

Durham Research Online

Deposited in DRO:

27 October 2015

Version of attached file:

Accepted Version

Peer-review status of attached file:

Peer-reviewed

Citation for published item:

Ferry, L. and Eckersley, P. and Zakaria, Z. (2015) 'Accountability and transparency in English local government : moving from 'matching parts' to 'awkward couple'?', *Financial accountability and management.*, 31 (3). pp. 345-361.

Further information on publisher's website:

<http://dx.doi.org/10.1111/faam.12060>

Publisher's copyright statement:

© 2015 The Authors Financial Accountability Management Published by John Wiley Sons Ltd. This is an open access article under the terms of the Creative Commons Attribution License, which permits use, distribution and reproduction in any medium, provided the original work is properly cited.

Additional information:

Use policy

The full-text may be used and/or reproduced, and given to third parties in any format or medium, without prior permission or charge, for personal research or study, educational, or not-for-profit purposes provided that:

- a full bibliographic reference is made to the original source
- a [link](#) is made to the metadata record in DRO
- the full-text is not changed in any way

The full-text must not be sold in any format or medium without the formal permission of the copyright holders.

Please consult the [full DRO policy](#) for further details.

Accountability and transparency in English local government: Moving from “matching parts” to “awkward couple”?

Running title: “Accountability and transparency: An awkward couple?”

Authors:

Laurence Ferry, Lecturer in Accounting and Finance, Newcastle University (Corresponding Author) *

Peter Eckersley, PhD Candidate, School of Geography, Politics and Sociology, Newcastle University

Zamzuaila Zakaria, Assistant Professor in Accounting, International Islamic University of Malaysia, and Research Fellow at the University of Bath

* Newcastle University Business School
5 Barrack Road
Newcastle upon Tyne
NE1 4SE
Email: laurence.ferry@ncl.ac.uk
Telephone No: +44 (0)191 208 1500

Accountability and transparency in English local government: Moving from “matching parts” to “awkward couple”?

Abstract

Although excessive transparency and accountability demands can have a counterproductive effect on organisational performance (Bovens 2005), longstanding hierarchical accountability structures to ensure financial *conformance* in English local government continue to endure. Interestingly however, the previously top-down regime for *performance* accountability in English local government has been replaced by bottom-up mechanisms such as greater transparency and a more open market for public services. Using the framework developed by Hood (2010), this paper will show how such reforms mean that transparency and accountability are moving from being “matching parts” to an “awkward couple”, and how this has significant implications for public services.

Keywords: accountability, transparency, English local government, budgeting, performance measurement

Accountability and transparency in English local government: Moving from “matching parts” to “awkward couple”?

Introduction

Budgeting and governing in the UK public sector can be viewed as constituting three acts (Ferry and Eckersley 2011; 2012). In this view, Act 1 is the spending review that sets out a framework for income and expenditure levels over the medium term and Act 2 is the annual budget that enables detailed policy choices with associated financial impacts and implications. The accountability and transparency arrangements that afford confidence in the accounting and internal management practices (Hood 2010; Ball 2012) could be perceived as constituting Act 3ⁱ. There is some disagreement over how extensive and independent these arrangements are (or should be) in practice (Heald 2012), as well as how much information should be disclosed to the public (Radcliffe 2008; 2011; Funnell 2011). However, it is generally accepted that auditors perform a crucial role at this point – not only in the UK, but also in other jurisdictions – because they provide citizens and their representatives with an assessment of whether policies are having their desired effect and thereby help to hold government to account (Bovens 2005). Indeed, it is generally recognised that a balance between financial *conformance* and operational *performance* is essential in public sector governance (IFAC 2011, 2013; CIPFA 2010a, 2010b) – meaning that service outcomes need to be assessed alongside a financial audit.

This paper analyses how the UK Central Government has changed the accountability and transparency arrangements for local government in Englandⁱⁱ, and thereby revised the script for Act 3. Most notably, the Government has abolished the Audit Commission, a non-

departmental body that used to audit English municipalities and oversee a complex system of top-down performance assessment for local government. The Audit Commission's financial auditing responsibilities have been transferred to the National Audit Office (which used to focus solely on central government departments), and the local government performance framework has been replaced by requirements for municipalities to publish a range of datasets online for public scrutiny (Eckersley et al 2013).ⁱⁱⁱ Specifically, the article considers the impact of these reforms using a conceptual approach based on the supposed "Siamese twins" of accountability and transparency (Hood 2010). In this context, it illustrates how hierarchical performance accountability arrangements have been replaced by a bottom-up approach that relies on data transparency and open competition. As a result, accountability structures for municipalities' operational *performance* (the mechanisms that assess whether they deliver services to a high standard) have been broadened beyond accountants and the audit profession. Meanwhile, top-down monitoring of financial *conformance* (ensuring that spending remains within agreed budgets) has persisted, with Audit Commission responsibilities in this regard transferring to the National Audit Office. Although the article focuses on English municipalities, its findings are equally relevant for other countries because robust accountability procedures are recognised as good practice around the world.

As O'Neill (2006) argues, transparency only requires the dissemination of data, which means it does not need to be comprehensible to the reader – and there may be no control over its quality. As such, the nature of the data that are published influences how effectively an agent can be held to account, as well as the skills and other resources of whoever seeks to analyse the information. This article applies her analysis to the field of English local government performance and argues that accountability and transparency are becoming an "awkward couple" since they do not necessarily combine to produce good governance (Hood 2010).

Indeed, the transparency requirements that now apply to English municipalities could actually diminish accountability because the reforms have significant implications for what is visible and to whom (Hopwood 1984).

The next section of this paper discusses the literature on accountability and transparency. It culminates in Hood's (2010) characterisation of the relationship between these two concepts and how different worldviews can enable us to interpret the association in various ways. Hood's framework is then applied to the arrangements for monitoring operational *performance* and financial *conformance* in English local government since 1997, before the arguments are summed up in the conclusion.

The article draws on government publications such as the Open Public Services white paper (Cabinet Office 2011), Spending Reviews (HM Treasury 2007; 2010b), the Budget (HM Treasury 2010a) and the Localism Act (HM Government, 2011), as well as ministerial announcements. In this way, it identifies how various reforms will influence the relationship between accountability and transparency in local public services and shape the future scenario. English local government is often cited as a forerunner in New Public Management (NPM) practices, since it has been subjected to a range of NPM-inspired reforms such as Compulsory Competitive Tendering, Best Value and other performance frameworks in recent decades (Andrews and van de Walle 2013). As a result, it provides a particularly relevant example for other jurisdictions that might be considering changing their performance management arrangements.

Accountability defined

Traditionally, accountability has been associated with calling an individual ‘to account’ for their actions to some higher authority, with an emphasis on external scrutiny and the threat of potential sanctions (Jones 1992). Although its meaning has since been extended in a number of different directions (which led Sinclair (1995) to describe it as having the qualities of a chameleon), most scholars agree on the importance of a two-way relationship between the ‘agent’ and the ‘principal’, whereby the agent is accountable to the principal for its actions (Mayston 1993; Mulgan 2000). The identity of the principal influences the direction in which accountability is exercised: it may be upwards (to a higher authority), downwards (to citizens or a community), or sideways (as part of a contract that has been agreed for mutual benefit). Sinclair’s (1995, p.222) definition of “public accountability as a more direct answerability to the community” suggests that the ‘principal’ corresponds to the general public. However, in order to ensure that experts in the field can analyse the relevant data and make an informed judgement, accountability may first need to ‘travel’ upwards to Parliament or another authority, before returning downwards to citizens. We will return to these ideas later in our analysis of how developments in the accountability procedures for English local government apply to Hood’s framework.

As mentioned earlier, accountability is often seen as a pre-requisite for good governance. Bovens (2005) lists five reasons for public accountability mechanisms, including the need to ensure democratic control of public institutions, to prevent corruption and abuse of power and to improve public confidence in governance arrangements. However, although there is little doubt that these are worthwhile objectives, Bovens is equally clear that “more” controls are neither necessarily desirable nor lead to exponentially better governance, as excessive

monitoring and rules can hinder decision-making and have a negative impact on operational performance. In other words, the costs of operating accountability procedures and systems may outweigh the potential benefits that they might deliver, and accountability should not be pursued for its own sake (Mayston 1993; De Fine Licht et al. 2014). Some critics take this idea further by clarifying the intended means and ends of accountability when it is applied to inputs, processes and outcomes. For example, focusing particularly on what they classify as the intended means of ‘performance’, which aims to translate into an end of ‘justice’ or ‘equity’, they find that there is little evidence to suggest that accountability protocols have delivered their objectives (Dubnick and Frederickson 2010, p.1145).

In a Weberian system of public administration, hierarchical management structures help senior decision-makers to control service delivery through bureaucratic systems (Bovens 2005), which justifies the traditional doctrine of holding ministers to account for policy and performance. However, NPM reforms, particularly the ‘agencification’, privatisation and outsourcing of a significant proportion of government functions to alternative providers, have transformed many of these structures. They have also challenged the traditional notion of ministerial accountability, due to the notional separation of policy-making and delivery (or ‘purchaser’ and ‘provider’), and allowed ministers to divest themselves of responsibility for poor administrative performance, whilst theoretically remaining accountable to Parliament for overall policy (Mulgan 2002). Indeed, Bovens (2005) highlights how NPM reforms have led some to argue that accountability is exercised increasingly ‘horizontally’ through contractual relationships with suppliers.

In parallel with NPM reforms, it has been argued that UK politicians in central government have orchestrated a shift towards casting *public service consumers* as the principal (Mayston

1993, 86). This approach seems to fit with the dominant British view that the purpose of local government is overwhelmingly as a *service provider*, rather than the more democratic perspective (which is common elsewhere in Europe) that views municipalities as central to the system through which communities govern themselves and make political decisions for the benefit of everyone in the locality (Batley 1991). However, Mayston (1993) finds that genuine “consumer sovereignty” remains some distance away, and warns that the reforms have left a legacy of imperfect monitoring and financial reporting (see also Shaoul et al 2012). Indeed, there is an extensive literature on how outsourcing, privatisation and public private partnerships have reduced the accountability of public services, partly due to the complexity of supplier contracts (Pollitt, 1986; Shaoul 1997; Funnell 2000; Letza and Smallman 2001; Broadbent et al., 2003; Froud, 2003; Demirag and Khadaroo, 2008; English and Baxter, 2010). As some critics have pointed out, “the strength of agency accountability to programme goals is in reverse ratio to the distances actual implementation travels and the layers of third parties through which implementation travels” (Dubnick and Frederickson 2010, p. 1151).

The above discussion focuses overwhelmingly on public accountability structures and processes that have been introduced and exercised from the top down. However, given its perceived nature as a pre-requisite of democracy and good governance, it is worth investigating whether accountability is too important to be left to accountants and auditors and might (also) be exercised from the bottom up. Keeping with this, it has been suggested that increased transparency of government bodies, alongside a move to ‘open up’ public services to competition, could enable citizens and alternative providers to hold them to account. In particular, the publication of government data online through the UK Government’s ‘transparency’ agenda has been heralded as a way of enabling “armchair

auditors” to exercise more comprehensive democratic oversight of public spending (Pickles 2011) and hold public bodies to account from the bottom up. Transparency is therefore becoming further entwined with developments of disclosure and audit (Power 1999).

Transparency defined

Transparency refers to “the conduct of business in a fashion that makes decisions, rules and other information visible from outside” (Hood 2010, p. 989). Taking a historical perspective, Hood (2006) traced how transparency became an increasingly prevalent concept in discussions of organisation and governance, even if the word was not always used explicitly. For example, over recent decades a growing number of Western democracies have introduced Freedom of Information legislation in the name of enhancing democracy, and it is notable that several government and parliamentary buildings have incorporated transparency into their very design, as a way of illustrating that the activities of their occupants should be visible to the public (Heald 2006a).

One perspective holds that transparency is a “human right”, as it can help to protect against inefficient or oppressive government (Birkinshaw 2006). However, Heald (2006b) argues that we should not ascribe any intrinsic value to the idea of transparency in government. Instead, it should be valued instrumentally, because in particular contexts it is a “building block” for other aspects of public policy that it may support or compete with – including accountability.

Nonetheless, as O’Neill (2006) points out, transparency does not necessarily improve accountability, since it can result in organisations taking a box-ticking approach to publishing a huge volume of raw data rather than meaningful information. If these data are not put into

their appropriate context, or cannot be understood by their audience (the ‘principal’) very easily, they are worthless – and the ‘agent’ may be even less accountable than at the outset. Furthermore, as Prat (2005) suggests, the ‘wrong kind’ of transparency – that which concerns activities rather than consequences - can cause problems because the agent has an incentive to portray their behaviour as being somehow ‘normal’. As a result, they may withhold or disregard some useful private information (thus misleading the principal), or simply try to conform to expectations (and therefore not attempt to innovate and improve). In this way, the quality and type of data that is made available determines whether it can be used effectively for accountability purposes.

Indeed, various scholars have argued that the way transparency mechanisms are structured shapes their impact on public policy in terms of effectiveness, equity and democratic accountability. In particular, Heald (2012) suggests that the core notion of transparency about public expenditure is in making underlying realities visible and intelligible to identified user communities. It is not enough to simply produce and distribute data, as transparency needs an audience with the capacity to understand the data and act upon it as information. For example, public expenditure needs to be communicated intelligibly to those external to the organisation (potentially in a manner similar to listed public companies, where significant private resources are dedicated through accounting standards development, organisation financial reporting and auditing by independent auditors).

In the context of public expenditure, Heald (2012) suggests transparency has five attributes. First, it is found in disciplined information release, without which manipulative practices of plants, leaks and spin could undermine it. Second, so that users can drill down to relevant organisational detail from a ‘synoptic’ perspective (Eckersley et al, 2013), it needs to be

comprehensive and founded upon a well designed hierarchy of reporting documents. Third, capacity issues and structuring political incentives need to be closely linked. Fourth, it is important to have an independent scrutiny capacity outside the legislature. Fifth, the role of public audit is vital to effective transparency, both to validate financial reporting (as per private sector audit) and in its wider remit of regularity (expenditure accords with authorisation), propriety (absence of fraud and corruption) and performance (the achievement of value for money).

The accountability-transparency relationship

This discussion brings us to Hood's (2010) characterisation of the relationship between accountability and transparency and how it is widely assumed that both transparency and accountability are necessary to ensure good governance, with the former often a pre-requisite of the latter.

His paper articulates three characterisations of the relationship between these two concepts, and then sets out a framework for understanding which description might fit best. The three characterisations are:

1. 'Siamese twins' – accountability and transparency are not really distinguishable from one another. The tendency for both terms to be used together suggests that this is a widely-held interpretation
2. 'Matching parts' – accountability and transparency are separable, but nevertheless complement one another and are both necessary for good governance. For example, governments should disclose some information to the public in order to be held democratically accountable

3. ‘Awkward couple’ – accountability and transparency do not necessarily work together and there may be some tension between the two. This view argues that transparency does not necessarily improve accountability or governance, since it leads to the agent publishing reams of poor-quality information that the principal cannot access or analyse easily (see O’Neill 2006 for a full discussion).

Hood (2010) also drew on the cultural theory of Douglas (1966; 1970; 1992) and Douglas and Wildavsky (1982) to outline four competing ‘worldviews’ (hierarchy, equality, individualism and fatalism) of how conduct is socially regulated. These perspectives, which explain how it is possible to perceive the accountability-transparency relationship in various ways, are summarised in Figure 1 and outlined below.

Worldview	Direction of accountability	Transparency regime	Characterisation
Hierarchist	Upwards, to authority	Access to public and private information on a ‘need to know’ basis	Matching parts, but potentially awkward couple
Egalitarian	Downwards, to communities	Presumption of general openness and disclosure of public and private information	Siamese twins
Individualist	Horizontally, between contracting parties	Personal privacy and commercial confidentiality is paramount	Matching parts, but potentially awkward couple
Fatalist	Unpredictable, to whoever can demand it	Random access depending on coincidences and unpredictable events	Any of the three

Figure 1: The nature of accountability and transparency within different worldviews (adapted from Hood 2010)

- A *hierarchist* perspective assumes an established ‘pecking order’ and accountability is largely exercised “upwards”, towards authority figures. Transparency is probably seen as an instrumental value and therefore a “matching part” for accountability, although publishing some types of information might result in them being an “awkward couple”. This view correlates with traditional Weberian administrative systems, particularly prior to initiatives such as freedom of information.
- An *egalitarian* worldview interprets accountability as being owed to the people or community (‘downwards’) and therefore does not restrict access to information. There is a presumption of openness and disclosure, about both public and private affairs, perhaps on the basis that transparency is a human right rather than necessarily a tool for achieving other objectives. As such, the “Siamese twins” interpretation, whereby transparency and accountability are inseparable from one another, fits most closely.
- An *individualist* perspective holds that individual needs should prevail over those of the group, and is therefore less concerned with state activities. Indeed, it is likely to argue for citizens to be able to choose alternative providers of public services and thereby exercise accountability horizontally, through contractual relationships.

However, transparency can be restricted if it undermines privacy or commercial confidentiality. In most cases the “matching parts” interpretation is most fitting, but in the event of information published being unfit for purpose, the “awkward couple” analogy could also apply.
- A *fatalist* viewpoint stresses that actions have unintended consequences and it is therefore impossible to make a link between accountability and transparency. As a result, any of the three characterisations might apply in any given situation, but the randomness of human interactions means we cannot predict which type of relationship is likely to develop.

The above characterisation of accountability and transparency is now considered in the context of arrangements for monitoring financial conformance and operational performance in English local government since 1997.

Accountability and transparency in English local government

The UK New Labour Government that was elected in 1997 extended the framework of top-down arrangements aimed at improving the accountability of local government in England. In terms of financial conformance, Comprehensive Spending Reviews were conducted to provide multi-year frameworks for public expenditure between 1998 and 2010. These frameworks stipulated the overall level of central grants that would be distributed to English local government during the period, with individual municipality allocations decided on an annual basis (HM Treasury 2007). In addition, the Secretary of State for Communities and Local Government retained (and, on occasions, exercised) the right to ‘cap’ individual levels of Council Tax, which represented the main source of finance over which municipalities had some autonomy – even if it only accounted for around one-quarter of their revenue. Finally, towards the end of the 2000s, the Treasury required all public sector organisations, including municipalities, to adopt the International Financial Reporting Standards (IFRS). Since these standards were developed for private sector companies, who need to report solely to shareholders rather than wider stakeholders (Shaoul et al 2012), this shift highlights that local government was accountable ‘upwards’ to central government for its financial conformance, rather than ‘downwards’ to citizens.

Taking all of these factors together, there was an undeniably hierarchical approach to monitoring local government financial conformance during this period. Since budgetary reporting systems were designed to complement the hierarchical process, and auditors were provided with relevant data that was fit for purpose, we can also use the matching parts analogy to describe the relationship between accountability and transparency^{iv}.

In parallel with these developments in budgetary procedures, the government also added to the existing hierarchical arrangements for performance accountability. In particular, it introduced public service agreements (PSAs) that linked funding to central government department outputs and outcomes. These PSAs operated alongside (though did not necessarily complement) the existing Resource Accounting and Budgeting (RAB) requirement for departments to report on the impact of their spending through an output and performance analysis. PSAs were supposed to cascade down from central government departments to their relevant 'delivery' organisations in the form of specific objectives that would contribute to the overall aims of the parent department. For example, English municipalities were asked to report on their progress against a range of indicators that (theoretically at least) monitored how well they were delivering outcomes on behalf of central government. The Audit Commission then reported through its performance management frameworks on the extent to which each municipality's spending decisions delivered desired outputs and outcomes, which was initially through its Best Value regime, and subsequently as part of its Comprehensive Performance Assessment (CPA) and then Comprehensive Area Assessment (CAA). CPA gave each municipality a 'star' rating according to how well it appeared to be performing against the targets. In 2009 CPA was replaced by CAA, which monitored how well public bodies were delivering outcomes in the local area. These outcomes were agreed by local public sector organisations, but had to be

approved by central government through its regional offices. Therefore, since municipalities reported ‘upwards’ to a centralised target regime, and bodies such as the Audit Commission could access relevant information on a ‘need to know’ basis, we can see how the Government’s arrangements for monitoring operational performance centrally also corresponded with the hierarchist interpretation of accountability^v. In addition, since auditors could process and analyse this data, and produced reports that enabled elected officials and citizens to hold municipalities to account, we can see how the ‘matching parts’ analogy applies.

Since taking office in 2010, the Coalition Government (consisting of Conservatives and Liberal Democrats) has retained many aspects of the centralised system for ensuring financial conformance. These include multi-year spending reviews (although they are no longer described as being “comprehensive” and the current spending period has been truncated by the general election of 2015), the annual local government grant settlement, financial audits and adherence to IFRS. Although some changes to these arrangements have been introduced, which may at face value suggest that the hierarchical approach to financial conformance is weakening, in fact it will persist. For example, in tune with its rhetoric of ‘localism’, the new government removed the ‘ring-fences’ from many of its grant funding streams to municipalities, ostensibly to give them greater freedom to decide how to allocate their resources. In reality, because the overall level of funding to local government is set to fall by 26% over the four-year spending review period (HM Treasury 2010b), municipalities will have far less ability to spend money on local priorities. Similarly, the power to ‘cap’ rises in Council Tax has been replaced by a new requirement for municipalities to organise local referenda to approve any increase that the Secretary of State deems is “excessive”. In fact, since no municipality would expect to win such a referendum, they are extremely unlikely to

risk having to organise one, and therefore essentially remain accountable ‘upwards’ to central government through a cap in all but name. Finally, although the Coalition has abolished the Audit Commission, it has transferred the task of overseeing municipality financial audits to the National Audit Office, and thereby maintained its control over local government expenditure. As such, the hierarchical approach and matching parts analogy will continue, in spite of these reforms to financial conformance mechanisms. This is because central government has maintained its control over local expenditure through a hierarchical system of funding settlements, IFRS, annual audits and Council Tax compliance. Together with the reduction in grant income, these mechanisms will mean that municipalities remain accountable ‘upwards’ to central government for their financial management, rather than ‘downwards’ to residents.

As we outlined earlier, “too much” accountability can have a negative effect on service outcomes, because excessive rules constrain officials and hinder decision-making (Mayston 1993; Bovens 2005). In keeping with this line of argument, the Coalition Government has abolished many of the hierarchical performance accountability mechanisms for local government, including the Audit Commission and CAA (the National Audit Office has only assumed responsibility for auditing municipal finances). Extolling the virtues of cutting ‘red tape’, ministers claimed to remove around 4,700 central targets so that municipalities “will be free to focus on protecting frontline services” (Department for Communities and Local Government 2010b).

In accordance with its rhetoric of ‘localism’ and the ‘Big Society’, the Government has replaced this architecture by a system of bottom-up accountability measures. Most notably, its drive for increasing the ‘transparency’ of public administration, which builds on the

Freedom of Information Act 2000 and previous ‘open government’ initiatives, has resulted in the publication of vast amounts of data relating to public bodies. Ministers have stressed the importance of giving private citizens, or “armchair auditors”, access to information about how their taxes are being spent through this transparency agenda. For example, English municipalities are now required to publish details of all transactions worth over £500, as well as the salaries of senior staff and some performance information (Department for Communities and Local Government 2010a).

Although ministerial announcements still suggest that transparency is a tool to improve organisational efficiency rather than a human right (see for example Pickles 2011), these developments nonetheless suggest a shift towards an egalitarian worldview, in which accountability is exercised ‘downwards’ from public bodies to citizens. As we shall see however, the transparency agenda sits alongside other policy initiatives that aim to increase the share of public services delivered by private and voluntary providers. These ideas actually fit more closely with the individualist perspective, since they will reduce the role of the state and will result in accountability being exercised increasingly horizontally through contractual relationships. Most importantly, the ‘right to challenge’ that features in the 2011 Localism Act will allow alternative suppliers to challenge a municipality on the basis that they could provide services better or cheaper than the incumbent provider (HM Government 2011). The data that are published through the transparency agenda will help private and voluntary sector organisations produce informed challenges to incumbent suppliers and ultimately assume responsibility for delivering a greater share of public services (Eckersley et al 2013). In a similar vein, the Open Public Services white paper (Cabinet Office 2011) sets out how users should be able to choose to access public services from various providers and thereby hold them to account through market mechanisms. As such, these initiatives appear to improve the

transparency and accountability of public bodies, because they are providing the ‘principal’ (the service user) with undiluted information about the activities of their ‘agent’ (the service provider).

Whether by accident or design, we can see how this new system of performance accountability is actually closer to the individualist (rather than egalitarian) worldview, since it is exercised horizontally through contractual arrangements and consumer choice^{vi}. Hood (2010) argues that such a perspective normally results in a ‘matching parts’ interpretation of the relationship between accountability and transparency, but cautions that a “mismatch” could result in them becoming an awkward couple. Analysis of the Coalition Government’s initiatives outlined above shows that the nature of the information that becomes available is likely to cause such a mismatch. This is because citizens are now being invited to assess organisational performance on the basis of gigabytes of raw data, without assistance from professional auditors. In keeping with O’Neill (2006), these datasets will be inaccessible and meaningless to most members of the public, who are not experts in public management or audit and will lack relevant contextual information. Instead, large private sector suppliers will be the major beneficiaries, because they will possess the resources to analyse this data, and also have an incentive to do so – namely to inform a challenge to the incumbent provider (Eckersley et al 2013). As Funnell (2000) has identified, outsourced or privatised public services are often neither transparent nor publicly accountable, because suppliers are reluctant to make information public on the grounds of commercial confidentiality and there is an absence of democratic oversight.

Moreover, Skelcher (2005) highlights that contractors possess more knowledge about the nature of the work they have undertaken compared to their clients, and this “information

asymmetry” could mean that supposedly transparent public services actually become increasingly opaque. In this situation it becomes questionable whether accountability could even be exercised horizontally by competing suppliers. As such, we can see how accountability and transparency form an awkward couple in the new system of performance monitoring (see Figure 2).

	Financial conformance		Operational performance	
	<i>Worldview</i>	<i>Characterisation</i>	<i>Worldview</i>	<i>Characterisation</i>
1997-2010	Hierarchist	Matching parts	Hierarchist	Matching parts
2010-	Hierarchist	Matching parts	Individualist	Awkward couple

Figure 2: Characterisations of financial conformance and operational performance in English local government since 1997

Conclusions

This paper has used the conceptual framework developed by Hood (2010) to illustrate the changing nature of accountability and transparency in English local government, focusing on the post-1997 era. It has highlighted how top-down structures to ensure financial conformance have endured throughout this period, in spite of the fact that substantial demands for transparency and accountability can have a potentially deleterious impact on organisational performance. These structures correspond to a “matching parts” characterisation of the relationship between accountability and transparency. In contrast however, since taking office in 2010 the Coalition Government has abolished the top-down approach to monitoring local government outputs and outcomes. This regime has been replaced by data transparency and a more open market in public services, which ostensibly

allows users to exercise accountability from the bottom up by choosing from a range of providers.

The transparency agenda suggests that an egalitarian perspective may be most applicable to this new scenario, because accountability is supposedly being exercised ‘downwards’ and there is a presumption that information should be disclosed. However, complementary initiatives aimed at increasing the share of public services that are delivered by private companies and voluntary organisations mean that the situation actually relates most closely to the individualist interpretation. In addition, since the supposed principals (private citizens) will not have the necessary skills and experience to interpret and analyse the raw data that municipalities are required to publish, there will be a mismatch between transparency and accountability and these two concepts will be cast in an “awkward couple” relationship.

These developments, together with the fact that formal performance assessments of local government have been abolished, mean that hierarchical accountability will be much more focused on managing spend (financial *conformance*) rather than on what has been achieved for such spend (operational *performance*). Furthermore, the hierarchical accountability structures for financial conformance are likely to be much more influential than the horizontal mechanisms that ostensibly aim to monitor operational performance. This is not only due to the fact that the centralised system for financial control remains very comprehensive, with ministers exerting significant control over local government finance (particularly in an era of austerity), but also because the “transparency” reforms will actually lead to citizens having a more opaque picture of local government performance than was the case previously. As a result, public bodies will concentrate much more on financial stewardship than improving the effectiveness of their services. In this way, transparency

initiatives will actually reduce the accountability of English local government rather than increase it – something that has significant implications for citizens and users of public services. Similarly, other jurisdictions that may be considering undertaking similar public management reforms should consider whether such an outcome would be desirable.

In spite of all that, it is worth remembering that if the prime aim of the UK Government is to reduce expenditure, the extent to which public bodies have been able to keep within reduced budgets should also be the overriding focus of any audit exercise. Since the coalition has made it clear that its priority is to reduce the public deficit (HM Treasury 2010a; 2010b), it could be argued that the emphasis on financial conformance is justified.

However, this narrow view restricts the ability of individual municipalities to set and pursue their own objectives, and from being judged on their performance in an informed and objective manner. In addition, cases such as the Mid Staffordshire NHS Foundation Trust, which a public inquiry found became so focused on financial conformance that patient care was not a priority, have highlighted the need for public bodies to ensure that they do not lose sight of their overriding purpose. In this example it was clear to the public (and also to leading politicians) that financial conformance should not take precedence over an acceptable level of clinical performance^{vii}. As this article has found however, recent changes to transparency and accountability procedures suggest that this principle is not being applied within English local government.

ⁱ In times of uncertainty there may also be a prologue to these Acts in the form of an emergency budget (Ferry and Eckersley, 2012).

ⁱⁱ The devolved administrations in Scotland, Wales and Northern Ireland have responsibility for local government elsewhere in the UK.

ⁱⁱⁱ Note that although these changes have transformed the situation for English local government, in many other parts of the public sector (in particular the NHS), the level of top-down performance assessment has actually increased (see Talbot 2012).

^{iv} Indeed, these characterisations can also be applied to pre-1997 accountability systems at central government level, such as Resource Accounting and Budgeting (RAB), which required departments to adhere to a single system for planning, controlling and reporting on public spending with a view to improving public accountability (Likierman 1998; Heald 2005).

^v Government ministers may have felt that this system was justified because it ensured that citizens were able to access independent assessments of municipality performance. In Hood's (2010) framework we can view this as accountability travelling 'upwards' to Parliament, before changing direction and going 'downwards' from elected representatives to citizens.

^{vi} If, as the open public services white paper suggests (Cabinet Office 2011), the Government's intention was to enable private and third sector organisations to make informed bids and ultimately deliver more public services, then this can be seen as part of a deliberate strategy. However, if we believe ministerial pronouncements that the transparency agenda is primarily about empowering individual citizens (Pickles 2011), the fact that this will not happen bears out Wildavsky and Pressman's (1984) analysis of the problematic nature of implementing central government policy at the local level.

^{vii} The House of Commons sitting in Westminster Hall discussed 'Accountability and Transparency in the NHS' as its main business on 14th March 2013, which one of the authors attended in the public gallery. The Order of Business notes, 'That this House believes that... it is clear that accountability and transparency are of paramount importance to patient safety and trust in the NHS...'

References

Andrews, R. and S. Van de Walle (2013), "New Public Management and Citizens' Perceptions of Local Service Efficiency, Responsiveness, Equity and Effectiveness", *Public Management Review*, Vol. 15, No. 5, pp. 762-783.

Ball, I. (2012), "Accounting, Transparency and Financial Stability", *Speech at the International Federation of Accountants Global Seminar on the Sovereign Debt Crisis, Vienna: 19 - 20 March 2012*. Available online: <http://www.ifac.org/news->

[events/2012-03/accounting-transparency-and-financial-stability](#), accessed 10 April 2012.

Batley, R. (1991), “Comparisons and Lessons”, in R. Batley and G. Stoker (eds.), *Local Government in Europe: Trends and Developments* (Macmillan, Basingstoke).

Birkinshaw, P. (2006), “Transparency as a Human Right”, in C. Hood and D. A. Heald (eds.), *Transparency: The Key to Better Governance? Proceedings of the British Academy* 135 (Oxford University Press, Oxford).

Bovens, M. (2005), “The Concept of Public Accountability”, in E. Ferlie, L. E. Lynn Jnr and C. Pollitt (eds.), *The Oxford Handbook of Public Management* (Oxford University Press, Oxford).

Broadbent, J., J. Gill and R. Laughlin (2003), “Evaluating the Private Finance Initiative in the National Health Service in the UK”, *Accounting, Auditing and Accountability Journal*, Vol. 16, No. 3, pp. 422-445.

Cabinet Office (2011) *Open Public Services White Paper*, available online at <http://files.openpublicservices.cabinetoffice.gov.uk/OpenPublicServices-WhitePaper.pdf>, accessed on 29 March 2012.

Chartered Institute of Public Finance and Accountancy (2010a), *Public Financial Management: A Whole System Approach – Volume 1: The Approach*, (CIPFA, London).

_____ (2010b), *Public Financial Management: A Whole System Approach – Volume 2: Additional Material*, (CIPFA: London).

De Fine Licht, J., D. Naurin, P. Esaiasson and M. Gilljam (2014) “When Does Transparency Generate Legitimacy? Experimenting on a Context-Bound Relationship”, *Governance* Vol. 27, No. 1, pp. 111–134.

Demirag, I. and I. Khadaroo (2008), “Accountability and Value for Money in Private Finance Initiative Contracts”, *Financial Accountability and Management*, Vol. 24, No. 4, pp. 455-478.

Department for Communities and Local Government (DCLG) (2010a) “New Era of Transparency Will Bring About a Revolution in Town Hall Openness and Accountability”, press release available online at <http://www.communities.gov.uk/newsstories/newsroom/1672156>, accessed on 25 February 2013.

_____(2010b) “Councils' Red Tape Cut as 4,700 Whitehall Targets Slashed”, press release available online at <https://www.gov.uk/government/news/councils-red-tape-cut-as-4-700-whitehall-targets-slashed>, accessed on 24 January 2013.

Douglas, M. (1966), *Purity and Danger: An Analysis of Concepts of Pollution and Taboo* (Praeger, New York).

_____(1970), *Natural Symbols: Explorations in Cosmology* (Pantheon, New York).

_____(1992), *Risk and Blame: Essays in Cultural Theory* (Routledge, London).

Douglas, M., and A. B. Wildavsky (1982), *Risk and Culture: An Essay on the Selection of Technical and Environmental Dangers* (University of California Press, Berkeley).

Dubnick, M. J. and H.G. Frederickson (2010), “Accountable Agents: Federal Performance Measurement and Third-Party Government”, *Journal of Public Administration Research and Theory*, Vol. 20, No. 1, pp. 143-159.

Eckersley, P., L. Ferry and Z. Zakaria (2013), “A ‘Panoptical’ or ‘Synoptical’ Approach to Monitoring Performance? - Local Public Services in England and the Widening

Accountability Gap”, *Critical Perspectives on Accounting*. Available online 21 April 2013, <http://dx.doi.org/10.1016/j.cpa.2013.03.003>

English L. and J. Baxter (2010), “The Changing Nature of Contracting and Trust in Public-Private Partnerships: The Case of Victorian PPP Prisons”, *ABACUS*, Vol. 46, No. 3, pp. 289-319.

Ferry, L. and P. Eckersley (2011), “Budgeting and Governing for Deficit Reduction in the UK Public Sector: Act One ‘The Comprehensive Spending Review’”, *Journal of Finance and Management in the Public Services*, Vol. 10, No. 1, pp. 14-23.

Ferry, L. and P. Eckersley (2012), “Budgeting and Governing for Deficit Reduction in the UK Public Sector: Act Two ‘The Annual Budget’”, *Public Money and Management*, Vol. 32, No. 2, pp. 119-126.

Froud, J. (2003), “The Private Finance Initiative: Risk, Uncertainty and the State”, *Accounting, Organizations and Society*, Vol. 28, No. 6, pp. 567-589.

Funnell, W. N. (2000), *Government by Fiat: The Retreat From Responsibility* (University of New South Wales Press, Sydney).

_____ (2011), “Keeping Secrets? Or What Government Performance Auditors Might Not Need to Know”, *Critical Perspectives on Accounting*, Vol. 22, No. 7, pp. 714-721.

Heald, D. A. (2005), “The Implementation of Resource Accounting in UK Central Government”, *Financial Accountability and Management*, Vol. 21, No. 2, pp. 163-189.

_____ (2006a), “Varieties of Transparency”, in C. Hood and D. A. Heald (eds.), *Transparency: The Key to Better Governance? Proceedings of the British Academy 135* (Oxford University Press, Oxford).

_____ (2006b), “Transparency as an Instrumental Value”, in C. Hood and D. A. Heald (eds.), *Transparency: The Key to Better Governance? Proceedings of the British Academy 135* (Oxford University Press, Oxford).

_____ (2012), “Why is Transparency About Public Expenditure So Elusive?”, *International Review of Administrative Sciences*, Vol. 78, No. 1, pp. 30-49.

HM Government (2011), *Localism Act 2011*. Available online at <http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted>, accessed on 11 July 2012.

HM Treasury (2007), *2007 Pre-Budget Report and Comprehensive Spending Review*, available online at http://www.hm-treasury.gov.uk/d/pbr_csr07_completereport_1546.pdf, accessed on 25 February 2013.

_____ (2010a), *Budget 2010*, available online at http://www.hm-treasury.gov.uk/d/junebudget_complete.pdf, accessed on 10 April 2012.

_____ (2010b), *Spending Review 2010*, available online at http://www.hm-treasury.gov.uk/spend_index.htm, accessed on 10 April 2012.

Hood, C. (2006), "Transparency in Historical Perspective", in C. Hood and D. A. Heald (eds.), *Transparency: The Key to Better Governance? Proceedings of the British Academy 135* (Oxford University Press, Oxford).

_____ (2010), "Accountability and Transparency: Siamese Twins, Matching Parts, Awkward Couple?", *West European Politics*, Vol. 33, No. 5, pp. 989-1009.

Hopwood, A. G. (1984), "Accounting for Efficiency in the Public Sector", in A. G. Hopwood and C. Tomkins (eds.), *Issues in Public Sector Accounting* (Philip Allan, Oxford).

International Federation of Accountants (2011), *Good Governance in the Public Sector: Developing an International Framework (Consultation Paper)* (Professional Accountants in Business Committee of the International Federation of Accountants: New York).

Jones, R. (1992), "The Development of Conceptual Frameworks of Accounting for the Public Sector", *Financial Accountability and Management*, Vol. 8, No. 4, pp. 249–264.

Letza, S. and C. Smallman (2001), “In Pure Water There is a Pleasure Begrudged by None:

On Ownership, Accountability and Control in a Privatized Utility”, *Critical*

Perspectives on Accounting, Vol. 12, No. 1, pp. 65-85.

Likierman, A. (1998), “Resource Accounting and Budgeting—Where are we Now?”, *Public*

Money and Management, Vol. 18, No. 2, pp. 17-20.

Mayston, D. (1993), “Principals, Agents and the Economics of Accountability in the New

Public Sector”, *Accounting, Auditing and Accountability Journal*, Vol. 6, No. 3, pp.

68-96.

Mulgan, R. (2000), “Accountability: An Ever-Expanding Concept?”, *Public Administration*,

Vol. 78, No. 3, pp. 555-573.

_____ (2002), “Public Accountability of Provider Agencies: The Case of the Australian

‘Centrelink’”, *International Review of Administrative Sciences*, Vol. 68, No. 45, pp.

45-59.

O’Neill, O. (2006), “Transparency and the Ethics of Communication”, in C. Hood and D. A.

Heald (eds.), *Transparency: The Key to Better Governance? Proceedings of the*

British Acaademy 135 (Oxford University Press, Oxford).

Pickles, E. (2011), "Armchair Auditors Are Here to Stay", DCLG. Available online at <http://www.communities.gov.uk/news/localgovernment/1941304>, accessed on 10 April 2012.

Pollitt, C. (1986), "Democracy and Bureaucracy", in: D. A. Heald and C. Pollitt (eds.), *New forms of democracy* (Sage, London).

Power, M. (1999), *The Audit Society: Rituals of Verification*, (Oxford University Press, Oxford).

Prat, A. (2005), "The Wrong Kind of Transparency", *American Economic Review*, Vol. 95, No. 3, pp. 862-877.

Radcliffe, V. S. (2008), "Public Secrecy in Auditing: What Government Auditors Cannot Know", *Critical Perspectives on Accounting*, Vol. 19, No. 1, pp. 99-126.

_____(2011), "Public Secrecy in Auditing Revisited", *Critical Perspectives on Accounting*, Vol. 22, No. 7, pp. 722-732.

Shaoul, J. (1997), "A Critical Financial Analysis of the Performance of Privatised Industries: The Case of the Water Industry in England and Wales", *Critical Perspectives on Accounting*, Vol. 8, No. 5, pp. 479-505.

Shaoul, J., A. Stafford and P. Stapleton (2012), “Accountability and Corporate Governance of Public Private Partnerships”, *Critical Perspectives on Accounting*, Vol. 23, No. 3, pp. 213–229.

Sinclair, A. (1995), “The Chameleon of Accountability: Forms and Discourses”, *Accounting, Organizations and Society*, Vol. 20, No. 2-3, pp. 219-237.

Skelcher, C. (2005), “Public Private Partnerships and Hybridity”, in E. Ferlie, L. E. Lynn Jnr and C. Pollitt (eds.), *The Oxford Handbook of Public Management* (Oxford University Press, Oxford).

Talbot, C. (2012), “Oh, What a Performance!”, *Public Finance*. Available online at <http://opinion.publicfinance.co.uk/2012/09/oh-what-a-performance/>, accessed on 21 January 2013.

Wildavsky, A. and J. L. Pressman (1984), *Implementation: How Great Expectations in Washington are Dashed in Oakland; or, Why it's Amazing that Federal Programs Work at All*, (University of California Press, California).