Contextualizing politicians’ uses of accounting information: reassurance and ammunition

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This paper explores the use of accounting information by local government politicians. The authors examined three very typical council decisions in both their policy formulation and decision-making stages, which had different levels of political conflict. During policy formulation, accounting information was used mostly to provide answers—improving understanding. At the decision-making stage, the level of conflict influenced the quantity of information used, as well as the way it was used. Under low political conflict, accounting information primarily provided reassurance, whereas when there were conflicts between majority and opposition politicians, accounting information was used to (de)legitimize political positions and decisions. This paper is one of the first to contextualize politicians’ use of accounting information and has important implications for practice and future research.

Keywords: Accounting information; level of conflict; municipalities; policy stages; politicians.

Theoretical framework

Politicians’ use of accounting information

Few studies have investigated politicians’ perspectives on accounting information. Most of these studies have investigated the use of accounting information reported in formal documents and have found that it does not appear to significantly attract politicians’ attention, although non-financial performance information seems to be preferred to financial (ter Bogt, 2004; Ezzamel et al., 2007; Liguori et al., 2012). Moreover, empirical analyses have looked more at politicians’ perceptions of the importance of information, rather than its actual uses (for example Liguori et al., 2012; van Helden, 2015). One attempt to contextualize the concept of use was Askim’s (2007) study of Norwegian councillors, which showed that performance information use is higher in some policy areas. Askim suggested that there may be value in contextualizing politicians’ decisions to better understand their use of accounting information.

Contextualizing political decisions

There is an established body of research emphasizing the role of contexts in influencing accounting systems. For example, Thompson and Tuden (1959) suggest that the degree of
reliance on calculation, expert advice, compromise or inspiration will depend on two criteria: disagreement over organizational objectives, and uncertainty over cause–effect patterns. Burchell et al. (1980) identify four different roles for accounting, depending on the degree of uncertainty on goals and cause–effect relationships: answer, learning, ammunition (used to promote particular positions and interests), and rationalization (used to justify actions).

Among public sector studies, the academic literature has recognized that the use of accounting information is multifaceted (Behn, 2003; Van Dooren et al., 2010). However, most empirical studies on performance information use have adopted a one-dimensional view of use as ‘purposeful’, i.e. aimed at supporting and improving decision-making (for example Moynihan and Pandey, 2010), with other uses, including ‘political’ and ‘perverse’ ones, being acknowledged, but left virtually unexplored (Moynihan et al., 2012). Since public sector organizations deal with divergent interests and ambiguous goals, actors may be expected to use performance information for purposes other than improving decisions, for example to convince their counterparts within and outside the organization that proposed actions and decisions are reasonable, acceptable and being acknowledged, but left virtually unexplored (Moynihan et al., 2012). Since public sector organizations deal with divergent interests and ambiguous goals, actors may be expected to use performance information for purposes other than improving decisions, for example to convince their counterparts within and outside the organization that proposed actions and decisions are reasonable, acceptable and legitimate, or to exercise power or to reassure others that routines and the status quo are preserved (Feldman and March, 1981; Hofstede, 1981; Ansari and Euske, 1987).

Only a few studies, however, have specifically focused on how context affects the type of information used and the intensity and diversity of use. According to Hofstede (1981), as the ambiguity of goals increases, and measurability, clarity about cause–effect relations, and repetitiveness of activities decrease, organizations will have to move from cybernetic types of controls (routine, expert and trial-and-error) to judgemental, intuitive and political types of controls. Along the same lines, Noordergraaf and Abma (2003) distinguish the use of performance measurement looking at two dimensions, namely the extent to which issues are known (for example on means–end relations) and the extent to which they are contested.

The above literature is either focused on managers, or does not distinguish between the circumstances of information use by politicians and managers. However, it may very well be that degree of ambiguity/uncertainty of disagreement on goals may be relevant especially in the politicians’ realm, as they refer to the political and strategic decisions on the needs to be addressed, policies to be adopted and service to be provided. Conversely, measurability of outputs, degree of uncertainty of cause–effect relationships, clarity and repetitiveness of tasks may bear more relevance in the managerial realm, as they pertain to the means to be deployed to implement policies and decisions. So a starting point for contextualizing political decision-making could be to look at the degree of ambiguity of disagreement on goals, i.e. the level of conflict over decisions. Moreover, as suggested in previous research, the extent and the type of use of performance information might depend on the policy decision-making process (ter Bogt, 2004; Askim, 2007; ter Bogt et al., 2015), where different stages can be identified (Lasswell, 1956), including agenda-setting, policy formulation (identification of alternatives for action), decision-making (the formal decision to take on the policy), implementation and evaluation.

**Methods**

This paper explores the use of accounting information by politicians by looking at how use differs according to circumstances. In response to van Helden’s (2015) call to develop more qualitative analyses, a case study approach was adopted. Decisions that needed to be taken during the budgeting process in the same municipality were identified and analysed. To do so, an Italian municipality of 13,500 inhabitants was selected; it is called ‘Marbletown’ in this paper for reasons of anonymity.

Our literature review suggested that contextualizing political decisions will require two factors to be taken into account: the different policy stages at which decisions take place, and the degree of political conflict over goals. We identified two policy stages: policy formulation and decision-making. In Italian municipalities, policy formulation takes place when the ‘aldermen’ of the council’s executive board (aldermen are the politicians with an executive role who are generally part of the political majority) draft, discuss and approve the budget proposals to be submitted to the council. The decision-making stage takes place when the whole council approves the budget.

For each of the two policy stages, three decisions were identified according to level of political conflict:

- **Low**: services for people with disabilities.
- **Moderate**: waste collection.
- **High**: bike path.
The level of political conflict was assessed by looking at the level of disagreement of council members on the goals to be achieved and considering the intensity, length and controversy in the discussions related to each issue.

To ensure comparability, each decision involved significant expenditure: ranging from 390,000 to 1,117,000 euro (Marbletown’s total annual expenditure was then about 14 million euro) and they were adopted about the same time: 2014 for the bike path) and 2015 for people with disabilities and the waste collection service.

Sources used for analysis were budget documents, newspaper articles, council minutes and interviews with aldermen and councillors. For each decision, the relevant alderman was interviewed for about an hour in order to reconstruct the decision-making process and the role of accounting information in it. The council meeting minutes and the council documents were downloaded from the town’s website. Newspaper articles were retrieved from the internet or read as hard copy. Interviews were carried out in September 2015 (aldermen) and January 2016 (councillors).

Our study took an ethnographic approach—one of the authors was actively involved in the activities of the council’s executive board. Auto-ethnographic approaches have important strengths (Karra and Philipps, 2008) in terms of ease of access, reduced resource requirements and reduced problems with translation. The risk of high involvement of the investigator that could determine a biased interpretation of findings is a disadvantage of this approach, although this risk is present in any type of research, even when the researcher is not directly involved. The risks were balanced by the strong reliance on triangulation of sources, as well as by the presence of the other authors, who do not have any involvement in the activities of the municipality. The data was analysed through a narrative construction, i.e. writing the stories of the decisions, and a collective interpretation, based on the interaction between the three authors.

**Results**

Table 1 shows the three types of decision that were analysed, distinguishing them according to the levels of political conflict and the policy stage, and presents the politicians’ uses of accounting information for each of them.

**A decision under low conflict: the services for people with disabilities**

In Marbletown, people with disabilities were either receiving assistance at school or at daycare through a ‘centre for people with disabilities’ that had been created in 1990. On average, 390,000 euro was being spent per year for these services; an amount that had remained largely unchanged over time despite the decline in support from central government.

In the policy formulation stage of the budgeting process for 2015, the social services alderman initially worked with the social services manager to prepare a budget proposal. The proposal was based on historical expenditure trends over the preceding 10 years, as well as information about the perceived quality of the service measured through user-satisfaction surveys. Second, the proposal was discussed by the council’s executive board. Here, the proposal provided the basis for the social services alderman to reassure the other members of the board that spending did not need to increase, and that the quality of the services was satisfactory. As the budget alderman highlighted during the board meeting:

| Services for people with disabilities: low conflict | Waste collection: moderate conflict | Bike path: high conflict |
|---------------------------------------------------|-----------------------------------|-------------------------|
| **Policy-formulation stage**                      | Reassuring use of information     | ‘Answer-and-learning machine’ (Burchell et al., 1980) |
| **Decision-making stage**                        | Reassuring use of information     | ‘Ammunition machine’ (Burchell et al., 1980); use of accounting that provides economically-rational arguments intertwined with emotional and ethical appeals, with involvement of external stakeholders |

Table 1. Politician’s uses of accounting information in three settings with different levels of political conflict and across two policy stages.
We must cut spending in all areas but never the spending on assistance to people with disabilities. It is one of the fundamental choices of our political commitment and the data show that there is no increase in expenditure.

Thus, at the policy formulation stage, routinely prepared financial information, jointly with a reference to an ‘incontestable’ ethical principle, were sufficient to ensure a smooth approval of the proposal.

In the decision-making stage, as shown by the minutes of councillor’s meetings, the budget alderman highlighted that:

This year we confirm the considerable budget allocation for support for disabled people: 390,000 euro.

This proposal was approved without discussion. No changes were required, either to the amount of expenditure or to the service arrangements. This confirms the absence of political conflict over the issue, irrespective of political orientation.

Interestingly, in this case the use of financial and non-financial information was minimal, reduced to the amount of data necessary to reassure and be reassured that ‘business is as usual’. This choice seems to be institutionalized in the whole council, supported by an explicit ethos appeal during the formulation stage and by an implicit ethos appeal during the council meeting. This was confirmed by the words of an opposition councillor:

We did not ask for accounting information about services for disabled people because we support it ourselves. It is one of the few things done right by the municipality.

A decision under moderate conflict: waste collection

The decision about the management of waste collection services was characterized by a moderate level of political conflict in that agreement on the expected overall outcome (an increase in the recycling waste rates and a reduction in the tariff) was accompanied by disagreement about the fees charged and the frequency of collection. Waste collection services cost around 1.117 million euro in 2015 and 1.31 million euro in 2014.

At the beginning of the budget-setting process for 2015, the alderman for environmental services prepared a proposal (formulation stage) containing data on the costs and results for 2014 (for example percentage of recycled waste; savings achieved from recycling) and the available alternatives and related costs for the provision of services in 2015, including the different choices over the collection of waste fees. She presented alternative solutions for fee collection, but proposed that it should be left with the current inhouse company (the municipality was the main shareholder of that company) on the grounds that it was no more expensive than the alternatives and guaranteed better services and transparency on the data collected. The option of outsourcing the service had the same costs (70,000 euro), with the disadvantage of losing direct control. The council’s executive board carefully examined the proposal and approved it after four meetings.

The only revision made to the initial proposal by the council’s executive board was the reduction of the fee (from 5 to 3 euro per household every four months) that the alderman for environmental services proposed charging for yard (garden) waste collection. The possible choices ranged from no service to full recovery of the costs (12 euro). When interviewed, the alderman for environmental services said:

I have really appreciated the way the executive board has analysed my proposal. By comparing the costs of each available alternative, we have identified the services that need to be improved and those that can be scaled-down.

In the decision-making stage, the alderman explained the proposal, sparking a lively debate between the majority and the opposition councillors (the minutes show that 4,267 words were used in the debate about this issue, as opposed to an average of 1,307 words per issue for all the other issues handled in the same council meeting). Two opposition councillors challenged the decision to introduce a 3 euro fee and to reduce the number of collections. Their arguments were based on an ideological line of reasoning, grounded on ethical considerations where accounting information did not play a significant role:

You impose a tax on the gardens, is it a crime to have a garden? (Opposition councillor.)

Opposition councillors also questioned the proposal to outsource the collection of fees without a proper bid, and this time ethical considerations were supplemented by reliance on the use of cost data, seemingly to add an economic rational nuance to the arguments. An opposition councillor was concerned that:
We are spending more than 120,000 euro for this service.

Another opposition councillor stated:

I would like to know: before entering another monopoly, did we do any economic analysis in order to understand if this service is convenient?

Both financial and non-financial information were used by the alderman for environmental services to promote her own proposal during the council meeting by showing the results of the actions undertaken, in terms of efficiency and effectiveness:

As for the 2015 budget, the cost of waste disposal services will be 1,117,576 euro compared to…1,310,585 euro for 2014…as a result of the choices we made that have produced an increase of recycling waste—from 73% in 2013 to 76.9% in 2014.

The decision to sell recycled waste resulted in a higher level of recycling and lower tariffs. Finally, the municipal executive board’s proposal was approved without modification. All of the majority councillors and one from the opposition voted in favour.

A decision under high conflict: the bike path

Whether to build a 2km bike path costing 1 million euro absorbed significant time and effort during the budget-setting process in Marbletown, as low agreement existed about whether and how to build it. The majority had committed to sustainable transport, as made evident in their electoral programme:

Green mobility will be favoured, giving priority to the extension, the safety and the connection of the network of cycle paths.

The opposition prioritized other means of transport (for example cars), claiming that citizens in their daily life use them more extensively. At the formulation stage, the public works alderman with his staff developed a proposal based on both financial (for example cost/m for the construction of the bike path) and non-financial (average number of cyclists riding in the main streets) information. This was reflected in the municipal news bulletin:

The first thing to do is to start from real data: in June 2013 we undertook the first census of cycling.

The executive board liked the idea of hard facts about cycling habits.

In the decision-making stage, the divergent points of view of the majority and the opposition triggered a lively debate, which extended to citizens, as the two political sides tried to build external consensus around their views. Within the council, the opposition councillors defined the bike path as a ‘non-priority’ and questioned the available alternatives for financing the work (for example taxes collected by allowing the construction of a shopping centre). Debate was mainly outside the council chamber—inside it the issue seemingly had little importance because the council minutes have only 1,513 words dedicated to the bike path. Outside the council, the debate grew. In a public meeting, an opposition councillor said:

The cost of the renovation of the street is crazy, over 1 million euro; resources that should be spent to satisfy other needs in the town and to create jobs for the unemployed.

Anonymous leaflets were posted on the pine-trees that would be felled to create the bike path:

For a work of little value you are killing 50 plants that are part of the history of Marbletown. We will chain ourselves to the pines.

Thus, the opposition used a combination of cost-related and emotional and ethical arguments to appeal to citizens. An opposition councillor said:

Starting from the assumption that we opposed the whole project, we focused on those data that attract the attention of citizens most, i.e. the total cost.

In the municipal bulletin, the public works alderman explained that the pines would be replaced by hornbeams, which were more suited to the climate of Marbletown, and explained that the damage created by the roots of pine trees cost the town over 15,000 euro per year. The mayor and the alderman also stressed, in two public meetings (April 2014) and in a public political debate (May 2014), that the bike path would help more vulnerable people, such as children and the elderly, while the municipal bulletin explained that the bike path would also require renovation of the street-lighting, with savings of over 70% on electricity consumption. In the end, the alderman’s proposal was approved without modification.
with the majority party all voting for it, all of the opposition councillors voted against it.

Discussion
This paper describes one of the first attempts at contextualizing politicians’ use of accounting information. Our findings confirm that use is affected by the policy stage and the level of conflict over decisions.

When the political conflict over decisions was low, which is typically the case when an expenditure item in the budget has simply to be routinely confirmed, the use of accounting information by politicians was predominantly for reassurance. Politicians wanted to know that the service and its related expenditure did not need scrapping or revising, but could just carry on as usual. This type of decision is probably the most typical one in local government where, once services are agreed in terms of their political desirability and operational features, they become taken-for-granted routines (Hofstede, 1981). Thus, the use of financial and non-financial information is minimal, reduced to the production of those data that are necessary to reassure political bodies that there are no exceptions to the normal course of things. Interestingly, in this case, the distinction between the formulation and the decision-making stages of the policy cycle appears to bear less relevance, as in both stages, the routine nature of the decision appears to require a similar approach to the use of information.

When the political conflict over decisions was moderate, the quantity and diversity of information used increased, while the types of uses were different at the formulation and decision-making stages. The analysis shows that both financial and non-financial information were intensely used to reach the final decision, with two different purposes. On the one hand, accounting information was used in the formulation stage as an answer and learning machine (Burchell et al., 1980), providing the basis for evaluating the different available options in the light of agreement on goals within the executive board. On the other hand, this same information was the common platform used in the decision-making stage by the two political sides to support their own position and challenge the opposite one. Accounting information (such as costs, efficiency and effectiveness indicators), therefore represented an ammunition machine (Burchell et al., 1980) through which different political positions were justified or challenged.

Finally, when the level of political conflict was high, the quantity and diversity of information was even more significant, and such information was also used outside the institutional decision-making setting to attract the public’s attention so as to increase the pressure from citizens around the decision. However, again, in the formulation stage the information was used as an answer-and-learning machine, i.e. to allow comparison and evaluation of alternatives to achieve the goal shared by all the members of the executive board. Conversely, at the decision-making stage, accounting information played a central role in the majority-opposition dialogue, providing the grounds for legitimizing the majority position and de-legitimizing the opponents’ arguments. However, citizens were brought into the debate and accounting information was used by the two sides to appeal to citizens’ positive or negative emotions and ethical values, thus potentially and indirectly impacting on the level of political consensus. This suggests that accounting information represents one of the ‘ammunitions’ available to politicians, i.e. the ‘economic/rational’ pillar of a wider discourse, where also ethical and emotional arguments will be used to (de)legitimize decisions.

Conclusions and implications
This paper makes two important contributions to the study of politicians’ use of accounting information:

• First, it shows that, in contextualizing politicians’ use of accounting information, a fruitful approach may be to refer to the level of political conflict over decisions and to the stage of the policy cycle.

• Second, it shows that the level of conflict affect the quantity of information used, as well as the types of uses. Under low political conflict, accounting information is just used to reassure. As conflict increases, in the policy formulation stage accounting information will be used to answer questions, and in the decision-making stage it will be used as ammunition to ground arguments in terms of rational economic considerations. Interestingly, when political conflict escalates, arguments based on accounting information become increasingly intertwined with ethical and emotional rhetoric.

A few practical implications emerge from our research. At the decision-making stage, when decisions are routine and no-one is objecting to them, accounting information is not much used. This could well be to the
detriment of the service under consideration because, by not being put under serious scrutiny, possibilities of improvement could be missed. This shows that the provision of information on its own is not sufficient to bring attention to the quality, quantity or costs of services, but that incentives to such use, in terms of processes and procedures, or juxtaposition of interests, must be in place to avoid it simply being used to reassure. At the same time, the latter may respond to the need to avoid excessive conflict, and to discuss again issues that were already settled in the past, reducing the complexities of decision-making (Wildavsky, 1964). This suggests that, for those services where conflict is low, the right balance should be ensured between attracting the attention on key indicators, for example in comparative terms, while not asking politicians to re-discuss priorities at any budgeting cycle.

When political conflict escalates, executive board members devote greater attention to accounting information, using it in the formulation of policies. However, when majority and opposition politicians get involved in the decision-making stage, accounting information can be used as ammunition to defend or attack a decision. In this case, the reliability of data and different abilities to access to data matter. Oppositions may take the debate outside official meetings, and leverage ethical or emotional arguments, especially if accounting information appears to benefit the governing majority. Impartiality of information and equal access to internal information become crucial. This may increase the transparency of the accounting process and also promote more ‘open’ discussion about long-term service improvements.

Our analysis highlights the need to ‘unpack’ politicians’ use of accounting information, taking into consideration that politicians may play different roles and have different degrees of power in the various stages of the policy cycle. The results provide preliminary evidence that it may be fruitful to recognize the existence of a continuum of uses between the managerial/administrative sphere (where calculation and ‘purposeful’ use may play a major role) on the one hand, and the political (where reassuring and ammunition machine uses may predominate) on the other, with policy formulation being at the boundaries between them.

As with all research, ours has some limitations. The results are exploratory and may reflect the specific country, type and size of government where the analysis was performed, as well as subjective interpretations by the authors. The case study was a small Italian municipality, with an executive board formed from a coalition of parties, so more compromises may be needed to reach an agreement than in other councils. Nevertheless, the results point to further avenues of research which should be productive. First, this study could be replicated out in other contexts (including other countries, sizes and types of governments). Second, other types of decisions should be investigated, adopting a finer-grained view of conflicting situations or combining the selection criteria we used with additional ones (for example current versus capital expenditure, ethically-charged issues, measurability of outcomes, dispersion or concentration of power among politicians and managers and within political bodies).

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This paper explores local politicians’ use of accounting information by looking at three typical decisions, each with different levels of political conflict, and distinguishing between policy stages. When political conflict was low, the use of accounting data was similarly low: this is potentially a problem because opportunities for service improvement or cost savings could be missed. When political conflict escalated, accounting became part of an arsenal of ammunition to defend or attack decisions. This suggests that the reliability and accessibility of data may play a major role in affecting how power is distributed, how the decision-making process unfolds, and also in deciding which side ‘wins’ in a conflict situation.