

This is a repository copy of *Budgetary stewardship, innovation and working culture : Identifying the missing ingredient in English and Welsh local authorities' recipes for austerity management*.

White Rose Research Online URL for this paper:
<http://eprints.whiterose.ac.uk/114530/>

Version: Accepted Version

Article:

Ferry, Laurence, Coombs, Hugh and Eckersley, Peter Mark
orcid.org/0000-0001-9048-8529 (2017) Budgetary stewardship, innovation and working culture : Identifying the missing ingredient in English and Welsh local authorities' recipes for austerity management. *Financial Accountability and Management*. pp. 220-243. ISSN 0267-4424

<https://doi.org/10.1111/faam.12117>

Reuse

Items deposited in White Rose Research Online are protected by copyright, with all rights reserved unless indicated otherwise. They may be downloaded and/or printed for private study, or other acts as permitted by national copyright laws. The publisher or other rights holders may allow further reproduction and re-use of the full text version. This is indicated by the licence information on the White Rose Research Online record for the item.

Takedown

If you consider content in White Rose Research Online to be in breach of UK law, please notify us by emailing eprints@whiterose.ac.uk including the URL of the record and the reason for the withdrawal request.

Budgetary stewardship, innovation and working culture: Identifying the missing ingredient in English and Welsh local authorities' recipes for austerity management

Abstract

Drawing on fieldwork with 70 local authorities in England and Wales, this article builds on previous studies of austerity management by highlighting the importance of organisational cultures to achieving strategic objectives. It finds that, in line with their prevailing “belief system” of budgetary stewardship, local authorities in both countries are holding down input costs to deal with austerity. However, the scale of funding cuts means this strategy is unlikely to be successful over the longer term. Instead, they need greater freedom to generate revenue, in order to facilitate innovation and develop more sustainable business practices and service models.

Key words: local government, austerity, England and Wales, levers of control, management control systems

Introduction

Following the global financial crisis in 2007/08, local authorities in England and Wales were aware that they would be subjected to significant real-term budget cuts, regardless of which party won the 2010 general election. In April 2009 the Conservative Party leader (and future Prime Minister) David Cameron in a keynote speech to the Conservative Party Forum announced that the UK had reached an “Age of Austerity”, as he committed to ending an era of “excessive government spending”. Following on from this, and in the context of the ongoing fallout from the global financial crisis, on its formation in May 2010 following an inconclusive general election, the UK Coalition Government (Conservatives and Liberal Democrats) began an austerity programme to significantly cut the UK’s budget deficit through major public spending reductions, including for local government (Ferry and Eckersley, 2011, 2012; Ferry et al, in press).

There is a large and growing public management literature examining how governments across the developed world are seeking to cope with austerity (see for example van Helden, 2000; Pollitt 2010; or Grossi and Cepiku, 2014 for an overview). Many of these studies seek to examine the potential link between a drop in government revenues and the application of private sector techniques that come under the loose heading of New Public Management (see Hood, 1995 for an explanation of this hypothesis), link strategies to the wider literature on responding to crises (Peters, 2011), or identify factors that influence the success of austerity programmes (Eckersley and Timm-Arnold, 2014). However, although these studies have provided a rich analysis of how public bodies are trying to cope with financial pressures, the theoretical tools they employ do not allow for a full appreciation of the contexts in which organisations operate, and therefore cannot give us a complete understanding of why some

strategies may (or may not) succeed. In particular, they do not sufficiently address how issues of organisational culture and scope can influence strategic direction.

In order to provide a more rounded perspective on responses to austerity, as well as a better understanding of the potential shortcomings of existing approaches, this article employs Simons' (1995) levers of control framework. Simons' framework is particularly relevant because it takes an holistic approach to analysing corporate strategy, emphasising the importance of "belief" and "boundary" systems (in other words, the role of traditions and cultures in shaping organisational strategy, and the scope of the organisation's activity), alongside more traditional "diagnostic" and "interactive" methods (budgets and performance management systems, and corporate or community meetings). In this way, belief and boundary systems establish the organisation's strategic domain (Davila, 2005) by mapping out its activities and clarifying its working culture and reputation. By analysing these wider variables we build upon the rich public management literature by attempting to further identify why some responses to austerity may be unsuccessful. As such, our approach could help public bodies adopt more effective and sustainable strategies in future and perhaps also open up a new academic research agenda.

This article applies the levers of control framework to analyse how local authorities in England and Wales have responded to severe austerity pressures since 2010. Since local government in both countries is heavily reliant on central funding, and grants have been reduced significantly over this period, local authorities have been affected particularly badly – and therefore their responses to austerity should be especially instructive.

The next section of this article provides a background to English and Welsh local government, before it sets out how the levers of control theory can build upon existing public management approaches to enhance our understanding of austerity responses. It then outlines our methodology and applies the fieldwork findings in the context of Simons' framework, before summarising the findings in the conclusion. In particular, the article highlights how decision-makers have neglected to include the optimum mixture of Simons' ingredients in their recipes for austerity management, and how this could have a detrimental impact on local government over the longer term.

Background to local government in England and Wales

Local authorities in England come under the jurisdiction of the UK Central Government's Department for Communities and Local Government. Some rural parts of England have a two-tier structure of local government, which incorporate both 'upper tier' county councils and smaller districts, although most urban areas are now governed by single-tier metropolitan or unitary authorities, or London Boroughs, which are responsible for all local public services. The UK Government also had responsibility for local authorities in Wales up until devolution at the turn of the millennium, after which it was transferred to the Welsh Government. Welsh local government is made up entirely of single-tier authorities, although in 2012 they ranged in size from 59,000 inhabitants in Merthyr Tydfil to 348,000 in Cardiff (Office of National Statistics, 2014).

Local authorities in both countries are characterised by their dependence on central government for funding (National Audit Office, 2013; Welsh Government, 2012), and their statutory duties to have regard to centralised initiatives such as performance management

frameworks. Despite a recent reform of National Non-Domestic Rates (NNDR), which allows English local authorities to retain half of the additional income raised locally on business properties, neither English nor Welsh authorities have much autonomy to generate their own income. In England this is because the level and nature of central grants and NNDR are determined by ministers, and therefore Council Tax, which is levied on domestic properties, is the only tax over which local authorities can exercise any discretion. They are even severely restricted in determining how much revenue they can raise from this source, since any decision to increase Council Tax by an amount that ministers deem to be 'excessive' requires local approval in a referendum. Although the NNDR reform did not apply to Wales, there is an informal agreement with the responsible Minister that Council Tax rises will be limited to 5%, and therefore Welsh local authorities are constrained to a similar extent as their English counterparts. The only other source of local authority revenue in both countries comes from fees and charges for services such as leisure centres or car parks. However, in 2012/13 this only accounted for seven per cent of local government's income in England (Greene, 2014), and any increase in charges is likely to be politically controversial.

Local government's reliance on central grants meant that it was especially vulnerable to cuts at the beginning of the austerity programme, and this has indeed proved to be the case. The Local Government Association claims the funding reduction for England could total £16.5bn per year by 2019/20, which represents 29% across all services (Keeling, 2012). In spite of reductions in the Welsh Government's block grant from London, initial cuts to local government funding in Wales were not as deep. This was due to the Welsh Government's decision not to protect Health Service spending (Crawford et al, 2012) and, probably, a tradition of more collaborative working between local authorities and the Welsh Government.

This comparative respite did not last particularly long however, with the result that revenue funding will fall from £15.1bn to £13.6bn between 2010/11 and 2017/18 (Welsh Local Government Association (WLGA), 2013). As such, local authorities in both countries continue to rely heavily on central funding, and the level of this funding is falling year-on-year.

These funding reductions fit into a bigger picture of central control over local government in both countries, as ministers have sought to ensure that public bodies at all levels try to deliver their policy objectives. Between the 1980s and 2011, in terms of governance arrangements, practice, and service activity boundaries, local authorities were subjected to a range of centralised reform initiatives. Not only did central government abolish the metropolitan tier of authorities in the mid-1980s and introduce unitary local government to many parts of England at various points in the 1990s and 2000s, but it also introduced various performance monitoring regimes that required local authorities to adhere to and report on ministerial targets. This was part of a wider agenda of trying to ensure that a “golden thread” exists between ministerial pronouncements and the activities of street-level bureaucrats (Micheli and Neely, 2010). These reforms ultimately resulted in individual local authorities receiving ‘star’ ratings based on the results of performance audits. This architecture of inspection and assessment was abolished in the 2011 Localism Act, which gave local authorities the freedom to develop their own performance management arrangements (Eckersley et al, 2013; Ferry et al, in press).

Local authorities in Wales were subjected to the same initiatives as their English counterparts until they came under the jurisdiction of the Welsh Government following devolution in 1999. Since then the Welsh Government has taken a comparatively lighter-touch approach

towards local authorities: there have been no formal reorganisations of local government during this period and they have not been required to adhere to detailed performance frameworks (Martin and Webb, 2009). Instead, local authorities themselves have chosen voluntarily, or been encouraged by the Welsh Government, to collaborate with one another to share learning and improve resource use (Jas and Skelcher, 2013). However, these initiatives have met with various degrees of success, causing the Welsh Government to become frustrated with the lack of progress and assume a more hands-on role (van Elk, 2012). As such, although ministers initially supported the voluntary approach, they have had the power to force local authorities to collaborate with one another since the first Local Government Wales Measure was passed in 2009 – and indeed they have exercised this power on three occasions. Two years later, the 2011 Measure went further by giving ministers the power to force two or three local authorities to merge, if they felt that “effective local government is not likely to be achieved” in a particular area (National Archives, 2011a). Following publication of the Williams Commission report in 2014, the Welsh Government upped the stakes once again by proposing in a White Paper that Wales’s 22 unitary authorities should merge into between 10 and 12 new unitary bodies, arguing that the structure of local government in Wales was not fit for purpose (Welsh Government, 2014).

As such, English and Welsh local authorities now operate in different (if perhaps converging) environments, but the pre-devolution era means that they have a similar history, culture and legacy. This makes them interesting objects for comparative analysis into how local government is responding to austerity.

Simons' "Levers of Control" as a more holistic framework for understanding austerity management

There is a large and growing literature examining how governments across the developed world are seeking to cope with austerity from a public management perspective (see for example van Helden, 2000; or Grossi and Cepiku 2014 for an overview). Some of this seeks to examine the potential link between a drop in government revenues and the application of private sector management techniques that come under the loose heading of New Public Management. For example, Hood (1995) suggested that "financial stress" could act as a motive (though not necessarily the sole driver) for public managers to introduce business-like instruments and styles in order to try and reduce expenditure and/or improve outcomes. Others have focused on the impact of approaches such as "cutback management" (Levine, 1978; 1979; 1980; 1984; 1985; Levine et al, 1981; Dunsire and Hood, 1989; Pandey, 2010), the importance of leadership (Leslie and Canwell, 2010), or the potential strategies that public managers might wish to adopt (Pollitt, 2010). This latter point is also reflected in Peters (2011), who places the austerity challenge in the broader frame of crisis management and stresses how different public bodies have responded in a variety of ways.

More recent studies have highlighted the fact that governments need to address 'softer' management issues (such as organisational culture), instead of relying solely on 'harder' budgetary or planning approaches. Some of these are based on concerns that political rhetoric about 'innovation' or 'transformation' have only rarely been implemented in practice (Overmans and Noordegraaf, 2014), and echo Levine (1978) and Wolman (1986) in arguing that public managers tend to adopt short-term budgetary positions in times of austerity, rather than experimenting with solutions that might deliver more sustainable benefits. In particular,

Caperchione et al (2014) and Bailey et al (2014) argue that governments need to understand the multifaceted causes of crises in order to address them effectively. It should be noted that they do not suggest local authorities should seek to reform the global financial system when responding to austerity measures, but rather they ought to consider the endogenous factors that may have exacerbated its impact on their organisations. This requires an appreciation of cultural issues, such as the way budgets are prepared and the limited room that managers may have for innovation. These findings echo those of van Helden (2000), who sought to test Hood's (1995) hypothesis that public bodies would be more likely to adopt private sector management techniques at times when they were suffering financial stress and had the political opportunity to do so. In his study of local authorities in the Netherlands, van Helden could not find conclusively that these factors were linked, because some examples appeared to support Hood's hypothesis whereas others rejected it. However, he did suggest that there may be a time-lag in between the beginning of an austerity period and the introduction of new budgetary planning and control measures, due to organisations needing to increase their capacity for change. Therefore this also points towards the need to take account of a public body's working environment and scope of activity when examining how it deals with a crisis.

As such, there is an increasing awareness of the potential shortcomings of traditional crisis management responses. However, the theoretical tools of public administration do not lend themselves easily to analysing these shortcomings holistically and identifying potential ways in which they might be addressed through broader conceptions of management control systems. In order to bridge this gap and provide a broader understanding of how public bodies are dealing with austerity pressures, we have employed Simons' (1995) "Levers of Control" framework to examine how a cross-section of local authorities in England and Wales have dealt with financial pressures since 2010.

Simons' model has its roots in management accounting, where there is already a substantial literature that considers the relationship between traditional budgetary and accountancy control systems and public policy delivery at the local level (Hopwood, 1984; Seal, 1999, 2003; Seal and Ball, 2005, 2006, 2011). Although the levers of control framework has primarily been used in private sector accounting research (Emsley, 2001; Tuomela, 2005; Henri, 2006a; 2006b; Widener, 2007; Mundy, 2010), some studies have illustrated its applicability as an important theoretical lens with which to consider public service strategic management and accounting relationships (Abernethy and Brownell, 1999; Naranjo-Gil and Hartmann, 2006, 2007; Batac and Carassus, 2009). Notably, each of these studies illustrate the role of management control systems in facilitating organisational learning, which highlights the framework's potential for analysing strategic change and innovation (Bisbe and Otley, 2004; Davila, 2005; Davila and Oyon, 2009; Revellino and Mouritsen, 2009).

At the core of Simons' framework are four types of control levers (diagnostic, interactive, boundary and belief systems), which are summarised in Table 1. In an echo of Mintzberg's (1978, 2007) suggestion that success depends on managing a multitude of strategies simultaneously, Simons argues that organisations need to focus on each of these systems, through their related control levers, in order to achieve strategic objectives.

Area of strategy	Type of control	Example of control levers
Plan	Diagnostic systems	Budgets; performance indicators
Pattern in action	Interactive systems	Meetings
Position	Boundary systems	Scope of business activity; organisational conduct
Perspective	Belief systems	Vision, policy and mission statements; leadership behaviour; traditions

Table 1: Controlling Strategies (adapted from Simons (1995))

Each lever of control has its own purpose in controlling strategy, but they also inter-relate for strategic control, as expressed in Table 2.

		Opportunity and attention	
Strategy		Systems to expand opportunity seeking and learning	Systems to focus search and attention
	Systems to frame strategic domain	Belief systems	Boundary systems
	Systems to formulate and implement strategy	Interactive control systems	Diagnostic control systems

Table 2: Interrelation of Levers of Control with Strategy and Behaviours (adapted from Simons 1995)

The focus of levers of control research has often been on more traditional diagnostic and interactive systems to formulate and implement strategy. Simons defines diagnostic control systems as being “the formal information systems that managers use to monitor organizational outcomes and correct deviations from preset standards of performance” (Simons, 1995, p. 59). As Table 1 suggests, for the purposes of our study these are local government’s budgetary and performance management procedures that allow senior officers to monitor

how the authority is functioning in relation to its objectives. Whilst Simons recognises that these systems are necessary to ensure strategic focus, he also argues that managers need to balance them with flexible, interactive systems such as meetings, because they “stimulate search and learning, allowing new strategies to emerge as participants throughout the organization respond to perceived opportunities and threats” (Simons, 1995, p. 91).

As the public administration literature discussed above rightly identifies, strategic responses to austerity from government bodies in Western democracies have tended to rely on these traditional areas, as organisations have retreated into more familiar management territory. For example, central governments in England and Wales have reformed local authority performance management systems (which fall into Simons’ diagnostic category), and the fluid and dynamic responses from local authorities represent interactive systems. However, these approaches only provide a limited perspective on how organisations are seeking to achieve strategic objectives, and therefore may not be particularly helpful in diagnosing why such traditional strategies are likely to be unsuccessful in the longer term. This is because the levers of control framework also incorporates boundary and belief systems. Boundary systems are concerned with business conduct, in that they “delineate the acceptable domain of activity for organizational participants... establish[ing] limits, based on defined business risks, to opportunity seeking” (Simons, 1995, p. 39), whereas belief systems constitute “the explicit set of organizational definitions that senior managers communicate formally and reinforce systematically to provide basic values, purpose, and direction for the organization” (Simons, 1995, p. 35). In this way, Simons’ framework enables us to take a more holistic approach to examining how local government in both countries has responded to austerity, by mapping managerial and structural reforms against each of the four control systems.

As noted above, Simons stressed the balanced nature of these systems, and that organisations should focus on each one and their inter-relationships in order to ensure strategic success. In other words, by classifying initiatives as being related to belief, boundary, diagnostic or interactive control systems, we can begin to identify where managers may have neglected some ingredients in their responses to austerity. This could help to develop a recipe that results in a more satiable and satisfying dish: one which does not result in local authorities having to come back for second helpings on a regular basis.

Methodology

This article draws on a survey and semi-structured interviews to discuss the use of management control systems in local authorities in an era of austerity. The survey was structured around a series of questions relating to strategy, management control systems (Simons' levers of control), behaviours, and performance. Since this article is interested in how local government is seeking to retain strategic control in the face of financial constraints, our analysis is based on those responses that related to Simons' framework.

The survey was completed by finance and operational directors in a total of 70 local authorities from across England and Wales between 2008 and 2010. We approached and consulted with a cross-section of authorities in both countries, which represented different sizes and types (including district, county, unitary and metropolitan councils, as well as London Boroughs), and were also located in different geographical regions. Over a third of the respondents – twenty in England and five in Wales – were subsequently interviewed for up to two hours in length, and the data from these discussions forms the basis of this article. Although local politicians and other officials may have provided additional viewpoints,

undertaking additional interviews was beyond the scope and resources of the study.

Therefore, in order to incorporate these perspectives into our analysis, we asked our contacts to discuss the questions with elected Councillors and other colleagues before the interviews took place.

We also interviewed leading representatives from the Societies of County and District Treasurers, the Chartered Institute of Public Finance and Accountancy (CIPFA), and the WLGA to gain a holistic view of the interview results. In order to get perspectives from central government, officials from the UK Government's Department for Communities and Local Government and the Welsh Government also participated in the study.

The interview data were further corroborated with official documentation from central government, local government, professional bodies, and media sources. These included details and analyses of performance management and budgetary frameworks in both countries.

Findings - Managing Austerity through Control Systems

The following subsections highlight how English and Welsh local authorities have employed each of the control levers to a greater extent than was previously the case, in order to try and respond to the challenges posed by austerity. By analysing each control lever in turn, we identify local government's traditional recipe for austerity management and suggest that authorities might want to increase or decrease their use of particular ingredients in order to improve their chances of creating a satiable dish that can guarantee long-term strategic success.

Use of diagnostic systems

We found that as strategic uncertainties increased through austerity, the use of diagnostic systems to manage them also increased. For example, a Head of Finance from a City Council in the North East of England commented that,

“There is more consultation with the public on strategic planning and budget setting as part of getting some kind of consensus on outcomes that need to be protected and cuts to make. Budget monitoring is also subject to greater scrutiny, by both management and local politicians.”

Indeed the extra use of budgeting to manage increasing financial pressures was also echoed in Wales, with a Finance Director from the North of Wales highlighting that,

“The increased pressure on budgets has meant monitoring has become even more intense to squeeze out every last drop from expenditure.”

The increased emphasis on diagnostic systems has therefore applied to both England and Wales, despite the fact that local government in each country operates within a different performance framework and has been subjected to varying levels of funding cuts. This is because diagnostic control systems, as represented by pre-existing budgetary arrangements and performance frameworks that monitor outputs and/or outcomes, make things more visible and are therefore historically a dominant control lever within local authorities in both England and Wales: for example, they all are required by law to deliver a balanced revenue budget every year. Indeed there has been an increasing emphasis on cost management

through austerity but, as a Finance Director from the English Midlands outlines, this has to be seen in the context of longer term efficiency drives:

'Input costs have been regarded as a significant strategic uncertainty facing local authorities for many years, but in particular for England since the Gershon Review [a 2004 report into public sector efficiency] and even more now in what I term 'times of scorching austerity'.

A Finance Director from a local authority in the West of Wales also highlights that

'There is a statutory duty in both jurisdictions [England and Wales] to set a balanced budget and monitor its achievement. Such practices have manifested themselves in the "Local Authority Way" through a focus on keeping within budgets and (particularly) on reducing input costs, as they are measurable and visible and thereby relatively more controllable'.

Notably, the interviewees also felt that the dominance of these diagnostic control systems was roughly equal in both countries, due to similar traditions of financial stewardship and robust budgetary arrangements, which is expressed by a Finance Director from a local authority in the South of Wales:

'The similarity arises because control of input costs is a public sector forte and there are existing systems in place across all local authorities to deal with them.'

Some of our interviewees recognised implicitly that local authorities also needed to look closer at outputs and outcomes as part of a renewed and sustained focus on value for money, but that was (at best) a secondary concern given the deepening austerity rhetoric of cuts and

reality of financial constraints being imposed upon local authorities by central government. Moreover, officers in many (perhaps most) local authorities across England and Wales associate their working environment with the need to deliver financial savings, live within tight budgets and achieve greater efficiencies, as well as the probability that budget gaps will increase as funding rounds become ever tighter in the era of austerity. In such a context of ongoing cuts, the history and statutory imperative of local authorities regarding budgetary stewardship means input costs become a natural default position and have led to a preoccupation with diagnostic control systems.

Indeed, partly due to the tone of ministerial rhetoric and level of budget cuts, cost management assumed an even greater importance during austerity than previously. In England, the abolition of central performance assessment arrangements led to diagnostic systems focusing almost exclusively on budgets and input costs, with very little monitoring of service outputs and outcomes. However, in spite of the fact that until recently Welsh local authorities were not subjected to funding reductions on quite the same scale, they had reverted to a traditional reliance on budgetary stewardship in a similar way to their English counterparts. Crucially, this was often done at the expense of innovation, and possibly to the detriment of long-term strategy, which is expressed by a Finance Director from a local authority in the South of Wales:

“I think Welsh local authorities tend to take a very traditional approach to providing public services driven by the availability of resources. Also in some local authorities the Finance function appears to have excessive control over the rest of the organisation, stifling innovation.”

To conclude therefore, when faced with reductions in income, local authorities in both countries responded by increasing their control and oversight of budgetary functions and processes. Given local government's traditional focus on financial stewardship, as well as the statutory requirement for each local authority to deliver a balanced budget every year, this is not particularly surprising.

Use of interactive systems

Interactive control levers, such as corporate meetings and mechanisms through which staff can respond to developments as they occur, are a crucial means for controlling strategy in an uncertain environment such as that afforded to local authorities by austerity. We found that local government in both England and Wales relied more on these interactive levers as strategic uncertainties increased under austerity. In most cases this work was led by operational managers, who took decisions together with senior managers, staffing specialists and the finance team, in order to ensure that the local authority was responding to the dynamic situation in an informed and effective manner.

For example, there was an increasing realisation that local authorities had to manage residents' expectations in terms of what services were now realistically affordable, and this had to be communicated, negotiated and mediated to the wider public. In this way, interactive levers were found to be an important management control system for trying to deal with uncertainties regarding the unpredictable nature that austerity cast on public needs and tastes. They could also act as a mechanism to reduce tensions and frustrations over what can be achieved with increasingly limited resources.

By way of illustration, a Finance Director from an English County local authority in the Midlands of England felt that local authorities needed to communicate more with residents about what they are able to provide in times of austerity. In his words,

‘a more affordable level of services may therefore have to be aggressively communicated, which can then be reliably delivered within these reduced *perceptions*’.

In Wales this situation has also been recognised with a Finance Director from a local authority in the West of Wales stating that,

“the emphasis hitherto in Wales could be said to have focussed on doing things right rather than doing the right things”.

He then wondered whether what

“we are doing actually delivers what the citizen actually needs and thus the *performance in terms of meeting citizens’ needs*”.

The dynamic nature of citizens’ requirements highlights the importance of interactive control levers as a tool for responding to developments whilst maintaining strategic direction. Indeed, there has been a significant increase in public engagement activities over recent years, and local authority public engagement teams have grown in size (Burall and Carr-West, 2009). The extent to which local authorities are engaging with citizens, along with the methods they adopt in order to connect with them, illustrate the extent to which they have been able to innovate – and therefore the relative influence of interactive control levers. Activities in this area include consultation, providing information, lobbying and public engagement activities that promote local authority services. However, as one Finance Director from a City local

authority in the Midlands of England noted, these initiatives have not necessarily led to citizens having more realistic and informed views on what a local authority can provide:

“There are now increased expectations [sic] on local authorities as we communicate with Joe Public more effectively.”

Nonetheless, although the constraints of stewardship and public accountability restrict local government’s capacity to meet these increased expectations, in England there were some examples of innovations emerging in services at operational levels and transformation projects at strategic levels (see Lowndes and McCaughie, 2013 for an overview of some of the initiatives that local authorities have undertaken). The interviewees suggested that local authorities were less likely to promote these operational initiatives because service innovation formed part of ingrained everyday practices. Perhaps most importantly however, practitioners could only risk innovating in those areas that politicians found acceptable. As a Finance Director from a local authority in Central London stated,

‘In our local authority, the Political Leader is happy to go ahead if a proposal is judged 80% right, scoped appropriately, but this is not the norm in local government’.

Risk was also seen as a key reason why Welsh local authorities were often reluctant to innovate as expressed by a Finance Director from a local authority in the South of Wales:

“Innovation is less tangible and by its nature is saddled with greater risk and to a certain extent dependent on the calibre and drive of small groups of individuals.”

It is important to note that local government officers in both countries were not averse to innovation – indeed they generally felt that experimenting with different ways to deliver the

kind of transformational change that could ensure a sustainable future for their local authority is paramount. However, the extremely tight financial situation, together with the prevailing focus on budgetary stewardship, restricted their ability to experiment with new ways of working.

Use of boundary systems

The next lever of control in Simons' framework is the boundary system, which sets the parameters within which staff should work and the scope of the organisation's activities. As with the other levers of control, we found that local authorities in both countries used these mechanisms slightly more as strategic uncertainties increased.

Boundary systems for local government in both countries have been in a state of flux since the early 1980s, as successive central governments have sought to introduce New Public Management practices (Hood 1991). These reforms have encouraged (or even mandated) the outsourcing and privatisation of local authority services and thereby redrawn the scope of their activities. Together with more recent developments to encourage partnerships between local authorities, other public bodies, private businesses and the voluntary sector, it is now the case that local government can best exercise their influence through governance arrangements that involve these different actors, rather than more traditional government hierarchies (Stoker, 2003; Bulkeley and Kern, 2006).

The boundary systems for English local government underwent a further significant change with the 2011 Localism Act, which gave local authorities a 'power of general competence' to undertake any activity that would improve their localities. Reforms of this nature had been

widely mooted by politicians of all political parties for some time in the years running up to the 2010 election (Leslie and Scott-Smith, 2009), and therefore the issue of ‘localism’ was very much on the radar of our interviews when the fieldwork was undertaken. Nonetheless, prior to the legislation being passed, local authorities were constrained by the risk of acting ultra vires if their activities were not specifically permitted in statute. As a result of this Act therefore, English local government enjoyed much greater autonomy than was previously the case – indeed the reform was widely welcomed by local authority leaders.

However, since the Localism Act was passed at a time when funding was cut significantly, the overall capacity of English local authorities to act in the interests of their localities did not increase (Lowndes and Pratchett, 2012) because they had significantly fewer resources at their disposal. As discussed earlier, local government in England had very limited scope to raise revenue even before the austerity measures were introduced (Travers, 2006), and local authorities were therefore unable to generate significant income to fund any new initiatives that they wanted to undertake using these new powers. In addition, their ability to innovate is restricted by a traditional focus on input costs and an organisational culture that struggles to embrace risk. In this way, the additional freedom proved to be something of a chimera for most local authorities, particularly those in the north of England that were more dependent on central funding and therefore saw greater overall reductions in their revenue (Hastings et al, 2013).

Boundary systems in Wales were also reformed at around the same time, with the Local Government Wales Measures of 2009 and 2011. In direct contrast to the Localism Act, these reforms restricted local autonomy, initially by requiring local authorities to collaborate and subsequently by threatening them with amalgamation, in the expectation that this would

improve efficiency within the sector. Meanwhile, since Welsh local authorities were not subjected to funding cuts on the same scale as their English counterparts, it was hoped that their overall capacity would not be seriously affected. In spite of this, ministers still appear to have become frustrated with a perceived lack of improvement at the local level, and have therefore called for a restructure of local government to give them greater capacity and enable more risk-taking (Welsh Government, 2014).

Table 3 outlines how these legislative reforms changed the level of autonomy and capacity within local government in both countries, and therefore how they relate to local authorities' boundary systems in England and Wales.

Country	Pre-Localism Act/Wales Measure		Post-Localism Act/Wales Measure	
	Autonomy of local government	Capacity of local government	Autonomy of local government	Capacity of local government
England	Low	Medium	High	Low
Wales	Medium	Medium	Low-medium	Low-medium

Table 3: Recent changes in the autonomy and capacity of English and Welsh local authorities

Use of belief systems

As discussed above, capacity to innovate not only requires the financial means to initiate projects, but also an organisational culture that is prepared to take risks. It is also important to note that local authorities are keen to innovate, but often feel restricted by the institutional culture (one aspect of their belief system) that has been shaped by a legacy of centralised budgetary restrictions and performance management frameworks (the diagnostic systems).

As with the diagnostic and interactive levers, we found that local authorities in both countries did focus slightly more resources on these belief systems as strategic uncertainties increased. Crucially however, these increased resources did not change the prevailing culture of budgetary stewardship. This was partly because they were operating within such a constrained financial environment, but it is also a consequence of the fact that every local authority in England and Wales is legally required to produce a balanced revenue budget and identify a specific senior individual (the Section 151 Officer, who is often the Finance Director) as being personally responsible for its monitoring. In addition, the drivers for increasing resources on this lever were the result of central government attempts to shape local authority cultures, through initiatives such as Comprehensive Performance Assessment and the idea of the golden thread in England, and the idea that collaboration would increase capacity in Wales. The hierarchical nature of intergovernmental relations required local authorities to take account of these agendas, but the fact that they were not ‘home-grown’ meant they were unlikely to take root in localities. Moreover, the strong and embedded existing belief system of budgetary stewardship meant they were unlikely to prevail – and, as we have seen, central governments in both countries have since retreated from their previous positions in the realisation that their attempts have been largely unsuccessful.

The result is that belief systems still do not embrace risk-taking, which has contributed towards a situation whereby local authorities in both countries find it very difficult to innovate, even if they want to reform or remove services in response to the austerity programme. As a Finance Director from a local authority in the West of Wales put it:

'I would argue that focus is determined by organisational culture not structures and there is a strong culture of focusing on costs in local authorities (even above customer focus) which has recently been exacerbated by the public sector spending constraints.'

To contrast this focus with local government's view on innovation, it is instructive that officers with ICT responsibilities reported to the Director of Finance in most of the authorities we studied, thus illustrating how organisational priorities are manifested in their management hierarchies. Similarly, one interviewee contrasted the statutory nature of the Section 151 Officer with the fact that local authorities are not required to employ a named individual who has responsibility for transformation:

Every authority has a statutory Section 151 Officer charged with ensuring proper financial processes are in place and I would argue that this has led to an underlying culture of placing significant attention on costs. There is no statutory officer with responsibility for ICT or innovation for example, and whilst local authorities do pursue these avenues, they are not as culturally obsessive about them as they are about finance (Finance Director, Unitary Authority in the West of Wales).

Indeed, it is notable that both central government and the local authorities themselves made changes to all of the levers of control except for these belief systems. As Table 2 and Simons' characterisation of the different roles of each control lever have highlighted, reforms have focused on those factors that help to formulate and implement business strategy, rather than shape the strategic domain. The next subsection discusses the potential implications of taking such an approach.

Discussion: Balancing management control system inter-relationships in response to austerity

Simons (1995) stressed the balanced nature of his four levers of control, and that organisations should focus not only on each one, but also use them holistically in order to ensure strategic success. However, although local authorities have allocated increased resources to each lever in response to strategic uncertainties under austerity, we found that they have resorted increasingly to budgetary mechanisms. This also chimes with other studies, such as van Helden (2000), who found that Dutch local authorities increased their focus on output budgeting, planning and control processes during a period of financial constraint. Indeed, a variety of scholars have argued that public sector austerity initiatives in various countries are overwhelmingly characterised by a desire to reduce input costs (Levine, 1978; 1979; van Helden, 2000; Pandey, 2010; Pollitt, 2010; Overmans and Noordegraaf, 2014; Robbins and Lapsley, 2014).

However, Simons' framework suggests that such traditional recipes for austerity management do not rely on the optimal mixture of ingredients. Indeed, they could limit the chances of

strategic success because the focus has been skewed towards reforming diagnostic systems as a means to negotiate and implement austerity cuts. Similarly, central government has concentrated on changing diagnostic control systems and has neglected some of Simons' other levers. For example, the Localism Act abolished the centralised assessment regime for English local authorities substantially and gave them the freedom to develop their own approaches to performance management (National Archives, 2011b). In Wales, new performance arrangements were introduced for local authorities in 2011, which mean that individual services take more ownership of benchmarking exercises to try and ensure that these comparisons are adopted more formally as part of corporate strategy (McAteer and Stephens, 2011). These reforms represented significant challenges to the previous diagnostic control systems that operated within local authorities in both countries.

Under austerity, local authorities have also had to communicate, negotiate and mediate with citizens in order to manage their expectations in terms of which services were now realistically affordable. In this way interactive levers were found to be an important management control system for trying to deal with uncertainties regarding the unpredictable nature that austerity cast on public needs and tastes. However, the extent to which local authorities could respond to these developments was constrained by their culture of budgetary stewardship and the need for decision-makers to ensure that they were acting in accordance with statutory requirements.

Local government's boundary systems in both countries have also undergone significant reform. In addition to the plethora of New Public Management reforms that central government has introduced since the 1980s, the Localism Act included the long-awaited "power of general competence" that allows English local authorities (for the first time) to

undertake any activity that they felt would benefit the locality, provided they are not restricted by legislation. These initiatives have changed local government's potential scope of activity substantially. In Wales, the 2009 and 2011 Local Government Measures gave ministers additional powers over local authorities after they became frustrated that a "hands-off" approach did not appear to be effective. As such, these measures should be viewed as centralising steps and thereby change the boundary systems applied to local government in Wales.

Most importantly however, enduring belief systems within local authorities have not been changed, which means that local government cultures during austerity have focused overwhelmingly on cost management rather than innovation. Although central government sought to inculcate new ideas of the golden thread in England and collaboration in Wales, these did not penetrate the prevailing culture of budgetary stewardship – and, even if they had, they may not have put local authorities in a position to cope with austerity over the longer term. Local authorities have recognised that traditional beliefs incorporated in "The Local Authority Way" have to change, but this also requires central government to reform its funding mechanisms. In particular, although reforms such as the Localism Act have given (English) local authorities greater autonomy over spending decisions, they are still severely restricted in terms of revenue generation. This limitation does not help to create an environment in which innovation, risk-taking and creativity can flourish and therefore the belief systems that give expression to the "Local Authority Way" remain relatively unchanged.

English local authorities are therefore constrained in two ways: the first relates to their lack of financial resources (in particular their lack of control over revenue streams), whilst the

second is concerned with managerial mind-sets and organisational culture. Since they have been largely unable to take advantage of the extra freedoms granted to them in the Localism Act, they are left in a situation where they have more autonomy but less capacity. Similarly, Welsh local authorities remain constrained by the same belief systems as their English counterparts. Indeed, it is notable that, with the exception of belief systems, every other lever of control has been addressed in some way by central government in both countries since the financial crisis, as highlighted in Table 4.

	Diagnostic systems	Interactive systems	Boundary systems	Belief systems
England	Abolition of centralised performance assessment; local authorities now free to design their own arrangements	Local authorities responding to developments as they arise (e.g. public engagement to manage expectations)	General power of competence increases the area in which the local authority can operate	No concerted efforts at a national level to address organisational culture; local authorities hamstrung by having a traditional focus on budgetary stewardship and limited control over revenue streams
Wales	Local authorities can now be threatened with merger if they do not collaborate. Renewed emphasis on benchmarking	Local authorities responding to developments as they arise (e.g. public engagement to manage expectations)	Collaboration agenda meaning that services are increasingly delivered in partnership with other public bodies; reorganisation likely to result in fewer local authorities	No concerted efforts at a national level to address organisational culture; local authorities hamstrung by having a traditional focus on budgetary stewardship and limited control over revenue streams

Table 4: Changes to control systems for English & Welsh local authorities since 2009

Although belief systems are undoubtedly the most difficult to change, the result has been that English and Welsh local authorities still struggle to break free and innovate, even when they want to. Over the longer term, their reliance on budgetary stewardship is likely to become increasingly unsustainable, as the sheer scale of funding reductions becomes apparent. Most authorities (particularly those in deprived areas that have been particularly badly affected by funding cuts), will need to adopt radically different service delivery models in order to survive.

As Levine (1978) argued, public managers need to address the challenge of cutback management effectively in order to maintain control over the future of their organisations. Yet various studies have highlighted the political difficulties associated with making significant cuts in public spending (Dunsire and Hood 1989; Pollitt 2010). Furthermore, local authorities in England and Wales suffer from what Pandey (2010) refers to as the ‘paradox of publicness’: although they can rely on relatively predictable amounts of revenue, but they also find it very difficult to raise additional resources and are required by statute to provide a range of public services. As a result, they find their attempts to innovate and experiment severely restricted, which contributes to their enduring preference for budgetary stewardship. Indeed, local authorities’ lack of freedom to generate revenue was recognised by former Deputy Prime Minister Michael Heseltine in a 2012 report he produced for the Government, *No stone unturned: in pursuit of growth* (Heseltine, 2012). Since the publication of this report, Heseltine’s arguments have been adopted by the local government finance community, which established a commission on local government revenue streams in early 2014 (Johnstone, 2014). Furthermore, the opposition Labour Party has come up with similar proposals (Adonis, 2014), and a committee of MPs has called for authorities to have much greater tax-raising powers (House of Commons 2014).

Conclusions

This article has analysed the relationship between austerity and management control systems in English and Welsh local authorities. It has built on previous studies of public bodies’ responses to crises (van Helden, 2000; Peters, 2011; Robbins and Lapsley, 2014) by stressing the importance of organisational culture and boundaries to strategic success, and placing these within a holistic theoretical framework of management control systems– Simons’ levers

of control. Our study found that local government in both countries concentrated more on each of Simons' four levers of control in response to austerity measures, and that they responded in a similar way despite having contrasting structural arrangements for performance management. Crucially however, English and Welsh local authorities have relied overwhelmingly on diagnostic controls in general and budgetary controls in particular: they have not been able to innovate to develop working practices that are likely to be more sustainable over the longer term. This emphasis on controlling expenditure is a direct result of their prevailing belief system of budgetary stewardship, which is a consequence of their inability to generate revenue and their statutory responsibility to deliver a balanced budget and identify a named Section 151 Officer. It is also because certain things (such as input costs) are more visible and relatively more manageable and accountable, when compared to issues such as innovation, and due to the fact that senior managers and politicians want to be seen to be controlling public expenditure (Dunsire and Hood, 1989). Finally, because the focus on budgetary stewardship is familiar and therefore relatively more simplistic, it may have been easier to continue with this approach rather than trying to encourage more innovation or monitor outcomes (Overmans and Noordegraaf, 2014).

It is notable that public policy in both jurisdictions has sought to reform structural arrangements such as performance management frameworks, in the hope that this will encourage local government to innovate whilst maintaining appropriate cost management practices. For example, English local authorities have been granted a general power of competence, and this coincided with austerity and substantial funding cuts. However, these reforms to diagnostic controls and boundary systems have not changed traditional attitudes and cultures towards risk taking and innovation, despite the fact that a less conservative belief system could result in services and operational processes becoming more productive and

effective. Indeed, these belief systems have not been addressed at a national level in either England or Wales. Although local government in both countries has devoted more resources to belief systems, this has not sought to dilute the focus on budgetary stewardship that predominates in the “Local Authority Way”. Instead, these resources had originally been redirected to respond to external performance management systems that did not prove sustainable and did not seek to change prevailing budgetary attitudes. The result has been that local government has resorted to its habitual reliance on diagnostic control systems at the expense of boundary and – particularly – belief systems, the two levers that form an organisation’s strategic domain in Simons’ framework. As Simons has argued, organisations need to address all four of the levers in order to achieve strategic control, and therefore we can see how local government might need to change its recipe for austerity management in order to create a more satiable solution.

One reform that could result in local government changing its traditional perspective would be granting additional freedoms over revenue generation, as set out by Heseltine (2012), CIPFA (see Johnstone, 2013), Adonis (2014) and MPs on Parliament’s Communities and Local Government Committee (House of Commons 2014). This would help to change the strategic context by giving authorities more room to foster risk-taking and innovation. Indeed, one key theme emerging from our research is not that local authorities are lethargic in themselves, but rather their desire to reform is thwarted by conventions of history, funding, culture and statute. In the absence of such a change however, management control systems within local authorities will not support frontline innovation as part of routine everyday practice. The enabling powers granted to English local authorities as part of the Localism Act have given them additional freedom to make decisions about expenditure, but without a corresponding ability to raise more revenue they are undermined by both austerity and local

government belief systems. Local government in Wales does not even enjoy this power of general competence, and is therefore even more restricted in its ability to experiment with different approaches and models. The result is that attention and resources have become more focused on managing services more productively and engaging with the public more effectively, rather than investigating and trialling new ideas.

This article has sought to address some of the shortcomings of existing approaches to austerity management by applying Simons' framework to local government in England and Wales. As such, it has provided the theoretical basis for a new research avenue: the issue of whether – and how – local authorities have sought to address their prevailing attitudes towards budgetary stewardship and risk management. It has also provided some food for thought for practitioners in English and Welsh local authorities. Although the UK and Welsh central governments remain in control of most local authority funding, public managers might want to consider making a more concerted attempt to make working cultures less risk-averse: indeed this is probably necessary to ensure the longer-term survival of local government as we know it. In addition, since the Localism Act does give English authorities the freedom to engage in a wide range of activities, they could focus more on income generation by providing additional profit-making goods and services for other organisations. Finally, they may wish to seize the opportunity provided by central government's increasing recognition that the current funding arrangements are unsustainable. Initiatives such as the No Stone Unturned and Select Committee reports, as well as the Adonis Review and the Local Government Finance Commission, suggest that changes may be around the corner in England, and the probable restructure of authorities in Wales may also be accompanied by funding reform. This could result in authorities regaining greater control over their revenue and therefore having more flexibility to experiment with new working practices.

Our findings also have implications for practitioners in other jurisdictions that may be considering how to balance cost management and innovation to support economic growth. This is especially the case as local government in the UK has long been considered a world leader in public service policy, delivery, and practices of New Public Management (Andrews and van de Walle, 2013). Indeed, the finding that belief and boundary systems need to be addressed alongside diagnostic and interactive controls in order to increase the chances of strategic success is relevant for any organisation that needs to respond to major uncertainties such as a sudden significant drop in revenue.

References

Abernethy, M.A. and P. Brownell (1999), 'The Role of Budgets in Organizations Facing Strategic Change: An Exploratory Study', *Accounting, Organizations and Society*, Vol. 24, No. 3, pp. 189-204.

Adonis, A. (2014), *Mending the Fractured Economy: Smarter State, Better Jobs - An Independent Review for the Labour Party*, Policy Network. Available online at <http://www.policy-network.net/publications/4695/Mending-the-Fractured-Economy>, accessed on 7 July 2014.

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

Batac, J. and D. Carassus (2009), 'Interactions Between Control and Organizational Learning in the Case of a Municipality: A Comparative Study With Kloot (1997)', *Management Accounting Research*, Vol. 20, No. 2, pp. 102-116.

Bisbe, J. and D. Otley (2004), 'The Effects of the Interactive Use of Management Control Systems on Product Innovation', *Accounting, Organizations and Society*, Vol. 29, No. 8, pp. 709-37.

Caperchione, E., F. Salvatori and E. Benghi (2014), 'New Development: Where There's a Will, There's a Way – Acting Beyond Cutbacks', *Public Money and Management*, Vol. 34, No. 2, pp. 135-138.

Bulkeley, H. and K. Kern (2006), 'Local government and the governing of climate change in Germany and the UK', *Urban Studies*, Vol. 43, No. 12, pp. 2237-2259.

Burall, S. and J. Carr-West (2009), *Citizen Power in Recession: The Case for Public Engagement in Local Government*. Involve/Local Government Information Unit. Available online at <http://www.involve.org.uk/wp-content/uploads/2011/03/Empowerment-Economy-Final-Report2.pdf>, accessed on 11 March 2014.

Crawford, R., R. Joyce and D. Phillips (2012), *Local Government Expenditure in Wales: Recent Trends and Future Pressures* (Institute for Fiscal Studies, London).

Davila, A. (2005), 'The Promise of Management Control Systems for Innovation and Strategic Change', in C. Chapman (ed), *Controlling Strategy: Management, Accounting and Performance Measurement* (Oxford University Press, Oxford).

_____ and D. Oyon (2009), 'Introduction to the Special Section on Accounting, Innovation and Entrepreneurship', *European Accounting Review*, Vol. 18, No. 2, pp. 277-280.

Dunsire, A and C.C. Hood (1989) *Cutback Management in Public Bureaucracies* (Cambridge University Press, Cambridge).

Eckersley, P., L. Ferry and Z. Zakaria (2014), 'A 'Panoptical' or 'Synoptical' Approach to Monitoring Performance? Local Public Services in England and the Widening Accountability Gap', *Critical Perspectives on Accounting*, Vol. 25, No. 6, pp. 529-538.

_____ and P. Timm-Arnold (2014), 'Directly-Elected Mayors and the Austerity Agenda: Lessons from the German Experience', *Public Money and Management*, Vol. 34, No. 4, pp. 347-354.

Emsley, D. (2001), 'Redesigning Variance Analysis for Problem Solving', *Management Accounting Research*, Vol. 12, No. 1, pp. 21-40.

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

_____ (2012), 'Budgeting and Governing for Deficit Reduction in the UK Public Sector: Act Two "The Annual Budget"', *Public Money and Management*, Vol. 32, No. 2, pp. 119-126.

_____ and Z. Zakaria (2015), "Accountability and Transparency in English Local Government: Moving from 'Matching Parts' to 'Awkward Couple'?" *Financial Accountability and Management*, Vol. 31, No. 3, pp. 345-361.

Freer, S. (2011), 'When the Going Gets Tough', *Public Finance*, available online at <http://opinion.publicfinance.co.uk/2011/02/when-the-going-gets-tough-by-steve-freer-2/>, accessed on 18 September 2013.

Greene, C. (2014), 'Are Other Local Authorities Making More Money?' *Chartered Institute of Public Finance and Accountancy*, available online at <http://www.cipfa.org/policy-and-guidance/articles/are-other-local-authorities-making-more-money>, accessed on 27 January 2014.

Grossi, G. and D. Cepiku (2014), 'Editorial', *Public Money and Management*, Vol. 34, No. 2, pp. 79-81.

Hastings, A., N. Bailey, K. Besemer, G. Bramley, M. Gannon and D. Watkins (2013), *Coping with the Cuts? Local Government and Poorer Communities*. Joseph Rowntree Foundation. Available online at <http://www.jrf.org.uk/publications/coping-with-cuts>, accessed on 3 July 2014.

Henri, J.F. (2006a), 'Management Control Systems and Strategy: A Resource-Based Perspective', *Accounting, Organizations and Society*, Vol. 31, No. 6, pp. 529-558.

_____ (2006b), 'Organizational Culture and Performance Measurement Systems', *Accounting, Organizations and Society*, Vol. 31, No. 1, pp. 77-103.

Heseltine, M. (2012), *No Stone Unturned: In Pursuit of Growth*, Department for Business Innovation and Skills, available online at <https://www.gov.uk/government/publications/no-stone-untuned-in-pursuit-of-growth>, accessed on 11 March 2014.

Hood, C. (1991), 'A Public Management for all Seasons?' *Public Administration*, Vol. 69, No. 1, pp. 3-19.

_____ (1995), 'The "New Public Management" in the 1980s: Variations on a Theme', *Accounting, Organizations and Society*, Vol. 20, Nos. 2-3, pp. 93-109.

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

House of Commons (2014), *Devolution in England: The Case for Local Government*, House of Commons' Communities and Local Government Committee (The Stationery Office, London), available online at <http://www.publications.parliament.uk/pa/cm201415/cmselect/cmcomloc/503/503.pdf>, accessed on 10 July 2014).

Jas, P. and Skelcher, C. (2014), 'Different Regulatory Regimes in Different Parts of the UK? A Comparison of Narrative and Practice in Relation to Poor Performance in Local Government', *Local Government Studies*, Vol. 40, No. 1, pp. 121-140.

Johnstone, R. (2014), 'CIPFA and LGA to Launch Local Government Finance Commission', *Public Finance*, available online at <http://www.publicfinance.co.uk/news/2014/01/cipfa-and-lga-to-launch-local-government-finance-commission/>, accessed on 27 January 2014.

Keeling, R. (2012), 'Funding Crisis within a Decade, Warns Local Government Association', *Local Government Chronicle*, available online at <http://www.lgcplus.com/briefings/corporate-core/finance/funding-crisis-within-a-decade-warns-lga/5046353.article>, accessed on 18 September 2013.

Levine, C.H. (1978), 'Organizational Decline and Cutback Management', *Public Administration Review*, Vol. 38, No. 4, pp. 316-325.

_____ (1979), 'More on Cutback Management: Hard Questions for Hard Times', *Public Administration Review*, Vol. 39, No. 2, pp. 179-83.

_____ (1980), *Managing Fiscal Stress: The Crisis in the Public Sector*. Chatham, NJ: Chatham House.

_____ (1984), 'Retrenchment, Human Resource Erosion, and the Role of the Personnel Manager', *Public Personnel Management*, Vol. 13, No. 3, pp. 249–63.

_____ (1985), 'Police Management in the 1980s: From Decrementalism to Strategic Thinking', *Public Administration Review*, Vol. 45, Special Issue, pp. 691-700.

_____, I.S. Rubin, and G.G. Wolohojian (1982), 'Managing Organizational Retrenchment: Preconditions, Deficiencies, and Adaptations in the Public Sector', *Administration & Society*, Vol. 14, No. 1, pp. 101–36.

Leslie, C. and L. Scott-Smith (2009), *Control Shift: Alt, Insert or Delete? A Constructive Analysis of Conservative Proposals for Local Government and Decentralisation*, New Local Government Network, available online at <http://www.nlgn.org.uk/public/2009/nlgn-urges-the-conservatives-to-be-more-radical-on-local-government-finance/>, accessed on 11 March 2014.

Leslie, K. and A. Canwell, (2010), 'Leadership at all levels: Leading public sector organisations in an age of austerity', *European Management Journal*, Vol. 28, No. 4, pp. 297-305.

Lowndes, V. and L. Pratchett (2012), 'Local Governance under the Coalition Government: Austerity, Localism and the Big Society', *Local Government Studies*, Vol. 38, No. 1, pp. 1-20.

_____ and K. McCaughie (2013), 'Weathering the Perfect Storm? Austerity and Institutional Resilience in Local Government', *Policy and Politics*, Vol. 41, No. 4, pp. 533-49.

Martin, S. and A. Webb (2009), "'Citizen-centred" public services: contestability without consumer-driven competition?' *Public Money and Management*, Vol. 29, No. 2, pp. 123-130.

Micheli, P. and A. Neely (2010), 'Performance Measurement in the Public Sector in England: Searching for the Golden Thread', *Public Administration Review*, Vol. 70, No. 4, pp. 591-600.

Mintzberg, H. (1978), 'Patterns in Strategy Formation', *Management Science*, Vol. 24, No. 9, pp. 934-48.

_____ (2007), *Tracking Strategies: Toward a General Theory* (Oxford University Press, Oxford).

Mundy, J. (2010), 'Creating dynamic tensions through a balanced use of management control Systems', *Accounting, Organizations and Society*, Vol. 35, No. 5, pp. 499-523.

Naranjo-Gil, D. and F.G.H. Hartmann (2006), 'How Top Management Teams Use Management Accounting Systems to Implement Strategy', *Journal of Management Accounting Research*, Vol. 18, No. 1, pp. 21-53.

_____ (2007), 'Management Accounting Systems, Top Team Heterogeneity and Strategic Change', *Accounting, Organizations and Society*, Vol. 32, Nos. 7-8, pp. 735-756.

National Archives (2011a), Local Government (Wales) Measure, Section 162, available at <http://www.legislation.gov.uk/mwa/2011/4/section/162>, accessed on 28 January 2014.

_____ (2011b), Localism Act, available at <http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted>, accessed on 11 March 2014.

National Audit Office (2013), Financial Sustainability of Local Authorities: Report by the Comptroller and Auditor General, available online at <http://www.nao.org.uk/report/local-services-financial-sustainability-of-local-authorities/>, accessed on 27 January 2014.

Office of National Statistics (2014), Population Estimates for UK, England and Wales, Scotland and Northern Ireland, Mid 2012, available online via <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-319259>, accessed on 7 July 2014.

Overmans, J.F.A. and M. Noordegraaf (2014), “Managing Austerity: Rhetorical and Real Responses to Fiscal Stress in Local Government”, *Public Money and Management* Vol. 34, No. 2, pp. 99-106.

Pandey, S.K. (2010), ‘Cutback Management and the Paradox of Publicness’, *Public Administration Review*, Vol. 70, No. 4, pp. 564-571.

Peters, B.G. (2011), ‘Governance Responses to the Fiscal Crisis – Comparative Perspectives’, *Public Money and Management*, Vol. 31, No. 1, pp. 75-80.

Pollitt, C. (2010), ‘Cuts and Reforms – Public Services as we Move into a New Era’, *Society and Economy*, Vol. 32, No. 1, pp. 17-31.

Revellino, S. and J. Mouritsen (2009), ‘The Multiplicity of Controls and the Making of Innovation’, *European Accounting Review*, Vol. 18, No. 2, pp. 341-369.

Robbins, G. and A. Lapsley (2014), ‘The Success Story of the Eurozone Crisis? Ireland’s Austerity Measures’, *Public Money and Management*, Vol. 34, No. 2, pp. 91-98.

Seal, W. (1999), ‘Accounting and Compulsory Competitive Tendering: An Institutionalist Interpretation of the New Public Management in UK Local Government’, *Financial Accountability and Management*, Vol. 15, Nos. 3/4, pp. 309–327.

_____ (2003), 'Modernity, Modernization and the Deinstitutionalization of Incremental Budgeting in Local Government', *Financial Accountability and Management*, Vol. 19, No. 2, pp. 93–116.

_____ and A. Ball (2005), 'Regulating Corporate Performance and the Managerialization of Local Politics', *International Public Management Review*, Vol. 6, No. 1, pp. 117–138.

_____ _____ (2006), *Re-inventing Budgeting: The Impact of Third Way Modernization on Local Government Budgeting* (CIMA, London).

_____ _____ (2011), 'Interpreting the Dynamics of Public Sector Budgeting: A Dialectic of Control Approach', *Financial Accountability and Management*, Vol. 27, No. 4, pp. 409–436.

Simons, R. (1995), *Levers of Control: How Managers Use Innovative Control Systems to Drive Strategic Renewal* (Harvard Business School Press, Boston).

Stoker, G. (2003), *Transforming Local Governance: From Thatcherism to New Labour* (Palgrave Macmillan, Basingstoke).

Travers, T. (2006), *Would it be possible to re-localise the NNDR? The technicalities of achieving reform* (Local Government Association, London), available online via http://www.local.gov.uk/web/guest/publications/-/journal_content/56/10180/3367169/PUBLICATION, accessed on 7 July 2014.

Tuomela, T.S. (2005), 'The Interplay of Different Levers of Control: A Case Study of Introducing a New Performance Measurement System', *Management Accounting Research*, Vol. 16, No. 3, pp. 293–320.

Van Elk, S. (2012), *Regional Collaborative Areas in Wales*, Centre for Public Scrutiny,

available online at

http://www.cfps.org.uk/domains/cfps.org.uk/local/media/downloads/2012_07_20_wales_pb_final.pdf, accessed on 10 July 2014.

Van Helden, G.J. (2000), 'Is Financial Stress an Incentive for the Adoption of Businesslike Planning and Control in Local Government? A Comparative Study of Eight Dutch Municipalities', *Financial Accountability and Management*, Vol. 16, No. 1, pp. 83-100.

Welsh Government (2012), *Local Government: Finance and Funding*, available online at

<http://wales.gov.uk/topics/localgovernment/finandfunding/?lang=en>, accessed on 27 January 2014.

_____ (2014), *Devolution, Democracy and Delivery: White Paper – Reforming Local Government*, available online at <http://wales.gov.uk/docs/dsjlg/consultation/140708-white-paper-consultation-en.pdf>, accessed on 10 July 2014.

Welsh Local Government Association (2013), Future Pressures on Welsh Public Services, available online at <http://www.wlga.gov.uk/finance-publications/future-pressures-on-welsh-public-services>, accessed on 8 July 2014.

Widener, S. (2007), 'An Empirical Analysis of the Levers of Control Framework', *Accounting, Organizations and Society*, Vol. 32, Nos. 7-8, pp. 757-788.

Wolman, H. (1986), 'Innovation in Local Government and Fiscal Austerity', *Journal of Public Policy*, Vol. 6, No. 2, pp. 159-180.