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Accounting for third sector involvement in the delivery of services: the case of LinkAge Plus

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Abstract

**Purpose**
The paper explores the roles of accounting and their importance to commissioners of service and the third sector arising from research undertaken during a *LinkAge Plus* project, particularly exploring the role of the information requirements of the different constituencies.

**Design/methodology/approach**
The main methods employed are interview, document analysis and observation. This research re-evaluates the work undertaken for a *LinkAge Plus* pilot evaluation as well as project specific interviews.

**Research limitations/implications**
The paper looks at the findings arising from one *LinkAge Plus* pilot site only, however, it is the author’s contention that the findings offer genuine insights into the relationship between commissioners of services and the third sector, owing to the number of constituencies involved in the project.

**Practical implications**
The insights gained from this work offer organisations and policy makers an insight into the issues faced by the third sector when dealing with large commissioners particularly with regards the rapid change of service provision and the necessary information requirements. This has considerable relevance in the changing economic climate and the associated austerity measures.

**Originality/value**
*LinkAge Plus* offered a unique opportunity to examine how a commissioner can use third sector organisations to develop services quickly and the associated issues that arise. The scope of the *LinkAge Plus* project in the authority at the core of the study gave unique access to a range of third
sector organisations all dealing with the same organisation on the same set of projects. This access has enabled the exploration of the roles of accounting and how these assist us in understanding the relationship between the different constituencies.
Introduction

Accounting academia has developed considerably in an attempt to understand the importance of accounting theory to society and organisational life as exemplified by Burchell, Clubb, Hopwood & Naphapiet (1980) and Miller (1994), who were at the forefront of answering the initial call of Hopwood (1979) for this examination. The growth of modern sociology and psychology encouraged the use of theoretical perspectives (Laughlin, 1987; Merino, 1998; Tinker, 1985; Tinker, Merino, & Neimark, 1982), to understand the accounting paradigm, which has greatly enhanced the reputation of accounting research and has assisted a fundamental understanding of the nature of accounting in both private and public sectors of the economy, which has formed the backbone of accounting research in the last thirty years. An aspect of the economy that has, however, been relatively neglected is that of the third sector, which has received little attention from accounting scholars. It is this aspect that the study attempts, in a limited, way to address, by examining the roles played by accounting and associated technologies at the interface of the public and third sectors by examining one initiative in one local authority: LinkAge Plus (H. Davis & Ritters, 2009; Watt & Blair, 2009).

The third sector within the UK is currently at the forefront of many of the current Coalition Government’s policy proposals in the UK, in the face of the current budget deficit, for the delivery of services, particularly, in the areas of social services and health. There has been a long tradition of the of the use of the third sector in the public services, however, the growth and diversity has increased significantly during the previous Labour administrations in the UK. The third sector is a complex mix of many different organisation types, goals and funding systems (Bridge, Murtagh, & O’Neill, 2009) as illustrated by Figure 1 and, therefore, is subject to various definitions (Bridge et al., 2009; Kelly, 2007), however, the author has adopted the view, used by the UK Government, which is appropriate for the context of this study, that the third sector is comprised of all organisations which are non-governmental, principally reinvest surpluses
in the community or organisation that seek to deliver social or environmental benefits. The sector is, therefore, predominantly comprised of: voluntary and community organisations; charities; social enterprises; mutual; and co-operatives (Communities and Local Government, 2007; HM Treasury, 2005). Owing to the mix of organisation types the sector has been likened to a loose baggy monster (Hugh & Kitson, 2007), which offers an insight into the diversity and complexity of the sector.

*Figure 1*
Issues with the expansion of the provision of the public services, and the roles being explored for this development, have not only been observed in the UK but also internationally (Osborne, Jenei, Fabian, & Kutie, 2005; Osborne, McLaughlin, & Miyamoto, 2003), therefore, making the findings from this examination of potential international interest.

The rationale for the increased reliance for the provision of services from this sector has been the perceived benefits of the sector as identified by Smith (2010, p. 51):

“...the sector may have comparative advantage in terms of (HM Treasury, 2002) specialist skills/knowledge:

- the ability to involve people in service delivery;
- their independence and their ability to innovate;
- their lack of institutional baggage; and
- their flexibility, responsiveness and (again) their ability to innovate (Osborne & McLaughlin, 2004, p. 577).

Similarly, Kelly (2007) stresses the continued faith placed in the sector to provide an antidote to the problems of professional rigidity in the public sector...”

The above offers persuasive reasons for the use of the sector for service delivery, however, it should be acknowledged that there are also problems involved with the engagement of the sector (National Audit Office, 2005). The issues identified by the National Audit Office (2005) were: short-term contracts which make it difficult for third sector organisations to recruit, retain and develop staff and access capital; placing excessive risk on providers, causing some organisations to reject opportunities to deliver services; unrealistic prices; and excessive burden on monitoring and evaluation which diverts resources away from front-line service delivery. Many of the above identified factors have been identified during the course of this study as accounting issues that hinder the use and ultimately the longevity of relationships with the sector. These issues have been explored in terms of understanding the commissioning process (Liddle & Jones, 2010; Murray, 2009) but not in terms of the role of accounting on the relationship between the constituencies.
**LinkAge Plus Project**

The empirical research for this study was conducted at an English County Council, hereafter referred to as the ‘authority’ for reasons of confidentiality, which had been a participant in the LinkAge Plus scheme developed by the Department for Work and Pensions (DWP), which was designed to: “move towards earlier intervention to make communities safer and more supportive, provide earlier and more appropriate support and care to enable older people to remain independent for longer, reduce social isolation and exclusion, maximise income and the ability to work, and encourage healthier, more active living” (Warwick University on behalf of the DWP, 2008, p. 12). The project was to encourage certain selected local authorities to develop services for the population of over fifty years of age, within their catchment area. The above mentioned pilot programme built upon earlier schemes designed to assist older people. The programme was a £10 million scheme, nationally. The authority at the heart of this study had a complex set of schemes with a high degree of involvement of third sector organisations, which were to be implemented and evaluated within a two year period finishing in 2009 with a non-recurrent budget of over £1.4 million (H. Davis & Ritters, 2009).

**The roles of accounting**

The study explores the role that accounting, in some of its different forms, has played in the relationship of third sector organisations and the authority. The roles of accounting offers an interesting prism through which the workings of the process of the coming together of the constituencies to undertake the LinkAge Plus schemes can be examined. The typology adopted is based on that developed by Morgan (1988 p. 484), who saw accounting as a process of “reality construction”. Morgan (1988) explores the role of accounting via various metaphors that have been identified from previous literature. The author has amended this typology to take into account further views on the roles that accounting in
recent years and also edited the typology to those roles/metaphors pertinent to this study. Morgan's (1988) typology of accounting metaphor is presented below.

- Accounting as history: records of transactions for the organisation are maintained (Davis, Menon & Morgan, 1982).
- Accounting as economics: mirrors current economic realities and reflects basic economic principles (Davis, Menon & Morgan, 1982) or supports a dominant ideology (Tinkler et al., 1982).
- Accounting as information: accounting should form part of a wider MIS framework (Morgan, 1988).
- Accounting as language: accounting provides concepts and frameworks which structure thought, conversations and perceptions (Arrington, 1987).
- Accounting as rhetoric: the debate concerning different methods appropriate, in accounting terms for particular circumstances (Arrington, 1987).
- Accounting as politics: the view that accounting and accounting systems reflect and support the values and needs of specific interest groups, and that accounting information is constructed and used as a resource in shaping corporate politics, especially in decision-making and impression management (Burchell et al., 1980).
- Accounting as mythology: accounting systems provide a resource that can be used in sustaining myths of rationality for justifying and legitimising decisions. (Gambling, 1977).
- Accounting as magic: accounting is a social "rite" that provides justification to actions (Gambling, 1977).
- Accounting as disciplined control: The act of making visible enables control (Foucault, 1991; Tinker et al., 1982).
- Accounting as semiotic hypereality: accounting becomes a reality that is both representation and reality (Chua, 1995).
- Accounting as domination and exploitation: the view that accounting provides techniques for the extraction of wealth in support of elite interest groups (Tinker, 1985).
Other roles of accounting that support findings from this study are as follows.

Replacement for trust: the view that accounting may replace or enhance organisational relationships (Seal & Vincent-Jones, 1997).

Accounting as a secondary form of control: a view that accounting, owing to contingencies may not be the most appropriate form of organisational control (Abernathy, 1996).

Accounting as a former of boundaries: a view that accounting information is used by the organisation's managers to define its boundaries with the outside world and also to form them within the organisation (Llewellyn, 1998).

Accounting as a buffer: accounting information may be used to "square the circle". There may be pressures within, or emanating from outside of the organisation that which require a certain state that cannot be achieved. In these circumstances accounting systems or accounting controls may be used to present an image that is acceptable to all parties in the short term at least (Brunsson, 1986).

Negotiated order perspective: accounting can be used to enable a negotiated order (Harradine, 2007)

**Research Method**

The research process has incorporated data from the evaluation study of the authority’s schemes (H. Davis & Ritters, 2009; Watt & Blair, 2009), which comprised: statistical and financial analysis; case studies of the workings of the schemes and semi-structured interviews with managers and operational staff from both the commissioning authority and the third sector organisations. The data analysed for this study, therefore, includes: thirteen interviews from the evaluation study; four interviews specific to this study; and sixteen case studies of the workings of the LinkAge Plus projects, prepared by third sector managers and research staff from the authority. The project cannot claim to offer population validity, however, insights of an ecological validity may be claimed (Gill & Johnson, 2010). The data for the LinkAge Plus evaluation were
reanalysed for this project (Frankfort-Nachmias & Nachmias, 1996). The interviews were transcribed and a system of coding was used for analysis (Miles & Huberman, 1994).

**Findings and discussion**

The findings from the study will be explored in the chronology of events, therefore, the development of the schemes will be explored first followed by the implementation and monitoring of the schemes and finally the review of the schemes will be examined. At each stage the role of accounting and the information requirements will be examined. Although not explicitly explored in the analysis certain of the roles of accounting were present in the *LinkAge Plus* project implicitly by there being an accounting role. These implicit roles were: accounting as history; accounting as information; accounting as economics; accounting as a secondary form of control (Abernathy, 1996); and accounting as language (Morgan, 1988).

The authority under examination in this study had a history and reputation of providing high quality services to the elderly before the *LinkAge Plus* project and this, therefore, was the rationale for the organisation being requested to take part in the pilot. The process of acceptance into the project was that a selected group of organisations, those with a record of providing services to the elderly, was requested, by the DWP, to put forward a planned group of services that would meet the criteria of *LinkAge Plus* as already identified. The process of consultation with third sector and other organisations was undertaken and the “bid” for the services to be funded under the pilot was put forward to the DWP, within a timeframe of two weeks. The bid for the authority was accepted in full.

The managers involved in the process of putting together a proposal for funding the *LinkAge Plus* pilot from the authority said that the whole process was rushed and the time for consultation on costs and activity for the proposed schemes as stated by one senior authority officer: “back of
envelope stuff”. A manager from one third sector organisation made the following observation of the process:

“The County Council and District Council; they’re really very good at telling us what we should be doing; they never ask us at the beginning ... when they’re working it all out; why don’t they ask us because very often we can tell them what the simple solution is but they don’t see it because they’re not... grass roots: we are. You know sometimes .... the answer is very simple but they make it so complicated”.

The above sentiments were stated to the researchers on numerous occasions by managers who were developing the services in the third sector for the Linkage Plus schemes. Examination of the documents submitted to the DWP identified that as well as cost and activity information there was a plan to completion for each of the schemes being proposed. Once agreed all of the information submitted to the DWP became the template to which the authority was to be held to account for the delivery of the programme. The above haste in the development of the schemes for the pilot was acknowledged by managers from the DWP and that the information required for proposals would indeed be flawed, however, it was stated that the pilots needed to be developed quickly owing to the availability of the funding for the schemes and the necessity of completion of the political agenda.

The above description of the proposal process from the selected local authorities to take part in the pilot programme offers interesting insights into the role of accounting. Firstly the accounting information has been developed quickly and therefore the degree of discussion has been limited and all parties involved accept that the information cannot be accurate and is therefore potentially flawed. This applies not only to the accounting information but also the information concerning activity. It is suggested that it was necessary for the DWP, on behalf of the Government, to develop pilot services and that the funding enabled this political agenda, therefore the provision of this funding to the pilot sites fulfils the role of enabling a political agenda as described by Burchell et al. (1980) and that
the accounting information was used as part, with other types of information present in the bid, as the justification of the political agenda. Ansari & Euske (1987) and Morgan (1988) discuss accounting as mythology: that accounting can be used as a social resource used to sustain myths of rationality and the legitimisation of decisions and systems. Given the perceived accuracy of the information for the application process it would appear that the information provided was a justification or legitimisation tool for the decision eventually made for the funding of the pilot projects developed by the authority. The need for a social "rite" that provides justification to actions (Gambling, 1977) is another role which may be at play in this instance, given the failings in the information, the accounting and other information does provide the particular rite: that of the accounting has been achieved.

The terminology used within the projects was not always clearly defined. Examples were identified where third sector organisations accepted targets when there was considerable ambiguity as to their meaning. As one manger said: “we were never given a definite definition of what one is”, in this particular case a “contact”, which was vital for the understanding of all parties to the funding agreement, both the third sector organisation, and authority and ultimately the DWP. The third sector organisations were therefore accepting targets, which were potentially not understood and were to be those for which they would be held to account.

The above ambiguity was also found with regard the ‘agreements’ on funding. All the third sector mangers interviewed said that the amounts they had ‘agreed’ for the funding of the scheme for which they took responsibility was probably not adequate, however, they said that whatever they received would be of use. As one third sector manger said concerning the adequacy of the funding: “…look we just need to get money in to survive. I don’t really care what it’s for but we have overheads and we need to cover them so it all helps, even if it is not quite enough”.
The above issues regarding the terminology for activity and funding offers an interesting insight into the relationship of third sector funders and the third sector organisations’ willingness to take whatever is available. It is worthy of note that the situation depicted for the LinkAge Plus pilots was before the 2008 global financial crisis and the forthcoming era of austerity. Even, however, at a time of comparative growth, third sector organisations appear to be in a position of financial desperation, particularly with regards cash flow. Brunsson (1986) offers an insight into organisations, particularly public service organisations, where inadequacy in the funding or the resources available is dealt with by confusion in the system which can be used for a limited period of time to enable them to continue their function in spite of resource deficits. It is suggested that the ambiguity in this particular system enabled the third sector organisations a further lifeline to survival, however limited. This confusion was assisted by the fact that the actual costs the third sector organisations were incurring to provide the LinkAge Plus pilot services could not be determined. It would appear that the third sector organisations were happy not to be fully exposed with regard their cost structure, or indeed activity, so that a degree of cross-funding could be achieved within the organisations. The third sector organisations provided the information required for monitoring and were careful to provide no further information, particularly that concerning costs. The organisations protected their boundaries (Llewellyn, 1998) to ensure that there was no undue interference with their activities.

Once the schemes were agreed, which all of them were, they each proceeded and were subject to monitoring. This consisted of quantitative and qualitative information on the success of the schemes, which was reviewed monthly by officers of the authority and ultimately by the DWP. The information arrangements were negotiated with the third sector organisations and the other parties and an agreed minimum data set of quantitative information was provided to the DWP. Financial information was limited: progress of the schemes was managed on a cash basis and little attempt was made to explore the costs of the schemes in terms of unit costs, whilst the schemes were in pilot status. Each of the schemes
reviewed within this study used output measures as proxies for outcomes and each exceeded the output target requirements, which may imply that these targets were not demanding.

Post scheme analysis was undertaken both locally and nationally. The national review examined both financial (Watt & Blair, 2009) and non-financial aspects (H. Davis & Ritters, 2009) of the schemes. Only one of the local evaluations dealt with financial issues to any significant degree, however, it was this one pilot site that was heavily used by the national evaluations. The one site that provided and attempted to explore the financial implications and benefits of the schemes found difficulty in identifying costed benefits and standard costs that could be applied to the inputs and the outcomes of the schemes under review. The work undertaken in this local evaluation was used nationally to prove the financial viability of the schemes, however, these were not subject to audit or any further analysis once the information had been submitted. The schemes were, according to the final national reports, financially adequate. There was little audit involved in the analysis of the monitoring information or the final reports produced for the schemes. Seal & Vincent-Jones (1997) developed the argument that accounting could be a replacement of trust in the management of organisations, which is aided by the argument of Llewellyn’s (1988) that organisations protect their boundaries to ensure that they are not subject to the disciplinary gaze (Foucault, 1991). Llewellyn (1988) identified that organisations will protect their boundaries by providing information flows and thus creating a boundary, or vision of the organisation, that displays an image that will not encourage further examination. The analysis above (Llewellyn, 1998; Seal & Vincent-Jones, 1997) it is suggested would offer an explanation of the monitoring and final review of the pilot projects.

**Conclusions**

Many of the roles of accounting can be identified within the above case, which offers an insight into the process of schemes such as *LinkAge Plus*, but more importantly it offers an insight into the issues that public sector
organisations face when dealing with third sector organisations. Rules of engagement have been developed and applied (Bridge et al., 2009; Cabinet Office, 2006; HM Treasury, 2005; Liddle & Jones, 2010), however the case explored in this paper via the lens of accounting roles offers an insight into the process, particularly concerning the development of boundaries of third sector organisations and the establishment of costs for the provision of services, which protect, in the long-run all parties.

The act of commissioning for services, particularly from the third sector, will gain in importance as the austerity measures being proposed by the Coalition Government in the UK and others internationally, will become of major importance to the delivery of public services and therefore it is suggested that the degree of disciplinary gaze (Foucault, 1991) will need to be identified so that it does not stifle innovation, or the other advantages of using third sector organisations for delivery of services, but goes some way to being a supportive gaze for all parties.
References


