From Financial Control to Strategic Management: The Changing Faces of Accountability in British Local Government

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The 1980s were years of rapid change for local government; the old certainties were left in tatters, without a new set yet having replaced them. Despite the claims of some and the fears of others, however, the decade was not simply marked by the successful implementation of a "New Right" or "Thatcherite" policy agenda (for revisionist histories of the Thatcher era see for example, Cloke, 1992; Hills, 1989; Marsh and Rhodes, 1992). It was a transitional period, even if the direction of change sometimes remained uncertain. The ambiguity of local government's position was highlighted by the experience of the community charge or "poll tax" in the late 1980s. The restructuring of local government finance from above seemed to confirm the power of the centre, but the difficulties associated with it were significant enough to bring the resignation of an apparently invincible Prime Minister who saw the new tax as the "flagship" of her third Government's legislative programme. Far from being a passive object of restructuring, local government retained a sufficiently strong sting in its tail to give the centre a remarkable shock.

In the 1980s local government moved from a political backwater to become the focus of national debate about levels of expenditure, forms of expenditure and notions of accountability. Although the results of the debate have been inconclusive, at the start of the 1990s the position of elected local government within a more complex set of local political structures is becoming clearer. I have discussed some aspects of the emergent world of local politics and the local state elsewhere (Cochrane, 1991, 1992 and 1993). Here my concerns are rather different. The argument is focused on the ways in which elite professions have shifted their position, making new claims and accepting new roles, adjusting to, participating in and actively influencing the changes which have been taking place. This article considers the political rise of finance professionals (and of the language of accounting) until the mid 1980s and their gradual supercession by more managerialist approaches since then (frequently drawing on alternative interpretations of accountancy).

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A focus on these key figures in the local political process is particularly helpful, because their experience encapsulates, in heightened form, some of the main directions of change. They were at the eye of the storm which characterized local government and the local welfare state in the 1980s. Finance professionals in local government are important symbols of the past – of traditional approaches to fiscal rectitude and financial probity reaching back to the nineteenth century (Sowerby, 1985) – who for a brief moment also became carriers of the new in what appeared to be a powerful reshaping of their position. Now, however, their status is rather different once again. The successful spread of their language into all areas of the local state with a stress on budgeting and "value for money" means that they are everywhere and nowhere. The assumption now is that everybody can prepare a balance sheet, with a little bit of technical help. It has become the common sense of the new age, while the context for budgeting is expressed not in the narrow language of local authority treasurers, but in the more extensive claims of the new managerialism.

The Rise of Financial Control

Traditional understandings of the local authority treasurer's role emphasize its regulatory nature. They conjure up an almost Dickensian image of a rather desiccated man in a dark suit obsessed with the minutiae of bookkeeping. This figure emerged out of the darkness from time to time to resist the spending proposals of overenthusiastic service departments. Along with legal officers, treasurers were also the key protectors against undertaking spending which was *ultra vires*, legally defined as being outside the competence of local authorities. Hepworth outlines the orthodox position briefly as follows: "The accounting, financial administration and financial control system of a local authority shall be the specific responsibility of an officer – a chief financial officer – who shall maintain the integrity of the financial administration control system. In particular, the chief financial officer shall not make illegal payments" (Hepworth, 1984, p. 229). Rosenberg points out the extent to which treasurers have historically had a position which goes beyond implementing the decisions of the council which employs them. Not only have they had a responsibility to ensure that illegal payments are not made but they have also – in principle, at least – had a fiduciary duty to ensure that liabilities are not incurred for which payment cannot be made (Rosenberg, 1989, pp. 179-80). Treasurers (or chief financial officers) have traditionally been seen as obstacles to profligacy and sticklers for procedure.

Despite formally having a key role in the budgetary process, until the late 1970s the chief financial officer's political position was rarely a dominant one, because councils were presiding over large budgets which were growing incrementally (and apparently inexorably). This helps to explain the intuitive attractiveness of "incremental" theories of budgeting (Wildavsky, 1984) which stressed the importance of a series of relatively small "non-heroic" decisions in shaping overall budgets. At best the task was to allow one area to grow faster than another, but in principle it was not a period of tight control and service departments basically followed a gradual process of increase, bargaining between each other through the treasurer (see, for example, Danziger, 1978). Expenditure was rarely out of control, therefore systems were loose. Within departmental budgets overspends in one area were generally matched by underspends in others (Pendlebury, 1985, pp. 13-15), Financial pressures did not increase significantly until the mid 1970s when, in the wake of IMF intervention, Crosland announced that the party was over for local government. Even if there were still not actual reductions in overall levels of spending the context for financial management at local level began to change substantially (see, for example, Stewart, 1980).

There was a gradual shift in emphasis away from a budgetary style which was demand-led (i.e. constructed from the separate budgetary claims made by individual departments) to one which was resource-led (i.e.largely determined by the outcomes of central government's grant-setting exercise) (Elcock *et al.*,1989, pp. 13-14). At the end of the decade these pressures began to find a political expression in the appointment of finance professionals to the position of chief executive (Lomer, 1977) and in a few cases even (e.g. for a time in Birmingham) the abolition of the chief executive post and the confirmation of the treasurer as the authority's chief officer. There was a strong belief in the objectivity of financial measures and a growing commitment to tighter financial control. Rosenberg (1989, p. 181) comments that the role of chief executive was one which might relatively easily be challenged by politicians since it had no clear professional basis. As a result treasurers were often in a strong position to take over but, "It is rather unlikely that a chief executive would be able to eat into the professional components of the treasurer's role to the same extent". "The very tightness of a financial role", he insists, "its neutral professionalism, allows greater potential in resisting certain types of political input" (Rosenberg, 1989, p. 180).

If the signs were there in the 1970s, they were still more apparent in the 1980s. The first aim of the legislative and administrative changes introduced from above during the 1980s was simply to reduce levels of local authority spending as part of a broader ambition to control overall public expenditure, even if more attention seemed to be paid to council spending than to the budgets of central government departments. This was clearest in the battles of the early 1980s, which led up to ratecapping in the middle of the decade. The principal concern in this context was with overall levels of spending. Initially it seemed to have little to do with notions of efficiency or the quality of service delivery. It encouraged attempts to improve and tighten up forms of direct budgetary control and identify more effective ways of monitoring expenditure, particularly since it was often argued that existing methods had not been used as effectively as they might have been (see, for example, Pendlebury, 1985).

In the context of financial constraint, it was argued, financial controls needed to be effective. One report into problems of wastefulness and potential corruption in an inner London Borough, for example, drew attention to the need to reassert "traditional principles of local government" which it defined as "those of 'bureaucracy', 'standards of conduct', 'scrutinizability', 'accountability' and so on" (Arden, 1986, p. 290). In a powerful critique of existing practice it emphasized the need to impose "rigid financial discipline" (p. 311), arguing that "finance is central . . . both because it is a source of professionalism for reuse throughout the authority, and because without tight professionalism within it the authority are stumbling in the dark" (pp. 313-4). The report criticized a "lack of budgeting, lack of monitoring . . . lack even of authority itself, bouncing instead from crisis to crisis, short-term problems engendering short-term solutions . . . a constant vicious circle which it seems no-one has been able to break out of" (p. 15).

At first, therefore, the position seemed relatively clear: the main pressures from above were for tight financial control, which fitted in well with notions of local government finance professionals as accountants in a very narrow sense, as book-keepers counting up and making sure that there were no overspends. Treasurers were centrally involved in the "star chambers" or "sweat boxes" (Game, 1987) of senior councillors and officers set up within councils all over the country to scrutinize the spending proposals of individual departments. Although there was still a process of negotiation, the new financial constraints ensured that the area of negotiation was more tightly controlled and defined by a small financial elite which generally included the treasurer, although on occasion this role was taken by the chief executive. Spending proposals to service and other committees were increasingly accompanied by financial recommendations as a separate item, listed as the responsibility of the treasurer, i.e. in some cases explicitly questioning the proposals of others by stressing the financial implications of proceeding. The chief financial officer of one London Borough made the changed position clear: "People wander around the authority saying that morale has never been lower, but I say that it has never been higher in the Finance Directorate, because we feel that we have at last got control of you lot. When the brakes come off we lose control".

In parallel with the assault on levels of expenditure, issues of "value for money" also began to be raised, with arguments borrowed from private sector accountancy (see, for example, Butt and Palmer, 1985). The suspicion was expressed that major consultancy firms (such as Price Waterhouse, by whom Butt and Palmer were employed) were pushing the approach in order to expand the numbers of customers for their services, in part because they were facing problems in existing ones (Elcock *et al.*, 1989, p. 152). The argument became not only that levels of spending were high, but also that similar or better levels of service could be provided with lower levels of expenditure. In principle, "value for money" was, of course, a traditional responsibility of local authority treasurers but it took on a greater force and was given a more developed and specific meaning at this time (pp. 152-3). It fitted in with the agenda of central government and provided a powerful weapon in the critique of the local welfare state developed by the Government and its supporters. As Elcock *et al.* (p. 152) point out, it is "difficult to oppose the concept of value for money without seeming to defend waste and inefficiency", although in practice the emphasis of a great deal of "value for money" accounting within local government seems to have been as much about straightforward cost reduction as about the best way to deliver particular services (pp. 166-9).

The notion of accountability running through the changes of the early 1980s was a relatively straightforward one, based on a hierarchical model, expressed through forms of financial control. Because local governments were undertaking public expenditure, they were held to be accountable to those ultimately responsible for holding the purse strings – that is central government and the departments of state in Whitehall (particularly the Treasury). Local government had a responsibility (to the Exchequer) to ensure that it was efficient in undertaking the tasks delegated to it by the centre. Comparisons between councils were encouraged to show "best practice" and the Audit Commission was launched in 1982 with the aim of monitoring and improving levels of "economy, efficiency and effectiveness". The issue was no longer simply the need for effective financial control, although that remained important, but also the need to utilize financial comparisons as a key element in transforming the local welfare state, moving from bureaucratic universalism, to more "efficiently" targeted service delivery. The political controversy underlying these ambitions was to be obscured by the technically neutral – apparently bland and routine (Covaleski and Dirsmith, 1988, p. 4) – language of accounting and "value for money" (McSweeney, 1988).

The Increasing Importance of Local Authority Treasurers

The professional claims made by treasurers in this context were frequently extensive, even if they were not always realized. In a sense, the years of constraint and increased central-local conflict brought to the surface relationships which already existed and appeared to resolve tensions which had previously been left unstated. In the years of expansion, as well as those of tight control, finance officers attempted to set (and police) the financial rules according to which everybody else played the game. But the looseness of the budgetary process, the inadequacy of financial monitoring and the fact that its impact was limited made it difficult for the finance role to be much more than a formal one, to the extent that many service departments often had their own separate forms of monitoring and budget setting. It might have been acknowledged that the game was being played according to the financial rules of the treasurers, but in practice the rules were not generally taken very seriously. Now, however, the opportunity existed to make greater claims for the finance function. And greater claims were duly made.

The treasurer of one London Borough has argued, for example, that financial regulations within local authorities provide "a written set of rules with which the Chief Financial Officer can discipline his fellow Chief Officers and ensure the purity of financial administration" (Harbord, 1984, p. 178) almost as if the achievement of such a regime was one of the prime purposes of local government. As treasurers set the rules of the game, it also became clear, perhaps not surprisingly, that they were generally more interested in the "game" itself rather than its service outcomes. They expressed a sense of amused toleration at the tricks played by their colleagues in service departments, but made it clear that they saw their task as being to outsmart them. The tension between the demands of budgeting and the demands or "needs" of local "client" or "consumer" groups were not their concern. In some ways this strengthened their position at the heart of the budgeting process where they began to take on a key role in negotiations over the broad issues and the details of resource allocation, acting as mediators between interests without explicitly taking position on policy issues (Rosenberg *et al.*, 1982). Accountancy became a shared language enabling departments to communicate with each other, enabling finance professionals to operate across departments and allowing treasurers to claim that their officers were able to scrutinize behaviour across the board.

The changing national context had a major effect on the position of the treasurer in local government in other ways too. In interviews conducted in the mid 1980s it seemed universally agreed by treasurers that one of their responsibilities was to interpret the complex local government finance system for councillors and fellow officers. It was often repeated that the system was too complicated to be fully understood by the members because they were too busy with so many other things which needed their attention and because they were, by and large, not used to dealing with these kinds of arguments. In case it should be thought that this is merely another example of officers dismissing councillors too lightly, it should be stressed that treasurers took the same view of the majority of their fellow chief officers. In the case of the officers, it was not just that they were too busy, but there was an obvious element of professional rivalry present in their comments – "I would not expect to be able to run the Social Services Department, so why should I expect their Director to be able to understand the problems involved in running my department?" The overwhelming assumption was that only treasurers (and indeed often only the treasurer being interviewed at the time) understood the system.

This was an assumption which caused some distress among other chief officers who objected to being "kept in the dark", finding it "difficult to keep track" of arguments or having conversations which "were deliberately directed several feet above our heads" about likely levels of settlement. It is difficult to judge the extent to which this was a deliberate strategy, but certainly treasurers seemed to keep a tight control over information which offered them an important source of power (see also Rosenberg, 1989, Ch. 8). Paradoxically, even where attempts were made to explain the rules simply that tended to reinforce the treasurer's special position because it emphasized the importance of technical understanding. The position of chief financial officers within individual councils was reinforced by the way in which the grant system operated, since (as Jones and Stewart, 1983, argue) it encouraged politicians and chief officers to look outwards at grant levels and how to maximize them rather than at locally generated needs and demands. In practice, the size of budgets was increasingly determined by central rather than local decision making and treasurers played a major part both in manipulating local accounting practices to maximize grants and in providing advice on how the system worked. As one treasurer commented, in the process they became "poker players rather than bookkeepers".

For much of the budgetary process many authorities operated on the basis of the treasurer's "best guess" or "feel" for the likely grant settlement. Similarly, treasurers were expected to be able to judge the significance of changes in levels of targets, penalties and ratecapping levels and, despite usually having inadequate information systems, to be able to make a reasonable estimate of the final out-turn figures for the authority as a whole. Operating in a system in which one is the sole source of knowledge increases the expectation that the knowledgeable will be able to lead the unknowing safely through the dangers. Here, the two-sided role of the treasurer as financial adviser as well as agent of book-keeping control became particularly important as the belief was encouraged – particularly in councils close to ratecapping limits – that the treasurer would be able to solve problems by barely understood arcane feats of "creative accounting". At times it seemed as if councillors and many officers believed that budgets became possible because treasurers said they were and only because they said so. One treasurer was asked, while accompanying us to our seats at the back of a budget meeting in 1986, what tricks he had in store to save the authority that year and when he replied that all possible measures of "creative accounting" had already been taken, the councillor reassured him that "we can always send the books to Lourdes". The role of "miracle worker" rather than "poker player" or book-keeper had come to the fore.

The twin strategies devised to help councils through the problems of the 1980s – "value for money" accounting and creative accounting – may at first sight look like the opposite ends of the accounting (and political) spectrum, but they were utilized across councils controlled by each party and by political control and none, even if some finance officers were reluctant to use the term, simply suggesting that it was in any case "best practice" to seek to maximize potential income (see, for example, discussion in Terry, 1987). More important, both served to reinforce the authority of the professionals involved and to confirm the dominance of the discourse of public sector accountancy in local government at a time of fiscal stress. Local authority treasurers were able to expand their influence both by promoting notions of "value for money" and by taking up the possibilities of creative accounting. "Value for money" gave them the right (and almost the responsibility) to examine the spending proposals of other departments and their implementation in practice, while creative accounting gave them enhanced political credibility.

The notion of "value for money" accounting in local government is one which was readily endorsed by finance professionals. Although in practice a great deal of the activity of finance departments is concerned with financial control within agreed budgets, an underlying justification has often been to reduce waste and encourage efficient use of resources. In other words, it is not merely technical, or at any rate the techniques involved have more than technical outcomes. It is this which initially made the arguments espoused by the Audit Commission, linking economy, efficiency and effectiveness, and of writers from private sector accountancy, so attractive within the local authority finance profession, with most of the profession debate being focused on ways of reinterpreting the arguments for local government(see, for example, CIPFA, 1984). If anything, it has been suggested that this has always been the profession's ambition (see, for example, Hepworth, 1984, Ch. XII).

"Value for money" also operated as a powerful slogan, able to carry the accountancy message into other parts of local government. In the 1980s, the dominant approach to performance review was one which stressed the use of predetermined financial criteria as a means of assessing value for money, efficiency and – ultimately – effectiveness as well. Emphasis was effectively placed on internal review through finance rather than pressures from consumers or the public (Jones, 1985). At best there was an emphasis on the comparison of relative costs in delivering what are taken to be more or less standard services (for example in the Audit Commission's annual profiles which set out to group similar authorities for comparison, as well as in more targeted reports such as Audit Commission 1987 and in reports on particular services).

With creative accounting, the discourse operated in quite a different way since it explicitly undermined the notion of financial management as an "objective" methodology operating within universal rules handed down from the Chartered Institute of Public Finance and Accountancy. Instead, treasurers gained credit at local level because of the way in which they appeared to bridge the impossible gap between expenditure and income by discovering new sources of funds , more beneficial uses for old ones or – even more miraculous – creating funds out of the air simply by relabelling budgets or rescheduling debts. This reinforced the belief that there was only one true expert in the system – or in some authorities a team of experts – and this expertise was demonstrated by the annual working of the miracle. The budget then became reduced to a matter of what the treasurer could "fix" within existing rules and regulations, focusing attention on to the question "how much penalty does this decision incur?" rather than onto the policy dimensions of the decision. It sometimes appeared that the rationale for undertaking actions was that they became financially possible rather than that they were politically desirable.

Paying the Price of Success

Treasurers, their departments and the local authority accounting profession took on an increasingly visible and powerful role within local government during the 1980s. Local government finance, creative accounting and the management of tighter budgets were continuing matters of political and professional debate. It is hardly surprising that the profile of those with some claim to understanding the budgetary process and methods of financial control rose through the period. Indeed, if anything, the modesty of the roles taken on by chief finance officers in many authorities may need explaining. Rosenberg warns that despite the potential they had to increase their influence many treasurers were reluctant to use it because they feared it might involve "the reshaping of the old organizational relationship" (Rosenberg, 1989, p. 189). Nevertheless, local authority treasurers showed a genuine enthusiasm in attempting to take the message of "value for money" and financial control to the departments responsible for service delivery. They took advantage of the shifts which were taking place, both locally and nationally: the attempts to evade spending controls as well as the attempts to limit spending. As one local authority treasurer commented, if he had not been able to increase his power at a time of severe financial constraint, then he did not deserve to remain in post.

But the rise of the accountancy profession within local political elites is best understood as a transitional phenomenon. It is difficult to avoid the sense of hubris, as the grand schemes of "creative accounting" came to grief and the belief in the objective infallibility of budgets was called into question. Any hopes that it might be possible to postpone the day of financial reckoning until the return of a Labour government were dashed with the 1987 election, which brought a government still more heavily committed to reducing levels of local spending and left councils to meet the deferred costs of creative accounting on their own (see, for example, Clarke and Cochrane 1989). The chief executive of one metropolitan district (who had himself previously been county treasurer) commented that although some chief officers and politicians had accepted the confident financial statements of treasurers, in reality the situation had been changing from day to day. Once this understanding became more widely shared within local government, the belief in "objectivity" was significantly undermined and the understanding of the budget-setting process as a political "game" played with central government, as well as within local government, became ubiquitous.

The budget-making process has become increasingly ritualized; a dance with central government as much as with other parts of local government. The annual cycle begins – almost as soon as the previous year's final budget has been agreed – with the threat to services being highlighted at the start and the (partial) lifting of the threat taking place later on as grant levels become clearer. This is a time-consuming ritual as estimates are made about likely grants and other income and then departments and leaders crawl all over their own budgets, setting out to identify cuts to fit what has been predicted. One of the unexpected consequences of the poll tax policy disaster has been that the ability to generate income locally, at least through the levying of taxes, has been sharply reduced. As a result, the focus of budget-making has been on how to cope with decisions made at the centre, and attempts to generate rolling budgetary programmes over more than one year have become virtually hopeless, since income depends on annual (grant-making and tax-capping) decisions over which the budget makers have little or no control. The replacement of the poll tax with the new council tax makes no difference to this process. Frequently the year starts with a statement highlighting the gap between expected income and existing commitments, and is followed by attempts to find cuts, savings or ways of increasing charges. But these attempts are increasingly clearly also part of a political ritual. "Shroud waving" or threatening to make cuts in areas of high political prominence (Jordan, 1987, p. 20) is a tactic used externally as well as in internal debates.

It is part of a process of negotiation with central government, with the Department of the Environment, but also providing the Department of the Environment with ammunition in its own debates with the Treasury and other spending Departments. The Department of the Environment is in the rather peculiar position of acting as Treasury with respect to the councils it funds, but as a spending department in discussions within central government (Rhodes, 1986). The national organizations of local government make predictions about the overall effects of particular budgetary outcomes, noting likely reductions in service provision and pointing to likely job losses, and individual councils make their own presentations to the Secretary of State, making similar points and drawing attention to the special features of their particular situations.

At the same time the ritual is used locally to encourage negotiation over where the required cuts are finally likely to be made. Again, the impact of "shroud waving" is important, with high-profile threats being made at the start of the process, often not being realized at the end, whether because budgets turn out not to be under quite so much pressure as feared or predicted (since councils invariably start from a pessimistic, if not "worst-case", scenario), because it is possible to shave some other less noticeable areas of spending or even because charges can be raised slightly in some areas. But at a time of genuine reductions in spending, or increased demands with stagnating resources, the process may also be used to identify politically acceptable cuts. The involvement of local "citizens" in the budgeting process through consultative meetings and questionnaires (as used, for example, in Milton Keynes in 1992/93) is one way of encouraging them to highlight less popular areas, but it also makes it possible to identify areas where responses to cuts will not be universally hostile or face significant resistance from an active local interest group. This may, of course, be achieved less formally simply through listing a range of options and waiting for responses, before making final decisions. At a time when increasing amounts of local welfare state activity are being handled through other, often non-statutory, agencies this may also be a means of choosing which organizations to support and to what extent. The politics which was previously often hidden within departments or in internal negotiations between departments and senior politicians (see, for example, Glennerster, 1981) becomes more open, at the same time as becoming more symbolic.

The New Financial Common Sense

The professional role has also been undermined in rather a different way, as the methods and languages of accounting have been borrowed and reinterpreted by other departments. If we are all accountants now, it is not clear what political role is left to finance departments. In the language of the 1990s, they may even become provider or service departments rather than independent sources of authority and prestige. Already in the 1980s it was noticeable that finance officers were being appointed to senior positions within some social services departments, apparently with a double role: first so that within the department systems were set up to ensure that spending was managed "efficiently"; and second to improve the departments' ability to bargain within the broader organization. Indeed, in some cases it was argued that methods of management accounting were being introduced which could not be used in the authority as a whole, where issues of budgetary control continued to dominate (see also Pendlebury, 1985). It is now likely that new accounting rules for corporate activities will identify finance staff as service providers rather than directors of others (in the context of the contracting out of areas of white-collar work as well as the manual work which has dominated so far. See DoE, 1992). Rawlinson and Tanner (1990), themselves senior finance officers in a shire county, argue that "the 1990s will see most non-core financial management functions devolved to service departments and individual establishments . . . In our view the days of large centralized finance departments are numbered. In future the dozens or hundreds of individual establishments in each local authority will become totally accountable centres" (p. 76). Despite the hopes of the authors, the career structures associated with centralized and hierarchical finance departments to be found in each local authority are likely to be difficult to sustain if this model comes to dominate, and it is not difficult to imagine departments calling in accounting support from outside their authority.

This process of change has accelerated with the explicit recognition within legislation, White Papers and practice of the need to divide the purchaser and the provider roles. In the personal social services in the context of community care, a care manager may – as the Griffiths Report suggests (Griffiths, 1988) – need to have an understanding of financial control systems, but that is only a relatively minor and unproblematic one of the skills which are required. The proliferation of local welfare state agencies and the contracting out of service activities suggests a more mechanical (and low key) role for accountants within local government and effectively the extension of book-keeping and accounting skills within other organizations. Some of these may involve the direct purchase of skills for particular tasks (such as auditing) while in other cases they may imply the training of "laypeople" in basic skills (e.g. in preparing and managing the budgets of locally managed or grant maintained schools) but the accounting involved at all levels is likely to remain rather basic, operating within cash limits rather than pointing towards the use of more sophisticated forms of management accounting (Jones and Pendlebury, 1989, p. 23).

This can be illustrated from a consideration of moves towards the local management of schools whose implication is that schools receive funds from the local education authority on the basis of a formula whose main principles are laid down from above (see, for example, Levacic, 1993). Schools are then able to use those budgets to buy in goods and services from the authority and elsewhere. The budgets include the salaries of teachers, and may be topped up with income from other sources. Decentralization at a time of austerity has effectively shifted the responsibility for cutting back to lower levels of the hierarchy (even in terms of the imposition of redundancies). In its first phase, the impact of the local management of schools can be seen in increased competition between schools in some areas for pupils (pupil numbers is a key element in the formulae). In Inner London, where fears of closure provide a sharp incentive, leaflets have become glossier and the promises to provide discipline and impose homework have increased noticeably.

This is where notions of accountability begin to become more complex. It is hoped – or predicted – that by moving towards market forms (or surrogates for them) consumers, in this case parents, since children are rarely considered separately, will benefit. If competition between agencies takes place, then the services they provide should also improve (see, for example, Audit Commission, 1988). In the case of schools this is supposed to be reinforced by the move towards the increased involvement of parents as governors, combining democratic and market accountability, although despite some high-profile and widely reported conflicts between governors and headteachers, in practice it looks as if such moves have tended to increase the power of headteachers. The focus is shifted towards "consumers", "customers" or "users", as attempts are made to find ways of incorporating their demands or even "empowering" them.

Moves towards contracting out, the development of direct service organizations and the introduction of quasi-markets (Le Grand, 1990) have, paradoxically, encouraged the growth of alternative ways of understanding, because they have required a means of introducing conditions or specifying what should be done and how it should be done as well as how much it should cost. They have encouraged a search for other forms of consumer or user monitoring or involvement as an alternative to financial criteria, themselves seen as producer led and therefore increasingly inappropriate. One approach has been the use of opinion poll surveys on particular services, and another the issuing of contracts to users, giving them rights to complain and claim compensation. New emphases have been placed on consumer-oriented review, notions of marketing and management and attempts at the decentralization of service delivery (see, for example, Flynn, 1990, Chs. 7-9; and Gaster, 1991, who discusses decentralization in terms of service "quality"). According to one chief executive:

> The most important person in this whole exercise is not me. It is not the leader. It is not the political parties or the county treasurer or any chief officer. But there is a little man called Johnny Citizen and his wife and children out there at that bus stop. It is for them that we are in business. That is what we are here for: to provide him with services. Now, if we were in the business of making potato crisps, the person to whom we would go to see if he liked eating our potato crisps is Johnny Citizen – or more likely his kids – and not the managing director. If Johnny Citizen says I don't like your crisps because you have not got bacon flavour, we know very well from our marketing strategy that if we want to sell crisps to Johnny Citizen's children we have to have bacon-flavoured crisps. Now this sort of marketing approach is so natural and obvious to anyone in the industrial sector that you don't even bother to think about it twice. Yet somehow we have managed for years in local government without actually doing it.

The Rise of Managerialism

Meanwhile, a more explicit emphasis on the importance of management, and particularly strategic management, has also become apparent, borrowing from a different aspect of the changing private sector or business agenda. There has been a move away from the notion of local welfare state as self-sufficient provider to that of local government as "enabler" which, in principle at least, allows senior managers to have a much greater influence as well as giving them a status closer to that of the private sector managers on whom they increasingly seek to base themselves. They are offered the possibility of being at the centre of complex networks of influence (see, for example, Audit Commission, 1989). More positively, they alone, it is argued (Brooke, 1989; LGTB, 1988; Stewart, 1989), have the potential to embody the overall interests of their areas (and "communities") and so to manage the contributions of a range of agencies and interests to achieve the best possible welfare outcomes. They are the defenders of "quality assurance", with reference increasingly being made in the documents of local government to BS 5750 on quality systems. "Quality"rather than "value for money" has become the watchword for the 1990s, with an increased emphasis on the need for generalized and transferable management skills and the suggestion that equivalent (although not identical, see for example, Clarke and Stewart, 1990, and Stewart, 1992) skills are needed in the public and private sectors. The key issue is whether senior officers are "really professionals or managers". As one chief executive commented: "The Chief Engineer does not design roads any more and the Chief Fire Officer does not run up and down ladders. They are managers of resource. It may be that it helps the manager to have a professional understanding of the service he is managing", but it is not essential. On the contrary, "Look at the way that the chairmen of companies and directors move about. Michael Edwardes moved from cars to batteries – these chaps move from one thing to another, so why cannot we? You need skills which can be used to manage a business or an enterprise, whatever that is".

According to the Local Government Management Board, The Management Charter Initiative, with its stress on the identification of existing competences and the development of others, has been taken up with enthusiasm, encouraging a commitment to "total performance management " in Bolton, to "quality, equality and good management" in Coventry and to the "development of a high trust culture " in Winchester (Fennell, 1992, pp. 30-1). Senior managers in local government (and chief executives, in particular) are now able to claim a powerful role with a higher status than that of the welfare professionals they have had to manage so frustratingly since the 1960s (see, for example, Rosenberg, 1989, for a discussion of the difficulties strategic and financial managers have had in imposing their agendas on departments with rather different – and equally legitimate – professional understandings of their role).

In a sense, managerialism rather than accountancy – at least as conventionally understood within local government – has become the evangelism of the new age. It has played a crucial role in developing ways of escaping from some of the narrow (Taylorist) forms of organizational control which seemed so important to private and public sectors in the early 1980s (Pollitt, 1990). As so often in the past, the changes within local government and its organization also reflected and were justified by evidence of shifts in approach within the private sector. In attempting to respond to the perceived failure of US business in the face of challenges from overseas (particularly from Japan, but also from some parts of Europe) the US management literature began to question traditional forms of organization and their inflexibility. The old managerial styles associated with major corporations (such as General Motors, IBM and Ford) were contrasted with the successes of more dynamic (and generally smaller) firms in the service as well as manufacturing sectors. Although slightly different conclusions were drawn by the different authors who, in identifying their own market niches, presented their own particular solutions to the problems, they did –at least – all seem to agree that attempting to run business centrally through hierarchical systems of managerial control were doomed to failure (Handy, 1989; Moss Kanter, 1984; Peters, 1988; Peters and Waterman, 1982; Piore and Sabel, 1984).

There was no longer a belief in the possibility of centralized and comprehensive "rational" planning within corporate organizations. Instead, it was argued that strategic managers had the task of identifying key issues on which their organizations should focus, while ensuring that their decentralized divisions were able to respond flexibly to and create demand for their products. They needed to be in touch with the demands of consumers. This found an expression in what Hoggett describes as a "paradoxical development through which radical forms of operational decentralization become combined with the further centralization of strategic command" (1991, p, 249). There was an increased emphasis on notions of quality rather than value for money, with the argument that successful business organizations were run in ways that ensured quality, rather than in ways that emphasized retrospective scrutiny of the extent to which they achieved their financial targets. Success might, after all, be reflected in the need to reassess those targets. There was, of course, in all this no suggestion that costs were unimportant or that balance sheets did not matter – on the contrary, the emphasis was placed on ways of ensuring that value added through quality assurance was paid for at premium rates.

The extent to which the "new management" has spread through the private sector in anything more than rhetorical flourishes remains open to question, but there can be little doubt that it has had a substantial impact on debates within the public sector, and particularly within local government, where its arguments have connected with some of the wider shifts taking place. Indeed, those arguments have been reinterpreted and used to underpin many of those changes. In one vision linking the private and public sectors, Hoggett predicts the development of "new organizational and managerial forms strikingly reminiscent of the new 'hi-tech' companies of the M4 corridor: leaner and flatter managerial structures, decentralized 'cost and innovation centres' (i.e. district or neighbourhood offices with their own devolved budgets, powers over recruitment, performance indicators, etc.), enlarged and more generic roles, team working, flexibility and informality, responsible back-line support to the front-line staff and so on" (1987, p. 225).

There has been an explicit and clear-cut attempt within local government to borrow from the business sector. One of the aims is, in a sense, to become more "business-like", in part to make it easier for agencies in the public and private sectors to work more closely together (Bennett and Krebs, 1991). As in the late 1960s and early 1970s, the involvement of private sector consultants is often an important aspect of this as they offer to import the insights of the private sector and to give their imprimatur to new organizational arrangements (Humphrey and Pease, 1991). In a sense, therefore, it could be argued that this leaves an important opening for private sector accountancy – indeed, one result of changes of the 1980s might be that the position of public sector finance professionals has been undermined in the face of challenges from the major consultancy firms, which promise a powerful blend of managerialism and accountancy as a means of responding to pressures of welfare state restructuring.

The evangelical tone of the new management literature has been widely noted, and echoes of this are apparent in all the "Visions", "Mission Statements" and "Strategies" (often for the year 2000) which are proliferating throughout local government. It is difficult to see how these can be made to fit with the more traditional approaches of local government accountancy as they move beyond notions of "value for money". In marked contrast to the language of accounting these broad statements frequently make no reference to specific resources and – above all – no reference to the difficulties of providing services of a high standard when available resources are significantly (and increasingly) constrained.

The new managerialism has taken further the process of undermining the structures of welfare bureau-professionalism which had already been weakened by the claims of the finance professionals (Clarke and Newman, 1992, p. 8). As representative of local authority employers, the Local Government Management Board (formed in the late 1980s out of a merger between Local Authority Conditions of Service Advisory Board and the Local Government Training Board) has taken on the role of – to use its own slogan – "promoting better practice" by encouraging substantial organizational change and managerial "innovation". Again it is assumed that the new management has messages which cut across old professional boundaries, and the Board is cutting with the grain as part of the national local government system (see, for example, Walker, 1992).

Some of the tensions within the role of treasurer began to appear in attitudes to the reports of the Audit Commission. In principle, as suggested earlier, the Audit Commission can be seen as a carrier of "value for money" as a method of analysing and questioning professional practice, but its reports go further, in a sense questioning traditional approaches to finance within local government. One treasurer complained both that the reports were "a bit of a pain" and, more important, that the chief executive "almost worships the perishing things". In principle, it is perhaps not appropriate to draw a clear line between accountancy and managerialism, since the two frequently go together, not only in the institutional form of the Audit Commission, but also in the form of the major accounting and management consultancy organizations which provide advice across the public/private sector divide. Pendlebury argues strongly that the two activities need to be brought together more deliberately under the umbrella of management accounting (Jones and Pendlebury, 1989; Pendlebury, 1985). But in local government the division remains an important one, to the extent that Rawlinson and Tanner argue that the term "accountant" should be eliminated within local government and replaced with the term "finance manager" in order to recognize the significance of the shifts which have taken place (Rawlinson and Tanner, 1990, p.79).

Once the move away from financial measures is acknowledged, in practice that also suggests a shift of importance within the officer elite, with a greater emphasis on the role of chief executive. The rise of managerialism makes it possible to question Rosenberg's assertion (quoted above) that chief executives do not have the independent professional basis on which to challenge the entrenched position of the treasurer, as well as the view that senior service managers are trapped in the "assumptive worlds" of their policy areas, since they too may now call on managerial discourses for support (see, for example, Smith, 1989). The chief executive of one shire county explicitly distinguished between the narrow financial role of the budget and (by implication) the treasurer as an expression of intentions and his own wider (and, by implication, more important) role: "I am happy to let the treasurer run the accounts and produce the annual figures. Obviously, he and I think together and we talk to the members about the budget strategy but after we have settled with the members what the strategy is I am quite happy to let him deal with the debit on the left, credit on the right sort of thing".

The argument of the 1980s was that the methods of accounting could be used to dissolve the old chains of "municipal professionalism" which found their expression in major departmental empires (in Whitehall as well as local government). This was the overwhelming message of the Audit Commission, whose staff and consultants boldly reviewed areas in which they had little professional expertise, and – despite some professional criticisms – managed to produce convincing and frequently unanswerable critiques, utilizing "value for money" rather than the "effectiveness" of welfare intervention as a base line. These arguments supported a set of reforms in which financial methods were used as the basis for decentralization, with tight controls, but a degree of flexibility within those budgets.

Everybody could be a budget-holder and manage a budget, without having to be a financial expert. The double-edged nature of such "devolution" for professionals and (non-strategic) managers in times when budgets are tight will be clear enough, and there is little doubt that devolution has often been used in practice as a means of increasing financial and managerial controls (Flynn, 1987). If the rise of accountancy and financial control – of economy and to a lesser extent efficiency – as a means of interrogating the programmes of departments within the local welfare state was a crucial first step in breaking the confidence of traditional local government welfare state professions, the grander, if often unspoken, ambitions of the finance professionals were overtaken by events as the 1980s moved into the 1990s. One of the problems of traditional approaches is that they continue to assume a relatively centralized bureaucracy, which has the budget-making process at its core (see, for example, Holtham, 1989, pp. 145-9). Such an approach became more difficult to sustain in the 1980s. The centralized finance role was a legacy of the past – of local government as local welfare state – as much as the old welfare professions which it had challenged so effectively, so it too has increasingly been called into question.

Conclusion

The tension between managerialism and financial control in local government is not a new one. In the late 1960s and early 1970s the notion of corporate management spread through the British local government system like wildfire, particularly in the wake of the Bains and Paterson reports which made recommendations about the organization and management of local government after the reorganization of the early 1970s (Bains, 1972; Paterson, 1973). Different approaches to budget-making were espoused at the same time, as an alternative to forms of incrementalism and financial measures. The notion of "corporate rationality" was presented as the new orthodoxy (see, for example Greenwood *et al.,* 1976). By the start of the 1980s, however, it was clear that this was more wishful thinking than a description or analysis of the actual practice of budgeting (see, for example, Clapham, 1984, 1985; Rosenberg, 1989). In the 1980s financial control could be seen as the main form of "corporate rationality", even if it was rarely the result of any wider political ambitions or more detailed survey of the activities of councils. Even accounting measures such as PPBS (Programme Planning Budgeting Systems) and ZBB (Zero-Based Budgeting) tend to be discussed only for the point to be made that they are not being used extensively by any authorities, not least because of the expense they are likely to involve (Elcock *et al.,* 1989, pp. 142-51; Jordan, 1987, pp. 12-13; Pendlebury, 1985, pp. 8-10; Rawlinson and Tanner, 1990, pp. 49-50).

Elcock *et al.* (1989, Ch. 7) argue convincingly that there are important continuities between the language of corporate planning in the late 1960s and early 1970s, and the language of "value for money" which came to dominate in the 1980s. Even if they have rather different professional starting-points, both, it is suggested, embody the assumption that it is possible to impose some form of overall rationality on a complex world of political decision making and resource allocation. Both, in other words, incorporate notions of accountability which imply that individual decisions should be tested against some overall framework, whether provided by a corporate plan (which identifies a clear series of managerial priorities) or by the guidelines of "value for money", "economy, efficiency and effectiveness". More recent borrowings from the private sector suggest rather different understandings of appropriate management styles, particularly in a context which, in any case, makes centralized and hierarchical decision making more difficult, because of the increased fragmentation of the local welfare state, even if it is not yet "post-bureaucratic" (Hoggett, 1991). Local government strategic managers hoping to survive within "enabling authorities" have not been slow to catch on to a management literature which stresses the possibility – indeed the necessity – of thriving on chaos or of developing entrepreneurial skills within large organizations (as expressed, for example, in Moss Kanter, 1989; Peters, 1988). Like Peters and Waterman (1982) they, too, are in search of excellence, even if they seek to emphasize the special features of their position in moving beyond excellence (see, for example, Hambleton and Hoggett, 1992). Instead of stressing the possibility of corporate rationality, the new arrangements suggest that the key management (and political) skills are those which make it possible to survive in an unpredictable and uncertain world, encouraging decentralized, relatively flexible and devolved decision making.

Arguably, in the 1990s, the politics of local authority accounting is the politics of the past. It can be seen to have had a short-lived (transitional) dominance, as part of a move towards different structures for the local state. Paradoxically, the increased respect accorded to the accounting profession in the 1980s may have depended on the existence of local state structures bequeathed by the welfare state (large multifunctional organizations, requiring some forms of centrally based financial control and incremental bargaining, since the development of other corporate policies was simply not possible). But current debates have moved on from detailed issues of financial control. Instead, the notion of an "enabling authority" first suggested by Nicholas Ridley has been substantially reinterpreted (on the right as well as the left) to point towards the importance of developing forms of strategic policy making, rather than service provision (these arguments are developed further in Cochrane, 1991). Some of the new forms suggest a weakening of the finance role – the issuing of contracts, for example, means that there is no longer a need for detailed financial control from the centre. Devolved budgeting may allow departments to buy in necessary financial skills instead instead of having to bargain with a powerful chief officer. The fragmentation of decision making may mean that the messages of accounting are no longer seen as "objective", or final. On the contrary, accountants employed by different organizations (or parts of the same organization) may become involved in arguments with each other, while it is also less clear who can finally adjudicate between them.

If local government is any guide, notions of accountability in the public sector remain confused. The panaceas proposed at the start of the decade have not been successful; but nor are the alternatives yet entirely convincing. Contractual accountability may continue to mask a high degree of inequality and simply reinforce the power of those issuing the contracts. Rights-based accountability, such as that expressed in the Government's various Citizen's Charters and the guarantees of service offered by some local authorities, will mean little unless the rights are both worthwhile and realizable. There is increasing confusion between political accountability through the election of councillors and other "more technical forms of accountability that arise from the proliferation of contractual and quasi-commercial relationships between the council, acting on behalf of the community, and other agencies whose links to the community are limited to the point at which they deliver services to it" (Alexander, 1991, p. 73). Accountability is becoming a contested issue, rather than one which can be resolved by the imposition of rules drawn from the textbooks of financial accounting and marginal economics. The organization of the local welfare state is itself fragmented: there are new sets of relations, new forms of network. The issue now is the running of a complex and fragmented system rather than accounting for it in any traditional local government sense.

None of this should be taken to imply that the local state of the 1990s will be more open and democratic than it was at the end of the 1980s. On the contrary, much of the evidence suggests the growth of forms of business-oriented urban corporatism characterized by a series of non-elected agencies working through complex networks and (public-private) partnerships in which the lead agency is unclear and it is still less clear what the channels of accountability are likely to be. But even this suggests that accounting in local government is unlikely to regain its traditionally pre-eminent position. It is still too early to be clear about the final direction of change. It may be – particularly if other forms of integration fail – that the language of budgets, accounts and the magic of figures will still be able to reimpose its dominance since it is at least shared across the newly fragmented mixed economy which characterizes the local welfare state (and has powerful representatives in the consultancy industry). But if they do it will not be because of any inevitable process which grants them a permanently strong position. On the contrary, it will be the result of a process of political in-fighting over accountability and authority within a wider context of restructuring whose outcome is rather more open.

Note

The discussion of finance professionals until the late 1980s draws heavily on research on the effects of fiscal stress on budgetary processes in English local government conducted with the help of a grant from the ESRC (E00232131). It owes a great deal to work undertaken by and discussions with Alan Clarke who was research fellow on the project. The research was based on studies of the budgetary process in six English local authorities: two London boroughs, two metropolitan districts and two shire counties.

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