The Audit Commission: Guiding, Steering and Regulating Elected Local Government

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Abstract

Can elected local government retain its democratic legitimacy, if its activities are steered by Non Departmental Public Bodies (NDPB) and other intermediary agencies that operate in order to protect the interests of the non executant state? One such organisation, the Audit Commission (AC) defines the auditory framework for local authorities in England and Wales. It also provides advice and guidance on new legislation and disseminates best practice on service delivery and by doing so, delineates the boundaries within which local councils operate.

The paper is in two parts. The first shall within an institutional analysis explores several cross cutting themes that predicated new forms of central government’s regulation of local authorities. The second part of the paper discusses how the AC guides, steers and regulates local authorities.

Introduction

The desire of central government to regulate local authority expenditure is not a recent innovation but a motif that can be traced back over several centuries. The District Audit Service (DAS) was first established in 1844 and subsequent Acts of Parliament extended its powers and brought it under central government control (Coombes and Edwards 1990). The purpose of the DAS was to ensure the correctness of the account… but also the legality of the expenditure and to (sur)charge those found to have incurred disallowed expenditure (Coombes and Edwards 1990, 162). The desire to ensure the probity and legality of local authority expenditure was carried forward into the creation of the Audit Commission for Local Authorities in England and Wales (hereafter, AC) in 1982 by the Local Government Finance Act (section 3). It took over the responsibilities of the Chief Inspector and the Audit Inspection role and the DAS almost without change (Kimmance1984). The intention was that the AC would serve a dual purpose; first, to secure the independence of the audit of local authorities and, second, to ensure that councils provided value for money in their management of public funds. The independence of local government audits were maintained by parallel undertakings. First, as an independent organisation, the AC’s responsibility for appointing auditors to local authorities enabled the audit process to be authenticated as free from interference by central and local government. Second, by issuing guidance, the AC would establish an operational framework for local government auditors (Audit Commission 2000b ). The 1982 legislation also required the AC to ensure local authorities were economic, efficient and effective in how they manage and deliver services. Accordingly, the AC’s dual responsibility is to uphold probity in local government and to ensure that councils spent money wisely (McSweeney 1988).

Since its creation the AC’s obligations have grown. In 1990, its jurisdiction was expanded to include national health service authorities, trusts and other bodies. More recently, the new Greater London Authority has been added to the list of organisations the AC oversees. Its responsibilities have also been extended. As part of the Citizens’ Charter Initiative, the Local Government Act 1992 requires the AC to publish performance indicators in a format to enable comparisons to be made between councils and different years (Bowerman, 1994). Four years later, in 1996, the Audit (Miscellaneous Provisions) Act 1996 established that the AC was to carry out joint reviews of social service provision with the Social Services Inspectorate (SSI) (part of the Department of Health). The following year, the AC began joint inspections of reviews of local education authorities (LEAs) with the Office for Standards in Education (OFSTED) (White and Hollingsworth 1999, Hollingsworth, et.al 1998). The most recent significant expansion of the
AC’s duties resulted from the Local Government Act 1999, which placed new responsibilities on auditors to audit Best Value Performance Plans (BVPP) and, the AC Best Value Inspectorate to inspect Best Value Reviews carried out by councils (Nicholson and Randell 1999).

In addition to joint reviews of social service departments and education authorities, which the AC carries out with the SSI and OFSTED. The AC also works with other Inspectorates, for example, Her Majesty’s Inspectorate of Constabulary and the Benefit Fraud Inspectorate. The AC also works closely with other organisations, such as the Local Government Association, the Improvement and Development Agency and the Department of Environment, Transport and Regions (DETR).

The AC is a Non Departmental Public Body (NDPB) (Skelcher 1998, 33). Sponsored by the DETR, it is accountable to Parliament through the Secretary of State for the Environment, Transport and the Regions. The Controller and Commissioners of the AC are appointed by the Secretary of State, as are the commissioners (ETR Select Committee 2000a, 2000b, DETR 2000a). Until recently, the AC was self-financing, raising income from audit fees, which was an indicator of its independence (Hollingsworth et.al. 1998). Since 1998 in recognisance of its new responsibilities under the Best Value legislation, the Government has provided the AC with a grant to meet the cost of setting up the Best Value and Housing Inspectorates. According to the AC 1999 Annual Report, it is anticipated that the government grants in future years will be about 15% of the organisation’s total running costs (AC 1999). It is as yet unclear whether the independence of the AC will be compromised by these grants.

In summary, the purpose of the AC is to work with central and local government actors to ensure that directly elected local authorities fulfill their obligations to the non-executant state and other stakeholders, in particular, service users. Accordingly, the AC complement conventional forms of professional, political, managerial and financial accountabilities that are unable to distinguish between local government’s multifarious and differentiated stakeholders.

These arrangements, however, have significance for the autonomy of local government. Since its creation, the AC, through the DA and its oversight of approved private auditors, continues to constrain local authorities by probity and regulatory audits. In addition to these constraints, the AC promotes examples of best practice in the economic, efficient and effective provision of services, which councils are expected to follow. Since 1998 the AC’s role was expanded to take on the auditing and inspecting of Best Value. Lastly, through its discourse, the AC provides a definition of well-run and well-managed local authorities, the potency of which is strengthened by the AC’s regulatory functions.

Moreover, since its inception, the AC has contributed to central-local government relations in several ways. To begin with the AC was created at a time when there was considerable change in government policy on how local authorities were to be constrained and regulated (McSweeney 1988, Radford 1991). By being a conduit between government and local authorities, the AC interpreted how these legislative and other changes were to be implemented by local government. Furthermore, the AC synergised new policy on the regulation of local government, with practices derived from the new forms of management of public services. Accordingly, the AC promulgated innovative forms of measuring and improving service delivery and management performance.
To conclude, the AC is part of a wider policy community that informs central government on the management of local government. For councils, the combined effects of these factors signify that although local authorities may appear to enjoy operational and implementation autonomy, in practice, however, their scope is constrained to following policy pathways, which conform to the AC’s definition of value for money.

The aim of the first part of the paper is to provide an overview of some of the processes that have resulted in the reconfiguration of the management of central-local relations. Within this relationship there has been a shift it being constructed from being hierarchical, which emphasised that central and local governments operated in their own distinctive space (Bulpitt 1983), to the emergence of a new form of inter-governmentalism, which includes not only central and local government, but other forms of sub-and supra national governmental organisations and non-governmental organisations (Stoker 1995, 2000). The second section of the paper looks at the role of the and the part it played in this relational shift.

CROSS CUTTING THEMES

Institutional Analysis

Conventionally, in the UK, local government studies have been dominated by the examination of the formal legal, administrative and organisational structures, which assumes that it is organisationally homogeneous. This is not the case. The structure of local government has not only been shaped by locality and political differences but organisational culture and processes are equally important. Accordingly, the institutions of local government were not only shaped by exogenous episodes, which shaped their environment but how councils reacted endogenously (Stewart 2000). Although the conventional approach is now less frequently used, it remains important for understanding the constitutional and administrative position of local government in the UK and its role in the delivery of publicly funded welfare services (see, for example, Byrne 2000). In contrast, the study of the formal institutions of local government is less helpful, when studying the context of policies, including the origins and continuation of some programmes in preference to others, or the administrative and constitutional doctrines which frame them (Stoker 2000). More traditional approaches have only limited capacity to make sense of the new forms of urban governance (Stoker 1998, Andrews and Goldsmith 1998). A new approach to the study of the historical context of institutions is required. This can be shown using analysis of how the organisational history shapes contemporary formulation. Historical institutionalism promises greater congruence with governance systems consisting of >self-organising inter-organisational networks< (Rhodes, 1997), than conventional approaches. In the case of urban governance, historical institutionalism moves beyond the more descriptive narratives of local government structures, to focus on the institutional formations that mediate politics and contextualise political behaviour, specifically in relation to the regulation of local government organisations (Peters 1999, Stoker 2000).

This form of analysis attempts to address three questions: First, what are the significant variables that influence both individual and organisation actors’ behaviour? Second, what is the purpose of institutions and how do they affect actors’ behaviour? Third, why are institutions formed? Why do some persist? Whilst others do not? In effect, these questions are interactive and are addressed throughout the paper, prefaced by referring to the new forms of managing public services and the networks that provide the inter-connectivity of contemporary forms of urban governance. Accordingly, actors’ patterns of behaviour are both simultaneously shape institutional formation and
doctrines, whilst institutions frame actors’ behaviour (Hall and Taylor 1996). In both cases, those institutions that reflect and sustain prevailing interests, are those most likely to survive (Dowding et al, 2000). By this route, it is possible to argue that the institutions of local government were shaped by the actions of internal and external professional and political actors expressing their interests; whilst the administrative, constitutional and legal formal institutions, combined with informal conventions, are embedded in the organisational culture, which provides context for how local government actors should behave (sometimes also described as bounded rationality (Peters, 1999,33). Similarly, the AC has its own institutional values that provides context for its interaction with local government. In particular, shaped by legislation and its operational code, the AC internal values are formed by its mission to change local government and the underlying premise that implies local authorities need to be regulated (McSweeney 1988).

New Public Management

The creation of the AC coincided with the emergence of a doctrine in several western countries, which actively promoted new forms of public management. Thus local authorities, along with other governmental organisations, were encouraged by government to seek economies and improvements in efficiency by adopting resource management practices from the private sector, including measuring outputs. The adherents of the doctrine, usually described as new public management (NPM), also advocated the dis-aggregation of public sector bureaucracies. This form of management doctrine supported the view that public sector bureaucracies should emulate the private sector, including introducing market-led competition between service providers, whilst placing greater emphasis on consumer choice (Foster and Plowden 1996, Rhodes, 1997). Similar to writers in the public choice genre, a reoccurring theme from some advocates of the new forms of public management was that governments inefficient service providers. Besides, the services supplied by public sector organisations were vulnerable to be driven by the interests of politicians, bureaucrats and producers at the expense of the users’ needs (Dowding 1996). Moreover, whilst governments were concerned with service delivery, they were detracted from strategic policy making. It is for this reason that it was suggested that decisions regarding policy and the delivery of services ought to be separated, thus enabling governments to focus on the >steering< of policy, while service provision is made more competitive and responsive to the users’ requirements (Foster and Plowden 1996).

NPM is accompanied by a powerful discourse, which pronounces its superiority over other forms of administration. Inherent in the NPM discourse is the urgent need for change and for public sector organisations to adapt their culture to embrace the tenets of the new doctrine. Clarke and Newman (1997) argue that the NPM discourse incorporates narratives that assert the normality of change, which provides assurances that through the medium of change, the continuity of organisations can be safeguarded. Change also is a metaphor for progressive and forward looking organisations and individuals, committed to breaking away from the past. Furthermore, it is only by continuous change and adaptability are organisations able to deal with the challenges presented by uncertainty. The discourse of NPM defines itself by demonising opposition to its proposals by projecting negatively on those aspects of public management which is linked to the past. Thus, NPM discourse privileges users and consumers, choice and diversity, which indicate a discontinuity with the values of the past that favoured producers’ interest, uniformity and bureaucratic forms of administration.

An extensive and diverse literature now supports NPM, within which three distinctive narratives are distinguishable (Stoker 1999). These have been described as hierarchical, which assumes that effective government can be
achieved through organisations valuing and utilising strategic forms of management and developing leaders. A second narrative draws upon the assumptions about the benefits of the market and contractual relationships and the application of these axioms to the management and supply of public services. The third and final category emphasises the benefits to public sector management of actors working through mutually beneficial networks based on trust, mutuality and respect between providers and users of government services (Coulson, 1988, Rhodes, 1997).

The dissimilarity between different NPM narratives may suggest incoherence. In practice, however, such diversity is not necessarily a weakness but an effective broad church, able encompass a wide spectrum of opinion, similar to the philosophical divergence found, up until relatively recently, in British Conservatism. The diversity of NPM cross party political boundaries to form a managerial theory, which is attractive to elected and non-elected practitioners in local government, is sufficiently flexible for actors to privilege some aspects over others according to local circumstances. Diversity in NPM provides for its core elements to be tailored to different managerial requirements, whilst also satisfying spatial, organisational and political difference in local government (Stewart and Walsh 1992).

Nevertheless, the NPM narratives are not without risk to local authorities attempting to address the complex issues which emanate from the necessity of inter-agency working. For example, hierarchical control associated with promoting greater efficiency and economy may be a barrier to partnership working, while horizontal management structures are discrepant with market based solutions. It is doubtful whether more entrepreneurial styles of management can succeed in a climate that prioritises perpetual searching for cost savings (Walsh 1995). On the other hand, for more traditional elected and non-elected practitioners, focussing on savings generated from economy and efficiency savings, may be more acceptable than addressing the challenges associated with the new forms of urban governance.

For Rhodes (1997) hierarchal forms of management risk being overly focussed on inter-organisation details and paying less attention to managing shared interests with other organisations. Rhodes (1997) identifies two further flaws in the application of NPM to local government. First, the requirement that councils should engage in setting objectives and developing strategies in order to meet their goals. In other words, such activities risk becoming self perpetuating and a reactive form of problem solving, whilst also encouraging es organisations to be introspective. Second, objective setting requires measuring results and achievements by performance indicators. Since being established, the AC has been closely identified with performance measurement, mostly through its value for money reports and the production of league tables. Such forms of measurement are described by McSweeney as proxy data (1988). Information that sidesteps the complexities and ambiguities of competing political interests, by comparing organisational achievement to an apparent technocratic, value free measurement that ranks evaluative judgements on the >best<, >average< and >worse< performance.

New Forms of Local Governance: Dispersed or Fragmented Networks and Partnerships

Since 1979, the large multi-purpose service providers created by the 1960s and 1970s re-organisation have been partially replaced incrementally with a myriad of smaller units, mostly by privatisation and quangoisation. Former local authorities’ functions are now provided by organisations that are part of either the private, not-for profit and independent sectors. The dispersal of local authorities’ functions was precipitated by the Conservatives’ political project to place market discipline on councils by privatisation and compulsory competitive tendering (CCT). But even
before the effects of compulsory competitive tendering fragmented the supply of local government services, it was evident that the complexities of the problems that were manifest in many urban areas were too complicated for national and local policy makers to address on their own (Stoker 1998).

Although local authorities have lost a significant number of powers, they are not utterly impotent. Local authorities continue to have an influential role in facilitating mutually beneficial partnerships in the locality, co-ordinating responses to the complex issues that communities have to address in late modernity (Stoker 2000). To meet this aim, local authorities have to acknowledge that their best opportunity is to work in partnership with other organisations, often in complex networks, that link the providers and users of services with other agencies. Included in these networks are government bodies, private for-profit and not-for-profit and independent organisations which work with councils to deliver services and provide for the requirements of the locality. These localised networks intersect with other inter-connective cross-spatial social, political and economic networks. The importance of inter-connective networks is illustrated by the spatial constraints on the forms and type of technical intervention those local authorities can make in their locality. Even those authorities that govern large conurbations, such as Birmingham or Manchester, work in partnership with regional national and supra national agencies to attempt to manage the economic and political consequences of their spatial legacy. Accordingly, although economic development and regeneration strategies are implemented locally, those that are successful are connected with national and even global interests.

For local authorities to succeed in realising their policy objectives actors need to develop both horizontal and vertical integration of policy and implementation strategies, both internally within their organisation and externally with other government agencies and sectoral actors by using partnership arrangements. Although the members of such partnerships are mutually dependent on each other to realise their policy objectives, some participating actors, particularly those with access to resources have, at least materially, greater leverage than other network members regarding policy direction. For governmental organisations, if they disregard the aspirations of their partners, they run the risk of compromising their democratic legitimacy. Nevertheless, small or single purpose organisations that participate in a partnership arrangement may compromise their identity by complying with the joining conditions. This may be manifest in a number of ways: First, statutory organisations may require their non-statutory partners to modify their pattern of working and ethos, in order to comply with their professional and other requirements. Second, partnerships that include single and multi-purpose agencies risk having irregular patterns of ownership of policy and implementation strategies. Third, lay and professional actors may work to different criteria and have divergent viewpoints and motivations. Lastly, single purpose organisations may have poor knowledge about policy making processes and the restrictions that limit the actions and resources of local authorities.

One method used to describe, evaluate and explain the nature and processes which constitute local authorities’ role in interactive partnerships in their locality is by the application of policy network approach (PNA). For simplicity, the approach adopted here is derived from the model developed by Rod Rhodes (1997) and is used as an idealised type. The essence of his model is that the British state is no longer unitary but differentiated. Accordingly, hierarchal forms of policy making have been replaced by policy networks. Members of policy networks are dependent upon each other for access to resources and mutuality in seeking to influence policy. Although descriptive labels vary, policy networks differ considerably between policy communities, which tend to have restricted membership and therefore are semi-closed groups, with high levels of shared identity. At the other end of the continuum are issue networks, characterised by large number of members, which converge to pressure in a limited and restricted area.
specific to a particular policy. Located between these endpoints are intermediate networks, such as those which consist of professionals (stable, highly restricted and works for the interest of the profession). Inter-governmental networks also have limited membership but operate to link government organisations horizontally. Lastly, producer networks are have fluctuating memberships and work to further the interests of producers. Policy networks differ according to two criteria; first, whether the network is unified in its purpose and whether this is reflected by high level of integration between the members. Both factors will indicate the stability of the network. Second, the unity, integration and stability of the network will be affected according to the interests which dominate.

The policy network approach, however, contains several elephant traps for the unwary. The model developed by Rhodes (1997) and modified by Marsh and Rhodes, is only one version of an increasing crowded debate. Rhodes' model is notable for its apparent rigid classifications of how policy networks are formulated and function at different levels of the policy making and implementation process (1997). Moreover, it is less insightful in how policy networks originate, develop, and reasons for their collapse or changing focus. For local government actors, these apparent esoteric theoretical points, risk being conflated with the description of how they aspire to work with other organisations and the actuality of what they do. PNA is clouded further by the benevolent overtones associated with networking, which is assumed to be noteworthy for its consensual and harmonious internal relations, which is ideally paced to capture spontaneously and flexible forms of decision making, including those who are often marginalised by more traditional formal methods. (Hay 1998, 41) Yet, the counterfactual perspective is that networks operate by exclusion, where entry into the decision making process is opaque and even restricted to recruitment by existing members of the network. Even if actors are admitted to the network, entry may be conditional or only partial to ensure compliance.

A number of these issues have been addressed by Marsh and Smith (2000) who argue that policy networks should be viewed as a dialectical model, comprising of interactive variables that are affected by the structure and agents within and without the network. This analysis suggests that networks are not created in isolation but incorporate the broader societal context, thus, factors, such as social class, gender and ethnicity are embedded in networks. In addition, previous debates and decisions taken by the network are also embedded and provide insights to the level and distribution of resources to policy actors. It implies that informal and formal institutions also inform and shape the operational framework of networks. Similarly, exogenous factors, including other networks and the policy environmental shape and influence how networks operate. The interactive nature of policy networks has further implications for policy actors. The combination of the utilisation of their innate skill, capacity to acquire knowledge and available resources, in combination with the network structure, are factors questioning to whether their interventions will succeed and indicate the prospects of the long term survival of the network. Lastly, those policy community networks with restricted membership and are highly integrated will develop a self-referential perspective with bounded rationality. This implies policy networks will develop policies that reflect their own bounded rationality and will not be swayed easily by counterfactual arguments.

Lastly, within a local government context, networks present government with particular challenges. As a new form of governing, self-organising inter-organisational networks represent the new governance, whereby governments have less control over policy development and implementation but seek greater regulation and the acquiescence of others. Local government actors routinely have overlapping membership of different forms of policy networks. Moreover, in some circumstances, actors may be simultaneously members of a policy community, professional network, an inter-governmental network, producer network and an issue network. The implications of overlapping
membership are that policy objectives become blurred, while those actors from policy communities use their privileged status to steer the actors, more open networks, such as issue networks. A further difficulty is that policy communities have considerable congruence with producer networks they have affinity with, thus strengthening producer interests at the expense of the users of public services.

In any event, those actors who are simultaneously members of different types of policy networks are privileged, particularly in terms of their access to information and other resources. Organisations that include local government actors in partnership with other agencies, working jointly to provide a particular service, will be directed by those with access to resources, including direct access to the policy making process. Accordingly, local government actors empowered in this way, will enjoy greater sway than others in the network. This suggests whilst policy networks may appear to be self-organising and self steering, where membership overlaps, it may be the case that these organisational forms are directed, although the process is opaque and implicit.

ENVIRONMENTAL CONSTRAINTS ON LOCAL GOVERNMENT AUTONOMY

Constitutional Constraints

Conventionally, the structure of local government in the UK is defined by the formal and legal constraints that determine its specific powers of competence. In practice, however, the constraints on local authorities are more complex than its constitutional position suggests and include of a blend of formal and informal checks and conventions that consist of financial and auditing regimes and, since 1982, advice and guidance from the AC. Conventionally, the most significant of these constraints on the autonomy of local authorities are those placed by central government (Byrne 2000). As a creation of Parliament that is without a constitutional position, it is often argued that the autonomy of local authorities resides in the powers which are granted to them by higher forms of government (Gurr and King 1987, Wolman and Goldsmith 1992). Without constitutional safeguards, local authorities are vulnerable to the vulgarities of the political cycle that have previously resulted in substantial constraints being placed on councils—financial arrangements. Other consequences include new mechanisms designed to ensure that local authorities are accountable to their various stakeholders, by Government requiring to consult more frequently and to make decision making more open (Brooks 2000).

Other than the probity audit processes, the most significant constraint on local authorities is that they have only a specified power of competence. This restriction, described as the doctrine of *ultra vires*, prevents councils from acting beyond their powers, (Loughlin 1996). Councils are further restricted by being required to fulfil their fiduciary duty, by not breaching the trust of their stakeholders by spending imprudently money which is entrusted to them (Loughlin 1996). Defined by common law, the concept of *ultra vires* defines the limits of local authorities’ powers. The notion of fiduciary duty assumes that councils have a responsibility of trust to those whose money they expend. Thus even if local authorities were deemed to have authority to act, in other words, it is determined that they are not *ultra vires*, it could be assumed that their actions were unlawful if the trust relationship with their ratepayers was considered to have been broken (Loughlin 1996, 209).

The double stipulation that councils may not act beyond their powers and must spend money wisely are embedded in the organisational culture of local authorities and act as a powerful institutional constraint on local government actors. This is not the only reason why the powers to enforce the twin constraints of *ultra vires* and fiduciary duty were enforced only in a few circumstances (Loughlin 1996). Insights into why this was the case are provided by
Bulpitt’s dual polity thesis. He argues that for much of the twentieth century, actors from the centre and localities operated in distinctive spheres, with their own concerns and only occasionally interacted. Accordingly, the localities were chiefly concerned with repair and maintenance of the urbanised areas, whilst the centre focussed on high political matters, the economy, defence and foreign affairs. (Bulpitt, 1983, Rhodes 1997). The dual polity operated within the British political system which, notwithstanding the dominance of Westminister and Whitehall, is a differentiated system of government, with assorted forms of administration for the home nations and local authorities, which were vested with different powers according to their type. In spite of the apparent disengagement between the centre and localities, central government presided over a hierarchical regulatory regime informed by the joint doctrines of ultra vires, fiduciary duty, combined with probity audits, enforced by surcharge and disqualification, if it was ever necessary to admonish councillors and to protect local tax payers. In practice, however, with one or two exceptions, up until the 1960s, most councils were run by compliant local elites, and these constraints were held in reserve. By the 1970s, Bulpitt concluded that the dual polity had been eroded by, among other factors, the centre’s involvement in the provision of welfare by local authorities and related considerations; specifically, the centre’s interest in the management of local authorities and attempts by successive governments to restrict the mounting cost of local government. Although it is doubtful that the separation of the centre and localities was as extensive as Bulpitt implies, his narrative is insightful to the tensions created by the nationalisation of local politics. Moreover, claims to self local government, (a traditional justification for local government) are difficult to reconcile with the spread of local matters onto the national policy agenda, while nationally decided and (financed) universal welfare services are antithetic to the concept of local self government and local autonomy.

The formation of the AC coincided with the election of a new generation of Labour councillors, eager to pursue redistributive policies. Whilst there was only ever a scattering of radical high spending Labour councils, after 1975, local government finance held wider political significance for the Conservatives. Before their abolition in 1990, local government taxes were based on periodically reviewed property valuations and with some exceptions, were progressive and highly visible. They became increasing unpopular during the 1970s and opposition to local property taxes were integrated in the Thatcherite project and used repeatedly to articulate opposition to Labour local government and its apparent profligate expenditure and poor management of its workforce and other resources. Accordingly, local government finances and government policy towards sub-national government became integral to the Conservative statecraft and re-election strategies (Bulpitt 1989). How local government should be financed, or more precisely, what percentage should be raised locally by the rates and what should come from central government, became of national political importance during the late 1970s and continued to be so until they were replaced by the Community Charge (also known as the Poll Tax) in 1990. During the 1980s, rate borne expenditure became a site where competing interests happened to articulate their view of local democracy, local accountability and governance. The Conservatives re-articulation of the public’s disapproval with the rates was delivered by a narrative that argued the public sector and local government, specifically, was too expensive and often unreliable; a view that was also expressed by the proponents of the new public management discourse.

The political economy of the late 1970s was shaped by declining public income and increasing public expenditure, the cost of welfare and local government was claimed to be excessive and damaging to the national economy by contributing to a fiscal crisis (Foster and Plowden, Walsh 1988). If was for these reasons that after its election in 1979, the Conservative government was determined to reduce public expenditure in general and local government spending specifically. The approach adopted by the Tory administration after 1979, was increasingly pugnacious. Propelled by national economic imperatives, their own party ideology and the ramifications of a cycle of flawed policy
and implementation failures, (which usually required modification and further legislation), the Conservative government sought solutions to manage these difficulties by bestowing new powers on ministers and making legislation more specific (Dunleavy 1995, Foster 2000).

In spite of statements made whilst in opposition, the Labour Government has continued to develop legislation that further limits local authorities tax raising powers. The Local Government (Best Value and Capping) Act 1999 removed the formal central controls on local authorities imposed by the Conservatives. Although the Government reserves the right to restrict councils right to levy council tax at the levels, they believe to be appropriate. This policy marks a departure from the Conservative’s preference for universal restrictions on the amount councils could, year on year, increase the revenue raised from local residents. The 1999 Act allows local authorities, at least superficially, to determine their local level of expenditure, however, the Government indicated that, if necessary, they will ask councils to justify their budgets and if found to be excessive, will use their reserve powers to restrict increases. As in previous legislation, the Local Government Act 1999 provides the Secretary of State for the Transport Environment and the Regions with powers to replace local decisions on expenditure and budget requirements, with his/her own view. Furthermore, there is no obligation on the Secretary of State to consult or disclose his/her reasons. Accordingly, although, it may appear that councils have new freedoms to set budgets that they believe reflect local needs, if expenditure is considered excessive by the Government, reserve powers will allow the Secretary of State, with few checks on his reasons or motives, to intervene and set a budget that s/he believes to be appropriate. Lastly, local authorities can avoid government intervention to cap expenditure by acting with self-imposed restraint (Nicholson and Randell, 1999).

**Juridification of intergovernmental relations**

The regulatory regime, founded on compliance and mutual acceptance of the asymmetric relationship between central and local governments, was repudiated by the Conservatives’ preference for legislation to resolve their political difference with the localities. During Conservative administrations, legislation on local government became less formative and more instrumental, combined with wide-ranging powers for Ministers to direct local authorities if necessary (Loughlin, 1996, Hood et.al., 1999). Subsequently, both centre and local government increasingly used litigation to interpret the law and its application.

According to Hood et.al (1999), litigation became more commonplace for two reasons. First, legislation became more explicit and Ministers made increased use of statutory instruments, although such action appeared to give more explicit definition of the responsibilities of local authorities, it also provides scope both local authorities and Government to disagree over their interpretation of the rules. Second, the informal avenues previously available to local authority actors for negotiation and political resolution between central and local governments were no longer available (Rhodes 1985) Thus, litigation became the channel for central and local government to resolve their differences, thus creating further tensions between these two levels of government.

Ultimately, however, in spite of the enmity between some sections of central and local government, this form of intergovernmental relations was unsustainable. Central and local government, if they were to succeed in meeting their policy objectives, were dependent on each other. Although, the Government continued to use instrumental law and wherever possible tried to by-pass local authorities, for some services, such as social care and urban regeneration strategies, councils were the only available institution with the necessary organisational capacity to
structure the framework within which the government could pursue its policy objects. Similarly, it was only ever a small minority of local authorities that were in dispute with the government, of the rest, although, some were bothered by the use of the law in this way, they used the the framework of juridification to pursue their own as well as central government policy objectives. Moreover, the environment created by juridification was viewed by local authority actors differently, influenced by local circumstances, politics and policy objectives. Some even welcomed it as a means to facilitate their wider political and ideological goals (Cooper 2000).

Nevertheless, Atkinson and Wilks-Heeg (2000, 75-81), conclude that local governments routinely circumvent central controls and are able to create autonomous space in which to develop policy that is appropriate to their locality. Policy development in non-statutory areas provides even greater scope for local governments to experiment. The authors suggest that by focussing on local authorities income and revenue generation and their statutory responsibilities, the potential for central regulation to constrain local government is exaggerated and councils’ capacity for creative autonomy is overlooked. Efforts by the Conservative administrations to control individual local authorities were further restricted by the assorted reaction of councils to government legislation and the absence of uniformity across the sector. Notwithstanding, the policy mess created by the Conservative attempts to use legislation to control local government, seriously undermined the hierarchical regulatory system grounded on compliance by local authorities (Rhodes, 1997).

Accountability

Over the last two decades, it has been stated repeatedly that local government has lost its former democratic accountability. The basis of these claims stem from the raft of reform and changes made by the Conservative government during their eighteen years in office (Rhodes 1997). The paradox, of course, is that the Conservatives claimed that their reforms were intended to make local government more accountable (for example, please see Ridley 1988) Since the election of the Blair government, similar claims have been made about their legislative programme that, it is claimed, is intended to enhance the accountability of local authorities (Brooks 2000). Although, in essence, the preference of both Conservative and Labour governments was for those forms of accountability that reflected and reinforced their own political perspective of how local authorities ought to be accountable. Accordingly, the Conservatives preferred to introduce modes of accountability derived from market solutions and by contract. In contrast Labour, however, prefers to pursue hierarchical forms of accountability, based on models of strong leadership, enforced by punishment and reward. At different times, the AC in its publications, has encouraged councils in both approaches but also has developed new forms of reporting on performance management. Also through its auditing function, the AC has continued to ensure that councils were accountable through probity and regulatory audits. Since 1999, accountability in local government has taken on a further definition through the Best Value regime, which is designed to sidestep punishment and blame by encouraging organisational learning. Although, it should be noted that according to the Best Value regulations local authorities are subject to regulatory inspection and audit, for those which are deemed to have not complied, risk intervention by the government, through the powers vested in the Secretary of State.

Accountability in local government is multi-dimensional. Modern local government is answerable to many different stakeholders and requires processes adapted to fit the specific circumstances of who is being held to account. Whether political, financial or managerial, the concept of accountability implies responsibility and obligations derived from the authority to act on the behalf of others. Whether holding governments, representatives or officials to
account, it is essential to separate the difference between “giving an account for actions taken” and “being held to account for those actions” (Stewart 1995, 26). The first, definition, suggests Stewart, is conditional on the openness of government and the availability of documentation and other knowledge regarding the actions of politicians and officials. The second, in contrast depends on the array of incentives and sanctions available to bring to bear on those actions that are incompatible or inappropriate to the prevailing standards of public behaviour.

Accountability in local government is complicated by its role in the delivery of nationally determined welfare services, which is predicated by the assumption that those local authorities are agents, which operate on the behalf of central government. The Westminster model that central government (the principal) contracts with local authorities (the agent) is complex as there is considerable interdependency between the principal and agent, that is absent from more conventional economic derived models. The concept of accountability is derived from the principal-agent model, founded upon the assumption that an actor (a local authority) is obliged to report on an activity carried out on the behalf of central government. The government, on whose behalf the activity was carried out, receives the information, usually to make a judgement whether the local authority/agent has fulfilled its liability and, whether a punishment or a reward should be conferred. In practice, the volume of government business and the number of local authorities necessitates that actors report to a surrogate or a third party agency, which since 1982, has been the AC.

Between central and local government there are considerable strands of mutuality and inter-dependence, however, the relationship is asymmetric, with financial, political and legislative resources skewed in favour of central government. Yet, central government is not omnipotent. Indeed, in the absence of an explicit contract, central government relies on local authorities to be compliant, encouraged by incentives and sanctions. Yet, central-local government relations have been beset by the difficulties of managing the information deficit that prevents government knowing exactly how well or effectively local authorities are meeting their national obligations. In reality, it may be considerably later that central government becomes aware of implementation lags, even non compliance. Factors such as operational difficulties associated with implementing new policies, a policy mess created by poorly designed legislation, inertia by local practitioners, and even political opposition to the government. In order to tackle the deficits in the information flows about local authorities’ performance the accountability and audit framework was modified by creating the AC, which was tasked to ensure that activities of councils were tested to ensure that they had met their obligations to central government.

Formulated by Stewart (1984) and discussed by Broadbent et al., (1996), the audit and accountability relationship between the principal and agent may be depicted as a ladder, whereby the higher levels indicate the greater the degree of regulation used by central government to constrain councils. The ladder begins with an audit that validates legality and probity and confirms whether financial resources have been used suitably. At this preliminary rung, it may also be inferred that there is an assumption of trust, or at least the absence of prescriptive actions from this councils enjoy a high degree of autonomy in how they implement centrally determined policies. The second rung on the ladder the audit of process, alternatively described as systems audit, whereby accountability resides in the process or system used by the organisation to achieve the objectives set by the principle. According to Power (1997), system audit became more widespread as the process of arithmetic checks became too unwieldy. By using sampling techniques and auditing systems auditors are able to vouch for the accounts of large organisations by auditing the processes and systems. Power suggests further that systems audit has been a contributory factor in the expansion of auditing in the last two decades. Moreover, audits of systems and processes become an objective in
Compliance, therefore, is to the system, not to the reasons why the system required auditing in the first place.

The third and forth levels of the ladder are complementary. As the audit information gathered for either performance and programme accountability is interchangeable. Moreover, performance audits provide information on the success or otherwise of the programme. Whilst, judgements on the achievements of the programme will provide information and insights into performance accountability by measuring how economically and efficiently an organisation is in terms of achieving its set goals. It also measures the effectiveness of the organisation’s performance. Programme accountability also audits the economy, efficiency and effectiveness of the programme by measuring outputs compared to the projected targets.

The highest level on the ladder of accountability is the policy audit that seeks verification that the achieved outcomes are in accordance with the policy objectives. For local authorities, the higher stages of the accountability ladder incur increased regulation, more prescription and less autonomy and freedom to adapt nationally determined policies to meet local circumstances. Moreover, the higher stages of the accountability ladder rely less on evidenced figurative representations but on interpretive judgements on how performance and programme compliance are measured. Such judgements are not value neutral but are shaped by the policy environment and prevailing ideological trends. Moreover, these become embedded in every level of the auditory process.

Stewart’s ladder of accountability sidesteps the differences between political and managerial accountability (Day and Klein1987). Although public officers are nominally accountable for their actions to politicians and the political process, their performance is regularly appraised by auditors and inspectors using technical methods usually from outside the local authority. Accordingly, non-elected practitioners are primarily accountable through performance measurement, while political accountability through regular elections is peripheral to the technocratic process.

Performance Measurement

The accountability ladder addresses the issues of giving an account. This process, however, depends on information gathering and its representation. The accountability ladder fits with several versions of NPM, which emphasise the importance of measuring the performance of public-funded organisations, in order to certify that resources have been used appropriately and effectively. In the absence of profit and loss accounts, performance measurements and indicators signal to stakeholders to what extent a public-funded organisation is fulfilling its obligations. From 1982, the UK system of local government, performance has been measured by appraising the economy, efficiency and effectiveness of local authorities (known as the >3Es<). According to the AC;

- **Economy** is the process of acquisition of material and human resources at the appropriate quality and quantity at the lowest possible price;
- **Efficiency** is the maximisation of outputs for the resources inputted, in other words, an efficient operation uses the minimum resources for the maximum effect; and
- **Effectiveness** the success (or otherwise) of the activity in achieving its goals (Flynn 1997).

Influenced by the doctrine of NPM, the AC’s requirement for accountability by performance measure, presents a narrative which proclaims the monitoring of performance as technocratic. Accordingly, the ‘3 Es’ are described as >common sense< and >value neutral<. Yet, notions of economy, efficiency and effectiveness are not value neutral.
terms but are defined according to the prevailing political context. Furthermore, the preference for analysis that investigates the management of service and systems by efficiency, measurable by the best service or good for the most economic or least price to the maximum benefit of the consumer, devalues other forms of public accountability or political competition.

Performance measurement in public-funded organisations is complicated by the lack of specificity in defining notions, such as economy, efficiency and effectiveness. Judgements of economy, or, more precisely defining value for money, are shaped by the values and opinions of individual preference and accountancy orthodoxy. Indeed, both notions are variable according to vicissitudes in political priorities. Efficiency also lacks a precise definition. Both elected and non-elected practitioners are susceptible to the seductive appeal of potential savings promised by eliminating fraud, waste, poor management and administration. In practice, however, these are illusive goals. Although, public sector organisations can make productivity improvements, only exceptionally are the promised efficiency expectations fulfilled, precipitated by factors such as overestimation of available savings and the cost of reorganisation and rationalisation (Radford 1991).

Although effectiveness may be defined as judging the success of an activity in meeting its goals, in practice, such measurements require that organisational aims and objectives are clearly defined. Factors such as, political expediency, the multifaceted nature of problems public-funded organisations, are required to tackle time-lags and distorted judgements of effectiveness. An added risk is that effectiveness measured according to achieving goals, is conflated with judgements of the appropriateness of the intention. In other words, the focus moves to judgement about the policy objective, rather than how well it was implemented or whether it was successful in achieving its goal according to its own terms: or whether it was implemented at all. This is unsurprising. Determining whether a policy was implemented successfully may require an evaluation of the problem it was designed to tackle and deciding what is the most relevant resolution. But both assessments require an interpretative perspective of social and political arrangements predicated by value judgements and personal conviction.

Ostensibly straightforward, measuring the performance of complex organisations presents significant methodological difficulties. These include establishing which aspect of performance should be assessed and deciding the most appropriate measurement. Further judgements are necessary to assess whether the proposed configuration of measurement is adequate and suitable for its intended purpose. Although, these requirements are relatively straightforward, in complex organisations, ambiguity surrounds why and for what purpose performance measurement data is being collected and who is the principal recipient or audience (White and Hollingsworth 1999). Less specific to the problems associated with defining economy, efficiency and effectiveness, public-funded organisations, similar to other social institutions, are located in an ever-changing environment, the context of which is sensitive to external pressures and changing priorities. Changes to the environment and political imperatives may affect the criteria by which judgements are made of organisational performance. While, performance measurements which weigh the efficiency and effectiveness of public sector organisations are shaped by prevailing political priorities and may have implications for elected and non-elected officials. Even when only minor policy shifts transpire or organisational learning takes place, temporal comparisons may be difficult to achieve. Yet, in spite of environment changes, some interests consistently dominate the priorities of public sector organisations. Embedded in the organisational culture of public sector organisations, dominant interests are able to resist modification to their priorities when circumstances or political preferences change. Consequently, performance measurements may be judging superseded priorities or if designed specifically, may be unadaptable to new situations. Moreover, there is a risk that the process of measuring performance is captured by those stakeholders whose interests dominant others (Mullins 1997).
A corollary of the distorting effects of dominant interests on performance measurements, are the criteria used to include or exclude information from the data collection. For example, the financial cost of public services is variable, according to whether included in the calculations are factors such as the full cost of overheads, policy impact calculations and the interdependency of public-funded organisations. In measuring economy and efficiency, figurative representation is the usual format, however, using accountancy techniques and figurative presentation implies only technical, therefore, impartial criteria are applied, when judging the use of resources. Yet, accountancy methods merely represent, figuratively, policy and management decisions and the allocative criteria which are used for providing the necessary resources (Hopwood, 1994). Moreover, figurative representations are seldom unprejudiced but an alternative method of presenting policy decisions. Some activities, however, do not fit easily with figurative representation, for example, the quality of services based on inter-personal relations, such as, between the carer and the cared for person, Indeed, deciding the economy, efficiency and effectiveness of inter-personal public services are subjective, value dependent and difficult to quantify. While judgement by vulnerable people is closely allied to their dependency on the services that they receive and fears that negative comments will jeopardise their access in the future (Walsh 1995).

A number of these complications are compounded when comparative data is used to make judgements. On the surface, comparative data provides opportunities for similar local authorities to contrast their achievements, yet this form of data presents relative information, usually in a league table. Moreover, although, the AC has endeavoured to compare local authorities with similar economic, social and demographic profiles, a frequently heard complaint from local government actors is that such is the diversity that only in exceptional circumstances can meaningful comparisons be made. This particular difficulty has been addressed recently as local authorities are encouraged to develop performance indicators locally.

Ultimately, the question remains of why is performance being measured? Is it to provide opportunities for the organisation and individuals to learn? Is it to reward accomplishments or to punish underachievement? Are the performance measurements to be used as a >dial<, which records a >snapshot< of performance at a particular time and circumstances? Or a >tin-opener< which prompts further questions about the performance and success in meeting outcomes? (Carter, 1994) Addressing the question in a slightly different format, is to ask who is the questioner and what assumptions have been included in the measurement methodology (White and Hollingsworth 1999). It would be reassuring if performance measurement was used specifically for organisations to learn and enhance their capacity. If elected and non-elected actors could provide performance measurement data in a public forum where citizens, representing the diversity of their community, could use such information to ensure that public-funded organisations enhanced their effectiveness. Even within the difficulties of measuring effectiveness discussed previously, there are considerable risks for practitioners who wish to adopt this approach. Since the election of the Labour government in 1997, increasingly, performance measurement is used to reward those who succeed and punish those who are seen to fail, thus constraining local authorities further.

GUIDING, STEERING AND REGULATING LOCAL GOVERNMENT

How the AC discharges its responsibilities may be summarized as the guiding, steering and regulating of local government shall be addressed in turn within this section. The AC guidance to local authorities is manifest in several ways. To begin with, it is part of a policy community that works with other agencies, for example government

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departments and national local government organisations, which contribute to the formulation of a policy environment within which councils operate. This is chiefly by advising local authorities on the implementation of legislation and the dissemination of best practice. Although there is convergence between the AC activities which guide and steer local authorities, there are some aspects which go beyond merely advising and are best described as directional. For local government, the most significant aspect of steering by the AC is its statutory role in producing comparative performance indicators (PI). How the AC dealt with its obligations was shaped by the legislation that required local authorities to publish a range of PI, nevertheless, its directions were interpretive. In addition to PI, the AC national and local value for money reports and good practice publications continue to be significant are assumed to provide a national benchmark.

Guiding.....

According to a recent Annual Report, the AC is at the forefront of professional debates about accounting, auditing and financial reporting issues across public services (AC 1999p 13) To achieve this objective, the AC works closely with the national local government community organisations. These include the LGA, the IDeA and the local government section at the DETR. It also works alongside professional organisations such as the Chartered Institute of Public Finance and Accountability (CIfpa) and the Society of Local Authority Chief Executives (SOLACE) It has also co-hosted conferences and workshops with these organisations and the New Local Government Network, which is an independent thinktank. The AC is also part of the Public Audit Forum which following the Modernising Government agenda has brought together the organisations involved in the audit of public bodies. It consults extensively with its various stakeholders, including auditors, government and local authorities.

In spite of being an independent body and serving a technocratic function, the AC contributes to the shaping of central government’s policy on local government in several ways. To begin with, it has responded to government consultation papers on the modernisation of local government. It also has submitted evidence to Parliamentary Select Committees on local government matters. Most recently, it submitted evidence to the Select Committee for Environment, Transport and Regions on its investigation on new forms of local governance, which is presently reviewing the implications of the recent legislation that modified the political decision making structures of local authorities. In its evidence, the AC indicated it previously published reports on the political management structures in local government, in the desire to persuade councils to introduce reform themselves. The AC has a more general interest in local authority corporate governance arrangements and has incorporated into its Code of Audit Practice, the ordinance that a council’s auditor is required to include the corporate governance structure as part of their audit risks.

The AC also advises councils on the implementation of new legislation. This is an apparent dilemma for the AC, as in addition to its regulatory role, it is effectively advising local authorities on compliance. In the past the AC has been accused of being overly restrictive in its advice to auditors. During the late 1980s, the Conservative government introduced several new Acts, which amended significantly the legal powers of local authorities. At the time, the AC’s advice to local authorities was criticised for being narrowly defined and ignored other possible interpretations of the new legislation (Radford, 1991). Providing guidance on how local authorities should comply with new legislation have other hazards, as by explaining strategies for compliance, it risks justifying the legislation, or at least, simply echoing the government’s intentions. Accordingly, there were remarkable similarities between the controversial publication by Nicolas Ridley (1988), the then Secretary of State for the Environment –The Local Right: Enabling not Providing–
and the AC publication, entitled the >Competitive Council< (Audit Commission 1988).

The AC has contributed to the guidance of local government in other ways and has been accused of crossing the barrier between technocratic advice and politics (Travers 1987). For example, as part of its national Value for Money studies, it has made significant claims on how much money local authorities could save if they adopted the recommendations of the AC. Previously, such statements from the AC were incorporated into the Department of Environment’s financial calculations when it set grants for local authorities (Radford 1991). The AC also attracted censure when it was critical of the governance of several (Labour) London local authorities, specifically, its financial arrangements and apparent inefficiency of their service provision. Whether the criticisms were justified is a matter of conjecture, however, in response to the AC’s comments, practitioners from these authorities argued that only a partial story had been told and the AC had ignored those problems which were created or exacerbated by central government policy (Audit Commission 1987, Travers 1988).

To be fair, more recently, the AC’s public relations strategy has been somewhat muted and restrained. Arguably this is indicative of less confrontational form of central-local government relations. It may also be a result of the more conciliatory approach adopted by the present Controller. Certainly, during the early period of its existence, the first two controllers were trying to work with both central and local government at this time, whilst central-local relations were often antagonistic. Moreover, during its early years the AC was seeking to establish its corporate identity and independence from government, whilst also justifying its continuance.

.....Steering......

Regularly information from the AC is more cogent than merely advice, or guidance but is directional in steering local authorities as to how they should operate or to comply with the intentions implied in government legislation. One example is the use by the AC of comparative performance measurement data to assess whether local authorities were doing all they could to provide value for money. The AC developed a dual approach. On the one hand, it undertook national value for money studies and then applied a similar methodology to local studies. On the other hand, it developed a range of performance indicators to test improvements. To be meaningful, performance measurements are required to be transparent and be free of operational obfuscation. Yet, in practice, the diversity of local government presented considerable methodological difficulties in designing accurate performance measurements. Even allowing for inconsistency in data collection, performance indicators when presented in a league table that compares local authorities and locates them in a category of either >good<, >average< or >poor< provides incentives for organisational manipulation. A more serious concern is that this form of comparative performance data may be described as a >dial<, which provides a snapshot of performance (Carter 1994). There are risks that as a >dial<, neither elected nor non-elected practitioners take responsibility for performance measurement (McSweeney 1988).

In spite of these operational difficulties, the Local Government Act 1992 placed a duty on the AC to oversee the collection, publication and application by local authorities of comparative data. The Act tasked the AC to define the indicators that would evidence improvements in performance and were to be uniform across all local authorities. Bowerman (1994) argues that this new duty redefined the role of audit in local government, by defining the indicators (albeit after consultation with relevant stakeholders), then providing guidance on their measurement implying that the AC would make judgements on the appropriateness or the measurement and then make a further judgement of
achievability of the standard. The indicators continue to be controversial, although since the Best Value regime was introduced the AC are using them now far less frequently and, following government direction, councils will be expected to set their own local forms of measurement.

Regulating
The most significant changes to the work of the AC recently has been the introduction of the Best Value regime by the Local Government act 1999. The precursor to best value was taken by central government in 1988 when its interest in the procurement of services by local authorities underwent a significant change. The then Conservative government introduced legislation that directed councils to test the competitiveness of the provision of services by directly employed labour by inviting other private providers to submit tenders (known as CCT). This legislation was unpopular with most Labour councils, although, local authorities across the political spectrum were expressed their concern that the legislation was too rigid, impractical in some cases and there were mixed results in producing the cost savings promised by the legislation.

When the labour government was elected in 1997, it immediately began to design a replacement for CCT. The history and initial evaluations of Best Value are narrated elsewhere (Geddes and Martin, 2000, Martin 2000). The narrative here is restricted to making a few observations about how the Best Value regime has extended the AC’s regulation of local government into new areas and the implications this has for local autonomy.

The AC has two new duties under the Best Value Regime. First, it provides guidance through its Code of Audit Practice of the auditing of councils’ Best Value Performance Plans (BVPP). These are produced annually and it is a requirement of the 1999 legislation that all aspects of the Council’s activities are included in the BVPP to be reviewed over a five-year period. At this stage the council’s auditor is required to consider whether the local authority has complied with its statutory requirements in the preparation and publication of it best value performance plan (AC 2000, 17). The second part of the AC involvement is after the local authority has reviewed its services, the AC’s Best Value Inspectorate is required to inspect the findings to ensure that the review has been carried out correctly and there is evidence whether the service under review has applied the 4Cs, (challenge, compare, consult and compete).

In the Quinquennial Financial Management and Policy Review of the Audit Commission (2000), the implications of increased regulation of local authorities were acknowledged. For local authorities, Best Value increases the regulation of local government and into new areas. These include introducing inspection into new areas, for example, housing, leisure services, including libraries and trading standards. Accordingly, all aspects of local government’s service will be subject to external inspection. Second, there is a risk that local authorities over allocate resources to the review and inspection processes, at the expense of service delivery. In addition, with the requirement on local authorities that they continually improve services, there is a further risk that councils will seek out means to meet this objective, or at least be able to demonstrate that they have met this requirement. The implications is that within local government there will be a rapid growth in the amount of human resources allocated to this activity. Although there is no real evidence at present that local authorities are emulating higher education, where a market has emerged whereby higher education institutes arrange rehearsals and other forms of preparation prior to inspection (Shore and Wright 2000). But as the scope for significant improvement declines over time, local authorities will be induced to seek out new methods of demonstrating that they are compliant with the legislation.
Lastly, the implications of the AC’s role in guiding steering and regulating local authorities in order to promote an efficient and economic local government contains a further challenge. Most noticeably, the legislation and the AC’s role assume that there is a universal approach, which is blind to the diversity of local government represented by organisational structure, politics, history and individuals. Elected and non-elected practitioners anecdotally point out that auditors do not seem to understand the how different types of local authorities differ. Whether this is the case or not is immaterial, it is enough that such narratives are urban myths which are in common currency within local government implies that the AC and auditors appear not to understand the subtle differences between local authorities. In addition, by claiming to evaluate by using a technocratic model, the AC is dismissing that policy and allocative decisions are predicated by a priori assumptions.

Conclusions
The AC has contributed to central-local government relations in several ways. To begin with, the AC was created at a time when there was considerable change in government policy on how local authorities were to be constrained and regulated. By being a conduit between central government and local authorities, it interpreted how these legislative and other changes were to be implemented by local government. Furthermore, the AC synergised new policy on the regulation of local government, with practices derived from the new forms of management of public services. Accordingly, the AC promulgated innovative forms of measuring and improving service delivery and management performance.

During the 1980s, some local authority practitioners continued to believed the Ac was created to be the means by which the Conservative government could curb the activities of radical left-wing local government. The purpose of the AC, however, is more subtle than this view suggests. To begin with, the AC had a lengthy gestation, which began before the election of the Conservatives in 1979. The proposal for an independent agency to oversee the audit of local government was recommended by the Layfield inquiry when it reported in 1976 (Byrne 2000). Furthermore, the original purpose of the AC, to certify the independence of the local government audit and to ensure councils provide value for money, had been a function of the DAS, before it was incorporated into the AC. Nevertheless, the creation of the AC indicated politically that value for money audits of local authorities was to take prominence, a strategy, if properly implemented would provide significant savings (McSweeney 1988) and would prevent councils increasing local taxation unnecessarily.

In spite of the evidence that the creation of the AC represented a long term administrative requirement, once established it developed a high public profile, adept at capturing news headlines and setting an agenda for local government. Yet, as a NDPB, the AC is considered to be impartial and independent and, this is undoubtedly a factor why its advice continues to be well-received. The AC’s publications include advice on how local authorities should implement government legislation, plus more discursive papers on the management issues that were current in local government. By advising local authorities how best to implement government legislation, it was necessary also to articulate the assumptions which inform legislation. Thus insights from new public management discourse and government assumptions about local government were synthesised and incorporated into the AC bounded rationality of what is considered to be good management practice and define what constitutes a well-run and managed local authority. In practice, this merely reflects the prevailing political environment and closes off alternative discourses.
Shortly after being elected in May 1997, the new Labour government appeared to signify that under its administration local government would enjoy a renaissance in its fortunes and even recover some of its former autonomy lost under the Conservatives (Byrne 2000). Although Labour remains committed to local government, the Government is not prepared to reinstate powers to local authorities they had lost over the last twenty years. Where Government has offered local authorities opportunities to be awarded new powers, it is linked to councils achieving improvements in their performance and management, whilst also addressing local government’s apparent weak legitimacy. Yet, according to some actors in the local government community, it is because local authorities have been emasculated by successive governments that councils are now poorly understood institutions, in which the public has low levels of confidence, illustrated by low levels of participation in local government elections. It is further argued that local government’s weak legitimacy can only be addressed by the government trusting local authorities by restoring councils’ lost autonomy and, in particular, their tax raising powers (Brooks 2000). It is this freedom, which it is believed to be essential if the lost legitimacy of local government is to be restored. It is the Government’s view, however, it is the capacity of councils to act to improve the well-being of their citizens and not the restoration of their former revenue raising and operational autonomy.

The contention that central local relations in the UK hinge on whether any government will provide greater autonomy for local government risks ignoring the complexity of intergovernmental relations that is dependent on multiple networks to develop, and implement policy and delivery services. Moreover, embedded in intergovernmental relations is the sedimentation of central and local government’s past anxieties and policy differences, compounded by the the residue of previous endeavours by national policy makers to curb what were perceived to be the excesses of some local authorities. Yet, central regulation of the localities is not a new or recent phenomenon but reformulated periodically according to particular temporal circumstances.

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1. Since 1994 it has been known as the District Audit.

2. Defined by Skelcher (1998, 20) as > extensions of central government departments with ministerially appointed boards=

3. Similar to a chief executive

4. Presently there are 16-20 Commissioners. Appointed by the Secretary of State for the Environment, Transport and Regions. The Commissioners are responsible for strategic and policy direction and overseeing the AC performance in fulfilling its functions (DETR 2000).

5. British local government there are two structures of local government. In Scotland, Wales and parts of England, there are unitary councils, responsible for all local authority functions. Elsewhere in England there is a two-tier system where the functions are divided between County and District councils. Presently, in England there are 36 metropolitan authorities, 33 London Boroughs (since 2000 the Greater London Authority and 47 Shire Unitary Authorities. Regarding the two tier system, there are 34 county councils and 238 district councils. Just to confuse further, the titles of local authorities often reflect previous responsibilities and legislative changes.

6. For example, a women’s refuge organisation was in partnership with the local authority, police, health authority to provide a safe haven for victims of domestic violence. It was required to change its non
hierarchal decision making process to a more structured management arrangement with named managers if they were to continue receiving a grant from the councils.

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