Plan 2016-18*

www.transparency.org.uk