



Governance and the quasi-public organization: a case study of social housing[☆]

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Abstract

The paper describes the results of a 3-year study of a social housing organization in England, tracing its transition from local authority-financed social agency into an ‘independent’ social business financed by lenders and following a merger its further transition into a complex business managing £200 million of assets.

The study is concerned with the accountability to and by a quasi-public sector Board and how that Board was (or was not) able to exercise effective governance. It asks: Who is accountable? To whom are they accountable? For what are they accountable?

The paper builds on the contrast made by Roberts [Acc. Organ. Society 16 (1991) 355; J. Roberts, From discipline to dialogue: individualizing and socializing forms of accountability, in: R. Munro, J. Mouritsen (Eds.), *Accountability: Power, Ethos and the Technologies of Managing*, International Thomson Business Press, London, 1996; Hum. Relat. 54 (2001) 1547] between a formal, hierarchical system of accountability based on a calculative accounting, and an informal, socializing form of accountability based on a sense-making narrative. The research identifies the limitations of accounting reports and the inadequacy of the narratives surrounding management/Board interaction. The paper identifies a space between the calculative and the narrative that is vacant and where governance is problematic and which impedes broader social accountabilities.

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1. Introduction

Accounting, accountability and governance are inter-related. Accounting implies a set of rule-based techniques to present information to interested parties. Accountability implies responsibility to those interested parties. Governance requires such accountability through mechanisms of control and legitimation.

The research study described in this paper is a 3-year field study at Board level of the role of governance, accountability and accounting in the management of a social housing organization in England. Social housing increasingly exists in a quasi-public form, a result of the ‘privatization’ of council housing into a tightly regulated but predominantly privately funded sector that retains a social ethos to provide quality and choice for tenants and reduce the waiting list of homeless people. Governance mechanisms are through a Board of unpaid volunteers with the Housing Corporation as the sector regulator. While social housing has been studied from an urban studies and public policy perspective, it is an under-researched area in the accounting literature.

Greer and Hoggett (1997, p. 223) described what the Nolan Committee on Standards in Public Life called ‘local public spending bodies’ as operating at the public–private sector interface and called this a new kind of organization—the ‘small and medium public enterprise’—“resulting from the introduction of radical forms of operational decentralization”. Hirst (2003) referred to these as ‘public interest companies’. In this paper, we use the term ‘quasi-public sector’, because we believe that social housing is more a public sector organization in private sector clothing than a decentralized, independent sector. This is because the initial funds, and much continuing funding is public funding, either in the form of grants for new social housing, or in the large proportion of social rents that are funded by social security housing benefits. Consequently (direct and indirect) public funding results in a high level of regulatory and inspection activity. However, this sector is also heavily involved in private finance markets which provides the bulk of funding as well as markets for property development.

The organization studied made a transition through a large scale voluntary transfer (LSVT) from local authority control to a privately-funded non-profit-distributing organization. It subsequently diversified, restructured and then merged with an organization of similar size. Following the merger, it underwent a crisis of confidence in the financial management of the organization.

The paper is concerned particularly with issues of how accounting is implicated in processes of accountability and governance. The study focuses on the role of the Board in accountability and asks three questions: Who is accountable? To whom are they accountable? For what are they accountable?

The paper builds on the contrast made by Roberts (1991, 1996, 2001) between a formal, hierarchical system of accountability based on a calculative accounting, with an informal, socializing form of accountability based on a sense-making narrative. The paper uses examples from the field study to elaborate on the accountability of the Board (compared with the roles of executive management, regulator and lenders), the limitations of a calculative accounting grounded in financial reporting and the inadequacy of socializing forms of accountability for sense-making through narrative. The paper identifies and explores the space between the calculative and the narrative that is vacant and where governance and

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