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The hybridising of financial and service expertise in English local authority budget control: A practice perspective

Structured abstract

Purpose – This paper traces the hybridising of financial and service expertise in English local authority budget control in order to provide a more comprehensive understanding of the contexts that gave rise to hybridisation than do previous accountability research frameworks.

Design/methodology/approach – Using practice theory this paper interprets findings from a field study of Newcastle City Council and a review of relevant local authority regulation for England, stretching back to the 1980s.

Findings – The hybridisation of financial and service expertise has entailed major changes to the practices on which local authority management depends, fuelled by a changing societal role of local authorities. Frequently, local authorities are no longer providers of public services but enablers who purchase services and manage arms-length contracts. This paper identifies some of the ways in which three structural elements that underpin local authority management practices have evolved to give rise to novel practices.

Research implications/limitations – Even though this paper’s research into changing regulatory frameworks, rules, and evolving local authority financial practices is based on institutional changes in England since the 1980s, the fieldwork element which fleshes out certain implications for local authority practices has focused on Newcastle City Council. Future research could fruitfully examine these issues in other local authorities.

Practical implications – The hybridisation of financial and service expertise has contributed to reshaping local government beyond the rules that are put in place for regulating the sector by giving rise to new practices. Recent key developments include new service delivery arrangements, for example, through council-owned subsidiaries or third sector organisations. It is important that, in an austerity context, new risks to ‘off the books’ service quality is matched by new control and audit arrangements. Moreover, the professional bodies that service local government should recognise the new forms of hybridisation of finance and service expertise, and ensure arrangements for the changing skill sets of those involved in service provision.

Originality/value – This is the first paper to analyse the emergence of hybrid financial expertise in the public sector with reference to distinct structural elements of the relevant practices.

Keywords: local authority budgeting; austerity; financial expertise; hybrid expertise; practice theory; field study

1. Introduction

An important theme in public sector accounting research has been the influence of accounting on the operation of public services (Hopwood, 1984; Humphrey et al., 1993, 1993; Humphrey and Miller, 2012). Frequently this issue has been conceptualised in terms of the relationship between accounting and various other forms of expertise, notably those found in the health sector (Kurunmäki, 1999; Llewellyn and Northcott, 2005), social services (Bracci, 2014; Llewellyn, 1998), and education (Ezzamel et al., 2012; Oakes and Berry, 2009), all of which represent significant shares of public expenditure. The nature of the relationship between accounting and other forms of expertise has inspired different theoretical positions: Whereas some scholars have emphasised the potential of accounting to dominate the expertise and ethos that used to underpin public services (Alam and Lawrence, 2009; Broadbent and Laughlin, 1998; Laughlin and Broadbent, 1993; Mennicken, 2013), others have highlighted the complexities of the interaction between accounting and other forms of expertise (Bracci, 2014; Llewellyn, 1998; Mutiganda, 2014), and the various ways in which they might hybridise (Kurunmäki, 2004; Kurunmäki and Miller, 2011; Miller et al., 2008).

An important policy question for new public management more generally is how the encounter between traditional public service practices and managerial interventions through accounting and other means can be influenced to produce better services at lower costs (Hood, 1995). There are suggestions in the accounting literature that a more 'productive' intertwining of accounting with other expertise, one that is mindful of service quality and service costs at the same time, may be encouraged by budget cuts and the political will to cut public expenditures (Campanale et al., 2014; Kurunmäki, 1999; Llewellyn, 1998). However, the overwhelming impression from this literature is that the nature of the encounter between accounting and other forms of public sector operational expertise cannot be controlled by attending to a few simple variables of budgeting practice (Broadbent and Guthrie, 2008). Rather, it is complex and highly context dependent, depending very much on the micro-processes through which local responses to general policies and specific budgetary regimes emerge (Ezzamel et al., 2012; Hansson and Longva, 2014; Kurunmäki and Miller, 2011).

This paper seeks to add to this literature by exploring a novel perspective on the intertwining of accounting and other forms of public sector operational expertise and its effects on public sector budgetary practices. It draws on Schatzki's (2002) practice theory, which has seen growing application in management control field studies (Ahrens

and Chapman, 2007; Jordan and Messner, 2012) but less so in public sector studies (Ahrens and Ferry, 2016; Cuganesan et al., 2012). We are motivated to use this form of practice theory because of the ways in which it is suggestive of contextualising present day practices historically (Schatzki, 2002). We connect our study of the present day hybridisation of financial expertise and service directorates expertise in local authorities to its historical emergence with reference to three structural elements that underpin the practice of local authority management. Following Schatzki's (2002) practice theory, these structural elements are (1) the rules to which local authority management have been subjected, (2) the knowhow or practical understanding of financial and service problems that local authority practitioners possess, and (3) the mix of objectives, ends, and emotional dispositions with which those ends should be pursued. Schatzki (2002) called the third element "teleoaffective structure".

The remainder of this paper is structured as follows. The next two sections expand on the theory behind our argument and lay out key points of the relevant literature. The following section explains our research approach. The next three sections outline the historical development of hybrid financial expertise in English local authorities, using Schatzki's (2002) three structural elements of practice. The final section offers some concluding comments.

2. Review of the budgeting roles and accountability literatures

An important starting point for understanding the uses of different forms of expertise in public sector budgeting is the distinction between the roles of programme advocates and guardians of the treasury in public sector budgeting (Wildavsky, 1964, 1975). The budgeting roles literature classified service directorate staff as advocates of programme spending and treasury staff as guardians. Whereas the guardian-advocate framework of the roles literature initially suggested that the structure of fiscal negotiations produces incrementally growing budgets with positive or negative changes at the margin (Wildavsky, 1964, 1975) this view was begun to be revised from the 1970s onwards, when public sector budgets stopped growing incrementally year-on-year. A revised budgetary roles literature has postulated new roles for accountants and service managers in local government. Here, the distinction between advocates and guardians became frequently blurred contingent upon the ways in which budgetary constraints have been applied by governments (Jönsson, 1982; Rosenberg et al., 1982; Rosenberg and Tomkins, 1983).

We know that under conditions of shrinking overall government budgets advocates may recognise service cuts as necessary and collaborate more closely with the guardians (Czarniawska-Joerges and Jacobsson, 1989; Jönsson, 1982). Pointing towards the importance of understanding the attitudes of advocates and guardians under different fiscal conditions, Imbeau (2000) used the terms “enlightened advocate” and “responsible guardian” to denote different forms of role blurring. He suggested that the combined use of regulatory and rhetorical instruments in the deficit elimination process affected the budgetary roles and processes and thus contributed to the realization of the balanced budget objective. Provincial authorities used rhetorical and regulatory measures to persuade advocates to adopt a total view of public finances. Anti-deficit laws, precise budgetary targets, and the decentralisation of operational budget decisions made programme managers responsible for reaching government budget targets. Rhetorically, discourses on public service inefficiency, increased controls to counter tax evasion, intergenerational equity, etc., sought to convince advocates to care about the whole budget.

While Imbeau (2000) showed that government regulatory and rhetorical interventions could affect public managers’ attitudes towards the budget, it revealed little detail on how the ‘working together’ of advocates and guardians can be accomplished in practice. Jönsson’s (1982) three year study of budgeting in a Swedish local authority offers much richer insights in this respect, without, however, attempting to subsume them under a theoretical scheme. Instead, Jönsson emphasised the ingenuity of people to outsmart budgetary systems and suggested that systems should keep changing in order to remain one step ahead (p. 303).

The accountability literature, meanwhile, has focused on changing public sector accountability relationships brought about by efforts to introduce financial performance measures (Almquist et al., 2013; Humphrey et al., 1993). It has noted the many inadequacies of financial information for public management in different contexts (Alawattage et al., 2007; Broadbent et al., 1999; Broadbent and Laughlin, 1998; de Lancer Julnes and Steccolini, 2015; Power, 1997) but also highlighted the varied effects of the specific subcultures in different public sector organisations (Humphrey et al., 1993, p. 18). The notion of “regulated hybrids” (Miller et al., 2008, p. 960) in particular has sought to capture the variability of ways in which practices, processes and forms of expertise can be melded through efforts to modernise and make more calculable public services and, at the same time, make public sector management more accountable.

An important theme of the accountability literature have been the long-term changes in the public conception of public services and how to monitor them (Humphrey et al., 1993). The accountability literature has problematized the recasting of public services as primarily economic activities and their practitioners as economic agents. From a public service perspective it makes little sense for “[...] the head teacher, the civil servant, the social worker, the university lecturer, the general practitioner all to assume more financially oriented modes of behaviour, to be a budget holder and an entrepreneur” (Humphrey et al., 1993, p. 16).

A key observations in this regard has been the ongoing intensification of demands for accounts of public service activities deemed comprehensible to the lay “person on the Clapham Omnibus” (Hopwood, 1985, p. 9). Such information might comprise numbers on total expenditures, budget variances, or particular efficiencies, which, despite *seeming* useful, would not help public service managers (Humphrey, 1994). As a result public sector organisations would develop a compulsion to think of good services as those that can be made auditable and not necessarily those that are best for their clients (Power, 1997). In such increasingly institutionalised and rationalised contexts, it may then make sense for individual practitioners to play “tick-box games” that create formal assurance through false audit trails (McGivern and Ferlie, 2007). Practitioners who feel that novel accountability and transparency regimes treat them as “guilty until proven innocent” may not act in the best interest of clients but focus instead on generating defensible audit trails (McGivern and Fischer, 2010).

Such examples underline the importance of understanding how service expertise intermingles with accountability and accounting practices. A key contribution of the accountability literature has been the notion of a hybridising of different forms of expertise in the process of satisfying demands for accountability (Miller et al., 2008). For example, the National Institute for Health and Clinical Excellence (NICE) in the UK determines whether a drug is made available to National Health Service (NHS) patients based on concepts such as “cost per quality-adjusted life years” relative to gains in “quality-adjusted life years” (p. 960). These constructs resulted from a hybridising of clinical judgement with health economics, which was intended to rationalise and make legitimate government restrictions on the access to drugs, especially expensive new drugs. Like transparency regimes that motivate blame games (McGivern and Fischer, 2010), such hybrids are frequently addressed to an imagined public and its demands for justifications of expert decisions, irrespective of their efficacy in practice (Lapsley and Ríos, 2015).

So far, relatively little is known about the emergence of hybrid expertise in the public sector (Kurunmäki and Miller, 2011) compared to private sector studies (Ahrens and Chapman, 2000; Burns and Baldvinsdottir, 2005; Granlund and Lukka, 1998). In this paper we draw on the notion of “regulated hybrids” (Miller et al., 2008, p. 960) in order to show the emergence of new forms of budgetary control practices in English local authorities. We organise our presentation with Schatzki’s (2002) three structural elements of practices and explicate some of their interrelationships in the production of regulated hybrids.

3. Practice theory

Schatzki (2002) conceived of the social as a totality of practices that are made up of arrays of activity. Practices are characterised by three structural elements—rules, practical understanding, and teleoaffective structure—that underpin the activities that make up practices. These three elements exist at the practice level. They organise and make recognisable the arrays of activity that make up practices. The individual actions of practitioners are underpinned by personal and situational variations of the three elements, thereby making practices flexible and adaptable.

Importantly for our paper, practices—such as local authority management, local authority services, local authority budgeting, etc.—are not isolated from one another and exhibit a measure of durability over time (Schatzki, 2002, 2010). Practices mesh with one another, for example, when one activity belongs to two practices at the same time. For instance, analysing a service workflow can belong to the practices of local authority management as well as budgeting. Moreover, practices bundle with arrangements, such as buildings and rooms, transport and communication technologies, or enterprise resource planning software. Practices thus form nexuses of practice arrangement bundles whose organisation carries on into the future by enabling practitioners to refer to this organisation.

Nexuses of practice arrangement bundles thus shape the future of those practices without, however, making it wholly predictable (Schatzki, 2010). This is because references to past practice arrangement bundles and the doing of present activities are up to practitioners and their various acceptable versions of rules, practical understandings, and teleoaffective structure. People, and not abstract systems, do or do not act on precedent,

accept or reject suggestions, follow or circumvent routines, etc. People do what seems right to them under specific circumstances. Schatzki (2002) termed this “practical intelligibility”. Rules or practical understandings can therefore not simply determine the ways in which hybridisation of financial and other expertise takes place. Moreover, the three structural elements influence and condition each other. For example, rules can remind practitioners of certain ends and objectives, thus affecting teleoaffective structure. But the three structural elements need not proceed in a neat lockstep. Practices can be arenas of tension and change.

Turning to the example of budget control practices of English local authorities, rule changes imposed from other, meshed practices, such as law-making, could introduce new, financial requirements for practitioners’ knowhow. It could redefine service managers as budget holders and mandate new sets of financially motivated activities, such as planning, reporting, or auditing, as part of service management practices. It could thereby give rise to new hybrids of expertise that inform new practical understandings and that—together with fresh teleoaffective structures—might come to underpin entirely novel sets of activities and practices found in local authorities. Our claim is that by distinguishing between the rules, practical understandings, and teleoaffective structures of local authority budget control practices we obtain a new analytical purchase on their evolution and contemporary functioning.

The different public sector financial management practices to which, for example, specific efforts to reduce government deficits (Ferry and Eckersley, 2011; Imbeau, 2000; Lapsley and Pallot, 2000) or particular forms of combining expertises in the health sector can give rise (Fischer and Ferlie, 2013; Kurunmäki, 1999; Kurunmäki and Miller, 2011; Scarparo, 2006) are suggestive of the complexities of inserting financial expertise into public management practices more generally. In this paper we conceive of those complexities as arising from the historical trajectories on which practices and arrangements intermingle. Our focus on practices follows the literature on the hybridisation of expertise in the public sector, which has emphasised the significance of practices, rather than organisational units, for understanding this phenomenon (Kurunmäki and Miller, 2011; Miller et al., 2008).

4. Research approach

Practice theory emphasise the significance of nexuses of practices and arrangements for understanding the effects of political and regulatory interventions on specific social

domains. Using the example of England, the paper contrasts the flurry of regulatory changes since the late 1970s with the more gradual changes in the ends and objectives of public sector management and an ongoing long-term trend towards the hybridisation of financial and public service expertise in local authorities. The argument is based on a close reading of local government changes, regulatory trends, insights into practice continuities and changes as revealed through Chartered Institute of Public Finance and Accountancy (CIPFA) manuals and publications, and original fieldwork in NCC.

Motivated by an interest in the effects of austerity localism on local authority management practices, a field study of accountability and accounting in NCC was conducted between the end of 2010 and March 2014. It included observation of activist groups, including the initial 2012 protests against budget cuts at the Civic Centre, mass demonstrations in Newcastle, and council meetings from the public viewing gallery (Ahrens and Ferry, 2015). Observations were also made at NCC policy cabinet, business cabinet, ward committee and audit committee meetings. Fifty interviews with NCC staff from finance and service directorates were made. Initial interviews were audio recorded and transcribed, and notes were taken during follow-up interviews and written out as interview protocols. Interview topics included the politics of planning, budgeting, reporting, and control practices. The purpose was to enable us to get a sense of the interviewees' lived experience of the local authority governance context (Ahrens and Khalifa, 2013). Moreover, contemporary and historical NCC governance, budgeting and performance management documentation was analysed.

Data analysis proceeded iteratively between theory and data. In the process of trying to identify interview sections which would document the scope and variation of interviewees' views on the hybridisation of financial and service expertise we noticed an unexpected uniformity of views between accountants and service managers and decided to trace their emergence using the structural elements of practices (Schatzki, 2002). This led us to collect documentary evidence on the history of financial expertise in local authority management, particularly, on relevant government regulation and professional practice bulletins from CIPFA and other bodies.

5. Rules

Rules have a significant influence on how accounting is practiced by finance department staff, but can also affect the practical know how of service managers. Traditionally, rules focussed on finance department staff for stewardship purposes. For example, statutory

controls included that a local authority must appoint a Section 151 officer (normally the finance director) to ensure proper administration of their financial affairs (Local Government Act, 1972). The finance director therefore ensured that adequate budget setting and monitoring was in place to fulfil his statutory duty.

Over time rules have added financial requirements for service managers. This meant they needed a deeper understanding of accounting. For example, Compulsory Competitive Tendering (CCT) legislation in the 1980's required certain local authority services to be put out to tender (Shaw et al., 1994). Initially these tended to be blue collar services such as refuse collection and building maintenance, but later included white collar support services such as human resources, finance, and legal. The organisation structure in local authorities changed to accommodate internal client functions and internal contractor functions. The client function had to set contract specifications, oversee a tendering process and monitor the successful contractor to both financial and performance criteria. The internal contractor function had to bid for the service against third party bidders and, if successful, deliver the service. This included operating a trading account that recorded a surplus/deficit and a return on capital employed. Calculation practices were therefore meshing with service management practices and changed the nature of service management. As a result, service managers began to work more closely with the finance department who also needed to embrace client and contractor functions. Through such meshing of practices, service managers developed their own financial skills. They also hired accountants for their own directorates. A hybridisation of expertise had begun in response to legislation.

New rules on organisational practices of local authorities were also influencing the hybridisation of expertise. For example, the duty of Best Value (Local Government Act, 1999) demanded openness and accountability regarding policy and financial decisions through performance plans (Boyne et al., 2002; Martin, 2000). These performance plans included financial and performance data often in the form of Best Value Performance Indicators, which could be subject to both internal and external benchmarking (cf., Lapsley and Wright, 2004). As a consequence, service managers sought to develop financial expertise. Accountants became more interested in service expertise to better advise them.

Rules on inspection regimes and associated frameworks also influenced the nature of service manager and accountant roles. For example, from 1983 to 2013 the Audit Commission appointed auditors, inspected, collected performance information, undertook

value for money studies, and conducted overall assessments of local authorities (Fowles, 1993; Power, 2000). Traditionally, local authorities were primarily assessed on cost and financial performance criteria such as spending within budget, safeguarding assets, and ensuring probity. Over time a broader requirement for operational performance developed to meet legislation such as CCT and regulatory developments such as Best Value.

This broadened further with inspection regimes of organisational performance in the form of Comprehensive Performance Assessment (CPA). CPA involved assessment of individual service performance such as education, social services and waste management, senior management capacity, future organisations strategy, and detailed documentation of the use of resources, including financial management, internal control, and value for money criteria (Andrews et al., 2005). Interview quotes such as the following bore testament to the pervasive influence of these rules on local authority management practices:

“For many years we as a department have become experts in justifying what we get for the money. Financial exercises are just an everyday thing. We are constantly talking with the accountant for our service and understand one another’s language. We therefore are working together looking at alternative options and new models” (NCC adult services).

To further reinforce such practices local authorities were given a star rating and national league table ranking that affected their freedom and flexibilities in terms of service levels and raising funding. In the face of a whole organisational assessment regime of inspections, service managers needed to have an ever better understanding of the use of resources by their services.

The CPA was replaced by the Comprehensive Area Assessment (CAA) that went beyond just the local authority organisation to consider cross partner working arrangements (Kuhlmann, 2010). This was, again, heavily underpinned with management accounting information such as key performance indicators. It meant service managers needed to understand performance and financial information across organisations, and finance staff needed to advise accordingly.

In summary, this history of local authority rules cumulatively intensified the requirements for practical understanding of financial relations and financial performance by service

managers and of services by accountants, thus giving rise to an ever more complex meshing of practices and hybridisation of expertises and activities.

6. Practical understanding

An important dimension of such hybridisation was the diffusion of financial literacy in local authorities. CIPFA, through their assessment of financial management in public service organisations, stated that,

“Budget management can seem to be preoccupied with hitting the target, not with what money actually buys or the outcomes it delivers. [...] For the non-finance manager, a focus on delivering service and policy targets can engender a culture where finance is about bidding and compliance rather than about extracting and driving value. Financial management competencies may not be appreciated as relevant to policy delivery (unlike staff management) nor seen as core to career development” (*The CIPFA FM Model: Assessment of Financial Management in Public Service Organisations. Statements of Good Practice.*, 2010, p. 9)

Local authorities were required to develop and sustain their capacity for financial management to shape and support stewardship, performance, and its transformational programmes (*CIPFA Financial Advisory Network: Enabling a Transformation in Financial Management*, 2005; *CIPFA Financial Advisory Network: Rough Guide to Developing a Financial Strategy in a Local Authority*, 2005; *Financial Sustainability of Local Authorities*, 2014; *Strategic Financial Management in Councils: Delivering Services with a Reduced Income. Audit Commission*, 2010). It was seen as crucial that managers understand the financial issues and performance in their own areas and appreciate the broader context, understand and take responsibility for their budgets, that a culture of financial awareness was sustained by briefing managers, and that finance and non-finance staff work together on budgets and major initiatives.

The implications of this sort of practical understanding can be illustrated with a practice that has become widely diffused in local authorities: budgetary control. This is one of the most common areas for budget holders and service managers to receive training, because they have a responsibility to own and understand the budget, make decisions with regard to it, and report budget variances and achievements. Training is reinforced through hands-on experience.

“Accounting skills are now just the norm in service departments. Everyone knows their bit of the budget and control their spending codes” (Services directorate manager in NCC).

Budget holders are shown how to determine seasonal profiling of their income and expenditure estimates as it will most likely not occur evenly throughout the year. Thus actual income and expenditure can be compared better against budgets and variances better analysed. Service managers are expressing their operational knowledge of the service and the patterns of activity over the year in budget figures. Projecting costs and revenue forward from the year to date likewise is a skill of putting operational knowledge into financial figures, which involves costing salaries and wages, supplies and services, and other costs, as well as estimating revenue streams.

Conversely, budgets affect operational decision-making. During the year variances arise and budget holders may reduce one budget and transfer the funds to another, known as virement. Budget holders must understand such concepts, but also be able procedurally to make virement happen in practice and understand the implications in the systems and reports.

Another key area of practical understanding of budgets concerns commitments from contractual obligations where funds may not have yet been paid. These may not always show on the budgetary control statement and so budget holders must know how to adjust for this. For many items ordering through the financial management information system should automatically create a commitment in the on-line system. It is therefore important for a budget holder who runs a budgetary control report to include any commitments in that report along with actual figures.

Budget holders are also expected to employ their knowledge beyond the financial figures and display a practical understanding of how the numbers link with KPI's for determining value for money. KPI's can be better understood if budget holders know how fixed costs and variable costs behave during activity. An increase in activity may cause variable costs to increase, but fixed costs will stay the same within a relevant range. Employing such skill can make a more efficient use of resources.

Practical understanding of accounting stretches from the big picture categories of balance sheets and revenue accounting to the day-to-day work with individual reports. Between financial years, budget holders have to manage their balance sheet assets and liabilities and make decisions with regard to the use of reserves. This involves capital expenditure and financing decisions and requires a broader understanding of accruals accounting. They will also need to appreciate the implications for cash flow. At a more mundane every day level it is important that budget holders can format and print off a simple budget control report from the financial management information system and read the print out. A common mistake could be as simple as looking at the wrong month or year, especially if organisations have different starting points for their financial year. In local government, for example, month 1 is often April and not January.

Ultimately budget holders have to report their figures in meetings and to their line managers and justify what happened, the current position, and how things will be managed moving forward with suitable action plans and mitigation of risk.

“Meetings routinely discuss overspends, underspends and what financial projections are along with service considerations” (Services directorate manager in NCC).

It is therefore important that their practical understanding encompasses such communication.

7. Teleoaffectivity

The spirit and emotional disposition with which service managers and accountants apply their practical understandings to budgeting and other financial activities can make an important difference to local authority financial practices overall and, specifically, to the ways in which their ends and intentions are understood in the organisation and beyond (Ahrens and Ferry, 2015; Jönsson, 1982; Rosenberg and Tomkins, 1983; Solli and Jonsson, 1997). Schatzki’s (1996) notion of teleoaffectivity refers to the ends and objectives of a practice and the emotional disposition or spirit deemed appropriate for their pursuit.

For example in the case of NCC, the overriding objectives during austerity were spelled out in the headline to the 2013/4 draft budget proposals as wanting to “safe-guard the future of high-quality services, protect jobs, and deliver social value.” For the NCC interviewees from among the finance function and the service directorates, services

assumed the greatest priority. The way this was articulated, however, focused on the need to obtain clarity over the exact funding and the future mix for services demand.

“It remained important to get the basics right. A professional approach following tried and tested accounting procedures was therefore critical. [...] we had to determine the priorities. Also we had to identify available funding with regards to the source, level of certainty and receipt arrangements, whether there were any real and ongoing permanent savings from low priorities to meet efficiencies and fund higher priorities, and whether any income streams could be increased. At the same time we had to evaluate the parts of the budget against statutory and legal obligations as now this may be all we could afford, any funding obligations such as inflation in pay awards and contracts, and ultimately contractual commitments that had to be carried out. Only then could expenditure be determined that was able to meet any remaining strategic priorities” (NCC budget accountant).

Here, the financial imperatives are seen to depend on the complexities of service delivery. Services have their own priorities, statutorily or strategically-politically, and it is in the light of those priorities that financial objectives must be pursued.

The robustness of this process of priority determination was seen as tightly intertwined with budget practices. The accountants in NCC took pride in the rigour of this process, emphasising the determination required to see it through, especially, under conditions of austerity.

“The finance folks are seen as ‘nuts’ by service departments. They just go forward with their process into the abyss [...] Why are they nuts, everyone from councillors, to officers, the public and fellow accountants pour scorn on the process and the accountants just have to soak it up and come back with a new draft, another new draft, and then another. However, in the end when the final budget is signed off everyone knows it has went through a robust process. Even if they don’t like the final outcome there has been a fair process. People respect the knowledge, skills and experience that the profession brings to bear” (NCC accountant).

Telos and affectivity were intertwined. Under austerity, sticking to the routines of budget practices was seen to require considerable emotional self-control in the service of maintaining an air of detached professionalism.

“Yes, I am worried about my job. So are colleagues [...] However, it is important to continue in a professional manner and fall back on all my knowledge and experience in mitigating the budget problems and working with service managers to try and maintain some level of services for the public” (NCC accountant).

An important teleoaffective characteristic of NCC budget practices was to cast objectives as belonging to the medium-term future and adopt a dogged optimism about an eventual economic upswing and an end to austerity.

“It was seen as imperative to take a medium-term view with no short cuts. [...] Unfortunately, some cuts could therefore appear quite draconian and nonsensical when viewed through a short term lens. For example why make staff redundant and cut services when you have the money to invest in the city centre shopping mall or science city development. These provide a basis for economic growth and a long term income stream for sustaining services but the pain is immediate and so not everyone wants to understand or wait for such benefits” (NCC budget accountant).

This future orientation that assigned different functions to capital and revenue budgets was suggestive of a space for action for the Council in the medium-term with the capacity to eventually alleviate the revenue budget squeeze.

“People know things will get worse before they get better [...] Eventually things must change and a solid foundation needs to be in place for when that happens” (NCC service manager).

Familiar budget practices became a key connector between policy objectives, shifting financial constraints, and the political consensus that can carry difficult choices. This was emphasised by accountants and those responsible for services policy alike:

“Yes, given the scale of cuts, some local authorities may panic [...] However, it is important to have an agreed budget framework, policy, and strategy so all options can be considered as part of due process. In this regard it is important priorities are identified and these are assessed for affordability, base budget decisions are made to ensure there is a balanced budget and that investment decisions take account of demand and sustainability [...] It is expected therefore that the draft budget will be refined and revised on various occasions as it is developed for approval [...] and so monitoring of the budget will be crucial during the financial year” (NCC policy officer).

Based on budget forecasts, the pursuit of priorities could be recognised as depending on radical, not incremental, change, even in traditional priority directorates such as adult

services, giving rise to radical changes in service delivery models in order to continue pursuing the end of public service, for example, by recruiting citizen volunteers:

“It was quickly recognised that it would be impossible to carry on trying to do everything as resources would be spread too thin. [...] There had to be changes in service priorities and a medium term approach to budgeting. [...] A whole identification process began. Maintaining statutory services at an appropriate level was the first priority for us and trying to ensure people who needed help could get it” (NCC adult services manager).

“Ideas around service development and modernisation did not stop [...] New ideas came up for service delivery and also resources as many [citizens] wanted to get involved in either helping deliver a service or raising funding, etc.” (NCC service manager).

With radical change came, however, also the need to ask whether the new service delivery models were not just cheaper but also effective, whether they could sustainably deliver the services. Sustainability had two dimensions. One was that, historically, NCC had earmarked reserves for priority services to sustain them even in financial adversity.

“It was fundamental in such circumstances to set appropriate balances and contingencies with risks assessed, to be prepared to challenge the budget to ensure it is affordable, balanced and sustainable” (NCC chief internal auditor).

However, a second dimension of sustainability referred to the quality of the services provided after changing the delivery models.

“I feel a bit sick. Unfortunately, even after all of the service remodelling, the cuts meant that many services had to cease or be drastically scaled down. There was definitely more pressure from central government to look at outsourcing to the private sector [...] The council also had to consider as an option setting up arms-length companies of some sort as in-house delivery became ever more challenging under a barrage of cuts” (NCC service manager).

Through the general power of competence granted by the Localism Act 2011 local authorities could set up companies to deliver services outside the rules and cost structures of traditional local authority practices (Local Government Association, 2013), but also outside the statutory, professional, and habitual safeguards for service quality that those practices provide. This was recognised as a new type of risk, which, again was seen to require the hybridisation of financial and service expertise.

“Internal audit is not just looking at the systems from a technical financial perspective, but is understanding the business. Financial skills are therefore just part of the role.

Understanding the service is equally important so we can properly advise managers on value for money and take proper account of service risks” (Chief Internal Auditor).

Our detailed consideration of the teleoaffectivity that underpinned hybrid expertise was suggestive of some key characteristics. We noted the emphasis on a systematic approach to determine the exact funds available and the most accurate estimates of the demand for services. Emotional detachment from the implications of service cuts was regarded as a necessary professional attitude to maintain a rigorous process of policy-based determination of service priorities. A future oriented, optimistic attitude that focused on possible service improvements in the medium term helped justify investments in the capital budgets despite immediate service pressures. Meanwhile, short-term pressures were addressed through radical change of service delivery. The ends of service delivery justified the taking of risks by employing service delivery models outside traditional local authority structures and suggested increased audit efforts to detect potential service shortcomings.

8. Conclusions

This paper developed a practice perspective on the hybridising of financial and service expertise in English local authority budget control in order to provide a more comprehensive understanding of the contexts that gave rise to hybridisation than current research frameworks. An important contribution of the budget roles literature (Wildavsky, 1964, 1975) concerned the blurring of the strict role separation between guardians and advocates by introducing the notion of attitudes (Imbeau, 2002). Meanwhile the accountability literature highlighted the complexities of inserting financial expertise into public management practices and, specifically, pointed towards some of the unintended consequences of hybridised expertise (Fischer and Ferlie, 2013; Miller et al., 2008). Neither stream of research, however, had worked on the trajectories through which specific practice components could evolve to give rise to the particular forms of intertwining that would help to create hybrid expertises in new meshes of practices (Schatzki, 2002).

We show one particular meshing of practices and the emergence of hybrid expertise as a response to budget pressures and the requirements to safeguard services. The complexities with which hybrid expertise dealt but which it also created—for example, through newly established “arms-length companies” owned by local authorities—were fundamentally different from the tasks of policing service directorate spending or even

from the role of finance director as “miracle worker” who would use “creative accounting” to help authorise planned service directorate spending in the face of cutbacks from central government during the 1980s (Cochrane, 1993, p. 36). Whereas the 1980s saw a gradually emerging interest in supporting service demands against inflexible finance rules and shifting the odds of the game of guardians against advocates in favour of the latter (Rosenberg et al., 1982), the post-austerity hybridisation of financial and service expertise much more fundamentally led to a rethinking of the nature of services and the need for services, and the role of local authorities in providing them.

For example, in-house provision has increasingly given way to more outsourcing, creation of local authority companies, voluntary sector provision, and citizen involvement. Service managers had to understand not only how to scope services in new ways but also how to assemble the resources potentially available. This required complex financial skills so contracts could be determined and managed within a much smaller contained budget. Finance at the same time had to better understand services in order to give proper assurance of the sustainability of new service arrangements.

Traditional work that was separated along professional lines was no longer possible in this context. As the role of local authorities is frequently limited to enabling services rather than providing them directly, service managers need to possess contract, project, and programme management skills. Fundamental to this is an ability to understand the financing and manage budgets. Conversely, finance staff who had serviced a department in a stewardship role were frequently no longer regarded as value for money. Unless such finance staff were able to help sustain service performance, or even contribute to service transformations, then service managers may have viewed such a support service as no longer worthwhile.

What we see in this context are not adjustments to the roles of guardians and advocates or the hybridisation of particular forms or expertise and roles but, rather, a reconstitution of the nexus of practice-arrangement bundles that manages local authorities and the services that stakeholders want. Practice theory offers a broader theorisation for this by attending to the structural elements of practices, rules, practical understandings, and teleoaffectivity, and the ways in which they interrelate (Schatzki, 2002, 2010). It locates changes in the operation of local authority financial and service expertise in the context of the changing roles of local authorities themselves in society. For example, over the historical trajectory of the study, rules have resulted in specific financial implications for the practices of service managers. With regards to practical understandings, an important

dimension of such hybridisation was also the diffusion of financial literacy in local authorities, which is evident in budgetary control practices. With regards to teleoaffectivity, it became clear that the emotions with which service managers and accountants apply their practical understandings to budgeting can make important differences to local authority financial practices overall and, specifically, to the ways in which their objectives are understood in the organisation and beyond.

Beyond these theoretical implications, our practice perspective on hybridisation holds important lessons for policy and practice. With regards to policy it has to be recognised that hybridisation of finance and service expertise has occurred both in response to new organisational hybrid forms that needed new hybrid expertise, but also that in many cases the new hybrid expertise initiated new organisational forms. The recent growth in local authority companies is a case in point. Policy therefore has to recognise the potential that the meshing of practices has for reshaping local government beyond the rules that are put in place for regulating the sector. Even in highly institutionalised contexts, public sector entities can retain elements of choice and initiative in how they respond to demands for rationalisation (Ahrens and Khalifa, 2015), in this case giving rise to keeping new service delivery risks ‘off the books’. With regards to practice, the professional bodies that service local government need to recognise the new forms of hybridisation of finance and service expertise, and ensure arrangements for the changing skill sets required by their members and others involved in service provision.

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