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# Auditing governable space—A study of place-based accountability in England

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## Abstract

The governance of territories has become increasingly fragmented and complex, challenging the accountability arrangements for "governable spaces." Tension between central and local governments is a perennial feature of their relationship, but few analyses have explored the implications of this tension for accountability relationships. This article assesses policy initiatives within England aimed at increasing accountability in localities, by establishing governable spaces that include territorializing, mediating, adjudicating, and subjectivizing. During the 2010s, the UK government sought to introduce a form of place-based accountability within the context of reduced central government funding to English local authorities. This meant that local government faced new forms of accountability while adapting to considerable financial shocks. Accounting methods—assessing what phenomena can and should be governed—underpin audit and orthodox concepts of accountability in the United Kingdom. These have driven a narrow finance-focused narrative of local audit and local accountability. However, we also argue that developments in England in the 2010s have undermined *political accountability* in the localities, because they have worked against critical components within it for making governable space auditable:

interpretation of data, judgments on service quality and the impact of cross-public sector relationships on local authorities' "decision space."

**KEYWORDS**
accountability, audit, England, local government, territorialization

## 1 INTRODUCTION

The governance of territories has become increasingly fragmented and complex (Miller & Power, 2013). Over the past four decades, New Public Management (NPM) reforms have led to increased marketization, managerialism, and accounting practices pervading public services (Lapsley & Miller, 2019). In addition, as Rose (2010, p.2) points out, the challenges of globalization and localization have led to a "proliferation of forms of politics and of types of contestation that cannot be calibrated in terms of the dichotomies of traditional political thought."

A specific issue is how accountability will need to change, for this more fragmented and complex governance of territories, to make governable space auditable (Ahrens & Ferry, 2015; Bracci et al., 2015; Ferry et al., 2015a; Ferry & Eckersley, 2015). Tension between central and local government is well researched. It has led to questions such as: should more power be vested in central government or in subnational (regional and local) governments? As power accrues not just through the wider public, including the electorate at the ballot box, in the form of democratic accountability, but ultimately through the raising and use of money and resources, then how should financial and performance accountability be achieved at subnational level? In the United Kingdom, studies have highlighted that power and funding overwhelmingly lie with central government (Copus et al., 2017). Since 2010, some additional decision-making power has been decentralized to local authorities, but funding has still been largely centrally controlled. In addition, the central performance management and inspection regime was dismantled (Ferry, 2019) in line with a rhetoric of greater local accountability, but central decision-making has continued to frame local authorities' "decision space." Ferry et al. (2015b) show that in other major EU economies there has been a much greater decentralization of revenue raising powers to subnational government levels. Ferry and Eckersley (2015) also show how accountability and transparency has been practiced differently between countries. There is no standard approach, or fixed "best practice," for accountability system structures.

A gap in the accounting and public administration literature exists regarding how accountability may work for territories where local authorities' decision space is curtailed by central legislation or policy. It is important to understand "place-based accountability" which, according to the think-tank New Local Government Network (now New Local), refers to "a radical new model which aligns service accountability over a sensible geography to democratic accountability" (Studdert, 2016). In particular, we need to consider how place-based accountability might work and how it could be made auditable, particularly where localities experience a mismatch between financial resources and service delivery responsibilities.

To address the gap, this article assesses policy initiatives within England aimed at increasing accountability in localities, in the light of theories of the role of accounting in constituting and making auditable governable spaces. To do so, it draws on Miller and Power's (2013) work around accounting roles and economizing that include territorializing, mediating, adjudicating and subjectivizing. These relate to constructing an auditable space; establishing relationships within that space; evaluating performance; and establishing control between one person and another.

From 1979 to 2010, the agendas of Conservative and New Labour governments were distinctive in their own ways concerning New Public Management inspired reforms, yet they shared a penchant for increasing the marketization and managerialism of local government. This was done through such diverse initiatives as Compulsory Competitive

Tendering (CCT), Best Value, Comprehensive Performance Assessment (CPA), and Comprehensive Area Assessment (CAA).

This centralized push for improvement was notably absent from the post-2010 Conservative-Liberal Democrat coalition government and Conservative government as they pursued a policy of "austerity localism" which increased powers of local government at the same time as reducing their funding, but nevertheless, by this time, marketization and managerialism were already part of the local government make up (Murphy et al., 2018).

Following the devolution of political power by the UK government to Scotland, Wales, and Northern Ireland in 1998–1999, the 2010s have seen various initiatives to devolve powers and responsibilities to local governments within England. These latter initiatives have been framed in the language of increasing the decision-making capacity and accountability of English local authorities and extending their accountability for the governance of the places that they cover. UK central governments since 2010 have sought to decentralize considerable responsibility for financial management and decision-making to local authorities, with the aim of increasing accountability to citizens.

The initiative of place-based accountability was introduced in the context of austerity and reductions in government funding within England. Since the 2010s, local government has managed its financial resilience to shocks while taking on the extra demands of this new form of accountability (Barbera et al., 2017). Furthermore, a complex patchwork of service providers has been accompanied by another layer of institutions intended to drive cooperation—such as Local Enterprise Partnerships (strategic partnerships between the private sector and local authorities) (National Audit Office (NAO), 2016a) and integrated care systems (partnerships of healthcare and social care providers and local authorities) (NAO, 2020a, p.20). These types of body cut across the effectiveness of elected local government, due to dissimilar geographies, clashing bureaucratic loyalties, and minimal organizational capacity (Sandford, 2020b). Recent developments in England therefore afford an opportunity to study this new form of place-based accountability in practice through the theorization of territorialization.

We argue that methods of accounting—assessing what phenomena can and should be governed—underpin audit and orthodox concepts of accountability in the United Kingdom. These have driven a narrow, finance-focused narrative of local audit and local accountability. However, we also argue that developments in England in the 2010s have undermined *political* accountability in localities, because they have worked against critical components within it: interpretation of data, judgments on service quality, and the impact of cross-public sector relationships on local authorities' "decision space."

The article is structured as follows. Section 2 explores the literature on theories of governable space and the security, territory and population of that space. We explore how the practices of governing and accounting for populations correlate with many conventional understandings of accountability and audit. Section 3 then sets out the methodology in terms of research case and research methods. Section 4provides findings by looking at changes made to local accountability and audit practices in England in the 2010s through Miller and Power's (2013) theorization of territorializing, mediating, adjudicating, and subjectivizing. Section 5 provides a concluding discussion covering theoretical contribution and implications for policy, practice, and future research.

## 2 | GOVERNABLE SPACES, CALCULATIVE PRACTICES, AND INFRASTRUCTURE OF ACCOUNTABILITY

### 2.1 | Governable space and calculative practices

Scholars within the governmentality tradition have long understood that government creates intelligible entities to be its subjects. This means that governments create the entities that they regulate: "populations do not exist independently of the statistical practices that are used to know and quantify them" (Scheel, 2020, p.572). Part of this creation of the reality to which government attends is the creation of distinction within that reality. Rose (2010, p.31) argues that "to govern is to cut experience in certain ways, to distribute attractions and repulsions, passions and fears across it, to bring new facets and forces, new intensities and relations into being." This "is also a matter of space, of the making up of governable spaces; populations, nations, societies, economies, classes, families, schools, factories, individuals" (Rose, 2010, p.31).

Governable spaces, in Rose's view, are the only way to make government achievable: "government of a population, a national economy, an enterprise, a family, a child or even oneself becomes possible only through discursive methods that represent the domain to be governed as an intelligible field with specifiable limits and particular characteristics" (Rose, 2010, p.31). Such spaces are abstractions, but they are not fabricated counter to experience: they are modalities in which a real and material governable world is composed, territorialized, and populated. Rose (2010, p.33) cites the notion of a "national economy" which presupposes "a domain with its own characteristics which could be spoken about and about which knowledge could be gained" and which "could become the object and target of political programmes." Carmel and Harlock (2008, p.157) suggest four criteria for an area of social, economic or political activity to be thinkable: they say that such a territory must be "single, recognizable, limited, and knowable"—allowing it to be seen as a "specific object of governing."

One dimension of this conceptualization is the development of the governance of territories: the process of the "territorialization of national spaces" has been "central to modern governmental thought" (Rose, 2010, p.34). This includes the development of "smaller-scale territorializations, regions, cities, towns, zones, ghettos, edge cities and so forth" and other "spaces of enclosure that governmental thought has imagined and penetrated; schools, factories, hospitals, asylums, and museums" (Rose, 2010, p.35).

The government of a space is concerned with keeping "socially and economically acceptable limits and…an average that will be considered as optimal for any given social functioning" (Foucault, 2007, p.5). Foucault (2007, p.5–6) splits this function into three forms: the legal (involving a "binary division between the permitted and the prohibited"), disciplinary (the "mechanisms of surveillance and correction," which surround the law), and the "apparatus of security" which identifies "a bandwidth of acceptability that must not be exceeded." Foucault (2007, p.11) identified four features of security apparatus: spaces of security, the problem of the treatment of the uncertain, the normalization of the specific to security, and the emergence of population "as both the subject and object of these mechanisms of security." Whereas law "imagines the negative" and prohibits it, and discipline is "a complementary sphere of prescriptions and obligations," which seeks to constrain reality, security "tries to work within reality, by getting the components of reality to work in relation to each other, thanks to and through a series of analyses and specific arrangements" (Foucault, 2007, p.47).

To this end, the emergence of government as an art is inextricably linked to the development of statistics, and the rationalization of the exercise of power (Foucault, 2007). Governments increasingly aim at the improvement of the "condition of the population" and to "increase its wealth, its longevity and its health" (Foucault, 2007, p.105).

### 2.2 | Accounting and the formation of auditable place

Since the 1980s, scholars have pointed out that accounting "is not a passive instrument of technical administration, a neutral means for merely revealing the pregiven aspects of organizational functioning" but rather it is "implicated in the forging, indeed, the active creation of a particular regime of economic calculation" (Hopwood, 1987, p.213). Accounting, in this sense, becomes one of those "intellectual technologies, ways of rendering existence thinkable and practicable," which Miller and Rose (1990, p.27) identified as crucial to contemporary life. These technologies enable the exercise of political power, which is "not so much a matter of imposing constraints upon citizens as of 'making up citizens' capable of bearing a kind of regulated freedom" (Rose & Miller, 1992, p.174). Recent work has paid particular attention to "all those spatially and historically varying calculative practices—ranging from budgeting to fair value accounting—that allow accountants and others to describe and act on entities, processes, and persons" (Chapman et al., 2009, p.1).

According to Miller and Power (2013), accounting has four main roles in organizations and society: these are territorializing, mediating, adjudicating and subjectivizing. Territorializing is defined as "the constitution of domains of economic action" (Miller & Power, 2013, p.580), whereby "the calculative instruments of accountancy presuppose and recursively construct the calculable spaces that actors inhabit within organizations and society" (ibid, p.561). Accounting is a mediating tool in that it links distinct actors, aspirations and arenas, i.e., "accounting practices are mobilized and articulated through rationales or discursive mechanisms that are assembled at various collective levels and articulated in and across diverse locales" (ibid, p.562). Adjudicating deals with performance evaluation, whereby "a whole host of accounting practices exist to pronounce on and to evaluate the performance of individuals and organizations" (ibid, p.562). Finally, accounting is also a subjectivizing practice, as it implies "the possibility of being subject to regulation or control by another; but it also includes the fundamental presumption of an individual who is free to choose, and indeed obliged to choose, albeit often by reference to financial norms or standards" (ibid, p.563).

This trend of thinking is one in which "individuals, activities and organizations are constituted as economic actors and entities," and it reconfigures bodies into "profit centers, cost centers, product or service lines, and so on," devaluing other ways of seeing the organization or body concerned (Miller & Power, 2013, p.560). Significant empirical evidence has been accumulated on the role of accounting as a contributor to the process of economizing within society (Cushen, 2013; Keevers et al., 2012; Christensen & Skærbæk, 2007; Miller & O'Leary, 2007; Zahir-Ul-Hassan et al., 2016). Within the public sector, the role of accounting in contributing to economizing has often been noted—especially in combination with a discussion of how public sector accounting contributed to the New Public Management (Humphrey et al., 1993; Lapsley, 1999, 2009; Humphrey & Miller, 2012; Liguori, & Steccolini, 2014; Lapsley & Miller, 2019). Heald (2018, p.331) has specifically noted the utility of Miller and Power's economizing model for elucidating the work of the public sector auditor.

Accounting may equally be used as a territorializing, mediating, adjudicating and subjectivizing technology outside of the economizing context. Vosselman (2016) suggests that accounting may be used instrumentally but also in terms of relational "response-ability." This notion of accountability is "strongly connected to a conceptualization of the organization as a moral community of individuals" (Vosselman, 2016, p.605). Auditors can be seen as "exhorters" whose power rests in their "communicative action which relies on legitimation of their own professional status" (Ferry et al., 2017). While there have been historical studies examining other possible roles for accounting in the public sector (Funnell, 2007, 2008; Ferry & Midgley, 2021), less empirical evidence has been offered on the possible role of accounting in bringing forward alternative forms of accountability.

It is possible, through accounting, to make a place auditable for a broad range of accountability purposes, covering social as well as economic imperatives. This paper is interested in how this could occur.

## 2.3 | Accountability and audit

Within public administration and accounting literature, accountability has been defined as "calling an individual 'to account' for their actions to some higher authority, with an emphasis on external scrutiny and the threat of potential sanctions" (Ferry et al. 2015a, p.347). Hood (2010, p.989) defines accountability as "the duty of an individual or organization to answer in some way about how they have conducted their affairs," while Pollitt (2011, p.81) describes it as "the ways in which public officials (both elected and appointed) describe, explain and justify the activities of governments to their wider audiences of legislatures and citizens." Indeed, Sinclair (1995) has highlighted that accountability is a "chameleon concept," which can be defined and used in many ways. Nevertheless, this literature treats the concept as having an inherently democratic quality with strong normative overtones. Democratic accountability defines the "higher authority" as the wider public, which includes the electorate through the ballot box; they are the "principal" actor for which accountable government is the "agent."

Public accountability is more expansive than a purely financial or statistical approach to accounting for a government's actions (Bovens, 2005), with its operation shaped in part by the reality created by a state's approach to accounting and auditing. The practical operation of audit and performance management, and the generation of statistics depend upon choices of how to demarcate reality (Ferry, 2019; Murphy et al., 2018). In the same way, the role and importance of quantitative measurement *within* political accountability varies between states. In many cases, procedures of accountability consist of more than merely the provision of information derived from accounting. For instance, a government may take the view that it is ultimately accountable for all use of public money, and therefore seeks hierarchical accountability from local government for their spending and policy decisions (Raudla et al., 2015; Hilliard et al., 2020). Alternatively, it may seek to concentrate financial accountability at the local level, in the hope of strengthening local electoral accountability and countering complaints of centralization. Paralleling how a state considers accountability, the consequent expectations of audit can "diverge significantly across stakeholders" (De Widt et al., 2020, p.24). Contingent cultural, historical and political factors determine which elements of accountability dominate in any one time and place.

Such variation reminds us that the operation of political accountability does not arise purely from the presence of quantitative information: accountability is more than transparency alone (Hood, 2010; Ferry et al., 2015a) and transparency itself is a "more complex phenomenon than is suggested by rhetorical appeals" to it (Heald, 2018, p.331). The degree to which an accountable body can make decisions—and thus be meaningfully held to account—is partly determined by the "decision space" available to the accountable body. In the context of local authorities, factors influencing decision space include the nature of local authority responsibilities and overlaps with other public bodies delivering local services, as well as the sources and availability of funding. An understanding of accountability that focuses wholly or mainly on the presentation of data can potentially neglect these factors. Indeed, attempting to implement accountability solely through an accounting approach could work against accountability overall, diminishing the practical use for political accountability of data, statistics, assessment, and audit (Ferry, 2019; Ferry et al., 2019).

This distinction between actual accountability and the presence of accountability mechanisms came to the fore during the New Public Management reforms of the 1980s. These reforms were discussed in terms of entrepreneurial liberty for managers, who were delegated responsibility for operational matters (Cooper et al., 2021). Doctrines of accountability evolved to meet these new circumstances in which ministers delegated authority to officials for the delivery of policy (Barberis, 1998). However, these reforms came alongside the development of the "audit society," with the center of government requiring more and more information from its component parts (Power, 1997; English & Skærbæk, 2007, p.239; Kelly, 2003). This increased audit turned, in some cases, into a mechanism for central control rather than having any wider democratic purpose (Gendron et al., 2001). Auditors created "facts" to audit which thereby placed the orientation of the service in the hands of those who commissioned the audit, not in the hands of those who were delegated the responsibility to manage (Power, 1996). The presence of this audit society, in practice, reduced the autonomy of individual managers on the ground and increased central control (Abu Hasan et al., 2013, p.320). Thus, the principles of managerial autonomy and entrepreneurship clashed with the control inherent in the concept of the audit society (Lapsley, 2008, p.92). This created the possibility that ministers would divest themselves of the responsibility for poor administrative performance, while creating the conditions for that poor performance (Mulgan, 2002).

As in the case of the new public management reforms in the 1980s, accountability and theoretical managerial autonomy for local authorities increased over the last decade, while their actual decision space has contracted. We show below that the UK government sought to strengthen a specific definition of local accountability: increasing the financial autonomy of local authorities and removing hierarchical performance management structures. These policies have increased transparency, but at the cost of data comparability and performance management capacity, and their effectiveness has been diminished by accompanying changes to the financing of local government. The overall result has been a rise in systemic risk and a fall in decision space within English local government. The changes have also failed to engage with the challenges of the "overloaded state" (Skelcher, 2000), which have been present in English local government at least since the 1980s. The UK government's impetus toward an accountability rooted in place has also been complicated by the presence of local partnership bodies and local arms of the central state. The conventional approaches to accountability sought by UK governments since 2010 have not been adapted to take account of complex local relationships.

## 3 | METHODOLOGY

### 3.1 | Research case

Local authorities in England play an important role in the delivery of public services. There are currently 333 English local authorities who employ some 1 million full time equivalent staff, with a total revenue expenditure for 2017–2018 of £94.5 billion, accounting for about a quarter of all government spending (Ferry, 2019). Local councilors are elected locally in regular elections. There are different types of local authority in the United Kingdom. There are 24 county councils and 181 district, borough or city councils which function as dual tiers sharing the provision of services. In other areas of the United Kingdom, a single tier of councils provides services—these include 58 unitary councils, 32 London boroughs, 2 sui generis authorities, and 36 metropolitan boroughs. More limited functions are exercised by a partial third tier which includes some 10,000 parish and town councils. Additionally, authorities can create structures such as Combined Authorities where two or more councils collaborate to share the provision of services (NAO, 2017).

Since 2010, the Conservative and Liberal Democrat Coalition Government followed by successive Conservative Governments pursued a policy of localism, enshrined in the Localism Act 2011, which gave local authorities more power over their activities.

Nevertheless, the localism powers coincided with a policy of austerity and so “austerity localism” placed local authorities in a position of having more power, but without the funding necessary to make full use of those powers. In other words, local authority funding remained largely centrally controlled and central decision making continued to frame local authorities’ decision space. For example, in England, the main funding of local government comes from central government grants, business rates, and property-based tax on residential dwellings, with smaller amounts from various fees and charges. From 1991, following introduction of the poll tax (flat-rate domestic community charge on residential dwellings) that was politically unpopular, ministers significantly increased the size of central grants to mitigate the impact on citizens. In the accompanying legislation, local government’s power to determine business rates was also removed with central government now setting a single level nationally. These reforms led to a sharp fall in revenue from local taxes, even though their spending levels continued to be reasonably stable as a percentage of GDP (Ferry et al., 2015b). This meant that in English local government, local taxation revenue as a percentage of GDP was small against the amount of GDP spent on local services compared to other large Western European countries. Despite changes in party-political control at the national level, this gap remained largely stable for over quarter of a century with the UK government continuing to exert significant influence over local taxation and public spending despite attempted reforms including moving from a poll tax to a council tax on residential dwellings based on rateable value and other changes to both business rates and central government grants (Ferry et al., 2015b; Murphy et al., 2018; Sandford, 2020a). More recently, there has been attempts for English local authorities to increase the proportion of funding they raise locally, but nevertheless councils in England still rely on central grants to different extents and their capacities to raise revenue locally through council tax, business rates, and fees and charges vary significantly (Muldoon-Smith & Sandford, 2021).

Further reforms to local government have sought to improve local accountability and service delivery. Beginning under the Blair government, the United Kingdom has created 24 directly elected mayors in both local authorities and combined authorities: including Greater Manchester, Liverpool, Sheffield, and the West Midlands. These mayors often have increased authority to run services in their areas (NAO, 2016b; Public Administration & Constitutional Affairs Committee, 2018). The government replaced the previous regional development agencies (designed to stimulate regional economic growth) with Local Enterprise Partnerships, “business led partnerships between the private sector and local authorities established with the purpose of steering growth strategically in local communities”

(NAO, 2016a, p.5). The Conservative Party committed to continue to extend these reforms as part of "an agenda for leveling up every part of the United Kingdom—not just investing in our great towns and cities as well as rural and coastal areas but giving them far more control of how that investment is made" (Conservative Party, 2019, p.26).

Parliament has long seen the need for local government to face audit. The District Audit Service, created in 1844 as part of the Treasury, initially audited local government. In 1983, it was incorporated into the Audit Commission. The Commission's remit expanded over time, acquiring responsibility for local NHS audits in 1990 and moving further into inspection as well as audit work.

In August 2010, the Conservative led coalition government decided to abolish the Commission. It was replaced with a variety of organizations designed to offer audit work to the sector. Local authorities would appoint their own auditors, but the remit of their audit would be regulated by the Financial Reporting Council, NAO, and other bodies. The Audit Commission's national role of reporting on the value for money of local government activity was abolished. The NAO acquired two new powers: the ability to carry out an "end to end" value for money evaluation including local government and the power to report to all authorities or groups of authorities on "matters of general interest." The NAO would continue to hold the Department for Communities and Local Government (DCLG) accountable for the value for money of its activities as before. DCLG was renamed the Ministry of Housing, Communities and Local Government (MHCLG) in January 2018 but its responsibilities in this area continued to be the same.

This set of arrangements has recently been subject to a series of reviews, stimulated both by a perceived crisis in audit more generally and specific concerns about local government audit. In 2018, Sir John Kingman's review of the audit industry critiqued the Financial Reporting Council's role as the regulator of both private sector and local government audit (Kingman, 2018, pp.68–74). Kingman's review, like those of Sir Donald Brydon and the Competition and Markets Authority, focused on private sector audit. However, the NAO (2019a, 2019b) had also raised significant concerns about local auditor reporting and local authority governance on top of its earlier concerns about the financial sustainability of local government (NAO, 2018). These reviews by the NAO, and Ferry's (2019) report to the Housing, Communities and Local Government Select Committee concerning audit and inspection arrangements of English local government, were followed by a review of local audit conducted for the Secretary of State for Housing, Communities and Local Government by Sir Tony Redmond. The government acknowledged the need for "improvements" in response to Redmond, Kingman and the NAO and Public Accounts Committee (MHCLG, 2020).

## 3.2 | Research methods

To demonstrate our arguments, the paper draws upon secondary documentation over the decade 2010 to 2020. This includes UK government policy documents that set out, among other things, the rationales for changing organization and delivery mechanisms, overhauling the local government audit system, altering the local government finance system, and reductions in central government transfer grants to local government during the decade.

The paper also draws upon extensive reporting and analysis by the NAO. The NAO is not involved in the process of auditing English local authorities, but it is responsible for producing the Code of Audit Practice for local public auditors to follow. It also has powers to carry out a small number of general studies of local authorities each year, which it has used since 2013 to monitor the overall health of the local government finance system. The NAO is responsible for auditing UK government departments and thus takes a broad interest in the sustainability of public services. As a result, its outputs provide useful research material for this study, especially around the accountability landscape and financial sustainability of local authorities.

In addition, the paper draws upon work by the House of Commons Library that produces research briefings for MPs including on local government: these cover matters such as new structures that include combined authorities, accountability and audit arrangements, and the financial position of the sector. Again, these briefings provide much detail, especially around the changes to how governable space is made auditable.

**TABLE 1** Examples of secondary documentation analyzed

| Stakeholder type | Examples of report |
|---|---|
| Select Committee | Communities & Local Government select Committee, 2011a; Public Administration Constitutional Affairs Committee, 2018; Housing, Communities & Local Government Committee, 2019 |
| Supreme Audit Institution | NAO, 2019a, 2019b, 2019c, 2020a, 2020b |
| Government Department | DCLG, 2011a, 2011b; Pickles, 2011; MHCLG, 2020; HM Treasury, 2020 |
| Official Review | Kingman, 2018; Redmond, 2020 |
| Professional Body | CIPFA, 2019; Institute for Chartered Accountants in England & Wales, 2021 |
| Think-tank | Hammond, 2018; Guerin et al., 2018; Walker & Tizard, 2019; IFS, 2019; Hammond, 2021 |

Furthermore, the comprehensive work undertaken by the Centre for Public Scrutiny into place-based accountability and audit approaches over the past decade is considered. This is alongside documents and views from other important institutional players such as the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute for Fiscal Studies (IFS) (see Table 1).

The documentation was analyzed, triangulated, and synthesized around central themes concerning accountability and audit relating to place and ongoing attempts to make changing governable space auditable. In the spirit of qualitative research, this was carried out by all coauthors through various iterations and discussions until there was agreement on the most salient aspects to take forward in this paper (Ahrens & Chapman, 2006).

## 4 | FINDINGS: PLACE-BASED ACCOUNTABILITY

The changes to local authority accountability in England formed part of the Conservative led Coalition government's, and later the Conservative government's, localism agenda and therefore had significant implications for how governable space was to be made auditable. This is because the localism agenda looked to pass greater power to local authorities to determine their own activities and to raise more funds locally rather than be heavily reliant on central government prescription of activities and funding sources. In the rest of this section, using Miller and Power's framework, the paper analyses various aspects of this attempt to reshape the experience of local government. First, the paper examines how the government sought to territorialize local government funding in this period, to establish each council principally as financed and thus accountable locally, moving away from the previous funding model whereby local government relied heavily on central government funding. Second, the paper assesses the government's attempt to change the way in which accounting information is mediated for local authorities, finding that the government attempted to change the parties between whom the accounting information was mediated. Third, the paper assesses the success of the government's attempt to use this accounting information to subjectivize, showing that the government's agenda failed to do this due to the incomplete territorialization of funding and mediation. Fourth, the paper shows that, despite government efforts, accountability ended up flowing back through Parliament, which adjudicated on the governance of the overall system, rather than focusing on local authorities as discrete entities.

### 4.1 | Territorializing

The government's attempts to reshape local authority accountability started from an attempt to territorialize accountability, to develop distinct focuses for accountability, and to make governable spaces auditable. In this case, the government was clear that the distinct entities to be held to account were local authorities. The government sought to accomplish this through mechanisms that sought to ensure that local authorities were principally funded locally and developed new accountability and audit arrangements to give electorates control over these new budgets. In doing this, they sought to "reframe" local authorities "in such a way that [they became]… amenable to narratives of market and economic rationality" such as increased efficiency (Miller & Power, 2013, p.580).

These attempts were accompanied by reductions in central government funding to local authorities. Funding from central government in 2010 took two forms: direct revenue support grant to local authorities and hypothecated grants for specific purposes such as the Better Care Fund for social care (NAO, 2019c). The reductions fell overwhelmingly on the former, and the bulk of the reductions occurred in the first half of the decade (IFS, 2019). The government's attempt to localize funding can be seen most clearly in the case of business rates, a locally collected commercial property tax. Prior to 2010, business rates were collected locally and then redistributed from an England-wide pool, according to need. In a series of reforms, the government proposed that increasing proportions of this revenue (starting at 50% in 2013) were to be retained locally, subject to a tariff or top up dependent on an authority's rate income. A complex redistribution system is used to ensure that authorities with small business rates tax bases are still able to fund public services. This scheme was designed to incentivize local authorities to focus on economic growth (Sandford, 2020a, p.4). Other policies such as the New Homes Bonus, tax increment financing and the introduction of Local Enterprise Partnerships were designed for the same purpose (Sandford & Mor, 2019).

The government criticized previous national funding schemes because of their failure to territorialize. Business rate reform and the reduction of central grants (particularly general grants) were designed to do the same thing: to create a link between expenditure in a local area and outcomes, and hence increase accountability to local taxpayers. The government criticized the pre-2013 finance system as it "weakens local accountability.… [failing] to respond to local communities) needs or align spending with citizens' service preferences" (DCLG, 2011b, p.14). The new schemes would, in the government's view, "increase local authorities' self-sufficiency, making them less dependent on central government grant and increasing their autonomy and their accountability to local tax-payers" (DCLG, 2011c, p.14). Locally appointed auditors would facilitate this local accountability through their work. Central institutions such as the Financial Reporting Council and the NAO had a role in regulating these auditors, but their local appointment and focus would support the newly territorialized structure of accountability in England.

While these territorializing reforms sought to establish a basis for accountability, they were incomplete. These reforms did have some effect, with some areas able to raise revenue via business rates and other routes such as commercial property investment. This led to dramatic variations in local authority fortunes (Keep, 2020, p.10). Despite the Government's intentions, some wealthier local authorities still see up to 80–90% of their business rate income redistributed and poorer authorities receive similar proportions from that redistribution. The Government has had to postpone a move to 75% retention twice, initially from 2020 to 2021 and then again in 2021 (Sandford, 2020a, p.16). This territorializing approach also ran into the wider context of increasing overall austerity. Local authority spending power fell by 28.6% between 2010–2011 and 2019–2020 (NAO, 2020b, p.20). This wider context meant that outside observers thought of the sector as facing crisis, disregarding the territorializing logic of the government's reforms.

Reforms to audit likewise failed to fully establish the autonomy of local territorial units. First, while the government mandates individual financial audits of local authorities and combined authorities, there was no provision for overall audit of public sector activity in a place. Centrally provided services or local services provided outside of the local authority are not included in the auditor's remit, which is confined to the organizational unit they were appointed to audit. Second, despite their freedom to appoint an auditor, most local authorities decided to commission their audits collectively through a newly created company, Public Sector Audit Appointments Ltd. Consequently, audit focused on organizations rather than places and was centrally, rather than locally procured—disrupting the Government's efforts to territorialize it as a mechanism of accountability.

## 4.2 | Mediating

The government sought to change the mediating role of accounting in this period, especially in audit and inspection arrangements. It explicitly sought to move from a system where accounting mediated between the center and the periphery to a system whereby accounting mediated between the citizen and the local authority. However, the government's efforts in this direction were incomplete. The accounting information was too complex to become a mechanism for local people to understand their council's operations and changes to the information meant it focused on technical accounting rather than performance in terms of what was accomplished with the funding by the council.

From 2002 to 2009, local authorities were subject to Comprehensive Performance Assessment (CPA), conducted by the Audit Commission. This was a thorough assessment of service delivery and organizational performance that rated local authorities against many different centrally approved metrics and from a range of perspectives, which combined a set of judgments to provide a more complete picture of where to focus activity to secure improvement and a rating so citizens could arguably assess how well each local authority was performing.

In 2009, the framework was replaced by the Comprehensive Area Assessment (CAA) as a new way of assessing local public services, through examining how well councils and other public bodies including health bodies, police forces, and fire and rescue services work together to meet the needs of the people they serve in their area.

From 2010, the new government (a Conservative led coalition) objected to the Comprehensive Area Assessment on the grounds that it centralized measurement according to centralized criteria. For example, the Secretary of State, Eric Pickles, denounced the previous hierarchical approach to accountability as "Soviet" and his department, DCLG, confirmed that in its view the Audit Commission "had become less focused on accountability to citizens and more on reporting upward to government" (DCLGa, 2011, p.6). The Comprehensive Area Assessment was discontinued shortly after the UK's change of government in May 2010, with the announcement of the abolition of the Audit Commission in its entirety following in August. Local appointment of auditors would be accompanied by the activism of armchair auditors (Pickles, 2011) to apply the "disinfectant of sunlight" (Communities & Local Government Select Committee, 2011b). However, authorities are not required to publish their accounts in a standard format, and since the demise of the Audit Commission no thematic analyses of the accounts have been available.

The changes to the way in which accounting and auditing information was mediated were incomplete for two reasons. First, the government did not design an audience for this approach to accountability. Despite frequent calls since 2017 for the creation of local public accounts committees, these have not been established. The reforms also took place against a context in which the local press, which might have used increased information to enhance accountability, has suffered from declining circulation. Local newspapers sold 31.4 million copies a week in 2017 in contrast to 63.4 million in 2007 (Cairncross, 2019, p.24). A recent government review concluded that there was a "clear link between the disappearance of local journalists and a local newspaper and a decline in civic and democratic activities such as voter turnout and well managed public finances" (Cairncross, 2019, p.17). The lack of standardized data has not assisted in developing local accountability. Up to 2010, the Audit Commission provided a source of standardized data and a program of thematic studies. Since 2010, the institutional links between the central and local auditors have been far more ad hoc with no single body responsible "either to act as a system leader or to make sure that the framework operates in a coherent and joined up manner" (Redmond, 2020, p.10). Removing these links, in the name of abolishing hierarchical accountability, has also had the effect of eroding the effectiveness of local accountability. No part of the system has responsibility for collecting and comparing data, or for using analysis to underpin an understanding of the risk profile of local authorities generally (Guerin et al., 2018, p.25). The NAO has recently published a report on local audit opinions and has designed a local auditor reporting application as an attempt to fill this gap (NAO, 2019b).

Second, rather than purely mediating between local authorities and their subject population, accounting, auditing and statistics have become mediating technologies between central and local government. As Miller and Power (2013, p.583) argue, in general the mediating role of accounting is "more of a permanent process than a stable outcome" as "failure is the norm." Responses to failure in this case led to further centralization. Sajid Javid (Secretary of

State for Housing, Communities and Local Government 2016–2018) justified the government's decision to intervene in Northamptonshire County Council—an authority that went into financial crisis—by reference to "adverse value for money opinions in audit reports" and a "financial peer review" by the Local Government Association (Javid, 2018). Furthermore, the government had acknowledged in the 2014 legislation that risks existed at a sectoral level which required a further layer of mediating audit. The reforming legislation, the Local Audit and Accountability Act, 2014, gave a role to the NAO to undertake cross cutting audits of value for money across multiple local authorities. The subsequent program of studies has provided a mechanism for understanding themes and issues across the entirety of local government. Parliamentary select committees have drawn on this mediating technology of value for money reports to scrutinize the government.

## 4.3 | Adjudicating

The government intended to ensure that accountability and auditability would be focused at a local level. Announcing the changes to the Audit Commission to Parliament, Eric Pickles said, "what we are doing passes the power to local people" (House of Commons, 2010, col.183). The clear implication was that the government's new mechanisms would reconstitute local government into bodies which were capable of failure (Miller & Power, 2013, p.585). Therefore, the government's attempts to territorialize concentrated on giving local authorities responsibility for local taxation and spending. Auditors would offer each local council a report on whether value for money arrangements were in place for the council's spending, although they could not comment on whether value for money had been delivered.

However, the government's reforms did not change fundamental elements of the way that local authorities operated. Statutory duties to deliver a multitude of services—in the face of declining budgets—remain in place. The space for local authorities to maneuver has been limited further by the creation of schemes like the Troubled Families Program, which rewarded local authorities financially for directing their attentions to targets created by central rather than local government.

The NAO has, since 2013, paid attention to what it calls financial sustainability. In the NAO's view, financial sustainability is the degree to which duties to provide statutory services match available funding within the sector. The NAO published several reports between 2013 and 2019 focused on financial sustainability. These reports sought to advance the case that despite the reforms of the 2010s, the MHCLG as the central department retained responsibility for the overall financial health of the sector. In 2014, the Department agreed that it had "overall responsibility in central government for local authorities' funding" (NAO, 2014, p.5). As such, the NAO challenged the proposition of a linear relationship between the percentage of revenue raised locally and the degree of accountability.

Local authorities have very limited control over their tax bases, tax rates, or over the majority of service fees and charges that they set, and their statutory duties remain unchanged since 2010; they also cannot run revenue deficits. This type of limit on local authorities' "decision space" reduces the degree to which they can be described as fully responsible for their own actions. This concept of financial sustainability uncovers the degree to which the reforms designed to create a space in which local performance can be adjudicated have found it challenging to work. The NAO has addressed elements of the English local finance system where accountability—in the sense of freedom to make decisions and be held responsible for them—could be increased. For example, they said that MHCLG should "better evaluate the impact of decisions on local authority finances and services" (NAO, 2013, p.8), and that MHCLG should be "better informed" about local government (NAO, 2014, p.10).

## 4.4 | Subjectivizing

The government's decision to reform accountability was directed toward ensuring that individual officers and local authority elected figures would be subjects of accountability. They would be seen and see themselves as responsible for the conduct of business in their local authority. Their decisions would become "calculable and comparable" and the new accountability arrangements would confer "new visibilities upon them…, allowing comparisons with others" (Miller & Power, 2013, p.586). However, the government has been unable to make local authorities and their audiences see them in this way.

Falls in revenue have framed much local authority activity during the 2010s. A major local authority response to declining funding has been to expand commercial activity, especially though not solely, via commercial property investment (NAO, 2020b). Authorities have sought to plug funding gaps through rental revenue from commercial properties that they have purchased using borrowed funds. In some cases, the capital value of property purchased exceeds authorities' annual revenue by several dozen times. Scholars have argued that these activities represent desperate responses from authorities with few options for raising revenue (Christophers, 2018; Muldoon-Smith & Sandford, 2021). Media articles in the late 2010s suggested that local authority property investment often lacked transparency, was driven through by small groups of councilors, or lacked good quality investment advice. This would suggest that measures intended to increase accountability, combined with falling funding, have had the opposite effect.

Despite this, the fiscal pressures on local authorities have functioned generally to undermine a sense of subjectivity, leaving a sense of a sector under pressure and undermining the audit of governable space. For example, a NAO survey of the external auditors of local authorities showed in 2019 that auditors classified 22% of single tier or county councils as having a high-risk profile and 66% as having a medium risk profile (NAO, 2019a, p.18). In the current system of accountability, local authorities that have faced qualified audit opinions, or where auditors have published Public Interest Reports (PIRs) on their financial circumstances, do not face clear sanctions if a risk crystallizes. Recent examples include the severe financial difficulties in Northamptonshire County Council (2018) and the London Borough of Croydon (2020), both of which have been subject to ad hoc central government intervention. Both the Chartered Institute of Public Finance and Accountancy (CIPFA) and the NAO have pointed to the difficulties (in those two cases and others) that local auditors have had in getting their recommendations accepted (CIPFA, 2019; NAO, 2019b).

## 5 | DISCUSSION AND CONCLUDING REMARKS

The findings above indicate that the four main roles of accounting in organizations and society put forward by Miller and Power (2013) as territorializing, mediating, adjudicating and subjectivizing are useful in theorizing central and local government relations and the auditing of governable space.

As a theoretical contribution, the paper has shown how these roles are helpful in terms of considering policy making and implementation of place-based accountability initiatives following the localism agenda, including how to make governable spaces auditable. This is because it was shown that the changes to local authority accountability in England were made to bring in a localism agenda with an attempt to reshape the experience of local government. It was shown that government territorialized local government funding in this decade, establishing each council principally as financed, and thus accountable, locally, although the territorialization was incompletely performed. Government also changed the way in which accounting information was mediated between local authorities and other bodies, changing the parties between whom the accounting information was mediated. The government's attempt to use accounting information to subjectivize failed, due to the incomplete territorialization of funding and mediation. Despite government efforts, accountability ended up flowing back through Parliament, which adjudicated on the governance of the overall system rather than focusing on local authorities independently.

Regarding policy, the paper argues that the ambivalent findings set out above show that a quantitative focus on accountability—seeing it purely as a matter of transparency regarding the presentation of accounting data and statistics—detracts from the government's original aim of increasing accountability in localities and so more consideration needs given to making governable space auditable.

There are four main reasons for this. First, the new local accountability system does not provide sufficient information to the electorate—the "principal"—to exercise accountability. Local government auditors audit annual accounts prepared by local authorities, but these are opaque and hard to understand. There is no clear chain of consequences when a local authority experiences financial mismanagement (however defined). This undermines the degree to which the accountability system acts as a restraint on local authority decision-making. It prioritizes “financial conformance” (Ferry et al., 2015a) over analysis of performance, screening out the issue of service quality.

Second, the reductions in available funding for local government reduce local authority capacity. This has the potential to affect the quality of strategic decisions at the corporate center. A local authority that lacks the capacity to make good decisions—or faces a very limited range of options—because of a political context that it cannot control, cannot be said to experience increased accountability.

Third, some local authorities have adopted unfamiliar and complex strategies to attempt to escape present and future financial problems. The purchase of large commercial property portfolios has been the most visible of these, but other approaches have also been pursued, such as property leaseback and joint commercial ventures. Much of the detail of such arrangements can be publicly unavailable on commercial confidentiality grounds, and even where it is available it is hard for an “armchair auditor” to judge its long-term viability. In the same vein, the proportion of local authority revenue raised locally has increased during the 2010s. This means that local authorities’ financial exposure has increased. In particular, they are vulnerable to any sustained downturn in property markets.

Fourth, local authorities depend on relationships with other local public bodies and private sector organizations to deliver many services and outcomes effectively. Examples include local health bodies, schools, further education colleges, police and fire authorities, businesses and third sector organizations. Any aspiration toward “place-based accountability” has little meaning unless some mechanism exists to develop a relationship between the “principal” and the “agent” in these cases. This dilemma has a long history in England, from debates over “joining up” and “silo government” in the 1990s, to the regional assemblies and multi-area agreements of the 2000s (and it underlay the introduction of the Comprehensive Area Assessment in 2009), to Total Place (2009-10) and the Community Budgets Initiative (2011–2015). The concept of a Local Public Accounts Committee (Hammond, 2018) forms a solution of sorts. This would replicate the audit and reporting functions of the NAO regarding all public bodies in defined localities. It represents an attempt to reassert conventional democratic accountability—establishing a principal–agent relationship, interpreting data, facilitating performance assessment, and strengthening the electoral chain of command. This provides a number of additional dimensions to an accountability system alongside the supply of data and assessment of financial management. However, this idea has not yet arrived in the English political mainstream. It represents a move away from accounting for organizational behavior toward a system-based mode of accountability. In that respect, it forms a bridge to recent literature around “place-based leadership” (Sotarauta, 2018).

Regarding practice, the experience of English local government indicates that electoral sanctions are merely a necessary, not a sufficient, condition for accountability. Accountability requires a web of supporting administrative apparatus. This could include audit, inspectorates, data transparency and local sanctions over public bodies. Accountability will be eroded in practice if other features of the local governance regime militate against it. Local authorities cannot be “accountable” for decision-making where they must provide services to national standards but with access to sufficient funding closed off at every turn.

Audit provides a critical support role within an accountability system guaranteeing financial propriety. The scope of audit, the uses made of the data, and the availability of sanctions to other actors, all shape an accountability system. If a local area or local authority has the capacity to assess and compare audit data and can hold responsible those in senior positions for decisions made, place-based accountability may increase. Conversely, local electors facing complex data without any interpretive capacity (whether at local or national level) will find it more difficult to understand the reality behind the figures.

The achievement of accountability is also dependent upon the links between funding inputs, statutory duties, and local decision-making that leads to outputs and outcomes for citizens. Where these are out of kilter with one another, the temptation for local actors toward blame avoidance will be high. Local authority leaders may often argue accurately that they have insufficient funding, lack the scope to increase revenue from local sources, or are hamstrung by disputes with neighboring authorities and local partner bodies.

In summary, critical features of the English local government system make it challenging for place-based accountability to work in English localities. This is because English local governance features a range of dispersed public organizations with differing accountability mechanisms. Local governance and public audit have not succeeded in harnessing them into a coherent accountability framework.

For future research, it would be useful to see how place-based accountability affects particular partnering arrangements, organizations and their services in localities at a more detailed and nuanced level of place. This would afford real insights into the functioning of "place" itself. In addition, and at the same time, comparative research on policy making and implementation of place-based accountability in other jurisdictions would be valuable, especially exploring how audit underpins such practices for auditability of governable space.

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