

Accountability in local public utilities. Not only corporate governance

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This study questions the accountability relationship between one Municipality and its different Local Public Utilities (LPUs). On the basis of a case study built on documental analysis and on 21 in-depth interviews with key public officials, top managers and policymakers, a less scholastic view of accountability is proposed based on the consideration of different accountability mechanisms. The case study confirms that corporate governance, albeit central, is only one of the mechanisms available to the municipality to make the LPUs accountable. The dependence on the financial resources and the political salience of the specific public service emerge as factors impacting on the intensity of the accountability relationship.

Keywords: local public utilities; hybrid organization; accountability; corporate governance; political salience; resource dependence.

1. Introduction

There is general consensus that the concept of accountability in the public sector is more complex than in the private sector (Mulgan, 2000; see also Almquist et al., 2013;; Parker and Gould, 2002; Shaoul et al., 2012; Sinclair, 1995; Willems and Van Dooren, 2012), so that public sector accountability has been defined as an umbrella term for all aspects related to providing and requiring good conduct and responsibility (Almquist et al., 2013; see also Shaoul et al. 2012; Sinclair, 1995;) which are embodied into various oversight mechanisms (Bovens, 2005).

The application of the concept of accountability to Local Public Utilities (LPU), i.e. service providers where local authorities and Municipalities in particular are involved in various ways (Florio, 2014; Greiling and Grüb, 2015), is interesting and complex at the same time.

It is interesting because LPUs are examples of Arm's Length Bodies (ALB) as "organizations which spend money and fulfil a public function, but exist with some

degree of independence from politicians” (Greve, Finders, and van Thiel 1999, p. 139). As corporatized service providers, LPUs enjoy legal autonomy, limited accountability to local councils and scarce hierarchic control from local government (type 3 in the ALB typology by van Genugten et al, 2019). Being owned by one (or more) the Municipality(ies) or by a mix of public and private actors, (and being eventually listed in the stock market), LPUs are involved by accountability requirements that pertain to both public and private sectors. LPUs are thus hybrid organisations, broadly defined as organisations that combine public ownership with a private sector organisational structure (Thynne, 1994). Similar to state-owned enterprises (SOE), LPUs are required to meet a variously defined public mission, and to protect a wide range of interests, which affect not only the public value, but also the consequences of policies on society (Almqvist et al., 2013). In this sense, accountability in LPUs involve not only the relations between the municipality and the service provider, but also the relationships between the citizens and the public authority, on the one hand, and the citizens as users and the service providers, on the other.

Moreover, accountability relationships in LPUs is complex because of the presence of multiple interests and multiple principals (Calabrò et al., 2013; see also van Genugten et al., 2019; Voorn et al., 2017), with different instruments for holding the provider accountable based on the different domestic framework (Marcou, 2016). Therefore, accountability is complex not only because of the lack of capacity to monitor contracts of most localities (Brown and Potoski, 2003), or because of the conflicts of interests coming from the goal divergence between managers and shareholders inside the utility (van Genugten et al., 2019), but also because of the different interests and goals the same Municipality may have in dealing with local public services (Lippi et al 2008; see also Bel and Fageda, 2010; Citroni et al 2013;). In fact, the Municipality may

play a variety of roles in relation to the LPU: shareholder (the owner of most or all shares of the LPU); customer (trustee of public services in various instances); public authority and, in some countries, even local regulator (as an entity involved in planning and regulating the service at a decentralised level).

Despite its complexity, studies in accounting frame accountability in LPUs mainly focusing on specific mechanisms of corporate governance (Brennan and Solomon, 2008), defined as the governance mechanisms that ensure that company management acts in accordance with the interest of shareholders (Shaoul et al., 2012), and therefore to the mechanisms of coordination between shareholders and managers (such as for example the choice of one or two-tier board of directors, the appointments in the board of directors, the codes of conduct and the guidelines for the behaviours and structure of the executive boards (Zattoni and Cuomo, 2008). Instead, there is much more to accountability and control that is not comprised in those corporate-based mechanisms, such as the existence of protocols of steering and monitoring and of clear directives to better realize the objectives of the Municipalities, or the developing the specialization of municipal councils to favour the public debate around key issues such as the level of tariffs or the employment (Jacobsen, 2009; van Genugten et al., 2019).

In such a complex arrangement, the multiple principal-agent relationships in LPUs have to consider multiple instruments of accountability in order to avoid the risk of an accountability gap (Grossi and Thomasson, 2015): not only market instruments and corporate governance mechanisms, but also instruments of political accountability to the taxpayers and, more specifically, to the voters. Hence, our research questions concern what are the different accountability mechanisms in LPUs and if and how the interests of the Municipality affect their use.

Whilst there is a growing literature that focuses on the problems of accountability and control in ALB (for an excellent review see van Genugten et al., 2019) and on the consequences of the corporatization of public services (Brown and Potoski, 2003; Citroni et al., 2013; Ferry et al., 2018; Grossi and Reichard, 2008; Voorn et al., 2017) there is still limited evidence how the same Municipality make use of different accountability mechanisms and why. This paper aims to contribute to this debate in two ways:

- first of all by proposing a taxonomy of the tools that contribute to the relationship of accountability between the municipality and the LPU;
- by observing whether and how the interests and preferences of the municipality influence the choice of accountability tools and the intensity of their use.

The methodology of this paper is based on a case study (Yin, 1994) focusing on a model Municipality – in terms of administrative and economic capacity - in a country, Italy, which extensively experienced the corporatization of local public services in the utility sector and shows several shortcomings in terms of accountability and governance (Grossi and Reichard, 2008; see also Citroni et al., 2013; Lippi et al., 2008). The Italian case presents accountability problems because of the multiple roles played by the Municipalities as shareholders, clients and regulators in services such as water and waste management (Grossi and Reichard, 2008). This case study is aimed at a better understanding of the phenomenon (the variety of uses of accountability mechanisms in the in the LPU) and to propose possible explanations on its determinants (generate hypotheses on the factors that influence accountability).

2. Accountability as a problem in Local Public Utilities

Amongst many others, a definition of accountability that can be taken as a reference comes from Bovens (2007, p. 447) who defines accountability as "a relationship between an actor and a forum, in which the actor (accountor) has an obligation to explain and to justify his or her conduct, the forum (accountee) can pose questions and pass judgement, and the actor (accountor) may face consequences. In other words, the accountability process can be divided into three phases (Bovens, 2005): the accountor's obligation to respond to his/her results and behaviours; the accountee's obligation to acquire information about the accountor; and finally the accountee's judgment on the accountor (which may result in punitive measures against the accountor). This definition has the advantage of highlighting the relational nature of the concept of accountability, whilst giving some reference for the empirical analysis of this relationship that can be analysed from various "forums"; these forums identify flows of information, debate and judgment depending on the nature of the relationship between "accountor" and "accountee".

In the traditional model of administration, public servants are accountable to the executive bodies (ministers or mayors) and, in turn, the executive bodies are accountable to the elective assemblies and the latter to the voters (Hodge and Coghill 2007). With the separation of regulatory and production functions with the reforms of the New Public Management (NPM), the boundaries of accountability relationships have extended to market mechanisms, while experiencing a weakening of political accountability (Bovens, 2005; see also Almquist et al. 2013; Haque, 2001; Shaoul et al., 2012). In sum, the fragmentation of actors and relationships results in an accountability problem since the institutional complexity makes it unclear who is accountable "to whom" and "for what" (Rhodes, 1997, p. 147).

In this context, the LPUs have their own complexity in terms of accountability (Aars and Ringkjøb, 2011; Greiling and Grüb, 2015), and present challenges in terms of political control and protection of the public interest (Da Cruz and Marques, 2012).

First of all, it is more difficult to understand “who is accountable to whom”. In fact, accountability relations no longer take place exclusively between voters and local governments, but also between local governments and LPUs, as well as between voters/users and LPUs (Grossi and Thomasson, 2015).

Also the subject of these reports, i.e. "who is accountable for what", becomes more complex, because there are different objectives to be achieved in different relationships. As LPUs operate in the market, they must be accountable for profit creation and performance, through financial mechanisms; at the same time, they must be accountable for the pursuit of public objectives and the creation of democratic values (Grossi and Thomasson, 2015). In LPUs, as in general in hybrid organisations, market accountability mechanisms are mainly consolidated, whilst the flow of information between LPUs and local governments, and between LPUs and citizens is weak. The accountability gap is therefore given by the weakness of the mechanisms of traditional political and bureaucratic accountability compared to market accountability (Sand, 2006).

The problem of these multiple principal/agent relationships lies also in the actors having various and sometimes conflicting objectives. For example, in LPUs accountability problems emerge both in the relationship between common shareholders and management, and between different public and private shareholders, due to fragmented ownership and heterogenous interests (Grossi and Thomasson, 2011; see also Erlingsson, Thomasson, Öhrvall 2018; Grossi and Reichard, 2008; Grossi and Steccolini, 2015;; Voorn et al 2019). These aspects emphasize the importance of market

types of accountability mechanisms (including corporate governance mechanisms), thus creating an accountability gap (Grossi and Thomasson, 2015; Sand, 2006).

LPU scholars identify the creation of corporate governance mechanisms (such as code of conduct for the board of directors, procedures for the appointments of directors) that also allow public values to impact on the relationship between the principal and the agent as a way to solve these problems (Grossi et al., 2015). In order to have good accountability, local governments should ask agents to include democratic values amongst the objectives to be achieved (Grossi and Thomasson, 2011, 2015). Moreover, local governments need to oversee how the structure of enterprise ownership is designed. For example, the appointment procedure may reveal a proper mechanism in the hand of the municipalities, not only to steer the LPU for better performance, but also to augment the perceived legitimacy of the public service (Monteduro et al., 2011; Sancino et al., 2017).

All in all, we can see how the literature on accountability problems in LPU mainly focuses on corporate governance as an instrument of accountability and on the relationship between different shareholders. Albeit crucial, this perspective underestimates the fact that the Municipality may have other instruments than corporate governance to push forward its interests.

It is therefore also important to make good use of the other opportunities that principals may have to hold agents accountable (Ditillo et al., 2015): an increase in accountability forums potentially improves their ability to keep public bodies accountable (Willems and Van Dooren, 2012). For example, the diffusion of service charters and sustainability reporting for public enterprises and LPU (Calabrò et al., 2013; Greiling and Grüb, 2015) can be considered a trend to augment the perceived legitimacy of local public service arrangements.

Hence, if we take a more comprehensive view of accountability by considering how the same municipality behave with its different LPUs, other aspects should be investigated, such as the different goals of the Municipality, the historical experience in public service provision (Grossi et al., 2015, p. 275), the capacity of the Municipality to manage complex contracts (Voorn et al., 2017) or the specific competences of the Municipal council (Aars and Ringkjøb, 2011). For example, the municipality may disregard the economic performance and value other aspects, such as the pursue of a public mission in terms of equality and of citizens' satisfaction through service provision (Florio, 2014).

Therefore, we think that the ongoing discussion on the rising of serious governance dilemmas in corporatized LPUs – and on the problems related to the lack of capacity, goal divergence, corporate governance and weakening of democratic control (van Genugten et al., 2019) - could be enriched by focusing more specifically on other two perspectives that focus explicitly on the understanding of the preferences of the Municipality.

The first perspective focuses on the political relevance or political visibility of a public service, and thus of the main task of the LPU (Lippi and Tzekos, 2019), related to the importance of winning the support of interests groups having a particular interest in a specific form of service delivery (Bel and Fageda, 2010). In fact, higher political visibility is likely to strengthen the role of political and bureaucratic controls, and thus of the overall accountability, as “the pressure coming from political bodies on some services (...), can explain the emphasis on developing informal communication and strengthening meetings and daily contacts” (Cristofoli et al., 2010, p. 367).

In other words, we may hypothesize that there will be different levels of accountability, and that the attention of the Municipality is distributed unevenly over

public services, favouring those that have greater political visibility and that potentially translate into electoral consent (Denters and Rose, 2005).

There is a second perspective that can help a deeper interpretation of the relationship between agent and principal in LPUs. This perspective focuses on the issue of resources and the relationship with the environment. The resource dependence theory (Pfeffer and Salancik, 1982) proposes that an organisation can depend on the environment, and thus on other actors. In the private sector, only in certain circumstances is the principal (shareholder) required to allocate resources in order to allow the agent to operate. This is the case during the establishment and investment phases or in cases of corporate crises. Conversely, in the sector of local public services the possibility that the activity of the agent (the LPU) is frequently dependent on the transfer of resources/purchase of goods by the principal. For instance, in the case of the so-called in-house provision by a legal independent entity (such as LPUs), the European legislation requires that LPUs maintain an exclusive economic and administrative relationship with one municipality (e.g. the LPU must have at least 80% of their turnover with the municipality and is subjected to additional controls, Marcou, 2016); it is clear that in a case like this the level of accountability of the municipality for the LPU is high.

Hence, LPUs depends on the local governments in a number of ways. In fact, the municipality not only controls the ownership of the company (as unique or dominant shareholder), but also can be the only source of financing for the company, being its unique client/provider. In particular, the LPU that does not collect the resources for the financing of its operations on the market, strongly depend on the resources of the municipality, and indeed on taxpayers, for its survival. By holding the purse strings, the

municipality can hold the LPU accountable, and in a sense counterbalance its weakness in relation to other (technical, relational) resources.

In other words, we may hypothesize that the dependence of the LPU on a Municipality that is also its main or unique client should make the LPU more willing to favour the information flow and the communication with the Municipality, thus increasing the levels of accountability.

3. Research design and methods

Although there are many actors involved in the accountability of LPUs (regulatory authorities, consumer associations, possible minority members just to name a few), this article focuses on the accountability relationships existing between the municipality and LPUs.

The focus of this article is deliberately not only on corporate governance, on which there is an ongoing debate in the literature (Canonico et al., 2013; Gnan et al., 2013; Grossi et al. 2015; Stafford and Stapleton, 2017) but on the other mechanisms of accountability between the municipality and the LPU. Corporate governance is just one of these mechanisms and the intent of this work is precisely to provide an exploratory holistic reading of the relationship between municipalities and LPUs and explore whether and how the interests and preferences of the local public authority influence the choice of accountability tools and the intensity of their use.

The accountability relationship between Municipality and LPUs has been studied through a case study that presents aspects that are particularly relevant for the objectives of this study (Patton, 2002). The case study is the municipality of a major city in Northern Italy that controls five relatively big companies involved in providing

local public services in the utilities sector. The case study has been selected for the following reasons:

- the municipality has a wide range of public services provided through LPUs (water supply, waste management, gas supply, local transport, airport transport, sports facilities management, engineering services, social housing services);
- the municipality created different organizations of type 3 ALB (van Genugten et al., 2019) that are more autonomous and potentially more challenged by accountability problems (such as listed company, joint-stock company with private shareholders, company wholly owned by the municipality);
- the level of the public services provided by the municipality is recognised as good and consolidated over time;
- the municipality has ensured broad access to accountability reports, so that researchers were able to examine public and non-public documentation and carry out interviews with key persons in the municipality and in the management of the LPUs.

The main methodological limit of the study lies in the examination of a single case, which means that the results have no general application. These results therefore have to be supported by further studies taking into account a larger and more representative population.

[Table 1 near here]

Table 1 shows the characteristics of the 5 LPUs under examination. The control of the company by the municipality is in 3 cases ensured by the total ownership of the company, in one case by the control of more than 50% of the shares and in the last case by a shareholders' agreement through which two municipalities own 50% of the total shares. It should be noted that Company β and Company δ provide several public services. Moreover, this circumstance allows verifying the relevance of the public service provided in determining the accountability relationship even regardless of the corporate governance structure adopted.

Table 1a in the appendix lists the documentation examined for each of the subjects of the analysis and the interviews cited in brackets in the text. In many cases, the interview took place at different times so that interviewees could also be asked about evidence from other interviews or data.

This case study allows examining the relationship of one principal with a number of different agents not considered by the researchers. The triangulation between secondary sources and interviews with key persons of the principal and the agent is an element of innovation compared to other studies whose only focus was on one the actors of this relationship (Cristofoli et al., 2010; see also Calabrò et al., 2013;), which allows an in-depth analysis of the phenomenon.

The research questions were analysed on the basis of the definition of Bovens (2007). The study only focuses on the relationship between the municipality and LPUs and therefore we will only consider two main accountability forums covered in the literature on LPUs, i.e. market accountability and political accountability (Grossi and Thomasson 2015; see also Grossi and Reichard, 2008; Grossi et al. 2015;). For the purposes of this study in political accountability we also include administrative accountability, which includes the bureaucratic control mechanisms (e.g. similar control

for in-house providing) typical of public administration (Koliba et al., 2011; Willems and Van Dooren, 2012).

The analysis focuses on the main accountability mechanisms. Amongst these, two mechanisms are mainly market-oriented:

- corporate governance (A1) through the examination of the corporate structure, the mechanisms for appointing and dismissing directors, the presence of guidelines of the principal that are binding in the directors' work, the reports on operations;
- the presence of service contracts (A2) governing the provision of services by the agent on behalf of the principal.

Other two mechanisms are mainly influenced by politics:

- the presence of political scrutiny (B1) with the possibility of the political bodies of the principal to hold the agent to account;
- the principal's control/inspection powers (B2) (among which similar control for in-house companies).

For each forum and mechanism, the level of accountability will be measured and classified as high, medium or low on the basis of the data collected in relation to the aspects considered by Bovens (2005):

- intensity of information flow between principal and agent;
- liveliness of the debate;
- the principal's explicit or implicit ability to evaluate the agent, with possible sanctions.

4. Results

As regards mechanisms of market accountability, the analysis of corporate governance (A1) compared to other mechanisms (Table 2) shows that the level of information can vary greatly, particularly in cases where the accountability relationship is based only on partial share ownership (such as α and δ) compared to those fully owned by the municipality (such as β , γ and ϵ). Stock exchange listing is an element that affects market accountability, the influence of the principal shareholder is limited to the protection of minority shareholders and the market (4;18).

[Table 2 near here]

The strongest leverage connected to corporate governance is certainly connected to the appointment/revocation of directors and to the fiduciary link that this nomination establishes between the mayor and the directors of an LPU (1; 4). By its very nature, this link only manifests itself in formal moments such as the shareholders' meetings, but it is fostered by informal contacts between the mayor and his/her collaborators with the top management of LPUs, which may have different intensities (1;5;12;14;17;20).

It is interesting to note that in two of the LPUs, δ and β , the level of accountability supported by corporate governance is different between different activities (water and engineering and social housing for β and electricity and waste management for δ) although the mechanisms and ownership structures are identical. Similarly, LPUs that have similar ownership structures (δ , or as β , γ and ϵ) show different levels of accountability supported by corporate governance. The principal has

three options to raise the level of accountability: increase the number of opportunities (increase the frequency of meetings of the shareholders' meeting), introduce regulations and statutory requirements that impose additional duties on managers in terms of member conduct. The difference in accountability between electricity and waste management in δ is, for example, based on the interactions between the municipal top management and the LPU: very unfrequent for electricity but continuous and almost daily for δ waste management (#1, #18; #19).

There are public services that are considered particularly sensitive in terms of political consensus, because there is a tendency to focus on those companies that manage services having a greater impact on voters, such as transport, waste management and security (#1;#2;#3;#4;#5;#12).

The second accountability tool under consideration is the service contract (A2), which can be considered a market-oriented tool. The analysis of service contracts, where existing, also shows a fair level of variability. The debate on the terms of the service contract (type, quality and cost of services) may vary from a total absence, as in the case of 20-year concession contracts in the water to an annual negotiation, as in the case of the contract for sports services. The main interface within the municipality for service contracts is no longer the mayor and the political level (as is the case for corporate governance - A1) but public officers, who negotiate, sign and apply the contract. The primary result of the presence of this accountability tool is the involvement of a larger number of subjects in the municipality.

The examination of the cases has made it possible to ascertain that even when contracts provide for sanctions for LPU, as in the case of environmental services or engineering services, the Municipality does not always have an interest in invoking the penalty clause because, especially in fully controlled LPUs, it would be like charging

the principal with the penalties; also, this would expose that a pre-established objective has not been achieved (#7;#8;#9;#11). Depending on the relationship between the municipality and LPUs, the instrument is used with greater or lesser rigour. The level of expertise that the municipal offices have in the subject of the service also matters. For public transport and waste management, there is a clear asymmetry in the information held by the two actors: the municipality does not have the skills and data to exercise a truly autonomous control over compliance with the terms of the contract. There is a widespread awareness of this issue in the municipal offices in charge (#4;#7;#8;#10;#11).

As regards the level of accountability that derives from mechanisms of political scrutiny (B1), implemented by the City Council, the level of information and debate that emerges from the Council's hearings is rather low, albeit not completely absent (#6;#2;#5).

In general, mechanisms of political scrutiny (B1) are well established in their capacity for general low levels of accountability. A partial exception is recorded in relation to issues that are decided by the city council, such as the level of tariffs (γ and ϵ). Moreover, the competence of the council on the municipal budget favours the possibility for the council to discuss tariffs (#17).

The second political instrument is the administrative controls that the municipality exercises over LPUs (B2). These mechanisms are similar to the traditional bureaucratic control mechanisms and can have positive effects on the flow of information (especially financial) between the LPUs and the Municipality, which is more regular and detailed than previously (#2;#3).

In reality, these controls depend on two different legislative requirements. The first (Legislative Decree no. 175 of 2016) provides that the municipality has greater

control and oversight powers (e.g. the power of revocation of directors or the authorisation for certain acts) over the LPU, excepting listed companies (such as δ) and companies issuing bonds on the market (such as α , and recently also β and γ) which are subject to fewer administrative obligations in order to avoid interference with the obligations deriving from their operating on financial markets. The interviews highlighted that at least for β and γ the activation of new financial instruments coincided with the tightening of national prescriptions and some interviewees believe that it is a strategy agreed upon with the municipality in order to maintain a high level of autonomy and avoid this more restrictive legislation (#4;#5).

The second legislative requirement derives from the European legislation on the so-called in-house providing (see case C-26/03 Stadt Halle of the European Court of Justice). in the case of in-house outsourcing of services (which requires no public tender), the municipality must ensure a high level of control, which is similar to the level that it normally has over services directly managed by the municipality. This type of control is called “similar control” also in the Italian legislation and entails the presence of administrative controls that are relevant for β and ε LPUs (#14;#20;#21).

The picture observed in the case study is very different. While δ avoids any administrative control as a listed company, favourable legislation applies to α and γ . Although the company β is subject to mitigated requirements in relation to Legislative Decree no. 175/2016, it has important administrative controls as an in-house company. Finally, the company ε takes on the maximum level of controls provided for by Legislative Decree no. 175/2016 as well as the controls as an in-house company, therefore the municipality has a very strong administrative control over it.

5. Discussion

After analysing multiple views on accountability relationships, it is possible to make some exploratory considerations on the mechanisms that contribute to the accountability relationship between the municipality and LPUs.

The first observation is that the prevalence of market accountability over political accountability is confirmed (Grossi and Reichard, 2008; Grossi and Thomasson, 2015). This imbalance is well represented by the decision of a municipal councillor to buy shares in a LPU and to participate as a shareholder in the general meeting to get more information on the company's performance (#6). Another element that shows this trend is that the most dynamic and important LPUs avoid administrative controls (B2) because they issued bonds on the financial market.

The prevalence of market accountability over political accountability also has consequences for those within the municipality who have a central role in the accountability relationship. The presence or absence of specific accountability mechanisms favours and activates different subjects within the municipality. The interviews underlined this aspect so much so that within the municipality the interviewees showed knowledge or interest only in some of the mechanisms (precisely those intended for them) ignoring in fact the existence of others. Hence, the analysis suggests that, in the analysis of accountability relationships, a monistic view of the municipality should be overcome, as these relationships involve different subjects in the municipality that at least in part have their own objectives and needs in terms of accountability.

In the absence of a service contract (A2), market accountability remains entirely in the hands of corporate governance (A1), which regards the mayor as its privileged interlocutor within the municipality. This is the case for α , β water supply and δ

electricity supply. On the other hand, the presence of other mechanisms increases the possibility of the administration (not only the mayor) to play an active role in the accountability relationship as in the case of the other investee companies. At the same time, political scrutiny (B1) regards as its interlocutor the council, whereby the opposition has objectives contrasting with the mayor's by definition. The presence of inspection and control (B2), as in the case of β and ϵ , allows a greater presence of the administration in the accountability relationship.

The second observation concerns the level of accountability, which varies according to at least two factors. First of all, the nature of the case study examined – i.e. one municipality with different LPUs, some of which are in various public sectors – has allowed us to point out that the level of accountability may vary, even when the same mechanisms are used. It is therefore important to highlight that accountability cannot be considered as a static product of different summands (accountability mechanisms) but that the way in which these mechanisms are used changes the level of accountability.

On the basis of these two observations, the following exploratory conclusions can be drawn:

- (1) the use of some mechanisms rather than others has consequences on the type of accountability (market versus politics), on its intensity and also on the subjects that are involved in LPUs (mayor, managers or municipal council);
- (2) even when the same mechanisms are used, the level of accountability can still be different

The second conclusion requires further clarifications.

The collected data in relation to the case study shows that accountability is stronger when it comes to significant transfers of resources from the municipality to an LPU for the services provided to citizens. The very existence of a payment implies the activation of the service contract and in this way the involvement of the administration and managers in the accountability relationship alongside the mayor. The examination of δ and β makes it possible to verify how the same company is subject to different levels of accountability both in terms of mechanisms and intensity depending on whether the municipal administration covers at least part of the costs of the service.

This holds true also for the agent's ability to set the prices at which the products are to be sold. For example, ε is subject to strong control even though it benefits from limited transfers (which the company also complains about in its official documents) because of the decision of the principal to set the price at which the company must sell its products. In an opposite but consistent way in β water supply, since tariffs are subject to negotiation with the national and local regulator, the principal has decreased its attention also in terms of accountability.

The control of resources leads to a strengthening, especially in market accountability, but some effects can also be seen in political accountability. The decisions on the amount of resources to be transferred and on the level of tariffs mainly fall to the municipal council, which is therefore encouraged to exercise more strictly its functions of political scrutiny when decisions need to be taken in this regard.

On this basis, it is possible to draw the following proposition:

- (3) the less strong the intervention of the Municipality in directly providing or determining the incoming resources of the LPU, the less intense the accountability relationship.

The data show that the intensity of information, debate and judgement in terms of accountability may increase when the actors within the municipality, and in particular the political actors, pay particular attention to the management of a service. This attention is also manifested through the intensification of informal contacts between the mayor and the councillors and the LPU, and is reflected in a form of widespread control over certain aspects of corporate management (e.g. industrial and trade union relations).

This focus is greater, for example, on waste management services, than on other services. More than for other public services, the municipality maintains a constant relationship with the top management of the LPU, in particular through the mayor and the councillor with responsibility in this field, precisely for the sake of keeping the city clean.

The case of waste management also highlights how the choices involving the provision of services (in-house, corporatisation, contracting out, government-linked companies), can be not decisive in terms of accountability (Calabrò et al., 2013). Despite the lack of traditional instruments of corporate governance in company δ for waste management, accountability levels are very similar to those observed in the transport company γ , because of the perceived importance of both services according to the interviews. The results of this analysis highlight how this attention is linked to the perception of a strong political visibility of some services at local level, such as public transports and waste management, which are used by almost all the electoral bodies and have always been considered “core” municipal businesses/sectors in Italy (Bognetti and Robotti, 2007).

The perception is that voters continue to assign responsibility for the good management of certain services mainly to the municipality, particularly those for which tariff dynamics are decided at local level. In this sense, it is interesting that the new role

of the national regulatory authority in pricing decisions also in relation to water supply has paradoxically removed the municipality's responsibility for the evaluation of certain aspects of service quality.

Based on the above it is possible to draw the following proposition:

- (4) the greater the political visibility and importance of a service in terms of consent, the greater the municipality's request for accountability to the LPU in relation to that service.

6. Conclusions

The case study offers insight into accountability in the LPU sector and, in particular, in the relationship between the municipality and LPUs.

The conclusions, which have an exploratory nature as they are drawn from a case study, support a less scholastic consideration of the accountability relationship between municipality and LPUs. In this sense, the prevalence of market accountability over political accountability and the concept of accountability gap (Grossi and Thomasson, 2015) can also be interpreted in the light of the decision to use different accountability mechanism and to emphasise the role of specific actors within the municipality. The power relationship within the municipality between actors (mayor and councillors, administration and municipal council) emerges as an important dimension to be considered in the debate on accountability, as confirmed by previous studies (Aars and Ringkjøb, 2011). The focus needs to be not only on the mechanisms to be used but also on who is the actor within the municipality for whom the tool may be suited best in terms of accountability.

The fact that within the same company (as in two cases) there may be public services subject to different levels of accountability shows that corporate governance,

albeit central, is only one of the mechanisms available to the municipality to make the LPUs accountable. Municipalities have a range of tools through which they can actually determine the level of accountability, depending on their capacities (Voorn et al., 2017).

The case study confirmed that not only does accountability vary according to different mechanisms, but it also varies when the same mechanisms are employed. The interviews revealed that – along with other factors already acknowledged in the literature, such as the capacity and the corporate governance (van Genugten et al., 2019) - the intensity of use is linked to two factors related to the interests of the Municipal owner: political salience and resources.

First, our analysis confirms the findings of previous studies that have highlighted the importance of political visibility in determining the functioning of control and accountability mechanisms (Cristofoli et al., 2010). The perception of the political importance of some services increases the municipality's focus on management, which leads to the activation of more accountability mechanisms.

Second, according to the resource dependence theory (Pfeffer and Salancik, 1982), being dependent on the Municipality for various financial resources makes the LPU more accountable.

The resulting overall picture is that accountability can be seen as a relationship that is not only complicated but also based on dynamics that exceed the mechanical dimension (the presence/absence of mechanisms) and vice versa are determined by the combination of different-mechanisms, actors and factors (Ditillo et al., 2015). Moreover, the analysis revealed that accountability relations between the Municipality and the LPU can be further affected by the increased intervention of the independent regulatory authority (Kickert et al., 1997). Understanding these interactions is a key element in designing and supporting effective accountability systems.

Despite offering a unique opportunity to observe different public services in the same municipality, the major limits of this study lie in the methodology of the case study, and thus the results must be considered only in an exploratory manner. Future studies are thus needed to widen the scope of this analysis by considering other forums of accountability, and by testing the hypothesis about the role of political visibility and resource dependence against comparative research.

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Table 1 - The main characteristics of the service providers.

Table 2 – Levels of accountability in the service providers: intensity of information, debate and judgement.

Table 1a in Appendix – Documentation examined for each of the subjects of the analysis and interviews carried out. –.

Table 1 - The main characteristics of the service providers.

LPU name	Activities	Employees	Foundation year	Legal form	Shareholding of the municipality	Municipal budgetary consolidation (year 2017)	Awarding of concession contracts (if any)	Incidence of revenues with Municipality (year 2016)	Dividend received by the municipality (millions of €)			Number of assemblies		
									2015	2016	2017	2015	2016	2017
α	Construction and operation of airports and activities connected to or complementary to air traffic	2,800	1948	Limited company	54.81%	no	None	0%	27.90	34.45	38.53	1	1	1
β	1) Engineering, construction, public works 2) Management of the integrated water services 3) Management of public residential buildings	1,115	1964	Limited company	100.00%	yes	In house providing	31.90%	-	-	-	5	6	6
γ	Management, programming, planning and organisation of public transport services	9,588	1931	Limited company	100.00%	yes	Awarding through tender	70.60%	-	-	26.00	2	2	5
δ	1) Production, trading and marketing of electricity and gas 2) Waste management	12,170	1910	Listed company	25.00%	no	Concession contracts for activities 2 and 3	7.10%	28.43	32.11	38.53	1	1	1
ε	Management of sports or recreational centers; establishment of education and training courses for the different sports	147	1992	Limited company	100.00%	yes	In house providing	16.90%	-	-	-	2	2	4

Table 2 – Levels of accountability in the service providers: intensity of information, debate and judgement.

LPU (and service)	Level of Information	Level of Debate	Level of Judgement	Level of accountability between principal/agent
α (airport)	As a majority shareholder the Municipality receives adequate information	Low, limited to strategic aspects and dividends	None	Low
β (engineering and social housing)	Corporate governance has been strengthened with the provisions of additional information duties for the agent	There are some interactions on specific cases	Medium	Medium
β (water)	Corporate governance has been strengthened with the provisions of additional information duties for the agent	The existence of an authority shifts the debate on the quality of the service and on the price, in the interaction between the water Authority and the LPU	Low	Low
γ (transport)	Corporate governance has been strengthened with the provisions of additional information duties for the agent	In 2017 higher also due to some strategic choices in relation to concessions and dividends	Low	Medium
δ (electricity)	The Municipality receives adequate information because of quotation and as a majority shareholder	Low, limited to strategic aspects and dividends	None	Low
δ (waste management)	The Municipality receives adequate information because of quotation and as a majority shareholder	Related to specific situations and to citizens' reports. Direct interaction between administrative heads and service managers	Limited to verifying the resolution of specific cases	Medium
ε (sport facilities)	Corporate governance has been strengthened with the provisions of additional information duties for the agent	conflict on the level of tariffs and on the annual contribution	High and in relation to specific actions	High

Appendix

Table 1a - Documentation examined for each of the subjects of the analysis and interviews carried out.

Organisation	Official documents	Confidential documents	List of interviews (May – July 2018)
Municipality	Documentation available on the Municipality's website Consolidated financial statements of the municipality Minutes of the Council and of the thematic Council commission Municipal regulations	Proportion of revenues with the Municipality	#1 Mayor's representative #2 Budget councillor #3 Top manager, budget division #4 Civil servant, Corporate governance municipal division #5 Municipal Councillor, member of the Commission for the Monitoring and Control of Municipal corporations #6 Former President of the municipal council # 7 Top manager, environmental division # 8 Civil servant, environment division # 9 Civil servant, environment division # 10 Top Manager, transport division # 11 Top Manager, Urban planning
α	Financial statements and reports of the previous three years	None.	#12 Chairperson α # 13 Top manager α
β	Financial statements and reports of the previous three years	Engineering service contract Housing service contract	#14 CEO β # 15 Former Chairperson β # 16 Member of supervisory bodies β
γ	Financial statements and reports of the previous three years	Service contract	#17 CEO γ
δ	Financial statements and reports of the previous three years	Environment and electricity service contract	#18 Former Chairperson δ #19 Top manager δ
ε	Financial statements and reports of the previous three years Service contract	None	#20 CEO ε #21 Administrative ε officer ε