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Impasse or mutation? Austerity and (de)financialisation of local governments in Britain

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Abstract

Post crisis, local governments' (LGs) budgets have been drastically cut in Britain. Similar budgetary strains had serious consequences in the past, leading to major restructuring in LGs' functions. This paper interrogates the spatial dynamics of short-term municipal finances by putting into dialogue the political economy perspectives on financialisation with the economic geography literature on urban governance. Using data for over 400 municipal authorities in Britain, we examine locational underpinnings of changing financial practices with respect to spending cuts. We find that austerity increased risk and uncertainty for LGs. To preserve key services in such an environment, they resorted to short-term borrowing in breach of regulatory guidance. Effectively, an internal market for inter-council lending and borrowing has been created based on market principles in which LGs with surplus cash and reserves have extended credit to those with liquidity problems. On the asset side, the austerity programme forced them to embrace financial logics through a spectacular shift from cash and deposit holdings to investment in money market funds and credit extension as they have strived to generate as much income as possible to fund services at risk.

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1. Introduction

The austerity programme in the wake of the 2008 financial crisis involved deep cuts to public sector budgets in Britain (Lobao et al., 2018). By 2016, local budgets had been more than halved in real terms (Gray and Barford, 2018; IFS, 2018). A disproportionately large amount of budget cuts has been imposed on local governments (LGs), resulting in service fallouts and increasing vulnerabilities. Similar measures in the past resulted in major restructuring of LGs' functions through a shift from managerialist to entrepreneurial governance after the 1980s (Harvey, 1989; Phelps and Miao, 2020), increasing involvement with financial markets (Weber, 2010). Some built up debt while others explored the unknown territory of derivatives with serious consequences, including bankruptcy (Tickell, 1998; Peck and Whiteside, 2016). Whether the prolonged austerity programme after the 2008 crisis generated similar tendencies within LGs is an important

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question as new financial pressures such as those related to Covid-19 emerge (Proctor, 2020).

This paper interrogates the spatial dynamics of LG[1] financing under austerity, employing political economy literature on financialisation and evolving debates in economic geography. It engages with debates on mutations in local governance, such as those described as late entrepreneurialism, austerity urbanism and municipalism (Peck, 2017b; Cumbers and Paul, 2020) in the context of changing financial practices of LGs under austerity. Theoretically, one may argue for rollback as well as deepening in financialisation. Severe budgetary cuts may have presented financialisation as an opportunity for LGs to generate additional cash flow and thus overcome austerity (Torrance, 2009). Alternatively, LGs may have reduced their services and activities and curbed their involvement in financial markets, effectively de-financialising in response to austerity. These potential paths are shaped by the degree of LGs' autonomy as well as locational dynamics of economic activities, demographic change, wealth, income and deprivations.

Empirically, the article provides a comparative spatial assessment of (de)financialisation under austerity among LGs for the first time at disaggregated levels, addressing scarcity of evidence at lower spatial scales, conceptualised by Christophers (2012) as 'anaemic geographies of financialisation'. Furthermore, this paper is one of the few addressing the dynamics of financialisation *inside* the state in the context of LGs. Finally, unlike the existing studies on state and financialisation which mostly focus on long-term borrowing and investment (e.g. infrastructure, property development, city deals and urban development), this is the first study focusing on spatial variegation in LGs' short-term finances which are particularly important in the context of austerity.

The theoretical contribution of the paper lies in showing a mutating LG financial system with variegated and sometimes contradictory characteristics, displaying entrepreneurialism with a 'municipalist' appearance. Overall, we find that the impacts of the austerity programme in Britain cannot be characterised as a straightforward case of further financialisation although it had profound effects on the financial management practices of LGs. Underpinning this mutation is an environment of risk and uncertainty which the spending cuts and other austerity measures have created for LGs. Consequently, the new *modus operandi* has required LGs to become *risk managers* in addition to their existing functions. Methodologically, spatial contours of this process have been examined with a focus on two questions, paying attention to the conjunctural nature of developments (Peck, 2017a). The first is how (de)financialisation has been institutionalised under austerity through changes in the rules and regulations. Where LGs have limited autonomy in terms of rule-making and tax collection, the level of (de)financialisation is likely to be dependent on the policies made by the centre. The second concerns the forms and manifestations of (de)financialisation within LG contexts. Following Epstein (2005), we examine whether LGs' reliance on financial markets and institutions has changed and if austerity has had an impact on financial logics with greater or lesser attention to alternative investment strategies.

On the asset side, this is reflected in greater reliance on financial markets and non-traditional instruments. Unlike in the previous periods, LGs have moved away from cash

1 'Local governments' has been used as a general term here for a wide range of local or municipal authorities in Britain, ranging from unitary authorities, metropolitan districts and boroughs to non-metropolitan county and district councils with different size, mandate and coverage as explained in the forthcoming sections.

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and deposits and started to use liquid resources for yield, investing them in interest-earning assets such as money market instruments to supplement reduced budgets. Predictably, London and the South East account for over 50% of total financial investments. On the liability side, one of the most striking developments is related to short-term borrowing (STB), which did not feature prominently in LGs' balance sheets prior to austerity. Remarkably, over 90% of total STB across all regions is accounted for by inter-council borrowing (ICB). This is entirely a post-austerity phenomenon. The emergence of ICB represents an internalisation of risks within the LG sector, restricting the exposure to external markets in an environment of instability, recession and uncertainty. It would be deceptive, however, to consider this as full withdrawal from financial markets (and hence, perhaps a sign of de-financialisation) because these transactions are intermediated by market brokers and carry fees and interest charges based on market rates. Effectively, LGs have created an internal market for borrowing based on market principles without using market finance as a new way of managing financial risks to contain risks to service delivery.

In an international context, the findings raise questions about the possibility of similar trends in Europe. For example, existing data indicate that, post crisis, the use of STB has increased among the LGs of unlikely countries such as Germany and Sweden (Eurostat, 2021) where local budgets had already been cut back substantially from the late 1990s onwards (Keller, 2014; Jonung, 2018). The evidence here also shows some parallels and divergence with the literature on LGs in the USA.

The article is structured as follows. The next section reviews the relevant literature followed by a discussion of the methods and data used. Section 4 outlines the context of the empirical study, emphasising the impacts of spending cuts and changes in the rules and regulations that have shaped financial practices among LGs. Section 5 demonstrates the spatial dynamics of the financial management strategies of LGs followed by a discussion and conclusions.

2. (De)financialisation in the context of LGs

Crises present risks and opportunities for change as reflected by the shift in modes of local governance in the 1980s and 1990s. Inspired by Harvey (1989), a series of studies in economic geography showed how spatial governance characterised by 'managerialism' with planned, coordinated, redistributive modes of service delivery was transformed into 'entrepreneurialism', driven by competition and marketisation especially through various forms of contractual relationships with the private sector (Davidson and Ward 2014; Van Loon et al. 2019; Phelps and Miao 2020). The views on the localised repercussions of the 2008 crisis have been less uniform. Recent theoretical developments highlight mutations in local governance systems in response to austerity. Some scholars saw a tendency towards municipalisation with increasing reversals in privatisation and marketisation of local services (Cumbers and Becker, 2018; Thompson, 2020). Others observed diversity of experiences, agency and pragmatism, combining marketisation with reversals in contracting-out services in response to fiscal distress (Aldag et al., 2019; Kim and Warner, 2020).

Yet other researchers characterised post-crisis mutation as 'austerity urbanism': a continuation of neoliberal spatial governance, succeeding decades of private sector/market focused speculative investment and indebtedness in pursuit of race-to-the-bottom competitive growth strategies, eventually called out by the 2008 crisis (Davidson and Ward,

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2014). In the case of the US cities, Peck (2017a, 2017b) argued that growth seeking entrepreneurialism and urban innovation of the 1990s lost momentum and saturated with 'repetitive emulation' as more and more cities followed similar strategies of competitive undercutting to sustain growth. Austerity urbanism in this view reflects a mutation into 'late entrepreneurial' stage in which growth imperatives cease to exist due to systemic distress in urban centres, resulting from overextension and debt-driven growth. Instead, cities embark on cutting costs and shrinking their size. Prior to the crisis, growth-seeking entrepreneurialism was weak among British LGs. This is largely because local development patterns in Britain are dependent on a highly centralised funding structure and limited LG autonomy (Wilson and Game, 2011). The primary motivation for privatisation of various sorts, including private finance initiatives (PFIs), was based on cost and efficiency rhetoric rather than US-style entrepreneurial growth orientations. Hence, debt-driven growth was not as extensive among British municipalities as in the US states. Austerity measures, imposed by the centre through reduced transfers (Hastings et al., 2017; Gray and Barford, 2018), have led to emergence of such entrepreneurialism among LGs in post-crisis Britain (Beswick and Penny, 2018; O'Brien and Pike, 2019).

An important dimension of these debates emphasised the role of finance and financialisation[2] for local development as exemplified by Chicago (Weber, 2010) and the bankruptcy of Detroit and Atlantic City (Peck, 2017b).[3] Financialisation is most often defined as 'the increasing role of financial motives, financial markets, financial actors and financial institutions in the operations of the domestic and international economies' (Epstein, 2005, 3), while definancialisation describes the process of reigning in this increased role (Sawyer, 2017; Ban and Bohle, 2020). In the context of public policy and the state, the phenomenon has been conceptualised as 'the changed relationship between the state, understood as sovereign with duties and accountable towards its citizens, and financial markets and practices, in ways that can diminish those duties and reduce accountability' (Karwowski, 2019). Empirical studies have shown that it can be either fostered or constrained depending on production patterns, organizational structure, consumption culture, regulation and state interest (Trampusch and Fastenrath, 2019; Ban and Bohle, 2020; Keenan, 2020).

For this article, further qualification on the relationship between states and financialisation is necessary. First, the research agenda associated with financialisation has its roots in the study of the changing behaviour of corporations and everyday lives of individuals with limited reference to the role of the state other than perhaps a general reference to the neo-liberal transition and cultural political economy (Lazonick and O'Sullivan, 2000; Krippner, 2005). Second, much of the literature on state-financialisation nexus emerged after the crisis. This connection has been initially analysed with an emphasis on the role of the state in facilitating financialisation of the corporate sector and wider economy through legislation and policy rather than financialisation of states' own activities. Most prominent interventions were related to financial deregulation and minimisation of the welfare state (Dowling, 2017), giving rise to the explosion in mortgage debt as a form of asset-based welfare (Finlayson, 2009; Montgomerie and Büdenbender, 2015) and credit card debt as a form of welfare for subsistence (Soederberg, 2014, Dagdeviren et al., 2020) in an environment of greater individual insecurity (Langley, 2009; Lazzarato, 2009).

2 See Mader et al. (2020) for a more systematic comparison of different forms of conceptualisations.

3 In the USA, LGs can file for bankruptcy (Yang, 2018) while in Britain there is no legal provision for municipal bankruptcy although the term is used in the media to indicate expenditures exceeding revenues. Hence, councils issuing a Section 114 notice, declaring deficit are often reported as bankrupt.

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Third, despite interdependences, financialisation of states' own activities is radically different than financialisation of the wider economy. While a series of studies inspired by Hardie (2011) examined sovereign debt management as a way of enhancing the depth and reach of financial markets (Livne and Yonay, 2016; Fastenrath et al., 2017), very few studies have recognised the distinction between financialisation through and within the state with Karwowski (2019) and Wang (2015) being the exception. In the context of sovereign debt, an explicit expounding on this distinction has only been made by Schwan et al. (2020).

In contrast, economic geographers view financialisation as a new form of urban entrepreneurialism and hence not only a means but also an end in itself (He, 2020). Spatial dynamics of financialisation have been discussed with respect to political scales (Christophers, 2015; French et al., 2009), the importance of regulatory geographies (Lee et al., 2009), regularisation of fringe finance in widening the net for the financial industry (Aitken, 2010), spatial polarisation through financialisation (Walks, 2014, 2016) and local origins of the global financial crisis (Martin, 2011). Research on urban development and local governance has been more prolific in demonstrating financialisation within states. For the USA, Peck (2012) argued that rising land and property prices turned investment on the local level into attractive prospects for a wide range of investors, seeking higher yield in an environment of low interest rates and savings glut during the decade before the 2008 crisis. Private interests were then matched by changes in local governance structures, most notably by resource/funding constraints and the ensuing cultural change encapsulated in the notion of 'growth seeking' entrepreneurialism, which eventually led to the explosion of municipal debt through the collateralisation of infrastructural assets inherited from the Keynesian period (Peck, 2014) . Financialised practices of LGs are mostly discussed in relation to investment in public infrastructure, with the exception of Peck and Whiteside (2016). In the USA, these were exemplified by the extensive use of tax increment financing (TIF) (Weber, 2010). The 2008 crisis did not only burst the bubble for the wider economy but also for the financialised entrepreneurialism of state governments as epitomised by the large number of municipal bankruptcies (Kirkpatrick, 2016).

There are indications in the literature that entrepreneurial mutation with some level of financialisation may be taking off post austerity at least in some British cities with respect to infrastructure and regeneration programmes. This is facilitated by new instruments such as TIF (Strickland, 2013) and city deals which came onto the menu of LGs after austerity, transforming public infrastructure into international assets for investment (O'Brien and Pike, 2019). Similar financialised deals also prevail in commercial property development with private partners (Beswick and Penny, 2018; Christophers, 2019). More significant is the use of LOBO loans with an estimated value of around 15 billion pounds in 2015 (UK-Parliament, 2015). Prior to the 2008 crisis, these instruments initially offered lower interest rates for periodic revision with the expectation of future increases in benchmark rates such as LIBOR. Some local authorities such as Newham Council, a widely reported case, only started using LOBO loans after the crisis under austerity. Given the documented manipulation of the LIBOR by major LOBO providers these instruments have put many LGs in difficult positions (Ashton and Christophers, 2015).

Research on the state-financialisation nexus has primarily focused on long-term financial transactions and, to our knowledge, LGs' activities with a focus on short-term finances have not been investigated so far. Examining this particular dimension is important under the conditions of austerity since stringent budgetary positions may have forced LGs to focus on day-to-day operations rather than longer-term development plans. In the

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following sections, three aspects of 'change' have been emphasised as an empirical strategy to investigate the role of austerity for a potential mutation with respect to financialisation within British LG sector. First, we examine 'n*ew forms*' *of (de) financialisation*, affecting economic activities and financial transactions of LGs with a focus on short-term financial management under austerity, paying attention to how reliance on financial markets has changed and financial logics are affected.

Second, changing regulations under austerity can help in explaining the *institutionalisation of* (de)financialisation at local level. In the past, deregulation of financial markets, reflected for example by legislative changes, played an important role for the financialisation of the corporate sector (Krippner, 2011; Oren and Blyth, 2019). Financial practices of states have also been affected by institutional arrangements. These include the financial reforms of the 1980s in Britain (the so-called Big Bang) (Dutta, 2018), the establishment of Debt Management Offices in OECD countries, changes to operational rules, requiring employment of professional debt managers in Europe (Fastenrath et al., 2017), and the encouragement of innovative financial techniques by the European Monetary Union (Lagna, 2016). Third, spatial variations in the patterns of (de)financialisation at local level are investigated for the first time here based on balance-sheet data for over 400 LGs. This is particularly important given the well-justified criticism about scarcity of evidence at disaggregated geographical scales, encapsulated in the notion of 'anaemic geographies of financialisation' aimed at political economy studies in this area (Christophers, 2012).

3. Data and methods

This study uses a conjunctural method of analysis, an emerging area in economic geography. The foundational pillars of this approach can be found in two sources. First, Peck (2012), inspired by Hall and Massey (2010), explicitly problematised relative positions among cities for insight into uneven development and multiscalar relations on the urban level. Second, Cumbers and Paul (2020) incorporated the views of Hall (1988) with Gramsci to distinguish 'occasional, immediate, almost accidental' change from more permanent and organic change (p. 9). Two critical features of conjunctural analysis are relevant here. One is related to temporal specificity in which change in the form of 'significant transitions' takes precedence (Hall and Massey, 2010). Temporal specificity in conjuncture implies not only fluidity in the way things unfold but also potential for significant diversion from the past. The other is related to what Peck (2017a) calls contextual, positional and situational specificity, allowing for divergent outcomes.

The 2008 crisis and the austerity programme should be viewed as a unique conjuncture in which the drastic spending cuts have not only limited the means of funding for local services but also created substantial uncertainties with respect to LGs' ability to finance them in future. Such periods bear the potential for radical changes as well as mutations in existing forms of spatial governance. Hence, austerity policies may have forced a change of culture, enhanced financial logics and changed the financial practices of LGs. We examine how the austerity programme interacted with financialised practices of LGs in Britain using a conjunctural approach in this sense.

The contextual and situational factors are highlighted with respect to budgetary cuts and the institutional basis of financialisation. The changing regulatory rules and policies which may have influenced conformance with or divergence from past trends have been

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examined. Positional specificity requires attention to the spatial contours of the impact of austerity on financial practices among LGs. Hence, the extent of spatial concentration of short-term financial debt and investment across LGs has been assessed starting with national scale, moving down to regions and lower level administrative divisions, covering over 400 municipal authorities in the country. Temporal specificity is captured by establishing overall trends in short-term financial positions prior to the crisis and the extent of divergence post austerity.

The forms and manifestations of greater (de)financialisation, if any, are investigated focusing on the changes in the balance sheets of LGs to detect any tendency for greater reliance on financial markets as predicted by financialisation theories (Krippner, 2005) although in this case as a consequence of austerity and shortfalls in transfers from central government. Changes in the reliance on financial markets have been examined on the basis of a) changes in the stocks of short-term debt and investment, b) origins and destinations of short-term flows, that is where they have been borrowed from (private sources, LGs, the state) and which assets and sectors they have been invested in. Attention has been paid to the changes in LGs' financial management practices to the extent that they may signify a cultural change, encapsulated in the notion of 'financial logics' (Langley, 2009; Lazzarato, 2013). Distinct elements of short-term financial positions are scrutinised to identify any evidence of non-conventional sources of funding and financial investment.

The research underpinning this article is based on mixed methods, making use of quantitative as well as qualitative data. Studying balance sheets is crucial for research on financialisation of LGs to explore the shifts in the means and composition of funding. Hence, we used LG balance sheet data from Eurostat, going back to 2006 and the Ministry of Housing, Communities & Local Government (MHCLG) data on LG finances, covering over 400 local authorities with varying level of detail over time. Note that much of LG data are unaudited and subject to revision. Spatial distribution and analysis of short-term assets and liabilities have been mapped using ArcGIS 10.6 software. Mapping by local authority districts is based on UK boundary data for 2019 (ONS, 2019).

The data analysis is complemented through semi-structured interviews with senior finance managers in ten single-tier LGs, responsible for all statutory municipal services. Preliminary reviews and data analysis were used to identify selection criteria which in addition to locational diversity aimed to ensure that the sample was sufficiently mixed to gain insights about LGs with diverse conditions. The selection criteria required the inclusion of (a) both richer LGs with a thriving business base and poorer, financially more stretched authorities with heavy demand on their services, (b) central city councils as well as peripheral municipalities and (c) LGs controlled by different political parties. Some of the interview participants responded positively to our direct contact. Others were recruited through the help of key informants who had already taken part in the study. The research project went through the ethical approval process at the University of Hertfordshire prior to the interviews and was approved on the basis that participation was voluntary, anonymous and confidential. Interviews took place between May and October 2019. Each interview lasted for around an hour (57–76 min), was audio recorded and later verbatim transcribed. References to the interviews below have been anonymised by coding them from LG1 to LG10.

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4. The context: budget cuts and changes to the rules of the game

4.1. The structure and financing of LGs in Britain

The contemporary structure and mandate of LGs in Britain reflects the chaotic nature of their evolution over centuries with the multitude of LGs operating at different levels, ranging from historical entities of parishes to more modern varieties of city or metropolitan councils (King, 2006). In England, unitary authorities (over 100 large towns), metropolitan district councils (highly urbanised 36 cities such as Liverpool, Sheffield, Leeds and Birmingham) and London boroughs (33) are individually responsible for all statutory LG services.[4] Other localities mostly have a two-tiered structure with 27 county councils being responsible for services such as education, social care, highways, passenger transport, waste disposal while 201 non-metropolitan district councils delivering more local services such as leisure, housing, waste collection and local tax collection (LGG, 2010). Outside England, Labour's devolution programme (1997–1998) shaped the LG structures and transferred significant powers to the Scottish Parliament and the Assemblies in Northern Ireland and Wales albeit with limited tax raising authority (MacKinnon, 2015). In terms of mandates, Scottish and Welsh councils are organised as unitary authorities with similar responsibilities to those in England.[5]

LGs have had their golden age until the 1960s when they had greater autonomy and reliance on locally raised finances. From the 1980s onwards, the so-called 'new public management' reforms radically changed LG financing (Wilson and Game, 2011). Since then, under conservative and labour governments, the modes of service delivery increasingly involved various forms of public–private partnerships and PFI, bringing a range of contractual relationships into housing, planning, building operation of facilities, waste collection and social care (Tomaney and Colomb, 2018; Taylor et al., 2020). Paradoxically, there is consensus that LG reforms after the 1970s have increasingly restricted LGs' financial autonomy and increased their dependence on central government funding despite the rhetorical emphasis on decentralisation and devolution (King, 2006; Ferry and Murphy, 2018). Greater involvement of private actors in development and service delivery meant that the composition of LG balance sheets increasingly shifted from capital to current expenditure (Wilson and Game, 2011). Currently, LG financing is broadly similar across the three countries in Britain: grants, domestic property (council tax) and non-domestic property (business rates) taxes, housing revenues and other fees and charges constitute key revenue sources. Devolved authorities in Scotland and Wales receive block grants from the central government to fund their activities and disburse these to LGs in their territories (King, 2006). They have autonomy in determining property taxes and other charges. English LGs receive general, ring-fenced and capital grants from Westminster to fund a significant proportion of spending. Domestic and non-domestic property taxes are raised locally (see Online Appendix Table S1 for details). The latter is redistributed by the central government, taking account of size, deprivations and needs of individual authorities (Adam et al., 2007).

4 Since 2009, larger LGs in close proximity have also been able to create combined authorities to pool resources and reduce costs (LGA, 2020a).

5 Northern Ireland assembly was suspended during 2002–2007 and 2017–2020 when power reverted to Westminster with continuing conflict between the Unionist and Republicans (Sargeant and Rutter, 2019). Services such as education, transport, housing, social services and urban development are delivered by departments rather than LGs, making a meaningful comparative analysis of LGs in Northern Ireland with other parts of Britain difficult.

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4.2. Austerity, service risks and the new wave of restructuring

The long-term funding of LGs remains deeply contractionary in Britain, especially for Scotland, followed by England and Wales (see Online Appendix Table S1). In England, in addition to the cuts in direct transfers, revenues from retained or redistributed business rates have declined significantly. There is evidence that more deprived localities saw greater cuts, resulting in the deepening of their deprivations (Hastings et al., 2015; IFS, 2018). The greatest proportion of cost containment at the local level came from so-called 'efficiency savings' in back-office operations (Hastings et al., 2015; Christophers, 2019) followed by the reversal of outsourcing and procurement, introduction of charges for previously 'free at the point of delivery' services or selling assets and property (Gardner, 2017).

Our fieldwork in 2019 confirmed the profound impacts of austerity on local finances. Key informants told us cost-cutting measures to protect frontline services such as social care included reorganisation of back office functions, staff redundancies, reducing office-space, leasing surplus buildings and cost-saving investments in digital systems. The greater challenge for councils is that funding cuts have continued a decade after the first wave of austerity measures and are likely to persist due to COVID-19 pressures. At the time of our interviews, most of the senior managers were still under pressure 'to find extra savings', ranging between 10 and 70 million pounds per authority in the next 3–4 years. While the councils have been praised by insiders [LG6, LG10] and outsiders (Hastings et al., 2015; Christophers, 2019) how remarkable they have been in managing the cuts and protecting services, they are now at a point where frontline services are at risk [LG2].

> ...[initially] there probably was quite a bit of fat to cut...I think the last three or four years, we're seeing a lot more demand management and stopping doing things and that really wasn't happening the first few years...and compared to fifteen/twenty years ago the sector is much leaner than it was. But that can only go on for so long and then there will be major risks as in Northamptonshire or in services such as children's or adults that they then have to throw lots of money at [LG10]

Financial pressures have turned into acute service risks, especially, regarding housing, homelessness and spending on temporary accommodation (LG1, LG2, LG5, LG7), adult and children social care, schools and special needs (LG3, LG6). The full extent of these risks can be concealed, and impacts may be difficult to quantify. The vagueness associated with the term 'statutory services', which is open to interpretation (e.g. care with and without residential support), has been used to incrementally cut entitlements and change threshold service level [LG7]. Indeed, a respondent from LG9 admitted that cuts in ring-fenced grants for Children's and Adult Services meant that their scope is reduced although the impact is probably not felt yet as there is often a lag between implementation and outcome. The Covid-19 crisis has pushed LGs into further financial strain and might become a pretext for the non-restoration of funding and service levels in the foreseeable future.

While it may be too early to reach a conclusion with respect to a potential mutation in the LG financing regime, the long-term nature of cuts, lack of prospects for a change in the near future and further challenges posed by the pandemic suggest the financial circumstances of local authorities have increasingly been normalised beyond being merely an impasse.

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4.3. Changes in financial regulations under austerity

As the LG system in Britain is highly centralised, the degree of (de)financialisation at local level is, to some extent, a dependent process. The socio-economic context of the regions determines how regulations take effect in different geographies. For example, prior to the crisis, the introduction of the Prudential Borrowing Code with the Local Government Act 2003 led to a significant rise in debt. This was largely accounted for by metropolitan rather than non-metropolitan districts (DCLG, 2007). The Act also allowed LGs to establish for-profit companies (Christophers, 2019). By 2016, there were around 600 LG companies (Ferry et al., 2018). While this does not constitute financialisation *per se*, it has facilitated greater engagement with financial markets especially for property development.

The austerity programme brought about further changes to 'the rules of the game' and embedded a greater tendency for enhanced financial logics among LGs, especially, with respect to capital financing. The introduction of TIFs in 2010 has become a mechanism to expand the credit restrictions on LGs to borrow against expected future growth in revenue (Sandford, 2020). The 2011 Localism Act under the austerity programme led to New Development Deals, City Deals and Earn-back Gain-share Investment Funds in 2012 primarily to relax borrowing restrictions for regeneration schemes in certain regions to increase growth, employment, generate future savings and reduce welfare dependency (O'Brien and Pike, 2015), potentially paving the way for US style entrepreneurialism among LGs. These changes, compounded by funding cuts, resulted in the growth of municipal borrowing from around 13% in 2005–2006 to over 40% of capital financing in recent years (Sandford, 2020).

In terms of short-term finances, the austerity programme created an extraordinary uncertainty for LGs. Especially concerning has been the ongoing reform to business rates, a key income source for LGs.[6] The related uncertainty is explained by a key informant from LG4 '...we are not sure exactly what the final version of business rates retention will look like'. The rhetoric has been that the business rate reform would provide greater autonomy to LGs. In reality, it has shifted the risks, previously carried by the central government, onto the local level: 'whereas before Central Government funding, to some extent, was a buffer between the local authority and global economics [...] we're now [...] in touch with it' (LG4). Furthermore, the risks and uncertainty created by austerity have pushed LGs to take a more near-term or short-sighted view, dealing a blow to their ability to plan in advance:

> [...]because everything is now so tight, the margin for error, you know, you can only be a little bit out on your estimate of, you know, adult social care if you're only 1% out, you can't afford it because you're running down your reserves. So, however carefully you've managed your reserves, you're in a risky situation (LG4).
>
> ...what we'd want is to be able to plan...some things we're trying to do, they've got lead-in times so you want to plan to do things over three or four years (LG5).

The introduction of new ways of financing capital expenditure through, for example, TIFs and city deals, driven by debt-based growth and regeneration, suggest that post austerity local development dynamics, in large cities show resemblance to the pre-crisis

6 Prior to 2013, locally collected business rate revenues have been redistributed to LGs by the centre. From April 2013, English LGs were entitled to retain half of the volume of business rates they collected.

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picture of entrepreneurial and growth seeking urban centres in the USA. The discussion of short-term finances points to the creation of greater uncertainty, funding and service risks as well as risk-shifting from the centre to LGs. A preliminary contemplation would suggest these changes do not only signify continuation but further deepening in the dynamics of financing local development, compelling LGs to become risk managers with myopic horizons as discussed in the next section.

From a financial point of view, LGs have dealt with the cuts, policy changes and higher levels of uncertainty and related risks brought about by austerity in two ways: through STB and reserve accumulation combined with savvier management of liquid assets. We discuss these in turn in the next section.

5. Management of short-term finances under austerity: aspects of (de)financialisation

5.1. STB and ICB

The immediate impact of the crisis is seen in LGs' liability-to-assets ratio which soared from an average of 78% during 1997–2007 to 94% during 2008–2010. STB was never a major element in LGs' debt positions prior to the crisis and hardly ever exceeded 3% of total borrowing (Figure 1). This trend changed radically under austerity. After an initial contraction (from 1.3 to 0.3 billion pounds between 2010 and 2013) resulting from various restructuring measures, STB saw an eight-fold increase in real terms when sustaining minimum service levels was no longer feasible through cost cutting. The rise in STB is significant because LGs are supposed to borrow for investment rather than current spending[7]:

> Unlike central government, local authorities cannot borrow to finance day-to-day spending, and so they must either run balanced budgets or draw down reserves—money built up by underspending in earlier years—to ensure that their annual spending does not exceed their annual revenue. (Atkins, 2020)

Hence, the explosion of STB reflects the widening gap between grants plus revenues and spending needs under austerity. Intriguingly, the composition of STB has been fundamentally transformed. Whereas prior to the 2008 crisis, LGs mostly relied on private creditors (especially banks), under austerity, the share of private sources[8] in total STB plummeted from around 93% in 2006 to 5% in 2019 (Figure 1). Remarkably, borrowing from financial markets has increasingly been replaced by ICB as reflected by the inverse relationship between the shares of ICB and the private borrowing sources.[9] The rise in ICB is purely a post austerity innovation. This growing tendency may be interpreted as a withdrawal from financial markets and a form of de-financialisation or a 'municipalist' innovation similar to those observed in the recent literature (Cumbers and Becker, 2018; Thompson, 2020). The reality, however, is more complex. While the cuts and revenue shortfalls have driven the growth of STB, the sway from private to ICB has been

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7 Lack of short-term lending facility by Public Works Loan Board (PWLB) reflects this although there are proposals that short-term loans from PWLB could be a permanent solution to LGs' continuing cash flow problems (LGA, 2020b).

8 Private sources of borrowing include, banks, building societies, other financial intermediaries and private non-financial corporations (MHCLG, 2020, 408).

9 While borrowing from private sources appears to have collapsed in 2013, the reality is that ICB exploded from virtually nil until 2011 to 9.5 billion pounds (94% of total STB) in 2019, dwarfing the share of private borrowing in total STB.

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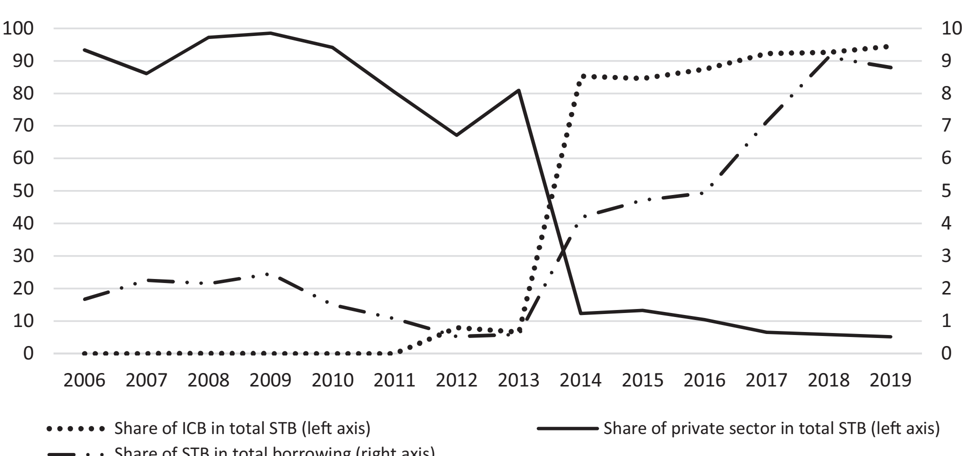

Figure 1. Shares of STB & ICB in total British local government borrowing (%).
Source: DCLG (2012, 2015), MHCLG (2021).

essentially a risk containment strategy. Especially in the first few years after the crisis, banks and building societies were exposed to or directly implicated in highly risky undertakings. Some were victim of interest rate manipulation (Ashton and Christophers, 2015) which later led numerous LGs bringing lawsuits against bank charges applied on LG borrowing (Sharman, 2018). Thus, LGs considered private finance for revenue spending too risky in a setting where significant vulnerabilities were experienced with certain financial transactions in the past (e.g. the derivatives debacle of the 1980s and the build-up of LOBO loans).

LGs have been compelled to borrow from each other to relieve liquidity bottlenecks when Eric Pickles (the responsible minister at the time) refused calls for greater funding on the grounds that LGs were piling up reserves (Curtis, 2010). As cash shortages and reserves lied in different local authorities, a process of recirculation in the form of ICB started from LGs with surpluses to those with deficits. Hence, the guidelines against borrowing for revenue spending have effectively been breached. LGs have essentially created an internal market and internalised potential risks associated with the rise of STB in an environment of financial and economic instability. Nevertheless, the conduct of ICB has been informed by financial logics, facilitated by private brokers for a fee and carried interest rates (even if below the commercial rates). Growing use of ICB has been a means of managing public finance risks without exposure to private or external finance risks through pooling and recirculating reserves in an environment with explicit guidelines against borrowing for revenue spending.

Focusing on disaggregate trends in the spatial distribution of STB (Figure 2 and Online Appendix Table S1), several observations emerge. First, the use of STB has been relatively widespread across Britain, as reflected by the incidence data. A larger proportion of LGs in Scotland has resorted to STB. In every region without exception, the composition of STB has been heavily in favour of ICB, accounting for over 90% of total STB (compare centre and right-hand maps in Figure 2) with some unevenness in its distribution. LGs in England have been net lenders while those in Scotland have been the biggest borrowers (Online Appendix Figure S1). Second, this spatial variation is directly related to the differential impacts of austerity. Scotland saw the greatest contraction in revenue grants

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	Scotland	Wales	England	East	EMids	S West	WMids	London	S East	N West	Y-shire	N East
Incidence of STB (% LGs with STB)	71.9	59.0	41.2	36.5	26. 7	40.5	33.3	52. 8	41. 9	46.4	45.5	66.7
Shares in total STB amount in Britain	16.2	4.6	79.2	14.5	22. 8	5.1	6.8	9.2	16.9	13.8	8.3	2.5

Figure 2. Short-term debt stock by British local governments: 2018–2019 (in thousands of £).

in comparison to England and Wales which explains higher incidence and amounts of STB (Online Appendix Table S1). Dismal economic growth during 2009–2019 further compounded the effects of cuts as reflected by the remarkable contraction of business rate revenue in England and its meagre growth in Scotland (0.4% per annum) and Wales (0.02% per annum). In all parts, increases in council tax revenue were far too small to counterbalance the shortfalls in grants and business rate income.[10]

Third, inter-council credit and debt stock are highly concentrated. Incidence of STB is much higher among larger towns and cities organised as metropolitan districts and unitary authorities in comparison to smaller, less urbanised non-metropolitan councils. In England, a north–south divide seems to exist with a greater proportion of LGs in the North East, Yorkshire and North West using STB, reflecting the harder impacts of austerity on the North. In terms of the amounts borrowed, unlike Welsh councils with lower than 80 million STB in all instances, big city councils such as Aberdeen, Edinburg and Glasgow in Scotland borrowed between 100 and 500 hundred million (Maps in Figure 2). In England, three prominent nodes are revealed: a cluster of LGs in London, around Manchester and Birmingham. The situation in the North West has been especially severe with Lancashire, leading the way with half a billion STB. The region accounted for around one-fifth of total STB in Britain in the earlier phase of austerity, as opposed to, say, London and the South East with limited STB needs. While LGs in London overall have been net lenders, there is an inner–outer London divide with the LGs in the former providing credit to the rest of the country while those in the latter being net borrowers.

Fourth, LGs' scope of responsibilities matters for locational dynamics of STB. Non-metropolitan district councils without any responsibility for education, social care and infrastructure development (a large expenditure category) are less prone to STB. However,

10 A fourth revenue source is fees and charges which are discretionary and vary over time and across LGs. Thus, tracing them over time is more difficult than other major revenue items.

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the relative significance of borrowed amounts, expressed in proportion to business rate income is highest for non-metropolitan district councils[11] representing less urbanised smaller towns with narrower revenue base. Fifth, the unevenness in the distribution of STB also reflects the interaction of austerity measures with growth and revenue generation dynamics and the service mandate of LGs (Online Appendix Table S1). Thus, the relative significance of STB was lowest among London boroughs which experienced the lowest contraction both in transfers from the central government and the retained business rate revenues. In contrast, STB among unitary authorities and metropolitan councils, catering for larger towns and cities outside London with greatest municipal responsibilities, was high not only because they faced greater cuts in grants but also saw greater decline in business rate income.[12] For non-metropolitan councils, the low growth in council tax revenues and high contraction in business rate income, in addition to a sizable cut (31%) in transfers are likely factors behind their comparatively higher STB burden.

Finally, spatial differences have partly depended on financial strategies and risk-taking attitudes of individual LGs. For example, Spelthorne, Thurrock, Plymouth and Croydon councils have taken greater risks with respect to commercial property or other types of regenerational investments. Revenue spending is not entirely independent of capital expenditure as unitary charges associated with PFI and debt-service payments on borrowing come out of revenues.[13] Thus, Croydon issued a Section 114 notice, indicating inability to balance books while Plymouth council took a swap deal to hedge itself against potential increases in interest rates (Ford, 2020; Stubbington, 2020).

5.2. Financial investments of LGs under austerity

The roll-out of austerity measures in 2011 triggered various forms of restructuring programmes. The immediate impact of the crisis was on cash and reserves which shrunk by about one-third between 2008 and 2010. In terms of financial management, the asset-side response to policy changes and uncertainty were two-fold. First, they have built pockets of cash or near cash assets for (un)expected spending, in addition to general and ring-fenced reserves, to fund services.

> In 2010, we had lower reserves than we do now. We consciously built the reserves up to get through the really difficult times. We have a budget support reserve so that we can manage under and overs, we also have a general fund reserve. [LG4]
>
> Until recently, nearly every year, we would under spend against our budget... in fact, often the next year's savings were, in large part, in the previous year's under spend. So in the last two years that's stopped...[this year] even though we have £80 million in reserves, we can see that that's quite a challenging position. [LG3]

Second, as it became clear austerity was not a short-term reaction to the financial crisis, LGs started to use liquid assets (cash, reserves and unused capital receipts) in savvier ways and for yield. Figure 3 illustrates a remarkable move away from cash and bank deposits whose share in total financial assets declined almost continuously from 84 in

11 Comparative significance of STB can be measured in proportion to expenditure, grants or revenue sources. Here, we reported relative size of STB against retained/redistributed business rate income. Whichever denominator is used, relative results are similar across regions and type of authorities.

12 Different business rate schemes were implemented across England after the crisis, involving both retention and redistribution. Here, we report business rate income irrespective of how it enters LGs' budget.

13 In 2019, such items constituted 5% of net current spending in UK.

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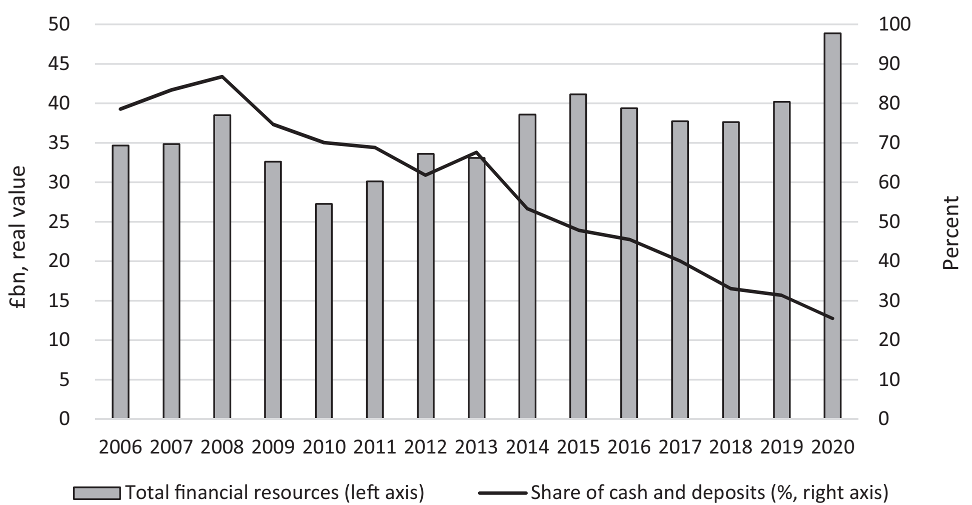

Figure 3. The move away from cash and deposits by British local governments.
Source: DCLG (2012, 2015), (MHCLG) (2021).

2008 to 32% in 2019. Of the existing public and private alternatives[14] for short-term investment, lending to other LGs and investment in money market (MMF) have been the preferred choices of investment after austerity and replaced a significant proportion of cash and deposit holdings (Figure 4). Although most LGs managed their own assets, around 13–16 authorities used externally managed funds (EMFs) for greater returns through speculative investments.

Investment in MMF and lending to other LGs are relatively low risk. By 2019, LGs had provided 9.6 billion pounds in inter-council lending, rising from non-existence prior to the crisis to becoming the primary instrument for short-term investments in recent years. Returns on these loans vary but stand favourably in comparison. For example, credit to other LGs with a maturity of 3–12 months generated a return of between 0.75% and 1% in 2019 (Brighton and Hove City Council, 2019) while a fixed-term deposit with a British bank for the same period generated hardly more than 0.3% (RBS 2020).[15] Welsh local authorities made much greater use of inter-council lending than their counterparts in England, and Scotland.

The second most favoured investment instrument was MMF. By 2019, 7.7 billion pounds had been invested in these funds in contrast to 0.7 billion in 2008. Two key informants from [LG1] stressed that their investments in MMF were nothing unusual among LGs:

> Short-term deposits. . .
> . . .*short-term investments.*
> . . .money market [funds] in the bank, bonds. So all councils do this, we're nothing new.

14 Public financial assets included Treasury Bills, deposits with Debt Management Account and more recently, lending to other LGs while private options outside deposits include money market funds and EMFs.

15 There are reports that Hammersmith and Fulham council received interest rates between 0.8% and 1.35% on inter-council loans typically with a maturity of 1 year in 2018 and 2019 (Sheppard, 2020).

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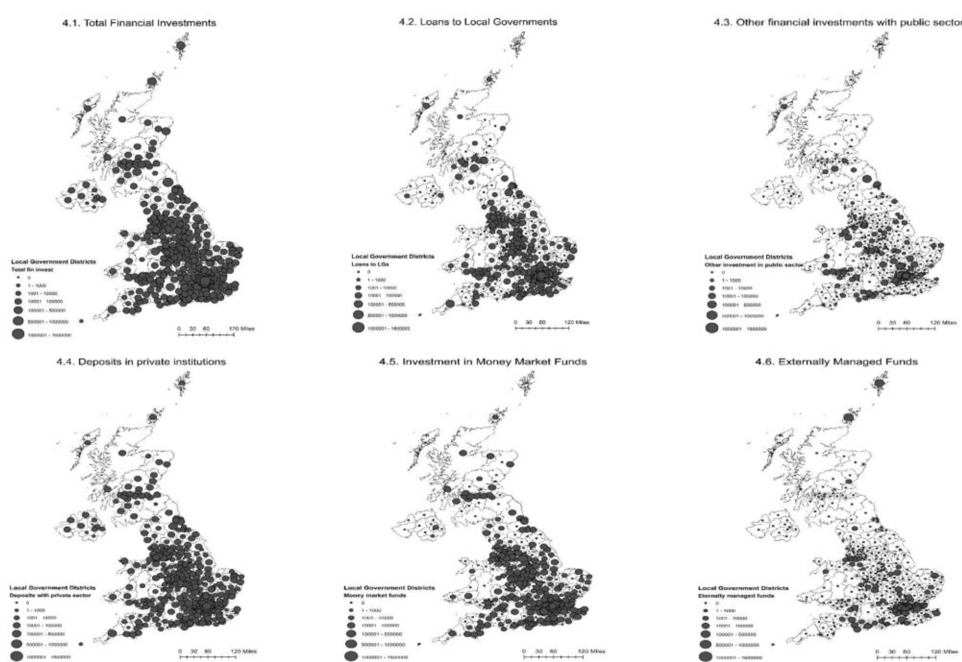

Figure 4. Short-term financial investments of local governments in Britain: 2018–2019 (in thousands of £).

> *NHS does it, every part of the public sector will, it's part of ...it's just part of treasury management, it's, you know, your main kind of short-term, you know you're going to get a budget from the Government, but you may have a short-term cash shortfall, so you'll borrow a little bit or you'll invest it, it's quite common in all organisations.*
>
> But a lot of Councils keep it in overnight stuff, almost it's their instant access and it's, well, we were saying, 'Let's take this bit of money and put it there for a year'...
>
> *And you get a little bit more money from putting it in for longer, and things like that, so things like that.*

Beyond these aggregate trends, spatial patterns of financial investments show considerable variations across Britain as well as within individual countries (Online Appendix Table S2). While between 50% and 85% of local authorities in Scotland, Wales and England shifted away from cash and deposits to investments in alternative instruments, English LGs have been the primary holders of financial assets in Britain, accounting for around 90% of total investment in MMF and LG lending and around 80% of investment in EMFs. Use of EMFs is extremely uneven: more than two-thirds of unitary authorities in the East of England invested in them though not a single LG in the North East or Yorkshire (and less than 10% of Welsh and Scottish municipalities). Top 10% municipal investors in EMFs are among the wealthiest LGs with respect to financial assets. In England, LGs hold on average £650 of financial assets per resident, while the figure falls to £460 and £320 for Scotland and Wales, respectively.[16] LGs' ability to generate income

16 Authors' calculations based on 2019 financial investment data (MHCLG, 2021) and ONS population estimates for the same year (ONS, 2021).

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from property appears to facilitate the accumulation of financial assets.[17] Simultaneously, the strongest uptake of inter-council lending and MMF investment, relatively safer ways of generating additional income, was among county councils (Online Appendix Table S2) which experienced the most severe decline in revenue grants between 2009 and 2019. In the East of England, a handful of LGs such as Thurrock, Bedfordshire and East Hertfordshire accounted for much of investments in EMF. Thurrock council borrowed one billion pounds from other local authorities to invest into speculative renewable energy funds (Ford, 2020). In Scotland, Orkney and Shetland also had significant sums (over 0.2 and 0.3 billion, respectively) invested in EMF. In 2019, almost a quarter of Orkney council's EMF investment was held in UK corporate bonds and 23% in global equities (which carry exchange rate risk), illustrating the more speculative character of EMF (Orkney-Council, 2020).

Unsurprisingly, London councils account for the largest proportion of financial investments and have been primary net creditors to the rest of the country (Online Appendix Figure S1). However, considerable distributional unevenness exists in the city. The asset-rich Southwark council held total assets worth £5.6 billion in 2018 while this figure was merely £780 million for Bexley. Westminster, the council with largest business rate income had £1.2 billion in financial instruments in 2019, while the poorer outer London authority, Sutton, only owned a small fraction of that, £77 million. Councils with savvier financial management seek out higher interest rates. Much of investment in EMF belongs to richer Inner London authorities where there are financial skills and abundant reserves to take higher risks. Hence, other than the obvious entity of the City of London, richer councils such as Westminster and Bromley have had 6–8% of their financial investments handled by EMFs who are tasked with generating higher returns. Southwark council has consistently had over 60% of its financial funds with EMFs throughout this period. Other councils have been more conventional in their treasury management, using investment opportunities with safe and guaranteed returns: 'first and foremost I suppose, you know, our statutory kind of way of working around investments and things is about securing, well the security of the money first and then the kind of returns secondary' (LG2).

6. Discussion and conclusions

Let us return to the question of whether spatially underpinned changes, following the drastic cuts and austerity constitutes an impasse or mutation in local governance. This question can be broken down further for theoretical build-up and empirical validation in the specific context of de(financialisation) of LGs' activities: what is the *temporal basis* of change or mutation? Does the essence of change contain *structural* elements? What are the *forms and nature* of change in the context of financialisation? What is the *scope/spread of change*?

The temporal basis should reflect whether the change in question is permanent. On the one hand, the long-term nature of austerity has normalised dwindled grants and transfers, probably instituting current practices with a considerable degree of permanence and reflecting an uncompromising continuation in neoliberal governmentality. On the other hand, there is some fluidity in the process. The uncertainty about the prospects for near-

17 There is a moderate correlation (0.46) between total financial assets owned (MHCLG, 2021) and net property income across LGs in the UK.

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future funding and the regulations (as reflected by the continuous changes to the allocation and retention of business rates) highlights the unfolding nature of changes at central government level with responsibility for broader policies. At the local level, LGs have been experimenting and emulating with some success and disappointments. For instance, debt-build up among LGs has been a concern, leading to the introduction of new restrictions on borrowing for commercial investment by the centre (HM.Treasury, 2020). Existing fluidities are unlikely to result in major reversals, especially in the current environment with the ongoing funding pressures associated with the Covid-19 pandemic.

Using the notion of '*the essence of mutation*', we distinguish mutations with structural characteristics (in relation to, for example, policy frameworks, practice and culture/ethos) from minor changes smoothing out irregularities. The evidence here shows the essence of the change in financial governance lies in the: (a) emergence of new financial and service risks and (b) shifting existing risks from the centre to the local level through cuts to grants. Maintenance of an uncertain environment has played an important role in intensifying risks. Unlike the private sphere, financial risk in the context of local governance can have far-reaching social costs and consequences as they are transformed into service risks. Consequently, in addition to their traditional functions, LGs have become *risk managers*, closely following markets, mobilising their assets and liabilities to generate income and balance 'the books'. The new risks not only affected financial management practices but also the culture of local governance. The narratives of the key informants here clearly reflected the sense of acute risks and the ongoing battle to moderate them.

So, have new risks led to greater (de)financialisation at local level and if yes *in what form and nature*? The use of liquid assets for income generation and STB to deal with shortfalls for current spending has been the principal techniques of moderating financial risks. Severe cuts to grants have forced LGs to generate extra income by shifting from traditional treasury management methods of holding liquid assets in cash and deposits ('idle cash') to higher yield elsewhere, especially MMF and EMF. These trends are indicative of enhanced financial logics, greater reliance on financial markets and greater financialisation at LG level. The assessment of the findings in relation to liabilities is less straight-forward. While STB has risen substantially, much of it has been funded through ICB rather than financial markets. ICB as a solution to funding-needs appears like de-financialisation. There are caveats, however, to this conclusion. Terms and conditions of ICB, including the use of private brokers, payment of fees and market rates reflect neo-liberal spirit rather than municipalist ethos. Furthermore, major shifts in policy and practice are often accompanied by ideological shifts, changing the narratives around problems and solutions. In the case of ICB, no such ideational build-up is discernible. Instead, by persistently refusing to restore funding, highlighting the presence of reserves at aggregate level, the conservative government left LGs with no choice but to create an internal market for borrowing despite the regulatory restrictions on borrowing for current spending. Thus, growth of ICB is better characterised as risk moderation strategy (both financial and service risks), rather than as a process of (de)financialisation, since repayment of STB for revenue expenditure carries greater risks.[18] ICB enabled LGs to internalise risks within the municipal sector and restrict exposure to external markets in an environment of instability,

18 Unlike capital expenditure current spending generates no financial return. This was the basic principle of Gordon Brown's Golden Rule of 1998, permitted borrowing only for capital investment for government expenditure.

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recession and uncertainty. In this way, budgetary gaps are bridged and major service risks are avoided.

Spatial spread of the new financial practices has been as comprehensive as the impacts of austerity on British LGs: the cuts to the grants ranged from 22% to 44% in Wales, Scotland and England during 2009–2019; the take-up of alternative investments (MMF, EMF and ICB) reached 50–85 by 2019 in three parts of the country; 44% of all LGs resorted to STB for revenue spending and ICB has been extensive across the country. These broader trends, however, have been underpinned by significant variation across countries and lower administrative divisions. There are clusters of locations where liabilities and investments have concentrated (e.g. EMF and MMF investments in London and the South East), giving credence to the argument made by Christophers (2012) about 'anaemic geographies of financialisation'.

These spatial differences are *geographically constituted* through the interplay of factors such as the extent of budgetary cuts, municipal size, contraction of economic activity, level of urbanisation, differences in the service mandates of LGs and financing strategy of individual councils. It is no coincidence that a larger proportion of Scottish LGs, which experienced the greatest cuts to grants, have resorted to STB. Frequent use of STB in Wales reflects not only the cuts but also gloomier economic prospects in the country such as a higher-than-average unemployment rate after the crisis and lower per capita incomes (Eurostat, 2020), negatively impacting revenues and spending needs of Welsh unitary authorities. Geographical basis of local advantages is reflected well by London's unique position as the wealthiest and most urbanised city in the country. Although English LGs are net creditors to the other parts of Britain, if London is excluded, England becomes a net borrower. In short, local authorities in London are not only the key liquidity providers to England but also to the rest of the country. A much lower proportion of small councils in less urbanised non-metropolitan districts needed to borrow for revenue spending because of lower service obligations. Yet, those small towns that had to borrow faced comparatively larger debt burdens because of their limited revenue base.

Putting all this into an international context, three points are worth highlighting. First, while the US-style entrepreneurial and financialised cities of the post-1980s have not been widespread in Britain (except perhaps for London) largely owing to the highly centralised LG structure in the country, there are indications that some British cities have become more 'entrepreneurial' under austerity. Recent examples are Plymouth and Croydon councils which pursued debt-led investment in commercial property, aiming for economic growth in the municipal area and revenue generation to fund service expenditure to counteract austerity. Nonetheless, growing budgetary pressures in the post-Covid era resulted in the former entering into a large swap deal recently to hedge risks against interest rises on its borrowing mostly through ICB, while the latter issued a Section 114 notice interpreted as a bankruptcy notice in the media (Stubbington, 2020; Wallis, 2021). Previously, Northamptonshire council had to be absorbed into other LGs for similar reasons (Ford, 2020). Second, despite meagre cross-country evidence, there are indications that some of the experiences discussed above are not unique to Britain. The cases of Germany and Sweden are particularly intriguing. According to recent data (Eurostat, 2021), LGs in these two countries account for a significant proportion of STB among LGs in Eurozone countries. Third, given the current state of research with respect to short-term finances of LGs, there are not many parallels in the literature to post-austerity British experience and further research is needed to advance our understanding of the international context. A conjunctural approach, reflecting contextual positional and situational specificity would

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particularly be fruitful in understanding the commonalities and divergences in financial strategies of LGs internationally over time. Post-crisis modifications in LGs' financial strategies by federal/non-federal systems, market orientation, accumulation and welfare regimes, degree of exposure to the crisis and extent of austerity are some of the areas with potential for major contributions.

Supplementary material

Supplementary data for this paper are available at *Journal of Economic Geography* online.

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