

**Nottingham Trent University
Nottingham Business School**

**Financial Resilience in the Face of Austerity:
An Empirical Study of Local Authorities in
England**

Bernard Kofi Dom

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the requirements of Nottingham Trent
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Philosophy**

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Abstract

Central governments and local authorities (LAs) have been susceptible to adverse shocks from disruptive events throughout their existence. In response, central governments have had to make some decisions and implement interventions. In England, the implementation of fiscal austerity policies has affected public sector organisations, particularly local authorities since 2010. A continuous reduction in central grants (RSG) made English LAs more financially vulnerable, as they sought to maintain public services (statutory and discretionary) and meet the expectations of the public. Fiscal austerity policies led to significant pressure on local government finances from two sources – (i) long-term reductions in central government support to LAs, and (ii) rising demand for LA services, most notably social care.

This study uses a financial resilience framework to explore the impacts of austerity on English LAs between 2010 and 2020 in order to understand how they responded to a period of continuous reduction in central government financial support. The study adopts a mixed-method approach that combines data analysis, and data visualisation methods with evidence from a series of semi-structured elite interviews.

Contribution of this study include a unique quantitative panel dataset that allowed comparison and analysis of English LAs' income and expenditure over a long-term period, including the era of austerity and the preceding five years. It also applied data visualisation to understand the trends and patterns of LA income and expenditure in a national context. It also adopted the emerging Financial Resilience Framework as a theoretical model to interpret the implications for LAs by type and region. This revealed various trends and patterns in the impacts of austerity on English LAs' income and their response to the pressures generated by austerity. Finally, the study provides some theoretical contributions to the development and application of the Financial Resilience Framework.

Chapter One

Introduction

1.0 Chapter Overview

This chapter provides an overview of the PhD thesis (henceforth; referred to as the study). It highlights the financial arrangements of Local Authorities (LAs) in England with a summary of their funding structure. The chapter introduces the research problem and identifies the research questions and their justifications before concluding with an outline of the rest of the thesis.

1.1 Antecedents and Background

Austerity has become a common term to public servants responsible for delivering quality services to their populace. The financial crisis caused significant impacts on various economies worldwide, which has revived governments' interests in managing financial stress and organisational reactions (Barbera et al., 2017). The significant impact on economies caused by the financial crisis in 2008 compelled governments (Kickert, 2013a), including the UK (Jones, 2017; Kickert, 2012a; 2012b), to implement austerity measures by cutting central government support to LAs through a combination of the reduction of Revenue Support Grants (RSGs) and other changes to the financial support infrastructure. Local Authorities (LAs) in other countries, including the Netherlands (Kickert, 2012c), Belgium (Kickert, 2012d) and Denmark (Kickert, 2013b), were exposed to similar challenges caused by the financial crisis. The scale of the impact was so severe that it was not until 2016 that economic productivity returned to a pre-crisis level (Stuckler et al., 2017). In the UK, it is evident that austerity could persist for the next decade or two, given the uncertainty in macroeconomic determinants such as Brexit, interest rates, immigration, and other factors. The impact of austerity appeared to have made UK local authorities more vulnerable, not because it came as a shock, but due to the uncertainty of its severity. In 2017, the Local Government Association (LGA) predicted that UK local authorities could see a central funding fall of 77% between 2015 and 2020. Thus, the £9.9bn Revenue Support Grants (RSGs) in 2015/16 to councils could shrink to a low £2.2bn by 2019/20, which would significantly affect UK councils (Crewe, 2016).

The coalition (Conservative-Liberal Democrats) government led by David Cameron and the then Chancellor George Osborne introduced fiscal austerity to eliminate the growing national budget deficit and reduce public debt as a share of GDP. The government predicted the national debt which had rocketed from £50 billion in 2009 to over £103 billion in 2010 and would grow to £164 billion by 2011 when it would represent 11.1% of GDP. The Spending Review sought to decrease it by £110bn each year for five years to 2015 with 80% intending to come from reductions in public expenditure and the remaining 20% anticipated from growth in the economy (The King's Fund, 2022). However, this failed to materialise, and the government continued to reduce funding to local authorities and other public sector agencies. As a result, financial and service pressures emerged since cuts in central funding to local

authorities meant it was increasingly difficult for LAs to attain balanced budgets as well as meeting their service delivery responsibilities. LAs in the UK adopted various strategies in responding to these pressures, and so far, most appear to have mitigated the financial and service pressures. Inevitably during this period, some LAs were vulnerable, which became more apparent when Northamptonshire County Council issued two Section 114 Notices in quick succession in 2018.

Since 2020 studies by Murray et al., (2012), Hastings et al., (2015), and Stuckler et al., (2017) have emphasised that LAs have been under significant financial and service-demand pressure over the last decade. Others have highlighted changes in central government policies (Murphy and Jones, 2016), natural disasters (Pelling 2003), economic crisis (Kickert, 2012a; 2012b; Barbera et al., 2017) and changes in demographic conditions (Hendrick and Jimenez 2010). More recently, LAs have learnt lessons from the early impacts of austerity, which they have applied in their decision-making to stay resilient whilst facing increasing pressures posed by the COVID-19 pandemic crisis. Some LAs have been compelled to issue Section 114 notices.

1.1.1 Perceived Vulnerability

Perceived (financial) vulnerability is a key term used to understand how local and central governments consider themselves susceptible to financial shocks and disruptions and how they respond to those adversities during (un)certain events. Both the theory and practical implications of perceived vulnerability will be investigated later in this study. However, financial resilience and perceived vulnerability are not confined to LAs or the UK. For example, a central government might be considered a Heavily Indebted Poor Country (HIPC) by the World Bank and International Monetary Fund (IMF) when the country is considered to have unsustainable debt. The Perceived Vulnerability (PV) of local authorities vary based on different characteristics and factors. Local authorities can disclose their annual financial situation in a statement. In the USA, local authorities facing significant financial problems can default on their debt as a last resort and declare bankruptcy (Lewis, 1994; Congressional Budget Office 2010). Other key definitions are detailed in [Appendix A](#). In the UK, local authorities that consider themselves vulnerable and unsustainable cannot go bankrupt but must issue a report under the Local Government Finance Act (1988), Section 114 (3), which states that:

“The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure”.

1.1.2 Financial Resilience

The financial resilience of Local Authorities worldwide has been affected by crises and uncertain events (shocks). LAs in different countries have been forced to respond to the impact of austerity. Since the onset of the financial crisis and the various austerity policies introduced by nations/states, scholars have taken an increasing interest in financial resilience in different countries settings like England (Jones, 2017), Italy (Barbera, 2017), the US (Korac et al., 2017), France (du Boys, 2017), Greece (Cohen and Hlepas, 2017), and the Netherlands (Overmans, 2017). In England, LAs have engaged in various strategies to minimise the impacts

of austerity and the level of perceived vulnerability. There is a growing but still relatively small and narrow body of academic research looking into financial resilience, although there have been calls from scholars for a better understanding through more detailed studies on financial resilience in a national context.

1.2 Local Government Financial Structure in the United Kingdom

English local authorities (LAs), receive both non-controllable and controllable income. Non-controllable incomes are funds that LAs receive from external sources, most notably the UK central government. Controllable incomes include taxes determined and collected locally from residents and businesses. Figure 1.1 illustrates the general funding model for English LAs – both non-controllable and controllable incomes – and their obligation to meet expenditure requirements for providing both statutory and discretionary (non-statutory) services to their residents. Figure 1 shows the relationship between LA controllable and non-controllable income and expenditure. What this study will show is the extent to which non-controllable income was affected during the austerity era (the impact of austerity) and how LAs responded to this (response to austerity) by exercising local decision making over a combination of both controllable income and their expenditure so as to respond and remain resilient during this period.

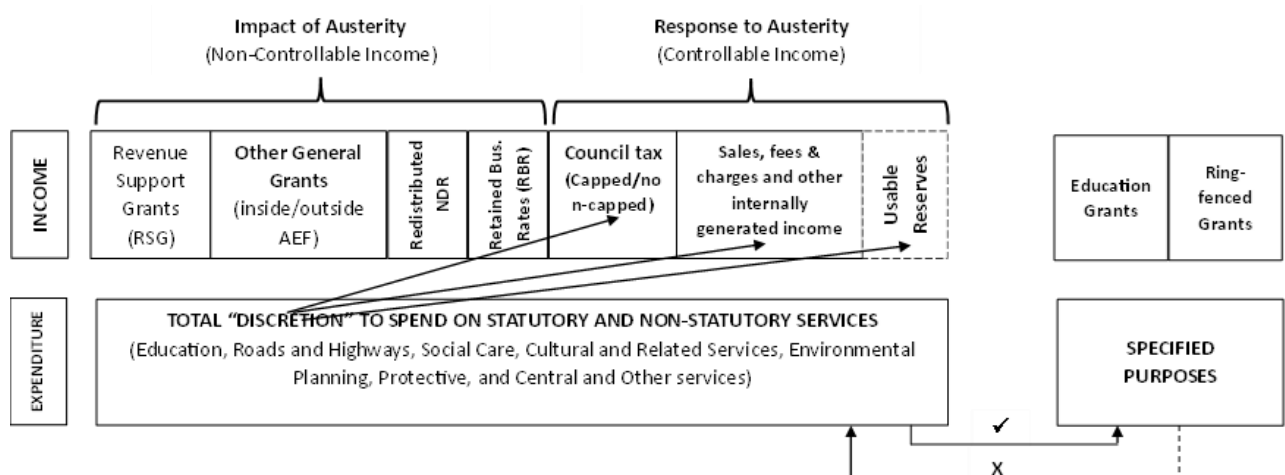


Figure 1: Budget Structure of LAs in England

Source: Author (2023)

Central government provided both general grants and ring-fenced grants – funds allocated to LAs for specific purposes – to support LAs to cater for specific services, including Education. In addition to controllable income, LAs have discretion to use their reserves, where necessary, to meet the expenditure requirement. Hence, LAs have some level of autonomy over their reserves, which are often a means of building up funds to meet both certain and uncertain future liabilities (although central government caps the aggregate amount of reserves an authority can accumulate). There is also a distinction between capital and revenue expenditure. Revenue expenditure is generally related to day-to-day operations, while capital expenditure focuses on long-term and major investments. There are strict controls over capital expenditure, meaning that while it is possible to use revenue income sources to fund

capital expenditure, it is not possible to use capital sources to fund revenue expenditure. The prime focus of this study is on the relationship between revenue funding and related expenditure. Finally, it is worth emphasising that although LAs may extend funds for specified services, they are restricted from using ring-fenced funds for other unspecified services. The structure of Local Authorities in the UK is described in chapter 2.

1.3 Statement of the Problem

After the imposition of austerity localism, LAs have endured significant reductions in finances, which has affected the delivery of services. Existing literature found that most LAs have adopted financial resilience strategies, including coping capacities (Overmans, 2017) and the development and use of anticipatory capacities (Barbera et al., 2017; 2019). Austerity policies are ongoing in the UK, and LAs are likely to continue facing increased financial and service demand pressures in the foreseeable future. Since 2010, literature on financial resilience has been rapidly developing with studies conducted on the financial resilience of LAs in Austria (Korac, 2017), Australia (Drew, 2017), Brazil (de Aquino and Cardoso, 2017), England (Jones, 2017), France (du Boys, 2017), Germany (Papenfuß et al., 2017), Italy (Barbera, 2017), Sweden (Wällstedt and Almqvist, 2017), Netherlands (Overmans, 2017), and the United States (Korac et al., 2017). These studies focused on the analysis of individual or small samples of LAs/municipalities that were generalised into wider perspectives in the respective countries. Hence, the literature on financial resilience in larger groups of LAs/municipalities is sparse, although a few studies (Papenfuß et al., 2017; Barbera, 2017) were conducted using slightly bigger samples. Thus, there is a gap in the literature relating to large-scale studies, addressed by this study.

Similarly, existing literature (Kickert, 2012b; Hastings et al., 2015) on financial resilience tends to focus largely on how LAs/municipalities have responded to the adversities caused by the financial crisis in the short term. Although studies (Overmans, 2017; Papenfuß et al., 2017; Jones, 2017; Barbera, 2017) have adopted a longitudinal approach to understanding the financial resilience of LAs/municipalities they are only based on a short period ending 2012. This means fewer studies have focused on the period after 2012 to fully understand how LAs became and remained resilient during the austerity era. In the UK, LAs also had a unique phenomenon in “Brexit”, compounding the pressures. Thus, there is a gap in the literature relating to the long-term analyses which this study seeks to address.

1.4 Justification

This section discusses how the study contributes to existing knowledge in a field that is currently very dynamic and fast-changing.

It seeks to understand how LAs have employed financial resilience strategies to sustain their organisation in the face of financial pressures caused by the economic recession and the UK’s policies of austerity. The study will provide a large scale, longitudinal analysis of financial

resilience patterns and decisions that LAs have adopted to cope with financial pressures to deliver services. At the end of this project, the study will put forward recommendations based on its findings to enable UK LAs to make more efficient decisions in responding to adversities of (un)certain events/crises that may emerge in the future. As mentioned above, the extant literature on financial resilience usually focuses on an individual or a small subset of LAs/municipalities within a national and/or regional context. This study seeks to focus on both national (England) contexts, narrowing the focus down to capture all LAs (by type and geography). Thus, the study seeks to understand LAs' financial approaches using a dataset that captures financial data from LAs across England. This helps understand the unique and common traits that LAs share (by type and geography) to appreciate how LAs have become increasingly vulnerable throughout the era of austerity despite their efforts to become more financially resilient.

Similarly, existing literature on financial resilience tends to be over shorter periods, although some studies (Overmans, 2017; Papenfuß et al., 2017; Korac, 2017; Jones, 2017; Barbera, 2017) have employed longer periods (ten years) to understand how LAs have responded after the financial crisis. These studies have used small samples of LAs. This study investigates the impact of austerity and how different LAs (by type and location) have responded to the shocks posed by the austerity era and will address the problem using panel data that spans from 2005/06 to 2019/20 and across the local government population. The study will use data visualisation to understand the changing trends and patterns in the response behaviour of UK LA throughout this period.

Relatively few studies investigate the impact of contextual factors on LAs' financial resilience and those that do predominantly apply a qualitative approach and limited time frame, making it difficult to generalise how different types of English LAs respond to austerity and how their reactions might change over time. This study addresses this shortfall.

1.5 Objectives of the Study

Based on the research problem, this study aims to investigate how UK LAs were impacted by and responded to the austerity era (2009/10 to 2019/20) using the lens of financial resilience. First, the study creates a financial data set of English LAs in order to track the trends and patterns of severity in the shocks and crises that emerged during austerity. Second, the study adopts a combination of data visualisation, quantitative and qualitative methods to understand the impacts of austerity policies on English LAs. In so doing, the study analyses how LAs have (re)prioritised limited and diminishing funding on service expenditure (both statutory and discretionary) during the era of austerity. Third, the study explores the perceived vulnerability of English LAs (by type and region). Fourth, by applying the theoretical financial resilience framework developed by Barbera et al. (2017); Saliterer et al. (2021); Steccolini et al. (2018) the study examines how individual services were affected or withstood these

shocks ¹ by analysing one specific group of LAs services, namely, Cultural and Related Services (CRS). Finally, the study draws insights and evaluates capacities that promoted the financial resilience of English LAs during the era of austerity. The study, therefore, addresses the research problem using the following broad research objective:

To investigate how English LAs addressed the impacts of austerity policies using a lens of financial resilience.

The study will address the following specific research questions to achieve the broad objective.

1. Using official financial data, can the study create a quantitative database that facilitates the analysis of English LAs' financial resilience during the era of austerity? (See in particular, [Appendix B](#))
2. What were the impacts and response of English LAs to Austerity? (See in particular, Chapter 4)
3. What impact did austerity policies have on the perceived vulnerability of English LAs? (See in particular, Chapter 5)
4. How did English LAs respond to the impacts of austerity in providing Cultural and Related Services using a financial resilience framework? (See in particular, Chapter 6)

These research questions are conceptualised and discussed in relation to the theoretical and conceptual framework outlined in Chapter 2. The research methodology and methods adopted are outlined in Chapter 3.

1.6 Scope of the Study

This section discusses the scope of the study. The scope of this study has two aspects - the contextual scope and the geographical scope.

1.6.1 Contextual Scope

The contextual scope of this study focuses on English LAs and their (1) financial resilience and (2) perceived (financial) vulnerability during the study period. The study seeks to understand how LAs have addressed financial and service pressures during the era of austerity, using a lens of financial resilience. The study critically analyses the perceived vulnerability to fully understand the response employed by LAs during the austerity era.

1.6.2 Geographical Scope

The geographical scope of this study was initially intended to cover all Principal Local Authorities (defined in chapter 2) in England, Wales, Scotland, and Northern Ireland of the United Kingdom. However, this proved unrealistic and impractical due to inconsistencies in the data available and/or structural changes to LAs in the study period. Northern Ireland

¹ Members of the Public Service Accounting and Accountability Special Interest Group of the International Research Society for Public Management

LAs had to be excluded because of the reorganisation of local government authorities in 2015, as a result of the Local Government Act (Northern Ireland) 2014, making it impractical to extract consistent financial data of LAs within the province during the study period. An initial attempt was made to include financial data from Wales, and while this also proved impractical due to different funding and structural arrangements, a separate study on the Welsh LAs' response to the austerity era is in development (Dom et al., 2022). Comparative data was not available for LAs in Scotland. It was therefore decided to exclude the three devolved administrations and to focus only on English LAs. There are however likely to be a number of findings from England that are generalisable to LAs in the devolved administrations.

This study also excludes Police and Crime Commissioners (PCCs), Police Fire and Crime Commissioners (PFCCs), and Town and Parish Councils.

1.7 Contribution of the Study

The austerity era provides a unique opportunity to study a whole sector facing a significant financial shock. The impact of austerity policies was universal across the sector, in contrast to specific shocks that impact individual LAs. As such, it provides the opportunity to consider the impact on and the responses across all LAs. Since the austerity era began, other universal shocks have impacted UK LAs, most notably Brexit.

This study provided the opportunity for the researcher to create a longitudinal dataset with 15 years of data on the revenue income, revenue expenditure, reserves, and capital items for all principal LAs in England. This dataset represents a key contribution to practice and research, as there was no equivalent data available for a 15-year time series.

The study analyses comparable financial data from 343 LAs (by type and geography) across England to identify changing trends and patterns. Another major contribution of this study is the use of data visualisation to analyse the secondary data. Data visualisation is prominent in other disciplines (Quattrone, 2017; Masiane et al., 2020), but less so in the public service accountability and financial management research disciplines. This study applied data visualisation to identify common income trends and expenditure patterns of LAs by type and region. The insights derived from these analysis of these trends and patterns helped formulate the subsequent elite interview questions and helped the researcher to understand the responses of LAs to austerity.

This study contributes to an under-explored body of literature on public service management. Although studies (Ferry et al., 2017; Jones, 2017; Hastings et al., 2013; 2017; Ogle et al., 2017; Eckersley et al., 2023) explored the impacts of austerity within a local government context, less attention has been given to specific services and still less to non-statutory services. As a result, this study also applied the emerging financial resilience conceptual framework to culture and related services (CRS) to gain more understanding of (dis)similarities in response strategies by the English LA types and regions during the austerity era.

Finally, the study contributes to the theoretical and empirical literature on financial resilience and perceived vulnerability. It also contributes to the literature that explores the financial resilience of LAs/municipalities over the long term and on a larger scale. To date, the existing literature tends to focus on shorter periods. This study analyses the financial resilience and perceived vulnerability of LAs using a robust 15-year panel data dataset from 2005/06 to 2019/20. During the 15-year period, the study investigates financial resilience and perceived vulnerability before the austerity era and compares that with financial resilience and perceived vulnerability after the implementation of austerity in both the early and late eras of austerity. The findings will contribute to the on-going public sector debate on financial resilience and sustainability, and is therefore useful to central government agencies (MHCLG, NAO, LGA, etc.) and professional bodies in accounting and accountability (CIPFA, CIMA, Grant Thornton, etc.) and academics (Steccolini et al., 2018).

1.8 Organisation of the Study

This chapter introduced the project, outlined the objectives and the research questions and briefly discussed its aim and potential contributions to existing knowledge. Chapter 2 reviews and synthesises the current literature on the impacts of austerity on LAs and how LAs responded to these policies and impacts prior to and during the austerity era. It identifies three broad areas of the literature covering (i) relevant theories in public management, (ii) the impacts of austerity, and (iii) the concept of financial resilience. The methodology and methods used in the study are discussed and justified in Chapter 3.

Chapters 4 to 6 present the empirical findings from the study. Chapter 4 provides findings and discussions on the impact of austerity on the income and expenditure of LAs in England. Chapter 5 adopts a case study approach to discuss findings from the primary and secondary data and to analyse the perceived vulnerability of LAs in England. Chapter 6 investigates the impact of austerity on a specific group of services namely cultural and related services (CRS) and provides insight on how English LAs responded to the financial and service demand pressures faced throughout the time series (2005/06 to 2019/20) on a group of non-statutory services. Chapter 7 discusses the findings from both the primary and secondary data to help understand how LAs in England responded to pressures they faced using the lens of financial resilience. Chapter 8 provides the conclusion of the study with some suggested recommendations together with some limitations of the study and potential areas for future research.

Chapter Two

Literature Review

2.0 Chapter Overview

This chapter reviewed and synthesised literature on the impacts of austerity on LAs and how LAs responded to these policies and impacts during the austerity era. It provides a detailed literature review on each of three themes, analysing how LAs were affected during the austerity era and exploring how they have used tools and theories from various theoretical positions New Public Management (NPM) to respond to policies and challenges and ensure financial resilience. Finally, the chapter combines the three themes into a conceptual framework, explaining how the themes of literature are interrelated and connected with the research objectives of this study. This conceptual framework has been used to guide the subsequent research and in particular the collection of data and information; both primary and secondary.

This chapter reviews the literature on three themes:

- a. A review of New Public Management and New Public Governance, and how it relates to the context of financial resilience in the UK.
- b. The determinants of austerity in the UK; its impacts upon Local Authorities and the various strategic responses over time; and,
- c. A structured review of the literature relating to the rapidly emerging concepts of financial and non-financial resilience in Local Authorities and the public sector more broadly.

2.1 A definition of austerity and the UK Local Government Context

Definition of Austerity

The term “austerity” has gained increasing attention from scholars since the 2008 global financial crisis. Earlier studies from Blyth (2013); Krugman (2012); Schui (2014) defined ‘austerity’ in slightly different contexts, but the term has evolved to become a household term over the last decade. Schui (2014, p.1) noted that austerity is an ancient word that stresses the “notion where individuals, states, and organisations benefit from limiting their consumption of resources”. Other definitions were based on the thematic interest of the respective authors. In a finance and public management context, austerity can be considered as a financial condition where public sector organisations, particularly LAs, are expected to continue providing public services despite the continuous reduction in central government support and by raising local revenue via either tax or charges, whilst government attempts to achieve economic stability and growth at the same time (Ferry and Eckersley, 2011; Ferry and Eckersley, 2012). Others such as Hood et al. (2014); Kickert and Randma-Liiv, (2015) suggest a more political definition for austerity as measures adopted by politicians and governments to address funding gaps through the ‘politics of fiscal squeeze’, i.e., by tax increments, revenue cuts in government expenditure, or both.

Other authors (Bramall, 2013; Anderson and Minneman, 2014; Konzelmann, 2014) argued that austerity had lost its true meaning, as it had been used frequently in the public sector and local authorities over the past decade. Ferry and Eckersley (2011; 2012) agree that austerity has at times been ill-defined, and Schui (2014, p. 2) agrees that the term gradually loses its true definition, which he sees as meaning “to restore balance in government finances and regain economic dynamism and competitiveness”. Krugman (2013) suggested that austerity has lost its proper role as an economic measure to reduce public debt and ensure economic growth and has shifted to become a political tool to foster short-term public sector organisational goals. These different perceptions on the benefits and drawbacks of austerity reflect a lively academic and practitioner debate, not least in the public management literature, which suggests a definition of austerity is needed for this thesis. Therefore, this study defines austerity in a political-economic way as “a set of policies that central governments implement to reduce expenses, debts, and deficits by restraining expenditure, reducing public spending, and challenging the public sector to withstand unforeseen shocks in the future”. It appears likely that governments will continue to consider austerity measures as an economic stability strategy for future crises, and it is necessary to stress that the current austerity period is unlikely to be the last since state debt and unemployment are both rising in the current economic and political circumstances of the UK (Dom et al., 2023; Dom and Lino, 2022; Eckersley et al., 2023).

Central-Local Government: The Institutional Context and Landscape

There are 408 Local Authorities (LAs) in the United Kingdom (UK), comprising 343 principal councils in England², and 32 Unitary Authorities in Scotland, 22 in Wales and 11 in Northern Ireland. Principal councils refer to upper tier councils, including unitary, county, and lower tier councils covering a district area. Principal councils have the general power of competence under the Local Government Act 2011. There are also 10 combined authorities in England that receive additional powers and funding from the central government³, as does the Greater London Authority. A combined authority can be set up by two or more local authorities. The government devolves various powers and funding to an area so councils can collaborate to make collective decisions. A combined authority does not replace the existing local authorities. These combined authorities are particularly important for transport and economic policy across the regions or sub-regions in which they are based. There are around 10,000 town and parish councils in England, which operate at a level below district councils and unitary authorities but these are not included in this study.

Structure of Local Authorities in England

The structure of local government in England varies from area to area (Sandford, 2022). In some areas, LAs are divided between a county council (upper-tier) and a district council (lower tier), which are responsible for different services. In other areas, there is a single unitary authority e.g. London boroughs, metropolitan areas and some parts of England.

² A list of all LAs in England can be accessed at: [List of council in England](#)

³ The 10 combined authorities include Cambridgeshire and Peterborough, Greater Manchester, Liverpool City, South Yorkshire (Sheffield City), North of Tyne, Tees Valley, West Midlands, West of England, North-East, and West Yorkshire. This is available on the government website at: [Local government structure and elections](#)

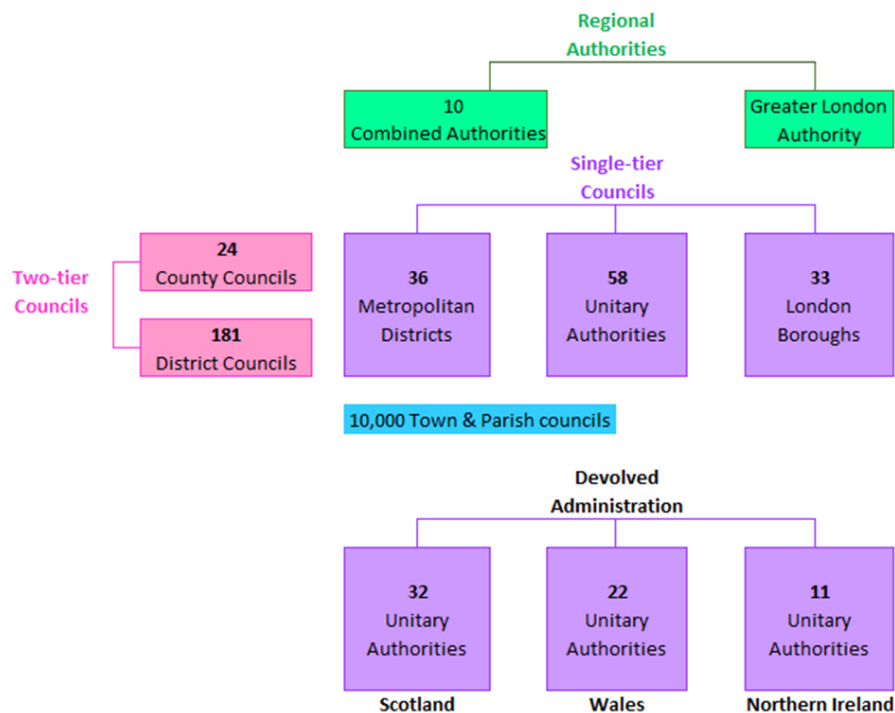


Figure 2: Local Government Structure in the UK

Source: Author (2023)

The service responsibilities for LAs in the United Kingdom are further detailed in [Appendix C: Service Responsibilities LAs](#). LAs have some control over different sources of income, which serve as options to reduce the severity of the impact of austerity. LA funding is largely made up of three key sources – central government grants, council tax, and business rates. Other funding streams for LAs include reserves, sales, fees, & charges, and bonuses. A more detailed discussion of the sources of funding is further elaborated in [Appendix D](#).

2.2 New Public Management

New Public Management (henceforth; NPM) developed in the UK in the '70s and '80s and is associated with 'Thatcherism' (Green, 1999) (increase market competition/ dismantling state monopolies and reduction of public bureaucracies) and the perceived inflexibility of Traditional Public Administration (TPA) under the slogan of "let managers manage" which is redolent for a theme within NPM with Entwistle's theme of autonomy (Entwistle 2022). NPM has increasingly attracted the interest of scholars in the past three decades. Despite the relevance of the key NPM principles, its adoption has been a complex process both in developed and developing nations, as each nation applies its public management reforms within a broader legal framework and political system. The adoption of NPM is therefore also influenced by historical economic (Di Mascio and Natalini, 2013), political, philosophical (OECD, 2000), and administrative (Larbi 2003) factors. For example, economic recessions (in the 1970s), the global recession (2008/2009) and the financial crisis experienced in most Western economies (Di Mascio and Natalini, 2013) have led to many of the affected economies implementing NPM reforms in an attempt to avoid economic stagnation and boost economic growth.

New Public Management, although still a powerful theoretical paradigm, has more recently been increasingly challenged theoretically and in practice by New Public Governance (NPG). Since the election of the Coalition Government in 2010, reforms and policies based upon NPM have come back into favour with the government in the UK, although empirically based critiques have increased, and NPG and PV have developed both theoretically and increasingly in practice in Europe, New Zealand, Australia, Scotland, and Wales (as a result of devolution) but less so in England. Each country's reform objectives will be based on its unique context, thus leading governments to adopt alternative NPM strategies and reforms according to their particular circumstances rather than rely on the "one-size-fits-all" universal model. NPM principles have been widely recognised in many countries, although conversely, many critics also believe it is not the best model for reforms (Mongkol, 2011b). The main reason is that private and public sectors cannot be dealt with in the same manner since they have differing objectives and *raison d'etres*. For example, profitability is a primary objective in the private sector, whereas social equality is more important in the public sector (Flynn, 2012; Hughes, 2018).

2.3 The Antecedents and Impacts of Austerity on Local Authorities in England

2.3.1 Origin and History of Austerity

Austerity is not a new phenomenon for governments or local authorities. Multiple earlier crises, including the global economic recession after World War I in the 1920s (Hendrick et al. 2010), World War II, the oil crisis in 1974 (Kickert, 2012a), the constitutional and currency crisis of 1984 in New Zealand, among others, have often obliged governments to implement recovery measures leading to large public deficits and drastic cutbacks in public expenditure. Meegan et al. (2014) argued that the 2008 crisis was not the first of its kind, but nevertheless it was significant, giving rise to severe impacts across the world. Levine and Posner (1981), Pandey (2010); Kickert (2012a); Bracci et al. (2015) all demonstrate that the current austerity era is not the first of its kind since there were earlier economic and fiscal crises that have led to major reforms by developed countries worldwide. However, other authors (including Hendrick et al., 2010; Lodge and Hood, 2012) claim that the recent 2008 financial and economic recession that started nationwide in December 2007 and ended in June 2009 (Izzo, 2010) has been the worst recession of the 21st century and the longest financial crisis since World War II. Despite periods of austerity having existed before the financial crisis, this study refers to the 'era of austerity' as the period triggered by the economic recession in 2008/09, which has been followed by a continual reduction in real terms of public expenditure by the UK government up to 2019/2020.

The 2008 recession triggered multiple national crises that resulted in the implementation of austerity policies by most central governments across Europe, such as Greece (Cohen and Hlepas, 2017), Italy (Barbera et al., 2014), and England (Kickert, 2012a; Jones, 2017). Sørensen and Torfing. (2017) claim that the crisis occurred in four major stages where (1) the banking crisis led to (2) an economic crisis nationally, which led to (3) a fiscal crisis and (4) the eurozone crisis. The failure of the US mortgage market led to a banking crisis which contributed significantly to the economic crisis in 2007/08 (Lodge and Hood, 2012; Kickert, 2012a; Posner

and Sommerfeld, 2013). It was secondary mortgage market deregulation and privatisation losses of about \$47 Billion meant the Bush Administration had to bail out Fannie Mae and Freddie Mac (the federally backed home mortgage companies created by the United States Congress) and then Lehman Brothers Bank (LB) went bankrupt. LB was heavily involved in secondary subprime mortgages, and their bankruptcy filing was the largest in US History. Fannie Mae and Freddie Mac were major contributors to the US crises, but the LB bankruptcy was the shock that led to global markets 'plummeting'.

As major banks became insolvent, various governments (including the UK) intervened to bail the banks out of their financial crises, and this resulted in an economic crisis where Gross Domestic Product (GDP) fell drastically and unemployment increased (Kennett et al., 2015). A number of Western governments, including Germany (Kickert, 2013a) and the United Kingdom (Kickert, 2012b), also faced a subsequent fiscal crisis where they accrued significantly higher levels of sovereign debt as a result of the bail-out intervention, which led to a period of economic decline (OECD, 2009; OECD-SBO, 2011). The Eurozone crisis ensued when an alliance of "national economic institutions" engaged in bailouts for some Middle-European countries adopted public spending cuts and austerity measures to address the crises (Kickert and Randma-Liiv, 2015).

Governments responded differently to the challenges of the 2008 financial crisis depending on the impact of the crisis across their states, and some economies were more severely hit than others (Peters et al. 2011). Turcu et al. (2015) found that not just governments but cities within the same country responded differently to the shocks of the crisis. Regions or parts of some countries have different economic structures and, to a greater or less extent, can adopt different economic policies (particularly in federal states), which tend to have more distributive policies and resources. Hence, the 2008 financial crisis significantly affected European governments such as Austria (Korac, 2017), England (Jones, 2017), Greece (Cohen and Hlepas, 2017), Italy (Barbera, 2017), Netherlands (Overmans, 2017), and the United States (Korac et al. 2017) in different ways. Conversely, the impacts of the crisis were present but not as severe in countries such as Australia (Drew, 2017) and Sweden (Wällstedt and Almqvist, 2017).

After bailing out the banking industry, some governments implemented austerity measures to reduce national (sovereign) debt levels through budget cuts and public sector reforms to stabilise their economies (Stuckler et al., 2017). As a result, sovereign debt increased, and there was a drastic rise in public budget deficits. Public Sector Organizations (PSOs) affected by government interventions also acted to re-establish stability through increased budget cuts and reforms. This led central governments to initiate deficit reduction measures which led to significant reductions in Revenue Service Grants (RSGs) for local authorities in the UK. This was severe and long-standing in the UK because of the initial policies adopted by the Coalition Government and the government's subsequent repeated reluctance to change them when they demonstrably did not meet the original desired or stated objectives. PSOs, including UK local authorities, were significantly affected by austerity with rapid cuts in the Revenue Support Grants (RSGs). Blyth (2013) argued that austerity policies favoured the

banks, which caused the problem, rather than the public sector organisations that subsequently suffered the consequences of the problem.

Literature Map for the Impacts of Austerity on English Local Authorities

Figure 2.4 assumes that causal shocks often emerge from disruptive events while underlying conditions can make nations, governments and their LAs more (or less) vulnerable to these shocks. A series of these events could therefore have adverse consequences on organisations' financial and non-financial capacities. The resultant pressures compel organisations to respond by activating strategies, policies, or actions to respond to the impacts or perceived impacts of austerity. Figure 2.4 illustrates the three broad stages of the impact of austerity: its determinants, its impacts, and the strategic or operational responses by public sector organisations, such as local authorities.

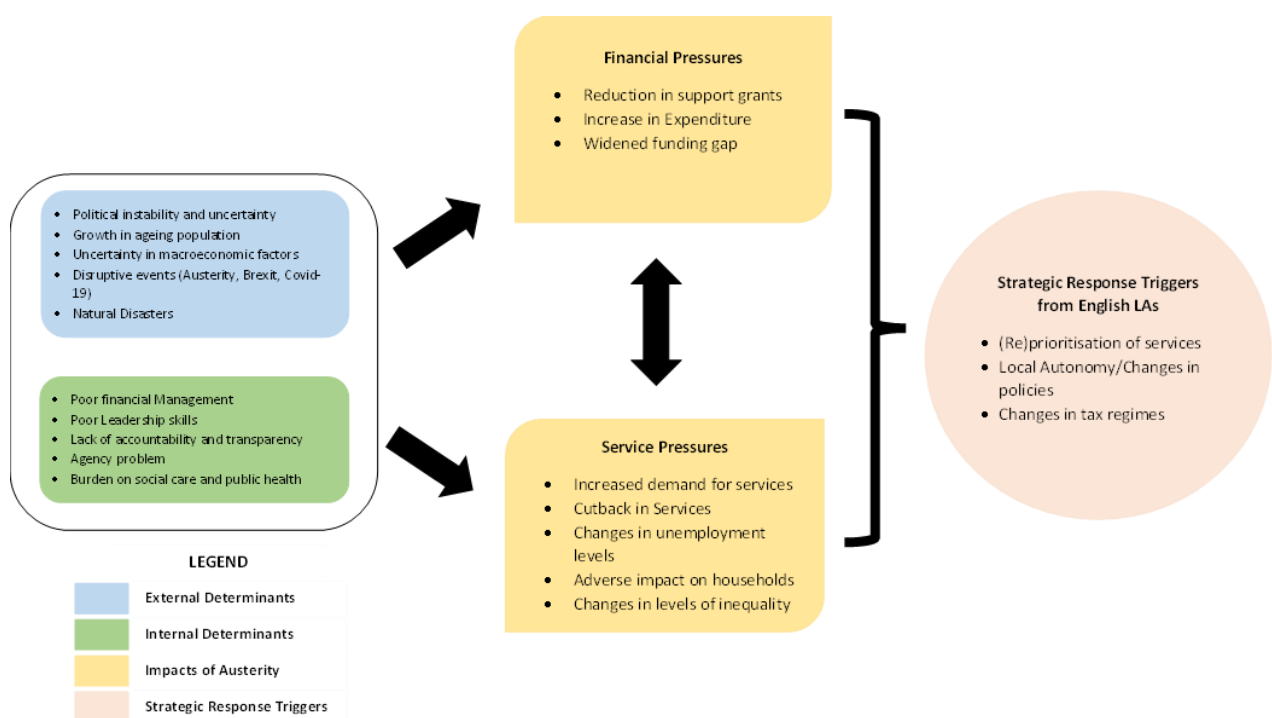


Figure 3: The Impacts of Austerity on LAs.

Source: Author (2023)

Figure 3 also illustrates the factors that could alter or intensify the impacts of austerity on the financial resilience of LAs. The next section explores the determinants as factors that will alter or intensify the impacts of an event (austerity) on the performance of an organisation. This study identifies and discusses key external and internal determinants that could alleviate or cause increased pressure on LAs. These determinants can lead to desirable or undesirable consequences and have been characterised into two broad categories: financial pressures and service pressures. This study discusses both sub-categories by critically analysing findings from relevant literature. These pressures or impacts have led LAs to devise responses, and the study highlights the policies and actions that LAs have deployed to respond to and minimise the adverse impacts of austerity.

2.3.2 Determinants of Austerity

'Austerity' does not happen in a vacuum; austerity is an effect of a situation, whether it is foreseeable or not pre-determined. Cepiku et al., (2018), Kickert, (2012a), Hastings et al., (2015), and Hastings et al., (2021); all found that the financial crisis was a major contributing factor to the severity of austerity among English LAs. Peters et al. (2011) agreed and acknowledged that the actions or inactions of central governments contributed to the crisis. These actions and inactions can be grouped into internal and external determinants of austerity, as categorised by Cepiku et al. (2018). Du Boys (2017) illustrated how unforeseen events (e.g., inflation and exchange rates) and uncertainties (e.g., Brexit, immigration) might also lead organisations and governments to experience internal and external pressures. Cepiku et al. (2018) suggest that internal determinants of austerity represent controllable events but that they still may lead to financial pressures within an organisation. As such, adversities/shocks caused arise from internal determinants are manageable and controllable by LAs than those from external determinants.

Dunsire and Hood (1989) found that external determinants are often severe, while Lodge and Hood (2012); Pollitt (2010); Raudla et al. (2013) all argue that external determinants have emanated from massive shocks, such as the financial crisis that occurred between 2007 and 2009.

2.3.2.1 External Determinants of Austerity

External determinants are often uncontrollable by the affected individual organisations. These determinants may be huge natural or man-made disasters such as earthquakes, wars, or pandemics. In Europe, Murray et al. (2012) identified four common challenges that arose after the 2008/09 financial crisis: growth in unemployment, challenges in making progress in fiscal consolidation, managing global financial imbalances, and sustaining growth & avoiding stagnation. Peters et al. (2011) found that the crisis led some governments to focus on ensuring efficiency and effectiveness in governance. Every crisis has resulted in financial pressures, social unrest, and economic instability for developed and developing states. Bailey et al. (2009) go so far as to argue that the underlying determinant of every financial crisis is often traced to a failure in governance and increased uncertainty. Hodges and Lapsley (2016) support this claim in relation to the 2008/2009 recession and found that banks initiated cheap credit and speculative property bursts, which exposed investors to more risk of losing their investments.

Global institutions such as the World Bank, the International Monetary Fund (IMF), the World Trade Organisation (WTO), and the World Economic Forum have significantly influenced policies adopted by a number of developed countries. These global institutions were formed after World War II, and their respective policy influence became an integral part of the external determinants of national and international economic policy. In Europe, influential multi-national regional institutions, including the European Union (EU), the European Central Bank (ECB), and the Organisation for Economic Co-operation and Development (OECD), have also contributed in different ways to the implementation of austerity policies either to save the international financial system or individual economies although their contribution has been heavily contested (Varoufakis, 2016; 2017) some the OECD for example changed their

policy and approach when the adverse consequences of austerity policies persisted, as it became clear they were not working in some circumstances (OECD, 2009).

The financial crisis was, however, the major external determinant of austerity across most European Union (EU) states, and Turcu et al. (2015) found that the crisis had impacted urban life in socio-economic and geographical dimensions. However, the post-crisis response among European countries included a combination of path dependency, high direct contribution, and participation in the respective economies. Hodges and Lapsley (2016) suggest that most of the interventions adopted by EU states were familiar uses of regulatory instruments and spending programs. Some of these responses exacerbated the impacts of the crisis, thereby leading governments of some EU states to implement further austerity measures, which Schui (2014) describes as ineffective deficit reduction strategies. This is because despite helping reduce public debt and expenditure in the short term, austerity – in most cases – accelerated financial pressures on government agencies in the medium/longer term. The Dutch government spent 16.8 billion Euros to take over their national banks after the collapse of the Lehmann brothers in 2008 (Kickert, 2012c) and adopted a recovery plan where 6 billion Euros was invested between 2009 and 2010 into the economy.

The German economy recovered more rapidly from the global financial crisis as Chancellor Merkel embarked on rapid recovery packages that provided job security and economic stability in Germany (Kickert, 2013a). The Spanish government invested a 100 billion Euro loan to recapitalise and restructure the Spanish banks between 2009 and 2011, as Kickert et al. (2013) found that Spain's major problem was its trustworthiness on the international financial markets, which dropped after 2010 with the bank collapse and bail-out in Spain, Greece, and Portugal. Thus, Spain (encouraged by the Troika) subsequently followed the common recovery approach adopted by most Western European states. While several governments (Cyprus, Greece, Italy, Ireland, and Portugal) adopted local reforms before and during the crisis, not all countries (for example, the Nordic states or Switzerland) were exposed to the negative impacts of the crisis (Ladner, 2017). Even though European states, including Latvia, Hungary, and Romania, needed financial support, Ladner (2017) and other European states, like France, Belgium, and the United Kingdom, were perceived to be threatened and strongly influenced by World Bank/IMF/OECD policy, these policies decisions were considered external determinants of austerity. The recovery strategy for the UK central government was to reduce public expenditure, transfer some service provisions to public sector organisations such as LAs, reduce central funding and severely limit LAs' revenue-generating opportunities and subsequently reducing or eliminating some services to the public. As these response options were projected as economic response measures, Kickert (2012a) deduced that the core objective of implementing austerity was to reduce public spending to stabilise the economy.

2.3.2.2 Internal Determinants of Austerity in Local Authorities

Internal determinants of austerity are controllable factors that influence the productive environment of an organisation and its response to possible unforeseen events and occurrences (Lodge and Hood, 2012). Fiscal dimensions such as financial autonomy, spending autonomy and flexibility, decision-making policies, and leadership styles can be considered

internal determinants of austerity (Cepiku et al., 2018). Behn (1980) argues that leadership styles play a vital role in the financial performance of an organisation. He considers that a productive leader takes proactive actions to minimise disruptive events threatening an organisation's smooth operation. This extends to governance at the local government level. Thus, internal determinants, including lack of leadership skills, inadequate financial knowledge and leadership and management skills among local authorities' elected leaders and senior officers, and lack of transparency and accountability influence the implementation of austerity policies, which intensifies financial failure levels.

The impact of the financial crisis has affected decision-making at the local government level in developed countries, including the USA and UK. However, Ladner (2017) argued that a country's ability to resist and recover from a crisis does not depend on the structure of the country's local government. He argued that countries like Ireland, Portugal, and the UK have large municipalities, but this does not make them more robust in withstanding pressures from the crisis than countries like France, Spain, and Italy, with smaller municipalities (Ladner, 2017). This was counter-factually illustrated by Switzerland, a country with small municipalities, and Sweden or Denmark (with large municipalities), which were relatively unaffected by the crisis. It is interesting to note from Ladner's (2017) study that nations with more autonomous local authorities (such as Denmark, Switzerland, and Sweden) were less affected by the crisis than nations where local authorities had less autonomy (Cyprus, Greece, and Ireland), although Spain and Italy which were significantly affected but their municipalities had relatively little autonomy.

The severity of cuts in public spending depended on the internal and/or external determinants influencing a particular nation during the crisis. In the UK, central government and local authorities have been significantly affected by internal and external factors, leading to a sustained and significant fall in financial resources available to provide public services and significantly less assurance in the achievement of value for money (Murphy and Jones, 2016; Murphy et al., 2023).

2.3.3 Impacts of Austerity

Austerity measures have been widely implemented across governments around the world since the global financial crisis. According to Bordogna and Neri (2014), most EU nations have implemented austerity as a major economic recovery instrument to ensure economic stability after the economic and sovereign debt crises. However, some nations, such as Portugal, Spain, and Greece, implemented stronger measures largely imposed by the Troika (IMF, European Union and the European Central Bank), significantly impacting local authorities' finances (LAs). Some of these measures included rationalising human resources, merging and amalgamating authorities, and fiscal cutbacks (Ladner, 2017). A common measure most central governments adopted was to enforce cost-saving programmes on local authorities (municipalities) to alleviate public budget deficits and reduce public debt within the short term (Lowndes and Gardner, 2016; Cepiku et al., 2016). Hermann (2014) found that European countries, such as Finland, Netherlands, Germany, Switzerland, and the United Kingdom (UK), all adopted severe austerity measures, including the amalgamation of local authorities - to capture economies of scale (Lowndes and Gardner, 2016) and countries including Greece,

Latvia, Turkey, and Ireland reduced their support to municipalities by more than 50 per cent to achieve the overall objective of reduced public borrowing, budget deficit, and public debt.

Countries adopted austerity in different ways and at different times (Turcu et al., 2015), enabling countries and their respective local authorities (municipalities) and cities (urban areas) to implement a variety of economic recovery programmes, including cutback management after initially adopting a Keynesian approach involving deficit spending (Hermann, 2014). However, austerity policies, especially expenditure cutbacks, soon dominated deficit spending as the primary economic recovery instrument after 2009 (Hermann, 2014). Turcu et al. (2015) noted that cities that had suffered a significant adverse impact from previous crises were less affected by the 2008/09 global financial crisis, as cities in Germany and Sweden appeared more resilient than those, for example, in the Northern part of the UK. The reason for this financial position was because lessons from previous crises helped shape the organisation culture and response to shocks from the crises. Similarly, Keynesian austerity programmes in some countries, including infrastructure investments, tax cuts, and increased social benefit funds, alleviated the effects of the global financial crisis on the most vulnerable members of society. In all countries, however, wider public sector organisations, especially local authorities, struggled to preserve and manage service delivery to their residents (Raudla et al., 2017).

2.3.3.1 How Austerity was Perceived in Developed Nations

Governments engaged in various austerity measures to alleviate financial failure after the global financial crisis (Padovani et al., 2017). The intensity of governments' austerity measures varied and depended on the severity of the crisis impacts across countries worldwide and their respective local authorities. According to Bracci et al. (2015), the UK was one of the first countries to implement austerity with deep cuts on spending at the same time as maintaining lower taxes. The UK government implemented a fiscal policy to stimulate and stabilise the economy. Bracci et al. (2015) noted that the main objective of implementing austerity in the UK was to enhance deficit reduction and boost confidence in the markets to stimulate economic growth. Netherlands engaged in the rationalisation of employees with a sequence of cuts on local authority budgets, similar to the UK, as Ladner (2017) reported further delegation of tasks to local authorities while withholding the funds to execute these tasks. Thus, the Netherlands adopted austerity measures as reforms, while Germany adopted austerity measures to achieve economic stability (Overmans and Timm-Arnold, 2016).

It is important to note that austerity impacts are not entirely negative impacts, and this study defined the impact of austerity as the benefit derived and/or drawback suffered because of austerity implementation by an organisation or government during the austerity era. Austerity policies may yield benefits or have adverse consequences for national and local authorities in the short and long term. This thesis has categorised austerity impacts on UK local authorities into three types of pressures, i.e., (1) financial pressures, (2) service demand pressures, and (3) infrastructure pressures. These impacts have been reviewed against extant public management literature at both central and local government levels, as these pressures may be experienced across both levels of government.

2.3.3.2 Financial Pressures

Austerity has caused significant impacts on the financial performance of governments, public sector organisations (PSOs), and local authorities (municipalities). For this project, financial pressures were defined as significant organisational changes that promote or detract from the financial performance of an organisation or government due to the implementation of austerity measures. The literature has categorised financial-related impacts as (1) cuts in central funds and grants, (2) the widening of a funding ‘gap’ between income and expenditure, and (3) an increase in expenditure.

2.3.3.2.1 Cuts in Central Funds and Grants

Governments have engaged in public spending, which has affected funding for local authorities in countries like Australia (Dollery et al., 2006), England (NAO, 2018), Ireland, Greece, Germany (Ladner, 2017), Netherlands (Overmans and Timm-Arnold, 2016). Local authorities in England saw significant reductions in RSG by an annual margin of 7.25 per cent between the 2010/2011 and 2014/2015 budgetary years (Ferry and Eckersley, 2012). In their study, Dollery et al. (2006) argued that the local authorities in Australia were reluctant to exploit households with tax increments while they struggled to provide services in their communities. In England, local authorities sought to exploit any available alternative sources of income to maintain services and ensure value for money (NAO, 2018). Lowndes and Gardner (2016) found that “*austerity and devolution*” were the two key priorities after the Conservative government was elected in 2015. English local authorities under the previous conservative-led coalition government had already lost a third of their funding from the central government after five years of significant cuts (NAO, 2014a, 2014b). In 2015, the government announced an additional 56 per cent cut in funds and grants to local authorities from the English central government over four years 2015/16 – 2019/2020 (HM Treasury, 2015a, 2015b, p78).

2.3.3.2.2 An Expanding Funding Gap in the UK

The funding gap is defined in Sandford et al.’s (2018) House of Commons briefing paper as the difference between figures from the government for projected local authorities’ income and for spending at a particular date in the (then) future. It is worth noting that the funding gaps vary from authority to authority because they are calculated on the quantum of services executed by the authorities. Sandford et al. (2018) estimated that a funding gap would grow from £1.4 billion in the 2012/2013 budgetary year to over £16.5 billion in the 2019/2020 budgetary year. As the funding gap widens, English local authorities face more difficult decisions in prioritising funds for public service delivery. For instance, in the case of Surrey County Council in 2018, a review by CIPFA (2018) warned that the Council had limited reserve funds to cater for the increased service demand predicted by the 2019/2020 budgetary year.

2.3.3.2.3 Increase in Expenditure

The global financial crisis led to a slight increase in public expenditure at both national and local government levels across nations worldwide. Some central governments, including the UK, adopted austerity measures by delegating more tasks to the local authorities (Ladner, 2017). At the national level, the continued increase in service pressures compelled LAs

(collectively) to increase expenditure on core services such as social care (Stuckler et al., 2014). Thus, local authorities were obliged to provide more services with less funding. At one stage, the LGA (2012) estimated that adult social care would absorb up to 90% of LAs' expenditure by 2019/20. Drawing from past experiences in dealing with the effects of the crisis, Lowndes and McCaughie (2014) found that the impacts of austerity are often particularly severe on vulnerable individuals with low skills, disabled people, young adults, and members of the ethnic minorities who tend to be more dependent on local authority and other welfare services.

2.3.3.3 Service Pressures (Increased Demand for Services)

The initial motive of governments was to rescue the failing banks and promote economic growth and sustainability. However, Hodges and Lapsley (2016) acknowledged that this had repercussions on public service delivery by local authorities. For this project, service pressures are defined as unwanted or unforeseen complications that hinder a local authority's ability to provide quality public services in the community/municipality. According to Raudla and Tammel (2015), service pressure arising from drastic cutbacks (in both LA service and other public services) has compelled local authorities to engage in cost reduction strategies, including shared services, outsourcing, and financial insourcing, to maintain services and/or enhance value for money. Bello et al. (2018) found that shared services to secure economies of scale emerged as a production cost reduction strategy among many local authorities. Despite these mitigations, local authorities have experienced implementation or service delivery problems in countries such as Australia, Belgium, the Netherlands, and the UK (Elston and MacCarthaigh, 2016). These service pressures have led to (1) cutbacks and/or withdrawal of services, (2) changes in unemployment, (3) changes in levels of inequality and (4) adverse impacts on households.

2.3.3.3.1 Cutback in Services

Cepiku et al. (2018) suggested that some governments had implemented policies to reallocate scarce resources to local authorities to enhance growth. However, Lowndes and McCaughie (2014) found that service cutbacks had a significant effect on local authorities in England, where the introduction of Universal Credit led to a drastic cutback in services like the Decent Homes Funding, the Working Neighbourhood Fund, the Educational Maintenance Allowance and a £7 billion cut in welfare expenditure. In response, Kim and Warner (2016) suggested that most local authorities have implemented innovative cost-reduction strategies even though Hastings et al. (2017) ironically noted that every service cutback was justified as being "in the public interest". It appears that local authorities had innovated their financial strategies to maintain service delivery in the face of severe fiscal pressures, but there is little, if any, doubt that overall local authority services were reduced or withdrawn.

LAs with the highest levels of multiple deprivations in their administrative areas have generally had greater reductions in government funding (Sandford et al., 2018). Stuckler et al. (2017) suggested that excess cutbacks have worsened health services, making individuals more vulnerable to health problems, and eventually leading to negative emotional impacts (Newbold and Hyrkäs, 2010; Burke et al., 2014). Fitzgerald and Lupton (2015) found that major English cities like Birmingham lost services through the closure and cutbacks to parks,

libraries, allotments, and leisure centres in times of increased service demand pressure. Wren-Lewis (2011), however, considered that cutbacks were necessary and should be carefully implemented to enhance economic growth.

2.3.3.3.2 Changes in Unemployment Levels

Employment levels within English LAs have declined since the recession as a result of continuous pressures on LAs to cut back on revenue expenditure. The sharp rise in service demand has also compelled LAs to use various cost-saving plans, including rationalisation or employee cutbacks by laying off staff, leading to increased unemployment during the early years of austerity (Lowndes and McCaughie, 2014). However, Kenneth et al. (2015) found that a third of households declared a pay rise, and 16 per cent gained promotion or secured a better job after staff cutbacks in their local authority. Despite relating to a minority of staff, this finding may seem contradictory, but it can be expedient for LAs to enhance productivity by motivating available staff through increased remuneration and bonus schemes. In Italy, unemployment was perceived as a major consequence of austerity and the recession, as Bordogna and Neri (2014) reported a reduction in staff numbers by 7 per cent among both public and private sector organisations in Italy between 2008 and 2012. In the UK, Kenneth et al. (2015) found that unemployment had increased significantly in cities such as Bristol (from 4.2 to 9 per cent) and Liverpool (6.8 to 12.7 per cent).

2.3.3.3.3 Changes in Levels of Inequality

The narrowing or destruction of modes and levels of state support has led to changes in (mostly increased) levels of injustice and inequality (Demetriou, 2014; Windebank and Whitworth, 2014; Marmot et al. 2010, 2020). According to Turcu et al. (2015), states and cities have common characteristics, including unequal spatial economic and geographic dynamics. In geographic terms, various economic recovery measures have emerged from different regions between Eastern and Western, Northern and Southern Europe in dealing with the crisis. However, Bracci et al. (2015) suggest that there was enough evidence to demonstrate that governments have failed to foster economic growth and reduce levels of inequality and injustice at both central and local government levels during the austerity era. The consequence of this failure led to a relative increase in social exclusions and general unhappiness among citizens. Increased inequality has meant increased demand for public services as those in lower income categories generally access public services more than those in the highest income brackets (Davidson, 2020).

2.3.3.3.4 Adverse Impact on Households

The global financial crisis and austerity have caused economic instability across developed nations worldwide. In the UK, Kennett et al. (2015) found that households get more vulnerable (as a result of deregulation) and have been affected by the continuous rise in instability of the labour markets. The vulnerable can also be adversely affected by continuous inflation rise, income level instability, and a lack of savings. Lowndes and McCaughie (2014) demonstrated that English local councils had experienced drastic budget cuts and persistent increases in service demand from their citizenry. During the same time, changes in demographic factors such as population ageing have further increased the pressure on LAs to increase local council tax rates, which also adversely impacts the citizens' disposable incomes.

Fitzgerald and Lupton (2015) found that strategies such as rationalisation, increased levels of unemployment, and a continuous increase in inflation rates all had an adverse impact on the average household.

2.3.4 Strategic Response Triggers

For this study, strategic response triggers are defined as adversities that arise from austerity impacts, which oblige LAs to make tough decisions as they adopt strategies to manage their financial challenges and maintain quality service delivery in their communities. These response triggers have been associated with austerity impacts in the existing literature and are categorised into three response triggers, (1) (re)prioritisation of services, (2) changes in policy and (3) changes in tax regimes.

2.3.4.1 (Re)prioritisation of Services and Transfer of Services

Most central governments in Europe implemented austerity policies to reduce public expenditure on welfare services. An increase in social security spending was mostly caused by a relative increase in unemployment costs. Other countries have resisted cuts in spending at both central and local government levels (Hermann, 2014). According to the European Commission (2012), in-kind social spending had reduced by 29 per cent in Greece, 18 per cent in Portugal, 16 per cent in Ireland, and 12 per cent in Spain, spending on social benefits also fell by 20 per cent in Lithuania, and 9 per cent in Latvia between 2009 and 2012. The Portuguese government initiated significant cuts in social spending, and Hermann (2014) found that unemployment benefits were reduced. Avram et al. (2013) identified a reduction in unemployment benefits to individuals by 15 and 22 per cent in Romania and Greece, respectively.

Turcu et al. (2015) explored the impacts of the (re)prioritisation of services and found positive responses in several forms among European states and cities. An example is where (re)prioritisation meant the German government made productive capital investments. In Sweden, it helped to make more effective use of technology to enhance green energy and reduced the carbon footprint (Turcu et al., 2015). However, the UK implemented economic recovery policies at the local government level through service cutbacks, which compelled local authorities to reduce services and transfer some services to other delivery organisations. For example, Manchester City Council closed some of its libraries and formed leisure trusts as a result of reduced funding for leisure services (Jones, 2017). Elsewhere (Neto, 2018), library services were transferred to not-for-profit organisations (trusts) while reducing services. In England, some authorities prioritised funds for capital investment in the real estate industry (e.g., Croydon, Woking, and Warrington) in order to generate revenue for future use, whereas local authorities in Greece responded with welfare reforms (Turcu et al., 2015).

2.3.4.2 Localism and changes in Policy

Local autonomy is increased when local authorities are provided with additional resources and/or more statutory services are delegated to them from the central government. Eckersley and Timm-Arnold (2014) suggest that an opportunity window opens for local authorities to be more autonomous in strategic key decision making where there is less control from their central governments. In their study, they found that local authorities were under pressure to provide quality services and enhance value for money while experiencing financial challenges

and reduced resources, but local autonomy enabled them to reform and react progressively. For example, the UK government abolished regional structures to emphasise localism to devolve more authority and responsibilities downwards to the local authorities (Elcock et al., 2010). However, the original aim for implementing these new subsidiarity arrangements has been superseded by changing economic and political priorities within the austerity era. In the UK, English local authorities lost 27 per cent of spending power between the 2010 and 2015 budgetary years (Hasting et al., 2015) and the National Audit Office (NAO, 2014a, 2014b) reported significant financial distress among local authorities. Hastings et al. (2015) found that local authorities mostly experience the real impact of the cuts through increased deprivation levels, with the impacts of austerity significantly severe on English local authorities in Liverpool, Middleborough and Nottingham.

Central governments 'supported' local authorities by implementing local autonomy (localism) to respond to financial stress during the early austerity era. Eckersley and Timm-Arnold (2014) found that councils with greater financial resources were less influenced by politics, as they find it easier to sustain and recover from austerity pressure. Councils with less funding required more political interventions and support to help them withstand pressures from austerity. More autonomous councils are often financially robust and less vulnerable, while councils that struggle to withstand shocks have sometimes had to rely on additional support from central government. Changing legislation was a major factor that sparked financial shock among local authorities in Italy (Barbera et al., 2018). Ladner (2017) found that in Italy, the European Central Bank (ECB) had ordered the Italian government to encourage local autonomy through cutbacks and demolition of the second tier. In the UK, Lowndes and Gardner (2016) termed it 'super-austerity' as English local authorities experienced cutbacks of about a third of their revenue funding by 2015. Councils were compelled to manage and provide services by taking difficult strategic decisions to survive the financial pressure emanating from austerity impacts.

2.3.4.3 Changes in Tax Regimes

Countries, including Italy and the UK, implemented large fiscal consolidations to severely limit the extent of local tax increases and reduce revenue support (government) grants to municipalities and local authorities, respectively (Cepiku et al., 2018). Cepiku et al. (2018) noted that Italian municipalities lost over €16.6 billion between 2015 and 2017. Despite this loss, there has been a relative increase in current expenditure by Italian cities over the years. Another example would be Michigan, where Korac et al. (2017) found that local authorities in the US had a strong financial relationship with the state rather than with the federal government and the state allowed them to raise income from other types of taxes, as local municipalities operated with greater financial autonomy in the USA. This was not the case in England, where expenditure has been significantly reduced in real terms.

2.4 The Literature on Financial Resilience in Austere Times

2.4.1. Resilience

2.4.1.1. Context of 'Resilience'

Resilience is a term often used as a measure of resistance and/or recovery. However, resilience has been defined differently by researchers in various disciplines and areas of research. The concept is used in ecology to describe how ecosystems change and adapt to develop or continue to exist. The ecologist Holling (1973) defined resilience as a measure of the adversity an ecosystem absorbs before changing its structure and shifting to a new state. Social scientific definitions of resilience are common in crises management (Boin et al., 2010; Shaw, 2012; Linnenlueke, 2017; Barbera et al., 2021), disaster management (Pelling, 2003; National Academy of Science (NAS), 2012; Perera et al., 2017; Chang et al., 2018), supply chain management (Barroso et al., 2008; Zainal Abidin and Ingirige, 2018), and strategic foresight/planning (Meyer, 1982; Batty and Cole, 2010). Barroso et al. (2008, p. 17) defined resilience as “the supply chain’s ability to react to adverse conditions” caused by disruptions to sustain its objectives. When defining resilience in disaster management, Sawalha (2015, p. 348) adopts Pelling (2003)’s definition of resilience as “the ability to cope with or adapt to risk or disaster/crisis stress to survive and reduce damage”. The NAS (2012) defined it as one’s “ability to plan for, cope with, recover from, and more successfully adapt during adverse events” (Helm, 2015, p. 102).

Resilience has no definitive definition since the application of resilience varies and is debated among scholars (Norris et al., 2008; MacKinnon and Derickson, 2013). Barbera et al. (2019) acknowledge this pluralism and emphasised that resilience is multifaceted (Holling, 1973, 2001; Bhamra et al., 2011) and a multi-disciplinary concept (Ponomarov and Holcomb, 2009; Burnard and Bhamra, 2011) that can be categorised in broad areas. First, in crisis management, resilience is an organisation’s capacity into respond to crises and bounce back to its original state (Boin et al., 2010; Linnenluecke, 2017). Agarwal (2015) defined resilience as the ability of an organisation to withstand the adversities of crises and recover to a normal state. However, strategic foresight and planning studies (Meyer, 1982; Somers, 2009) define resilience as an organisation’s capacity to anticipate and cope with uncertain shocks allowing them to bounce forward through the enhancement or development of new capacities (see also McManus et al., 2007; Shaw, 2012; Barbera et al., 2017). Although there are different definitions of resilience, most of the business and management definitions will fit under one or another of these two broad areas. This thesis, therefore, defines resilience as the ability of an organisation to build its capabilities to cope, adapt and withstand adverse conditions from foreseen and unforeseen crises and events. It embraces both concepts and acknowledges the alternative responses of bouncing back and bouncing forward.

2.4.2. Organisational Resilience

2.4.2.1 Origins of organisational resilience as applied to Organisations.

Organisations have to respond to the adverse conditions of difficult incidents and crises (bouncing back). However, resilience does not play the same role in every organisation (Walsh, 2003). Previous studies (Weick and Sutcliffe, 2011) have argued that organisations could be more or less resilient in dealing with adversities. Organisational resilience comprises various and diverse themes and has no consistent understanding. Hirsh and Levin (1999, p.

13) coined a collective description for organisational resilience – as “a broad concept or idea used loosely to encompass and account for a set of diverse phenomena”. Since its evolution in the last two decades, literature on organisational resilience has been categorised into five different approaches or focuses, which Chan (2011) articulates as a behaviour, sensemaking, self-renewal process, risk management, and systems.

2.4.2.2 Definition of Organisational Resilience

Organisational resilience has been termed, among other things, as “enterprise resilience” (Sanchis et al., 2020, p. 2), “SME resilience” (Herbane, 2018, p. 1), “firm resilience” (Iftikhar et al., 2021, p. 409), and “workplace resilience” (Bui et al., 2019, p. 624). In recent times, academic commentators have defined organisational resilience based on different disciplines (Sutcliffe and Vogus, 2003) and areas of research interest (Bhamra et al., 2011). This thesis looks in particular at definitions in three broad areas, namely: (i) operations management, (ii) crisis management, and (iii) change management.

From an operational management perspective, Horne and Orr (2011) defined organisational resilience as an organisation’s ability to cope with the pressures from external shocks based on the combination of internal resources and ensuring that such practice runs across the entire organisation to enhance resilience. From a crisis management perspective, Gallopin (2006); Bhamra et al. (2011); all agreed that organisational resilience is mainly achieved through the ability to withstand the adversities of undesired events/crises. Organisational resilience is an organisation’s ability to withstand the impacts of events, absorb the shocks, and continuously recover from unforeseen events (Sutcliffe and Vogus, 2003; Bhamra et al., 2011). Organisational resilience portrays the ability of an organisation to cope with stressful and unexpected conditions (Fiksel, 2003; Gittell et al., 2006; Kumar et al., 2011). More recent studies emphasise response, reflect on their response, and rebuild, which suggests bouncing forward to keep responding to the shocks from undesired crises.

From a change management perspective, scholars have likened organisational resilience to an organisation’s ability to identify and apply proactive measures in (i) anticipating and (ii) responding to undesired events. Thus, it aimed not just to cope or adapt but also to anticipate and recover from difficulties in times of turbulence. This thesis takes a different approach by combining all three perspectives in defining organisational resilience. Organisational resilience is the organisation’s ability to withstand shocks with its limited resources and systems, its capacity to recover from circumstances of turbulence, and its capability to use lessons to identify proactive measures to respond to potential crises/events in future. The organisation’s ‘ability’ emphasises control of its resources to respond well in times of crisis. Then, its ‘capacity’ represents the demonstration of the requisite skill sets to analyse and interpret challenges quickly and efficiently. Finally, its capability represents the ability of the organisation to make decisions based on previous experience to minimise or avoid (where possible) the impacts of potential future events.

2.4.2.3 Resilience in Local Authorities

The concept of resilience in local authorities has been drawn from a social, ecological and organisational perspective (Adger, 2000) through its application to social systems, including

communities, cities, and institutions, which have all developed over the past two decades. Adger (2006) operationalised resilience into three aspects:

- (i) the severity of events before a change occurs,
- (ii) the organisation's capacity to be self-reliant and independent, and
- (iii) the capacity and capability to adapt to the change.

When applied in an institutional context, Shaw (2012) focused on the resilience of local authorities. Shaw (2012) applied resilience in the context of LAs' ability to cope and adapt to reductions in public expenditure from the central government, exposing them to high degrees of vulnerability. In his study, Shaw (2012) identified the four characteristics of a resilient local authority as:

- (i) high innovation,
- (ii) good risk management,
- (iii) strategic leadership, and
- (iv) involvement of the society.

Agarwal (2015) argued that the three levels of resilience in local authorities are (i) the ability to cope through built-in redundancy, (ii) collective resilience through the adoption of proactive measures, and (iii) foreseeing potential pressures and adapting plans to withstand adversities and develop to a better state. The classifications from Shaw (2012) and Agarwal (2015) were adapted from Adger's (2000) earlier categorisation of resilience. This thesis is particularly concerned with financial resilience in English local authorities, and the next section, therefore, explores the development of the concept of financial resilience.

2.4.3 Financial Resilience

2.4.3.1 The Origins of Financial Resilience as applied to Organisations

Public sector organisations have to, by law, achieve value for money in their activities by making efforts towards improving their economy, efficiency, and effectiveness – to match resources to goals and to ensure organisational health. The government's austerity policies have compelled local authorities to make tough decisions in the last decade (Stuckler et al., 2013; Cepiku et al., 2016; Hastings et al., 2017). In response to austerity, LAs have adopted resilience measures to cope and manage the pressures emerging from various crises, including Brexit, as well as the covid-19 pandemic, and the recent migration influx emerging from the wars in Syria, Afghanistan and Ukraine. This has led to a growing interest in the term 'resilience' in recent times (National Audit Office, 2013; CIPFA, 2014) and whether LAs could cope by either bouncing back (using reactive measures) or bouncing forward (using proactive measures) (Barbera et al., 2015). Literature on 'financial resilience', although relevant before, only gained significant traction in the post crises era (from 2010). Initially, the concept of resilience was limited to the continuous monitoring of resources through cost-saving schemes and the use of reserves to withstand adverse conditions in the short term (bounce back). However, some public management and financial scholars based within the IRSPM-SIG (including Barbera et al., 2014, Steccolini et al., 2015; Jones, 2017; Korac et al., 2017, Murphy et al., 2019; Saliterer et al., 2021) identified gaps within financial resilience and developed a framework to help public managers better understand and respond to shocks.

2.4.3.2 Definition of Financial Resilience

Financial Resilience is a state where an organisation builds its financial capacities to withstand shocks in austere times. Financial resilience has attracted attention not only from academic commentators (Montoro and Rojas-Suarez, 2012; Jones, 2013; Du Boys, 2017; Saliterer et al., 2017; Korac et al., 2017) but also from practice, including governments (Sandford, 2021a), professional bodies (CIPFA, 2018), and external stakeholders such as auditors. CIPFA (2018a) defined financial resilience as the LAs' ability to remain sustainable and effective during adversities from the growing demand and financial pressures caused by increasingly complex events and unpredictable financial environments. Financial resilience is defined as the organisation's ability to cope with the adverse consequences of a financial shock and identify available capacities to tackle and address such adversities (Montoro and Rojas-Suarez, 2012). Jones (2013) referred to such capacities as intervention and turnaround arrangements.

This thesis adopts the definition from Saliterer et al. (2017), which is also the definition used in the Financial Resilience Framework used in later chapters. They defined financial resilience as the ability of an organisation to anticipate, absorb, and respond to adverse crises and shocks affecting their financial performance and position using a combination of four interrelated elements, namely, (1) perceived (financial) vulnerability, (2) shocks, (3) coping, and (4) anticipatory capacities. Steccolini et al. (2017) and Barbera et al., (2017) noted concerns about the state of vulnerability of LAs and advocated the need to consider financial resilience as a potential approach to make LAs less dependent on the central government by developing their internal capacities and capabilities to better withstand the pressures from disruptive events (shocks). The next section explores this approach in the global, European and UK contexts.

2.4.3.3 Financial Resilience as a Response Strategy in Times of Adversities

2.4.3.3.1 Global Context

Governments have always been susceptible to shocks from crises and are compelled to deal with the accumulated adversities and consequences they have to tackle from such crises. These adversities often affect central (Gittell et al., 2006) and local authorities (Hendrick et al., 2011). However, the impact of the shocks may be different based on the nature of the shock and their capacity for resilience. The Global Financial Crisis (GFC) led to an economic recession in many developed countries. The impact of the GFC affected the performance of local authorities. For example, the crisis affected the financial position of the City of Detroit (Bhatti, 2015), although the municipality could use its sizeable reserves to cope with the increasing financial pressures.

Governments and organisations could adopt anticipatory capacities to reduce adversities and shocks from crises. Although Australia escaped the worst impacts of the 2008/09 financial crisis (GFC), there were still consequences for their local authorities since the government froze their main source of income – intergovernmental grants – to reduce public debt and budget deficits (Drew, 2017). Australia was able to escape the impacts of the recession because of a robust banking system that had developed before the crises and its' large primary industry sector, most notably mining (Drew, 2017). On the whole, organisations are often resilient when they can cope and adapt to adversities from crises when maintaining good reserve levels and adopting proactive and flexible business models.

2.4.3.3.2 European Context

In Europe, governments dealt with the 2008/09 financial crisis differently based on different internal capacities and external conditions. Bordogna and Neri (2014) found that governments in EU countries tackled the crisis using general measures and sector-specific provisions. General measures represented across-the-board interventions aimed, for example, at reducing public expenditure and debt. These strategies were adopted in some EU nations, such as Greece (Cohen and Hlepas, 2017), which were known to have high public debt levels, weak regulation, and poor financial conditions in contrast to others, such as France (Bordogna and Pedersini, 2013), with better financial conditions. The crises also made LAs in European countries vulnerable to capacity issues due to underlying problems such as financial instability, lack of long-term planning, shortage of human resources, and a dichotomy of demands for setbacks and demands for better services (Cepiku and Savignon, 2012). Many EU countries implemented austerity policies to address these short-term challenges. However, the increasing focus and attention on short-term challenges meant less priority was given to long-term issues.

Even though governments applied different measures in response to the crisis, there were some similarities. For example, Germany, Italy, the Netherlands, and the UK intervened with large reductions in public expenditure (Borooah, 2014). Some of these reductions affected local authorities as some central governments, including the Netherlands (Kolk et al., 2014) and England (Jones, 2017), gave additional responsibilities to their local authorities but less funding support than before the crises. LAs in the UK were hit by direct reductions in government grants (RSG and NNDR) but also suffered indirect reductions in central government spending departments' budgets. Despite their (limited) capacity to generate income from innovative sources, the main response from LAs was their ability to make reductions to service expenditure.

2.4.3.3.3 UK Context

The UK Government has made reductions in public spending since 2010 as part of its plans to reduce public debt and minimise/avoid budget deficits (Auditor General, 2015). The case of English LAs was quite similar to the US, where the government had offloaded most of its responsibility for service provision to local authorities (Peck, 2012). This policy and the pressure it created extended to the other devolved UK nations like Wales (Hastings et al., 2013), but in the early period of austerity, it was evident that English LAs were significantly affected more than their counterparts in Wales and Scotland (Ogle et al., 2017). Austerity policy was multifaceted, affecting LAs differently depending on their circumstances and policies. For England, the severity of GFC was also felt quite differently depending on the characteristics of LAs such as their type and location (region) and the same crisis could affect LAs very differently and require different forms of response. For example, it affected the city council in Liverpool more than in Bristol (Kennett et al., 2015). Liverpool had twice the national average youth unemployment rate compared to Bristol in 2014. As a result, the council set aside £3.2 million from its budget to minimise the impacts of the council tax benefits cuts, which had affected an estimated 45,000 households (Liverpool City Council, 2014). In Bristol, £500,000 was allocated to help the households that were hit hardest by the national benefit changes (Bristol City Council, 2013).

2.4.3.4 The Financial Resilience Framework

As disruptive events became more common, the management of shocks, crises, and unexpected events increasingly became common challenges for governmental entities. In the early part of austerity, LAs were compelled to reprioritise and restructure service delivery strategies to stay sustainable in performing their statutory responsibilities and continue to meet citizens' demands. The increased uncertainty and complexity under which local authorities (LAs) operated, coupled with more regular shocks, such as the global financial crisis, the related austerity measures, Brexit, migration movements and climate change challenges, have put ever greater emphasis on governmental financial resilience, i.e., how local authorities cope with shocks that affect their finances and continue to provide public services. Financial resilience and the underlying capacities to anticipate future shocks or cope with them when they arise became increasingly important as LAs needed to respond to increasing citizens' demands while facing decreases in the resources available to fund local public services.

Barbera et al. (2015) identified five financial resilience patterns (i.e., self-regulatory/pro-active adaptation, reactive adaptation, constrained adaptation, contentedness, and powerlessness) across organisations and countries to help better understand the dimensions of Financial Resilience. These and other earlier works from the IRSPM- SIG formed the basis for developing a financial resilience framework for local authorities focusing on the roles played by anticipatory capacities, coping capacities, perceptions of vulnerabilities and shocks in shaping it (Barbera et al., 2015, 2017, 2019; Steccolini et al., 2017).

The evolution of the framework demonstrated the need for alternative conceptual lenses and frameworks that could integrate financial management with an organizational view to explore and understand how governments “keep operating even in adverse, ‘worst case’ conditions and adapt rapidly in a crisis” (Hood 1991, p. 14). In 2017, the financial resilience framework was applied to 45 local authorities in 11 countries, including developed nations such as England (Jones, 2017), France (du Boys, 2017), Germany (Papenfuß et al., 2017), Italy (Barbera, 2017), and the United States (Korac et al., 2017). This meant modifying the financial resilience framework to investigate (i) how governments face unexpected events and crises, (ii) whether and why responses are different across countries and organisations, and (iii) what lessons can be learned to be ready to face future shocks.

More recent studies (Saliterer et al., 2021; Barbera et al., 2017; 2021) assessed the resilience of LAs in terms of their coping and anticipatory capacities. These studies also incorporated responses from respondents (practitioners) to iteratively build these resilience capacities to further enhance effective applications by individuals and their organisations. As a result, responses from such interactions with LAs across Germany, France, the UK and Italy have validated the framework, shown in Fig. 4 for use by public sector organisations, particularly LAs.

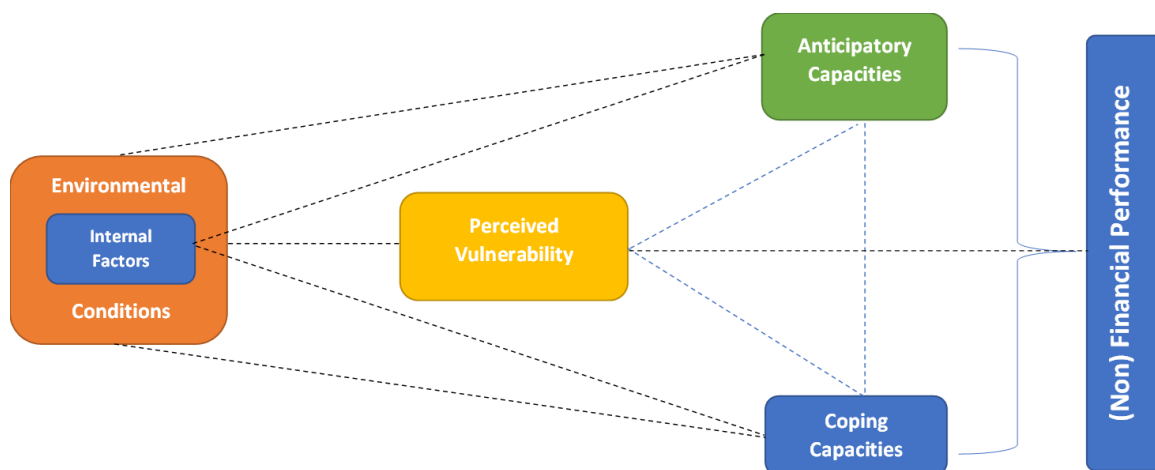


Figure 4: the Financial Resilience Framework

Source: Adapted from Barbera et al. (2015)

The framework aimed to explore and describe specific aspects of Financial Resilience in organisations so as to assist them in assessing and better understanding the dimensions of their own Financial Resilience. LAs become vulnerable after crises/shocks. LAs often adopt two main approaches. First, LAs adopt coping capacities such as buffering, adapting and transforming to react to crises and absorb the shocks, aiming to bounce back to some form of normality. Secondly, LAs apply anticipatory capacities, which include information exchange, monitoring external activities, and information sharing to understand their response and be better positioned to identify ways of dealing with such crises in the future. These two capacities may co-exist in parallel and are not usually sequential since both capacities interact with each other. The latter approach helps LAs to bounce forward through anticipation and quick adaptation to new challenges. Organisations adopt coping capacities during and immediately after a crisis, but anticipatory capacities are needed in the long term and arguably are still needed even when there is no crisis. This is because while coping capacities represent reactive measures to adapt to adversities, anticipatory capacities encourage proactive action in identifying and shaping strategies for the future.

Despite there being some considerable literature on financial resilience at the national level, (at the time of writing), most of the research on the financial resilience of LAs has been conducted using case study approaches within a national context. This approach helped researchers identify relevant dimensions useful in the co-production of financial resilience toolkits for LAs (Barbera et al., 2015; Steccolini et al., 2018). While this has proved relevant and beneficial to date, a narrower focus with a long-term perspective would enhance the understanding of how LAs withstood pressures during the austerity era. This thesis builds on previous approaches because it attempts to conduct research on the financial resilience of the entire LA population in England by applying the framework to different LAs by type and region over the 15 years before and during the era of austerity up to 2020.

2.4.3.5 Operationalisation of the Financial Resilience Framework in a Local Authority context

2.4.3.5.1 Financial Shocks

Financial shocks are unexpected internal or external events that have adverse consequences on the finances of an organisation and affect its financial performance and threaten its existence (Saliterer et al., 2017). Crises and un(certain) disasters often affect the financial and non-financial performance of organisations. This thesis defined crises as undesirable events or incidents that occur and significantly disrupt the operation of organisations. These crises cause financial shocks to local authorities (LAs), which hinder their ability, capacity, and capabilities to perform their fiduciary and statutory responsibilities to meet citizens' demands. Bhamra et al. (2011) emphasised that crises are not only limited to the occurrence of disasters and extend to uncertainties and deviations that cause challenges to LAs. Organisations (including LAs) are susceptible to shocks from (un)certain events and incidents, which could either improve or adversely affect their financial performance and financial position.

External factors may range from natural disasters (e.g. earthquakes, floods, pandemics, tsunamis), artificial disasters (e.g. wars, coup d'états), political (e.g. Brexit, immigration), economic (e.g. inflation, high-interest rates, economic recessions, high unemployment levels), social (e.g. increased and/or ageing population), technological (e.g. cyber-crimes, internet scams, and terrorist attacks), environmental (e.g. climate change, flooding), financial (e.g. external audit processes), and legal (e.g. rapid changes in regulations, or responsibilities for LAs. Bailey et al. (2015) suggest that all these factors have potential adverse repercussions on the performance of LAs because of their uncertain but dynamic nature. Since the occurrence of these external events is potentially unpredictable, LAs would have to deal with the impacts of these external factors regardless of the severity of these impacts on their performance.

After the financial crisis in 2008/2009, English LAs were significantly affected when the coalition government introduced austerity policies in 2010. This resulted in a 37% real-term reduction in government grants to English LAs (Comptroller and Auditor General, 2014) and represented a 25% reduction in income/spending power from 2010/11 to 2015/16 (NAO, 2014a; 2014b). Bailey et al. (2015) estimated that English LAs were set to lose almost 30% in real-term spending (excluding police, schools, and housing benefits) between 2008 and 2015. The aftermath of the financial crisis meant less financial support from the government to LAs, which appeared to deteriorate further after the uncertainty of the Brexit Referendum in 2016. For example, continuous changes in oil prices, currency exchange rates and bond yields generated considerable financial uncertainty for LAs whilst the UK government engaged in trade deals with Europe (Auditor General, 2015).

LAs are also prone to potential shocks from internal factors. Internal factors are events and incidents that affect LAs adversely but whose effects are controllable and manageable, particularly when they are anticipated in advance. Internal factors may include financial issues (quality assurance, internal controls – audit, financial management, equipment failure or human error), political (leadership skills, expertise, political affiliations), social (organisational culture and systems), technological (digitalisation – transition to remote working), changes in regulations (internal reprioritisations by the LAs). LAs are faced with making decisions to help

respond to and overcome the consequences that emerge from these internal shocks. However, LAs can better assess their internal environment by scanning their horizons to anticipate potential events and test and scenario plan responsive measures for such events/incidents. An example is when Caller (2018, p. 2) found that the two major causes for the Section 114 Notice issue in Northamptonshire County Council were traced to (i) the failure to exercise proper budgetary control and (ii) poor leadership and financial management skills from senior members of the council.

Studies (Bailey et al., 2015; Hastings et al., 2015; Murphy and Jones, 2016; Jones, 2017) have shown that local authorities in England had two significant and increasing concerns between 2020 and 2015 – a reduction in financial resources and a continuous rise in service demand, both leading to financial pressures. Barbera et al. (2016) also found that LAs faced a reduced tax base and increasing demand for public services. LAs needed to be conscious of both external and internal factors to minimise the impacts of shocks. By so doing, LAs would see themselves in a better position to actualise their vulnerability levels and build their capacities/capabilities to absorb the impact of shocks that may arise from current conditions or future events.

2.4.3.5.2 Perceived Vulnerability

Vulnerability is defined as the extent to which an organisation is susceptible to the shocks emerging from internal and external factors. Turner et al. (2003) defined vulnerability as the extent to which organisations are likely to experience harm due to their exposure to undesirable crises/incidents. Berkes (2017) and McEntire (2008) defined vulnerability as the result of interaction between organisations' exposure to environmental factors and their ability to identify ways of coping and reacting to them effectively. Perceived Vulnerability is a critical dimension of the financial resilience framework introduced by Saliterer et al. (2017). Organisations (including LAs) should measure and assess the extent to which they consider themselves susceptible to internal and external factors. Perceived Vulnerability (PV) is the extent to which an organisation considers itself vulnerable to shocks and adverse conditions that have emerged from (un)predictable incidents/events/crises. The focus of this thesis is centred on perceived vulnerability and the financial consequences, and the term (perceived) financial vulnerability is one that has been explored in the scholarly public management literature notably the IRSPM-SIG (Barbera et al., 2017).

Local authorities have different levels of financial vulnerability levels based on different factors such as demography (size), geography (location), type of LA (class), population, etc. LAs in some Western European countries, such as England (Jones, 2017), France (du Boys, 2017), Italy (Barbera, 2017), and Germany (Papenfuß et al., 2017), were perceived to be vulnerable to shocks and disruptive events before the GFC increased their levels of perceived vulnerability and some French municipalities showed high vulnerabilities before and after the crisis (du Boys, 2017). Du Boys (2017) found one LA in the southeast of France had high levels of financial vulnerability because of its high debt levels and suffered from a relatively economically poor population leading to both more demand for public services with limited tax income. Jones (2017) compared the vulnerability of four English LAs from 2002 to 2012. In that study, Manchester City Council had a low level of financial vulnerability, which remained stable over time. Warrington Borough Council had a medium vulnerability level,

which decreased to a lower level by the end of 2012. Derbyshire County Council and Wigan Council maintained a low level of vulnerability, but this increased over time to a medium level. Jones (2017) found that Manchester City Council had and maintained a low level of perceived vulnerability because the council anticipated the 2008/09 financial crises and embarked on an economic diversification programme, including investment in private assets, which earned dividends. These dividends served as an external income source to reduce the widening gap caused by the reduction in support grants from the central government. It also suggests organisations can manage or mitigate their perceived vulnerability, regardless of their level of vulnerability at any one time.

2.4.3.5.3 Coping capacities

Coping capacities represent the resources that organisations rely on to absorb or withstand the adversities of events and manage vulnerabilities therein. Barbera et al. (2015) and Saliterer et al. (2017) identified some coping capacities that LAs may deploy in dealing with financial shocks, which they differentiated as ‘buffering’, ‘adapting’, and ‘transforming’ capacities. LAs appeared to adopt coping capacities as the first line of action when encountering adverse events. Steccolini et al. (2018) found that coping capacities are mostly visible during times of disruption. Their comparative study found that UK LAs fared better at coping with adversities (pressures) that arose from GFC than their counterparts in Italy and Germany. Italian LAs were often more relaxed and took a reactive approach to the 2008/09 financial; crises and depended on the Italian central government to provide resources to bail them out during and after the crisis.)

2.4.3.5.3.1 Buffering Capacities

Buffering capacities involve the traditional budgetary approach, such as using reserves to absorb financial shocks with the hope of better short-term financial conditions returning. Steccolini et al. (2018) found that the crisis had a massive impact on LAs in Italy and the UK but more marginally on LAs in Germany. As a result, most LAs in Italy (Barbera 2017; Steccolini et al. 2018) and some English LAs, including Wigan and Derbyshire (Jones 2017), adopted buffering capacities using reserves to absorb the financial shock of the crisis. Hence, the use of reserves emerged from the literature as one of the most common buffering capacities for LAs in England. Other coping strategies include but are not limited to, cost cuts, selling off assets, increase in fees and charges, decrease in subsidies to associations, decrease in personnel costs, reprioritisation of investments, deferring investments and expenditures, reduction of secondary public services, reduction of public services quality and number, and increase in debt levels. However, one characteristic of this period was that reserve levels tend to reduce drastically and potentially may lead to severe vulnerabilities if there is a persistent medium- or long-term increase in financial and service demand pressures.

Buffering capacities appear to have been part of the default strategy for dealing with adversities from shocks and crises like austerity. Most LAs in Western Europe adopted buffering measures in the short term whilst devising more permanent solutions for the long-term future. For example, Greek municipalities engaged in cutbacks and ‘salami-slicing’ austerity measures such as hiring freezes and cutbacks of salaries (Cohen and Hlepas 2017). Similarly, English LAs engaged in rationalisation schemes to reduce their workforce and

operational costs. However, this led to lower productivity, as workloads impacted employees and eventually resulted in less efficiency (du Boys, 2017). Many LAs also engaged in retrenchment – cutting back on expenditure on services that were less patronised, prioritising statutory and high-demand services such as social care. Hence, the over-reliance on buffering capacities would potentially, at least, ‘crowd out’ the development of other capacities that may have enabled them to ‘bounce forward’ (Barbera et al., 2017). LAs have withstood the growing demand pressures and increasing financial pressures by initially adopting buffering capacities but were eventually required to adopt other coping capacities, including adapting capacities, as pressures persisted.

2.4.3.5.3.2 Adapting Capacities

Adapting capacities are measures that organisations adopt to effectively absorb the impact of changes caused by external factors that are outside of the control of the organisation (Gundersson, 2000; Dalziell and McManus, 2004). Carpenter et al. (2001) defined it as a process related to an organisation’s ongoing operations to enhance learning and innovation to deal with and absorb shocks from crises. Bhamra et al. (2011) emphasised that adapting capacities aim to accommodate threats/changes and their ability to deal with such change. More recent studies (Barbera et al., 2017; Steccolini et al., 2018; Saliterer et al., 2021; Barbera et al., 2021) defined adapting capacities as the ability of organisations to implement incremental changes where latent skills and expertise are drawn upon to adjust organisational activities without necessarily changing them. Some adapting capacities include (but are not limited to) organisational restructuring processes, increasing efficiencies, increasing collaborations/partnerships, task reviews, enhancing internal competencies, enhancing performance management, enhancing control of external subsidiaries, restructuring services (including mergers), implementation of urban renewal and development plans, proactive approaches towards attracting businesses, re-targeting services users, and potential brakes on debt levels.

At the national level, Kickert (2012a) found that central governments in the UK, Germany, and the Netherlands adopted adapting measures by employing external consultants and experts like bankers and lawyers to provide advice in order to sustain the banking system. In a local authority context, de Koning (2015) found that Dutch local authorities initially ignored the significance of the financial crisis but later had to adopt measures to absorb the shocks due to the changing conditions in their external environment. LAs in less-developed countries such as Brazil also adopted adapting strategies (e.g., deferred payments to suppliers, increased tax rates or underspends in non-statutory services) to resist shocks in the short-term rather than transforming strategies (de Aquino and Cardoso, 2017). In the UK, English LAs were adopted a strategic approach of absorbing shocks from the post-2010 early period of austerity through buffering and making cutbacks in services (Jones 2017), while they engaged in adapting capacities by devising more permanent approaches to ensure financial resilience in the longer term.

2.4.3.5.3.3 Transforming Capacities

Transforming strategies represent the ability of LAs to affect more radical changes that would not have initially been part of the status quo, but which eventually became a normalised

process within their organisations. Before austerity, Shaw and Theobald (2011) defined 'transforming' as one of the four key features of resilience (including innovation risk management and leadership & civic engagement). In their dual concept of resilience, Shaw (2012) regarded 'resilience' as an approach to bouncing back, whilst 'transforming' was the approach to encourage bouncing forward. Jones (2017) established that transforming capacities include encouraging employees to be entrepreneurially driven, engaging with stakeholder institutions to attain mutually agreed shared objectives, reciprocally lending to other public and third-sector organisations, and revising processes to achieve economies when deploying limited resources.

Grants from central government represented an important source of funding to French municipalities (du Boys et al., 2017), as they remained vulnerable and struggled to cope with the adversities caused during the austerity era. Reduction in grants created funding gaps in their budgets and required measures to be taken by LAs to withstand the increasing demand and financial pressures. Besides adopting buffering and adapting capacities to cope and adapt to these pressures in the short term, French municipalities adopted transforming measures to enhance their ability and capability to respond better to shocks in the medium to long term. Transforming capacities include scanning their horizons and devising medium-term plans, which could be a proactive measure (anticipatory capacity) but linked to coping capacities when introduced for the first time. Similarly in the UK, the Warrington Council engaged mainly in transforming capacities, which aimed to be self-reliant on its own sourced income to mitigate risks associated with the continuous reductions in government grants (Jones, 2017).

Transforming capacities were not however as prevalent among the French LAs, who seemed to have adopted a more reactive approach to tackling the adversity of austerity (du Boys, 2017). Similarly, LAs in Brazil (De Aquino and Cardoso, 2017) and Italy (Barbera, 2017) adopted more buffering and adapting capacities with less or no transforming characteristics. In contrast, Austria (Korac, 2017), England (Jones, 2017), the Netherlands (Overmans, 2017), and the United States (Korac et al., 2017) adopted all three capacities (including transformation) as and when it was crucial to make radical changes, and this enabled them to withstand adverse consequences from the financial shock of the 2008/09 crises. While transforming capacities were required and adopted by some LAs in these countries, they were less adopted by LAs in Sweden (Wällstedt and Almqvist, 2017), perhaps because of the low impact the GFC had on Swedish LAs, which didn't require them to adopt transformation. Transforming capacities are a useful tool, and all LAs ought to have the capacity to achieve transformation as part of their resilience toolkits.

Overall, it was evident from the literature review that no one strategy was regarded as the most effective since all LAs applied different capacities and approaches according to the resources available and the challenges faced at such periods.

2.4.3.5.4 Anticipatory capacities

Studies (Somers, 2009; Ferreira et al., 2011; Teixeira and Werther, 2013) defined anticipatory capacities as an organisation's ability to identify critical changes within its environment and adapt proactively. Barbera et al. (2019) defined anticipatory capacities as tools and capacities that empower an organisation to identify and manage its perceived vulnerability levels and

recognise the possible impacts of shocks before they occur. Anticipatory Capacities (AC) represent the availability of resources and capabilities that enable organisations to identify and manage their vulnerabilities and boost their ability to foresee uncertain events before they arise in order to maintain a low level of vulnerability and a high level of financial resilience. Anticipatory capacities rely on key components of their accounting and business systems (Barbera et al., 2019), but this also is related to the cognitive aspects of situational awareness and sensemaking (McManus et al., 2007; Boin et al., 2010; Linnenluecke and Griffiths, 2013). While LAs in some countries engaged in activities that could improve their anticipatory capacities, such as in England (Jones, 2017), LAs in other nations, such as Brazil (de Aquino and Cardoso, 2017) LAs adopted more coping (bouncing back) than anticipatory capacities (to bounce forward). Barbera et al. (2019) grouped ACs into three types of activity (1) information sharing, (2) information exchange, and (3) monitoring external activities.

2.4.3.5.4.1 Sharing of Information (Internal)

Internal information sharing is the process of transferring relevant information (internally) within an organisation among key stakeholders, such as employees and managers, to enhance their ability and capabilities to enable them to withstand pressures from shocks. Sharing of information takes different forms (formal or informal) with the primary aim of creating awareness of critical incidents among employees to identify/devise strategies and ways of withstanding pressures that arise from disruptive events. Organisations, therefore, provide their employees and other stakeholders with sufficient information to create an organisational environment that encourages information sharing and problem-solving. In their study, Steccolini et al. (2017) found that LAs in the UK engaged in information sharing (internal collaboration) more than their counterparts in Germany and Italy. Hence, UK LAs, particularly those in England, deemed it necessary to ensure that people had sufficient information and knowledge on how to tackle sudden adversities from uncertain events/crises. In uncertain events/crises, English LAs communicated relevant information across strategic levels more so than German and Italian LAs, who communicated at operational levels more often.

2.4.3.5.4.2 Exchange of Information (External)

External information exchange is the conscious effort of engaging with external stakeholders to track and understand the changes in the external environment of an organisation in order to remain aware of critical events and their potential consequences or opportunities and devise ways to minimise such consequences or take advantage of opportunities. As LAs do not operate in a vacuum, it is necessary to engage with external stakeholders such as the general public, central government, functional regulation bodies (including government agencies), and professional bodies (e.g., CIMA, CIPFA, external auditors) to enhance their capacities to bounce back and forward during and after disruptive events. The exchange of information involves the exchanging of information with peer institutions and others to gain insights into the external environment and its behaviour over time. Exchanging information among peer institutions (and others) can enable LAs to implement proactive measures to reduce the impact of events/crises.

Barbera et al. (2019) conducted a comparative study on LAs in the UK, Germany, and Italy. Their study found that UK LAs were most likely to share information with other peer/neighbouring authorities. LAs in Germany and Italy developed stronger relations with other private/public sector organisations and were more likely to exchange relevant information with them than with their peer LAs. The reasons for this tradition were ascribed to the possibility of getting substitute services from these organisations at lower costs than from their peer LAs. The levels of information sharing were also greater in LAs in Germany than those in Italy, where LAs find it more efficient to outsource services to external providers than engage in shared services with peer authorities. More interestingly, UK LAs were more likely to exchange information quickly with peer institutions in times of crisis than German and Italian LAs.

2.4.3.5.4.3 Monitoring External and Internal Activities

Organisations monitor activities in the external environment by continuously scanning the horizons in their environment and recognising any forthcoming or potential changes in national policies and regulations (including meeting accounting standards to promote accountability and transparency) to meet citizens' demands and ensure value for money. Linnenlueke and Griffiths (2010) stressed the relevance of monitoring to an organisation's ability to reflect, adapt, and re-strategize the operating model to potentially address future incidents. Other authors emphasise the need for monitoring of particular internal activities such as internal control systems (Ferry et al., 2018), auditing (Bracci et al., 2015), and financial management (Anessi-Pessina et al., 2016).

Resilient organisations can often monitor their activities and spot warning signs that help identify shocks (Boin and Van Eeten, 2013) and design risk assessment strategies/plans (Linnenlueke and Griffiths, 2013) to mitigate and minimise the impacts of such shocks. Barbera et al. (2019) found that UK LAs emphasised collective monitoring activities (via the Local Government Association) around changes in national policies, while regulatory changes are closely monitored individually by German and Italian LAs. Italian LAs were less likely to monitor economic developments. Clearly, various LAs tackle pressures differently depending on their 'level' of governance within these multi-level countries. In an earlier study (Barbera, 2017) found that Italian municipalities were best described as 'firefighters' and were over-reliant on central government support during times of crisis.

2.4.4 Financial Resilience for UK LAs – how is it being operationalised and assured in practice?

CIPFA is the professional body that oversees and monitors public sector organisations' financial management, including Local Authorities (LAs). Central government departments including HMT and the MHCLG (now the Department for Levelling Up, Housing and Communities), are responsible for monitoring and regulating the local government finance system and have recently introduced new guidance relating to (i) investments and (ii) minimum revenue provisions by LAs to ensure financial sustainability and resilience. CIPFA has also introduced two codes of practice to complement the MHCLG/DLUHC statutory

guidance. The following guidance and codes of practice are a critical part of the financial framework applying to local authorities:

- (i) The Treasury Management Code,
- (ii) Statutory guidance on local government investments,
- (iii) Statutory guidance on minimum revenue provision, and
- (iv) The Prudential Code.

2.4.4.1 The Treasury Management Code

The Treasury Management (TM) Code produced by CIPFA defines Treasury Management as the *“management of an organisation’s investments and cash flows, it’s banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”* (CIPFA, 2017, p. 1). At the end of the 2016 fiscal year (31 March), UK LAs had outstanding borrowing and investments of £88 and £32 billion, respectively.

The Code has been developed to meet the needs of local authorities (including PCCs and fire authorities), registered social landlords, further and higher education institutions and NHS trusts to provide a clear definition of treasury management activities. Sandford (2021b) emphasised that the TM Code provides a framework for effective treasury management within public sector organisations (PSOs), and LAs are encouraged to regard the provisions in the TM Code when making decisions on capital investments. Sandford (2019) acknowledged that the landscape of public service delivery by LAs has changed significantly from the previous version of the TM Code in 2011.

2.4.4.2 Statutory Guidance on Local Government Investments

Lapsley (1988) provides a critical account of the diversity of investment appraisal techniques used in public sector decision-making in the mid to late 20th century, noting that this was largely based on practices in the private sector and not helped by the (often) conflicting guidance on capital budgeting from the central government. This was immediately before the LB Hammersmith and Fulham were discovered to be speculating on the international derivatives market. In 1987, Hammersmith and Fulham were parties to notional principal sums of £135 million, but by August 1988, they were so active that the equivalent sum was £4.2 billion, accounting for “one-half of one per cent of the entire global markets in derivatives” (Campbell-Smith, 2008, p. 192). This was all ‘bet’ on interest rates continuing to rise, and there was no mitigation in place if interest rates fell. This led to the intervention of the District Auditor and a high-profile series of legal cases in the high court, the court of appeal and the House of Lords between 1988 and 1991 (although the final cost settlements running into billions of pounds, took until May 1996). In this series of legal cases, the Audit Commission and the District Audit essentially sought to terminate such risky speculative practices (before this time, the commission had “urged caution but nothing more” on stock market capital investments (Campbell Smith, 2008 p 190). After the decision to stop the practice, the Audit Commission issued technical guidance to assist its auditors and guide Local authorities, but primary legislation and statutory guidance had to await the (by then) impending 1997 election and a New Labour Government

More generally, the need for greater control over local authority's financial activity was further reinforced by a series of Public Interest Reports (PIR) and pilot Corporate Governance Inspections (CGIs) from the Audit Commission that were reported to the New Labour Government in its early years. These were undertaken as part of the development of the Best Value regime and, subsequently, Comprehensive Performance Assessments of LAs. Beginning with the Doncaster PIR and the Hackney CGI and including reports on Walsall, Hull, Oldham, Rotherham, Torbay, Corby, Erewash, and the London Boroughs of Hillingdon, Enfield and Merton, they uncovered serious financial failings and were the antecedents to the section 15(1)(a) of the Local Government Act 2003 and subsequent Statutory Guidance on Local Government Investments.

The Statutory Guidance on Local Government Investments was first issued in 2004 for all LAs in England. This version was extant until the GFC exposed English LAs as having greater financial vulnerability to major shocks. Most notably, a large number of local authorities and local public organisations, such as Kent (£50m), Nottingham City (41.6m), and Transport for London (£40m) (Press Association, 2008), lost considerable investments when the Icelandic banks crashed in late 2008 after the Global Financial Crisis (Press Association, 2008). The Audit Commission found that seven LAs were at significant risk after they continued to deposit funds into the Icelandic banks after 30 September 2008 and breached their local treasury management policies. A revised edition of the Statutory Guidance on Local Government Investment was published in 2010. The Treasury Select Committee made changes based on the consequences of the Global Financial Crisis (GFC). This second edition primarily focused on the following:

- (i) The practice of investing yield, especially in Icelandic banks
- (ii) The need for transparent investment strategies, and
- (iii) The use of treasury management advisors.

After the second edition was published, LAs continued to struggle to provide services with reduced resources as demand for core services continued to increase at a significant rate. As council tax raising was capped and the government still encouraged local authorities to look to other ways of raising revenue, some LAs engaged in investment programmes, at home and overseas, to generate profit, whilst others entered into long-term investments as part of their regeneration strategies.

Several LAs were later found to have engaged in investments that weakened their financial position. Northamptonshire CC issued two Section 114 notices in February and July 2018, making it the first council to issue a 114 notice since 2000 (London Borough of Hackney). Northamptonshire had a potential budget shortfall of £60 to £70 million as a result of "poor or ill-advised decisions taken", according to their Section 151 Officer (BBC, 2018), particularly from the failed investment when it adopted a 'Next Generation' model structure instead of taking steps to regain control (Caller, 2018). Two further LAs also issued Section 114 notices, Croydon BC (2018) and Slough BC (2019) – with several other LAs in vulnerable positions appealing to the government for support. Nottingham City Council engaged in a risky investment strategy when it established the Robin Hood Energy Company to provide more affordable energy for its residents. Despite the good intentions of both initiatives

(Northamptonshire and Nottingham), it appeared that the poor management of financial resources and lack of technical/professional advice led both LAs into even more vulnerable financial positions, eventually compelling them to issue Section 114 notices. Several LAs, including Somerset UA, Norfolk, and Lancashire County Councils, also alerted the government to further potential Section 114 notices (Davies, 2018), which resulted in the Communities and Local Government Select Committee recommending revisions to the Statutory Guidance.

The third edition of the guidance on Local Government Investments was published in 2018, just as Spelthorne BC was accused of breaking the law after it borrowed over £1bn in public money to invest in commercial property. Spelthorne's spending, funded entirely by borrowing from the public purse, is the most high-profile example of cash-strapped local authorities buying international property in the hope that rental income could replace money lost to government cuts. In 2018-19 councils across England and Wales spent £6.6bn on acquiring offices and shopping centres – more than ten times the amount spent in the previous three years (The Bureau of Investigative Journalists 2020).

2.4.4.3 Statutory Guidance on the Minimum Revenue Provision (MRP)

The minimum Revenue Provision is the amount required by statute to be available for principal repayment by the local authority each year (CIPFA, 2021). As capital expenditure represents expenditure on the acquisition of assets with an economic useful life of more than one year, it is usually inappropriate to charge the entire cost of the asset to the year in which the asset was acquired. As such, the resultant costs are allocated and spread throughout the economically useful life of the asset. MRP aims to ensure that debt repayment (not just interest) appears in LAs' revenue accounts. The statutory requirement is that debt repayment ends up in the council tax bill so that councils are discouraged from borrowing without it having an impact on the taxpayers and electorates. LAs implemented the MRP Statutory Guidance in 2008/09, where the estimated useful economic lifetimes of assets were determined under delegated powers having taken professional advice. The Section 151 Officer reserves the right to determine useful life periods of assets and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate. For investments on or after the 1st of April 2008, the statutory guidance allows either of two 'prudent' approaches.

2.4.4.4 The Prudential Code

The CIPFA Prudential Code for Capital Finance 2021 (the Prudential Code) is a framework that governs local authorities' borrowing by guiding the management of LAs' capital finance, particularly setting borrowing limits for LAs (Sandford, 2021a). UK LAs are responsible for engaging in capital investments to generate income towards funding the financial gaps and the delivery of services. As a result, the Prudential Code supports local strategic planning, local asset management planning, and enhancing appraisals. Thus, the main aim of the Prudential Code is to ensure that the capital investment plans of LAs are "affordable, prudent, and sustainable" (Sandford, 2021a, p. 5). All LAs in the UK are required to consult and consider the Prudential Code when carrying out their obligatory responsibilities in England and Wales under Part 1 of the Local Government Act 2003, in Scotland under Part 7 of the Local Government in Scotland Act 2003 and in Northern Ireland under Part 1 of the Local Government Finance Act (Northern Ireland) 2011.

The Prudential Code contains statutory guidance on the management of local authorities' capital finance, particularly the setting of borrowing limits. The most recent version of the Code was published in December 2017. CIPFA has consulted on a new edition in 2021 (Sandford, 2021b). The revisions to these codes in the late 2010s took place in the context of substantial increases in local authority borrowing and investments due to concerns raised in 2020 by the NAO that the then MHCLG:

“did not have clear measures to test the impact of the changes on risk from commercial property investment and did not carry out new quantitative analysis of commercial investment activity in the sector.”

NAO (2020, p. 11)

The Code requires LAs to design rolling three-year financial plans for capital expenditure. This expenditure covers all capital spending apart from spending on housing. This is a change from the system it replaced, under which the central government granted individual consents for borrowing under policy heads (Bailey et al., 2012). Following the introduction of the Code in 2003, prudential borrowing by English LAs increased as a percentage of total local authority borrowing from 13% (in 2005/06) to 23% in 2009/10 (Carr, 2012). This figure reduced slightly to 21% in 2015/16 before rising sharply to 40% in 2017/18 (MHCLG, 2019) and 43% by 2020/21 (MHCLG, 2021).

CIPFA consulted on a new edition of the Code in 2021, which was expected to be published by the end of that year. A response to the government consultation on the new code, published in June 2021, stated that CIPFA intended to introduce a new statement that “Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. Therefore, local authorities must not borrow to fund solely yield-generating investments” (CIPFA, 2021, p. 3).

2.4.4.5 The CIPFA Financial Resilience Index and the emerging Financial Resilience Toolkit

CIPFA created a financial resilience index in 2018 to help local authorities measure and assess their financial resilience levels. The financial resilience index uses financial indicators to create a “high-level measure of the financial resilience of all LAs” in England (Sandford, 2019, p. 13). The financial resilience index was published on 2 July 2018 as a diagnostic tool to help identify LAs with consistent and comparable traits that highlight good practices and point out areas associated with financial failure (CIPFA, 2018). While the index was promoted among LAs, this provoked some concerns in the sector, not about the principle, but there were concerns that the six indicators with which the index was established were deemed insufficient in helping LAs assess their financial resilience. The indicators were therefore discussed in several consultations and were revised to nine indicators and interactive graphs when the final edition of the index was published in January 2021.

The objective of creating the index was to establish some form of benchmarking to help LAs assess their financial resilience levels. However, the index is largely quantitative and built using the RS/RO forms, although these tend to be a little variable with different versions used in the fiscal period. The primary focus of the index was finance-led, which means it didn't

include non-financial aspects, such as the vulnerability of LAs in times of adversity (crises). The vulnerability can be hard to measure, as this includes how the LAs perceive themselves as vulnerable. Although it may be argued that the index provides information that LAs can interpret to understand their levels of vulnerability, how LAs then interpret it will be linked to their perceptions of vulnerability which may (or may not) be in line with their own local circumstances. As a result, both CIPFA and CIMA are sponsoring the development of a complementary qualitative financial resilience toolkit to complement the Financial Resilience Index (Steccolini et al., 2022). This is being developed by members of the IRSPM-SIG and has reached its 'field testing' stage.

The Independent Redmond Review of local public audits, published in July 2020, discussed how public audits could contribute to assessing a local authority's financial resilience. It also identified a need for clearer auditing and information about wholly owned local authority companies within published accounts and suggested that financial resilience could be addressed through the financial reporting and value-for-money examinations that form part of the local public audit (Redmond, 2020). The government have formally agreed to all of these proposals (see Murphy et al., 2023), but at the time of writing, they require new legislation to implement the requisite changes.

Theme Summary

This section has synthesised the literature on organisational resilience and investigated and analysed the literature on financial resilience. It demonstrates how financial resilience has developed in England as a strategic response to the recent era of austerity, during which the country has experienced a series of major disruptive events. It explains how the concept of financial resilience has been developed and operationalised in both theory and practice. The final part of the section demonstrates how the concept is being assimilated rapidly into the local government financial regulatory arrangements currently extant in England.

2.5 Conceptual Framework

The section presents the conceptual framework of the study in two ways. First, the breadth and depth of the themes are presented using a Venn diagram (breadth) and a conceptual funnel (depth) to illustrate the connection between the three literature themes. Secondly, it presents a conceptual framework which illustrates the connection between the themes and the research questions. The literature reviewed in this chapter was essential to understanding the background and state of knowledge about general and specific research questions. The four specific research questions 'ResQues' of this study were:

- (i) What quantitative data best suits the analysis of English LAs' financial resilience?
- (ii) How has Austerity impacted the financial and non-financial (service delivery) operations of English LAs – from both quantitative and qualitative perspectives?

- (iii) How have English LAs coped with financial pressures in withstanding the provision of cultural and related services (CRS) using a financial resilience lens?
- (iv) Using the financial resilience framework, how have English LAs coped with austerity impacts and assessed their vulnerability to shocks?

2.5.1 Conceptual Framework – Breadth and Depth of the Themes

Figure 5 illustrates the connections and overlaps amongst all three literature themes of this study. Overlapping theoretical paradigms of NPM have been used to interpret, understand and/or explain the implementation of austerity as the UK’s primary economic strategy to respond to the consequences of the GFC. While some studies (e.g., Blyth, 2015) have argued that the idea of austerity pre-dates the GFC and that LAs had always been exposed to financial pressures, the demand for LAs’ core services has generally tended to increase over time and relatively little attention was paid to LAs financial resilience. As a result, literature on the financial resilience of LAs was relatively sparse before it significantly increased after the GFC. Similarly, while there is extant literature (Kickert et al., 2014) on the impacts of austerity on *countries* and their response to its impacts, there is much more limited research and literature (Barbera et al., 2017; Steccolini et al., 2018; Saliterer et al., 2021) on its impact on LAs.



Figure 5: Venn-diagram for Literature Themes

Source: Author (2023)

The study used a ‘paradigm funnel’ to illustrate the depth of the three themes of literature. Berthon et al. (2003) defined the paradigm funnel as a research tool that enables researchers to produce an enlightened analysis of complex literature. The paradigm funnel is widely used in studies to illustrate the depth of the literature review (Berthon et al., 2003; Lee and Scott, 2015; Rajabzadeb et al., 2022). The paradigm funnel was adopted for this study to explore the depth of the literature on the pre-NPM (TPA), NPM, and post-NPM regimes. The paradigm funnel (Fig. 6) below illustrates a systematic approach for reviewing the three literature themes of the study.

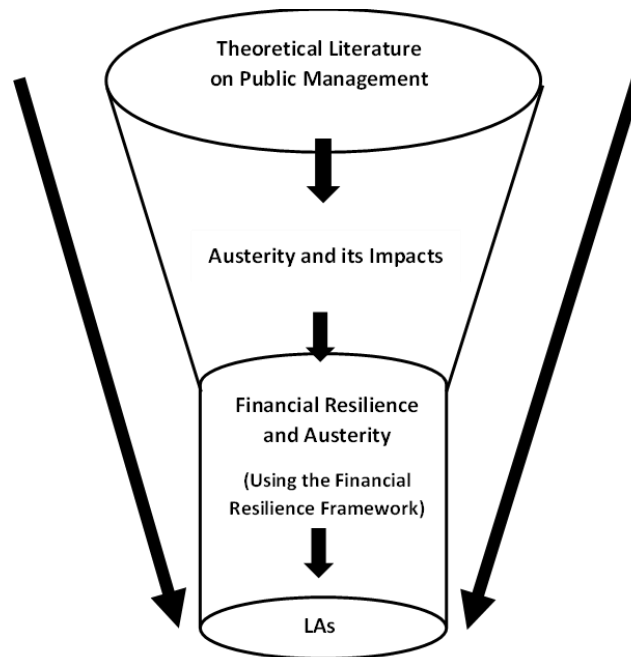


Figure 6: The Literature Paradigm Funnel

Source: Author (2023)

First, the study presented a review of the theoretical literature on public management to highlight the administrative traditions of organisations (narrowed down to LAs) in three broad regimes (pre-NPM (TPA), NPM, and post-NPM regimes). Secondly, the study explored literature on how major crises exposed LAs to financial and non-financial pressures, making them more vulnerable to increasing service demands. The period of austerity was a critical era that challenged LAs' capacities and capabilities in delivering services to their residents. Third, the study reviewed the literature on LAs' response to austerity in terms of the developing concept of financial resilience and applied Barbera et al.'s (2017) financial resilience framework to explore and understand how English LAs withstood the adversities and shocks they faced during the austerity era between 2010 and 2020.

2.5.2 Conceptual Framework of Themes and Research Questions

The final section of this chapter presents a conceptual framework that illustrates the relationship and connections between all three literature themes and the research questions.

2.5.2.1 ResQue 1 - A Panel data set of 15 years divided into three 'eras' (Appendix B)

The ever-changing and dynamic nature of local government structure in the UK makes it challenging and almost impossible to assess the financial resilience of LAs using quantitative data that is often objective. Although LAs submit their financial data centrally and are often made available and accessible to the public on an annual basis, different documents contain different information on the financial activities of LAs. This study has compiled all these documents and aggregated them into a single panel data set over a 15-year period to capture (i) five years preceding austerity (pre-austerity era) and (ii) the first decade of austerity, which spans from 2010/11 to 2019/20.

The application of various theoretical public management approaches influenced both national (central government) and local during the 15-year study period. The evolution of

these policy and management approaches were reflected in significant changes in policies at the national and local levels, which affected the response and the services and operations of LAs at the local level. For example, some changes made in the wake of the GFC were linked to the adoption of NPM policies. One key aim of the national policy of 'austerity-localism' was to increase responsibilities and discretion to LAs, which emphasised the decentralisation allegedly characteristic of NPM. Another example is where the operations of LAs became explicitly performance-oriented. Despite the primary objective of providing services to enhance citizens' welfare and well-being, LAs were expected to focus on performance measurement, where targets, goals and objectives are used to manage and monitor the performance of LAs (Hood, 1991). Post-NPM policies such as public value and new public governance are increasingly being adopted by LAs to enhance transparency and accountability and assure citizens that they are achieving value for money. Appendix B captures in detail the process of establishing/constructing the panel data set of financial data for all English LAs during the 15-year study period.

2.5.2.2 ResQue 2 - Impacts of Austerity on the Financial and Non-financial performance of English LAs (Quantitative)

Chapter 4, which utilises the quantitative data collected, analyses the impacts of austerity, using data disaggregation and visualisation to identify income trends and expenditure patterns of English LAs over the 15-year period. The results are presented using visual infographic diagrams to illustrate sub-themes on the financial impacts of austerity, cutbacks in services (service pressures) and (re)prioritisation of services (response triggers). Although the chapter addressed the research question, the quantitative nature of the results made it difficult to interpret the findings of some of the sub-themes from austerity impacts. The findings identified key trends and patterns that were difficult to identify from the qualitative data.

2.5.2.3 ResQue 3 - Impacts of Austerity on the Financial and Non-financial performance of English LAs (Qualitative)

Chapter 5 analyses the impacts of austerity as they emerged from the elite interviews (qualitative data). The chapter discusses how both internal and external determinants led the UK government to implement its austerity policies (Kickert et al., 2013) in 2010 and how this affected the funding and delivery of local services (and vulnerability) provided by English LAs. This chapter evaluates the sub-themes of the impacts of austerity and the response triggers to the English LA context.

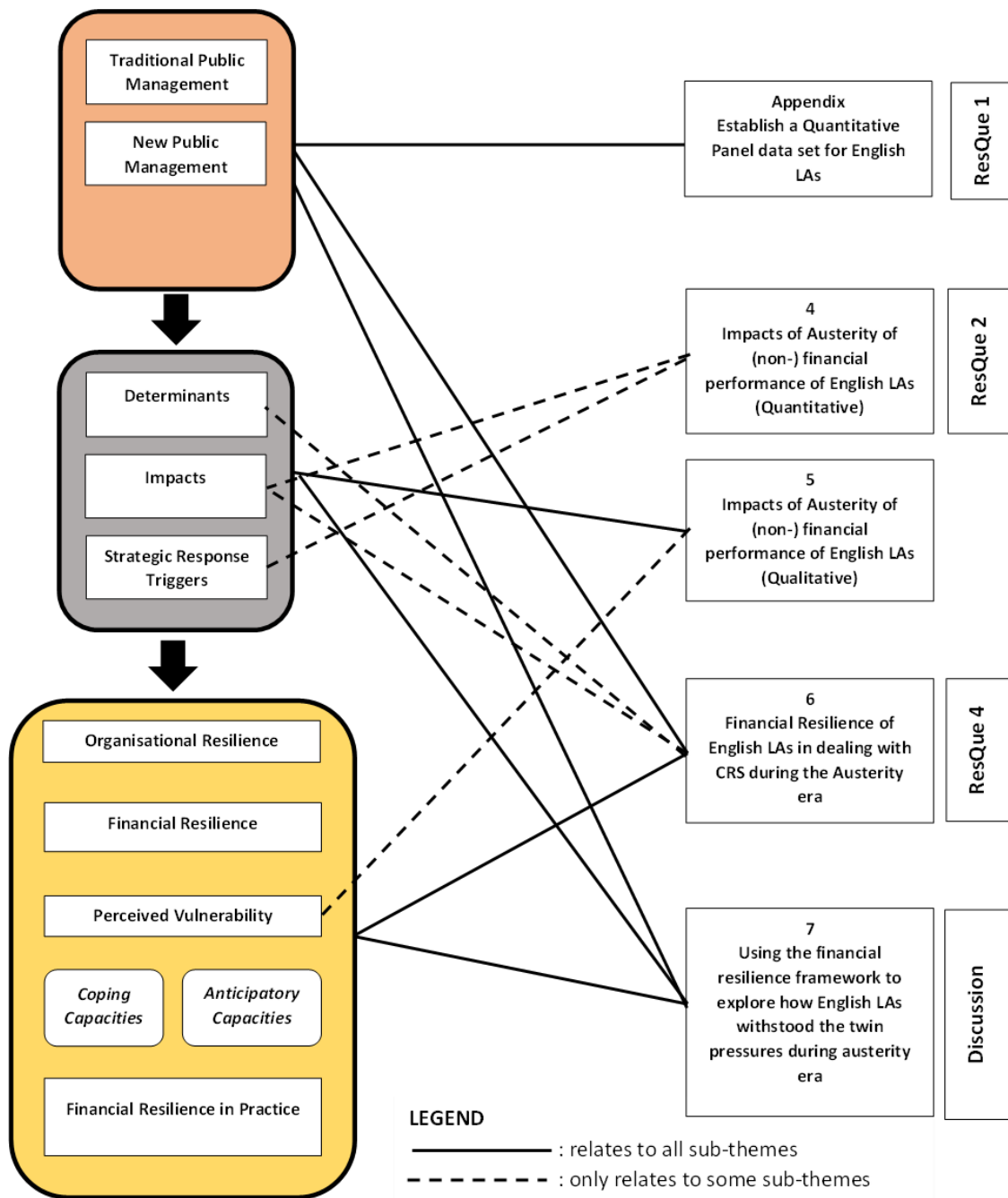


Figure 7: The Conceptual Framework of Literature Themes and Research Questions
 Source: Author (2023)

2.5.2.4 ResQue 4 - Analysing the financial resilience of English LAs’ provision of Cultural and Related Services during the austerity era

Chapter 6 investigates how English LAs coped with the financial pressures and managed their cultural and related services. These services saw a continuous reduction, despite their popularity with residents. All three themes were applied in the analysis in this chapter to address the research question. First, structural and policy changes based on both TPA and NPM assumptions were applied at both national and local levels. Following their initial implementation, local authorities experienced shocks (austerity), which affected their perceived vulnerability levels and obliged them to withstand adversities by utilising coping

and anticipatory capacities. A financial resilience framework is applied to the results of both quantitative and qualitative data to gain an understanding of how austerity policies affected expenditure on CRS and how English LAs sort to maintain financial resilience.

2.5.2.5 Discussion - Using the Financial Resilience Framework to understand how English LAs responded to the twin pressures during the austerity era.

Chapter 7 discusses the three finding chapters, drawing inferences, and utilising the financial resilience framework. After applying all the themes to the chapters on results and findings, the discussion chapter draws on all three themes (chapter 8). The theoretical literature on public management regimes was evident in the changing policy and income trends and spending patterns of English LAs. Secondly, the English LAs became increasingly vulnerable to shocks during the austerity era and major squeezes on their funding and their capacity to provide core and discretionary services (Hastings et al., 2021). Finally, Barbera et al.'s (2017) financial resilience framework is used to analyse the common response measures and how LAs responded to a persistent reduction in central and locally generated funding while facing increased demand for services.

2.5.6 The Next Chapter

Before the findings and discussion chapters (4 to 7), however, the next chapter (3) addresses the methodology and methods that were adopted during the data collection and quantitative analysis phase of the research project (Appendix B). There is also a final section in Chapter 3 detailing how the project addressed the ethical issues relating to the data collected and the data collection process. These include issues of confidentiality, anonymity, informed consent, and use of personal data, together with the receipt of ethical clearance from the College Research Ethics Committee at the Nottingham Trent University prior to the collection of any primary data.

Chapter Three

Methodology, Methods, and Ethics

3.0 Chapter Overview

This chapter discusses the research methodology, methods, and ethical considerations for the study. Research methodology in business and management studies is broad and continues to evolve. Leading authors (Saunders et al., 2019; Bryman and Bell, 2015) have approached methodology in slightly different ways. The methodological philosophies for this project were largely drawn from Saunders et al. (2019), although it adopts selected methods from other sources such as Creswell and Creswell, (2017) and Easterby-Smith et al., (2018) and justifies how and why these were suitable for this research. Primary data was collected and analysed through data disaggregation and represented using data visualisation. Finally, the chapter explains how the researcher applied appropriate ethical considerations throughout the research process.

3.1 Research Methodology (Design)

Research design is the art and science of reviewing processes and systems for conducting experiments and investigations to get reliable findings (Collis and Hussey, 2021). Saunders et al. (2019) defined research design as the general plan of how a researcher addresses the research question(s). According to Saunders et al. (2019), the plan should include clarifying objectives from research questions, reviewing the data collection sources, and analysing the data after obtaining ethical clearance.

The researcher employed a research design to stay focused on achieving the research objective. The researcher draws from Saunders et al. (2019) to structure the research design of this study into three distinctive phases, namely (1) research design, (2) data collection, and (3) data analysis. First, the research design included a clear objective from the research questions. Second, the study specified the sources of data collection after considering ethical issues, and third, the researcher analysed the data to get findings that address the research question. The study adapted Saunders et al. (2019) 'research onion' to illustrate the research design and to structure the research approaches with justifications.

3.2 Research Philosophy

The research philosophy adopted to conduct research shapes the researcher's assumption about how the world is viewed. Based on these assumptions, the researcher is able to choose the most suitable research strategy and the methods as part of that strategy (Saunders et al., 2019). There are two main philosophical assumptions - ontological and epistemological (Collis and Hussey, 2021). Ontological and epistemological assumptions differ because ontology appears more abstract, while epistemology is more prominent. The various stance on

ontology and epistemology options available for this study are discussed with the selected philosophies justified in the sections below.

3.2.1 Ontology

Ontology is the assumptions about the nature of reality to individuals, activities, and organisations (Easterby-Smith et al., 2018; Saunders et al., 2019). There are three widely recognised ontological approaches available, namely objectivism (Bryman, 2016), constructivism (Cresswell and Cresswell, 2017), and constructionism (Saunders et al., 2019). This study uses constructivism, as shown below.

3.2.1.1 Constructivism

Constructivism is one of the major ontological philosophies that relates to the process of making sense of the world (Creswell and Creswell, 2017). Creswell and Creswell (2017, p.6) defined a worldview as a general orientation about the world and the nature of research that a researcher holds. According to MacLeod et al., (2022) and Knol, (2011), several constructivist viewpoints have emerged in social science and research method literature. These constructivist perspectives include personal constructivism and social constructivism (MacLeod et al., 2022). Social constructivism relates closest to this study because it involves the process where the researcher adopts subjective approval to seek an understanding of the world in which they live or work (Creswell and Creswell, 2017). Knol (2011) acknowledged that (social) constructivists often explore meanings of incidents around them and employ subjective means to get meanings of such incidents and their potential impacts thereafter.

MacLeod et al. (2022) established that constructivism combines several essential aspects of social research. Constructivism enables the researcher to draw inferences from participants to understand incidents. For this study, the researcher used open-ended interview guides to allow interviewees to give a true, honest, and subjective account of their experience of working with local authorities. Creswell and Poth (2016) acknowledged that the more open-ended the questioning, the better since it allows interviewees to construct the true meaning of the incident under research.

3.2.2 Epistemology

Epistemology refers to assumptions about knowledge, what constitutes acceptable, valid and legitimate knowledge, and the process of communicating knowledge to others (Burrell and Morgan, 2017). Easterby-Smith et al. (2018) defined epistemology as assumptions about the best approaches to acquiring knowledge in the nature of the world. This notion about epistemology provides a wide variety of choices of methods that are available to researchers. The three prominent epistemological approaches available for the study are positivism, realism, and interpretivism.

3.2.2.1 Positivism

Positivism is an epistemological approach that maintains a philosophical stance often associated with natural scientists and entails working with an observable social reality to

produce law-like generalisations (Saunders et al., 2019). 'Positivism' was first introduced by French philosopher August Comte in the nineteenth century, who claimed that real knowledge is based on facts (Comte, 1975). Hence, positivism is an epistemological assumption that knowledge is significantly based on observations of this external reality resulting from the empirical investigation (Easterby-Smith et al., 2018). Researching through a positivist lens views organisations and social entities as real in the same way physical objects and natural phenomena are real; (Easterby-Smith et al., 2018). This study chose a positivist approach that ensures neutrality and independence from the research to avoid influencing the results and findings. Hence, the study maintained this plausible stance because of the measurable and quantifiable nature of the data collected. These emphasised quantifiable observations made during the data analysis phase of the research process.

Positivism is the appropriate epistemological assumption for the research as data will normally be expressed in quantitative forms, which qualitative data may supplement. Adopting positivism enables patterns, irregular behaviours, and decisions made by individuals, activities, or organisations. According to Saunders et al. (2019), a positivist approach assumes that objective facts offer the best scientific evidence, which results in making the appropriate choice of quantitative methods, and ensure that the results and findings are credible and generalisable. It is an appropriate epistemological approach because it ensures cross-sectional analysis, where correlations are easily identified by comparing variations across a population sample. One advantage of adopting positivism is that it provides a wide range of coverage for investigation and verification. Positivism is usually fast and most economical to use for research purposes. Although positivism may not provide obvious implications for practice, it is easier for the researcher to justify practice policies among organisations and governments (Saunders et al., 2019).

3.2.3 Pragmatism – Research Philosophy for this Study

The study adopted a pragmatic philosophy, which emphasizes that perceptions and notions are only relevant where they support action (Kelemen and Rumens, 2008). Pragmatism is considered a hybrid philosophy of constructivism (subjectivism) and positivism (objectivism), as it strives to reconcile subjectivism and objectivism by considering theories, ideas, hypotheses, and research findings not imaginatively, but in the role that they play as instruments when applied to practical situations (Saunders et al., 2019). Hence, as pragmatists engage in a reflexive process initiated by doubts and sensemaking that something is wrong, their findings are often practice-based and intended to solve shared problems. Pragmatism was selected as the philosophy for this study because pragmatists often start with a research question and aim to provide practical solutions that inform practice in future (Saunders et al., 2019). For this study, the researcher engaged in analyses of objective data (secondary data), and then the findings were further explored using subjective research tools (interviews).

3.3 Research Area

As discussed in chapter two, the local government structure is different in the four UK nations.

This study conducted research on local authorities across one of the four UK Nations: England, but a pilot study was done on Wales to help understand how to process the data. However, Wales was not subsequently included in the main study due to differences in funding with England and some devolved/structural issues which made comparisons between the two nations problematic. The structure and governance of Local authorities in these countries may vary slightly depending on micro and macro-economic factors such as the source of funding, taxation, inflation, and level of responsibilities.

Table 1: Principal Local Authorities in the UK

Principal Local Authorities Population in the UK				
	Upper Tier	Lower Tier	Unitary Authorities (UA)	Total
	County Councils (CCs)	District Councils (DCs)		
England	24	181	128*	333**
Scotland	-	-	32	32***
Wales	-	-	22	22***
Northern Ireland (NI)	-	-	11	11****
Scotland				-32
Northern Ireland (NI)				-11
Total except for NI and Scotland				355
NB:	* Total of Unitary Authorities, Metropolitan, and London Boroughs			
	** The total number of local authorities in England as of December 2022, and excluded the 10 combined authorities.			
	*** LAs in Scotland and Wales were excluded from the study			
	**** Northern Ireland was excluded due to inconsistency in data since the reorganisation of authorities in 2015			

Source: DLUHC (2022)

Table 1 presents the data on the number of LAs in the UK as of December 2022. The number of LAs, particularly in England, changed periodically during the study period due to reorganisations. As a result, the population for the study is slightly smaller, as the researcher excluded the newly reorganised LAs since there was no continuity between the old and new organisations across the various time frames.

3.3.1 The Rationale for Selecting LAs from England

The study focused on exploring local authorities in England to understand how they withstood financial and demand pressures during the era of austerity. The study excluded analysis of the three other nations as LAs in NI were comprehensively reorganised in 2015, meaning that comparisons over the time series could not realistically be made, for LAs in Scotland as the

data available did not cover the entire study period (15 years – from 2005/06 to 2019/20), and structural and funding differences in Wales made comparisons difficult.

Data management for LAs in England appeared onerous and messy due to a large number of LAs, which made it difficult to manage and explore the data. Of the other three UK nations the number and type of LAs in Wales (22 UAs) made it possible to use them as a pilot case. and the researcher applied lessons learnt from analysing the data set on Welsh LAs to the English case, even though Wales does not feature in the main research.

3.4 Research Approach

3.4.1 Mixed-Method Approach

The mixed-method research approach combines quantitative and qualitative approaches in the same research project. Saunders et al. (2019) defined quantitative research as using primary data methods such as questionnaires, surveys, direct observations, and interviews to test theory to enhance one's understanding of specific events/phenomena. The qualitative research approach is a systematic process for exploring and understanding individuals, groups, and organisations' behaviour towards a social or economic problem (Cresswell, 2009). This study adopted a mixed-method approach by combining quantitative and qualitative data collection techniques and analytical processes to achieve the research objective(s).

The methodological choice for the study is the simple mixed methods approach. The quantitative data helped analyse the revenue changes for LAs to understand the changing trends and patterns in expenditure during the study period. The researcher observed a drawback of using the quantitative method in that the results only present an overview and do not explain reasons for changes in these patterns. The researcher therefore conducted interviews to solicit responses that would help understand these events.

In qualitative terms the study used elite interviews (Saunders et al., 2019) to understand how local authorities in England have responded to austerity using a lens of financial resilience. A mixed-method approach was adopted for this study because it considered the strengths and weaknesses of both approaches and used one's strengths to reduce the drawbacks of the other in the study.

3.5 Research Strategy

The study adopted a case study strategy which employed the use of exploratory case studies with data disaggregation and visualisation to investigate how LAs have responded to austerity using a financial resilience lens. A research strategy is a planning tool used by the researcher to answer the research question. Researchers adopt different strategies based on the research area and objectives they expect to achieve from the project. The strategies include survey, archival research, experiment, case study, ethnography, action research, grounded theory, and narrative enquiry (Saunders et al., 2019). Yin (2018, p.13) defined the case study method as an "empirical inquiry that investigates a contemporary phenomenon with some real-life context". The case study approach has been adopted in other research disciplines,

particularly social sciences (Silverman, 2001) and management research (Gummesson, 2000; Barnes, 2001; Gill and Johnson, 2002). The case study has become common in management research, which has evolved in the past two decades since it helps researchers focus on a limited number of events or subjects to address a research problem/objective.

The case study was selected because it fits well with the mixed-method approach, combining qualitative and quantitative data (Hussey and Hussey, 1997). Second, the case study enabled the researcher to investigate events and subjects, including individuals and organisations (Silverman, 2001), with multiple data collection and analyses (Yin, 2018). Third, the case study was selected over the archival research strategy because it is the preferred method used when questions on “what – (incidents/events)”, “how – decisions made”, and “why – justifications of strategies adopted” are posed to produce insights and understanding of a phenomenon within a real-life context.

Yin (2018) argues that case studies are suitable for explanatory and exploratory research, and this is supported by other academic commentators (Robson, 1993; Gummesson, 2000). This is because exploratory research investigates a research phenomenon that has not previously been conducted in depth and where limited information is available. Other methodological approaches, including explanatory research, were not applicable to the study as they applied more to studies that aim to explain the relationship between variables (Saunders et al., 2019) by investigating the ‘why’ and ‘how’ of interesting phenomena. This study adopted an exploratory research strategy to address the research question because the study’s focus is exploratory rather than explanatory. Exploratory case studies are usually conducted when the literature is limited on the subject/research area to acquire more insights into the research area. The exploratory case study was selected to help measure the four (4) interrelated financial resilience dimensions and gain more insights to build on the financial resilience framework initially proposed by Barbera et al. (2014). When using a case study, the researcher draws inferences from results to help explore the changing trends and patterns in the income and expenditure of LAs.

3.5.1 Data Disaggregation and Data Visualization

The study adopted data disaggregation and data visualization to achieve the research objectives. Data disaggregation and visualization were necessary to investigate changing trends and patterns in the income and expenditure of English LAs. This approach was useful for identifying common patterns in the sources of income and indicated service expenditure areas where LAs appeared to (re)prioritise limited financial resources during the study period.

3.5.1.1 Data Disaggregation

Data disaggregation is the process of segmenting data into smaller groups based on a segmenting criterion, such as socioeconomic status (Rubin et al., 2018) or demographic status (Sharpe, 2019), to make it more granular and manageable for analysis. Gigli (2021) found that disaggregated data helps health professionals and researchers to identify trends and disparities in subgroups which may not be obvious in the population. For this research, the study employed data disaggregation to break down the financial data of LAs into smaller manageable segments, which enabled easy navigation (through the data set) and analysis to identify common trends/patterns in the income and expenditure of LAs throughout the study

period. While data disaggregation appeared to have gained traction in some research disciplines (Chan, 1993; Debele et al., 2007; Najafi et al., 2018; Gigli, 2021), its drawbacks make it less suitable for research in other disciplines, particularly in cases where the population is not divisible.

The data was disaggregated in three steps based on geographical location (nine LA regions), authority types (six LA types), and time series (three eras), as shown in Table 2. First, the study maintained the nine geographical regions of LAs in England, which remained consistent with the methodology employed by recognized government agencies/departments (NAO, ONS, DLUHC). Similarly, regarding the regional categorisations, the study also adopted the six classes (types) of LAs to remain consistent with the data methodology by these same agencies/departments. Although all Welsh LAs are unitary authorities (the same type), it was often problematic to compare individual authorities since they shared different demographic, economic, spatial, and social characteristics.

Table 2: Allocation of LAs in England and Wales

	Regions	Types					Time Series (Eras)			
							Pre-Austerity (2005/06 to 2009/10)	Early Austerity (2010/11 to 2014/15)	Late Austerity (2015/16 to 2019/20)	
England	East of England	Shire Districts (SD)	Shire Counties	Metropolitan Districts	Greater London Authority (GLA)	London Boroughs	Unitary Authorities	Pre-Austerity (2005/06 to 2009/10)	Early Austerity (2010/11 to 2014/15)	Late Austerity (2015/16 to 2019/20)
	East Midlands									
	London									
	North-East									
	North-West									
	South-East									
	South-West									
	West Midlands									
	Yorkshire and the Humber									
Wales										

Source: Author based on field data (2021)

Thirdly, the study classified the fifteen years into three distinct eras - pre-austerity (2005/06 to 2009/10), early austerity (2010/11 to 2014/15), and late austerity (2015/16 to 2019/20). Data disaggregation was necessary to identify the changing trends in income and expenditure patterns and understand how LAs in England and Wales (re)prioritised limited resources in times of shocks and uncertainty. Further, these classifications provided useful insights into changes to how LAs responded by (re)prioritisation of spending during the three eras. Data disaggregation into these three eras was crucial to get a systematic understanding of the changing trends and patterns therein.

3.5.1.2 Data Visualization

Data visualization is the “representation and presentation of data to facilitate understanding” to an audience (Kirk, 2016, p. 19). Data visualization is a process that relies on three criteria – reliability, representability, and interpretation (Azzam et al., 2013). Thus, data visualisation (i) uses results from qualitative and quantitative data, (ii) is illustrated in an image (infographics) that is representative of its raw data, and (iii) is readable and understandable by its audience and users (Azzam et al., 2013). According to Sadiku et al. (2016, p. 11), “data visualization is

concerned with the design, development, and application of computer-generated graphical representation of data". The amount of data on the web increases significantly since organisations generate data on a daily basis. For this reason, it becomes difficult for users to visualise, use, and interpret these data. Data visualization is often used in research to present results with infographic images, which illustrate the results and allows users to better understand/interpret the findings of the research (Graham 2017; Qin et al. 2019). Aside from presentation and interpretation, data visualization is also useful for facilitating data cleaning.

The study employed data visualization to present the results from the quantitative data. As data visualization is more suitable for secondary data (Brodlie et al., 2012), the study adopted data visualization to illustrate the trends and changing patterns in income and expenditure for LAs in England and Wales. The practical nature of the study allowed the use of data visualization, which is applicable to evaluate practice in a sector and attempt to predict future visualisation trends (Azzam et al., 2013) and their impacts on LAs' finances. When determined, the trends identified in these images may help shape strategies and decisions made by LAs to reduce foreseeable shocks and minimise further adversities that arise from crises. The study adopted Qin et al.'s (2019) pipeline of data visualization (in Figure 8) in creating the infographic images used to illustrate the results of this research.

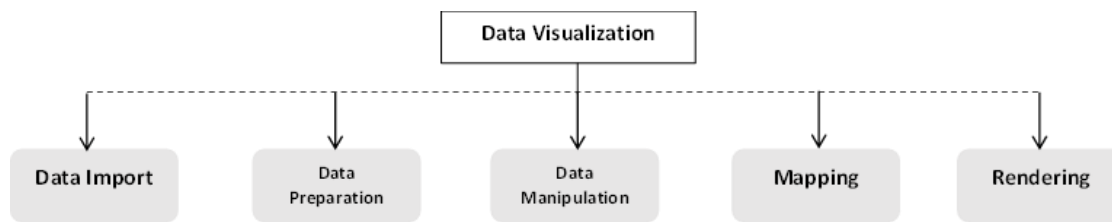


Figure 8: Data Visualisation Pipeline

Source: Qin et al. (2019)

The data visualization process started (by importing), where data was extracted from secondary sources. The data collected was cleaned and prepared, and any discrepancies/anomalies in the data were either corrected or filtered out (Qin et al., 2019) from the data set (manipulation). Then, the data was mapped into a spreadsheet and transformed into a visual infographic image such as pie charts, line charts, and bar graphs. According to Unwin (2020), graphics reveal data features that other statistical models, such as regression and correlation, may miss. While data visualisation is still emerging in public management literature, it has gained traction in other disciplines including technology (Masiane et al., 2020) and accounting (Quattrone, 2017) disciplines, and is published in highly ranked journals.

The study also employed data visualization because it was suitable for exploratory research (Unwin, 2020). Data visualization is a useful tool for exploratory research because it allows researchers to interact with and explore data in a visual and intuitive way, leading to new insights and discoveries. Secondly, data visualization was preferred over other statistical models (i.e., regression and correlation) because they relied largely on providing results on significant levels of variables and provided less or no insight into key trends/patterns of the research phenomena.

Other academics (including Hendrick, 2010) have attempted regressions, but their findings relied heavily on the results of the primary data collected, and regression was less useful to explain the reasons for identified trends and patterns in comparison to thematic analysis of primary data, especially in the context of local authorities. Their findings could have provided deeper insights if data visualisation had been applied to their study. To facilitate analysis and interpretation, data visualisation was applied with quantitative data, particularly in Chapter 6, to track the changes and trends in cultural services (CRS) and understand the implications of these changes. It then adopted a qualitative approach to explore the library service component within CRS using a financial resilience framework to gain deeper insights into decisions made by LAs to respond to the significant financial and service pressures during the time series. One drawback of data visualization is that some infographic images may be sophisticated and cause misinterpretation of results from the users' perspective (Gorodov and Gubarev, 2013; Graham, 2017). However, this drawback was mitigated in this study by the use of legible legends and labels to help users better understand and interpret the findings/results.

3.6 Sample Selection Techniques

This study used different sampling techniques for primary (qualitative) and secondary (quantitative) data. The technique for selecting sample sizes is an essential activity for any research study since it is unrealistic to research the whole population (Marshall, 1996). Sampling is defined as extracting a subset from an entire population for further experiment and examination and aiming to generalise the findings to a larger population (Burns, 2000). Saunders et al. (2019) explain that a sample is any part of a population, regardless of whether it is representative or not. A population is the full set of scenarios from which a sample is selected (Saunders et al., 2019). Hence, the population of this study is all the 419 local authorities (LAs) across the UK, which comprise 343 LAs in England, 32 in Scotland, 22 in Wales and 11 in Northern Ireland. It is impracticable for the researcher to cover the entire population due to time limitations, budget constraints, and access to information.

The researcher used a smaller sample size since it grants a higher level of accuracy and sufficient time to collect and analyse the data for discussion. The technique for selecting a representative sample size is an important step for any study, as it is not efficient, practical, or ethical to research whole populations (Marshall, 1996). Using a representative sample enables the researcher to use only the data from the population relevant to the research requirements and has a real effect on the research quality (Saunders et al., 2009). Therefore, researchers focus on sampling techniques to fulfil their research requirements (Neuman, 2000). The study adopted both probability and non-probability techniques. The study justified selecting both probability and non-probability techniques to ensure that the sample size was representative and generalisable to the entire UK LA population.

Probability sampling was used to analyse the quantitative data collected on Local Authority Revenue and Expenditure and trends (Singh and Masuku, 2014). Non-probability sampling was used for the subsequent in-depth interviews.

3.6.1 Probability Sampling Technique (Secondary data)

Probability Sampling techniques are an approach where each case in the population has an equal chance of being selected by the researcher. The study adopted a probability sampling technique to select the appropriate sample size representing the entire UK LAs. The various probability sampling techniques include but are not limited to, simple random sampling, systematic sampling, stratified sampling and cluster sampling (Saunders et al., 2019). The researcher chose the stratified sampling technique over the other alternatives. A stratified sampling technique is a probability sampling method where the population is divided into two or more strata based on specified characteristics. First, the researcher adopted the stratified sampling technique by dividing LAs based on geographical location (region) into the ten (10) standard regions - nine in England - namely, East-Midlands (EM), West-Midlands (WM), Yorkshire and the Humbers (YH), North-East (NE), South-East (SE), North-West (NW), South-West (SW), East of England, London Region. Then, the researcher segmented the LA population by class (henceforth, type) - into six categories, - namely, Shire Counties (SCs), Shire Districts (SDs), Metropolitan Districts (MDs), Unitary Authorities (UAs), London Boroughs (LBs), and the Greater London Authority (GLA).

The researcher used these categories because it is consistent with the Office of National Statistics groupings and all official government publications. The stratified sampling technique could be used to select the sample, as the data collected from the government website was homogeneous within each stratum and across the time series. This made it possible for the researcher to ensure consistency in measurement to attain validity and credibility of results (Bryman and Bell, 2015). The second reason for selecting the stratified method was to understand better the changes in expenditure trends and income patterns (Saunders et al., 2019). Third, stratified sampling techniques were also used to select respondents (primary data) to avoid selection bias, as it aimed to balance the need for the representativeness of each stratum. This made it possible for responses (interviews) to be collected from at least one respondent from each stratum. Although stratified sampling adds more complexity to the analysis plan, stratifying minimizes sampling error and ensures a greater level of representation.

3.6.2 Non-Probability Sampling Technique (Primary data)

Non-probability sampling is an approach with no equal chances of selecting each case from the population. Saunders et al. (2019) defined the non-probability sampling method as a process where the chance of selecting each case from the population is unknown. Saunders et al. (2019) consider that the non-probability sampling technique is crucial when the study is investigative and suggests pilot testing to understand a phenomenon of interest further. The study adopted a non-probability sampling technique because it generates openness to the

subjective judgement of interviewees and respondents. Different types of non-probability sampling include but are not limited to convenience sampling, purposive sampling, quota sampling and snowball sampling (Bryman and Bell, 2015).

The researcher adopted a purposive (judgemental) sampling method to select the appropriate sample representing the population for enhanced credibility of data collected through interviews. The purposive sampling technique is a non-probability sampling method where cases are selected for the sample based on judgment by the researcher to promote convenience; hence, it is also referred to as the convenience sampling method. This study has chosen purposive sampling as it meets the sample selection criteria relevant to the research objectives of this study (Saunders et al., 2019). For example, the participants must occupy senior management positions responsible for strategic financial decision-making for the LAs to help the researcher understand how they responded to adversities during the austerity era. For the primary data (interviews), the researcher carefully selected elite participants such as Chief Executive Officers (CEOs), Directors of Finance (or equivalent), and auditors of Local Authorities by type and geography (Easterby et al., 2018). Hence, the researcher selected participants based on the experience of these (elite) senior officers of the LAs.

The purposive sampling technique was selected because selection choices are based on judgments about participants in the population who would most likely provide the needed information to enable the researcher to achieve the research objectives. Finally, the exploratory and explanatory nature of the qualitative data relies on people's experiences, values, beliefs, and the meanings with which they respond to situations, whether good or bad (Webley, 2010). This means that the purposive sample was adopted to select samples purposively to explore responses based on the experience of participants. One challenge with purposive sampling is that it becomes quite difficult to get participants who meet the selection criteria. These limitations were mitigated by adopting the snowball sampling method.

The study also adopted a snowball sampling method to enable consistency in recruiting elite interviewees through strategies including 'cold calling'. As they snowballed, the researcher maintained the purposive sampling and elite strategy by continuing to interview participants from the elite group (senior officers of LAs) to ensure consistency in the results. This was because the researcher found it quite challenging to interview executive members of UK local authorities and professional bodies, who were usually busy during the data collection stage due to government restrictions during the COVID-19 pandemic. The recruitment of interviewees/participants also depended on their willingness and readiness to participate in the interviews.

3.7 Sample Size Determination

After selecting the appropriate sampling technique, the next crucial activity was to determine the sample size for the study. Good sample sizes should be large enough to address the research objective(s) of the study. Collis and Hussey (2021) argued that larger sample sizes

represent the population better than smaller samples. Therefore, the study must select a representative sample size to reflect the entire population to ensure the generalisability of results and findings.

The study population is often used to draw a sample under a certain sampling technique. A sampling frame is used for that purpose. The study population is a total sum of all councils by type and region in the United Kingdom. According to information on the Local Government Information Unit (LGIU) website, there are 333 authorities in England, 32 in Scotland, 22 in Wales, and 11 in Northern Ireland. Besides, there are around 10,000 town and parish councils in England, 1,200 community councils in Scotland, and 730 community councils in Wales (as of 01/01/2022). There are no town, parish or community councils in Northern Ireland. The population sums up to approximately 12,338 councils in the United Kingdom.

A target population is a subset of the population redefined by the research to make it more manageable for research purposes (Saunders et al., 2019). The study considered all councils from England (333), Scotland (32), and Wales (22) except town and parish councils. Aside from excluding LAs in Northern Ireland and Scotland, the study also excluded all 11,930 town, parish and community councils from analysis because they are a different layer of local government with lower funding powers and limited responsibilities.

The sampling frame is a probability sample in the target population from which the researcher selects the sample size (Saunders et al., 2019). A sample is a subset of a target population selected by a researcher based on their judgments for analysis to achieve the objectives of the study. According to Collis and Hussey (2021), the sample size should be robust enough to address the research question and represent the entire population. Thus, for a sample to be suitable for a study, the sample should be generalisable and representative of the entire population.

3.7.1 Sample Size Determination for Secondary (Quantitative) Data

For quantitative data, the target population was subdivided into six (6) groups based on types of LAs. The study categorised these groups into three distinct three (3) case studies according to the three classifications of LA regions in England and Wales (See Fig. 9). The figure below shows that case one represented the Southern region, case two - the Midland region, and Case three - the Northern region. A grouping of this nature was adopted to represent a UK case study by Barbera et al. (2017). Although Barbera et al. (2017) considered cases in a national context, this study narrowed down to focus on specific councils representing each group's case. Figure 9 below illustrates how these three (3) cases were selected to avoid selection bias.

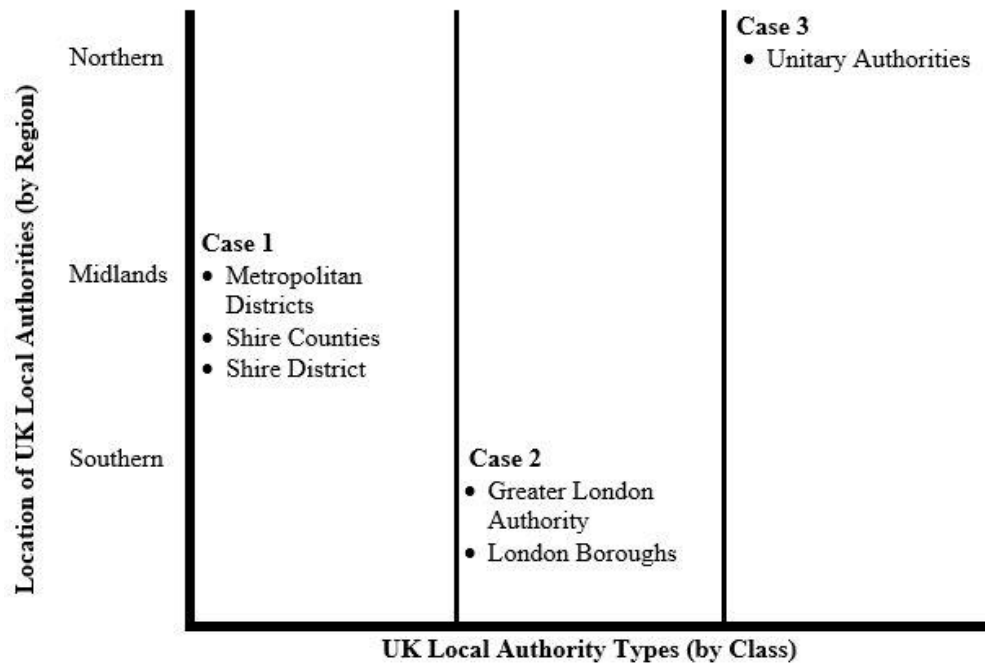


Figure 9: The Three Case Studies for Quantitative Analysis

Source: Author (2022)

From Figure 93 (above), the study analysed the changes in expenditure and income trends/patterns for LAs in England during the austerity era. The study analysed service areas' expenditures and how these have changed throughout the time series (from 2005/06 to 2019/20). Further, the study analysed the different income sources and how these have changed before and during the austerity era. The study also tracks the reserves of LAs during the time series and investigates how movements in reserves affected the perceived vulnerability and financial resilience of LAs. Finally, they used the grouping to measure changes in capital receipts and expenditure, decisions made by LAs to cope with the funding and demand pressures they faced during the austerity era.

While the number of Welsh LAs remained the same throughout the study period, the LA population in England changed over time due to reorganisations. Therefore, not all LAs had comparable financial data throughout the study period. For this reason, the researcher excluded 35 LAs from the English LAs to focus only on LAs with comparable financial data for the whole 15-year period of the thesis.

There were 343 LAs in England at the start of the study period, which comprised 26 County Councils (SCs), 192 District Councils (DCs), and 125 Unitary Authorities (UAs) in England. While the number of LAs in England changed over the study period, it remained the same (n=22) in Wales. According to DLUHC (2022), there were 333 LAs in England at the end of the study period (2019/20) – made up of 24 SCs, 181 DCs, and 128 UAs (i.e., 32 London Boroughs, 36 Metropolitan Districts, 58 UAs, and 2 Sui Generis Authorities). There are 11 UAs in Northern Ireland, also unchanged but excluded due to the recent reorganisation in 2015. Similarly, the population of English LAs changed due to occasional structural reorganisations throughout the study period. Some notable changes include the nine new combined authorities that were created from 45 local authorities in 2009/10. This study excluded these LAs from the data set

to ensure consistency and avoid possible misinterpretation of results.

3.7.2 Sample Size Determination for Primary (Qualitative) Data

For qualitative data, the target population chosen for this study included senior managers of LAs, such as Chief Executives and senior officers/members in financial management positions. It was necessary to combine senior managers in different positions to understand the financial resilience and perceived vulnerability of LAs by type and region. Using the grouping, the researcher selected a sample size of 21 respondents for interviews, which could not be listed due to anonymity and confidentiality concerns.

3.8 Data Collection Methods (and Procedures)

The study adopts a mixed-methods approach to combine qualitative (primary) and quantitative (secondary) data collection and analysis.

3.8.1 Secondary Data Collection

The researcher collected secondary data to analyse the financial resilience of local authorities in England and Wales. Further details and procedures for collecting the secondary data are discussed in [Appendix B](#). Other data sets like LAs' publicly available revenue and capital financial data, including 'Revenue Summary' (RS) forms and 'Capital Outturn Returns' (COR) tables, were extracted from the Government website to address the research objectives. The financial data comprise UK government data collected from all LAs in a standard format, which includes detailed guidance and is used by the government and other agencies (NAO, LGA, and DLUHC) to review LA data. Therefore, it is valid, credible, robust, and good quality data for the purpose of this study. Further, the process of collecting this data – available on a publicly accessible website – and how it was structured made it suitable for the purpose of this study.

The researcher created a robust data set using the secondary data that had been collected by the government. These are quality assured and independently audited datasets providing the best available information.

3.8.2 Primary Data Collection

Primary data was collected using semi-structured interviews since triangulation validates effective data analysis responses (Saunders et al., 2019). Structured interview guides were used with the operational staff of selected local authorities, professional bodies (including CIPFA and Grant Thornton), and financial institutions. Structured interview guides were sent to respondents electronically to familiarise themselves with potential questions before interviews were conducted. Semi-structured interviews were conducted to further understand emerging results and findings from the secondary data analysis. Semi-structured interviews, also known as (qualitative research interviews) were conducted because the study adopted an exploratory and investigative approach (Yin, 2018). Semi-structured interviews allowed the researcher to probe further understandings into responses (Saunders et al., 2019) as they elaborate on certain phenomena of research interest. While semi-structured interviews were useful, the limitations of over-reliance on semi-structured interviews may arise when most of the data rely on interviewees' responses (Yin, 2018). Despite any research-

related hindrances, the researcher adopted key measures (e.g. not making hasty generalisations and asking questions to clarify doubts) to avoid interviewer bias and promote the credibility and validity of the study's results and findings.

A 'pilot' of the semi-structured elite interviews were undertaken at the initial research stage to assess the validity and reliability of general and specific research questions. Accordingly, two initial elite pilot interviews (with a CEOs and a Director of Finance of LAs) were conducted to restructure and review the research questions. Hence before data collection, the exercise simulated the projections of achieving research objectives and provided constructive feedback that was useful in revising the research question(s). Responses were analysed to improve the viability of achieving the objectives of the project. The semi-structured interview was conducted after analysing the quantitative (secondary) data. This was considered appropriate as the exercise was likely to bring insights and informed questions that may revolve around the results/findings from secondary data analysis.

3.8.2.1 Rationale for adopting a Semi-Structured Interview Method

The study adopted a semi-structured interview because it enables researchers to gain more insights and understanding about the meaning(s) of the phenomenon of enquiry. Smith (1995) emphasised that semi-structured interviews are useful when the study explores data on people's beliefs, attitudes, and personal perceptions of a particular event/phenomenon. First, this study used open-ended questions to allow participants (interviewees) to respond freely based on their experiences with their LAs and organisations. This reason helps avoid the drawback of structured questionnaires, which usually restrict the respondent to multiple alternatives. Second, the semi-structured interview was selected over other methods (surveys and structured interviews) because it allows the researcher to follow the lead of respondents. This was because they are the experts in Local Government issues based on their past experiences and may introduce other themes that have not emerged initially. This allowed the researcher to explore avenues introduced by the participant, thereby provoking more in-depth responses, and guiding the researcher to focus only on interesting issues relevant to the participants.

3.8.2.2 Data Collection Procedure

The researcher created a semi-structured interview guide (see [Appendix E](#)) that contained the questions to ask during the interviews. These questions were derived from emergent themes and connected to the research question. The interview guide was very important because it guided the interviewer to solicit responses to questions on the schedule to aid consistency and avoid deviation. The interview schedule only served as a guide – not as a rigid structure or order, to ensure that the researcher followed the concerns of the participants with questions asked earlier or later than they appeared on the schedule since it was often led by interactions from the participants.

The researcher prepared a (1) Participant Information Sheet (PIS) (see [Appendix F](#)) and (2) an Informed Consent Form (ICF) (see [Appendix G](#)) to be distributed to the participants before

the interviews. These are attached as appendices A and B. The PIS contained detailed information about the objectives of the study, the role of the participants, and ethical issues about the entire project. The ICF was designed to get the consent of the participant to ensure that participation in the study was strictly voluntary, and participants were free to withdraw at any time before 30 November 2021. The researcher created a spreadsheet of potential respondents (interviewees) with their contact details. The researcher sent an email across the mailing list of CEOs and Finance Directors of UK LAs, and got participants who were interested in participating in the project. The researcher contacted all participants via email to get their availability in the researcher's diary since the interviews were conducted (online) using Microsoft Teams. Once a participant confirmed their availability, the researcher sent them an invitation link for the interview with the PIS and ICF attachments. The researcher usually sent a follow-up email a week before the interviews to request a signed electronic copy of the ICF. This was to confirm the availability and willingness of the respondents and ensure that they had read and understood their role as participants in the study. Each interview was conducted online and lasted between 45 and 90 minutes.

On the day of the interview, the researcher started the interview by introducing themselves and reminding the participants of (1) the research objectives, (2) ethical issues, and (3) their role as participants. The researcher explained that they were eligible for selection because of their experience working with local authorities. The researcher reminded them that the interviews would be recorded on MS Teams, and asked participants to indicate when they provided sensitive responses that should not be published in the final findings/output. The researcher also stressed the opportunity for them to withdraw before recording the meeting. The researcher encouraged participants to give detailed accounts of events that they experienced and how they understood those experiences. While responding to questions, participants occasionally strayed slightly from the topic to emphasise other issues that were non-related to questions in the schedule. The researcher usually kept listening attentively but drew their attention back to the question with a follow-up question. This was one more advantage of using a structured interview guide. The researcher probed simultaneously to get real-life cases to help justify and discuss the findings from their responses. When participants had responded to all questions, the researcher asked if the participants would be willing to clarify any issues that may emerge during data analysis. The researcher draws the interview to a close and adds that the project's results and findings be made available to them when the project is completed.

3.9 Data Collection Tools/Instruments

Secondary data were extracted from the financial data of LAs that were made available and accessible on the Government (MHCLG) website for public use.

The researcher conducted semi-structured interviews for primary data collection. Using semi-structured interviews, the researcher used an interview guide (see [Appendix E](#)) to avoid deviation and ensure that responses were collected for each question in the schedule. The researcher disaggregated the project to focus on three themes, namely (1) the impacts of

austerity, (2) perceived vulnerability, and (3) governmental financial resilience. There were six questions in the interview guide – which were related to at least one of the three (3) themes for responses from interviewees.

Question one (1) focused on the impacts of austerity on local authorities. The researcher aimed to solicit responses on how the introduction of austerity policies affected the funding and service-demand of LAs in England and Wales. The researcher welcomed responses around the impact of the reduction in Revenue Support Grants (RSGs), changes in government policies and regulations (e.g., taxation, redistribution of income, etc.), and how austerity affected the expenditure levels of LAs. This question was vital to understand the first theme (research question), which aims to understand to what extent LAs have been affected by the reduction in funding during the austerity era.

Question two (2) focused on the perceived (financial) vulnerability of LAs and how different factors have contributed to their perceived vulnerability levels. The literature on the “perceived (financial) vulnerability” theme is currently limited, particularly with LAs - hence why the researcher included this question to understand how LAs perceived themselves as “vulnerable”. This question supplemented the first, as it aims to investigate whether LAs’ levels of perceived vulnerability have changed over the austerity era and evaluate lessons learnt to shape strategies for future crises/shocks. This question was crucial for the study because it helps the researcher understand the different levels of perceived vulnerabilities and gain more insights into any common factors that caused LAs types to perceive themselves to be more or less vulnerable.

Question three (3) aimed at getting a general response on whether LAs considered resilience as a part of their organisational practices or just as a financial sustainability tool adopted when LAs become more vulnerable due to uncertain events, shocks, or crises. This question addresses the third theme, as it explores whether LAs consider “financial resilience” as a useful tool for promoting their (non)-financial performance.

Question four (4) investigated coping capacities, one of the four interrelated dimensions of financial resilience. This question aimed at soliciting responses on how the three coping capacities (buffering, adapting, and transforming) were understood and adopted by LAs to manage the financial and demand pressures before and during the austerity era. These questions were vital to confirm the lesson learnt from coping capacities and how they shaped LAs capacities to respond differently afterwards.

Question five (5) focused on anticipatory capacities – another of the four interrelated financial resilience dimensions. This question was necessary to respond to how LAs understood the three forward-looking strategies (information exchange, information sharing, and monitoring external activities) to anticipate future events and adopt measures to avoid adversities or minimise their impacts on the LAs. This question was necessary to gain insights into lessons learned while applying these strategies and how they shaped their response to future events/shocks/crises.

Question six (6) aimed at gathering responses on how LAs have been affected by the Covid-19 pandemic. Since LAs were affected differently during the COVID crisis, this question aimed

to get responses on how LAs have shaped their strategies using lessons learnt from the austerity era. It also got responses on how differently LAs responded to the COVID crisis as opposed to the austerity crisis. This question covers sections on all three themes of this project. This question was also important because it enabled the researcher to understand how uncertain events such as COVID could affect the changing levels of perceived vulnerability in different LAs by type and region.

3.10 Data Analysis

Data was analysed using a quantitative (secondary) and qualitative (primary) approach. Figure 10 illustrates the analytical approaches for quantitative (to the left) and qualitative (to the right).

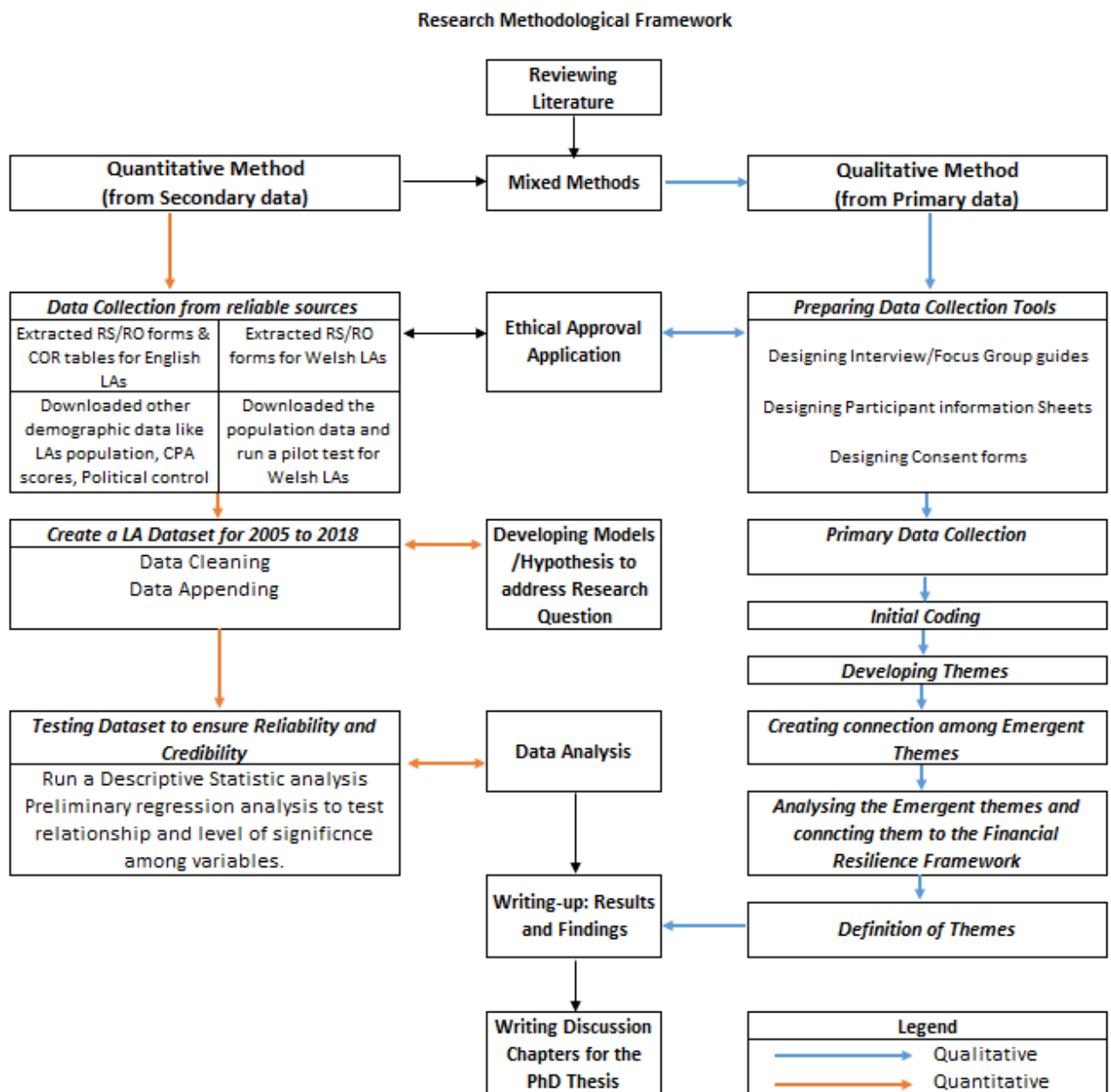


Figure 10: Flowchart for Data Analysis (Research Methodology Framework).

Source: Author (2022)

Data Disaggregation and Visualisation

As stated in paragraphs 3.5.1 above the data collected was analysed and presented using a data visualisation approach. The results are presented and discussed in two categories, namely: revenue income (excluding reserves) and revenue expenditure, to fully understand (i) the impacts of austerity on income and reserves and (ii) their responses to address service expenditure pressures during austerity in an English and Welsh LA context. First, a trend analysis was conducted to gain insights into how the various revenue types were affected by the time series. Second, a proportionate analysis was made to examine how Welsh LAs have (re)prioritised the revenue sources in response to the increasing funding pressures during the austerity era. The results and findings of the study are discussed later in this thesis.

Rationale for Movement Analysis of LAs' Income and Expenditure

The objective of the trends (movement) analysis approach was to understand and track how austerity has caused changes in the income and expenditure of LAs in England and Wales. The movements were calculated using a moving growth rate analysis to measure the percentage growth of various values of the present against their previous years. These analyses were conducted for LAs by type and region and in the three distinct eras – pre-austerity, early austerity, and late austerity. The impact of austerity was measured using annual changing trends of values. However, the level of analysis was only possible at a national level for LAs by type and region. It was almost impossible to narrow further to individual LAs due to the dissimilarity in how LAs operated in England and Wales. The nature of values recorded in the financial documents (RS/RO forms and COR tables) enabled only a small amount of discretion which shrinks further when the data set is cleaned to enhance consistency in results. As a result of this limitation, the researcher was limited to providing discussion at a national level and could not explain in detail how individual LAs have responded to the impacts of austerity over the time series.

Rationale for the Proportionate Analysis of LAs' Income and Expenditure

The rationale for adopting a proportionate analysis was to track possible ways in which changes compelled LAs to (re)prioritise their limited resources to other service areas throughout the study period. Similar to the movement analysis approach, the proportionate analysis was conducted for LAs in England and Wales in the three distinctive eras. Further, the analysis was conducted at the national level for LAs by type and region. This type of analysis was necessary for the study because analysing the changes/movements in income and expenditure only was not enough, but tracking how LAs have prioritised resources over the three distinct era enables insights to better understand how LAs coped and withstood (possibly recovered from) pressures during the austerity era. While the proportionate analysis was useful in achieving the research objectives, different interpretations could be made of the results from the stacked bar charts. As a result, the researcher provided detailed legends and added further inscriptions to minimise the threats this limitation could pose to the study.

Rationale for Selecting Cultural and Related Services (CRS)

All English LAs (by type and geography) are responsible for providing cultural services in their respective communities. DCLG (2014) defined Cultural and Related Services (CRS) as costs associated with maintaining culture and heritage (archives, museums and galleries; public entertainment), recreation and sport, open spaces (national and community parks), library services, and tourist attraction sites. For this study, CRS represents all expenditure on maintaining and running libraries, museums, and recreational parks/centres (indoor and outdoor spaces). Cultural and Related Services (CRS) for English LAs comprises 12 distinct services within three broad categories, namely:

- (i) Culture and Heritage,
- (ii) Recreation and Sport, and
- (iii) Others that are unspecified.

Table 3 shows the cultural services in their distinct categories. Aside from ‘ring-fenced’ funding, other forms of funding such as general grants, council tax and retained business rates can be distributed in whatever way the LA determines. The internal decision-making responsibility lies with the authority to allocate these funds, depending on their circumstances and priorities. Some services from Table 7.1 seem to have seen increases in spend and proportion of spend, whereas others (including CRS) have been deprioritised. This is one major reason why it is interesting to look at a specific service. Analysis from the quantitative data provides insights on whether similar decisions appear to have been made, whilst response from the interviews (qualitative data) helps gain more understanding of the trends of decisions throughout the study period.

Table 3: Categorisation of Culture and Related Service Components for English LAs

Categories	CRS Components
Culture and Heritage	Archives
	Arts Developments and Support
	Heritage
	Museums and Galleries
	Theatres and Public Entertainment
Recreation and Sports	Community centres and public halls
	Foreshore
	Sports development and community recreation
	Sports and recreation facilities, including golf courses
Others	Parks & Open Spaces
	Tourism
	Library Service
Uncategorised	Allotments

Source: Adapted from DCLG/MHCLG National Statistics. (2008/09 - 2019/20)

Having explored the impact of austerity on all service areas for English LAs (in the previous chapters), it is important to analyse the impacts of austerity on a specific service to understand the severity of the consequences and understand how LA dealt with such pressures. The

researcher focused on CRS as a specific service area because it is unique. Unlike other service areas, its users span across the population, regardless of age, class, social status, and education. It has 13 service components (as shown in Table 7.1), which include mostly discretionary and fewer statutory services. This variety enables LAs to make key decisions, such as prioritising limited resources to CRS components with pressing demands and increased expectations. Finally, the researcher focused on CRS because it was one of the few service areas with fewer changes and remained consistent for English LAs over the 12 years (from 2008/09 to 2019/20). Thus, the nature and definitions of CRS and its components remained largely unchanged throughout the period of study. Exploring an individual service allows for a more nuanced analysis and understanding of how LAs responded to the funding pressures during the austerity era.

The study investigated 12 components of cultural and related services (CRS) for 12 years (2008/09 to 2019/20) to understand how English LAs have developed financial resilience and provided cultural services. The study discussed the results and findings of all 12 components for the three distinct eras. A 13th component, 'allotments', was excluded from the analysis because data was unavailable for some periods. All values were deflated using the GDP deflator with 2010/11 as the base year and in line with the analysis elsewhere in this study.

3.10.1 Quantitative (Secondary) Data Analysis

The study collected data and analysed it based on a systematic process to achieve the research objective. First, the study analysed the revenue (current) expenditure of English LAs. Second, the study analysed the revenue income of English LAs and the movement of reserves. Then, the study finally analysed the changes in capital receipt and expenditure of English LAs. Lessons were drawn from the pilot analysis of data for Welsh LAs and used for the analysis of data for the English LAs.

3.10.1.1 Analysing Revenue Expenditure of English LA – Severity of Reduction in Funding

The study analysed the service expenditure of English LAs to understand (i) the prioritisation of service expenditure and (ii) to track the changing trends in service expenditure for English LAs throughout the time series. First, the study aimed to measure the severity of funding reduction by investigating how English LAs prioritised limited funds for some services over others. Second, the study aimed to evaluate the changing trends in expenditure to understand further how this prioritisation has changed across different service areas throughout the time series. This will help understand (i) the impacts of funding reductions and (ii) details of how English LAs have adopted different measures to respond to financial pressures.

3.10.1.2 Analysing Income of English LAs – Dealing with the Reductions in Funding.

The study analysed the (revenue) income of English LAs to understand how English LAs have dealt with or responded to the reductions in funding during the time series. The study categorised all sources of income into three (3) groups) as adopted in Hendrick (2011), namely, (1) Funding Support from Government, (2) Own-Sourced Income (OSI), and (3) Other income. The income was grouped in this way because it presented an opportunity for the

researcher to easily track the source(s) where income was diminishing and others where English LAs' income was increasing. The study assessed the changes in income sources to understand how English LAs have "weathered the austerity storm" to ensure value for money through quality service delivery/provision.

3.10.1.3 Analysing the Movement in Reserves for English LAs

The study analysed the shift and movement in reserves. Reserves for English LAs are formally classified into four types, namely (1) Schools Reserves, (2) Public Health Reserves, (3) Other earmarked reserves, and (4) Unallocated financial reserves. The study used a regression model to understand the significant shift in the four types of reserves available for English LAs. From the analyses, the study provided further insight into how LAs managed their ring-fenced and non-ring-fenced reserves.

3.10.2 Qualitative (Primary) Data Analysis

The interviews were conducted between 45 and 90 minutes at a time/date convenient to the researcher and the participant (interviewee). Qualitative data and analysis were vital to ensure the validity and credibility of the results and findings. The data were analysed in the following stages.

3.10.2.1 Stage 1: Data Familiarisation by Reading and Proof-reading

After the interview, the researcher transcribed the recording into transcripts. The researcher started by listening to the recordings while reading the transcript to double-check for any grammatical and spelling errors. Although this activity was time-consuming, the researcher listened to the recordings slowly to understand the data content thoroughly. Reissman (1993) acknowledged that this first stage of carefully double-checking the recordings against the transcripts provides the base for the rest of the analysis, hence why it seems tedious and demanding.

3.10.2.2 Stage 2: Initial Coding

The proofread transcripts were uploaded onto NVivo (version 12) software for coding and analysis. NVivo software is useful for qualitative data management and analysis (Hilal and Alabri, 2013; Zamawe, 2015) because transcripts are autocoded with unique identifiers, which makes it easier to analyse and identify themes/patterns. For this study, codes were created in connection to key variables used in this research. These codes (called nodes) represented folders that host extracts of relevant text (from the transcripts). For example, a node on anticipatory capacities hosted extracts related to capacities such as information exchange, information sharing, monitoring (internal and external activities), critical thinking, and sensemaking. 15 nodes were created to help analyse data for the study.

3.10.2.3 Stage 3: Developing Themes

The research connected the nodes to create themes. The 15 nodes from the coding process are interrelated and share some common relations. This made it easy to develop research

themes by connecting nodes with some common relations into research themes to help achieve the research objective(s). For example, nodes on “sources of funding” and “impacts of austerity” were interrelated and shared some common contents. For example, it was crucial to draw insights from both nodes to investigate the impacts of austerity on LAs’ funding. This helped the researcher to achieve the research objective to better understand the scale of austerity impacts on English LA’s revenue income of English LAs.

3.10.2.4 Stage 4: Creating Connections among Emergent Themes

Once the themes were developed, it was necessary to connect them with other themes in the existing literature. One major aim of this research was to contribute to existing literature. Hence, it was crucial to identify relevant themes from existing financial resilience literature and identify gaps that this study’s contribution could help address. For example, it appeared that the transformative capacity is under-explored in the public management literature, despite the increase in interest from academic commentators (Steccolini et al., 2017; Barbera et al., 2017; 2021; Saliterer et al., 2021). To this end, the theme for ‘coping capacities’ was developed to include transformative capacities, defined using the response and understanding of the qualitative data (interviews).

3.10.2.5 Stage 5: Analysing the Emergent Themes and Connecting that to the Financial Resilience Framework

Literature on financial resilience has evolved over the past decade and continues to attract the attention of academics and public servants. Recent studies by Barbera et al., (2021) and Saliterer et al., (2021) have added to the existing theoretical dimensions of their financial resilience framework. This is a potential contribution to existing knowledge and builds on the existing themes and the findings of the existing literature.

3.10.2.6 Stage 6: Linking the Themes to Research Objectives

The themes developed for the study need to be linked to the research objectives. The researcher ensured that all themes were analysed and connected to the three research objectives of the study. First, themes were connected to investigating the impacts of austerity on the income and expenditure of English LAs over the time series. Second, themes were linked to investigate how English LAs adopted strategies to withstand the financial and service demand pressures that emerged from austerity policies during the time series. Third, themes were created to understand how English LAs adopted capacities to maintain financial resilience and minimise perceived vulnerability levels amidst the shocks that emerged from austerity policies. While these research objectives were linked to different themes in the study, all three objectives were interrelated and crucial to achieving the general research question of this thesis.

3.10.2.7 Stage 7: Writing-up: Results and Findings

The analysis and findings of the qualitative data (from interviews) are discussed in all three findings, chapters 4, 5, 6 and 7 (the discussion chapter) of this thesis. Chapter 6 adopts a methodology similar to Chapter 4. However, there are slight differences in generating the

variables (in Appendix K). [Appendix L](#) details and explains the operationalisation of variables for this chapter.

3.11 Ethical Considerations

Ethical considerations are important in all research activities (Bulmer, 2001). Research scholars (Bell, 1999; Bulmer, 2001) have considered ethical issues in social research as a relevant topic for discussion. Ethics in research can be defined as issues regarding moral values and principles that are fundamental to the code of conduct, enabling the researcher to assure confidentiality, anonymity, and informed consent on the interviewees' responses (Collis and Hussey, 2021).

The Research Ethics Framework of the Study

Flick (2009) argues that an ethical framework is relevant to ensure the credibility of the research study, as it helps validate findings after the data collection phase. The figure below is an ethical framework that highlights attributes that guide the researcher to comply with the General Data Protection Regulation (GDPR) throughout the research process.

The researcher implemented measures to ensure this research was conducted ethically by avoiding to expose interviewees to physical harm since it is conducted online, enabling voluntary participation, and ensuring their right to confidentiality and anonymity. The study also considered ethics-related issues, such as confidentiality, anonymity, informed consent, use of personal data, sensitivity, and honesty/objectivity, by adhering to the data protection Act 1998. In the process, interview participants were informed about the objectives of the study, why they required their participation, and its relevance to achieving these objectives. Further, the participants were assured that their confidentiality and anonymity was protected at all times for the study and other subsequent publications.

The researcher reminded all interview participants of their rights to withdraw from participating in this study. The researcher prepared an application for an ethical code of conduct for the study (see [Appendix H](#)), which was reviewed and approved by the College of Research Ethics Committee (CREC) at Nottingham Trent University (NTU). The researcher only commenced data collection when the study gained ethical approval (clearance) from the committee. The researcher diligently protected the interviewees' interests by using their responses for no other reason than to address the research question and objective(s). Radnor (2002) emphasised that the relevance of conducting ethics in research should not be limited to safeguarding participants only and should be extended to impact other scholars, users of the research outputs, and the entire society at large. On this note, the researcher also considered the welfare of other stakeholders who may or can be affected throughout the project's data collection stage by conducting interviews during work-hours and for a manageable length of time with short convenience breaks.

3.11.1 Confidentiality

The confidentiality of information from participants is essential for this study, as participants comprise top-level managers, including CEOs, Directors of Finance, etc., who are responsible for strategic decision-making in local authorities. An essential role of the researcher is to maintain the confidentiality of information to avoid any possibility of harm to participants (Bryman, 2004). In this light, the researcher stored all data collected in an encrypted locker at Nottingham Trent University. The researcher also stressed that interview participants had the right to refuse to respond to questions believed to convey information but considered sensitive to the organisation, especially their local authorities. The researcher provided a list of questions before the interview, which helped participants decide on questions they felt comfortable with in the interview guide. As the participants' interest is crucially central to the aims of the study, the researcher adopted this approach to ensure the ethical soundness of the study that complied with the fifth principle of the Research Ethics Framework. Hence, adhering to principles in the ethical framework is a crucial activity that ensures improved quality of research outputs (Flick, 2009; Saunders et al., 2019). Sensitive and private data, such as the identity of participants, are not reported in this study. This ensured that the project abides by privacy regulations and assured interview participants that the output of their responses was anonymised appropriately.

3.11.2 Anonymity

Pseudo names have been used to replace the names of participants (institutions and individuals) involved in the study to maintain anonymity and confidentiality, as adopted by du Boys (2017) and Korac et al. (2017). The researcher replaced the names of participants with distinct and unique identifiers that make it difficult for anyone to guess and ensures anonymity. During the project, anonymised transcripts are stored digitally in the researcher's Microsoft OneDrive Cloud storage. They are password-protected and deleted when no longer required for this project. Other publications will directly or indirectly relate to this (PhD) project and its subsequent intended research outputs.

Further, interview transcripts were anonymised when transcribing, and each interviewee was given a unique identifier (i.e., pseudo names) such as 'Interviewee 2' from 'Authority 1'. The researcher kept a record matching the unique identifiers to participants (Interviewees/respondents) and local authorities (as an encrypted file) until the completion of this project. This encrypted file will be destroyed after completing the project, and signed copies of the forms will not be shared with anyone else. Original copies of interview recordings and transcripts were uploaded onto a CD and stored in an encrypted locker provided by Nottingham Trent University until the completion of the project (only the Principal Investigator and the NBS Postgraduate Research Tutor have access to that specific locker). These resources (data, transcribed documents, etc.) will only be used for research purposes and are expected to be destroyed after project completion. The researcher adopted this approach to assure participants of anonymity since disclosing participants' names exposed them to potential harm and threats (Bell, 1999).

3.11.3 Informed Consent

The researcher complied with the 'informed consent' principle of ethics, where participants have the right to information and consent to participate in research tasks and outputs (Bulmer, 2001). Informed consent entails giving sufficient information about the research and ensuring no explicit or implicit coercion so prospective participants can make an informed and free decision on their possible involvement. According to Sieber (1992), consent must be voluntary and without manipulation to be meaningful, yet exceptions may be justified in some circumstances. For this project/research, the researcher ensured informed consent by issuing an informed consent form (in Appendix B) that described and highlighted the project purpose and other relevant information. To avoid the ethical-related challenge of deception, Bryman (2004) stressed the importance of providing full information about the research aims and objectives to the project's participants and other contributors. The researcher stressed that participation was voluntary since there were no attempts to persuade reluctant participants and respondents. The researcher ensured that every participant signed a brief consent form to confirm they were available and voluntarily willing to participate in the interviews. All interviewees were asked to inform their employer (Local Authorities) of their involvement in this project.

3.11.4 Use of Personal Data

The Use of Personal Data is an essential ethical consideration that researchers should consider during the research process. Bell (1999) and Bryman (2016) maintained that personal information should be anonymised for research purposes to minimise exposure to the risk of harm that participants may be exposed to due to the research. Data was collected in voice-recorded audios, converted into transcripts and made available for further analysis. The researcher reminded participants that the final research output would be circulated to the interviewees and made available at their various organisations (LAs) upon request. This strategy was deemed necessary because participation in the research formed a crucial part of achieving the aims and objectives of the study. The researcher also sought the consent of participants to use the collected data for the research project (PhD) and other subsequent publications.

3.11.5 Sensitivity

The researcher also acknowledged issues concerning the sensitivity of participants. Sensitivity is considered an essential part of ethics in research (Weaver et al., 2008). Sensitivity was duly observed throughout the research project, as the researcher remained less intrusive by not demanding too much time and non-essential information from participants (Middlewood and Abbott, 2012). Although a good rapport enhances the flow of conversations, the researcher avoided any actions or situations that could make participants feel they were coerced to respond in a certain way. (Middlewood and Abbott, 2012). While this practice helped minimise biases in the response, it encouraged participants to provide more information about their LAs.

Sensitivity helps promote reflexivity – the ability of participants to express themselves freely without any influence from the researcher (Bishop and Shepherd, 2011; Bryman and Bell, 2015). Ethical issues concerning sensitivity were crucial in the study to avoid potential biases

that may misrepresent participants' responses (Muramatsu et al., 2019). Hence, this made participants comfortable to express themselves freely on peculiar issues about their LAs that they were 'for' or 'against' decisions/changes made throughout the study period.

3.11.6 Honesty/Transparency

Honesty is a crucial part of ethics in managing projects (Kvalnes, 2014), as it is considered one of the core values in our everyday activities (Soltis, 1989; De Vries, 2002). Honesty in research begins when the researcher acts and treats the data in a manner that complies with what had been approved by the participant. Honesty was exhibited in several ways, including the following three ways. First, the researcher exhibited honesty by informing participants (in a Participant Information Sheet) that while participation is voluntary, the response can be withdrawn at any time before data analysis. Second, the researcher also assured participants of confidentiality and anonymity. Third, participants were informed that their responses were secured and used for research purposes only.

In the research project, the study only considered contents that participants were comfortable using for the research project. The research analysed responses without changing their contents to suit the results of the study. While it took a long time to get approval from participants, the researcher gave them a chance to review the results and requested that they give their consent to approve its contents. This practice was essential to build trust and commit to the researcher's responsibility to ensure confidentiality.

In summary, the researcher has made every effort to ensure that all relevant ethical issues were duly addressed in the research design, during the research process, and in presenting research results and findings. In this chapter, the study discussed the methodological approach adopted with the relevant research methods, together with a justification of how this fits the purpose of the study.

Chapter Four

Data Visualisation on the Impacts of Austerity on Local Authority Finance – A Case for English Local Authorities

4.0 Chapter Overview

This chapter discusses the state of Local Authority finance in England during the austerity era. It builds on the panel database outlined in [Appendix B](#) and contextualised in the previous chapter on methodology and methods. The chapter uses data visualisation to discuss findings in two broad ways – impacts and responses. First, the chapter explores the impacts of austerity on non-controllable income and identifies trends/patterns that emerged during three eras for English LAs by type and region. Second, the chapter explores how English LAs used key levers – controllable income, service expenditure, and reserves – to withstand the funding and service pressures during austerity to maintain financial resilience.

Under each analysis section, there is a brief discussion of the trends across the entire time period (2005/06 to 2019/20) and then consideration of each of the three eras, considering type and geography.

4.1 Impacts of Austerity on Revenue Income of English LAs

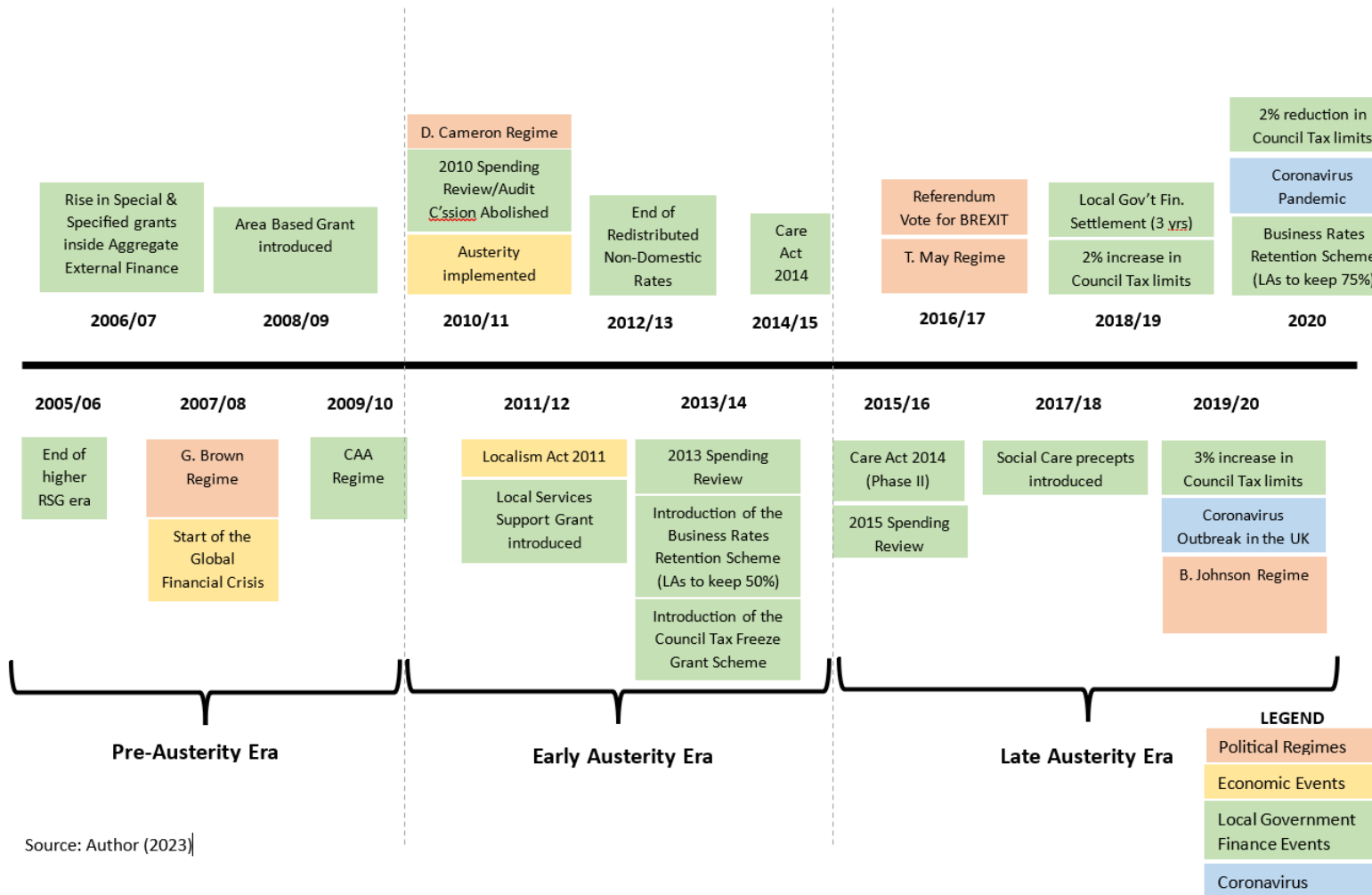
While the local government structure is decentralised, the control of Local Government Finance in England is largely centralised. LAs in England for many years received their revenue funding from four principal sources, namely (i) Revenue Support Grants (RSG), (ii) Other Grants, (iii) Council Tax, and (iv) Redistributed Non-Domestic Rates (RNDR). In addition, other sources of revenue funding include fees & charges, interest receipts, capital receipts, and borrowing (Adam et al., 2007). Figure 11 presents a timeline of events that affected the general fund of LAs in England. These events were categorised into political, economic, and local government finance events, with a fourth sub-category of coronavirus.

Local Authorities get their funding from external and internal sources. Funding from external sources is classified as “non-controllable”, whilst internal funding is classified as “controllable”. Total external income is made up of government grants (RSG and other grants) and Redistributed Non-Domestic Rates (RNDR). RSG represents funding LAs receive from the central government to provide local services to their communities. Other Grants include Specific & Special Grants from inside and outside the Aggregate External Finance (AEF) – which represent the largest source of income to LAs in the UK. Specific and Special Grants are grants earmarked to specific functions of LAs, such as education, highways, and transport. Apart from these major grants, other ad-hoc grants, such as the Area Based Grants (ABG) and the Local Service Support Grant (LSSG), were introduced to support LAs in providing services. In contrast, LAs can use Revenue Support Grant (RSG) to fund any specific statutory and discretionary service. Despite the difference in LAs’ control of different grant types, there

appears to be a relationship between RSG and other grants, which helps to understand the impacts of austerity.

Redistributed Non-Domestic Rates (RNDR) represent revenues collected centrally by the Treasury and redistributed to LAs through a central government grant funding scheme. RNDR is often referred to as the Business Rates. The RNDR was in operation until the 2013/14 financial year when it was replaced with the Business Rates Retention Scheme (BRRS). The BRRS initially allowed LAs to retain 50% of business rates raised locally to compensate for any funding gaps resulting from the reduction in central government grants (Alexiou et al., 2021). The 50% that is retained is known as the Retained Business Rate (RBR). Although the purpose of this policy was to encourage LAs to grow their local economies with the incentive of receiving additional revenue, concerns have been raised as to whether it disproportionately adversely affected poorer areas, where the need for services is typically greater but the ability to generate income from local business taxation is limited (Gray and Barford, 2018).

Timeline: Critical Events on Funding For English LAs



Source: Author (2023)

Figure 11: Critical Events on Funding for English LAs

Source: Author (2023)

4.1.1 The Impact of Austerity: Non-controllable (External) Income of Local Authorities in England

The impact of austerity can largely be understood by looking at the impact of changes to external sources of funding, as LAs have no power or control over these. Retained business rates, although now apparently collected and retained locally by LAs, are treated in the same way as grants for this study for two reasons.

Firstly, they act in a similar way to a grant, as LAs have no control over the setting of the business rate, which is the combination of a property's rateable value and a multiplier (the national non-domestic multiplier or rate in the pound). Secondly, during the period of the study, there was a change in the way business rates were transferred to local authorities, moving from the Redistributed Non-Domestic Rate system (RNDR) to the RBR model. Over time, the RBR system moved from an initial 50% retention element and has included pilots for higher proportions of the retained element. This change from RNDR to RBR systems implies a transfer of control to LAs for business rates when in practice, it does not yet do this.

Figure 12 below shows the initial representation of reduction in external funding, and two anomalies were identified. First, LAs recorded large RSGs in 2005/06, which seems to have skewed the graph below, as this reduced significantly from 2006/07 onwards. Further investigation by this study revealed that this large decrease in RSG in 2006/07 was due to the creation of a dedicated schools grant. School funding had previously been included within the RSG but was transferred into the Specific & Special Grants from inside AEF (again, as shown in Fig. 12) (DCLG, 2008). To deal with this anomaly, the revenue funding data for 2005/06 was excluded to avoid any distortions that this anomaly may cause in the findings and discussion. A second anomaly was identified in 2012/13, where RSG declined significantly to less than 1% of total income from principal sources, which could indicate that LAs received no or less RSG for the year, which was not the case. Further investigation revealed that the portion reduced in RSG was transferred into RNDR, as this was the final year of this scheme, which was later replaced with the RBR scheme. This data was still included in the results as it signalled a positive relationship between RSG and RNDR/RBR, which ran through until the late austerity era (2019/20).

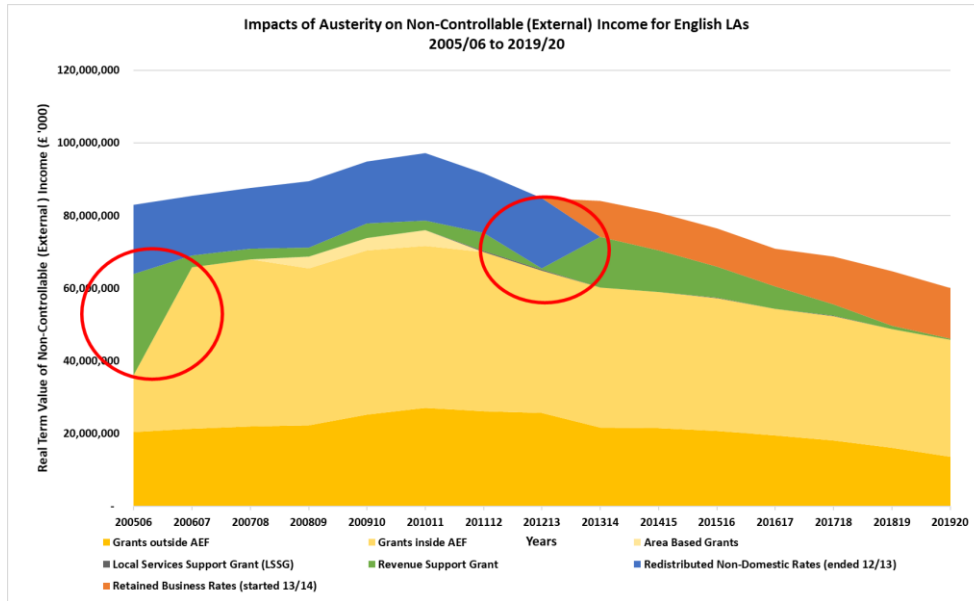


Figure 12: Impacts of Austerity on External Revenue Funding 2005/06 to 2019/20 Source: Author, Extracted from DCLG/MHCLG National Statistics. (2006/07 - 2019/20)

Figure 13 illustrates the impacts of austerity on the principal non-controllable income streams of English LAs from 2006/07 to 2019/20.

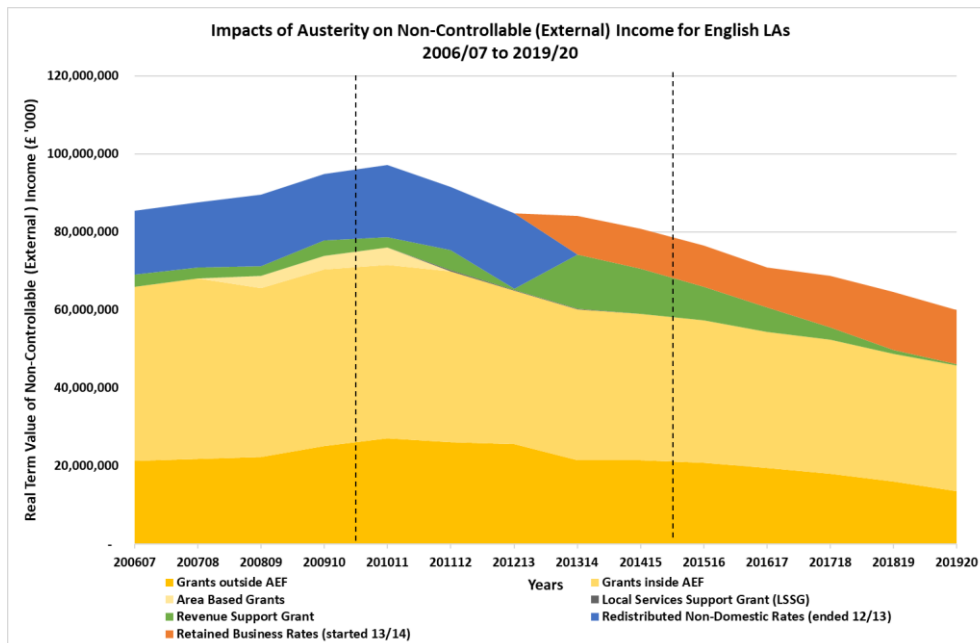


Figure 13: Impacts of Austerity on Non-Controllable Income 2006/07 to 2019/20 Source: Author, Extracted from DCLG/MHCLG National Statistics. 2006/07 - 2019/20

In Figure 14, the study highlighted two major trends. Cumulatively, total funding increases to 2010/11 (in the pre-austerity era) and then drops off till 2019/20. In the early austerity era (between 1st April 2010 and 31st March 2015), different elements of central government supports changed over the three eras, particularly as total support consistently reduced from

middle of the early austerity era. In the late austerity era, there was more stability in the individual parts of the total, but the total support continued to consistently decline.

The study found that the reduction in RSG started in the early austerity era and was complemented by declines in area based grants and specific and special grants. The significant reduction in RSG and other grants widened the funding 'gap' for LAs, compounded the financial pressures and adversely affected their capacity to provide or maintain services to residents. Despite the significant reduction in RSG, LAs' income from redistributed non-domestic rates increased in the early and late austerity periods, although it clearly did not compensate for the losses elsewhere as total income continued to decline.

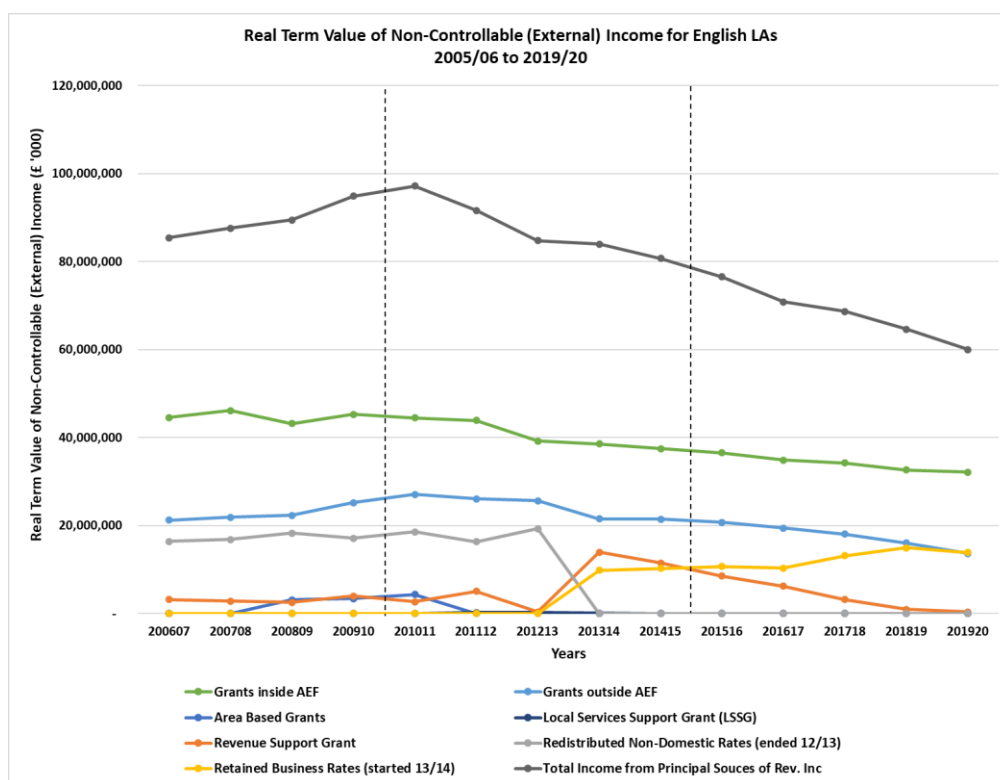


Figure 14: Real-Term Value of Non-Controllable (External) Income for English LAs (2006/07 to 2019/20)

Source: Author, Extracted from DCLG/MHCLG National Statistics. (2006/07 - 2019/20)

Although the implementation of austerity in 2010 shrunk RSG levels for English LAs, there were several interventions from the central government to support LAs financially in providing statutory and discretionary services. The next sections look in more detail at each of the three eras.

4.1.2 When Austerity Bites: Scale of the Reduction of Funding of English LAs by Type and Region⁴

4.1.2.1 Pre-Austerity Era

The pre-austerity era marks an era of uncertainty and the global financial crisis. The study found an increase in RSG for all LAs by type and region during the pre-austerity era as a result of the 2007 Comprehensive Spending Review (HMT 2007). Jones (2017) acknowledged that local authorities anticipated times of limited financial resources, which appeared to be triggered by the GFC. Pre-austerity saw some decline in the RNDRs of Unitary Authorities (UA) and Shire Counties (SC), which could be traced to the large responsibilities these LA types offer to their residents.

Geographically, RNDR declined in LAs across all regions except London and the North-East. Despite these reductions, most LAs by type and region received increased funding from other non-RSG grants due to some key support interventions from the central government. First, the central government introduced a support scheme that provided greater financial support through specific and specified grants inside Aggregate External Finance (AEF) in 2006/07 (DCLG, 2009). This intervention was set to support English LAs with the widened funding gap created by the significant reduction in RSG.

Second, the central government introduced the Area Based Grant (ABG) from 2008/09 to 2010/2011. From '2008/09, LAs received a non-ring-fenced grant – the Area Based Grant – made up of grant streams previously provided to local authorities as specific grants. The primary aim was to enable LAs to collaborate with their partners to decide where to invest their resources in the most effective and efficient routes to deliver local priorities (MHCLG, 2014). This was announced in the 2007 Spending review and was set to provide LAs additional funding in 2008/09, 2009/10, and 2010/11. Area Based Grant is a general grant allocated directly to local authorities as additional revenue funding to areas (MHCLG, 2014). It is allocated according to specific policy criteria rather than general formulae. Local authorities were free to use these non-ringfenced funding as they saw fit to support the delivery of local, regional, and national priorities in their areas.

4.1.2.2 Early Austerity Era

The early austerity era saw the beginning of a reduction in public expenditure, which extended to local authorities (Hastings et al., 2013; Lowndes and Gardner, 2016; Jones, 2017). This era was characterised by two spending reviews (2013 and 2015). The study illustrates how austerity affected the external revenue income of LAs by type and region⁵ from 2010/11 to 2014/15. Major interventions in this era included the introduction of RBR, which replaced the RNDR in 2013/14.

⁴ While results are discussed in the narrative for LAs by region, data visualisation was not available due to the limited functionality of MS Excel Spreadsheet package.

⁵ While results are discussed in the narrative for LAs by region, data visualisation was not available due to the limited functionality of MS Excel Spreadsheet package

There were reductions in the grants to LAs by type and region in the early austerity era. The central government introduced a new support grant – Local Services Support Grant (LSSG) – in 2011/12 after the Area Based Grant ended in 2010/11 to continue support for LAs when RSG continued to decline. LSSG was a non-ringfenced grant paid under Section 31 of the Local Government Act 2003 to support local authority functions. This study confirms that the reduction in grants (both specific & specified grants and RSG) was much more severe than the funds introduced through LSSG. For example, specific and special grants outside AEF (non-ring-fenced) began to reduce whilst grants inside AEF increased for SD, MDs, UA, and LBs in 2013/14.

4.1.2.3 Late Austerity Era

Despite the then Prime Minister Theresa May claiming the end of austerity, the late austerity era was marked by further real terms reductions in local authority funding, with the exception of modest increases in RBR.

Central government warned LAs not to expect additional funding for their responsibilities and cautioned that LAs refrain from developing an excessive borrowing culture or stocking up reserve levels, which were the default coping capacities (including buffering and adaptive strategies) among some LAs in the late austerity era.

In the 2015 Spending Review, the then Chancellor (Hon. George Osborne) announced a change in the RBR, allowing LAs to retain up to 75% of income mobilised up to the 2020/21 financial year (DLUHC, 2018). LAs had expected to eventually retain all (100%) funds mobilised as announced in the 2015 spending review, pending the results of the pilot scheme. However, this had been postponed to the 2023/24 financial year, which falls outside the study period.

Overall, LAs had become more vulnerable to financial shocks from other critical incidents, which may persist after the late austerity era. This study shows that LAs have lost significant levels of RSG, which compounds the pressures on them to generate resources from other principal sources. Another source of LA income is the council tax. This is considered in the next section as part of the response to austerity. Council tax is set, collected, and retained locally and is, therefore, a controllable income source that LAs have powers over when setting the amount collected. It therefore operates in a different way from both the RNDR and subsequently the RBR.

4.2 Transition in LA Finance during the Austerity Era: Non-controllable v Controllable Income

Controllable income includes funding from council tax and from sales, fees, and charges. Figure 15 (below) highlights the impacts of austerity on the principal funding – a combination of non-controllable and controllable income – of English LAs from 2006/07 to 2019/20.

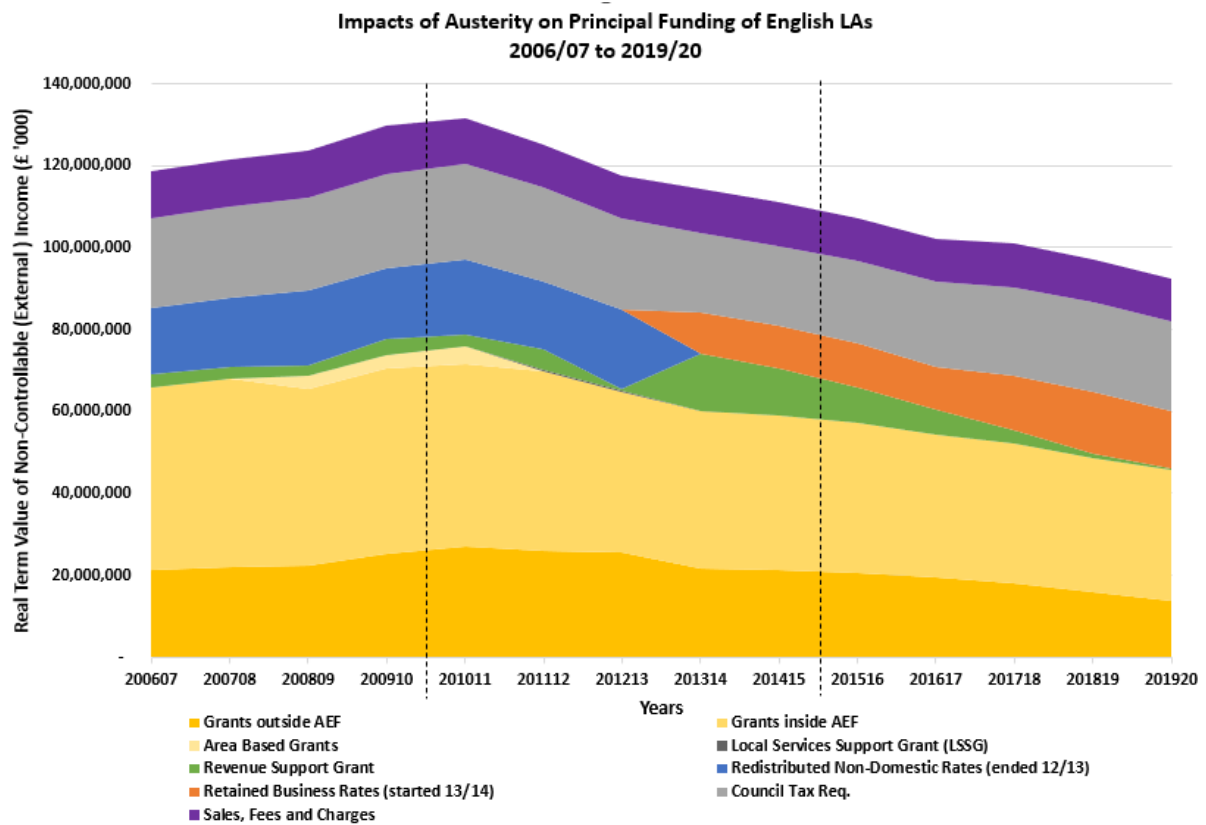


Figure 15: Impacts of Austerity on Principal Funding of English LAs

Source: Author, Extracted from DCLG/MHCLG National Statistics. (2006/07 - 2019/20)

Figures 5.16 and 5.17 illustrate the transition of LAs' Funding during the austerity era, presented in two ways – by proportion and in real terms – to better understand how categories of LA funding shifted. Total non-controllable income constituted the larger proportion of English LAs' funding (Fig. 5.16) in the pre-austerity era and towards the beginning of the early austerity era (2012/13, 74%). Fig. 5.16 shows that as austerity continued, LAs were expected to generate over 50% of their income from sources other than central government funding. It is interesting to note that total controllable income was relatively unchanged until austerity policies were introduced in 2011/12, but increased continuously until the late austerity era (2019/20, 49%). As a result, austerity caused a gradual reduction in total non-controllable income, and a corresponding increase in controllable income.

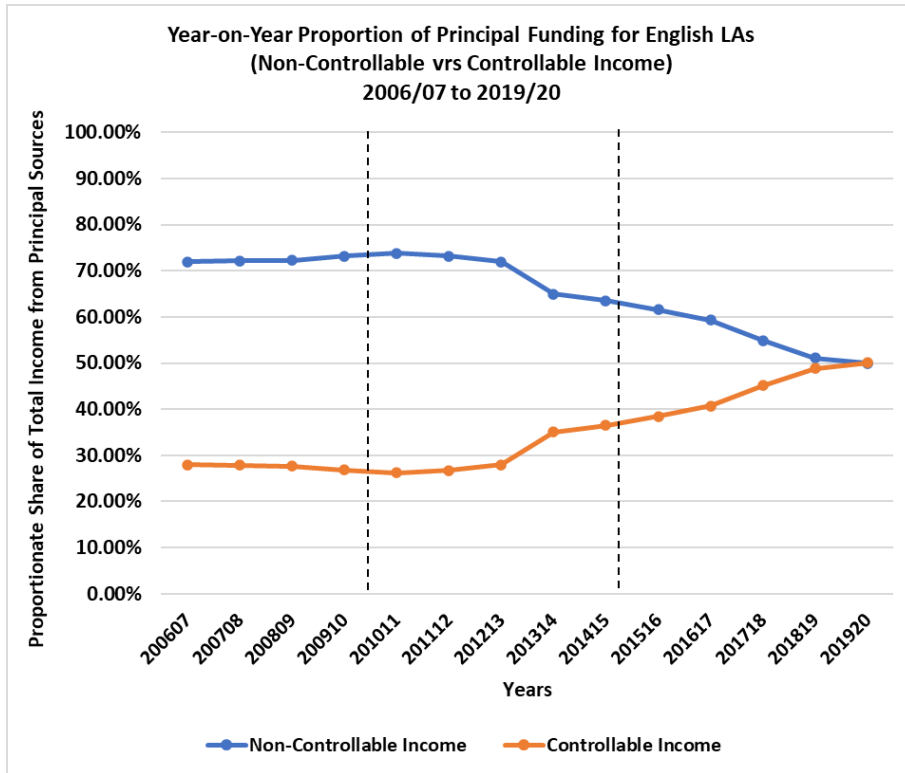


Figure 16: Year-on-Year Proportion in Principal Funding for English LAs
 Source: Author, Extracted from DCLG/MHCLG National Statistics. (2006/07 - 2019/20)

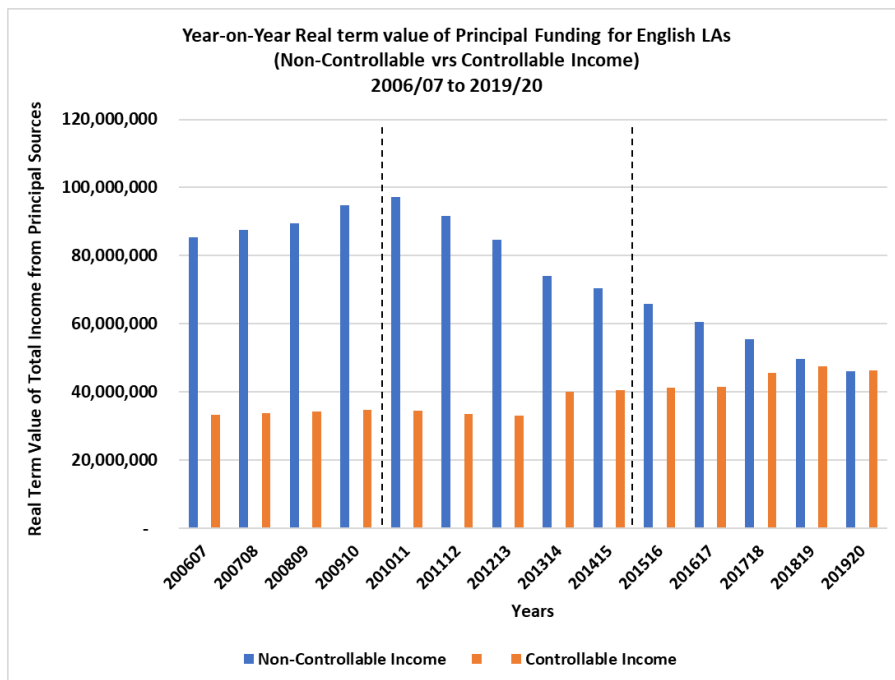


Figure 17: Year-on-Year Principal Funding for English LAs
 Source: Author, Extracted from DCLG/MHCLG National Statistics. (2006/07 - 2019/20)

LAs council tax levels are exposed to a gearing effect whereby a significant proportionate increase in council tax is required when there is a reduction in central government funding. For example, an LA’s total funding (£100m) comprises 20% funding from council tax (£20m)

and the rest (£80m) from grants and other income. A 5% reduction in funding from grants and other income (reduced to £75m) requires a 25% increase in council tax to get the total funding income (£100m) for the year. The combination of this gearing effect and the effective cap on council tax increases shows the gradual replacement of non-controllable with council tax during a time when total available funds reduced.

4.3 Response to Funding Pressures: The state of Controllable income (Council Tax and Fees & Charges)

LAs used controllable income, balance their budgetary obligations. Council tax is an important source of funding used for meeting the difference between the amount a local authority wishes to spend and the amount it receives from other sources, such as government grants. Council tax was introduced in April 1993, where each property in England, Scotland and Wales was allocated to one of eight valuation bands according to an assessment of its value in 1991 (Adam et al., 2007). This study used council tax requirements as a basis of analysis because it is the final funding option that LAs activate to fund any deficits in the budget. Fig. 18 shows the changes in controllable income for English LAs from 2006/07 to 2019/20.

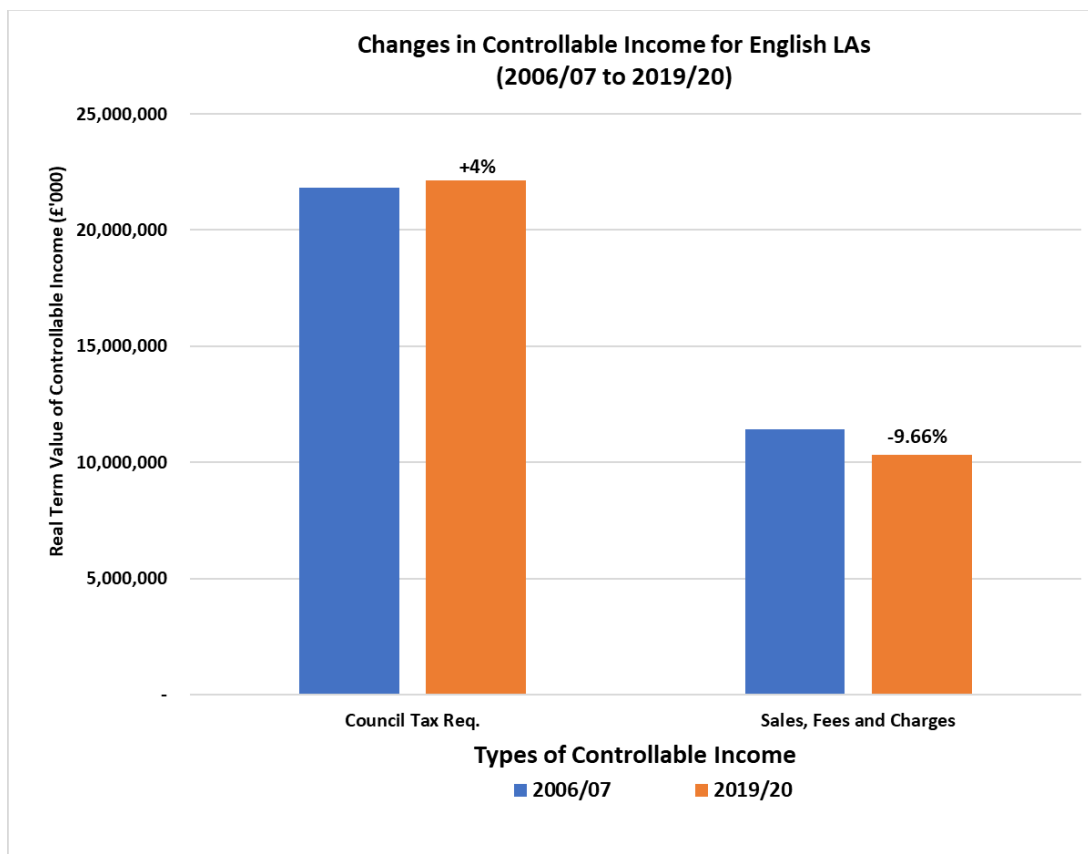


Figure 18: Changes in Controllable Income for English LAs (2006/07 to 2019/20)

Source: Author, Extracted from DCLG/MHCLG National Statistics. (2006/07 - 2019/20)

The study shows that LAs activated some controllable levers i.e., council tax and fees & charges (although fees & charges are a small proportion of total LA income) when responding to

financial pressures. These are now discussed for English LAs by type and region for the three eras.

4.3.1 Pre-Austerity Era

Council tax (CT) is the major source of controllable income for all English LAs by type and region in the pre-austerity era. For upper tier LAs (SCs, UAs, and MDs) roughly two-thirds is represented by CT and one-thirds by fees and charges. However, SDs and London LAs were more balanced in terms of CT and fees & charges.

While council tax requirements remained slightly unchanged during the pre-austerity era, LAs anticipated that financial hardship would arise as the central government reduced public expenditure.

Geographically, LAs in all regions raised a third of total controllable income from fees and charges (i.e., an average of 66% from CT requirement), except LAs in London who had just a little over 50% in council tax requirement throughout the pre-austerity era. From a geographic perspective, the study found that LAs in East England (EE) and the South East (SE) collected more controllable income than other LAs in the pre-austerity era. Overall, the largest requirement from council tax for all LAs by type and region was at the end of the pre-austerity era (2009/10).

4.3.2 Early Austerity Era

During the early austerity era, there was a slight shift with changes in controllable income for English LAs by type and region. The study found a consistent proportionate trend with the pre-austerity era, where SCs, MDs, and UAs maintained almost two-thirds of their total controllable income from council tax, and SDs and LAs in London more balanced. From a geographic perspective, CT requirements and revenue generated from fees & charges for LAs in all regions increased from their pre-austerity levels.

Generally, during this period there can be seen a real terms reduction in CT year on year for all types of LA and geographically. This is due to a combination of the referendum requirement to increase CT above the effective cap (DCLG, 2010a) and the introduction of the CT freeze grant (HM Treasury, 2010).

The results revealed a sharp decline in CT requirement for all LAs by type and region in the last two years of the early austerity era (2013/14 and 2014/15). The reduction in CT requirements for LAs could be partly traced to the introduction of council tax referendums linked to effectively the “capping” of council tax increases (DCLG, 2010a). The Localism Act 2011 introduced a regime where LAs wishing to raise CT above the allowable limits were required to hold a local referendum (The Localism Act, 2011). These council tax referendums were introduced to “ensure that excessive council tax increases occur only where they have a clear mandate from local people, and abolish central government capping powers” (DCLG, 2010b, p. 1). Although several LAs (including Tower Hamlets Council) have attempted or have come close to a referendum, the only successful referendum was by Bedfordshire’s Police and Crime Commissioner, and this was estimated to cost £600,000 (DCLG, 2011). This requirement

restricted LAs from increasing council tax rates, most LAs could only levy the highest possible tax rates (typically around 2.99%), which increased their vulnerability, as the ability to replace lost non-controllable income was eroded due to the gearing effect referred to above and underlying inflation.

Some LAs took advantage of the introduction of the CT freeze grant introduced in the 2010 Spending Review (HM Treasury, 2010), which started in 2012/13 and ended in 2015. Whilst this initiative made some LAs more financially robust, others were made more vulnerable to shocks. The government announced in 2011 that all eligible local, fire and rescue and police authorities in England had decided to freeze or reduce their band D Council Tax from 2011 to 2012 and would, therefore, all be eligible to get the extra grant (MHCLG, 2015). Councils were required to freeze their CT in the years they got the grant.

It is interesting to see this overall real terms reduction in CT, as it occurred during a period of growth in terms of new homes in the initial years of the early austerity era coinciding with the New Homes Bonus (NHB) scheme, introduced in 2011 (NAO, 2013b). NHB was introduced as part of the government's economic growth agenda to provide LAs with an additional funding stream to meet their funding obligations (NAO 2013b). Other options include selling assets, where LAs sell assets to generate additional funding to support the national agenda to achieve economic growth.

4.3.3 Late Austerity

Late Austerity marked an era of compounding pressures on finances for LAs due to the potential impact of BREXIT on LAs and concerns over migration. Although the objective of the study was to understand the impact of austerity on English LAs by type and region, the response of LAs during the late austerity would have been influenced to some extent by these contextual issues.

The results show a trend similar to the pre-austerity era for LAs by type. Thus, CT requirement dominates (average of two-thirds) the total controllable income whilst there is a similar proportion of CT requirement and fees & charges for SDs and LBs, with other authorities around London mobilising the least in fees & charges. The study revealed a common pattern in council tax for all LA types during the late austerity era. Council tax surged again for all LA types except UAs following the abolition of the Council Tax Freeze Grant regime in 2015/16, allowing LAs to increase council tax by 2% without a referendum. The Theresa May Government increased the threshold to 3% for 2018/19 and 2019/20 but was reduced to 2% by the Boris Johnson government in 2020/21 and 2021/22 budgetary periods (Sandford, 2022).

From the service perspective, some of the increase in CT can be explained from 2016/17, by the introduction of the social care precept, whereby LAs with social care responsibilities were allowed to increase council tax by an additional percentage (Sandford, 2023). DCLG (2017) decided that LAs that raised social care precepts of up to 3% in 2017/18 and 3% in 2018/19

could not raise a further increase in 2019/20. The Johnson government extended the social care precept to allow local authorities to add another 2% to council tax in 2020/21 (and a further 3% between 2021/22 and 2022/23, as a result of the Covid-19 pandemic) (Atkins, 2020).

From a geographic perspective, LAs in most regions except SW, NE and WM were showed increasing levels of CT Requirement, which had a relative impact on their respective fees & charges levels. CT continued to dominate the share of income, as it was for the previous era for SCs and SDs often located in East England (EE) and the South-East (SE). In summary, LAs in the SE, L and EE held the largest portions of CT requirements, with counterparts in NE holding the least requirements.

Overall, there is increased dependence on CT and fees & charges during this era. Further, the income analysis has shown that overall there was a reduction in non-controllable income that was partly offset by an increase and therefore greater dependence on controllable income, especially CT. However, increases in CT were indifferent on their own to overcome the significant reductions in government grants and consequential impact on spending power. As such LAs had to look to other means to balance their books, essentially cutting back and reprioritising service expenditure and making use of reserves, which will be looked at in the next sections.

4.4 Response to Service Pressures: (Re)Prioritisation of Revenue Expenditure during the Austerity Era

The nature and variety of type of expenditure depends largely on the type of LA. This section uses a systematic analysis to explore how LAs withstood austerity through managing their service expenditure budgets. The study provides discussions based on two modes of analysis – objective and subjective. While both these analyses were drawn from the same data set, the objective analysis was based on identifying the changing trends and priorities in various service expenditure areas and the subjective provided a narrower analysis that compared running expenses against operating expense type across the three distinct eras. These modes were analysed systematically – the objective, followed by the subjective – as these provided different explanations that were complimentary to enhance understanding of LAs’ responses. It was necessary to provide discussions using both modes of analysis as this helped to get a deeper understanding of the response strategies that LAs adopted to their expenditure throughout the time series.

On the whole, the analysis of revenue expenditure helped to (i) identify service areas where the impacts of austerity were severe, (ii) explore service areas that LAs prioritised, and (iii) understand the decisions that were made to cope with the pressures that emerged during austerity. The results of the analysis were based on the changes/movements in service expenditure, which was adapted from other outputs by Amin-Smith et al. (2016) and the NAO (2018) - for LAs by type and region.

4.4.1 Service Expenditure Areas: An Overview (Objective Analysis)

The wide range of services that LAs are obliged to provide to their residents are defined in [Appendix I](#). These services are provided directly through LA employees or indirectly by employing others or outsourcing – to be delivered by other bodies. Figure 19 analysed the yearly movements in the total cost of each service expenditure area for all English LAs throughout the time series. Some key highlights from this analysis are discussed below.

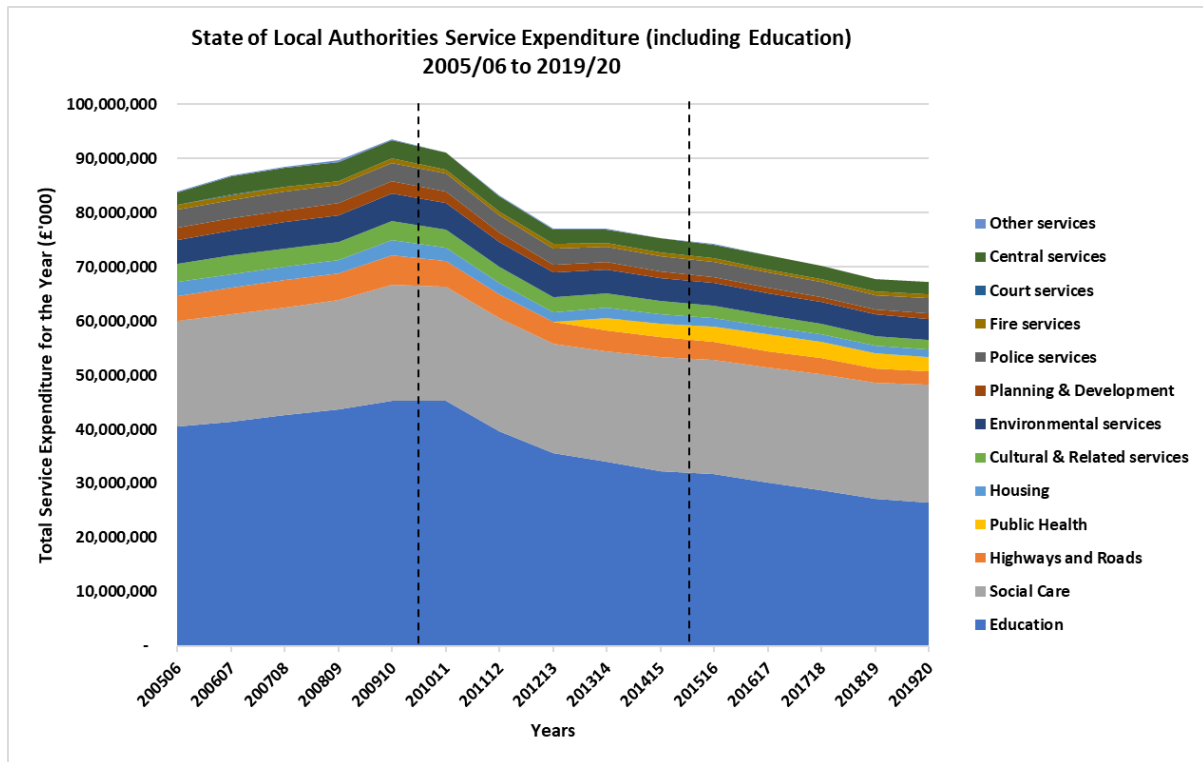


Figure 19: Yearly Movements in Local Authorities Service Expenditure (including Education)

Source: Author, Extracted from DCLG/MHCLG National Statistics. (2005/06 - 2019/20)

The results showed that education had the largest proportion of annual expenditure. The study also revealed that LAs prioritised social care over other services during the austerity era. LAs made reductions to some services, such as highways and roads, to save funds, which were allocated to more pressing services, including adult care and children services. Studies (Hastings et al., 2015; Cepiku et al., 2016; Turley et al., 2018) confirmed that LAs were compelled to make such tough decisions to control pressures amidst the increasing demand from road users. Consequently, some LAs became more vulnerable as the state of roads continued deteriorating, which meant that more funds were required to maintain and reconstruct such roads. Caller (2018) found that road maintenance was a severely affected service when Northamptonshire County Council (NCC) issued the Section 114 notices.

The study excluded education services in the analysis of expenditure for two key reasons. Firstly, because expenditure on education is ring-fenced, with income and decision-making on expenditure passed directly to schools, thereby being outside the control of LAs. Secondly, and linked to this, as expenditure on schools is so large a proportion, it made it difficult to focus on the decisions made by LAs on the budgets they do have control of – e.g., social care, highways, etc. Further, data on public health services were from the analysis were not

discussed due to lack of consistency in the data across the time period, whilst protective services and housing services because (i) they were only provided by some types of LAs and (ii) they represented a small proportion of the total service expenditure of LAs. The following section discusses changes in service expenditure areas for LAs by type and region in the three (3) distinct eras.

4.4.1.1 Percentage Changes in Service Expenditure Areas (excluding Education) for English LAs

Studies (Murphy et al., 2018; Barbera et al., 2021; Taylor-Collins and Downe, 2022) have confirmed that austerity has led to changes in the delivery of public services by LAs. Others have found that the impact of austerity was severe on some LAs and milder on others due to factors such as type (Ferry et al., 2017), size (Overmans and Noordegraaf, 2014; Jones, 2017), region (Medir et al., 2017), and other unique characteristics (Cepiku et al., 2016). Figure 20 shows this by type to identify variations. This shows that social care expenditure increased during the period while total expenditure was reducing, suggesting a reprioritisation of expenditure away from other services.

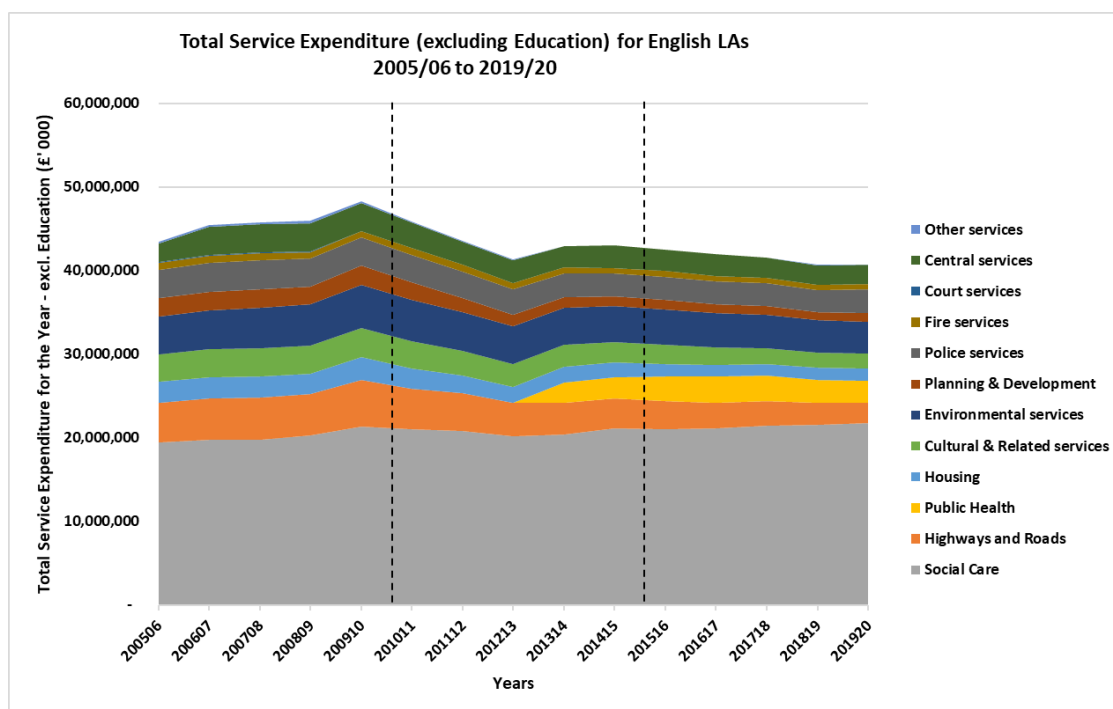


Figure 20: Yearly Movements in Local Authorities Service Expenditure (excluding Education)
Source: Author, Extracted from DCLG/MHCLG National Statistics. (2005/06 - 2019/20)

The figures in this section review the percentage change in service spend and average proportionate spend in service spend by type and region for the three eras.

Pre-Austerity Era. Figure 21 illustrates a continuous increase in expenditure on social care for all LAs, except for a slight reduction in 2007/08. Despite the slight decline in expenditure on social care, Fig. 22 showed a volatile trend for all LA regions during the pre-austerity era. The study also found a continuous increase in expenditure on environmental and regulatory

services (ERS). The immediate reaction to continuous increase in ERS was because ERS were demand-led and held a smaller proportion of LAs' total expenditure, which could hardly be reduced and still maintain the standard of service delivered. Expenditure on planning and development services (PDS) was reduced for London Boroughs (L) only (Fig. 21). While these changes may not necessarily provide clear indications of impact, it is expected that the severity of LAs' perceived vulnerability relied on the size and scale of responsibilities. Hence, LAs with larger budgets and responsibilities were likely more vulnerable than others with small budgetary responsibilities. However, the decreases in service do not necessarily signal high levels of vulnerability for such LA types, although there may be a possibility of such instances.

Early Austerity Era. The results on service expenditure show that due to the widening funding gap, a significant reduction in some LA services took place in the early austerity era. The beginning of the early austerity era saw a reduction in expenditure on some services, whilst others were reduced drastically to their bare minimum. The results confirmed a variation in how these reductions have affected different service areas by LAs by type (Fig. 23) and region (Fig. 24). The NAO (2018) found that there had been significant increases in the demand for social care in both children's services and adult social care. The findings showed slight increases in expenditure on social care, which were expected in the early austerity era (in Fig. 23) – mostly for Shire Counties (SCs) and Unitary Authorities (UAs). These increases could be traced (i) to the robust nature of social care as a statutory service and (ii) to the continuous increase in its demand.

Social services is a largely statutory, demand-led services that rose marginally (in Fig. 20) across LAs by types after the 2011/2012 financial year, when social care was also disaggregated into (a) Children and (b) Adult social care. Besides education, social care was already the major service for all STCC LAs' expenditure before it was disaggregated into (a) Children's services and (b) Adult social care. LAs have faced increasing pressures from an increasingly ageing population and rising inequalities, and have had to reduce non-statutory services because of the continuous increase in demand for statutory social care services:

"We've cut our play service and youth service. ... We've lost getting on for 1,200 jobs from the council ... we see people in abject poverty coming through our service centres daily ... My real concern is that ... well, if this level of cuts continues, even our statutory responsibilities, like children's social care, will be affected.

Nick Forbes (Council Leader at Newcastle City Council), as quoted in The Guardian Newspaper on 14th December 2014

Hood et al. (2016) confirmed that austerity had been a major contributor towards the financial burden of LAs as they attempted to provide social services. This study found (in Fig. 20) that planning, and development services maintained a steady proportion of expenditure for all LAs during the pre-austerity era. LAs allocated less to PDS from 2011/12 onwards, as this was one of the services that some LAs reduced to meet the pressing need for the other services, including social care.

Late Austerity Era. The late austerity era shows continued reductions in all service areas for all types of LA, with the exception of social care which increased marginally for SDs, MDs, SCs, and LBs - as shown in Fig. 25. Central services remained volatile throughout the time series, but other services – although relatively less significant – reduced marginally and seemed to have almost been removed by some LAs by 2019/20. Further research into this trend found that some LA types spent relatively different amounts on central services based on the need to spend such amounts in these LAs. The amount of funds allocated to environmental and regulatory services (ERS) plateaued at an average of 5.60 per cent of total service expenditure throughout the time series. ERS represented a wide range of services, although LAs often prioritised fund allocations to waste management because of the political and public demand for the service. This represented an adaptive strategy.

Overall, the pre-austerity era saw increases in all services for LAs by type and region with some exceptions (e.g. central services). However, in the early and late austerity eras, there was clearly a reduction in all services, some very large percentages, with the exception of increases for some on social care. The next section provides in-depth insights into the year-on-year percentage changes in service expenditure areas for English LAs by type and region.

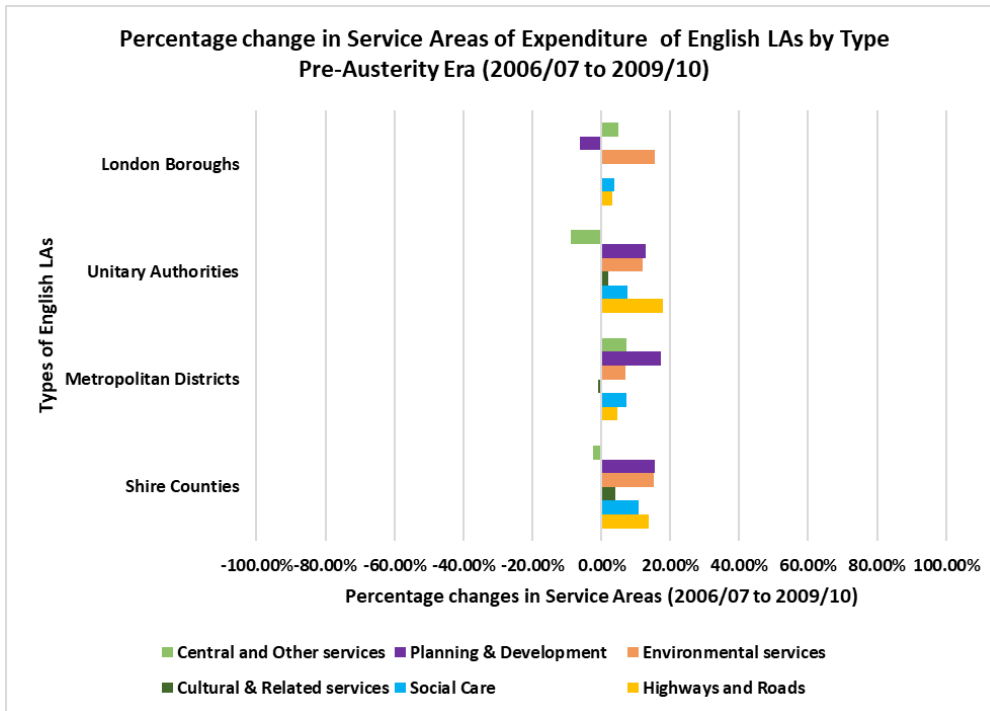


Figure 21: Percentage Change in Service Areas of Expenditure of English LAs by Type - PAE

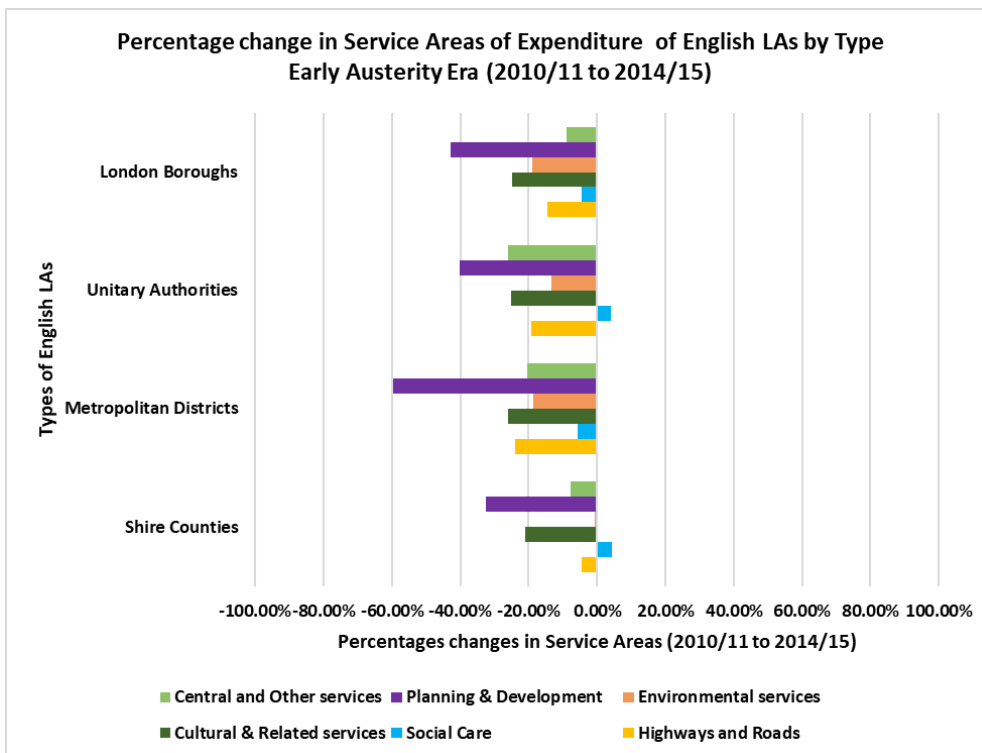


Figure 22: Percentage Change in Service Areas of Expenditure of English LAs by Type - EAE

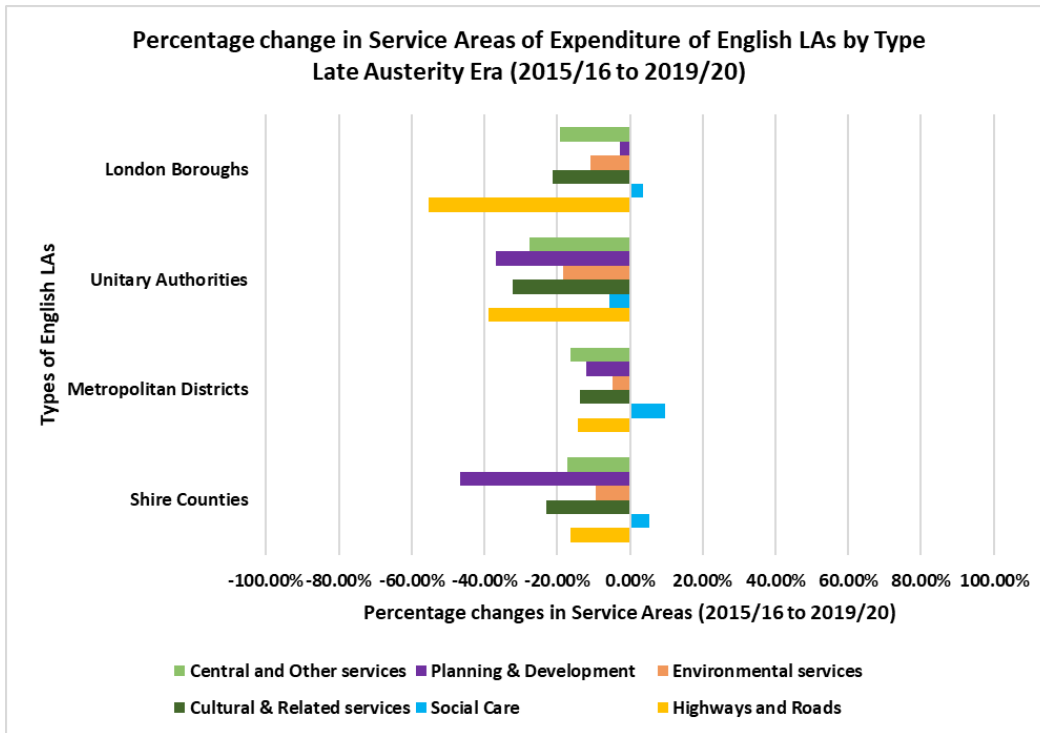


Figure 23: Percentage Change in Service Areas of Expenditure of English LAs by Type - LAE

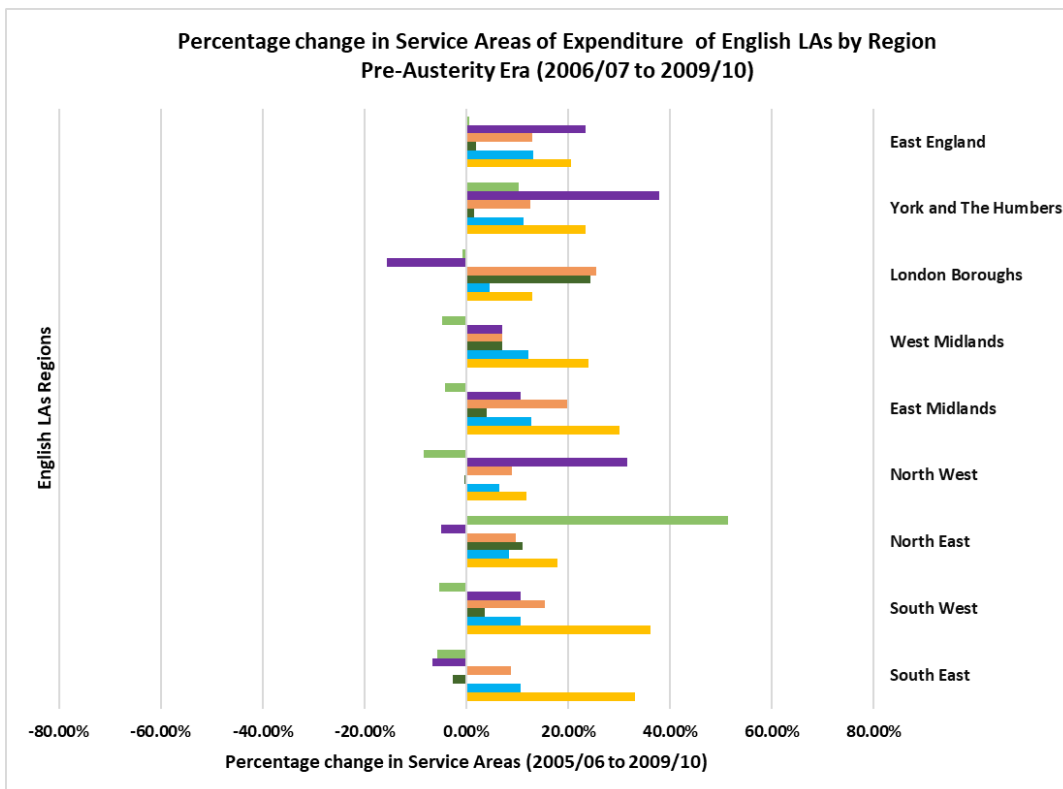


Figure 24: Percentage Change in Service Areas of Expenditure of English LAs by Region - PAE

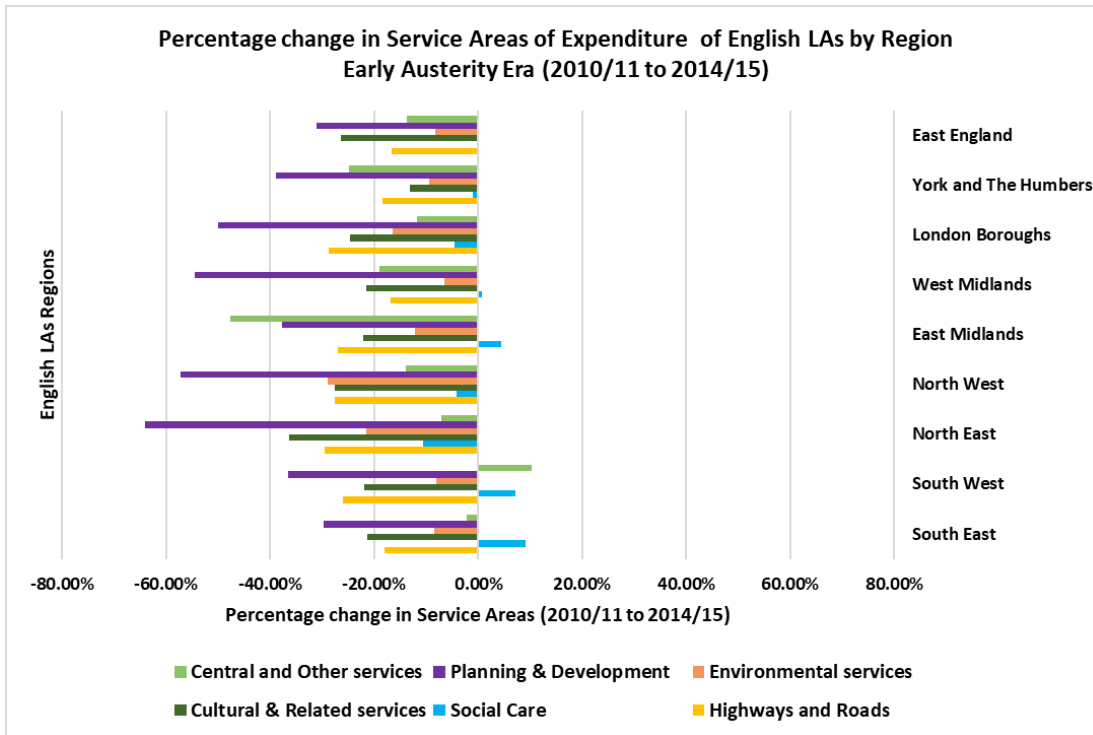


Figure 25: Percentage Change in Service Areas of Expenditure of English LAs by Region – EAE

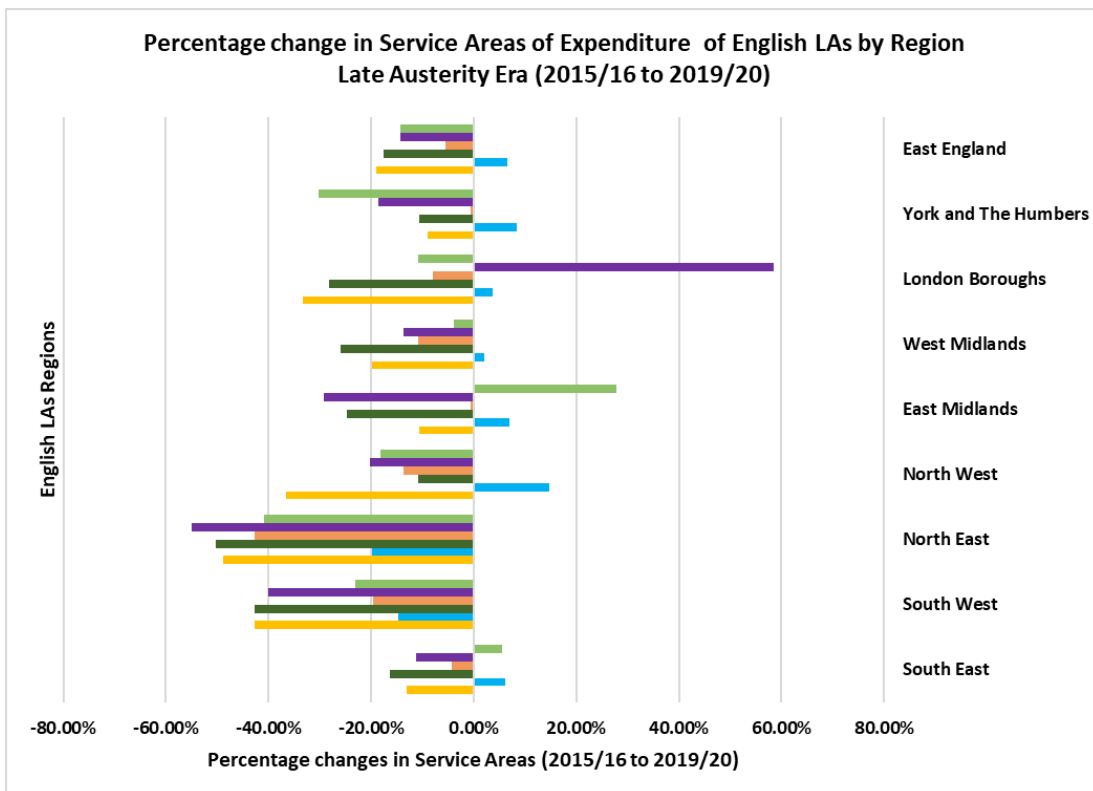


Figure 26: Percentage Change in Service Areas of Expenditure of English LAs by Region - LAE

4.4.1.2 (Re)prioritisation of Revenue Expenditure – Movements in Proportionate Share of Service Expenditure Areas (excluding Education) of English LAs

The study discusses results and findings on year-on-year movements in the proportionate share of spend for various service areas to understand how LAs (re)prioritised some services over others to withstand the pressures of austerity. While the discussion above provided an insight into the extent to which LAs changed their spending on services, the following sections provide an insight into how English LAs by type and region (re)prioritised services. In practice, the researcher included all other services, including public health, housing, and other services made of sub-totals of protective and central services, to get a total perspective of the overall expenditure for LAs by type and region. Findings on LAs by region found that LAs in or close to London allocate the largest proportionate spend on highways and transport. Further results were discussed below in the three (3) distinct eras to further understand how LAs by type and region prioritised service areas on a year-on-year basis throughout the time series.

The figures in this section show the average spend proportions for each era. **Pre-Austerity Era.** The study found that expenditure in most service areas was mostly rising across the pre-austerity era (Fig. 27), which was clearly showing significant growth. However, it was also interesting to note a continuous reduction in the proportionate spending on cultural and related services (CRS) and ERS by SDs, which offset increases in other services. The NAO (2018) found a decline in the amounts LAs spent on discretionary services, reflecting an earlier NAO (2014) report that revealed that LAs exercised various strategies to protect key services they had statutory responsibility for. SDs do not have responsibility for education or social care, so their expenditure profiles reflect a different balance of expenditure, with for example environment and cultural services dominating. Thus, SDs prioritised spending increasingly more on other services than on CRS and ERS during the pre-austerity era. Since SDs were not responsible for delivering emergency services (police, fire, and court services), it was confirmed that central services were prioritised over other non-statutory services.

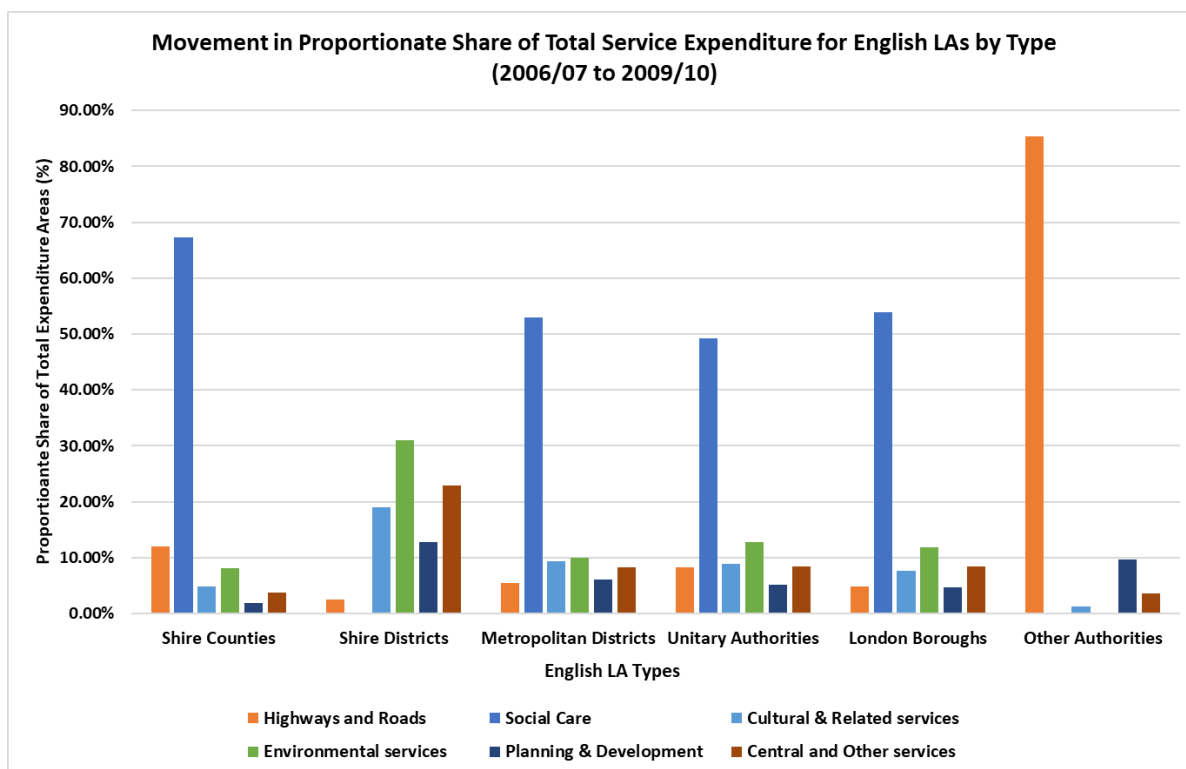


Figure 27: Year-on-Year Movements in the proportionate share of Service Areas by LA type – PAE

Source: Author, Extracted from DCLG National Statistics. (2006/07 - 2009/10)

Generally, there was a continuous percentage increase in central and other services by 13%, which DCLG (2010b) found was mainly caused by the sharp rise in the general fund. LAs in the West Midlands (WM) region had the largest proportion of social care on total net expenditure (excluding education) – this should come after the general comment on social care to be inserted above.

Early Austerity Era. The study found interesting year-on-year movements/shifts in various service (expenditure) areas after austerity was formally implemented. Hence, SCs, UAs, and MDs continued to allocate larger shares of their total expenditure to social care (services) until 2012/13 before decreasing slightly in proportion towards the end of the early austerity era (Fig. 28). The increase in the proportionate spend on social care was because it demanded more spending, which was funded from reductions elsewhere in the budget. The changing trends in highways & transport and ERS for SCs, UAs, and MDs were a corresponding reduction due to the increased demand for social care. Part of the reduction towards the end of EAE could be traced to the introduction of Public Health (PH) – when PH was transferred as a responsibility to the upper-tier authorities in 2013/14. Thus, proportionate spending on other services shrunk for all LAs by type and region amidst the introduction of PH. The findings also showed year-on-year reductions in cultural services and other services for SCs, UAs, and MDs. Aside from the introduction of PH, almost all LAs (re)prioritised statutory services over non-statutory services, as reported by the NAO (2014).

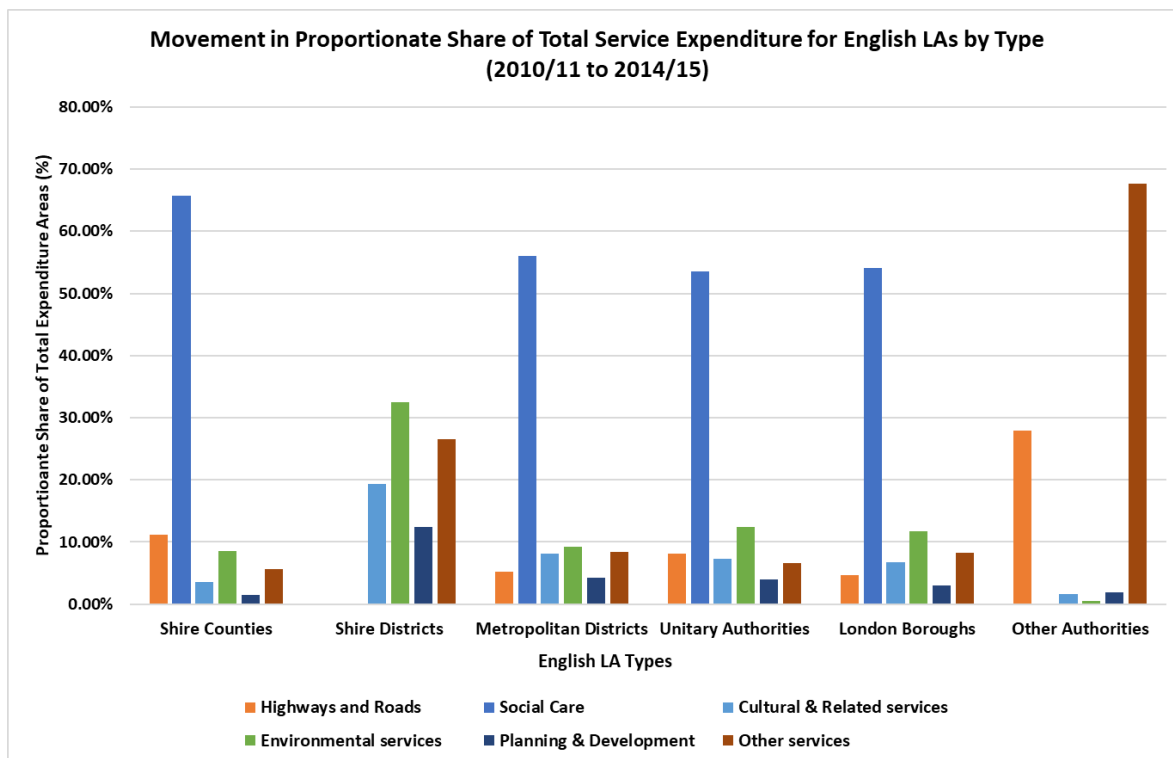


Figure 28: Year-on-Year Movements in the proportionate share of Service Areas by LA type – EAE

Source: Author, Extracted from DCLG National Statistics. (2010/11 - 2014/15)

Unlike the pre-austerity era, SDs allocated an increasingly larger proportion of funds to deliver CRS (20%) in 2013/14, but it decreased slightly in 2014/15. However, proportionate spending on ERS for SDs represented the largest share of total net expenditure, rising steadily throughout the early austerity era.

Late Austerity Era. The results from Figure 29 showed that social care had the largest average proportion of total net expenditure for some LA types, including SCs, MDs, LBs, and UAs (i.e., all the upper-tier authorities) throughout the time series. Despite the large difference in proportion over other services by LA type, social care is fairly evenly distributed and remained the largest share of service expenditure for all upper-tier LAs by region. These LA types seem to have prioritised social care spending at the expense of other services, such as CRS and ERS, whilst proportionate spend on other services had a corresponding reduction throughout the late austerity era. It is evident from the results that the scale of the reduction, coupled with the lack of flexibility for LAs to tackle the rise in demand for social care, exacerbated and widened the financial gap created by austerity policies. Thus, LAs are left with limited options, such as de-prioritising other non-statutory services and prioritising social care, as illustrated in Fig. 29

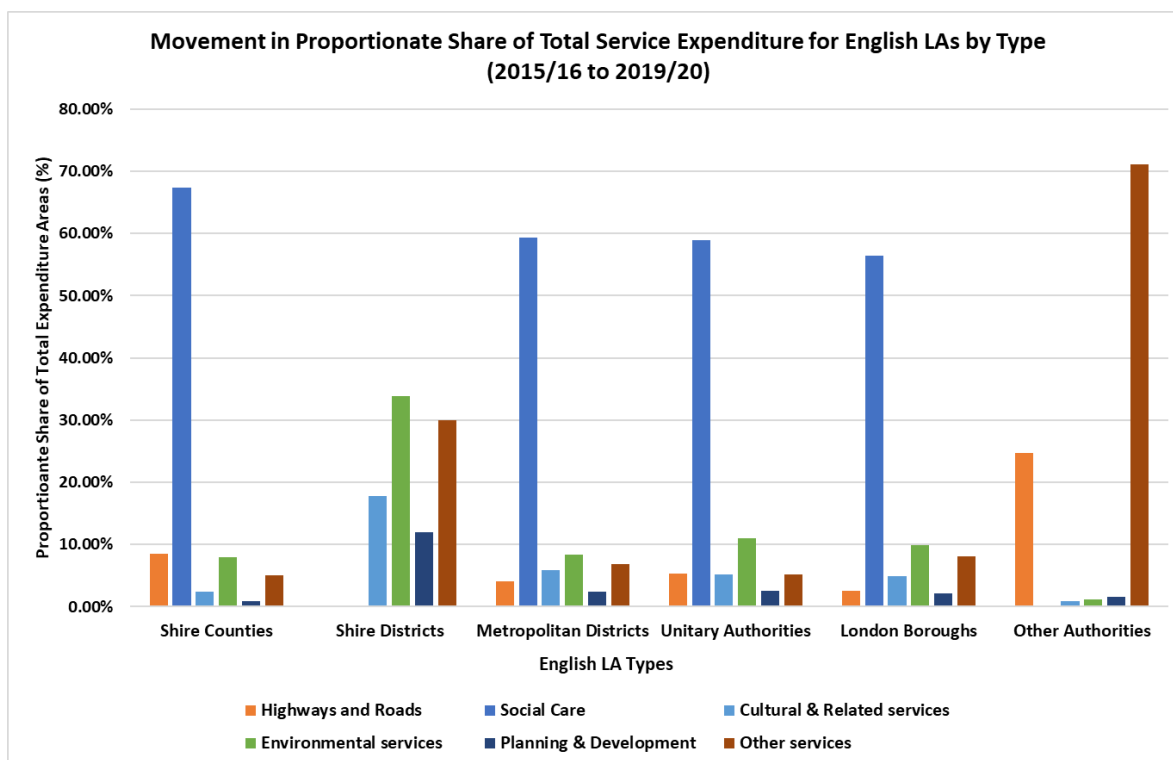


Figure 29: Year-on-Year Movements in the proportionate share of Service Areas by LA type – LAE

Source: Author, Extracted from MHCLG National Statistics. (2015/16 - 2019/20)

From the findings in Figure 29, one can conclude that unpredictable incidents have exposed LAs to more shocks and made them more vulnerable, with fewer resources available to preserve their financial resilience. The twin pressure became more severe with LAs starting to consider the issuing of Section 114 notices. In 2018, the Northamptonshire County Council issued two Section 114 notices in quick succession after the council was poorly run and ignored signals of financial failure (Caller 2018). LAs, including Nottingham, Croydon BC Thurrock, and Slough BC, are among others that have issued Section 114 notices in recent times.

4.4.2 Response to Expenditure: Operating v Employee Expenses (Subjective Analysis)

Since implementing austerity policies, LAs have made various decisions to manage/reduce operational and employee expenses to reduce perceived vulnerability while ensuring financial resilience. Employee expenditure includes financial resources allocated to pay, employers' National Insurance and pension contributions, travel allowances and other employee-related costs such as training, recruitment, and retention fees.

Figure 30 shows changes in the operating and employee expenses of LAs in England between 2006/07 and 2019/20. There was an overall reduction in spending between the start and the end of the study period, with the biggest reduction coming from employee costs rather than operating expenses. This reflects the coping strategies that LAs adopted to buffer the shock that emerged from the reduction of RSG by the central government.

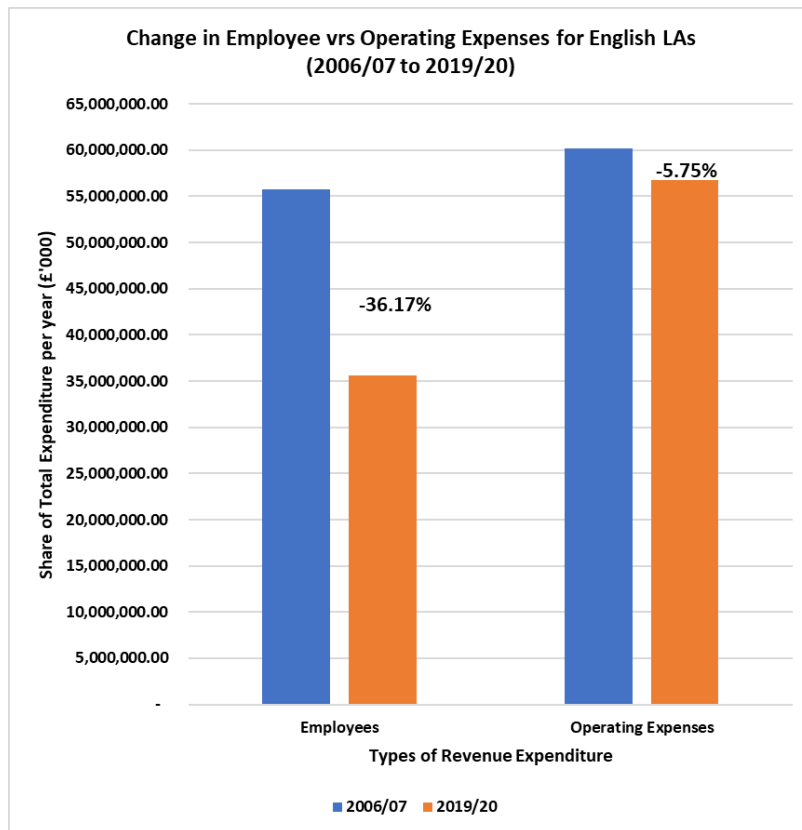


Figure 30: Change in share of Employees and Operating Expenses

Source: Author, Extracted from DCLG/MHCLG National Statistics. (2006/07 - 2019/20)

There was a steady decline in employee expenses until 2009/10, which reduced significantly from 2010/11 onwards throughout the early and late austerity eras. In contrast, LAs allocated more funds to operating expenses, which comprised running costs. LAs adopted both buffering and adaptive strategies to cope with the impact of austerity from 2010/11. LAs adopted different strategies to reduce employee expenses and reallocated funds to other pressing services/running costs. This is most likely due to operating costs (e.g., premises and IT) being fixed, whereas cuts and efficiency savings tend to focus on employee costs, as services are paired back. The emerging twin pressure of financial and service demand meant that LAs needed to use the limited funds efficiently to meet the desired expectations of their communities/citizens. The study now discusses the movements in employee and operating expenses for LAs in the three eras to understand the severity of the impact austerity had on these expenses.

4.4.2.1 Operating v Employee Expenditure for English LAs – Pre-Austerity Era

The study found that all LAs allocated increasing resources to employee and operating expenses in the pre-austerity era (2006/07 to 2009/10). Despite this continuous movement in both expenses, all LA types spent more funds on operating than employee expenses (Fig. 31). Local Authorities collectively were one of the largest employers in England, employing 1.8 million full-time staff by 2009/10 (DCLG, 2010). Figure 32 shows that LAs in all regions devoted

more financial resources to their operations than employee expenses, except the West Midlands, where LAs allocated more funds to employee expenses than operating expenses.

The results show that although LAs allocated more funds to operating expenses, few LAs were compelled to incur more employee expenses during the pre-austerity era. This could result from LAs' strategies to introduce an expenditure on lump sums paid on retirement. In 2007/08, 84% of LG Pension Scheme expenditure in England comprised benefits such as pensions and lump sums for retired members and their dependents (MHCLG, 2019). This could help explain the 79% increase in lump sums paid on retirement in 2007/08 (£1,038) compared to that in 2005/06 (£581m). Thus, LAs largely adopted coping capacities and strategies (buffering and adapting) to withstand and recover from the reduced financial support from the government.

4.4.2.2 Operating v Employee Expenditure for English LAs – Early Austerity Era

The study found that austerity policies significantly impacted LAs by type (Fig. 33) and region (fig. 34), as there were fewer resources allocated to operating and employee expenses in the early austerity era. Total employee expenses had decreased to 41.14 per cent by 2014/15. Figure 33 shows that LAs types made more reductions on employees' funds allocated to employees than operating expenses. At the same time, internally, the number of teachers considered local authority employees reduced as schools became academies from 2011/12 and were removed from local authority control. In addition, employee expenses for some LAs were reduced when the central government established Police and Crime Commissioners (PCCs) across the country in 2012/13 to operate as separate entities. Both initiatives also reduced the flexibility that LAs had to respond to austerity.

The medium/long-term problems of the coping capacities adopted by LAs affected their perceived vulnerability and began to impact on them in the early austerity era. By 2011/12, local government employees had been reduced by 3 per cent, and these reductions included a significant number of senior officers of LAs. This meant that fewer senior or experienced staff were available in some LAs with the technical know-how and strategic experience to manage the pressures that emerged from the "austerity" shock. Studies (Murphy and Jones, 2016; Barbera et al., 2017; 2020; 2021) argued that the adverse impacts of austerity on LAs' funding were not necessarily considered a single "shock", as the severity of the impact was unknown, and it varied from local authority to local authority. However, in such situations, LAs needed their experienced senior staff to make decisions and strategies to deal with the pressures of austerity.

4.4.2.3 Operating v Employee Expenditure for English LAs – Late Austerity Era

LAs experienced a further decline in funds allocated to employee and operating expenses in the late austerity era. In the late austerity era, only the GLA experienced increases in both employees and operating expenses (Fig. 35). Figure 35 shows that all other LA types reduced their expenses on employees and services further during the late austerity era. Again, internal, and external events and incidents influenced the severity of austerity on LAs in the late austerity era. These events/incidents (internal or external) often have considerable repercussions on the financial resilience and perceived vulnerability levels of LAs.

External incidents in the form of government restrictions, changes in legislation and policies, and increased in-migration affected LAs' capacity and capability to withstand the continuing shock from austerity. For example, the Brexit referendum increased uncertainty on funding, as some LAs could lose their grants from Europe (the EU). Internal incidents vary across LAs based on common characteristics such as type and regions and unique features like the scale and size of their budgetary responsibilities. Hence, the severity of austerity compelled LAs to adopt coping capacities in cutting back staff through early retirements, leaving leaders, in some cases, incapable of sustaining their financial resilience. For example, Northamptonshire County Council was criticised for "failing to comply with its best value duty" (Caller, 2018) after the council issued two Section 114 Notices – making it the first to do so after over 20 years, although it has since been followed by other councils. Overall, Both the type and region analysis are showing higher percentage increase in operating costs in the pre era, and higher proportionate reductions in employees in the early and late eras

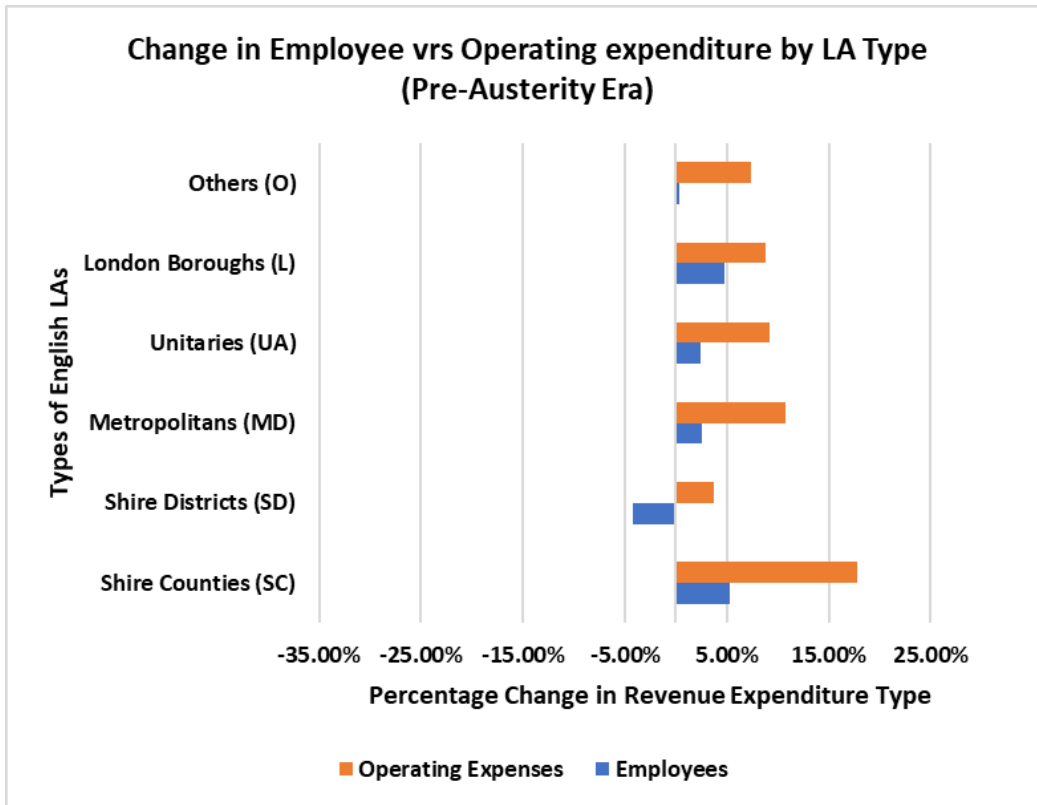


Figure 31: Change in Employee v Operating Expenditure for English LAs by Type – PAE

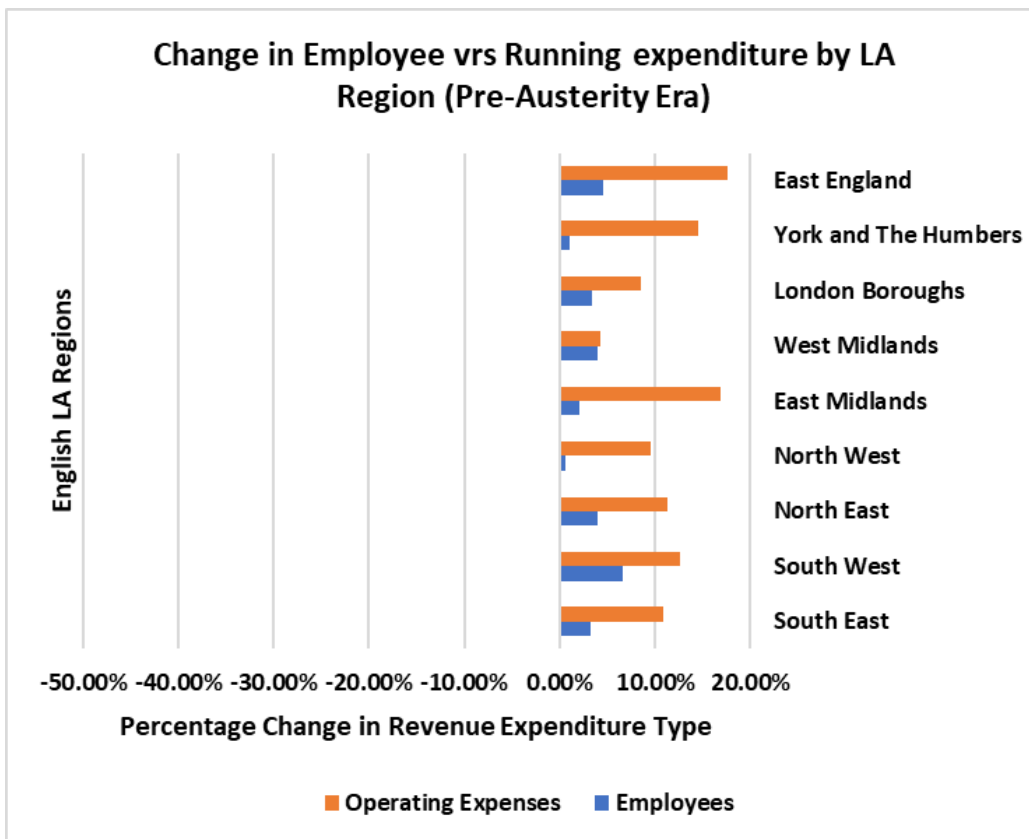


Figure 32: Change in Employee v Operating Expenditure for English LAs by Region – PAE

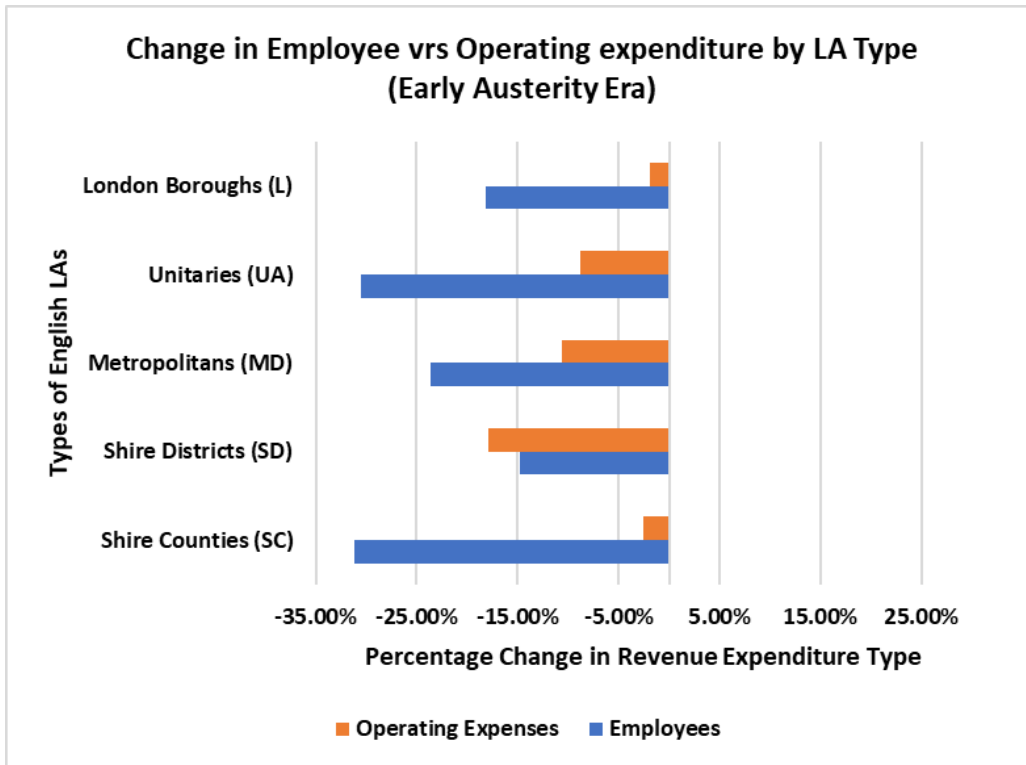


Figure 33: Change in Employee v Operating Expenditure for English LAs by Type – EAE

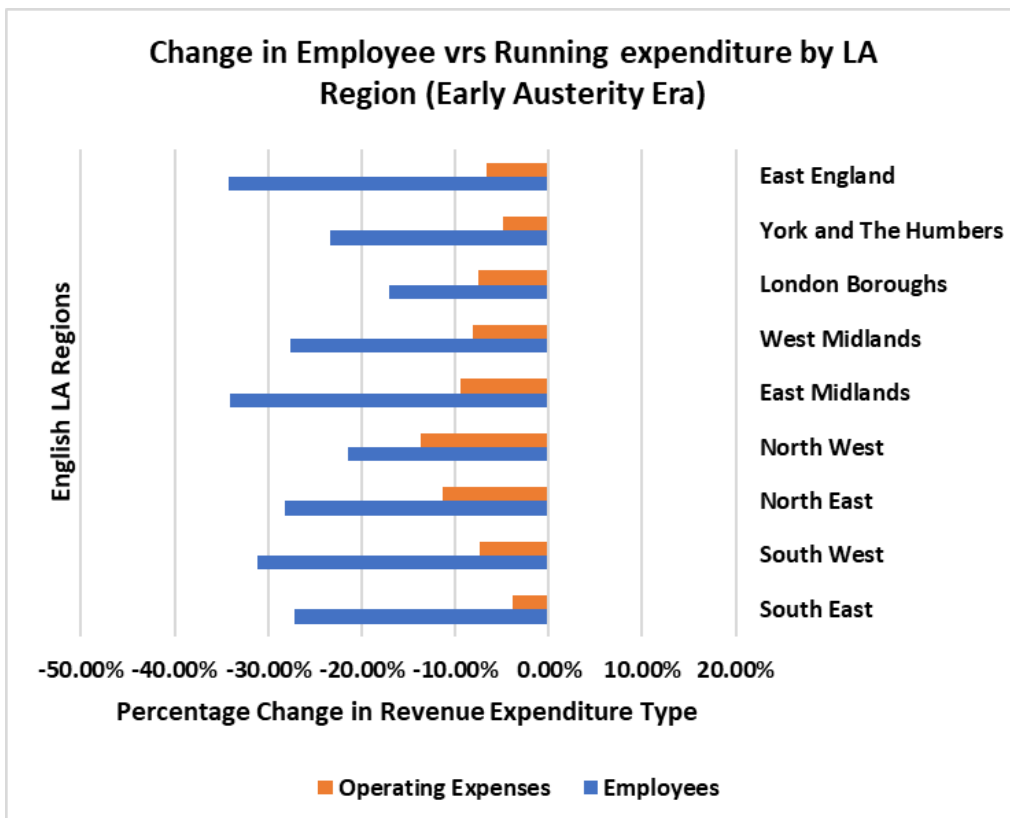


Figure 34: Change in Employee v Operating Expenditure for English LAs by Region – EAE

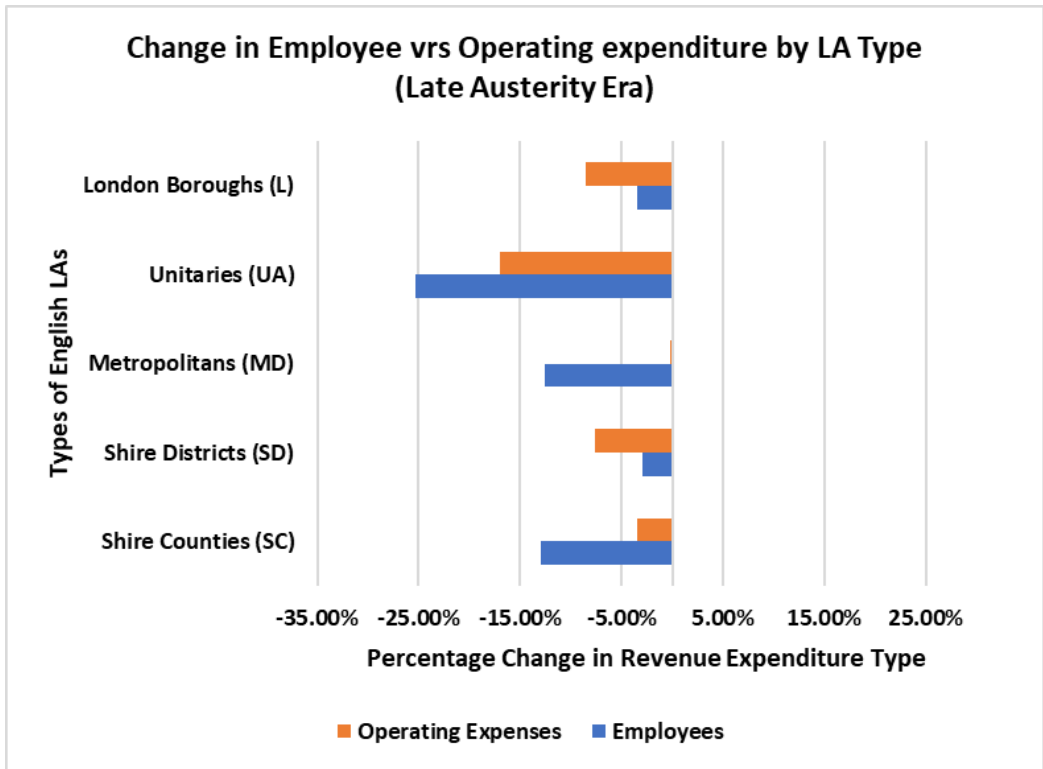


Figure 35: Change in Employee v Operating Expenditure for English LAs by Type – LAE

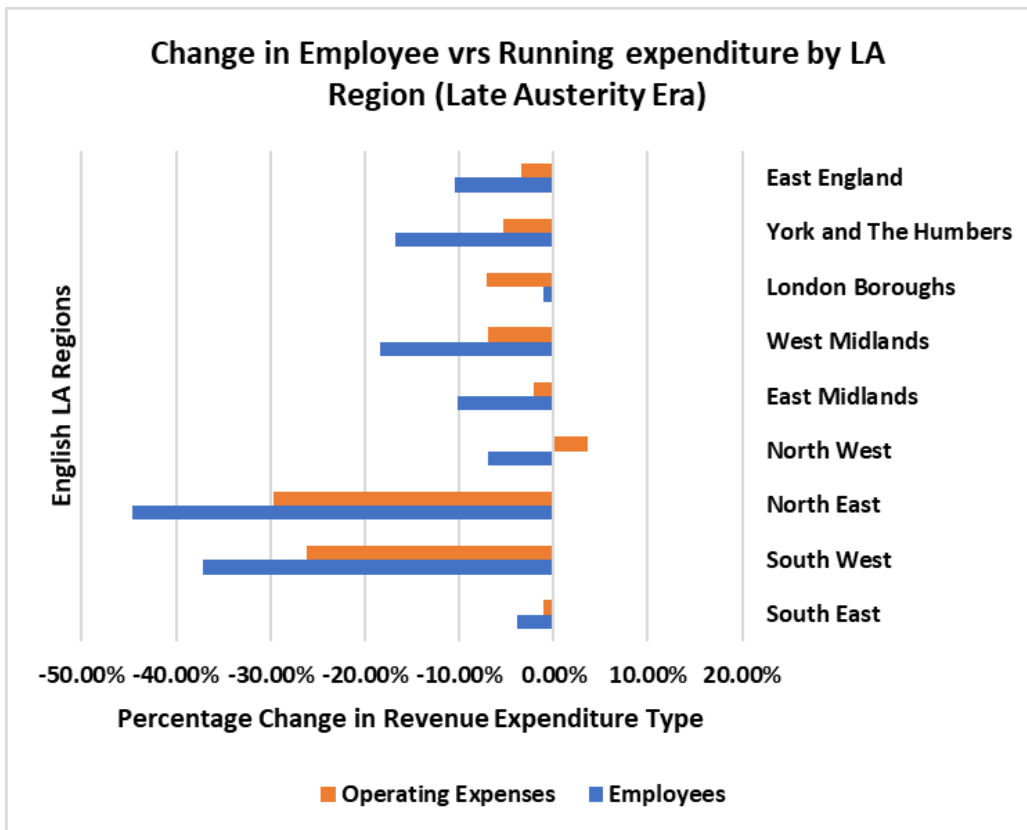


Figure 36: Change in Employee v Operating Expenditure for English LAs by Region – LAE

4.5 Response to Funding and Service Pressure: the Use of Reserves.

Financial reserves play an important role in allowing LAs to flexibly manage demands on their finances over time. “Reserves are important to local authorities as, unlike central government, they cannot borrow money over the medium-term, other than for investment in assets, and they are required to balance their budgets on an annual basis” (CIPFA 2015 Page 1). There is a statutory requirement that LAs provide a balanced budget year after year, and reserves are one of the levers enabling this to happen. The essence of holding reserve levels cannot be underestimated, particularly after the Coalition Government implemented austerity policies in June 2010. The main reason councils build reserves is to have funds available to provide in-service delivery or transformation for the medium and long term (Ogden and Phillips, 2020). Another reason is that building up reserves makes LAs more capable of addressing pressures from future shocks and crises (de Widt, 2021). However, some activists and policy influencers (including politicians) have criticised LAs for holding “huge” reserves, as some services appear to be prioritised over others due to a lack of financial resources. For instance, the then Secretary of State for the Department of Communities and Local Government (DCLG), Eric Pickles, criticised English LAs for building higher reserve levels and condemned them for accusing the central government of not providing financial support to meet the service responsibilities of LAs (Keeling, 2013). This highlights the need for LAs (individually and collectively) to navigate between holding excessive/unnecessary levels of reserves that affects LAs' ability to deliver services versus the need to maintain certain types and level of reserves to provide contingencies against risks (known or otherwise), provide managed funding for investing/transforming activities and generally have a working balance that enables the council to operate daily (CIPFA, 2015).

Reserves are often categorised into two – usable and unusable reserves. The study focussed on the two major usable reserves, namely, earmarked and unallocated reserves. The study focussed on using data on these two reserve types because these reserves, inter alia, constituted over 80 per cent of the reserve balance for English LAs. While data on these two reserves were available throughout the time series and showed that most LAs used their unallocated reserves as a buffer to withstand service demand pressures (Jones, 2017). The other types of reserves (pension, public health, and school reserves) were excluded from the analysis. First, pension reserves were excluded from the analysis because pension reserves cover a range of departments/agencies and extend beyond local authorities. Thus, the pension scheme covers multiple public organisations and is usually ring-fenced. Pension reserves were excluded from the analysis of this study because LAs have no control and cannot influence the level of these reserve balances as they are not discretionary.

Secondly, public health reserves were excluded because this reserve was only introduced as and when public health was transferred as a responsibility back to LAs in 2013/14. If included, this would cause an inconsistent data set of missing values for the pre-austerity era and half of the early austerity era, which may result in some misleading results and findings.

Third, funds held in school reserves are not controllable by LAs, although decisions made by LAs affect the level of funding held or received as school reserves. The Dedicated Schools

Grant represented additional funding provided to support local authority's school budgets and became the main source of income compared to the schools' reserves (EFA, 2016).

Earmarked (Financial) reserves are funds allocated as a result of a policy decision by the LA to use such funds for specific purposes (MHCLG, 2010). Thus, earmarked (Financial) reserves represent monies set aside intended for expenditure on certain stated (specific) purposes and services. Earmarked reserves are ring-fenced reserves dedicated to specific service areas and available to all types of LAs in England. However, some earmarked reserves can be set aside for specific purposes as the result of a central government statute.

Unallocated (Financial) Reserves are part of a local authority's risk management process and would be called upon in the event of the need to meet unexpected costs and emergencies, such as flooding (MHCLG, 2010). They represent reserves or accumulated prior year savings that serve as contingency funds to support areas of expenditure where more resources are required to fulfil the organisation's budgetary obligations. Unallocated reserves that LAs do not use for services revenue purposes are often used for short and medium-term capital investments, whose gains or losses will either help sustain or challenge the perceived vulnerability levels of organisations (particularly LAs). These are sometimes regarded as "sinking funds" or "useable reserves". While there is no longer a single agreed measure of an appropriate reserve level, LAs are required under the guidance of the Treasury Management Code (CIPFA 2021a or b) to set an appropriate minimum level of these reserves. While good treasury management should ensure that there is an income stream arising from these, and indeed any reserves, the decade of austerity has seen very low-interest rates, which has reduced the effectiveness of this as a policy.

Studies (Audit Commission, 2012; Jones, 2017) have explored the impact of austerity on the collective financial reserve levels of LAs in England that affected their level of financial resilience. However, less research has been conducted on the impact of austerity on different types of reserves. This study aims to analyse how English LAs by type and region have responded to the impacts of austerity using different types of financial reserves over the time series (2006/07 to 2019/20). First, the study discusses the results of the year-on-year movement of reserves to understand the changing trends/patterns in different reserves over the three (3) distinct eras. Second, the study discusses changes in the proportionate share of each reserve type on the total reserves to understand the decisions LAs made to cope with the impact of austerity. These results were then analysed systematically using two analysis indicators to address the literature gap highlighted in De Widt (2021), i.e., that less is known about the impact of LAs on their capacity to manage their reserves. This study discussed analysis using results based on LAs type (class) and region (geographical location) to provide a more granular understanding of the findings.

4.5.1 Year-on-Year Movements in English LA Reserve Balances during Austerity

Figure 37 shows the movements in reserve types for all English LAs from 2006/07 to 2019/20. Thus, movement to/from reserves and not the average reserve balance. Figure 37 (also below) shows a significant increase in earmarked reserves during the early austerity era, while unallocated reserve levels remained almost unchanged throughout the whole time series. Due to the slight instability in unallocated reserve balances, LAs' total reserves balances were mostly dominated by the earmarked reserves – an average of two-thirds – throughout the

time series (2006/07 to 2019/20). Despite holding a smaller proportion of unallocated reserves for English LAs (average of 20%), CIPFA (2015) emphasised that LAs hold reserves for different reasons. For example, LAs have had to hold reserves for building capacity to cope with external risk, (ii) mobilising additional resources to fund budgetary responsibilities, and (iii) stocking funding to withstand any unforeseen circumstances amid the growing uncertainty that LAs experienced over the past two decades.

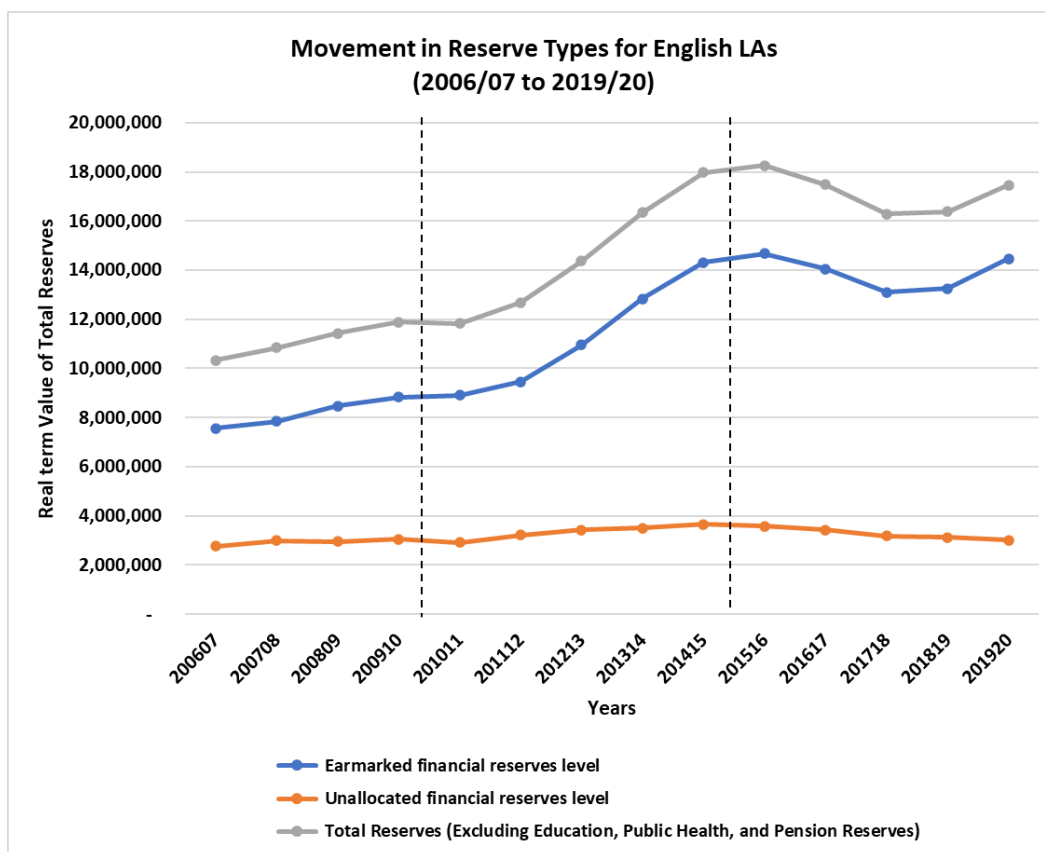


Figure 37: Movement in Reserve Types for English LAs

Source: Author, Extracted from DCLG/MHCLG National Statistics. (2006/07 - 2019/20)

Earmarked reserves generally saw growth, except from 2016/17 to 2018/19, where there were declines in earmarked reserves. The significant growth in earmarked reserves was due to a continuous increase in earmarked reserves for English LAs, except for 2017/18 and 2018/19, when they reduced marginally by 0.05%. Unallocated reserves varied among LAs by type and region. Unallocated reserves from 2005/06 to 2014/15 declined continuously from 2015/16 to 2019/20. CIPFA (2015) noted that LAs held reserves to cater for internal risks, such as the capacity to partner with other peer LAs to deliver services and attain value for money whilst saving costs. The volatility in unallocated reserve levels held by LAs depended primarily on their perceived vulnerability and on the pressures to balance the budget and ensure financial resilience.

4.5.2 Severity of Austerity Impacts on Reserves

Further analysis of the findings was undertaken to understand how English LAs' reserve levels were affected by implementing austerity policies throughout the time series (2006/07 to 2019/20). The study investigated how different reserve types have changed for LAs by type and region over the three (3) distinct eras – pre-austerity, early austerity, and late austerity eras. In the discussion for LAs by type, Metropolitan Districts (MDs), Unitary Authorities (UAs) and London Boroughs (LBs) were combined due to their similarity in responsibilities as Single Tier and County Councils (STCCs).

4.5.2.1 Movements in Reserve Balance for English LAs by Type and Region: Pre-Austerity Era

The study found growth in year-on-year earmarked reserves for SCs and STCCs, although SDs earmarked reserves steadily declined during the pre-austerity era. In the same era, SDs and STCCs held quite stable balances in unallocated reserves, but SCs appeared to have held higher levels of reserves towards the end of the pre-austerity era (2008/09 and 2009/10). The slight reduction for STCCs was traced to the combined reduction in unallocated reserve levels for all STCCs in 2008/09. The study showed growth in earmarked reserves for all nine LA regions during the pre-austerity era. The Greater London Authority (Others) held the largest share of unallocated reserves in the pre-austerity era.

Overall, several LA types saw increases in both earmarked and unallocated reserve levels before the austerity period. This suggests that once LAs anticipated challenging times ahead after the Great Recession, they adopted buffering strategies by restricting the use of unallocated reserves on operational expenses (including service delivery). As a result, they could apply their adapting capacity by saving funds and holding high unallocated reserve levels to build the potential financial capacity to withstand shocks that would emerge after the impact of the recession hit the sector.

4.5.2.2 Movements in Reserve Balances for English LAs by Type and Region: Early Austerity Era

The study found that 2010/11 was a significant year for LAs because it became clearer how big an impact austerity would have on their financial resilience. This became apparent in the 2010 Spending Review and successive budgets from George Osborne. The early austerity era marked a period where LAs appeared to supplement some running (service) costs with unallocated reserves. The study found that earmarked reserves increased in real terms for all LAs by type and region. In this era, total unallocated reserves saw positive year-on-year movements across LAs by type and region, with most LA types, especially STCCs, holding more unallocated reserves (including UAs). The exponential rise could be traced to some changes in legislation and to the introduction of new policies. For example, the UK government introduced the public health grant in 2013/14 (initially ring-fenced grant but integrated into the LGFS after two years), to support LAs in providing services related to public health after Public Health was transferred as a responsibility from the NHS to STCCs LAs. Despite the growth rates in unallocated reserves, some LAs in the NorthEast (NE) region struggled to maintain higher reserves during the pre-austerity era.

Overall, the level of reserves depended on various shocks (external factors) that compelled LAs to make internal changes. These shocks included (i) uncertainty arising from the outcome of the 2010 general elections, (ii) changes in legislation, (iii) formulation of new policies, and (iv) the shift from a Comprehensive Performance Assessment (CPA/CAA) regime to the Sector Led Improvement (SLI) regime. LAs anticipated that financial challenges were coming because the previous 2007 Spending Review period (which included Central Government Support for LAs, up to 31st March 2001) was ending, and the implications of the 2008 disruptions would influence the 2010 Spending Review. Most significantly, the implementation of austerity policies challenged the finances of LAs and affected their level of reserves at different stages.

4.5.2.3 Movements in Reserve Balances for English LAs by Type and Region: Late Austerity Era

The late austerity era (2015/16 – 2019/20) was also an era of continuous cuts to support grants for all English LAs by type and region. The key factor was the 2015 Spending Review announced by Osborne in November 2015 to cover 2016/17 to 2020/21, (HMT 2015) which indicated continuous reductions in financial support from the central government to LAs. After the 2015 Spending Review, there have been yearly spending reviews in 2019/20 and 2020/21 as future planning became complicated due to the severe impact of the COVID pandemic (HMT, 2019, 2020). This study found that all LA types saw a considerable decline in their earmarked reserves, except for SDs, during the late austerity era. While earmarked reserves increased for LAs in some regions, the South East (SE), South West (SW), West-Midlands (WM), Yorkshire and the Humber (YH), and East of England (EE), it reduced for others, particularly for LAs in the North East (NE). Further, the combined unallocated balance was almost stable for LAs in SE, NW, WM, and YH, although it reduced for LAs in other regions, particularly in the NE.

The Government criticised LAs for holding high reserve levels. In his speech in the House of Commons on the 2015 Government Spending review, the Chancellor encouraged LAs to use their reserves to provide services to their citizens.

“Councils increased their reserves by nearly £10 billion over the last Parliament. We’ll encourage them to draw on these reserves as they undertake reforms.”

- Rt Hon. George Osborne (Chancellor of the Exchequer), (HMT 2015)

This message signalled to LAs that any further support or funding interventions from the central government to help them were unwelcome. Thus, the decline in unallocated reserve levels was partly due to the discontinuity of stocking up of reserves by LAs, although this would most likely have varied and been dependent upon the severity of the shocks and perceived vulnerability levels. Other LAs diversified their reserves to fund capital investments, aiming to create a continuous annual revenue income (although some of these became problematic). Overall, LAs that had used their unallocated reserves to fund services continuously without saving in their reserves had reduced and lower balance levels in the late austerity era than in the early austerity era.

4.5.3 Year-on-Year Changes in the Proportion of Reserve Types for English LAs

LAs adopted a proactive approach by implementing anticipatory capacities after monitoring the potential impacts of the reductions to LA grants post-2010 (Jones, 2017). LAs were also obliged to make decisions on the use of their reserves to sustain financial resilience (de Wit, 2021). As a result, some of the decisions LAs made caused a ripple effect on financial reserve types on an annual basis. This section discusses the results and findings on the year-on-year proportionate change in reserve types. Overall, the study found a reduction in the proportion of unallocated reserves held by LAs but a marginal increase in their earmarked reserves.

The results in Fig. 38 present a year-on-year movement in proportionate share for all reserve types to identify any changing trends/patterns in the proportionate share of each reserve type for all English LAs throughout the time series.

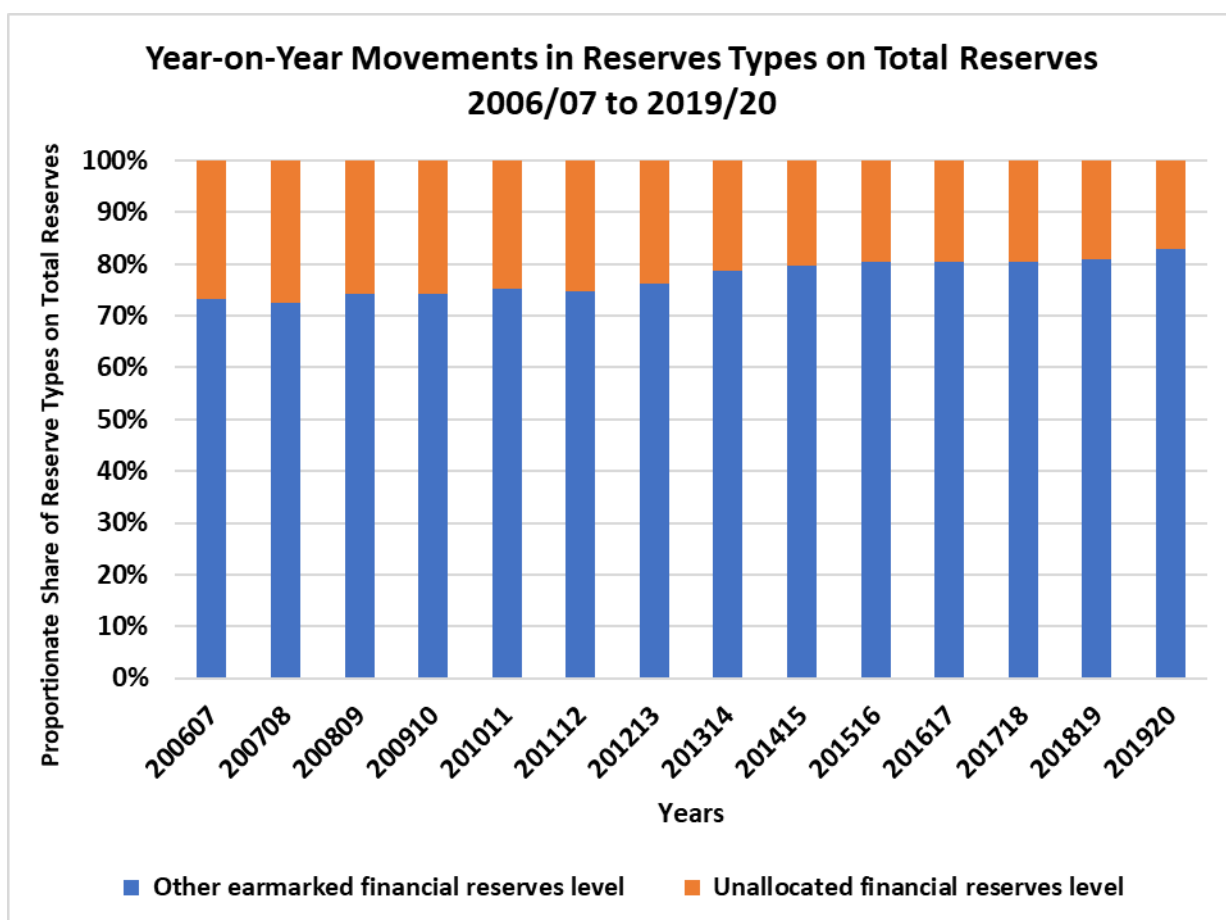


Figure 38: Proportionate Share in Reserves Balance Types on Total Reserves for all English LAs

Source: Author, Extracted from DCLG/MHCLG National Statistics. (2006/07 - 2019/20)

The results in Fig. 38 above show that the earmarked reserves were the biggest type of reserve. LAs held greater shares of unallocated reserves in the pre-austerity era than they held towards the late austerity era. This reduction in the proportionate share of unallocated

reserves was due to external shocks, particularly when austerity policies were introduced, and the central government reduced the grants allocated to English LAs.

The study confirmed (in figure 38) that the proportionate share of unallocated reserves started to reduce in 2012/13 after the then Secretary of State for Communities and Local Government, Sir Eric Pickles, challenged LAs to stop stocking up reserves and use them to fund their budgetary responsibilities:

“Good financial planning is about putting a little extra away when the sun is shining, so you have some cover during the rainy days. ... But building up reserves isn’t simply about turning town hall vaults into Fort Knox. These untapped funds exist to ensure councils can respond to unexpected situations like the pressing need to tackle the nation’s unprecedented level of debt.”

- *Sir Eric Pickles (Secretary of State for Communities and Local Government from 2010 to 2015. (Pickles, 2013)*

The Local Audit and Accountability Act 2014 which Pickles introduced, changed the focus from financial management to financial reporting and from medium-term planning and assessment to short-term (annual) planning and assessment (Ferry et al. 2019).

In the following section, the study discusses the movement in the proportion of reserve balances for English LAs by type and region over the three (3) distinct eras – pre-austerity, early austerity, and late austerity eras. In contrast to findings in the previous section, results for LAs by type were disaggregated to display results for each STCC (MDs, UAs, LBs) to easily identify the (un)common trends and patterns for the three eras.

4.5.3.1 Year-on-Year Changes in the Proportion of Reserve types for English LAs: Pre-Austerity Era

Fig. 5.45 presents the proportionate change in different reserve types for LAs during the pre-austerity era. LAs’ earmarked reserves represented the greatest share of reserves (an average of 65% of total reserves, excluding pension and public health reserves). Despite this great proportion overall, there was a decline in the proportion of earmarked reserves held by Shire Districts (SDs), although there was a slight increase in the proportion of earmarked in 2007/08. The GLA (O) had greater proportions in earmarked reserves than other LA types in the pre-austerity era. The GLA (O) and SDs had the largest share of earmarked reserves during pre-austerity because of the nature (and size) of their responsibilities (and budget). This significant share of earmarked reserves for GLA was replicated by a significant increase in earmarked reserves for LAs in the South West (SW) by an average of 10% throughout the pre-austerity era. Although earmarked reserves for SDs remained almost stable up to 2009/10, they reduced in the GLA (O) by 17%. London Boroughs (LB) recorded the greatest proportion of unallocated reserves, but UAs also held substantial reserves in the early years (2005/06 and 2006/07) of the pre-austerity era.

4.5.3.2 Year-on-Year Changes in the Proportion of reserve types for English LAs: Early Austerity Era

The study shows that Shire Districts (SDs), Metropolitans (MDs), and Unitaries (UAs) held greater proportions of earmarked reserves. This could be explained by continuous growth in earmarked reserves for SDs, MDs, and UAs throughout the early austerity era. Further investigation revealed that earmarked reserves for most LA types had increased proportionately to unallocated reserves in 2012/13. Further research discovered that this could be traced to some government interventions, including the additional £675 million funding injected by the Chancellor of the Exchequer in 2011 to help councils freeze or reduce their council tax for a further year in 2012/13. Despite this increase, LAs in the southern region (London, the South West, and East of England) held fewer earmarked reserves from 2010/11 to 2012/13.

LAs in the East Midlands (EM) and East of England (EE) recorded a slight increase in unallocated reserve levels, which could possibly be affected by the significant amount of reserves held by Shire Districts in those regions (they are the two regions with the greatest numbers of shire districts). Austerity policies were announced in June 2010 and were set to operate from April 2011. As a result, most LAs adopted buffering capacities by allocating more funds – that would usually be saved as unallocated reserves – to meet their budgetary obligation for the 2011/12 financial period. Shire Counties (SCs) held a larger share of unallocated reserves throughout the early austerity era, except in 2014/15 when it declined by 12%.

4.5.3.3 Year-on-Year Changes in the Proportion of Reserve types for English LAs: Late Austerity Era

The share of earmarked reserves allocated to all LA types rose continuously while growth in the proportionate share of earmarked reserves declined, except for SDs, where they rose continuously throughout the late austerity era. Further investigation revealed a decline in the proportion of earmarked reserves for all LAs, except SDs, in the East of England (EE). This could be explained by the fact that over 80 per cent of councils in East of England are Shire District (SD) councils, as opposed to other types (SCs, MDs, and UAs).

All LAs had their lowest share in unallocated reserves in the late austerity era than in the earlier eras. LAs were admonished in the 2015 Government Spending Review and advised to use monies from their (unallocated) reserves to fund their operational expenses and service expenditure areas. The greatest share of unallocated reserves for SDs, SCs, MDs, and UAs was recorded in 2015/16. However, it has become quite difficult to maintain LAs reserves amidst the continuous increase in demand for services, particularly social care. An increase in service demand, coupled with external shocks such as increased in-migration and uncertainties emerging from the 2016 BREXIT Referendum, intensified the challenges LAs faced in building their reserve levels in the late austerity era.

4.6 Discussion

The study shows that English LAs were adversely affected by the continuous reduction in RSG and other sources of grant funding throughout the implementation of austerity-localism policies by successive governments since 2010. Figure 39 illustrates how austerity affected the funding capacities (non-controllable income) of English LAs (impacts), leading to increased funding and service pressures. In response, LAs engaged in the use or a combination of three key levers namely controllable income, altering service expenditure, and the use of reserves – to withstand these pressures. The research further revealed that LAs had some level of control over each of these key levers, although the (in)appropriate use of each lever could hurt or help the perceived vulnerability of LAs.

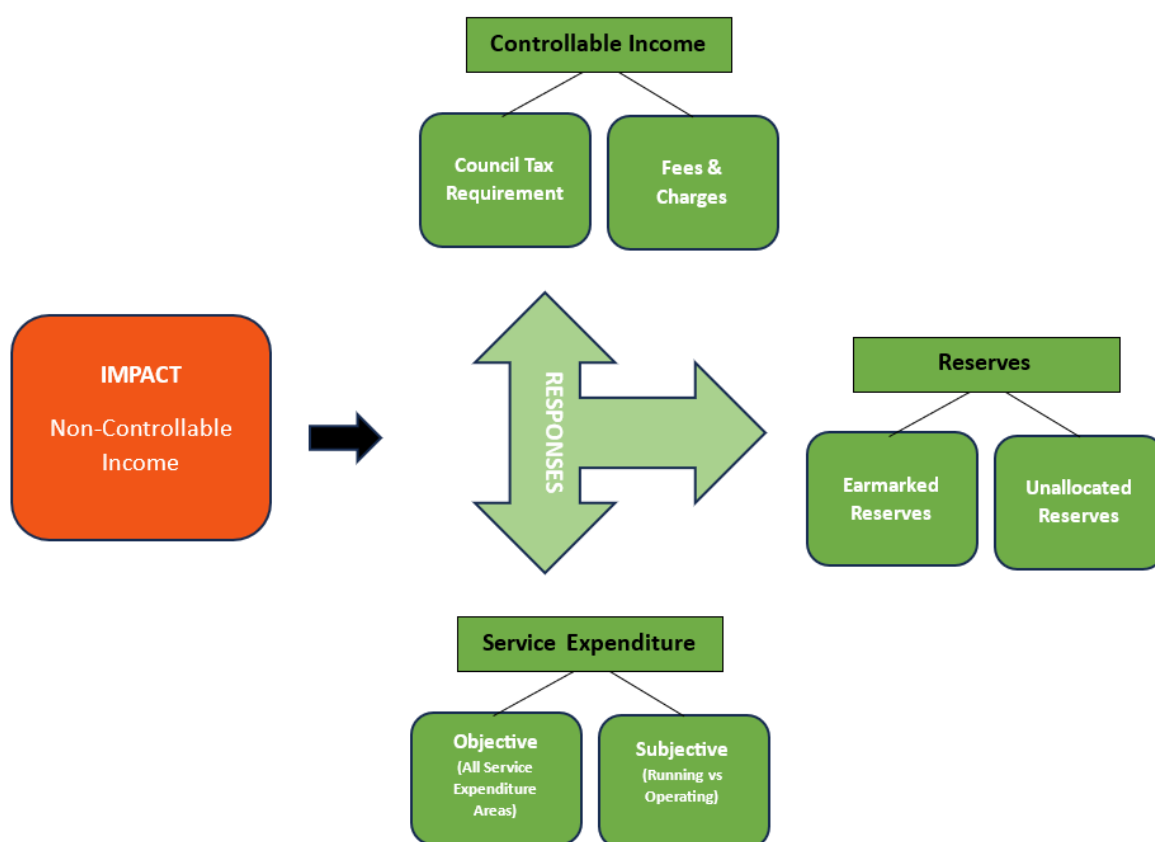


Figure 39: The Impact-Response Framework of English LAs' Funding

Source: Author (2023)

The study also found that while LAs adopt similar capacities and strategies at different stages in their pursuit to withstand shocks, there is no one strategy that fits the circumstances and conditions of all English LAs. The findings of this chapter are further summarised using Figure 40, which illustrates the *operation of LAs' Budgets during the Austerity Era*.

Figure 40 is an extended version of Figure 1 (in Chapter 1) and illustrates how LAs used each or a combination of the three key levers available to them. The figure illustrates that LAs have become increasingly vulnerable to financial shocks affecting their ability to deliver service obligations. As a result, pressures mounted on English LAs to explore other options to increase

their controllable income – mainly council tax but also investment strategies. Thus, a decline in their uncontrollable income (RSG) caused a gearing effect on the council tax and more funds were required to meet their minimum service commitments. Hence, encouraging LAs to activate coping (buffering) capacities by raising CT bills and increasing fees & charges. While buffering capacities help LAs to bounce back to their original states, they only help LAs withstand these funding and service pressures temporarily in the short term. Thus, the continuous reduction in RSGs to LAs meant that engaging only with coping strategies (i.e., buffering, adapting, and transforming) was insufficient to tackle the significant continuous pressures that emerged not only during the early austerity era (NAO, 2015) but persisted during the late austerity era. Therefore, to remain resilient, LAs had to turn to other alternative ways to increase potential revenue.

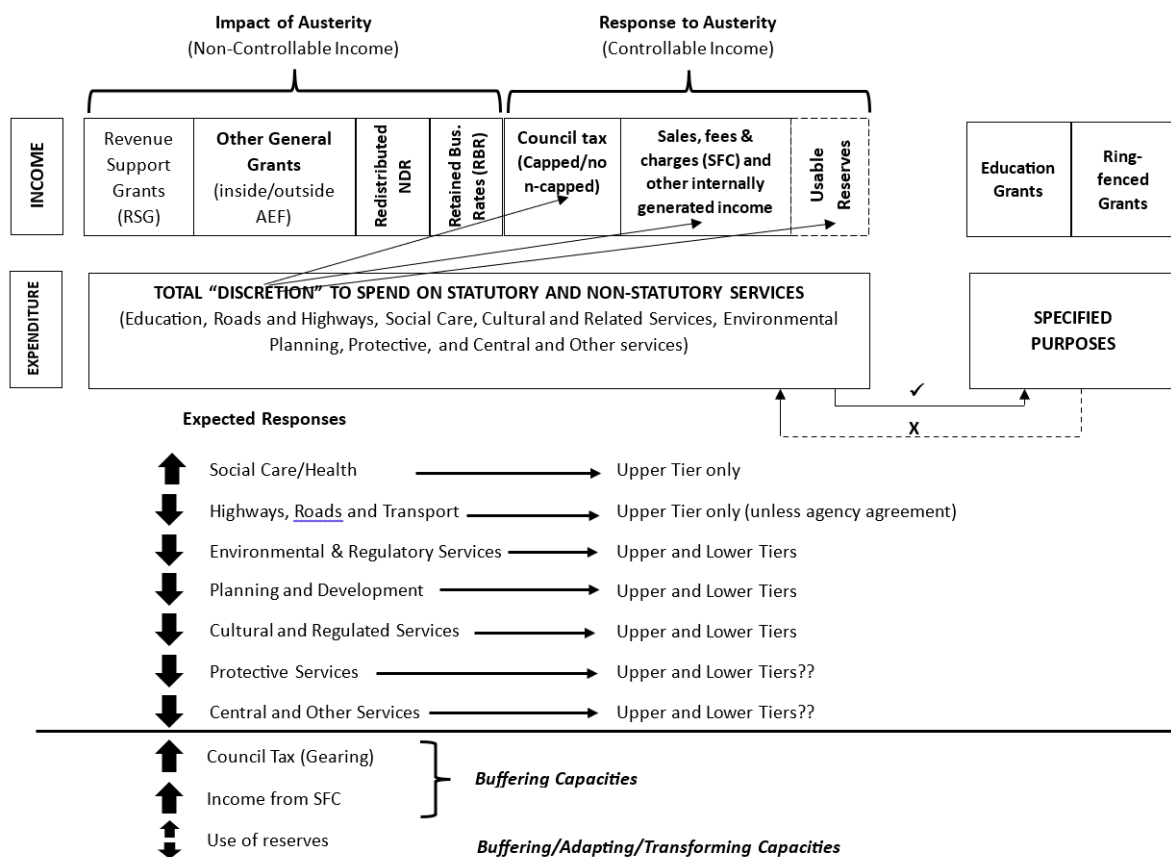


Figure 40: Operations of LAs' Budgets during the Austerity Era

Source: Author (2023)

While one response was to increase controllable income, this was insufficient to meet the over-reduction in central support and as such LAs had to look to reductions in expenditure to balance their budgets. The high demand for social care makes it almost impossible to reduce these budgets with LAs limited financial resources. As a result, LAs often engage in coping (mainly adapting) capacities through the (re)prioritisation of other service areas to maintain the optimum balance in the delivery of social care against other services. Thus, engaging in adapting capacities to cut back on expenditure on other services, as illustrated in Fig. 40. Again, while this capacity helps LAs bounce back to their original state, the pressures are continuous.

The third option is the use of reserves. As illustrated earlier in this study, reserves form a crucial funding lever for LAs. Thus, reserves could either be used as a mechanism to bounce back (cope) or bounce forward (anticipate). When austerity persisted, LAs used reserves to fund their budget deficits, which caused a movement in reserve types. The study found a decline in unallocated reserves for LAs because LAs often drew from the reserves to reconcile potential budget deficits. While LAs put funds into their reserves for contingencies, a continuous withdrawal from reserves without repayment would make LAs more vulnerable when faced with uncertainty and future shocks/crises. On the one hand, LAs that continued withdrawing from their reserves without stocking up were clearly more vulnerable when austerity extended beyond 2015. It was evident that some LAs anticipated these pressures and adopted short-term (temporal) fixes such as stocking funds into their reserves, which were intended to be used as a 'buffer' during times of adversity. On the other hand, LAs that used and replaced their reserves whilst adopting other anticipatory capacities appeared more resilient and were more capable of withstanding the later shocks better than their counterparts.

Overall, the findings of this study suggest that there is no one common capacity that fits all LAs, and LAs adopted capacities that best fitted their status. Appropriate use of each capacity or a combination of capacities had a direct impact on their perceived vulnerability and their capacity/capability to withstand shocks. This chapter used a quantitative approach, which made it difficult to identify anticipatory capacities. The next chapter uses a qualitative approach to understand the impact and explore the responses of English LAs (including anticipatory capacities) during the three eras of the study period.

Chapter Five

Local Authorities Finance in the Face of Austerity and Perceived Vulnerability

5.0 Chapter Overview

The chapter investigates the impacts of austerity on English LAs during the austerity-localism era. It provides background and context on how English LAs managed the twin pressures of reduced financial support and increased service demand pressures from 2010/11 to 2019/20. The chapter adopted an exploratory research approach, supported by a deductive research design, to investigate the impacts of austerity and how these impacts affected the levels of perceived vulnerability within English LAs during a decade of austerity.

The chapter discusses the results and findings in relation to three themes. First, the chapter analysed how disruptive events from internal and external factors created financial shocks and challenges to English local authorities. Second, the chapter investigates the impacts of austerity using three broad categories of 'pressure' namely financial pressures, infrastructural pressures, and service demand pressures. The analysis and findings draw on evidence from semi-structured interviews with senior officers (primarily CEOs and Chief Finance Directors) of English LAs. Finally, the chapter discusses the relationships between the impacts within these three categories and the changing levels of perceived vulnerability that English LAs had throughout the time series (2005/06 to 2019/20), with a particular focus on the early and late austerity eras (2010/11 to 2019/20).

5.1 Operationalisation of Variables

The variables discussed in this chapter were operationalised and drawn from relevant literature on governmental financial resilience, organisational capacities, crises and public service management, financial management, and the recent qualitative research by Barbera et al. (2017; 2018; 2019; 2021), and Steccolini et al., (2015; 2017). The full table is attached as [Appendix J](#).

The first and major impact of austerity was a significant reduction in central funding from the UK Government, to LAs which affected LAs differently because of individual characteristics (Sandford, 2021a). It also led to increasing funding gaps, in individual LAs and in aggregate, as a result of a continuous increase in demand and expectation from service users within the various LAs (Sandford, 2021a). Although the impact of such changes is often uncertain and may not be known precisely for long periods of time, LAs were effectively compelled to devise coping and/or anticipatory capacities to help bridge this widening funding gap (Steccolini et al., 2015; Barbera et al., 2017; 2021) and although a few LAs may have withstood these continuous pressures, most LAs struggled to bridge the funding gap. This resulted in

diminishing spending power for LAs that struggled to bridge the funding gap (Sandford, 2021a).

While responding to the impacts of austerity, LAs became also vulnerable to infrastructure pressures that emerged from either (i) internal or (ii) external sources. Internally, LAs are usually exposed to more pressures created when responding to financial or service pressures. Hence, intense pressures on LAs' funding resources compels them to (re)prioritise limited resources to some services over others. Harvey (2016) found different LAs prioritise limited funds for different services based on unique features, including type/class, region, and size of financial responsibility (budget).

LAs are also exposed to decisions made by external stakeholders, particularly central government, which either empowers or hinders their capacity and capabilities to respond to adversities such as austerity. On the one hand, new legislation may enhance local autonomy, theoretically increasing the LAs' ability to operate independently (Ladner, 2017). On the other hand, central government changes to tax regimes could have facilitated some level of financial autonomy among LAs (Kickert, 2012a; Hermann, 2014). However, England LAs were constantly having to respond to initiatives with uncertain consequences both short and long term.

The level of vulnerability of individual LAs reflects their capacity and capability to provide services to their users (citizens). The expanding gap in LAs' income affected their capability and capacity to provide services. LAs were compelled to cut back (or close) services as they sought to balance budgets, financial management and service delivery.

5.2 Financial Shocks from Disruptive Events (Crises and Incidents)

Crises and unexpected incidents or events affect individuals, families, societies, organisations, and even governments. Boin et al. (2010) noted that organisations are susceptible to natural disasters (hurricanes, floods, volcanoes, and pandemics) and artificial or man-made disasters (wars, cyber-crimes, financial crises, global recession, trade wars, etc.), which affects both their performance and their capacity to recover from such disasters. Bhamra et al. (2011) argued that in addition to disasters, organisations (including LAs) could be challenged by smaller uncertain incidents and events. They referred to such incidents as disruptive events. Disruptive events represent the occurrence of incidents that cause adverse consequences on an organisation's financial and non-financial capacities, which hinders its capability to respond to these unexpected consequences. Bhamra et al. (2011) found that disruptive events emerge or occur from both internal and external sources.

5.2.1 Internal Factors

Disruptive events that emerge from internal sources (within the LAs) include general factors such as leadership styles or major changes in organisational structures, and other specific factors unique to particular LAs. Examples include fire outbreaks, growing and ageing populations, rural/urban status, and level of deprivation. One council [*name withheld*] confirmed that they had a tough time recovering from "*a massive fire in 2008 which destroyed our main council offices*". While the fire caused some losses for the LA, the LA also benefited from the fire outbreak. These benefits were identified by the interviewees into three themes:

cost-saving, revenue generation, and transition to teleworking. The council received £11 million from an insurance claim which supported its spending throughout the early austerity period.

“That was the biggest insurance claim that [insurance company name withheld] have ever had in their entire history of providing support to local authorities.”

- Interviewee F

Second, the council sold the land on which the former building stood to a Retail PLC Company for £10.5 million, which was used to defray debt incurred by the council. Third, the temporarily reduced office space meant that the council improvised to develop an online working system, which subsequently made the transition easy when they needed to work remotely during the pandemic.

“... because there was no building, remote working was implemented but at first. ... we had fifty licences for 200 staff, which was archaic; like most councils, people weren’t remote working, they were fiddling around at the weekend but in 2008, we were at the forefront of home working, and everybody was suddenly given laptops funded by the insurance claim.”

(Interviewee F)

Subsequently, the council developed a working culture that shifted from a traditional setting (where everybody had an office) to a completely open shared space with a ratio of two desks to three employees. Thus, *“it was hot-desking for everyone, from the chief executive down when we moved into that new building, and nobody complained”*. This was an example of a local authority that responded to a disruptive event to transform their operations during austere times and bounce forward in their use of IT.

5.2.2 External Factors

Disruptive events may emerge from external (national) factors beyond the control of LAs, such as financial crises, government interventions, changing levels of inflation, interest rates, and exchange rates. While these factors are often perceived as hindrances, they can improve the capacity and capabilities of LAs in some contexts. For instance, central governments may intervene to support LAs by introducing policies and changes in legislation/regulations. These changes may benefit some LAs with unique characteristics over others. In such cases, LAs that benefit from these interventions would find it helpful, while others may find this change an obstacle that impedes non-financial resilience.

Rising inflation rates can also impede LAs’ pursuit of financial and organisational resilience. One interviewee explained how inflation had an adverse impact that increased the severity of austerity on their LA:

“... we were a ‘floor’ authority anyway, [in terms of revenue support grant from government] so we were right at the bottom of the pile. So, we only actually saw cash growth of about 1% and then 0.5% for three years right at the beginning of the austerity, but in real terms, that was a decrease because of the rise in inflation rates.”

- Interviewee C

There are other international or global (un)certain factors, such as trade wars, wars, migration, and other factors beyond the control of the UK government. Barbera et al. (2016) demonstrates how the 2007-2008 financial crisis affected LAs at three levels of government i.e., central, regional, and local (i.e., provinces and municipalities) in Italy (Barbera et al., 2017). In England, Jones (2017) reported that the financial crises affected LAs in two ways. First, the reduction in central funding made them susceptible to adverse consequences of government interventions such as changes in the business rate schemes and council tax regimes. Second, some LAs struggled from the initial impacts of the crises even before austerity policies were introduced in 2010/11 by the coalition government.

“... the real hit for us was the 2008 recession, and for us, we had to build in about £2.5 million worth of savings over a three-year period”.

- Interviewee C

5.3 The Impact of Austerity on English Local Authorities

Figure 41 illustrates how austerity had a significant impact on central funding (Revenue Support Grants or RSGs) that LAs receive from the central government. Although overall, LAs have lost significant resources in RSG (from 2005/06), there were some short-term interventions from the government to mitigate this trend and help English LAs alleviate the financial pressures they faced. For example, there was council tax freeze grant introduced in 2013/14 and a 2% and 3% increase in council tax allowed in 2018/19 and 2019/20, respectively (although this was reduced back to 2% in 2020/21). Thus, while the central government introduced some interventions to support LAs to withstand the long-term financial pressures, other interventions compounded the pressure on local government service delivery.

The graph below (Figure 41) shows the change in funding away from RSG to retained business rates. On the one hand, central government interventions include the introduction of the (much debated and long-promised) business rates retention scheme (BRRS) in 2013/14 to allow LAs to keep a portion of the resources mobilised locally. On the other hand, additional responsibilities (such as Public Health in 2013/14) to LA services compounded the service pressures for larger LAs during the early austerity era (2010/11 to 2014/15). Throughout the early and later austerity eras, multiple changes in legislation and the continuation of austerity policies evident in successive Spending Reviews (HMT 2010, 2013, 2015, 2019) and implemented in successive Local Government Financial Settlements (DCLG 2010-2018 inclusive) made it increasingly difficult for LAs to maintain long-term financial resilience.

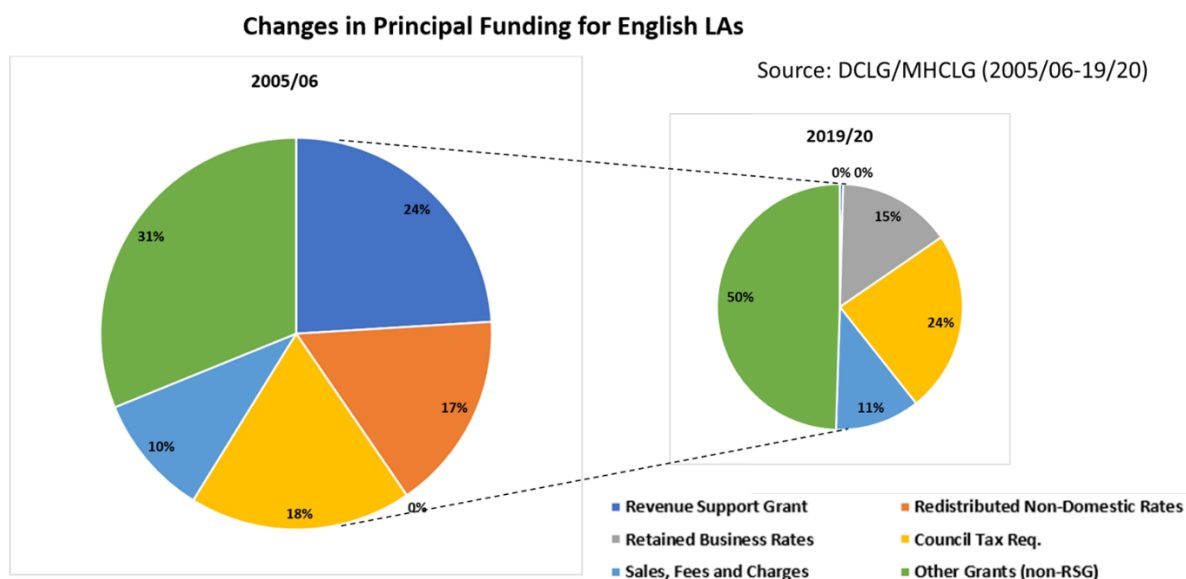


Figure 41: Changes in Principal Funding for English LAs (2005/06 to 2019/20)
 Source: DLUHCs (RS/RO Forms - 2005/06 to 2019/20)

This section discusses the challenges that LAs were exposed to during the austerity era. Existing literature confirmed that LAs have become increasingly susceptible to shocks that emerged from austerity, and pressures continue to increase, making it even more challenging for them to sustain financial and non-financial performance and service delivery. Despite the increased occurrence of other critical events and incidents in the last decade, the chapter’s focus remains on austerity policies because austerity remains the major non-natural phenomenon that has been ever-present in the last 13 years. The next section discusses the impacts of austerity on the three types of pressures – financial, infrastructure, and service pressure.

5.3.1 Financial Pressures

Local authorities have continued to face financial pressures throughout the austerity era. The study found that financial pressures are a long-standing challenge that LAs faced even before the austerity era. While austerity was introduced to reduce sovereign debt levels (Liddle and Murphy, 2012; Raudla et al., 2013; Bello et al., 2018), there had been a long-term and growing tendency for LAs to spend more on an annual basis in the pre-austerity era (Bailey et al., 2014) due to external factors such as inflation.

*“... councils have always received less money from central government but were expected to cover the demands placed them” ...
 “there’s always been an element of councils having to find savings to meet those demands.”*

- Interviewee P

This contradicts the (common) perception that financial pressures only started when the coalition government introduced austerity policies in 2010/11. The study confirmed that although austerity may have triggered significant reductions in central government financial support and hence financial pressures over the past decade (since 2011), LAs have always been exposed to financial pressures to provide services with limited, resources. In the early

years of the recession the Audit Commission (2008, 2009b) reported favourably on how Local Authorities were responding to the recession in 2008-2009 and not waiting for central government direction.

Austerity has recently come to be regarded as a long-term phenomenon particularly in the UK, While Reinhart and Rogoff, (2010) agreed that austerity remained a key challenge for national financial sustainability, others (including Blyth, 2013) argued that it was 'unnecessary' for local public sector agencies, including local authorities (Bordogna and Neri, 2014). However, as the reduction in central funding has become a continuous phenomenon in the UK, LAs have had to focus their resources on managing the financial pressures on a year-to-year basis.

"... there was concern every year about local authorities being able to manage and set a balanced budget, which they have to do for the following year. ... now ten, eleven years on ... the sector has been quite remarkable in how it's managed the funding cuts, increasing in demand for certain ... demand-led services and increasing complexity for things like social care."

- Interviewee O

"there was some fat to be cut from local Government at the time. But I think the overall impact of year after year of cuts and reductions began to really bite for us probably in 2014/15, 2015/16. [that was when] we were really up against it".

- Interviewee J

, "... they [the reductions] were at the peak for us around in 2012/13 and 2014/15 [the early austerity era]"

- Interviewee Q

There is a growing consensus within the literature (Stuckler et al., 2017) that UK austerity policies impacted both public service management and service performance (see Chapter 5). This study has compared three periods to help understand how austerity affected the financial capacity of English LAs from 2006/07 to 2019/20.

5.3.1.1 Reduction in Funding from the Central Government

The most significant impact of austerity was an immediate reduction in the central government's funding through the Revenue Support Grant (RSG). In 2015, the government announced a further reduction of 56% over the 2015 Spending Review period 2015-2019 (HM Treasury, 2015a; 2015b, p.78). Another change less commented on was the shift away from RSG to allow LAs to retain at least some business rates. This study found that for some individual authorities, central funding had been reduced to a minimum and/or an almost insignificant amount.

“... [initially], we’d received something like £200 million a year worth of revenue support grant. Now I know the system’s changed over the years, and it’s not quite as clear as to what the Govt funding is, but in effect, we’ve converted that into a top-up grant, which is a lot less than the £200 plus million and the business rates that we were receiving at that point in time.”

- Interviewee E

“At the time, I was at [LA name withheld], and we certainly believed we would face a cut of about £150 million to our core funding over a four or five period, as was being predicted at the time. As it stands, everybody thought that was mad and that was much too high, but it was an under-estimate quite frankly.”

- Interviewee G

“When we started austerity, when I started in the Section 151 chair, we were getting £10.5 million, and then by 2015, that had gone! Our RSG was wiped out by the 2015 Spending review”.

- Interviewee T

Central government used successive spending reviews (HMT 2010, 2013, 2015, 2019) and Local Government Financial Settlements (DCLG 2010-2018 inclusive) to reduce financial support to LAs as part of its sovereign debt reduction policy but also ‘prioritised’ the funding of other public sector agencies (most notably the NHS) over local government.

“central government wanted to cut expenditure and the easiest route for it to cut expenditure was to put pressure on local public services to deliver”.

- Interviewee H

While the role and budgets of some other public sector agencies, most notably the NHS and Policing were initially protected, LAs were not.

5.3.1.2 Widened Funding Gap

The funding gap of LAs has widened increasingly since the introduction of austerity and LAs have had to mobilise funds from other sources to balance their annual budgets. Sandford (2020) calculated that LAs have had to mobilise funds from other sources to cover expenditure worth £16.5 billion in 2019/20, which stood at 1.4 billion in 2012/13. It emerged that LAs found it difficult, if not impossible in some cases, to raise extra monies from other income sources to fund or balance their budgets.

One Interviewee (D) confirmed that their council ‘lost about 40% since 2015/16’, while the citizens expected the council to provide more services than the previous year. The council was expected to raise more money from council tax.

“... the bit that worries me is that if the central government take off the limit [council tax cap], then local authorities are in an interesting position because we’ve all got a financial gap, we’re all struggling to make ends meet, and they’ll say, OK, well take the limit off Council Tax. LAs are under massive pressure because for us to balance the books, I’d be suggesting a 10 or 12% increase on Council Tax, which, to be honest, politically would be a disaster and I think residents would be in uproar.”

- Interviewee D

Despite the challenges of austerity, a small number of LAs, such as Croydon, (Wood et al., 2020), Slough (CIPFA and Taylor, 2021), and Woking (Taylor et al., 2023), made capital investments in medium/long term projects in order to achieve financial gains that were intended to address challenges from this widened gap.

The gap was however primarily the result of UK national policy, and it was not ‘inevitable’. Overmans and Timm-Arnold (2016), for example, identified different approaches between the Netherlands and Germany, where the former used austerity as an opportunity for transformation, while the latter focussed on austerity as an opportunity for stability.

5.3.1.3 Impact on Spending

In England, austerity has been accompanied by central government transferring more responsibilities to local authorities over the last decade (2010/11 to 2019/20). This has also affected their capacity to provide services, which was not unique to English LAs. Hasting et al. (2017) found that higher government tiers had targeted austerity towards urban areas, particularly in the UK. While this could encourage LAs to be innovative with devolved powers, it exposes them to potential cases of financial mismanagement in areas outside of their usual experience or expertise (Murphy 2019), for example the cases of Croydon (Wood et al., 2020) Slough (CIPFA and Taylor (2021) Woking (Taylor et al., 2023) and others.

The impact of austerity on the levels of spending power varied among LAs due to differing characteristics, such as the ‘type of authority’ or the range of services provided or local social, demographic, and economic contexts. Austerity impacted less on the spending powers of district councils since they were lower-tier councils that relied proportionately less on RSG and more on funding from other sources, including the New Homes Bonus (Wilson et al., 2016). However, interviewees pointed out that although the spending power may not have changed significantly for the top-tier LAs, increasing demand for core (statutory) services such as social care and children’s services meant that nearly all top-tier LAs would have to reduce spending on other services to meet this higher demand. In some areas, the prosperity of local citizens was crucial to the severity of LAs’ challenge since more social care ‘self-funders’ meant proportionately less cost on social care funded by the LA.

“... social care is the killer but that’s the thing that people spend all the money on; we’re in an affluent area where [there are] a lot of

people who pay for their own care [self-funders], which makes a big difference [in our levels of spending power].”

- Interviewee D

The study also found that although some authorities (LAs) may argue that austerity had no adverse impact on their spending power, other macroeconomic indicators suggested otherwise. One Interviewee (Interviewee G) emphasised that the spending power of LAs has reduced significantly *‘if you factor inflation in the calculation’*, and this becomes even more severe with the occurrence of other disruptive events, such as BREXIT and Covid, which trigger the demand for welfare payments and social care to increase and to increase disproportionately in poor areas.

“Because of austerity and a whole host of other challenges including Covid, demand has gone up proportionately more in poor areas, in poor urban areas, as a result of more children coming into the care system, because the safety net of the voluntary sector and various other lower-level interventions are not there. So, a lot of the prevention isn’t there, and demand-led services with very costly interventions have put huge pressure on [LAs] budgets.”

- Interviewee G

This reaffirms the impact of economic and demographic factors (e.g., financial status, level of education, employment status, and age) of citizens living in that community.

5.3.2 Infrastructure Pressures

Infrastructure pressures arise from the consequences of austerity that shrink the capacities and capabilities (infrastructure) of LAs as they respond to the continuous reduction in financial resources and growth in expectations and demand for services. It has become common for LAs nowadays to consider the twin pressures as ‘normal’ due to the long-term nature of austerity (Steccolini et al., 2017; Saliterer et al., 2017; 2021) and other recent disruptive events such as Brexit (Wadsworth et al., 2016), and Covid-19 (Ahrens and Ferry, 2020; 2021; Anessi Pessina et al., 2020; Leoni et al., 2021). Infrastructure pressures in this context include governance structural reforms, changes in leadership and leadership styles, a paradigm shift toward new public (entrepreneurial) management, (Grimm and Bock, 2022) and other key facets of strategic decision-making within the LAs. This excludes the financial or service-related capacities of LAs, which are discussed in other chapters.

The study found that austerity significantly disrupted the leadership and management of local authorities. Austerity impeded growth and development at the local authority level in England (Hastings et al., 2015; Lowndes and Gardner, 2016; Jones, 2017), France (Du Boys, 2017), Germany (Papenfuß et al., 2017), Greece (Cohen and Hlepas, 2017), Italy (Barbera, 2017), the Netherlands (Overmans, 2017), Wales (Ogle et al., 2017; Downe and Taylor-Collins, 2019), and the United States (Hendrick et al., 2010; Korac et al., 2017). While interviewees maintained that infrastructure pressure could be caused internally or externally, they

emphasised that most of the pressures resulted from central government interventions (external).

“... it’s been an ongoing process, and it’s no surprise that now, councils are struggling more. In the last two or three years, we’ve now had three councils declare themselves essentially bankrupt, with [central] government [still] giving financial support to a number of others to stop them going the same way. And I think that we’re now in a position where a lot of the infrastructure [such as] councils, the governance, and management arrangements, have been pared back to the absolute bone.”

- Interviewee G

As a result of these pressures on the infrastructural components of LAs, Interviewee Q, envisaged that there was a “*massive kind of structural issues coming our way*” if other aspects, such as climate change, digitalisation, and artificial intelligence, are considered.

5.3.2.1 (Re)prioritisation of Services

Reprioritisation is where LAs make increase expenditure on some services either because they have a high demand or there is an expectation to provide those services to citizens over other services deemed to be less crucial to the citizens. In Spain, the LAs engaged in capital investments in real estate, while Italy prioritised economic diversification and regionalisation (Turcu et al., 2015). In the UK, central government focussed on economic recovery policies at the local authority level through (re)prioritisation and transfer of services (Hastings et al., 2013; 2015). This study found that English LAs struggled in dealing with the dual problem of reduction in central funding and an increase in demand for statutory service. Most LAs were compelled to prioritise the statutory or core services, particularly Children’s and Adult Social Services over their discretionary services. First, LAs admitted to ‘*plucking the low-hanging fruits first*’ by reprioritising their resources to cover statutory services, especially social services over others with less/diminishing demand, such as library services. However, Interviewee H argued that LAs face re-prioritization as an ever-present consequence of austerity and are placed in a better position to deal with it when there is due diligence:

“... there was also an attempt to try and test out the limits of what providing the statutory service meant, so we saw that with libraries, because the law I think says they’re required to run a library service, but it doesn’t give any idea about the nature or level of what that means, and where that’s gone to court, I understand that most of the reasons why councils have lost is because they haven’t had a proper consultation process.”

- Interviewee H

The main consequence of (re)prioritisation of service in local authorities is where one service benefits at the expense of another. Hence, upper-tier LAs have transferred resources to social

services, which means less expenditure on other services, including cultural & related services (leisure, libraries, and sports centres) and environmental and regulatory services (waste management & refuse collection). Councillor Dan Thomas, Cabinet Member for Resources, as part of Barnet Council's regular budget consultation exercises in 2012 created the "Barnett Graph of Doom", which showed that without significant changes in the way these services are provided and/or in councils' funding, the increasing numbers it will be supporting mean that by 2022-23 it would be providing only social services, there being no money left for almost anything else.

However, in this study some LAs argued they do not reprioritise other services but merely respond to demands and contingencies (service and political) and try to provide just what is needed/necessary at any time.

"I suppose the other services, highway services and highways-related services - they're the ones that the members of the public and our local councillors are more focused on. We did take a knife to things like highway maintenance in the early years, we made some quite big reductions. We've had to put some of that money back in again just because of the deteriorating state of the highways and also the political pressure you get, but clearly, it's quite an easy budget to cut; it's far easier ... you know, nobody dies immediately if you cut the highways maintenance budget, but if you did that on social care, clearly you could get into difficulty really quite quickly."

- Interviewee Q

5.3.2.2 Local Autonomy (Localism) Changes in Legislations/policies

Multiple interventions from central governments have led to unprecedented responses/actions from LAs during the austerity era. As a result of the significant pressures from disruptive events, central governments in most European countries introduced reforms and policies, which have undoubtedly affected the (financial) autonomy of LAs during the austerity era. Although austerity was criticised as an 'unwise strategy' by its central government, Belgium was compelled to raise taxes and reduce public expenditure because the public debt was relatively high during the crisis (Kickert, 2012a). In Spain, the public budget deficit increased continuously above the 3% EU-imposed ceiling and has continued increasing since 2009 (Kickert and Ysa, 2014). Ladner reported that Greece and Portugal suffered a strong programme of Troika-imposed measures. In Spain, action affected the local autonomy of LAs by weakening their financial sustainability in 2012 (Ladner, 2017).

In the UK, LAs have been faced with continuous change in legislation and policies, hindering or enhancing their capacity to address financial pressures (Hastings et al., 2017; Ferry et al., 2017). Some interviewees acknowledged that initiatives, such as Spending Reviews (Interviewee C) and changes in the local government financial funding formula (Interviewee D), bred uncertainty:

“... we didn’t know - each time there was a spending review - what was going to hit us because it was so unpredictable, really unpredictable. They [the central government] started [announcing the spending review for] three years and then they changed partway down to two years and then ... I reckon it was around 2014/15 that we’ve just had one year one since ... since then.”

- Interviewee C

“... I find it disturbing how the funding formulas have changed over time. I find it a little bit like knitting fog, in terms of trying to understand how funding has gone down since 2010. This makes planning difficult, and I don’t think it’s a straightforward exercise, to be honest.”

- Interviewee D

In the UK, central government introduced a range of short-term interventions to support LA on financial and policy-related matters. It introduced a business retention rate scheme (BRRS) (Sandford, 2021b) and the council tax freeze regime LAs where there was a financial inducement to freeze rates temporarily from 2012/13 and 2015/16 – aimed at LAs that agreed not to increase their levels of council tax (Sandford, 2022). On the other hand, non-financial (service-related) policies were introduced such as adding public health responsibilities. Changes made through the reorganisation of a few LAs in England helped reduce the increasing service pressure on LAs. New unitary authorities were formed to achieve economies of scale and save resources for continuous service provision.

This study found mixed interpretations of the impacts of these changes and interventions on the local (financial) autonomy of LAs in England. Some were beneficial in that LAs were compelled to be innovative and devise strategies when faced with a high level of uncertainty. On the other hand, some were problematic, as it presented more uncertainty on how far into the future LAs can plan with their limited resources when policies and regulations continue to be introduced or changed over time. Some interviewees thought that bad news could sometimes be better than the high level of uncertainty that LAs encountered on an annual basis. This is because LAs can plan to manage over time where there is a 3-year reduction in funding, as it is at least known. It is difficult for LAs to plan activities where there is no news (uncertainty) on changes to be made – be they desirable or undesirable.

5.3.2.3 Changes in Tax Regimes

The introduction of austerity policies for LAs required some interventions from the central government to help minimise the extent to which LAs were exposed to financial shocks. Aside from the introduction and policies to empower LAs, central governments in developed countries made slight changes to their tax regimes to allow some financial autonomy for LAs. Central governments in the US (Kocal 2010; Henrick et al., 2010), Australia (Dollery et al., 2006), Belgium (Kickert, 2012a), Greece and Portugal (Ladner, 2017); Italy (Cepiku et al., 2018), and the UK (Kickert, 2012b; Jones, 2017; Barbera et al., 2019; Hasting and Gannon, 2021) reduced direct central funding to LAs, which either (i) compelled them to change tax

regimes or (ii) allowed LAs to raise taxes or charges locally. While some central governments (Italy) reduced tax levels (Cepiku et al., 2018), others (England) encouraged LAs to raise income and allowed them to keep a portion of taxes collected locally (Retained Business Rates) (Muldoon-Smith and Greenhalgh, 2015; Kapitsinis, 2019).

From 2012/23 to 2015/16, LAs were only allowed to raise council taxes by a marginal amount in England. They were then discouraged to do this by the introduction of the Council Tax Freeze grant, which was introduced to incentivise LAs not to increase council tax. At the same time the Business Rates Retention Scheme (BRRS) was introduced in April 2013 to allow LAs to keep 50% of their business rate receipts arising from new and expanding businesses (LGA, 2015) to help address the financial challenges. Further, DCLG (2017) allowed LAs to raise social care precepts of up to 3% in 2017/18 and 3% in 2018/19 but were unable to raise a further one in 2019/20 (Atkins, 2020). The Johnson government extended the social care precept to allow local authorities to add another 2% to council tax in 2020/21 and a further 3% between 2021/22 and 2022/23 (Atkins and Hoddinott, 2022).

The results show that LAs' decisions on council tax levels depended largely on critical factors such as the population profile of citizens and the number of properties in lower Council Tax Bands. Many LAs refused the CT Freeze Grant and raised their local council tax in order to have a higher base on which to introduce future percentage increases as they argued they could get more money in the future and retain greater control. In contrast, other LAs accepted the grant as it meant they could keep Council Tax bills down and raised fewer council taxes from households in their community. There were benefits and consequences for LAs that either raised council tax levels (and rejected the CT freeze grants) or refused to raise and get the CT Freeze grants.

First, LAs that raised council tax levels got more funding from council tax to meet budgetary obligations. This was because 'council tax is king' to some LAs. However, this put pressure on the council from politicians, who feared that they would lose their seats in forthcoming elections. Many such as Interviewee E, considered the grant as a "poisoned chalice", saying (at the time);

"No! We're not accepting that, we'll put the Council Tax up. They (central government) only provided this grant for the four years and stopped providing it. ... well, I suppose there was always a problem with that because the Government would have ended up cutting it eventually."

- Interviewee E

The side-effect of raising council tax levels caused political parties to lose seats during the election year. Although LAs that raised council tax got more funds to address financial gaps, this buffering capacity was often regarded as a short-term strategy that was not sustainable in solving the long-term challenges emerging from austerity.

"... we would have been recommending not to take that Council Tax freeze grant because financially it isn't the best in the long-term, you

know, you will have less money over a four, five, ten-year period if you take it, compared to if you don't."

- Interviewee S

LAs that took the grants received more money from the central government to cover service expenditure over the four years from 2012/13 to 2015/16 (Sandford, 2022). However, LAs that received the grant struggled after the scheme was abolished because they had got used to getting extra money from the government and by the end had a lower CT base than they would have had – so percentage increases yielded lower amounts of income.

"Yes, I regret it in the fact that there was four years' worth of cash that it would have been ... it wouldn't have been unreasonable for us to say, no, that's one-off in nature, it's not going to help us longer term, we should really accept the Council Tax ... and that would have meant now £28 million extra worth of Council Tax in our base that we haven't got."

- Interviewee E

The introduction of the BRRS in 2012/13 has helped some LAs to some extent, although some participants felt it benefitted some LA types more than others. For example, most of the national non-distributed rates (NNDR) benefitted Districts and Unitary Authorities most since their net budget was funded almost entirely from business rates. When the BRRS was introduced, LAs were encouraged to be innovative for example with capital investments, which have been fruitful in some cases but was less successful in Croydon, Slough and Woking.

"it [has] worked well for [LA name withheld] because we generated just over a million quid that we were allowed to keep in business rates. And what we're doing with that is we're investing it in the town centre of [city name withheld] by doing some regeneration work. So, obviously we saw the benefits of that locally by being able to keep a lot more of our business rates."

- Interviewee I

Although BRRS appeared to benefit LAs, there has been some uncertainty around how much LAs keep due to the intermittent changes in the percentage LAs were allowed to keep (DCLG 2012, 2013). From 2021/22, LAs are expected to keep 75% of business rates collected locally whilst running a pilot case of allowing LAs to keep 100% of rates in some selected LAs (Sandford, 2021b). The effects on LAs were not uniform, as (the retained business rates) depend on the number of industrial activities and businesses in a particular area although there was an equalization formula with floors and ceilings to ensure there are no disproportionate gains or losses for individual authorities in a single year (DCLG, 2013).

5.3.3 Service Pressures

LAs in England also faced increased service pressure since austerity policies were introduced in 2010/11:

“... at that time, we have seen significant changes in service demand, particularly on social care, adults and children’s, which become increasingly prevalent as massive service pressures.”

- Interviewee J

Central governments introduced austerity policies that caused *“a perfect storm with lots of demand, but with continuous reduction on central funding”* (Interviewee C). Some of the most significant pressure came from the persistent increase in demand for social care. It was apparent that (BREXIT) and more recent disruptive events (Covid-19) would make LAs even more vulnerable to shocks. Interviewees referred to Social Care as *“the killer of all services”* (Interviewee D), *“the bad boy who always got bailed”* (Interviewee G), and *“the service that is being tied together with bits of string and sticky tape”* (Interviewee Q).

The impacts of austerity on services is now discussed under three broad themes; cutbacks in services, changes to employment levels and rising inequalities.

5.3.3.1 Cutback in Services

All LAs in the study sample admitted that austerity forced LAs to make cutbacks in services at some point to address the financial and service pressures. In the UK, Reeves et al. (2014) argued that public servants continue to accuse the central government of making less reductions on funding to other public sector agencies such as the NHS. In response, Kim and Warner (2016) found that most LAs implemented innovative service reduction strategies. One interviewee reported that their LA made enormous cuts in services to mitigate the impacts of austerity:

“2014/15 to 2016/17 was where we really went through some relatively large cuts to services. And that’s where we did the difficult stuff that really hit folk. There was some back-office staff as well, but most of that had been taken in the early years as part of low-hanging fruit. From that period onwards, we started to go into really deep service reductions.”

- Interviewee E

It is clear that LAs attempted to sustain the services deemed most beneficial to their users (citizens). While service cutbacks are not desirable, Hastings et al. (2017) found that LAs made cutbacks in services based on the public's interest. This study found that aside from policies of austerity, other factors contributed to the severity of how the reduction in central funding affected LAs. These factors included social (deprivation, poor communities), geographic (location, region of LAs), demographic (type of LA, size of responsibilities, age distribution of population), socio-economic (employment, education, financial status), and political factors (LAs’ political affiliation).

[This is] particularly problematic in an area like [LA name withheld] because of the level of deprivation that we have, and so lots of

services that were previously available to people are no longer available to them. And everything like libraries & leisure, training members, and all the things that local authorities used to be able to provide to improve life chances for people have been cutback because of austerity.”

- Interviewee K

The severity of the impact was hard to measure, given that LAs had to deal with a combination of events that occurred almost at the same time. Nevertheless, LAs continued to engage in ‘salami slicing’ – cutting back or trimming (less relevant) parts away at the edges of services. Although this strategy would only help LAs cope in the short term, this study confirmed that LAs could only mitigate the pressure and could not reverse service decline without significant government interventions.

5.3.3.2 Retrenchment, downsizing and reorganising within LAs

The immense pressure on LAs caused them to engage in cost-saving strategies such as rationalisation. The number of people employed in local government plummeted to 2.04 million in December 2018 (ONS, 2019). While numbers of local government workers fell for a 34th consecutive quarter, central government employees have reached a record high – 3.17 million people. The significant drop came inter alia as a result of schools in England converting to academies, meaning local government employees are transferred to central government. This accounted for 11,000 employees over the quarter and 57,000 over the year (ONS, 2019).

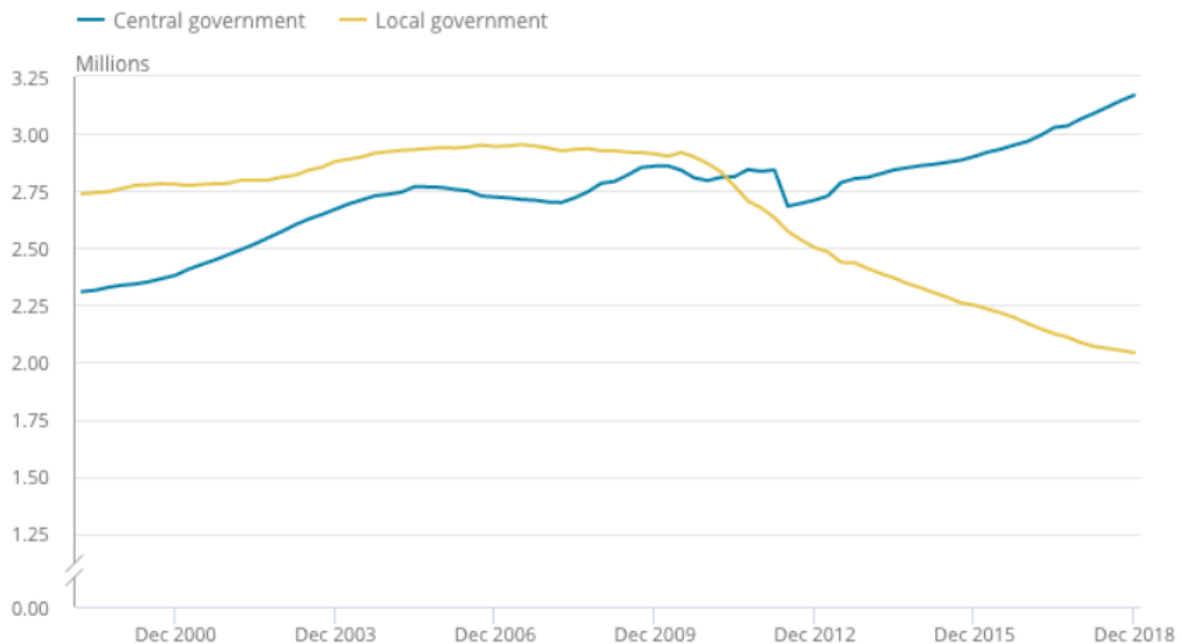


Figure 42: Public Sector Employment in local and central government (1999 to 2018)

Source: ONS (2019)

“The number of people employed by the NHS and the number of people employed by the Civil Service is now higher than it was in 2010. So, local government as a whole got hit really, really hard”.

- Interviewee G

LAs cut back staff numbers to save costs and to increase their operating efficiency by reducing staff through various schemes such as early retirement bonuses, termination of contracts without renewals, reduced cost for training/educating employees, etc. Staff cutbacks ranged from top to bottom level employees and were not necessarily focused only on the operating level of management.

“We’ve also seen big cuts in senior management in local authorities, which impacts on the ability to be proactive about additional things that local authorities might be able to do because they’ve become very, very focused on just the day-to-day provision of statutory services.”

- Interviewee K

This study found LAs exposed to austerity policies made structural changes to reduce operating costs by cutting back on staff levels, and this often had a ripple effect on their performance and financial resilience. Hence, austerity generated two issues. First, less funding to cover statutory or obligatory expenditure and attempting to address this via staff reductions led to a second, issue of fewer (or no) experienced senior employees with the required skill set to develop the LA’s financial resilience.

5.3.3.3 Changes in Levels of Inequality

Levels of inequality rose significantly in the UK throughout the study period (Marmot et al. 2010, 2020, Bambra and Marmot 2023). Levels of inequality influenced the levels of demand for and expectations of services (both statutory and discretionary) from citizens in the community. Citizens have increased their expectations of services, and this puts more pressure on LAs particularly during austere times. As central government allocated limited public funds to LAs, the authorities struggled to provide services as expected or demanded by their citizens. This study found that not all attempts made by LAs to manage these consequences were fruitful.

“... you had all those demand pressures which were causing us a big problem! And to combat that, we did do quite a lot of work around how we can modernise those services, how we can manage demand in those services, but as I say nothing’s particularly been a golden bullet to sort that out.”

- Interviewee Q

While some were efficient and successful, others failed, although lessons learnt from such failures were useful in shaping their medium/long term responses. For example, central government had intervened by introducing policies and support schemes such as the New Homes Bonus (NHB), the Council Tax Freeze Grants, and the Business Rate Retention Scheme

to support LAs in dealing with the impacts of austerity. While these interventions were acknowledged, interviewees noted that they were particularly beneficial to some LAs (winners) than others (losers), depending on LA type, LA region (location), and size of budgetary responsibility.

5.4 Impacts of Austerity and the Perceived Vulnerabilities of English LAs: Twins or Siblings?

This study found that LAs remained vulnerable to shocks that emerged from crises and (un)certain events throughout the study period. Perceived vulnerability is where organisations (LAs) are considered to be susceptible when encountering the adversities of unforeseeable events and uncertain incidents with limited or no resources to recover (bounce back) or rebuild (bounce forward) from such disruptive events or incidents. Hastings et al. (2015) confirmed that UK LAs have become increasingly vulnerable. Jones (2017) confirmed that perceived vulnerability levels of LAs had increased continuously since the inception of austerity in 2010. The conceptual model for this chapter was adapted from the financial resilience framework developed by the IRSPM-SIG especially in Barbera et al. (2014) and Steccolini et al. (2015), as shown in the diagram below:

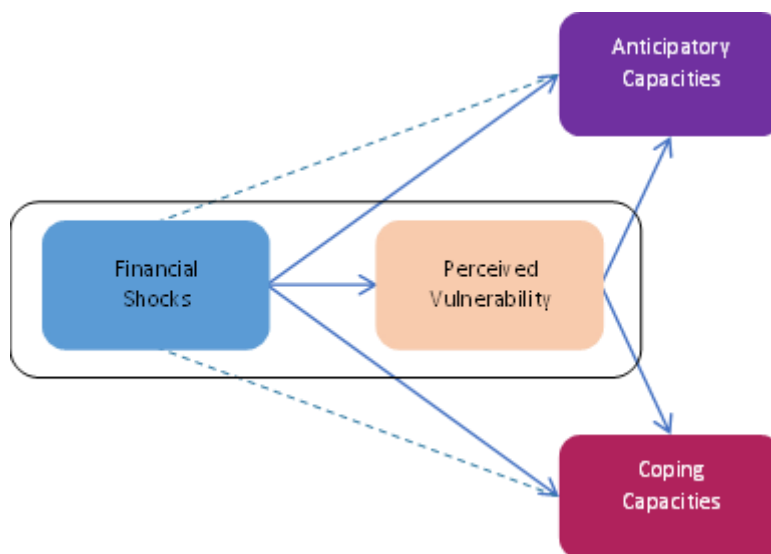


Figure 43: The Financial Resilience Framework

Source: Adapted from Barbera et al. (2014)/Steccolini (2015).

This study adopted the IRSPM-SIG dimensions of financial shocks and perceived vulnerability and applied this to the English LA context to further understand how adversities (pressures) from shocks such as austerity affected the perceived vulnerability of LAs in England. The study discussed how austerity affected LAs and their (non-)financial performance from the perspective of senior officials from English LAs and professional bodies (CIPFA, Grant Thornton and the LGA).

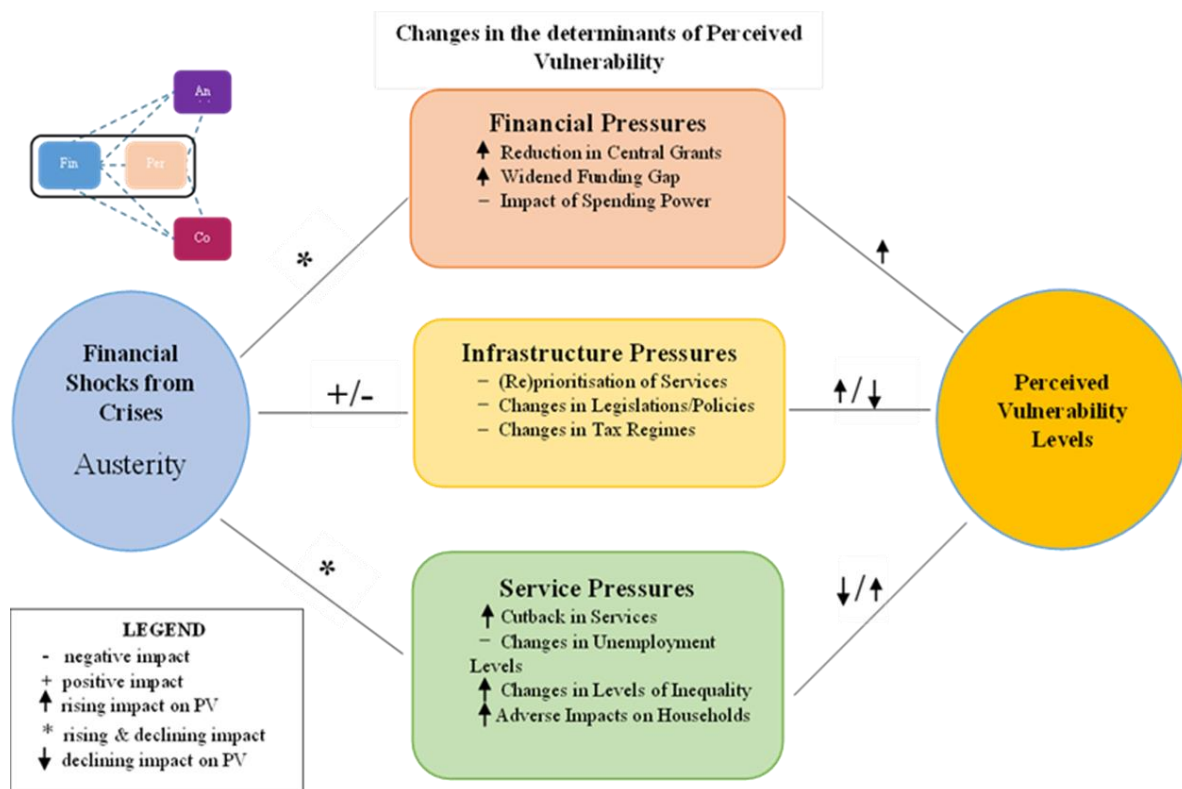


Figure 44: The Relationship between impacts of Austerity and Perceived Vulnerability Levels

Source: Author based on Field Data (2021)

The study found a clear general relationship between the impacts of austerity and the perceived vulnerability of English LAs. However, some impacts of austerity were concurrent, and others were consecutive on the levels of perceived vulnerability. While the impacts within the three broad categories (financial, infrastructure, and service pressures) affected vulnerability levels quite differently, it was interesting to note that some adverse consequences led to reduced vulnerability of some individual English LAs. Figure 44 illustrates the relationships found in this study between the impacts of austerity and the levels of perceived vulnerability in English LAs during the austerity era.

The findings illustrated in Figure 44.5 are now discussed in detail based on the three broad themes of austerity impacts, namely; financial, infrastructure, and service pressures. The findings were derived from the qualitative analysis of responses to the semi-structured interviews.

5.4.1 Financial Pressures and Levels of Perceived Vulnerability

The study perhaps unsurprisingly found that financial pressures had a significant impact on the perceived vulnerability of English LAs. First, the government's policies of austerity caused a reduction in central funding, which led to a loss of financial resources for most LAs in England. There were similar instances in the United States, where municipal authorities e.g., Chicago struggled (Hendrick et al., 2010) to bounce back to their original state when hit by the financial crisis of 2007/08 and 2008/09. Bordogna and Neri (2014) found that the Italian government similarly reduced public expenditure by an estimated 16.6 billion between 2007

and 2015 through austerity policies, yet Barbera et al. (2019) found that LAs in England initially had lower perceived vulnerability levels than their counterparts in Italy and Germany. Hastings et al. (2015) reported that English LAs were hit with a reduction of RSG of £5.6 million, a cash reduction of 28%, which converted to a 40% reduction in real terms for LAs over the four years of the 2010 Spending Review. English LAs lost significant revenue support grants (RSG) and struggled to raise funds from other sources.

“this year our [Revenue Support Grant] RSG is zero, we don’t get any core grant from Government. So, if somebody said to you, where’s that Council Tax grant of 1.4 million if it’s all rolled in? Well, it’s nowhere, it doesn’t exist anymore.”

- Interviewee D

The persistent increase in RSG reductions led to another unprecedented problem in the widened funding gap, which accelerated perceived vulnerability levels for English LAs. More than half of funding for LAs in England was initially from RSG as shown in Chapter 4, but this changed considerably, over the decade. LAs were compelled to balance their budgets using their reserves, which were eventually run down to a minimum by most English LAs, including Bristol City Council (Davies and Pill, 2012). This increasingly became a concern to other LAs that have (or continue to) reduce funding from other sources e.g., council tax and and this made them more vulnerable to future shocks.

“... just on Council Tax, ... the bit that worries me moving forward is if the Government takes off the limit, then that will put local authorities in a really interesting position because we’ll all be saying we’ve all got a financial gap, we’re all struggling to make ends meet, and they’ll say, OK, well take the limit off Council Tax then, you do as much as you want.”

- Interviewee D

It is evident that English LAs continue to struggle to balance funding and service demand. A combination of a reduction in funding and widened funding gap impacted their perceived vulnerability. While some LAs, devised innovative strategies that earn their LAs additional income/revenue a few English LAs, such as Northamptonshire County Council, London Borough of Croydon, and Slough Borough Council have issued Section 114 Notices (in 2018, 2020, and 2021, respectively) that raised concerns about their ability to meet their budgetary obligations for their citizens (Sandford, 2021). While austerity was a major contributor to these circumstances, other individual factors were peculiar to each Section 114 Notice issued by these LAs. In Northamptonshire for example, these factors included financial mismanagement and poor leadership styles (Caller, 2018).

Some LAs have strived to make capital investments that have either proved (i) useful and decreased their perceived vulnerability levels or (ii) alternatively to have higher levels of perceived vulnerability. They have invested in capital projects to earn economic benefits on an annual basis. However Croydon, Slough and Woking made investments that seemed

attractive at the time of initiation (2013/2016) but have either become fairly disastrous investments as a result of unforeseen disruptive events, including Brexit and the migration crises. In general, financial pressure continued to impact the perceived vulnerability of LAs adversely and LAs have continued to be more susceptible to shocks that have limited their ability to bounce back to their original state or forward to a new state.

5.4.2 Infrastructure Pressures and Levels of Perceived Vulnerability

The study found (in Figure 6.7) that while infrastructure pressures considerably impact the LAs' vulnerability, they do not significantly determine the severity of their perceived vulnerability. LAs have been innovative in using scarce resources to provide services that are in high demand for use. Jones, (2017), Ferry et al. (2017), Hastings and Gannon, (2021) have all reported that English LAs adopted coping strategies by (re)prioritising services in high demand over others by using buffering and adaptive strategies. For example, all LA types (except District Councils) are likely to prioritise expenditure on social services (a demand-led service) over others, such as roads and highways.

“you don't lose lives where there are potholes on the highway, but you certainly lose lives when social care systems are not in place for the elderly and vulnerable people”.

- Interviewee T

Other interviewees confessed that *“social care twists the arms of local authorities”*, making them more vulnerable when providing other services to their residents. Re-prioritisation of services has meant some councils adopted innovative schemes (such as shared services and collaboration) to save costs whilst meeting their statutory responsibilities.

Central government's introduction or change in legislation and policies led to various forms of uncertainty, given the dynamic nature of local government in the UK. When there is a new government policy, LAs must adjust their systems and processes to adapt to the new policy. As a result, some LAs are less able to cope with uncertainty and are less good at planning further into the future, thereby increasing their vulnerability. Since 2008/09, 44 LAs have merged into nine Unitary Authorities, namely Bedford UA, Central Bedfordshire UA, Cheshire East UA, Chester and Cheshire West UA, Cornwall UA, Durham UA, Northumberland UA, Shropshire UA, and Wiltshire UA.

The study also found (see Figure 44) that changes in tax regimes have affected the perceived vulnerability (PV) levels of LAs. This study found that these changes may potentially have had a significant impact on LAs' perceived vulnerability levels. For example, introducing the business rate retention scheme allowed LAs to keep some of the resources collected, which benefits LAs that collect relatively high amounts of business rates, but adversely affects those with low amounts. This study found overall that the scheme led to a reduction in the resources collected from the central pool and lower amounts distributed to the other LAs. Thus, LAs with higher business rates get more money, whilst resources diminish for those that generate lower amounts from business rates. This makes the latter more vulnerable and less able to respond to service demand pressures.

The case is quite similar to the introduction of the Council Tax Freeze (CTF) grants for English LAs, which lasted for four years from 2012/13 to 2015/16. The study found two different groups; those that accepted the grant and those that continued to raise their council tax. Some LAs decided not to raise their council tax rates and accepted the grants because they were higher than revenue from council tax. Other LAs refused the grant and raised their CT rates to get more funding during the four-year period. While the first group of LAs benefitted from receiving CTF grants, the real impact hit when the CTF grants regime stopped in 2015/16 because they got used to a system of getting extra money from the government, which ended unexpectedly and led to increased PV levels. Some LAs subsequently regretted the decision to take the CTF grant because of its consistent and discontinuous nature.

“So, for us, we took that [CTF] freeze; it was before my time, which [has] affected our vulnerability. From an officer perspective, we would have been recommending not to take Council Tax freeze grant because financially, it isn’t the best in the long-term; you will have less money over a four, five, or ten-year period if you take it, compared to if you don’t.”

- Interviewee S

This study also found that some LAs that rejected the grant subsequently had regrets, as they also got used to a system of increasing their council tax rates by 3% per year in 2017/18, a policy introduced by the Theresa May regime in 2017 (Atkins and Hoddinott, 2022). While vulnerability levels were different among LAs, LAs that raised tax levels were subsequently less vulnerable to shocks than those who received the grants. For example, LAs that raised tax levels received higher amounts from council tax (than the grant they would receive) sometimes allowing them to contribute a portion to their reserves. LAs that accepted the grants did not add to their reserves.

5.4.3 Service Demand Pressures and Levels of Perceived Vulnerability

The study found that austerity compounded service pressures for LAs, causing their levels of perceived vulnerabilities (financial and organisational) to either rise or decline based on their unique circumstances when exposed to shocks. The cutback in services led to higher perceived vulnerabilities of LAs throughout the austerity era. As Pollitt, (2010), and Raudla et al., (2013) reported earlier that austerity (reduction in public expenditure) had a ripple effect on the demand for public services and caused unemployment to rise. When the coalition government introduced austerity, one common reactive response was for LAs to make cutbacks in services. LAs also used their reserves to fund budgetary responsibilities and ensure that statutory services were provided to users.

“at that time, we have seen significant changes in service demand, particularly on social care, adults and children’s, in particular, become increasingly prevalent as massive service pressures”.

- Interviewee J

While these coping strategies were considered a short-term response designed to bounce back to their original (pre-austerity) state, LAs had fewer options for responding to continuing

and increasing long-term demand pressures. As a result, almost all LAs ran their reserves down, and LAs became more vulnerable to shocks than they were in 2010. Although previous studies (Hastings et al., 2015; 2017; Ogle et al., 2017) found higher reductions in the early austerity era (2010/11 to 2014/15) than in the late austerity era (2015/16 to 2019/20), this study found that the deepest cuts in central funding were made and felt through the middle of the decade of austerity, from 2014/15 to 2016/17. This may be attributable to increasing tension among LAs anticipating further cuts in the 2015 Spending Review together with uncertainty over the Brexit Referendum. This study also shows that while austerity may be the main contributor to the perceived vulnerability of LAs during the austerity era, other disruptive events contributed to their increased vulnerability.

Austerity has led to changing levels of unemployment over the decade. Kickert and Ysa (2014) established that both public debt and unemployment levels continue to increase in the post-financial crisis era. Bordogna and Neri (2014) argued that rising unemployment levels had been the main consequence of austerity. However, organisations had always considered rationalisation (reduction of staff) as a measure to control operational costs during the early to mid-2000s. The study found that employee costs constituted more than 50% of total expenditure for LAs during the pre-austerity and early-austerity eras. LAs introduced various policies and incentives to reduce their staff, to save resources for service delivery. This study found that while LAs made some savings from the reduction of staff to cope with the financial and service pressures, they struggled to maintain the leadership and technical expertise for decision making and for the building of anticipatory capacities to address problems in the long term.

Austerity led to reductions in employment within councils, which helped them address concerns in the short term but struggled to continue tackling the increasing pressures in the long term. This varied across councils and changing employment levels could either be having positive or negative impacts on the level of perceived vulnerability of LAs. On the one hand, reducing employment levels could cause the perceived vulnerability of LAs to increase. On the other hand, some LAs sought innovative strategies such as using technology to replace employees, saving operating costs that were then re-allocated to other needs. On the whole, these results and findings confirmed that the impact of reducing levels of employment within LAs and their perceived vulnerability depended on the robustness of their resources (human and non-human) in times of crisis.

The study found that in the UK austerity has been accompanied by significant changes in levels of inequality and life expectancy (Marmot, 2010; 2020). LAs with higher Perceived Vulnerability levels tended to have higher inequality levels than those with lower Perceived Vulnerability levels. The study found that LAs with high Perceived Vulnerability levels and more vulnerability to shocks were often better at coping with pressures than the less vulnerable LAs. This supports the notion that “bad news is better than uncertainty” (Interviewee E) since the less vulnerable LAs that were more comfortable with their situations, barely changed their systems, and struggled to cope with pressure when hit by crises.

The study found that austerity led to adverse impacts on poorer households, which increased the perceived vulnerability level of English LAs. Increases in social issues such as crime, armed

robbery, harassment, (domestic) violence, and cyber-attacks emerged during the era of austerity and had consequences in the UK such as included rising unemployment levels, inadequate provision of social care to service users, and under-prioritising leisure services such as libraries & recreational parks.

The study found that LAs almost all-made decisions to prioritise core or statutory services and provide limited services in other areas. However, some of these services are interrelated, and LAs usually faced the long-term consequences of not prioritising some of the less-prioritised services. For instance, many LA prioritises core services by spending more on social care and allocated fewer resources to youth services.

“You also have to look at the vulnerability of the rest of the local state, the NHS, police, etc., ... because all these things are interlinked, and demand moves around the system. If you do things like reduction in youth services, [this] means an increase in persistent absence at school, [with] more young people getting sucked into organised crime gangs, etc., - more people go into the prison system. More people are coming out of the prison system, and because of the lack of support, more likely to re-offend and go back inside.”

- Interviewee G

Although LAs appear to be directly affected by what was happening to other public sector agencies (including NHS, Police and Fire Services), these services are also clearly affected by decisions made by English LAs. Kenneth et al. (2015) found that austerity affected households, especially those on low and middle incomes (that depend more on LA services), causing higher pressure in the demand for services. The LAs struggle because of the continuous reduction in central funding amidst the increasing demand for service, making them more vulnerable and less capable of dealing with shocks from crises. Overall, this study confirmed that service pressures were increased by austerity, which often led to an increase in levels of perceived vulnerability for English LAs.

Chapter Six

The Impacts of Austerity on Cultural and Related Services and the Financial Resilience in English Local Authorities

6.0 Chapter Overview

This chapter investigates how English Local Authorities (LAs) provided cultural and related services (CRS) from 2008/09 to 2019/20. It provides insights into the impact and severity of financial policy (austerity) on service provision by English LAs, with a discussion focused on CRS to better understand how different LAs by type and region managed to sustain financial resilience during the study period. It demonstrates how austerity intensified pressures on core (statutory) service provision – leaving LAs with little alternative but to underspend on or make less provision for non-statutory services such as CRS.

The chapter discusses two broad themes to contribute to achieving the research objectives. First, the chapter looks at the impacts of austerity on all components within cultural service provision (including parks & open spaces, tourism, and library services) for English LAs by type and region. Second, the chapter discusses these findings in terms of the (dis)similar trends and patterns within CRS spending using a financial resilience model to understand how LAs have absorbed pressures from the impact of austerity and provide insights that might enable LAs to ‘bounce forward’, given the strong signals emerging that austerity may be an ongoing phenomenon in England.

6.1 Introduction: Austerity and Service Provision in English Local Authorities (LAs)

Recent studies have explored the considerable impact of austerity on the delivery of individual services, including Environmental Waste Management (McAdam and Walker, 2004), Fire and Rescue Services (Murphy and Ferry, 2018), and Health (Stuckler et al., 2017). As a result of austerity, English LAs have significantly reduced ‘discretionary services’ to prioritise core/statutory services or meet their minimum obligations (Harris et al. 2019). By 2015, LAs spent an average of 65% of their budgets on a combination of adult social care and children’s social services (see Chapter 4) , and this has continued to increase. This chapter looks at a single service block Cultural and Related Services which are overwhelmingly discretionary services at least some of which are provided by all authorities.

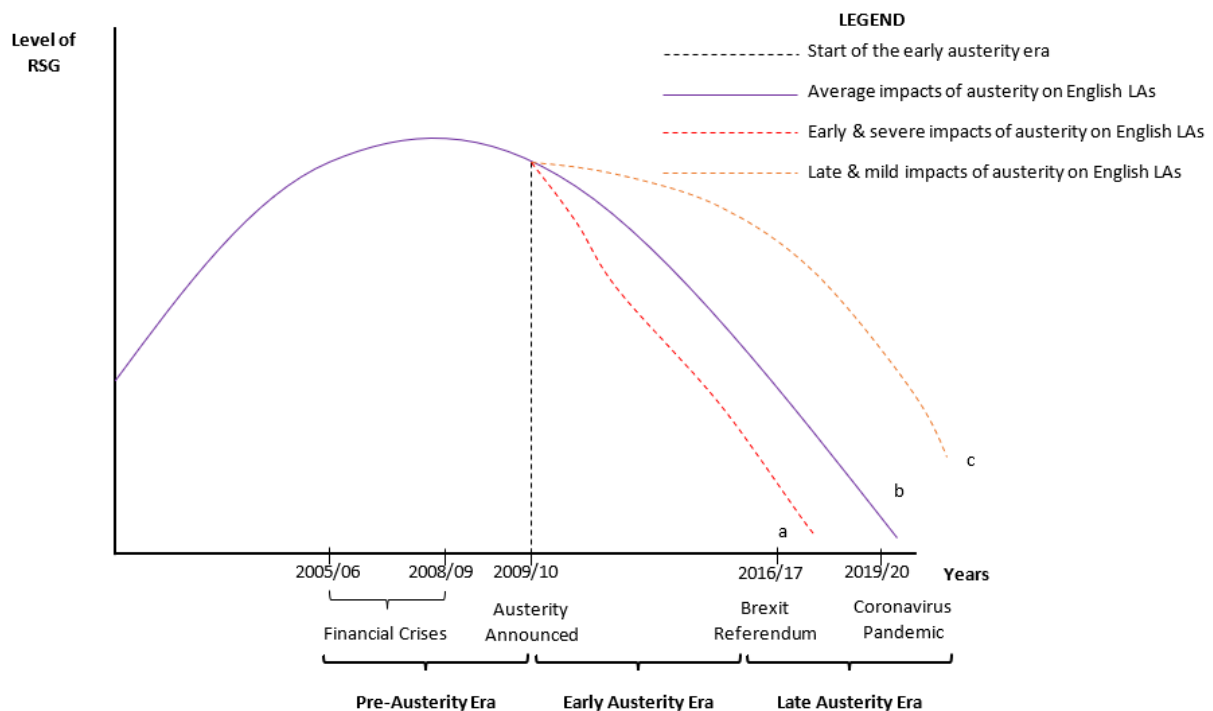


Figure 45: Changes in the levels of Revenue Support Grants (RSG) for English LAs

Source: Author with field data (MCHLG/DCLG 2005/06 to 2019/20)

Figure 45 (above) illustrates that while LAs have been challenged by other disruptive events (such as Brexit and Covid) during the time series, austerity policies remained a major determinant for the continuous reduction in RSG for LAs. LAs can be classified into three categories according to the timing and impact of austerity. RSG for LAs in the first category (a) reduced drastically during the early austerity era and was at a bare minimum level by the start of the late austerity era. They experience both early and severe impacts. This category of LAs adopted short-term measures and expected austerity to end within the short to medium term. The study found that most LAs were in category 'b', which experienced relatively consistent impacts, but the consequences from a series of disruptive events ultimately led to a reduced level of services and almost minimal reserves.

A series of government interventions and policy changes mitigated the reduced level of RSG for most English LAs, but eventually it led to a bare minimum. For example, the business rates retention scheme was introduced to allow LA to retain significant portions of rates mobilised locally, whilst RSG for most LAs continued to decrease.

The third category of LAs (c) comprised mostly of unitary authorities and a few LAs with unique characteristics which experienced later and/or milder impacts from austerity. Albeit that the continuing reduction in RSG funding and increased demand for core services inevitably meant they will struggle to respond to pressures from increased service demand. This chapter explores how LAs delivered Cultural and Related Services (CRS) immediately before and during the austerity era. Because of data availability, it looks at a 12-year timescale rather than the 15 years used in the previous two chapters.

6.2 Antecedents, Background and Context of Cultural and Related Services for English LAs

Table 4 demonstrates that funding for CRS had been reduced significantly in real terms throughout the austerity era, with an initial reduction in expenditure by 44.95% in 2014/15. The reduction in expenditure on CRS by 44.95% led to a considerable reduction in the share of the total budget (by 2.94%) in 2014/15. In 2019/20, CRS expenditure saw a further reduction by 2.36%, reducing its share of the total budget by -24.60%. The percentages for public health were excluded from this analysis as Public Health only transferred from the NHS to LAs in 2013/14. The introduction of public health would skew the figures and results. Despite an increase in demand for CRS and their non-ringfenced nature, LAs appeared to have made a considerable reduction in expenditure on some components to (re)prioritise (allocate more funds to) other CRS components and to other statutory services such as social care.

Table 4: Changes in the levels of Revenue Support Grants (RSG) for English LAs

Areas of Expenditure for LAs in England	2009/10		2014/15			2019/20		
	Value £'000	% Share	Value £'000	% Share	% Change	Value £'000	% Share	% Change
Education services	49,394,001	43.00%	32,247,566	37.80%	-34.71% ▼	27,676,252	34.46%	-14.18% ▼
Highways and transport services	7,807,793	6.80%	4,243,940	4.98%	-45.64% ▼	3,189,588	3.97%	-24.84% ▼
Social care *	21,786,531	18.97%	21,126,489	24.77%	-3.03% ▼	22,771,716	28.36%	7.79% ▲
Children Care	-	-	7,568,064	8.87%	-	8,420,987	10.49%	11.27% ▲
Adult Social Care	-	-	13,558,425	15.89%	-	14,350,730	17.87%	5.84% ▲
Public Health**	-	-	2,561,975	3.00%	-	2,739,776	3.41%	6.94% ▲
Housing services (GFRA only)	2,883,271	2.51%	1,732,034	2.03%	-39.93% ▼	1,506,560	1.88%	-13.02% ▼
Cultural and Related Services	4,557,039	3.97%	2,508,747	2.94%	-44.95% ▼	1,891,614	2.36%	-24.60% ▼
Environmental and regulatory services	5,702,385	4.96%	4,624,989	5.42%	-18.89% ▼	4,368,027	5.44%	-5.56% ▼
Planning and development services	2,486,546	2.16%	1,204,364	1.41%	-51.56% ▼	1,173,604	1.46%	-2.55% ▼
Police services	12,761,888	11.11%	10,184,730	11.94%	-20.19% ▼	10,359,197	12.90%	1.71% ▲
Fire and rescue services	2,377,507	2.07%	1,912,790	2.24%	-19.55% ▼	1,832,300	2.28%	-4.21% ▼
Central Services	4,739,634	4.13%	2,868,324	3.36%	-39.48% ▼	2,759,562	3.44%	-3.79% ▼
Other services	360,942	0.31%	85,972	0.10%	-76.18% ▼	35,788	0.04%	-58.37% ▼
Total Service Expenditure	114,857,536	100.00%	85,301,921	100.00%	-25.73% ▼	80,303,984	100.00%	-5.86% ▼

* Social care disaggregated into two distinct services adult and children care from 2011/12
** Public Health was introduced as a responsibility for English LGs in 2013/14

Source: Adapted from DCLG/MHCLG National Statistics. (2008/09 - 2019/20)

The County Councils Network (CCN) reported that council spending on cultural services had reduced by over £400m from 2010 to 2018 (Eichler, 2019). A more detailed breakdown shows significant reductions in cultural service spend by all types of authorities, including Shire councils (£187m), Metropolitan councils (£104m), Greater London Authorities (£75m), and Unitary Authorities (£41m) over the period to 2018 (Eichler, 2019). In 2018, Cambridge City Council announced it would regain control of Cambridge Live (a charity that employed 70 people to provide cultural activities on behalf of the Council) because it struggled to meet its financial targets (Eichler, 2018).

The existing literature on public service management generally focuses on specific service areas, as it considers service delivery by individual LAs (Murphy and Ferry, 2018) or countries (Hastings et al., 2017; Stuckler et al., 2017). Existing literature on public service management also usually examines service delivery for shorter periods, from 3 to 5 years (Hastings et al., 2015; Kim and Warner, 2016; Bertacchini et al., 2018; Neto, 2018), although some longitudinal studies on cultural service delivery have focused on municipalities in Brazil (de Santana

Ribeiro et al., 2020), Norway (Håkonsen and Løyland, 2016), and Italy (Dalle Nogare and Galizzi, 2011). This Chapter will first analyse public service delivery (explicitly cultural and related services) over the longer term by analysing the cultural services trends and spending patterns of English LAs by type and geography.

6.3 Impacts of Austerity on Cultural and Related Services English LAs

This subsection discusses the study findings about the impact of austerity on CRS for English LAs. The discussion of analysis here is two-fold:

- (i) The scale of the cuts. While some CRS components have increased in particular periods for some LAs, no English LAs avoided/prevented cuts to CRS expenditure in aggregate throughout the entire data period. This sub-section reviews the year-on-year movements in CRS components; and
- (ii) the (re)prioritisation of CRS components, which aims to measure the changing trends in the proportionate share of CRS components on Total CRS

The study found that cultural and related services were significantly affected by both external and internal factors. In terms of external factors, national austerity policies caused English LAs to reduce funding allocated to CRS. Regarding internal factors⁶, the continuous increase in demand for adults and children's social care was the main factor that led English LAs to rationalise (deprioritise) some CRS components to direct resources to provide care to the less privileged and vulnerable people in society.

⁶ A more nuanced discussion of internal drivers might appreciate that with example of adult social care a particularly LAs may have a degree of choice as to which and how far other expenditure areas can be cut. That said, the external pressure of a statutory requirement to maintain adult social care is the trigger for exercising such 'choices'.

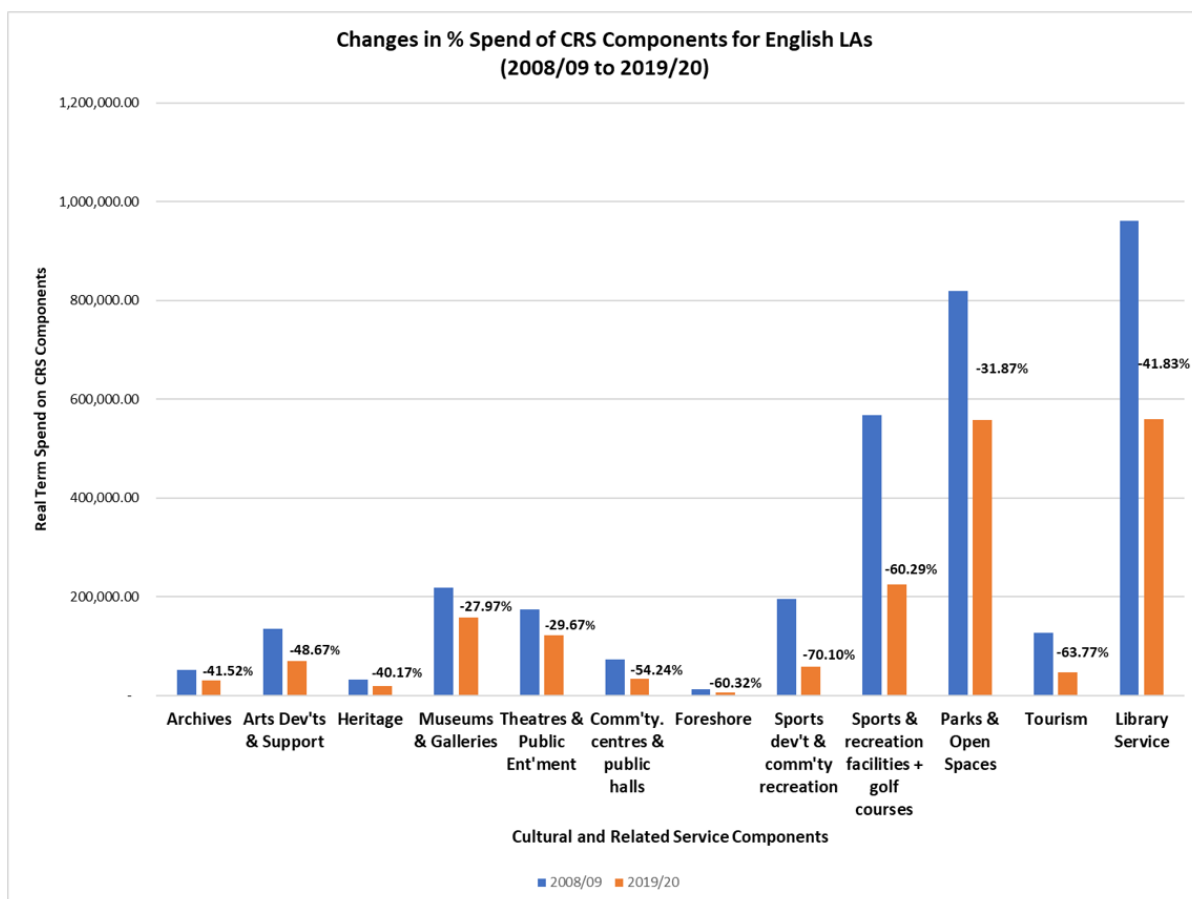


Figure 46: Changes in percentage Spend of CRS Components for English LAs

Source: Author, Extracted from DCLG/MHCLG National Statistics. (2008/09 - 2019/20)

Figure 46 shows significant reductions in expenditure on all CRS components between 2008/09 and 2019/20. While some CRS services were prioritised over others in different English LAs by type and region, Parks & Open Spaces, Tourism, and Library services represented more than half of total net expenditure on CRS, and the major reductions were made within these services.

The (re)prioritisation of services was based on various factors, including the source of additional funding, demand for cultural services, and pressure on cultural assets. The following sub-section discusses the impact of austerity on CRS for English LAs. The discussion below is in two parts. The first part is the scale of the cuts, as shown by the year-on-year movements in different CRS components. Secondly, the (re)prioritisation of CRS components is shown by the changing trends in the proportionate share of CRS components on Total CRS. As in other chapters, the data visualisation and analysis is divided into three 'eras'.

6.3.1 Scale of the Reduction in Cultural and Related Services

6.3.1.1 Pre-Austerity Era (2008/09 to 2009/10)

Despite covering a shorter period than in other chapters (2 years, i.e., 2008/09 and 2009/10) due to unavailability and incompatibility of data, analysing data for the two years enabled the study to explore how different English LAs by type and region reacted when they anticipated the potential impacts of austerity on their financial and service capacities. Local Authorities

appear to have anticipated the impending pressures likely to arise from the 2007/08 economic recession, although little was known about the severity of the potential impacts. Nevertheless, in practice, they clearly started to adjust their budgets in anticipation of changes in government policy (Audit Commission 2008, 2009a, 2009b). During this time, all English LAs types allocated more resources in absolute terms to library services than other CRS components (Figure 46). Thus, although CRS spending was reduced, within that overall reduction, spending on library services increased in absolute terms.

Figure 47 presents the changes in absolute spend (%) on CRS components for LAs by type during the pre-austerity era. Unitary Authorities recorded the largest growth in expenditure on parks & open spaces, particularly LAs in the North-East (spending almost half, 41.20%) of CRS resources on parks & open spaces. All LAs by type, except SDs, prioritised the provision of library services during the immediate pre-austerity era. This was because library services appeared to be the service with a rising demand and required the largest proportion of funding amongst all CRS components from the upper-tier LAs. While SDs had no responsibility to provide library service, their resources were allocated to parks & open spaces and sports & recreation facilities. London Boroughs (L) also spent a considerable proportion of their financial resources for CRS on parks & open spaces during the same period.

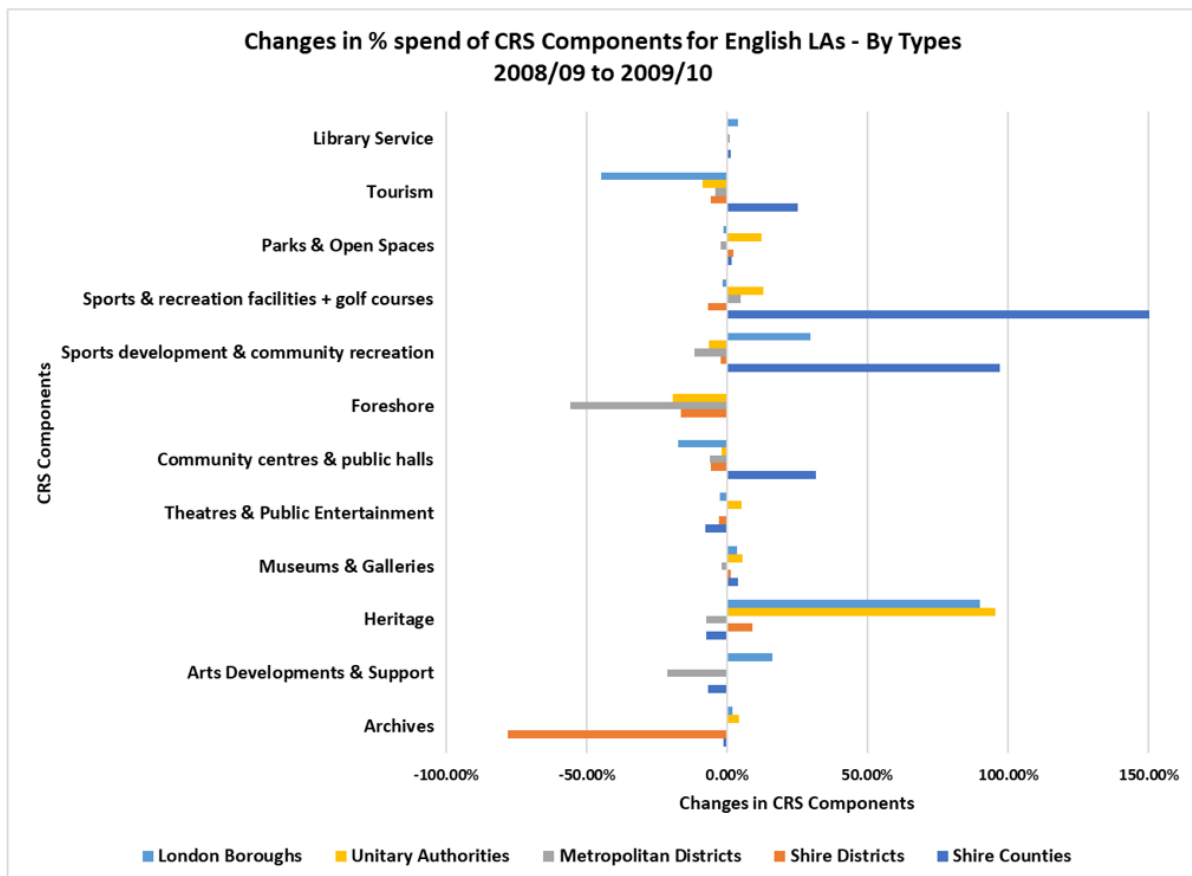


Figure 47: Changes in percentage Spend of CRS Components for English LAs by Type
 Source: Author, Extracted from DCLG National Statistics. (2008/09 - 2009/10)

The study shows an increase⁷ in expenditure on sports recreation by SCs (196.53%) and on heritage for UAs (95.56%) and LBs (90.14%). While the absolute terms for such significant increases were smaller amounts, there were huge increases in absolute terms on expenditure for museums and galleries by all LA types except MDs. These increases were traced to the collective investments made by national agencies to LAs each year through national/local partnerships. For example, the Arts Council and National Museums collectively contribute £1.1bn each year to theatres, libraries, and museums (Harvey, 2016).

Figure 48 presents the changes in the proportions of absolute spend (%) on CRS components for LAs by region during the pre-austerity era. Although there were some reductions in expenditure on library services for LAs by region (Figure 6.5), there were significant increases in expenditure on library services by LAs in the North-East (19.41%) and East England (8.29%). Figure 6.4 shows the percentage increase in expenditure on museums and galleries for all LAs types, except for metropolitan districts (MD) in the pre-austerity era as Local authorities received grants from national agencies; the Arts Council invests almost £700 million, and the National Museums invests about £450 million each year (Harvey, 2016). This increase was particularly evident with LAs in the North-West (10.98%) and London (9.32%).

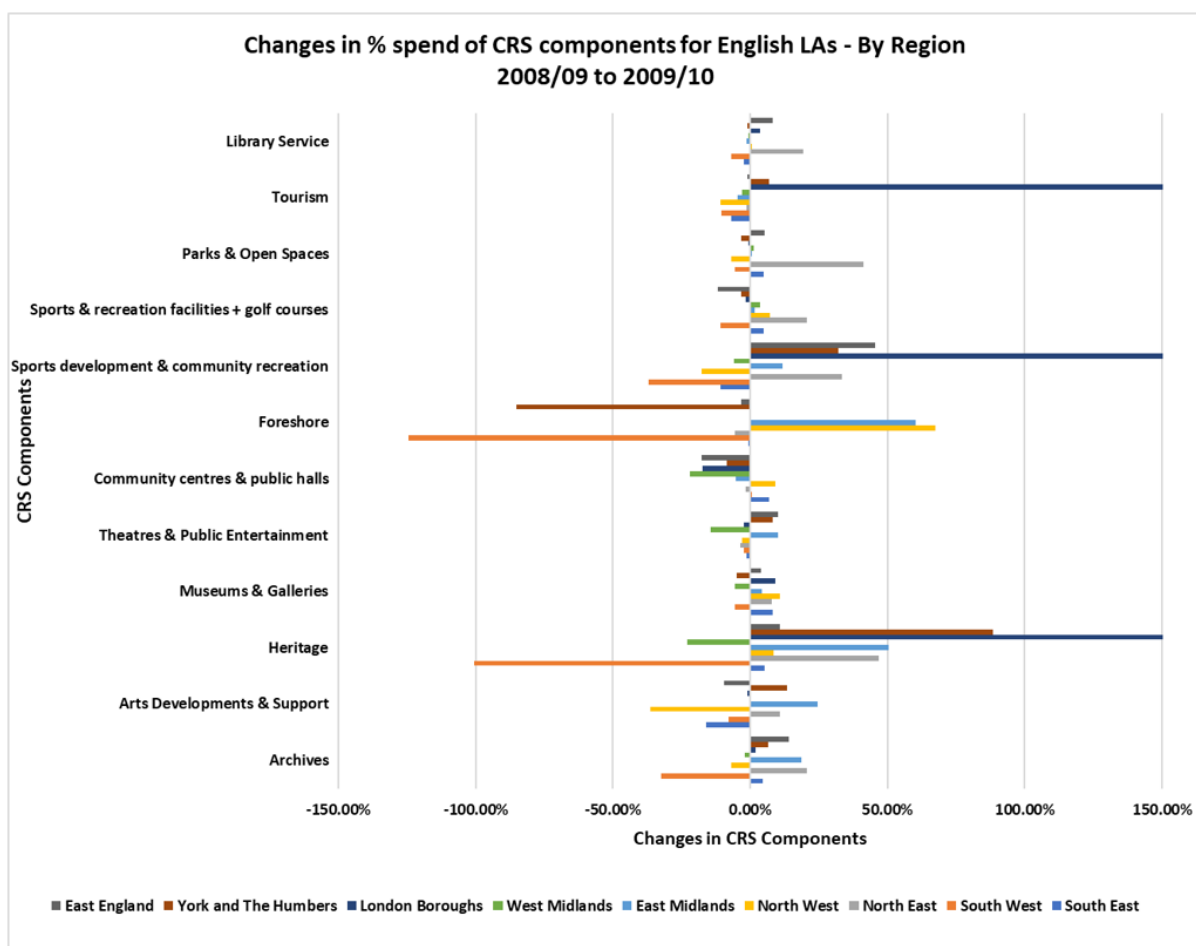


Figure 48: Changes in percentage Spend of CRS Components for English LAs by Region

⁷ Although these increases made of percentages changes in absolute values are very large, the actual expenditure values were relatively small

Source: Author, Extracted from DCLG National Statistics. (2008/09 - 2009/10)

Expenditure on tourism rose by 25.32% in actual spend for SCs but declined for SDs, by 5.62%, MDs, by 4.09%, and UAs (by 8.50%). While expenditure for LAs in the London region increased significantly by 314.24%, Figure 46 found a sharp decrease (by -44.83%) in expenditure for tourism in the same period for London Boroughs. Further investigation showed that the increase by region was because the Greater London Authority spent an increase of £22m on tourism in 2009/10. Greater London, particularly the GLA, has been the most grant-dependent region since 2009/10 (Amin-Smith et al., 2016), but allows them to allocate resources to highly demanded CRS components, including tourism. While it was hard to identify a consistent pattern in CRS expenditure, it was evident from the analysis that LAs significantly increased expenditure on sporting and recreational activities in the pre-austerity era in contrast to the austerity era. For example, some significant increases would be linked to arrangements made while preparing for the 2012 Olympic Games in London. LBs also spent an average of one-third on library services, representing the largest proportion of total CRS spent on library services during the pre-austerity era.

The reductions in grants and increased demand for CRS components made it increasingly challenging for LAs to meet the rising demand for cultural and related services and other local authority services. By the end of the pre-austerity era, it was evident that LAs in most regions were reducing expenditure, except for London, where an increase in spending on the Olympics and national galleries and museums in the capital reflects their national and strategic status.

6.3.1.2 Early Austerity Era (2010/11 to 2014/15)

Figure 49 presents the changes in expenditure (%) on CRS components for LAs by type during the early austerity era, where there were two Spending Reviews in 2010 (HM Treasury, 2010) and 2013 (HM Treasury, 2013). Early austerity signified the beginning of a reduction in central funding to English LAs. Figure 49 indicates that LAs allocated fewer financial resources to most CRS components in these years. Library services were one of the components affected by this reduction, and Figure 50 shows a reduction in all LA regions. These reductions were driven by the reduction in government grants from 2010-11 (Amin-Smith and Phillips, 2019). Harvey (2016) found that the 2010 Spending Review (HM Treasury, 2010) introduced a 26% reduction by 2014/15 in local authorities, and a further 1% reduction was introduced in the 2013 Spending Review for the 2014/15 fiscal year. The finding showed a considerable reduction in funds allocated to library services for all LG types except for SDs. Despite these reductions in expenditure limits in local authorities, some LA types have protected some CRS components due to the high demand by residents, but this varied across regions.

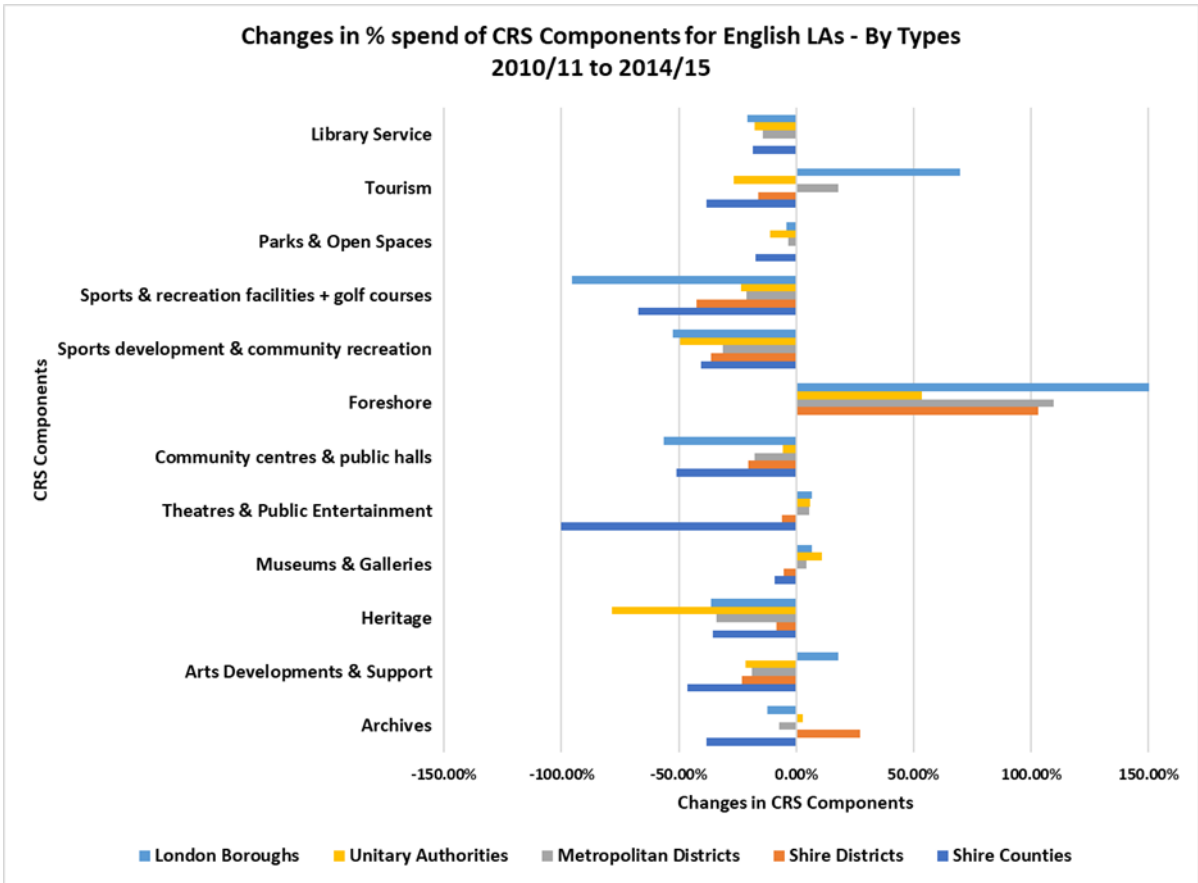


Figure 49: Changes in Percentage Spend of CRS Components for English LAs by Type
 Source: Author, Extracted from DCLG National Statistics. (2010/11 - 2014/15)

Figure 50 presents the changes in expenditure (%) on CRS components for LAs by regions during the early austerity era. Findings from the study showed a continuous decrease in expenditure on museums and galleries for all LAs by type and region during the early austerity era. The NAO (2014) reported a 30% reduction in real terms for national expenditure on culture and heritage between 2010/11 to 2014/15 (early austerity era). Mendoza (2017) also confirmed that providing (or more realistically maintaining) cultural and related services, particularly in museums and galleries, had become a persistent challenge to English LAs. Although this was an area of concern to all LG types, Figure 6.7 (below) confirmed that it was more pressing in some regions, including East England (-28.97%), East Midlands (-24.45%), and the South-West (21.57%). Despite the continuous decline in expenditure for CRS components, London Boroughs recorded a significant increase in expenditure for heritage, which could again be related to the 2012 Olympics Games hosted in London.

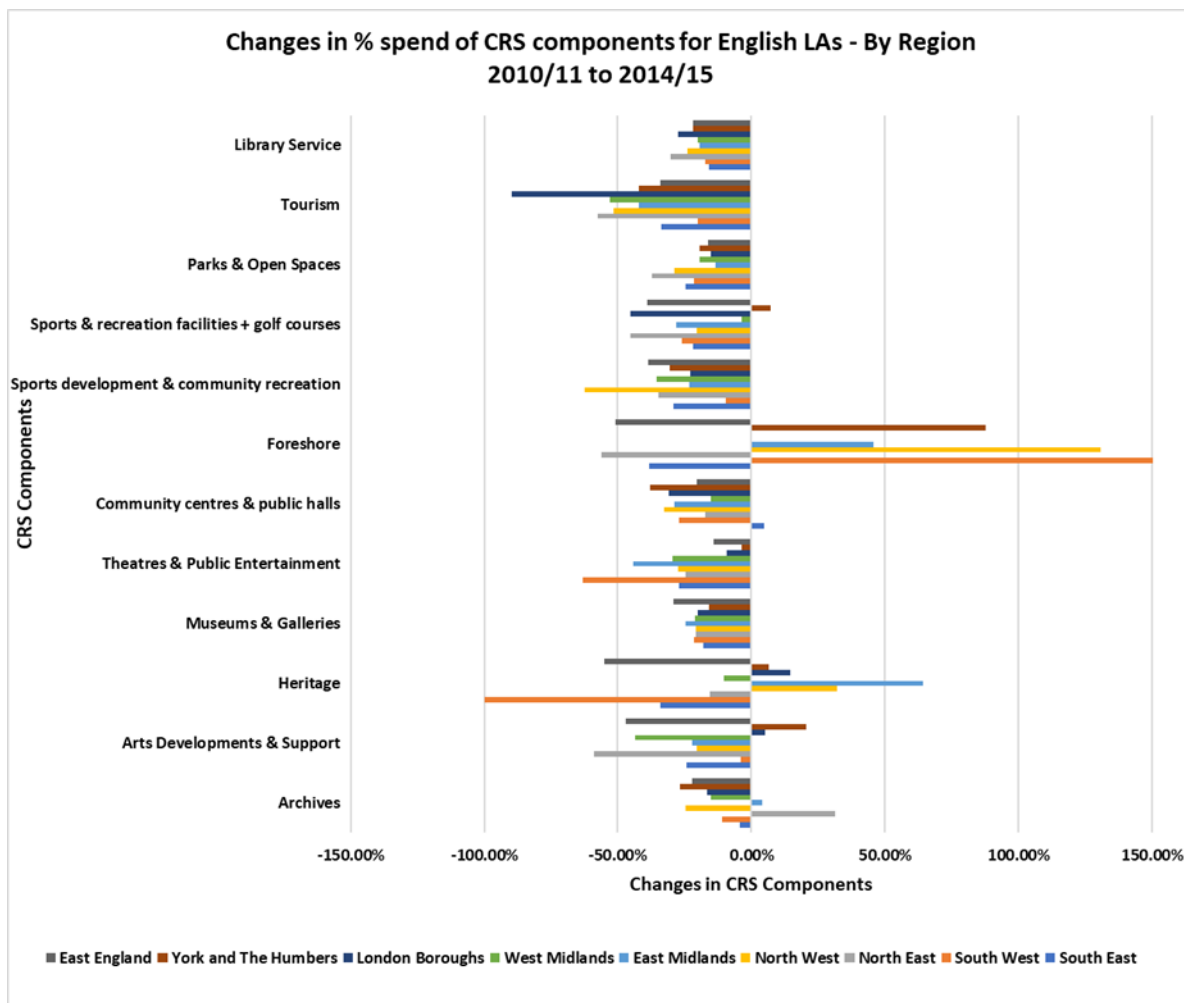


Figure 50: Changes in Percentage Spend of CRS Components for English LAs by Region
 Source: Author, Extracted from DCLG National Statistics. (2010/11 - 2014/15)

The study found that all LAs by type and region reduced expenditure on ‘recreation and sport’ in this period. LAs reduced expenditure for sports activities (i.e., sports developments & community recreations and sports & recreation facilities) in contrast to other CRS components in higher demand, such as tourism and parks & open spaces during this period. All LA types and regions also reduced expenditure on theatres and public entertainment. This reduction in a CRS component in all LAs by type and region indicated that the theatres and public entertainment were less prioritised than other cultural services.

“Libraries, leisure, and things like that have also declined. So, the most obvious impact was a change in the sources of funding, a reduction in the level of funding and then a rebalancing of the way money was spent.”

- Interviewee H

At the end of the early austerity era, the 2015 Spending Review (HM Treasury, 2015) announced a further reduction in RSG of £11.5bn and projected that LAs might have to fund their services through income from council tax and business rates. Prior to 2015/16, the early

austerity period saw most LAs engaging in buffering strategies to withstand the service demand pressures and reduced expenditure from the continuous reduction in RSG.

6.3.1.3 Late Austerity Era (2015/16 to 2019/20)

The late austerity era marked a period of increased uncertainty for LAs, particularly in the wake of other critical events such as Brexit (Gietel-Basten, 2016) and later the coronavirus pandemic (Ahrens and Ferry, 2020, 2021; Anessi-Pessina et al., 2021). There were two Spending Reviews in the late austerity era (2015 and 2019). The previous 2013 Spending Review announced a 10% reduction in local government expenditure limits, which was set to be implemented from 2015/16, and the 2015 Spending Review reduced this further by 37% from 2015/16 (HM Treasury, 2015). Figure 51 presents the changes in expenditure (%) on CRS components for LAs by type during the late austerity era.

While it is impossible to determine how each of these disruptive events had affected CRS separately from austerity, these extra events have contributed to the increasing financial and service demand pressures that LAs faced during the late austerity era.

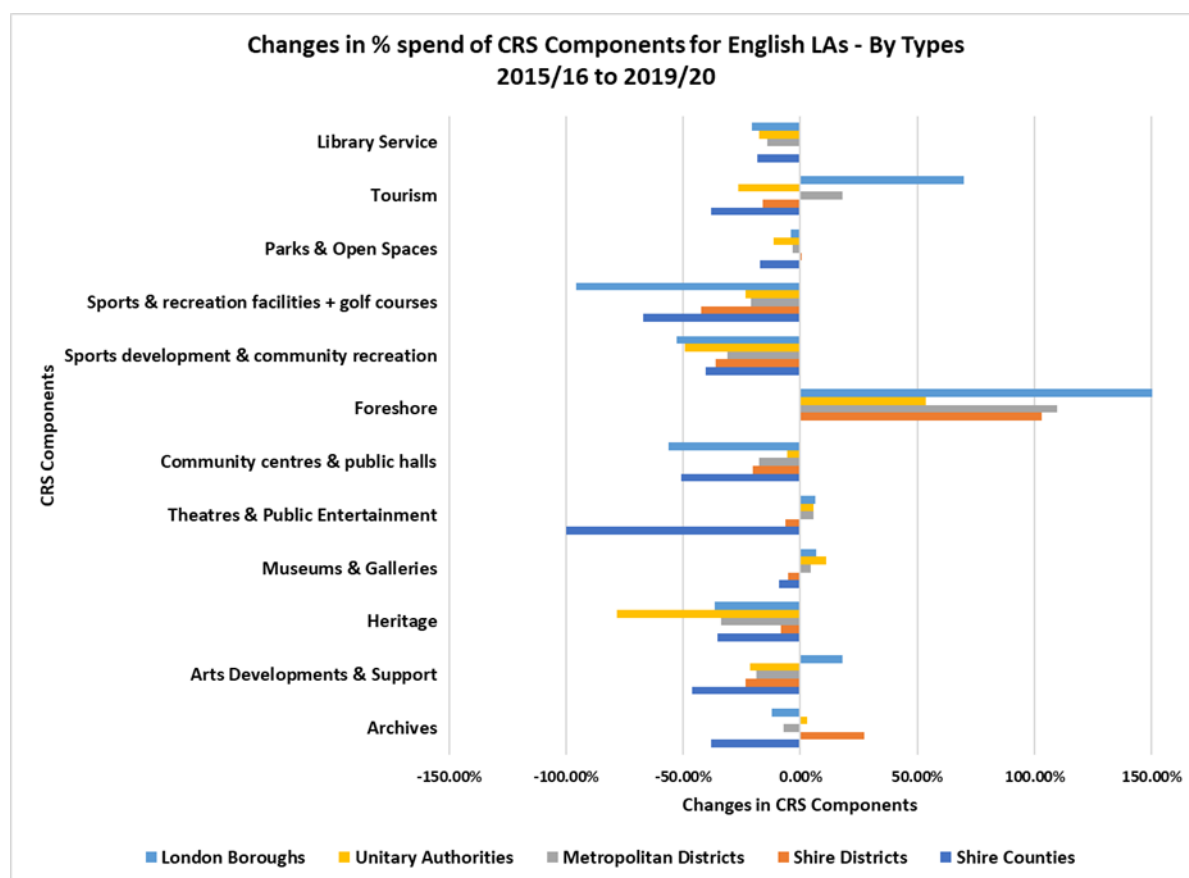


Figure 51: Changes in Percentage Spend of CRS Components for English LAs by Type

Source: Author, Extracted from MHCLG National Statistics. (2015/16 - 2019/20)

In the late austerity era, LAs deprioritised less-utilised CRS services (ones with less demand or use) to fund others with increasing demand. The trend was evident among SDs, who appear to have reduced expenditure on all components to protect library services (Figure 51). MD and London Boroughs reduced expenditure on all components (including library services) but provided more services for tourism. The spending figures show that no CRS component was

unaffected, as LAs made decisions based on different factors, including budget and responsibility, and changes in demand for CRS components. However, LA funding for heritage in the South West declined drastically due to a significant reduction in funds allocated from the National Lottery Grants.

Figure 52 presents the changes in expenditure (%) on CRS components for LAs by regions during the late austerity era. Expenditure on community centres and public halls has been reduced continuously since the pre-austerity era. Despite the decline in expenditure within the 'culture and heritage' category, some LA types (UAs and LBs) increased expenditure on museums & galleries and theatres & public entertainment. Despite the continuous reduction in central funding, Rex and Campbell (2022) found that arts and cultural spending were protected in some areas, including areas where LAs had constrained financial resources. Overall, arts and development support decreased more marginally in the late austerity era compared to the early austerity. It was clear from figure 51 that all LA types continued to reduce funds allocated to arts and development support, continuing a similar trend in the early austerity era. Despite this decrease, LAs in London still prioritised these services (60.63%), although the value constituted less than 15% of total CRS spending throughout the late austerity era.

Towards the end of the late austerity era, further shocks from Brexit and the covid-19 pandemic intensified the pressures on LAs (Ahrens and Ferry, 2020; 2021). With such a reduction in funding, LAs increasingly relied on the income generated from council tax and business rates and initiatives to generate economic growth in their local economies. This is likely to increase income inequality as LAs with robust financial resources in affluent areas will perform better than counterparts with constrained resource levels in deprived areas.

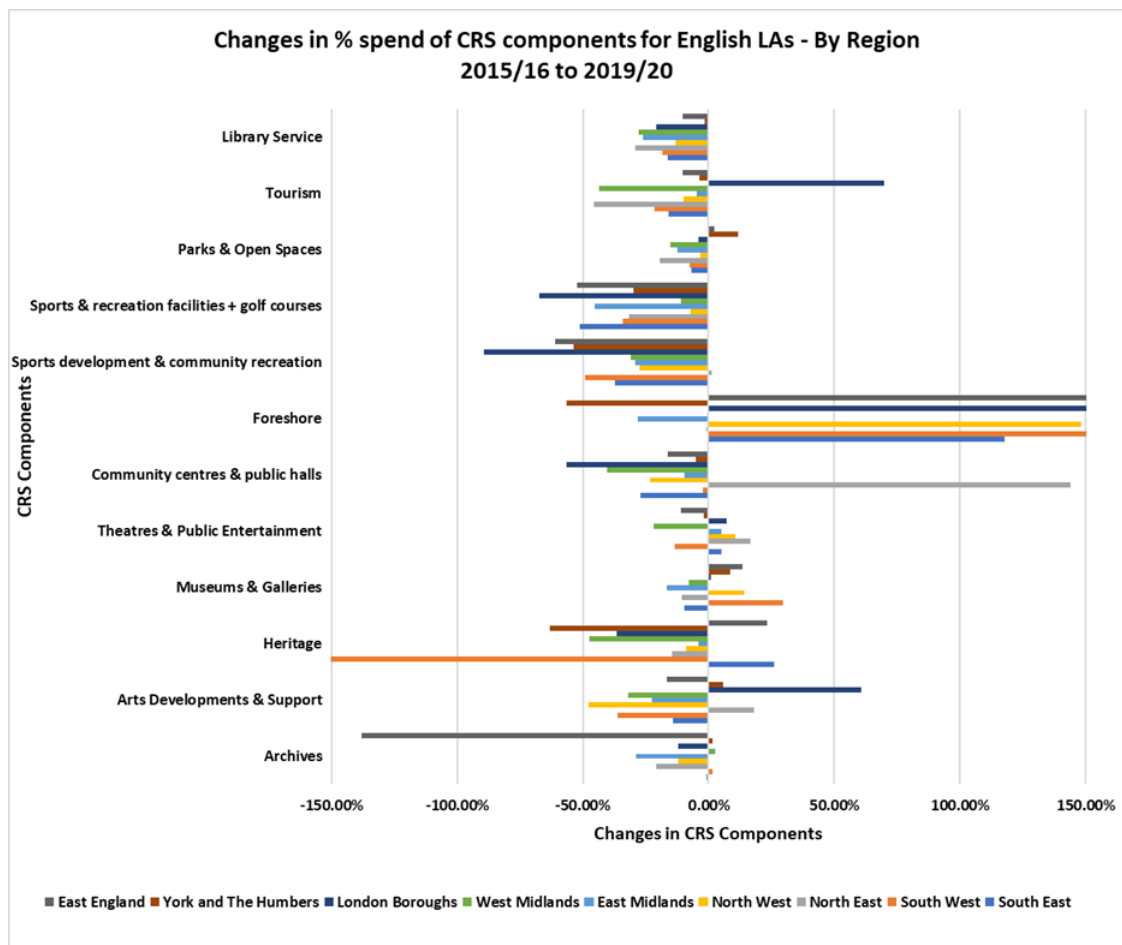


Figure 52: Changes in Percentage Spend of CRS Components for English LAs by Region
 Source: Author, Extracted from MHCLG National Statistics. (2015/16 - 2019/20)

6.3.2 (Re)prioritisation of Cultural and Related Services Components among English LAs

As a result of the increasing pressures on LAs to deliver cultural and related services (CRS) during the austerity era, the statutory components and the discretionary components with higher demand were protected and demonstrates how LAs prioritised some CRS components over others at different times during the austerity era. To do this, the researcher analysed the year-on-year changes in proportionate spend of each CRS component throughout the time series (2008/09 to 2019/20).

Figure 53 (below) indicated that most English LAs prioritised spending on library services during the pre and early austerity period but were spending an increasing proportion (although smaller sums) on parks and open spaces in the late austerity era. One reason for this (re)prioritisation was traced to the anticipatory capacity of LAs to spend more on services that were more likely to generate some income or could cover their costs. Because of the severity of the reduction of RSG, LAs became increasingly vulnerable to shocks (Barbera et al., 2017) and increasingly anticipated that the pressures would continue to expand. While some LAs expected austerity to end in 2015 at the end of the 2010 Spending Review (HM Treasury, 2010), it became clear to all LAs after the 2015 Spending Review that they were likely to face continuous reductions in the future (Jones, 2017). This meant that expenditure on CRS components suffered continuous reductions throughout the austerity period. Nevertheless,

Barbera et al. (2021) found that LAs were adopting more coping than anticipatory capacities but that continuing vulnerability meant they were also adopting more entrepreneurial approaches.

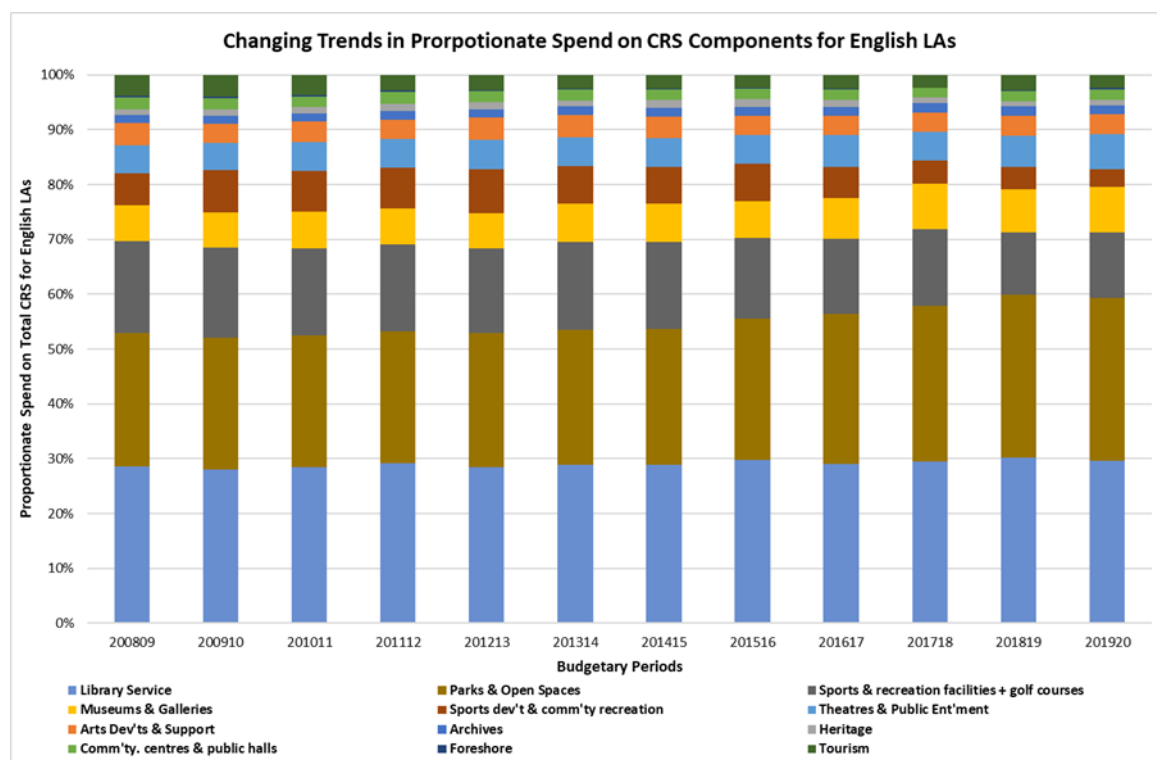


Figure 53: Changing Trends in Proportionate Spend on CRS Components

Source: Author, Adapted from DCLG/MHCLG National Statistics. (2008/09 - 2019/20)

While all CRS were significantly affected by reduced spending during the austerity era, services in the 'culture and heritage' sub-category took a higher share of total net CRS expenditure than those in the 'recreation and sports' category. Thus, LAs continued to incur costs on some 'culture and heritage' service components while less was spent on 'recreation and sport' services. LAs allocated higher proportions of funding to museums & galleries and theatres & public entertainment services. An increase in proportion for these services meant a consequent reduction for other components such as community centres & public halls, sports development & community recreation, and sports & recreation facilities over the period under investigation. The next section investigates the changes in proportions in CRS components for English LAs by type and region during the three distinct eras.

6.3.2.1 Pre-Austerity Era (2008/09 to 2009/10)

Figure 54 illustrates the changing trends in proportionate spend on CRS components for LAs by types during the pre-austerity era. The study found that most LAs by type allocated more than a quarter of their CRS funding to library services in the pre-austerity era, except Shire Districts (SD). SDs do not have a responsibility for the three largest spending blocks of social services, education, and highways & transport. Hence, CRS represent a bigger proportion of what they do spend. SCs spent two-thirds of their total CRS resources on library services, and the rest was distributed among the other CRS components. SCs spent more on library services, and the large proportion of funding allocated to library services meant that SC spent smaller

proportions of their expenditure on parks & open spaces (12.73%), while other LG types spent an average of 25% on parks and open spaces. SDs allocated the largest portion to parks and open spaces (32.68%), and this was the second-largest CRS component for London Boroughs (26.51%), Unitary Authorities (25.35%), Metropolitan Districts (23.72%), and Shire Counties (12.73%).

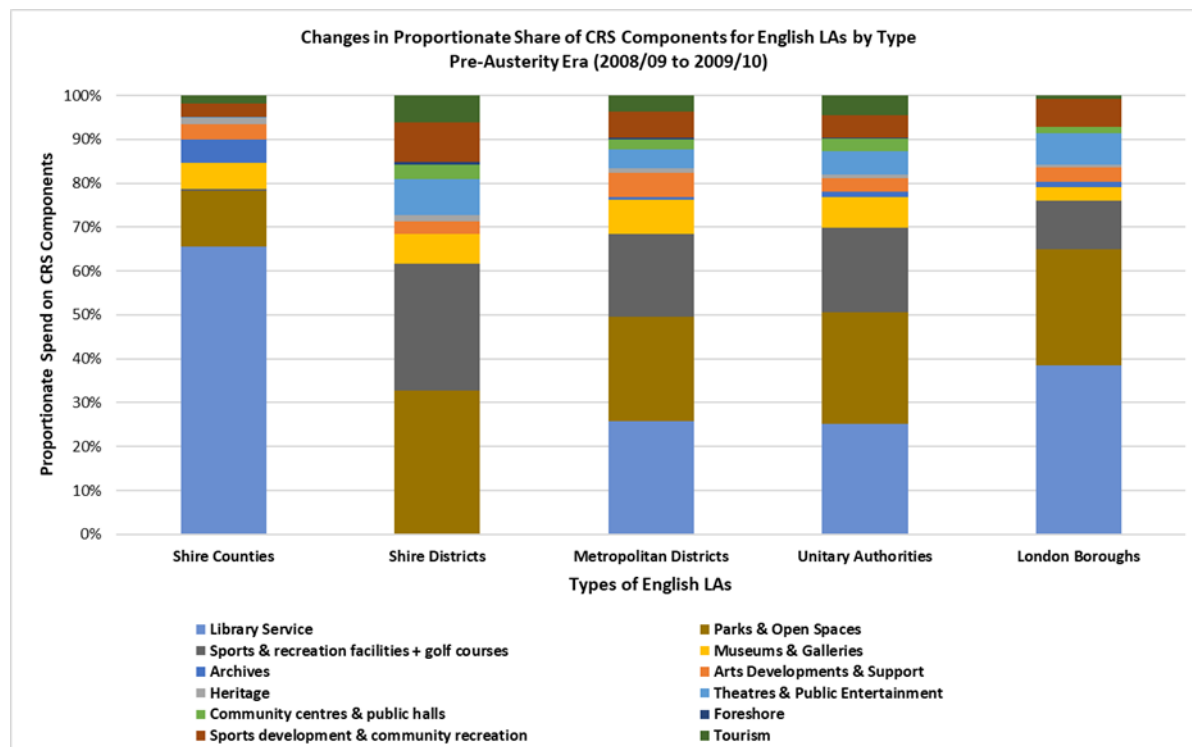


Figure 54: Changes in the Proportionate Share of CRS Components - by Type

Source: Author, Extracted from DCLG National Statistics. (2008/09 - 2009/10)

Figure 54 shows the changing trends in proportionate spend on CRS components for LAs by region during the pre-austerity era. A significant concentration of museums and galleries are located in LBs in the Greater London area, which was disproportionate to LA in other parts of England⁸. The Greater London Authority (GLA) also allocated approximately a quarter of its CRS funding to museums and galleries. As LAs receive extra funding and donations from private/third sector organisations, LAs in London and the GLA are more likely to receive greater portions of funding to support their cultural activities. Hence, the GLA allocated more funds to services in the ‘culture & heritage’ and ‘recreation & sports’ categories than those like library services, tourism, parks & open spaces. The fact that LBs around London provided these ‘other’ services partially explains this expenditure pattern with the GLA throughout the time series.

⁸ Statistics for museums attendance frequency in England is available on Statista with information on DCMS sponsored museums and galleries available from the Government’s official statistic website at: <https://www.gov.uk/government/statistics/dcms-sponsored-museums-and-galleries-annual-performance-indicators-202021/dcms-sponsored-museums-and-galleries-annual-performance-indicators-202021-headline-release>

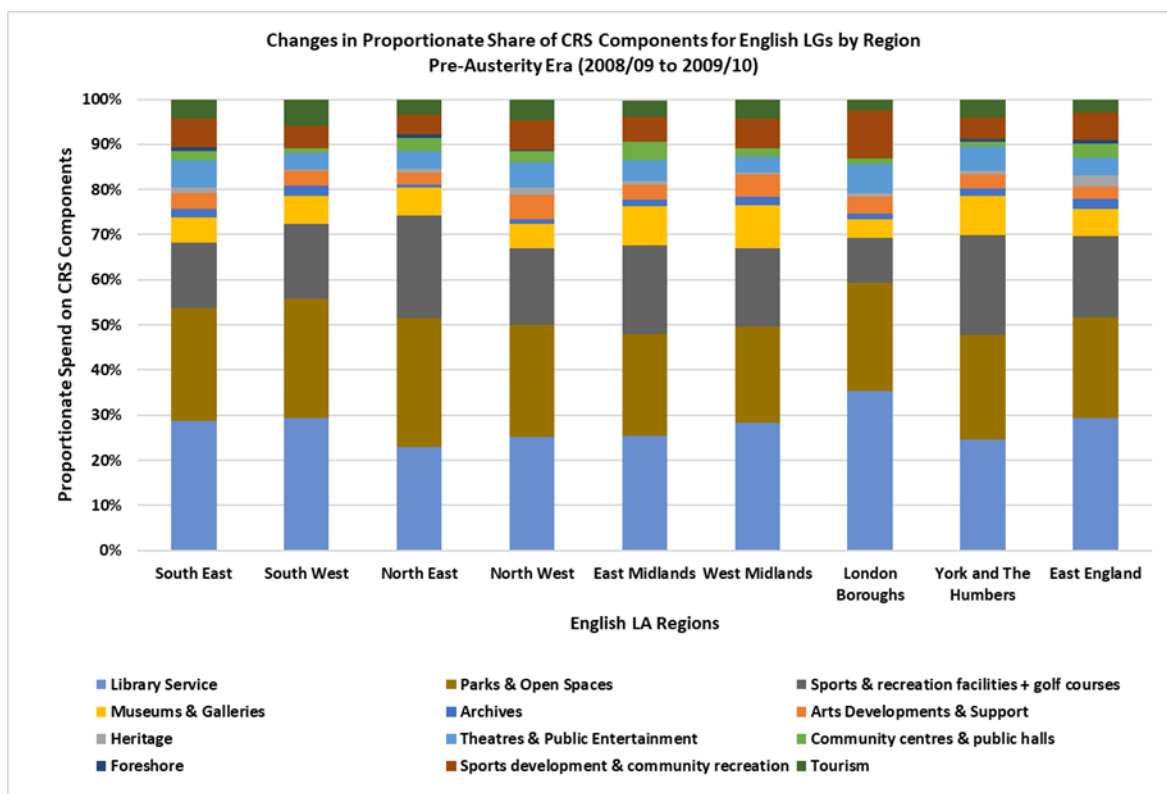


Figure 55: Changes in the Proportionate Share of CRS Components - by Region

Source: Author, Extracted from DCLG National Statistics. (2008/09 - 2009/10)

In the pre-austerity era, expenditure on sports development & community recreation represented the largest CRS component for LAs in all regions (Figure 55), particularly for SDs, MDs, UAs, and LBs (Figure 54). The study found that LAs in all regions allocated more than half their funding to library services and parks & open spaces, during the pre-austerity era.

6.3.2.2 Early Austerity Era (2010/11 to 2014/15)

In the early-austerity era, most LAs by type continued to allocate more funds to library services, particularly SCs whose proportionate spend on library services increased from 65.5% (pre-austerity) to 67.5% (Figure 56 during the early austerity era. Figure 56 illustrates the changing trends in proportionate spend on CRS components for LAs by types during the early austerity era. Shire Counties continued to prioritise library services, and parks & open spaces. At the same time, the other LG types (SDs, MDs, and UAs) prioritised services in the 'recreation and sport' category throughout the time series. There was a common pattern or correlation in the share of funds allocated to most CRS components by Unitary Authorities and Metropolitan Districts during the early austerity era. This resulted from a similarity in service provision and the range of responsibilities of these two LA types.

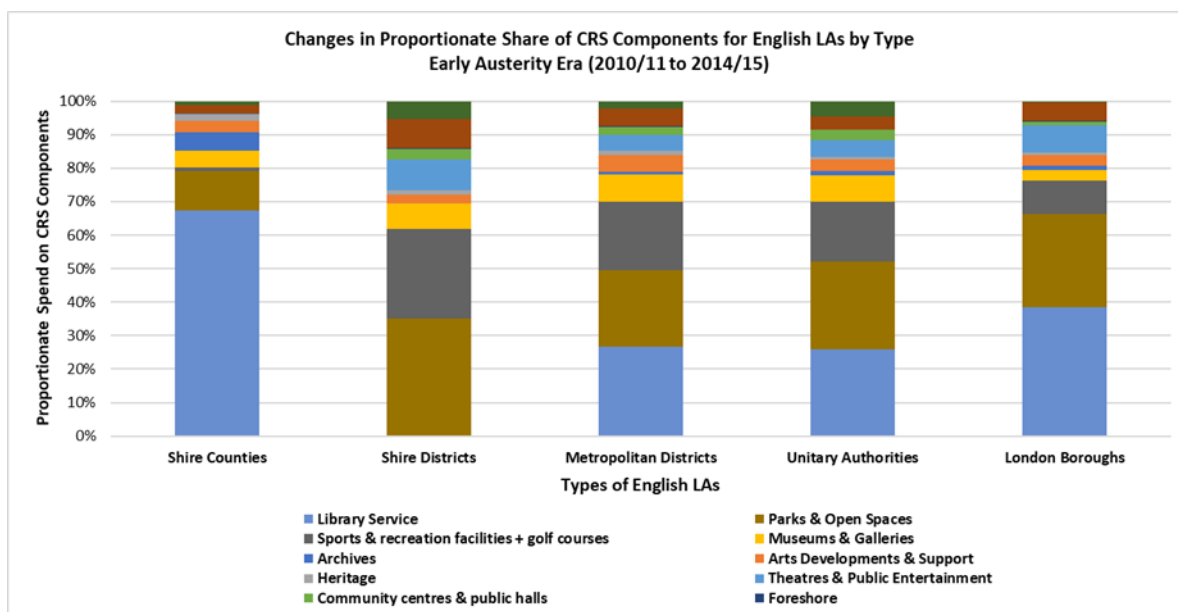


Figure 56: Changes in the Proportionate Share of CRS Components - by Type

Source: Author, Extracted from DCLG National Statistics. (2010/11 - 2014/15)

LAs in the London region spent the largest proportion of CRS expenditure on library services, with a slight decline in proportion from 35.27% in pre-austerity to 32.89% in the early austerity era. This decrease for LAs in London was traced to the significant decline in the GLA's spending on library services, with a stable proportion spent on library services by London Boroughs (LBs).

Figure 57 shows the changing trends in proportionate spend on CRS components for LAs by region during the early austerity era. After Library Services, LAs in London prioritised parks & open spaces. However, Figure 57 shows that LAs in the South-West continue to allocate the greatest proportion of resources to parks & open spaces. This is possibly due to the higher concentration of parks and open spaces in the South-West than in other regions.

The introduction of austerity meant the Greater London Authority (GLA) reduced the proportion of funds allocated to museums and galleries and increased its proportion of funds allocated to sports development & community recreation. These decisions could be based on revenue-generation incentives as LAs increased their fees and charges for use of their facilities.

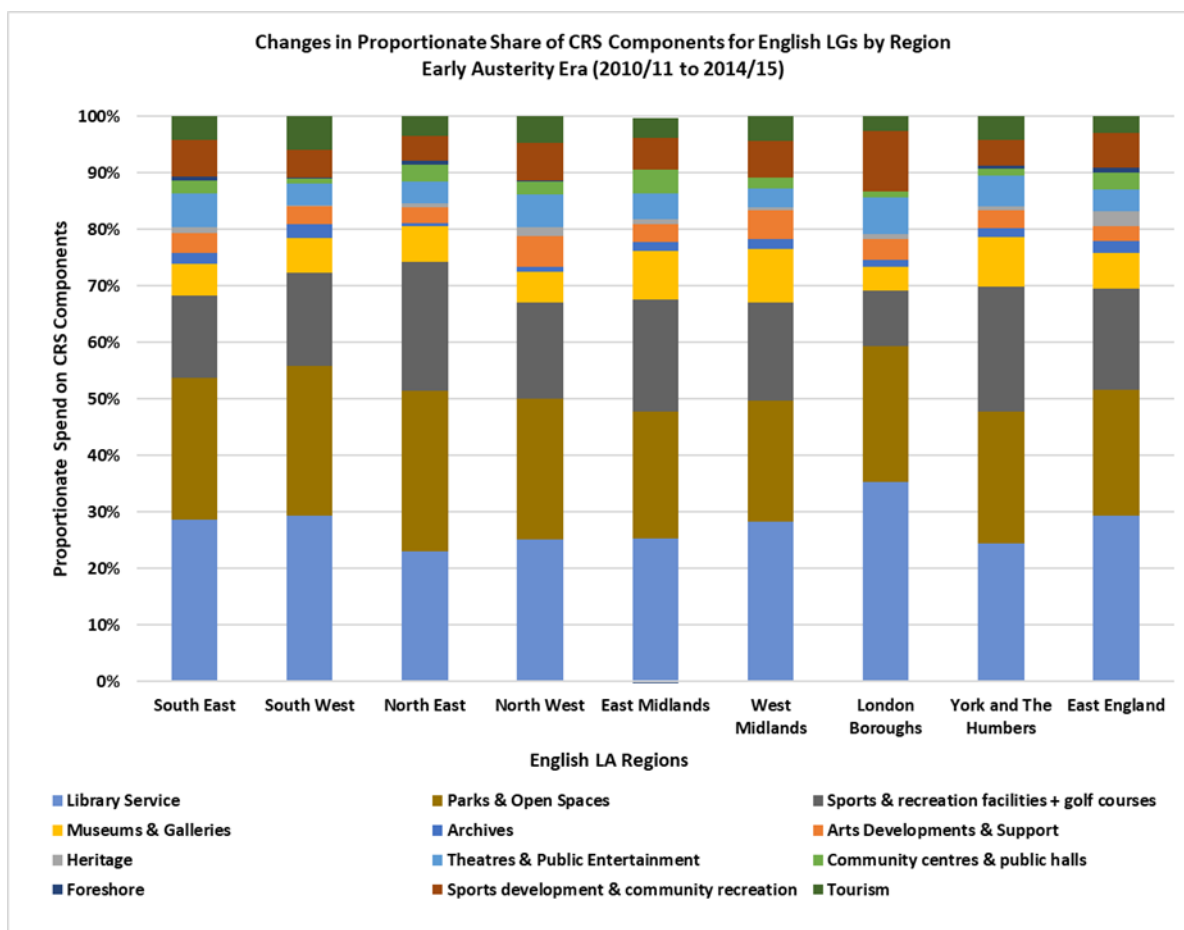


Figure 57: Changes in the Proportionate Share of CRS Components - by Type

Source: Author, Extracted from DCLG National Statistics. (2010/11 - 2014/15)

Unlike the pre-austerity era, where services under the ‘culture and heritage’ category were prioritised over others in the ‘recreation and sports’ category, there were slight reductions in the proportion of funds invested in LAs arts developments & support, and museums & galleries in the early austerity era.

6.3.2.3 Late Austerity Era (2015/16 to 2019/20)

The late austerity era was characterised by major critical events such as Brexit, labour shortages, and the start of a pandemic (although the study focused primarily on the impacts of austerity), making it more challenging for LAs to provide CRS, as these factors also indirectly reduced funding for CRS. In response, the central government announced two Spending Reviews (2015 and 2019) in this era that reduced levels of support to LAs in RSG, although there was some additional in the form of short-term specific grants rather than universal provision. Despite this continued financial pressure on LAs, most LAs by type and region prioritised expenditure on library services which had the largest proportion of CRS spend in the late austerity era (Figures 58 and 59). Thus, library service remained quite a significant CRS component for LAs in London, with an increase in proportionate share to 40.81% (from 32.89% in the early austerity era). In addition to library services, expenditure on parks & open

spaces was the service with a large proportion for all LA types, particularly for SDs with no responsibilities to provide library services.

Services in the culture and heritage categories recorded the lowest proportion of spending in the late austerity era for most LAs types, as shown in Figure 58 (below). Despite this reduction, Shire Districts (SDs) and London Boroughs (LBs) continued to prioritise their diminishing financial resources on theatre & public entertainment rather than other services within the culture and heritage category. The study found a significant rise in proportionate spend on museums and galleries by the Greater London Authority (GLA) from 7.09% (early austerity) to 21.84% in the late austerity era. This was partly due to the new round of £1m funding invested by the Arts Council England (ACE) in 663 ‘national portfolio’ organisations (NPOs), including some, but by no means all, LAs (Harvey, 2016).

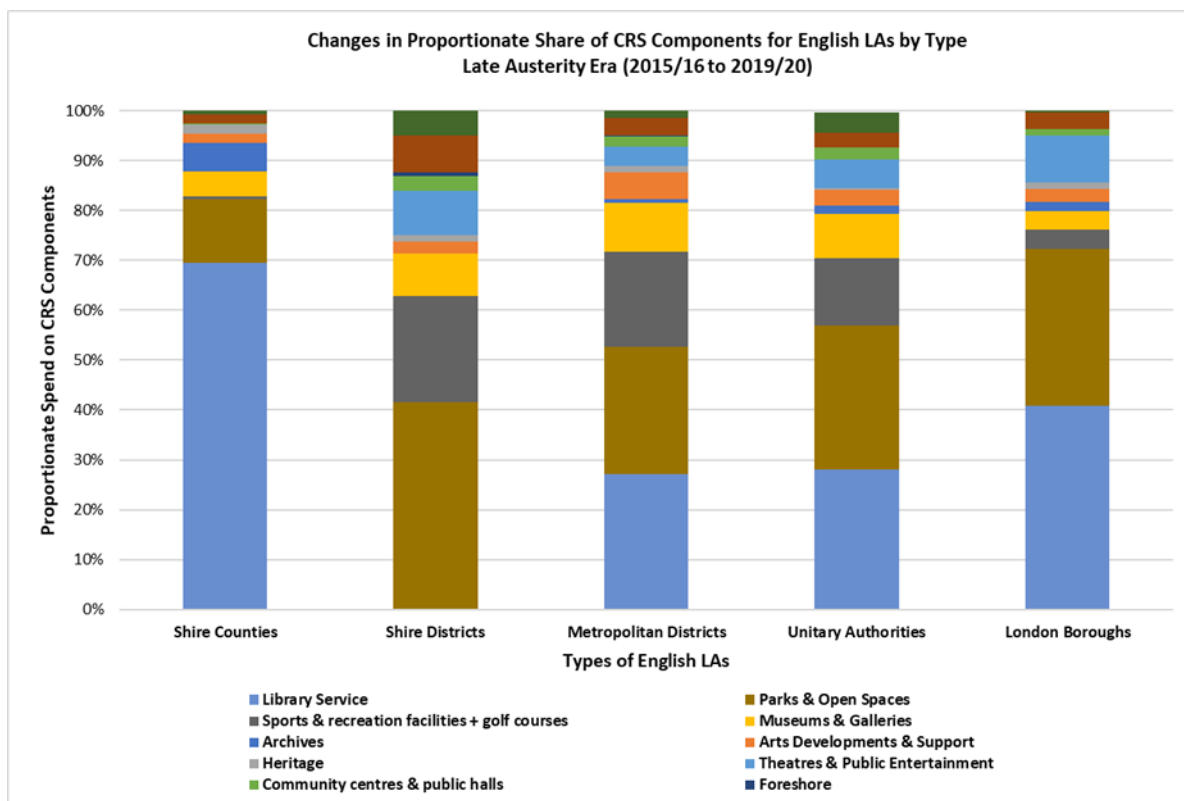


Figure 58: Changes in the Proportionate Share of CRS Components - by Type
Source: Author, Extracted from MHCLG National Statistics. (2015/16 - 2019/20)

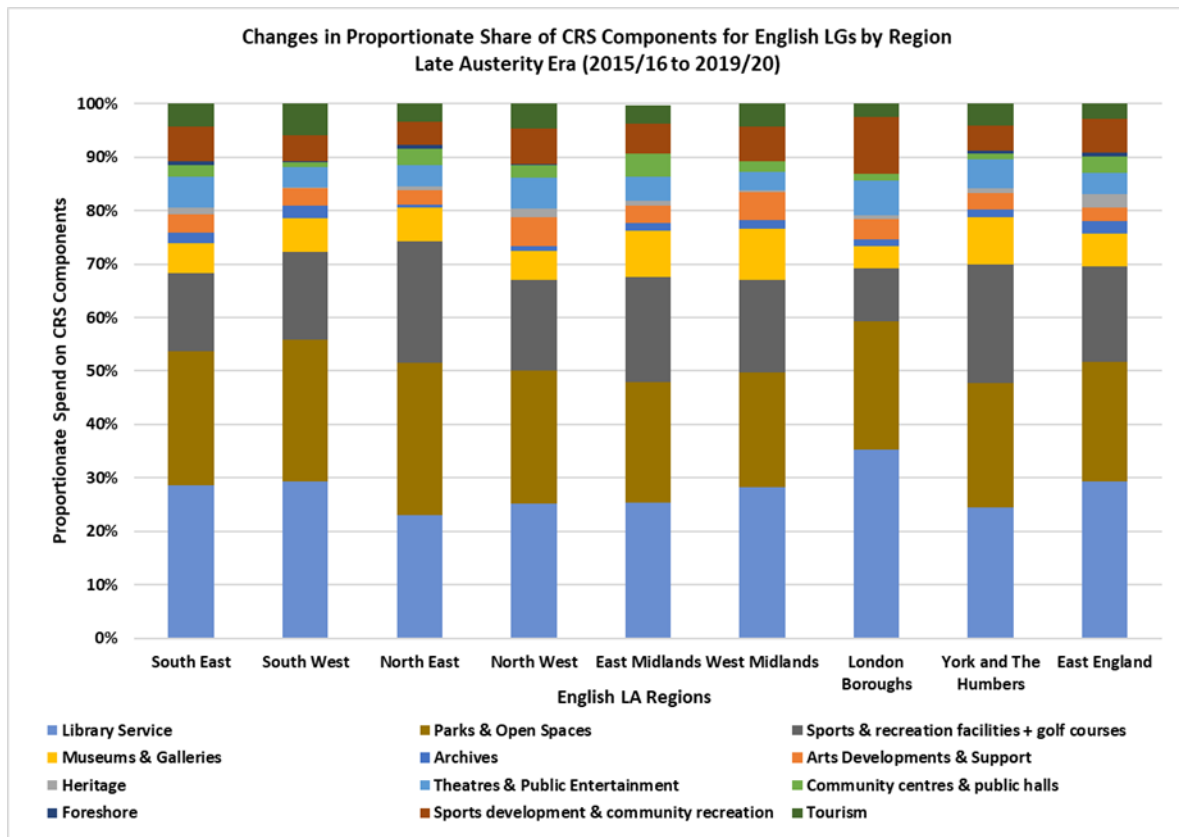


Figure 6.16: Changes in the Proportionate Share of CRS Components - by Region.

Figure 59: Changes in the Proportionate Share of CRS Components - by Region.

Source: Author, Extracted from MHCLG National Statistics. (2015/16 - 2019/20)

Figure 59 demonstrates that LAs in all regions allocated the biggest proportion of resources to library services and parks & open spaces during the late austerity era – a trend that was consistent for all three eras. However, LAs in some regions prioritised library services while others prioritised spending on parks & open spaces. On the one hand, it was expected that LAs prioritise resources to protect more services in regions with high demand. On the other hand, LAs could also protect parks and open spaces in regions with fewer parks and a high population of park & open space users. One interesting trend that emerged was a high proportionate spend on sports and recreation facilities (including golf courses) in regions where LAs spent more on parks & open spaces than library services.

Having discussed the impacts of austerity on all components within cultural service provision by English LAs, the study narrowed this analysis further to a single service (library services) to further understand how LAs prioritised limited resources to continue delivering library services.

6.4 CRS in the Austerity Era: through a Financial Resilience Lens

The IRSPM-SIG financial resilience framework uses the four inter-related dimensions of financial shocks, perceived vulnerabilities, coping and anticipatory capacities to analyse the response of public sector organisations when they are challenged by (un)certain critical events/ or incidents. This framework has been adopted and applied to the Cultural and

Related Services (including library services) to illustrate how English LAs integrated all four dimensions in their decision-making to address adversities that continued to emerge during the austerity era. The analysis is also informed by the series of semi-structured interviews with CEOs and Senior Managers described in Chapter 3.

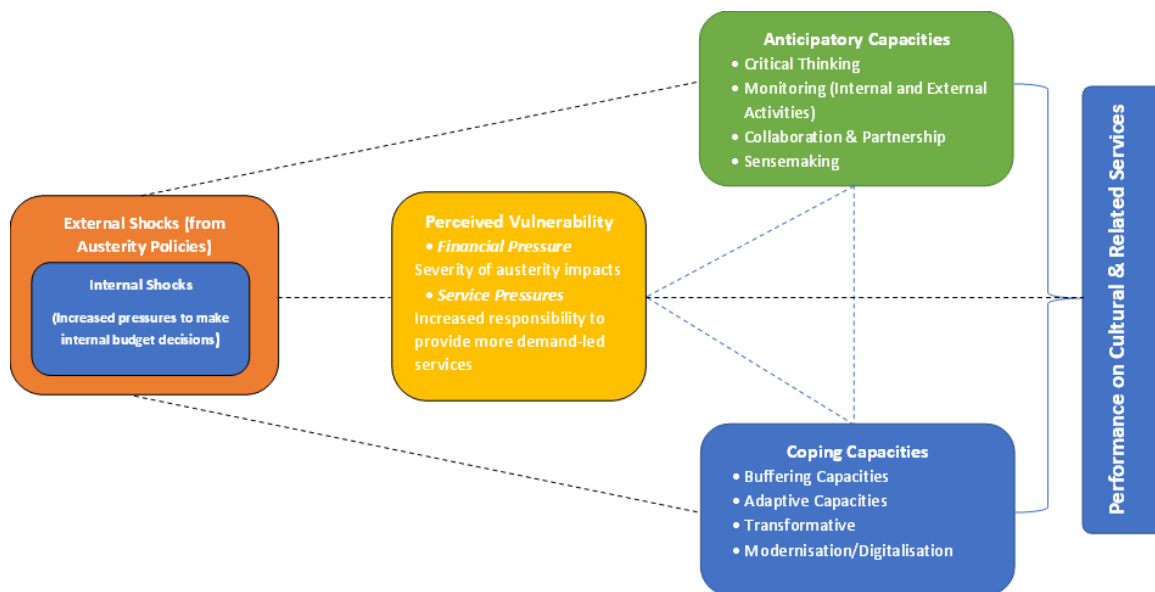


Figure 60: Financial resilience framework of CRS for English LAs

Source: Barbera et al. (2015)

6.4.1 Financial Shocks

Hastings et al. (2017), Ferry et al. (2017) and Rex and Campbell (2021) all found that LAs have faced significant challenges from reducing grant funding since 2010. The continuous reduction in support grants from the government left LAs with little option but to cut back on their CRS expenditure. Other critical events, such as Brexit, in-migration from Syria and Afghanistan, asymmetrical inequality and the coronavirus pandemic, reduced funding for welfare payments and generated additional public demands for the provision of local public services in the late austerity era. The impact of Brexit also affected LAs through the loss of grants from the European Union (EU). Despite the interventions from the government during the post-Brexit regime, LAs remained vulnerable to financial pressures due to the persistent increase in demand for other services, particularly children’s and adult social services.

The study found that austerity had an impact in all LA regions resulting in equivalent reductions across components within cultural and related services. Peck (2012) demonstrated that austerity policies impact more on LAs with a combination of limited financial support but a higher expectation to provide services to the local communities. Amin-Smith and Phillips (2019) found an increase in expenditure on social care by 10% between 2009/10 and 2017/18, which led to a reduction in non-statutory services such as planning and development (by -60%) and cultural and related services (by -40%) during the same period. The researchers’ current study confirms and supports these views which persisted to the end of the study period. However, Wren-Lewis (2011); Oxfam (2013); Kim and Warner (2016); and Ladner (2017) all explored the impact of austerity and the response by public actors (particularly LAs) and argued that it had stimulated innovation among LAs who have attempted to enhance

local economic growth in order to increase their authorities' financial resilience. This study found that in addition to long-term austerity policies, external (un)certain events and incidents caused significant financial shocks that left LAs increasingly vulnerable to adverse conditions and severely affected financial and non-financial performance. Internally it resulted in increased competition for financial resources leading to tough internal budget decisions, which compounded the external cuts for some services such as CRS. Hence, there were external funding and demand pressures which were severely exacerbated by internal decisions that filtered into the shifting patterns of resource allocation throughout the study period.

6.4.2 Perceived Vulnerability

Expenditure on CRS by LAs has constantly reduced in real terms in the last two decades, particularly after the financial crisis (2005/06 to 2009/10) and during the austerity era (2010/11 to 2019/20). The perceived vulnerability of LAs has changed continuously based on (i) the severity of austerity impacts on funding for LAs and (ii) the size of responsibility for providing demand-led services by LAs. The financial crisis led most LAs to spend efficiently on services in demand, then deposit the remainder in their reserves for what was perceived as "the uncertain future".

"Libraries, leisure, things like that have also been declined. The most obvious impact was a change in the sources of funding, a reduction in the level of funding and then a rebalancing of the way money was spent. It also drove certain changes of behaviour, so councils looked for alternative ways of raising finance, and we might come on to but those were after 2015."

- Interviewee H

The impact of Brexit and other challenges (such as ageing, migration, increasing inequality and labour shortages) intensified the pressures on LAs, causing them to increase spending on statutory services and reduce discretionary services. Drury (2020) found that leaders at the Leeds City Council anticipated that Covid would lead to a reduction in income and a £197.6 overspend which could mean cutting expenditure on all non-statutory CRS components completely. In Peterborough, cultural services were outsourced to a Charity Trust (Vivacity) in 2010. This operation ceased in 2020 because of the impacts of the coronavirus pandemic, as the program which was largely funded using income from ticket sales and admission fees became unsustainable (Edwards, 2020). In the Financial Resilience Frameworks terms, LAs had to engage in coping and anticipatory capacities to address their perceived vulnerability and enhance their financial resilience.

6.4.3 Coping Capacities

This study suggests that LAs largely adopted coping capacities in the early years to manage the pressures that emerged during the early austerity era. This finding is consistent with previous studies (Barbera et al. 2015; 2017; Jones 2017; Fitzgerald 2018; Barbera et al. 2021), where organisations adopt strategies to 'bounce back' to their original state when faced with (un)certain crises (Shaw 2012). LAs adopted one or more of the three coping capacities

identified in these studies as buffering, adaptive, and transformative strategies in order to sustain CRS services in the short term. For example, employees were rationalised to save staff costs for library services. There were reduced opening hours, which meant that staff worked for fewer hours to reduce the wage bill.

Other LAs engaged in adaptive strategies, which included encouraging people (mostly retirees) to volunteer as staff, either for lower wages or without remuneration (Goulding 2013). Pautz and Poulter (2014) found that LAs encouraged their libraries to charge fees for services to help cover the cost of operations (including salaries to employees). For instance, library users were charged for stationery services such as printing, scanning, and photocopying. Some of the interviewees reported that it helped to generate funding for their LAs:

“Local authorities are starting to look at being a bit more commercial, trying to get other people to pay for what you want to do. And that’s what we’ve tried to do in culture and community services. ... but I have to say that because they are discretionary services, they are going to be the first services where I suppose Finance Directors and other people will look to make cuts. Unfortunately, those [cultural related] services, some of them [library services] are vital to local people, and actually, they’re the services that people like.”

- Interviewee 9

However, some LAs were reluctant because users questioned the need to pay charges, particularly when the old, children and the more vulnerable use library services to a greater extent than the more affluent. In addition, these strategies generated only limited income since users often consider these services “basic” and were offered elsewhere free of charge, for example to students in higher education institutions.

LAs are also engaged in the digitalisation of libraries. LAs increasingly encouraged public libraries to run digital services such as e-books and pdfs of archives in the library. The intention is to ensure accessibility of resources at users’ convenience and limit library visits wherever possible (McMenemy and Poulter, 2005). LAs would spend less on professional librarians while users continue patronising public libraries at their convenience.

6.4.4 Anticipatory Capacities

Having adopted coping and adaptive strategies in the short term, LAs increasingly realised that the increasing demand for services combined with reducing income was a medium or long-term phenomenon requiring medium or long-term strategies. While Shaw (2012) acknowledged that organisations only adopt coping capacities to ‘bounce back’ to a normal state, Barbera et al. (2021) found that they need to adopt anticipatory capacities to ‘bounce forward’ by building capacities and capabilities to be able to absorb shocks from current and future crises. They regarded anticipatory capacities as including critical thinking and sense-making, monitoring internal and external activities, and collaboration/partnership with other

peer institutions to achieve common objectives. This study found that although austerity posed challenges to LAs, it also presented opportunities for LAs to be more creative and innovative in making decisions that would ensure value for money (economy, effectiveness, and efficiency) in the long run.

Critical thinking and sense-making are crucial to organisations' ability to bounce forward. Barbera et al. (2018; 2021) found that LAs who engage in effective critical thinking were more likely to make sense of their current circumstances and prepare to absorb shocks in future events. Through critical thinking, LAs have devised additional income generation streams. LAs also continued to support local cultural institutions to develop their commercial activities, while others integrate cultural services into their economic plans to achieve financial resilience. For example, Liverpool City Council liaised with the Liverpool Arts Regeneration Consortium (LARC) to develop new income streams (Harvey, 2016). Birmingham City Council invested £12m in the 2022 Commonwealth Games, by providing six-months of festival activity from mid-March to September 2022 (Murray, 2022). This cultural event was expected to help generate economic growth for the West Midlands region and provide long-term legacy benefits (Birmingham 2022 Commonwealth Games, 2022)

"We very much want to be part of the recovery for the region, and the whole UK, because we're a great big festival right in the heart of the UK that we know people will travel to."

- Martin Green (2022 Commonwealth Festival Chief Creative Officer)

LAs increasingly monitored internal activities and external environments (horizon scanning) to devise strategies to minimise the impacts of threats and seize opportunities during times of crisis. Even though LAs and Cultural institutions may be capable of surviving the financial shocks, it is less likely without relooking at delivery models. Some LAs have therefore developed new delivery models to ensure continuous support for cultural services in local communities. Harvey (2016) identified Dorset County Council as an example. Dorset CC outsourced its Arts Units to an Arts Development Company (ADC) through a 4-year mutual fund investment. ADC bears the role of administering grants and developing cultural agendas within the county on health and wellbeing. This made ADC well-positioned to attract fees and commissions that the County's many small arts and cultural units would be unable to achieve individually.

Collaboration and Partnership are vehicles that LAs used increasingly to try to enhance their financial resilience and reduce perceived vulnerabilities. Harvey (2016) emphasised that new institutional arrangements require new partnerships among organisations, particularly LAs. The Birmingham Culture Central (BCC) was established by 14 cultural and heritage organisations to raise the city's profile in relation to world-class culture. BCC is an open membership organisation aiming to represent and provide most (if not all) of the city's arts and cultural activities. Capturing economies of scale would mean less financial resource is required from individual member organisations, while the operation of BCC benefits all 14 members.

Chapter Seven

Discussion

Financial Resilience of English Local Authorities during the Decade of Austerity

7.0 Chapter Overview

The chapter discusses the response strategies adopted by English LAs to the prolonged period of austerity through the lens of financial resilience using the financial resilience framework developed by Barbera et al. (2014; 2017; 2019; 2021). The chapter adopts an exploratory approach used in Chapter Five to discuss the response strategies of LAs. The chapter discusses the evidence gathered (from field data) in three ways. First, discussing the common financial resilience capacities (both anticipatory and coping) that English LAs adopted at different times during the austerity era. Second, discussing common lessons that LAs learned when responding to the challenges posed during austerity and how these lessons could help decision-making in future austerity periods. Third, discussing more specific lessons that English LAs learned from responding to pressures from austerity, which could help their decision-making process for building capacity and capabilities to withstand shocks from other disruptive events/crises.

7.1 Understanding Financial Resilience in a Local Government Context

The framework shows that organisations adopt anticipatory strategies (capacities), coping strategies or both when they become vulnerable to shocks from expected or unexpected events. From a local government perspective, the occurrence of (un)expected disruptive events from the year 2005 had affected the perceived vulnerability of LAs across the world (Kickert, 2005; 2012a; 2012b) and in European countries (Saliterer et al., 2017).

Although LAs across the world have always been exposed to the potential for various disruptive events from external and internal factors, since the 2008/09 recession, the policy of austerity remains the main event that has affected the perceived vulnerability of LAs in many developed countries. Chapter 4 adopted data disaggregation and data visualisation to summarise the impact of austerity on the income and expenditure of LAs in England and understand how LAs responded to these challenges using three key levers – controllable income, expenditure, and reserves, particularly from 2010/11 to 2019/20. This chapter uses elite interviews, as discussed in chapter 3 (methodology) to identify specific examples of how individual LAs, or groups of LAs, responded.

Figure 61 has been adapted from Barbera et al.'s (2017) financial resilience model on the impacts of austerity in England and illustrates the capacities available to English LAs and shows that the introduction of austerity policies was not necessarily a surprise, and by 2010 they knew it was coming, although initially didn't realise how bad or how long it would be. English LAs were

exposed to different levels of adversities that threatened their performance in dissimilar ways and the impact was not felt equally by all types/geography. This resulted in a range of financial resilience capacities and capabilities emerging. While most LAs appeared to be resilient amidst the early and late austerity eras, eventually, the financial challenges led a few LAs to issue Section 114 Notices as LAs were unable to secure a balanced budget as required by Local Government Financial legislation (Sandford, 2021), suggesting a failure to maintain resilience, either through misunderstanding their perceived vulnerability and/or adopting the wrong anticipatory and coping capacities.

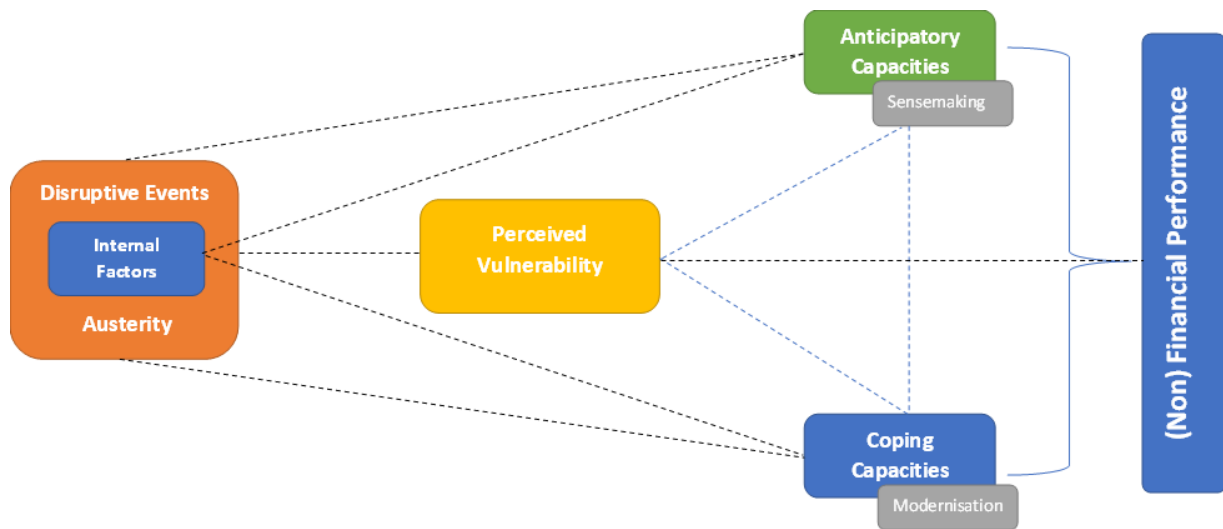


Figure 61: the Financial Resilience Framework (Austerity)

Adapted from Steccolini et al. (2017)

In 2018, Northamptonshire County Council issued two Section 114 Notices in quick succession (February and June 2018), becoming the first LA to do so almost two decades after the London Borough of Hackney failed to balance their budget in October 2000 (Sandford, 2021). Since 2018, the London Borough of Croydon, Slough Borough Council and Nottingham City Council have issued section 114 notices in November 2020, July 2021, and December 2021, respectively (and subsequently, Northumberland and Thurrock Unitary Authorities outside of the study period in 2022 (Sandford 2023). Notwithstanding these incidents, Steccolini et al. (2018) and Saliterer et al. (2021) established that LAs in England generally continued to manage scarce resources to minimise perceived vulnerability levels and withstood shocks better than their counterparts in France, Germany, and Italy. This chapter investigates the response strategies adopted by English LAs to ensure financial resilience by

- (i) coping and adapting to shocks and
- (ii) building their capacities and capabilities to better withstand anticipated shocks from future (un)expected events.

7.2 Operationalisation of Variables (Dimensions)

The variables for this chapter shown in Figure 61 represent the dimensions of financial resilience, Barbera et al. (2017; 2018; 2019; 2021), Steccolini et al. (2014; 2015; 2018), and Saliterer et al. (2021). While literature continues to develop on the financial resilience of local

authorities, no study (at the time of writing) has explored how LAs adapted the dimensions of financial resilience during the decade of austerity based on groups of individual LAs with particular characteristics within a national and regional context. First, this chapter builds on the data visualisation in chapter 4, using interviews to understand the changing trends and patterns in incomes and expenditure of English LAs. Secondly, interviews were conducted to understand the causes of these changes and the rationale for decisions made by English LAs. An interview guide was developed to fit each of the capacities of financial resilience (anticipatory capacities and coping capacities). Capacities and other key variables (performance and lessons) and how these strategies were operationalised with details of their respective key references within the research are detailed in [Appendix K](#).

Previous studies (Barbera et al. (2017; 2018; 2019; 2021), Steccolini et al. (2014; 2015; 2018), and Saliterer et al. (2021) found that LAs adopted different strategies based on the severity of financial shocks they were exposed to. Although austerity continues to pose different challenges, the threat and adverse impacts differ based on the different socio-economic circumstances of LAs in England. There is no one-response-fit-for-all for LAs, which is why different LAs adopted different strategies based on the capacities and severity of the pressures they were exposed to.

Barbera et al. (2014) categorised these strategies into two major capacities (i) anticipatory capacities and (ii) coping capacities. LAs were resilient when they adopted appropriate strategies from within these two capacities either to bounce back to their original state or bounce forward by building robust capacities and capabilities to respond to expected and unexpected future events/crises.

In this study, anticipatory capacities represent the availability of resources and tools (built over time) that empower organisations to identify shocks, manage their vulnerabilities, and consider themselves proactive to recognise potential threats before they arise. Steccolini et al. (2018) noted that anticipatory capacities are not limited to an organisation's ability to plan, control and manage risk, but extend to situation awareness and the ability to make sense of conditions and their external environment.

This study measured the anticipatory capacities of English LAs using four strategies: information sharing, information exchange, monitoring external activities, and collaboration & partnership. These four strategies were deduced from the literature. Sensemaking is a key strategy adopted by individuals (Mills et al., 2010) and organisations (Weick, 1995; Weick et al., 2005).

Coping capacities are resources organisations adopt to withstand shocks and manage perceived vulnerability levels when exposed to adversities.

The Framework for Financial Resilience: Findings and Lessons

'Lessons' in this section represent the changes made by LAs in delivering value for money. The lessons from this study were drawn from the elite interviews and interviewees' reflections on their responses to austerity and are aimed at shaping policy formulation and decision-making in tackling challenges faced in future disruptive events.

This chapter builds on the findings and discussions in Chapter 5. The framework in Figure 62 (below) is used to illustrate the strategies that English LAs adopted to withstand pressures from austerity and the lessons learnt from such strategies to manage adversity from disruptive events. Multiple studies (Hastings et al., 2013; Lowndes and McCaughie, 2014; Hastings et al., 2015; Hastings, 2021; Hastings et al., 2021) have confirmed that austerity has caused higher vulnerability levels for English LAs and compelled them to adopt coping, anticipatory, or both types of capacities to withstand the shocks that they experienced throughout the austerity era. Adopting these capacities (or not) has either empowered or hindered the abilities and capabilities of English LAs, thereby affecting their financial and non-financial performance.

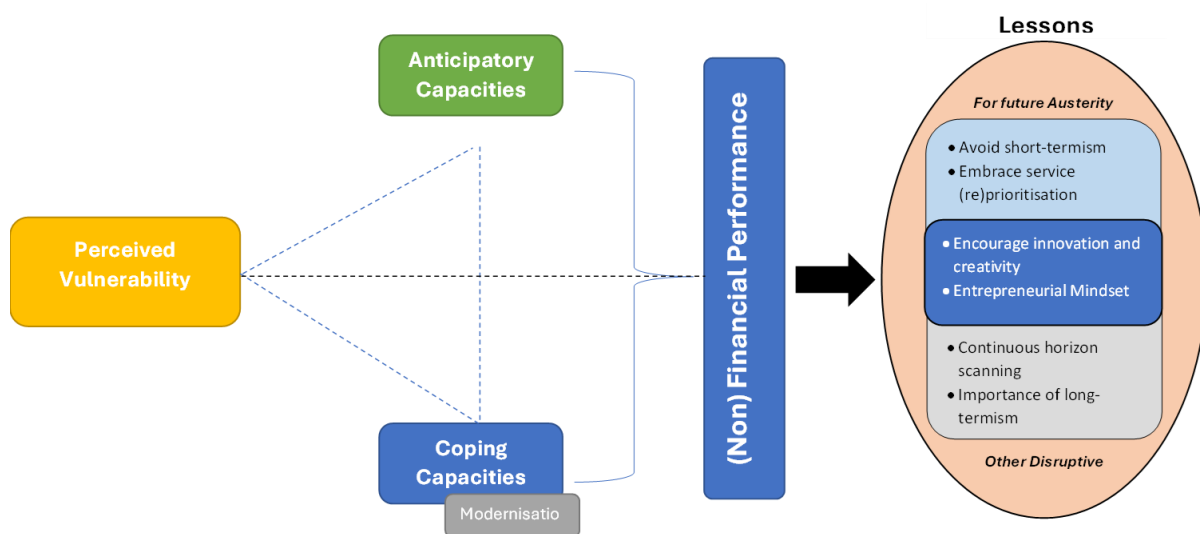


Figure 62: Framework for Analysis and Discussion

Source: Field data (2022)

Most LAs drew lessons from their earlier experience of adopting capacities to shape their decisions for tackling crises that are either emerging and continuous (e.g., austerity) or predicted to (re)occur in future (e.g., Covid). Having discussed the findings on perceived vulnerabilities earlier in chapter five, this chapter discusses how LAs adopted both anticipatory and coping capacities during the decade of austerity.

7.3 Anticipatory Capacities

Anticipatory capacities are crucial in empowering organisations to boost their ability to identify potential threats from expected and unexpected events/incidents/crises and to build capacities and capabilities Barbera et al. (2017), Steccolini et al., (2018), and Jones and Steccolini (2014) categorised strategies that LAs adopt to anticipate threats into three broad themes, namely;

- (i) information sharing,
- (ii) exchange of information, and
- (iii) monitoring external activities.

These categories were developed in later more empirically based studies (Barbera et al., 2019; 2021; Steccolini et al., 2015; 2018), which found that the LAs that engaged in more anticipatory capacities were usually less vulnerable to shocks and had a high likelihood to bounce forward during (un)expected events/crises. Anticipatory capacities were less common among LAs in developing countries such as Brazil (de Aquino and Cardoso, 2017) and Greece (Cohen and Hlepas, 2017) than in developed countries such as England (Jones, 2017) and the Netherlands (de Koning, 2015; Overmans, 2017) where LAs adopted some anticipatory capacities to minimise the severity of shocks (bounce back) whilst devising strategies to withstand their impacts (bounce forward).

The perceived vulnerability of LAs in England was initially generally low (Jones, 2017) compared to counterparts in Germany and Italy (Barbera et al., 2017). The reason for such low vulnerability could be explained by the anticipatory mechanisms that existed in the local government structure of England. Interviewees confirmed that English LAs had a culture that included planning and setting arrangements for the unforeseeable future. This culture of anticipation was predominant in LAs before the austerity era,

“I think the other thing that helped us was that we were very early into attempting to do a five-year planning process; we started that in about 2006, something like 2007, [It was in reality much earlier with the advent of Comprehensive Spending Reviews in 1997], and we started to try and project forward over multiple years.”

- Respondent E

In addition, the Chief Executive Officer of another council recalled that:

“... when we saw that the settlements were going to be worsening over the foreseeable future in 2010, we came up with a business plan basically which was setting out how we would deal with those challenges; it was called Grow, Save, Charge.”

- Respondent L

The administrative tradition varies amongst LAs in different countries, Steccolini et al. (2018). While LAs in England depended less on interventions from the central government, their counterparts in other European nations (such as Italy and Germany) were more reliant on support from their central governments (Barbera et al., 2017). For example, in England, it was a legal requirement for LAs to set a risk register with a contingency plan on how they plan to respond to adversities that emerged from different critical events. Respondents from a district council reflected on the relevance of having a backup plan by admitting that

“the criticality to all of this [recovering from financial hardships and harsh conditions] was having a really strong plan B”.

According to another council,

“the one thing that LAs probably value more than anything has been when you bear in mind that the Government’s Finance Settlements have not historically been as long-term as they want us to plan for. So

again, that's a sort of like, 'well, you can only assume a no change scenario' for the latter parts of your financial plan."

- Respondent N

The extract (above) confirmed that English LAs acknowledged the need to plan for the long-term, and on the whole, the practice of making plans for the unknown future appeared to be quite prevalent as authorities did not want to be surprised by interventions or changes in the external environment of LAs. The study found that adopting anticipatory capacities enhanced most LAs' ability to recover from the conditions that emerged during the austerity era. Respondent Q confirmed that *"things could have been worse for my council if I had not adopted anticipatory capacities early on"* in the pre-austerity era.

7.3.1 Sharing of Information

Barbera et al., (2017) and Steccolini et al., (2017) identified information sharing as essential for ensuring financial resilience in organisations. Steccolini et al. (2018) found that UK LAs shared more information internally within the councils than their German and Italian counterparts. UK LAs found it expedient to share internal information to empower employees with the requisite knowledge and know-how they need to tackle adversities from (un)expected crises (Steccolini et al., 2017). Although this tradition was pre-dominant among English LAs, this study found that LAs gave less emphasis to understanding financial resilience at the core of financial performance as they moved into the late-austerity era. One participant from an external audit firm confirmed that LAs that engage in sharing of information might be exposed to two types of challenges – the nature of information shared and the time lag. Respondent (A) said:

"... there's always a time lag as well, and again the financial understanding of elected members is poor - unbelievably poor, and the timing of that information is also quite poor. So it creates, you know, there's just a differential between the two".

Thus, not only is information shared politically influenced, but the timing of sharing such information can be an issue. This may either be a problem caused by politicians choosing what information to share and when to share, or it may take time to produce information, and politicians are poor at understanding it when there are time lags involved. A consistent message from multiple interviews conducted for this study suggests that for LAs to be resilient, information must be performance-related, quality-assured, and current to enable organisations to make the appropriate decision in times of (un)expected crises.

This study found that some LAs adopted a culture of sharing information from the top – senior management (strategic) – to the bottom (operational) level to keep employees informed on current matters that affect their LAs. This supports Steccolini et al.'s (2018) findings that UK LAs were quick and efficient in passing on relevant information at functional and hierarchical levels, whilst counterparts in Germany and Italy did not report information equally across the different levels of management. Some LAs characterised it as a culture of "storytelling" (in

effect, sense-making), where all interested parties were constantly informed on matters arising for the LA, with an update on the current resources available to tackle any matters such as value for money.

“It’s often the simply communicating and communicating again and again. So, it is now a much more continual story-telling process, learning, reflection, benefits realisation. What I do is [ensure that information is shared] from members, cross-party member groups, director networks, senior leader networks, heads of services, right down to managers and employees. So, I’ve done a series of presentations across that continuum, targeting the message but a very consistent one. I can say that everyone contributes in trying to get people to move away from ‘I will give you a target’ to ‘everyone contributes to the financial resilience of the authority’”.

- Respondent B

Although communication formed a crucial part of the information sharing process, comprehension of the message transmitted to employees and elected members of the LAs are equally relevant to completing the information sharing loop. Respondent I acknowledged that:

“... it’s about good planning, a proper understanding of sensitivities and assumptions, and how we can change. It’s having your ear to the ground and understanding the way the mood music may be changing, both nationally and locally, to try and respond to those demands.”

Hence, while information sharing is often relevant to the internal affairs of LAs, other external factors could affect the message to either promote or hinder the capacities and capabilities of LAs. The Director of Finance of another District Council agreed that effective communication ensured that members across the LA understood the message and had a common direction of focus for the LA. And from responses in other organisations, it was important to that communication that the Director of Finance was seen as being an integral member towards the decision-making process. For example, the following quote encapsulates both of these elements:

“In my experience as a finance director, I was always quite fortunate in that I was always quite capable of getting the message across to people as to the significance, but I always had the support of the organisations I worked in and could communicate the extent to which things were difficult or otherwise. I always felt as though I had the support of my ... I never felt that isolated, and that’s really important as a finance director, that you’ve got the support of the organisation, not just your senior colleagues but also the politicians as well.”

LAs that engaged in effective information sharing capacities appear from the interviews to be ones that have a blend of the three characteristics, i.e., (i) relevant information, (ii) effective communication, and (iii) complete comprehension. . Sharing of information among employees was as relevant as the exchange of information with external stakeholders. This is discussed below.

7.3.2 Exchange of Information

Organisations engage in an exchange of information with external partners and stakeholders to achieve shared objectives. In a local government context, LAs often depend on information from public and private sector organisations to make informed decisions. Exchanging information with neighbouring councils enabled LAs to understand better their external environments (Steccolini et al., 2018) and assess their perceived vulnerability levels. Financial information on LAs in England is centrally held by CIPFA and publicly available to all authorities. Steccolini et al., (2018) found that UK LAs were proactive in exchanging information with peer LAs and in drawing insights from common lessons learnt from the challenges caused by central government interventions. This was also apparent from the interviews conducted for the study.

7.3.3 Monitoring External Activities

The literature shows that organisations need to monitor activities in their external environment to forecast possible threats and identify or build capacities to help them minimise or avoid such threats. Monitoring external activities enabled LAs to gauge their performance and vulnerability to shocks, particularly in those areas characterised by higher levels of uncertainty and exposure to risk. LAs use anticipatory capacities to better understand their external environment, and Steccolini et al. (2018) established that UK LAs were often quicker to adapt to financial shocks than their counterparts in Germany and Italy because of their experience of adapting to continuous changes in regulations and policies that English LAs traditionally experience.

The literature suggests that although English LAs generally outperformed LAs in France, Germany, and Italy with regards to monitoring their external environments, the interviews for this study showed that LAs adopted this capacity for different objectives. Monitoring external activities by respondents was categorised into three broad themes, namely (i) horizon scanning, (ii) self-awareness, and (iii) reflection to plan for the longer term.

Monitoring external activities helps LAs to scan their horizon to identify threats and opportunities that would reduce their exposure to threats and take advantage of the opportunities identified. External activities included changes in fiscal policies, government interventions, and changes in inflation, exchange rates, interest rates, the ageing population, and unemployment and migration levels. These factors affect LAs differently depending on their individual characteristics, such as type of LA, location (region) of LA, nature of responsibilities, size of the population, working population, ageing population,

unemployment, and crime levels. The study found that the less vulnerable LAs were the ones that had anticipated potential scenarios and devised strategies to either take advantage of the benefits or build capacity to reduce the severity of threats. For example, Respondent (E) acknowledged that:

“[their] LA [name withheld] would have refused the council tax freeze grant throughout the period (2013/14 to 2015/16) and increased council tax rates to generate more funds than they received from the government, although such decisions were bound to be influenced by politicians.”

Respondent (M) recalled that engaging in horizon scanning made their LA aware that:

“the biggest barrier to my authority is resources. If the Government gave us some more finance [funding], we would deliver their growth agenda and levelling up agenda far quicker than they could ever imagine. But obviously, we have limited resources, and therefore we need to take our time in terms of which projects we put that resource towards.”

- Respondent M

This study found that LAs often monitored their external activities to make reflections and use lessons learned to make more effective plans. LAs have been susceptible to (un)expected events that affect their financial resilience and perceived vulnerability. The more resilient LAs identify their weaknesses and drew lessons from past decisions to build capacities to withstand shocks in times of crisis. The study found that English LAs are good at making arrangements for the future, which supports Steccolini et al.’s (2018) finding that UK LAs initially outperformed LAs in Germany and Italy. English LAs strengthened contingency plans by building high levels of reserves in the pre-austerity era (2005/06 to 2009/10).

“Generally, we’ve underspent. And the reason why [is because] we have been quite tough, to be honest. We’ve always had some decent contingencies in the budget, which has meant we’ve never had to use them, but a lot of this relates back to the pre-2010 era where we used to try and get into a reasonable position [before austerity hit]”.

- Respondent Q

Despite these proactive interventions by some LAs, the study found that the more vulnerable LAs generally adopted coping rather than anticipatory capacities during the early austerity era (2010/11/ to 2014/15). By contrast, other LAs engaged in reflection by scrutinizing policies and decisions made for the LA and drawing lessons from past experiences to strengthen plans towards arrangements in the medium/long term. For example, one council had two political (Tory and Labour-led) regimes during the council tax freeze grant regime (2013/14 to 2015/16), where one accepted the grant, and another increased the tax rates. The Director of Finance reflected on both regimes and confirmed that:

“I think the other thing with hindsight that I’d like to have changed was to have pushed the politicians more not to accept the Council tax

freeze grant. The Tory administration at the time were adamant – they weren't going to refuse the grant. As soon as we moved to Labour in 2013 and they set the 14/15 budget, they didn't want to accept the freeze grant; that was fine by me, by that point in time it was clear it was a poisoned chalice. And because they were Labour, they were quite happy to say, no, we're not accepting the grant, we'll put the Council Tax up. I wish I'd pushed earlier for the previous two years."

- Respondent E

Overall, it was evident that not all decisions made by LAs were the best for their conditions, but the more resilient ones were those that paused to reflect, drew lessons from reflections and adopted the lessons for future decisions and arrangements.

Monitoring external activities also enabled LAs to better assess their capacities and capabilities and understand their strengths and weaknesses. LAs are constantly exposed to changes made by stakeholders and partners in their external environment. However, there is a need to understand internal strengths and potentials that could be used to enhance opportunities or minimise any threats identified. For instance, the immediate effect of a change in policy from the Redistributed Non-Domestic Rates regime, replaced with the Business Rates Retention Scheme in 2013/14 (DCLG, 2012), enabled LAs to keep 50% of rates collected locally and empowered LAs with increased resources to better withstand the pressures during austerity. However, LAs in less industrial areas received less funding from the central government in the BRRS regime than they would have received in the RNDR regime. As a result, such LAs often had to increase council tax rates to bridge the funding gap. This study found that once LAs increased tax rates, not just demand for services but the expectation of the quality of services increased, thereby generating more pressure on the LAs.

7.3.4 Collaboration and Partnership

Collaboration and partnership are not new in local government (Snape and Taylor, 2003), but increased collaboration and partnership almost became a fourth strategy under the anticipatory capacities. Exchange of information and sharing of information are different from collaboration and partnership because the latter requires an active response involving resources. While 'collaboration' and 'partnership' may appear quite similar terms and can be defined differently, they tended to be used interchangeably by interviewees in this study. The external partners referred to by the interviewees generally included the central government, public sector organisations like the NHS, professional accounting bodies (CIPFA, CIMA), external audit firms (PwC, EY, Deloitte, KPMG, Mazars, Grant Thornton, etc.), and oversight bodies (LGA, NAO, etc.).

The study found that increasing numbers of English LAs were engaged in cost-saving strategies by collaborating or partnering with other LAs to enhance service delivery during the early austerity era. For example, English LAs engaged in shared service programmes where two or more LAs combined resources to provide services at lower costs. This was evident from different perspectives:

“... resilience has always been pretty strong, whether it’s the actual service resilience or where it’s joining up with other authorities to share capacity or share scarce resources on shared services. Hence, thinking about their financial resilience is [becoming] very much engrained in the culture. You could argue that local authorities have woken up to the kind of collaboration within local government, but not necessarily taken the lead thinking beyond that.”

- Respondent A (External Auditor)

“... we’re quite open to working with other councils on lots of different things. I don’t think things are unique to us, but certainly in a lot of our areas, we work with other councils, you know we’ve got functions delegated to the [peer] councils, we work in collaboration across a range of different areas. We recognise that being small can often give you a lack of resilience, so working with others is helpful.”

- Respondent D (Director of Finance, Unitary Authority)

“... we look to actually work with other local authorities to provide services. So especially where we may not have the resilience or capacity ourselves. We have a number of services where we’re in shared service arrangements with other authorities. And that does help because it keeps the [operating] cost down, saves the cost but hopefully for us as a smaller council; it enhances our capacity and resilience.”

- Respondent I (CEO, Shire Council)

It is interesting that both interviewees are saying similar things and that they both (a unitary and a Shire County) describe themselves as small, when shire districts would be much smaller. The literature tells us that LA size is important in being able to buffer against shocks. These interviews suggest that small councils can build this by working together, and examples could be pooled budgets, shared services and (more sensitive) the pooling of council tax/business rates.

Collaboration was however a crucial tool that helped LAs to achieve shared results and goals. What made collaboration different from information sharing and exchange of information is that it also helped to build both capacity and resilience. Thus, LAs save costs on operating expenses. While collaboration with other LAs was widespread, LAs also adopted wider partnership strategies to attain or improve financial resilience. Partnering was therefore also important to enhance the financial resilience of English LAs as English LAs partnered with external organisations to achieve common objectives.

7.3.4.1 Benefits of Collaboration and Partnerships⁹

The main benefits of adopting collaboration and partnership were to reduce operating costs, improve services to residents, and maximise their residents' welfare. The study found that LAs have made some good savings through partnerships on the shared service scheme. A Director of Resources for a Borough council acknowledged that:

“...we looked [for collaborations] in the back office services and some front office ones as well, like building control; we also had a successful shared internal audit service, it did save money, but the biggest saving that had was on our resilience”.

The Director of Finance for another council reflected on the huge saving their LA made from partnerships:

“we’ve got service partnerships that we delivered services in partnership with other local authorities within Lincolnshire to actually reduce the costs.”

Another benefit of collaboration and partnership was in helping to maintain quality services for residents. LAs with limited and scarce resources often struggled to maintain quality services throughout austerity. While financial conditions continue to intensify for LAs, this study found that smaller LAs (District Councils) often collaborated with peer LAs by combining resources to provide a common service to their residents.

Due to the persistent increase in financial and service pressures, some upper tier LAs have had to prioritise social care over other services, such as cultural and related services. This has led to the closure of recreational parks & centres, museums, and libraries in some LAs across England.

7.3.4.2 Drawbacks of Collaboration and Partnerships

As well as the benefits of collaboration and partnership, there are drawbacks that emerged in this study. First, LAs engaging in partnerships often found it difficult to measure or gauge equity in terms of the resources contributed and benefits derived from their collaborations and partnerships. Even when LAs contributed resources equitably towards achieving a common shared objective, it is unsurprising to find that some LAs derived more benefit from these collaborations and partnerships than others. A level of potential tension can also arise when LAs collaborate with other LAs with dissimilar traits, such as district and county councils.

“While LAs engaged in reactive measures, [LAs in] other places went into their shell, and you get the County versus District battle over who is top dog - where the county has a fractious relationship with the districts.”

- Respondent A

⁹ Interviewees used these two concepts i.e., collaboration and partnerships interchangeably or collectively. In this study, they are reported as used by the individual interviewees.

Unfortunately, this difference in perception causes LAs to set aside the primary objective of acting as stewards to their residents by providing public services and ensuring value for money. LAs with fewer resources can also be undermined in collaborations and partnerships by the exercise of asymmetrical power. It can also take more time for LAs to produce services in a collaboration/partnership than in instances where services are provided solely by the LA, as time is spent in meetings to make arrangements and agree on resources, systems, and activities. As a result, these meetings require some bureaucracy to ensure inclusion and cooperation among the partnerships. While these processes may be necessary to ensure due diligence, they cause potential delays in service provision. The respondent from an external audit firm recalled:

“I was working a lot around [LA name withheld], and they did take a collaborative approach to putting resilience into services, sharing services more across the county. Some of the mechanisms [included] setting up a joint committee; I personally think was a bit of a waste of time”.

- Respondent A

7.4 Coping Capacities

Steccolini et al. (2015) established that coping capacities are often visible among LAs in times of disruption. The current study found that English LAs adopted coping capacities as an immediate response to tackling adversities to financial shocks. The study adopted the dimensions from Barbera et al. (2014), which categorised coping capacities into three major strategies: buffering, adaptive, and transformative. While these three responses have been explored in recent literature in different nations such as France (du Boys), Germany (Papenfuß et al., 2017), Italy (Barbera, 2017), and Austria (Korac, 2017), this study explored how English LAs adopted these capacities to withstand the twin pressures over a 15-year period (starting 2005/06), with the emphasis on the decade of austerity (2010/11 to 2019/20). The study also found that a small number of LAs had actually experienced a short-term transformation that made them think in terms of bouncing forward rather than bouncing back. This study has adopted the term ‘modernisation’ to indicate a short-term transformation as opposed to a long-term transformation.

7.4.1 Buffering Capacities

Buffering initiatives were found to be widespread and almost ubiquitous in this study. Financial buffering are approaches that save cash in the short term and included:

1. use of reserves
2. increasing council tax
3. stopping capital projects
4. stopping change initiatives
5. vacancy management
6. redundancies; both voluntary and compulsory

7. Restructuring to facilitate 4 and 5
8. Introducing or increasing discretionary charges
9. Reducing grants to external bodies
10. Selling off assets.

This study found that most English LAs adopted buffering capacities during the austerity era, particularly during the early austerity era (2010/11 to 2014/15). Du Boys, (2017) and Barbera, (2017) showed that among the coping capacities, buffering was the immediate strategy that was adopted most often in LAs across Western Europe. Cohen and Hlepas (2017) reported that Greek LAs engaged in “cheese-slicing” austerity measures in hiring freezes and reducing salaries to continue providing services to residents. Similarly, LAs in England engaged in (what they referred to as) “salami-slicing” – trimming a wide range of services and activities at the edges or margins.

Buffering capacities were quite dominant among English LAs, particularly when the severity of austerity was unknown. As the Audit Commission later confirmed (2009, 2010, 2012), most LAs had anticipated that the financial crisis would lead to a time of disruption in their finances and services. Respondent A, an external auditor, pointed out that although buffering strategies varied among LAs by type and region, most LAs adopted strategies to reduce salary costs to protect services:

“... the first thing they [English LAs] did was cut back-office costs. So, they cut a lot of the managerial skills away to protect frontline services, and so a lot of the business cases and the foresight of making ... setting up alternative delivery models, setting up commercial investments was taken away, a lot of that rigour that would have gone into it was taken away. And you know you can see the repercussions now.”

- (Respondent A)

This study found that the most common strategy adopted was reductions in personnel costs because employee costs constituted the majority of expenditure for all English LAs throughout the time series (from 2005/06 to 2019/2020), which was seen in Chapter 5. From the interviews, most councils in the study agreed that their LAs engaged in ‘plucking the low-hanging fruits’ by adopting rationalisation and making reductions in staff, as these aimed to reduce cost and make savings that were reallocated to fund statutory services for their residents. These responses were short-term focussed, which makes them less effective and inconsistent if used over a longer period.

LAs engaged in the rationalisation of human resources as part of the restructuring process. Employee costs were the largest portion of the total operating cost for LAs throughout the time series (from 2005/06 to 2019/20). Most LAs engaged in adaptive capacities to rationalise staff and reduce the operating cost. This study defined employee rationalisation as the reorganisation of employee structure to boost efficiency and productivity. Rationalisation could take the form of encouraging career retirements with early retirement bonuses, reducing the number of employees by not recruiting new staff to replace retired staff,

termination of part-time/temporal contracts, and outright dismissals (Deem, 2004; Leach and Pratchett, 2005; McQuestin et al., 2021).

“In the early years of the austerity period, we did what a lot of councils did, which was when people left, either to get a promotion somewhere else or to retire, we had a tendency to not replace that post and to redistribute their workload. However, we realised that was not a long-term sustainable because that’s stretching resources and reducing the resilience of the organisation.”

– Respondent M

LAs cut back on their staff to reduce operating costs and to make savings, but this cause challenges both internally (within the LAs) and externally (among residents). Internally, there is an increased workload on remaining full-time staff and fewer temporary staff with professional expertise to contribute towards decision-making. Externally, residents generated higher demands and expectations of LAs to continue providing statutory services. These challenges hindered LAs' ability to anticipate or respond to financial shocks in the future.

The findings confirmed that although buffering may be useful to LAs to respond to financial shocks in the short term, over time, resources often diminish when LAs do not replace the resources used, which then affects their levels of perceived vulnerability and makes them unable to tackle the twin pressures that continued to emerge throughout the austerity era. Buffering appeared to be short-term focussed, but its measures could also facilitate the ability of LAs to respond better in times of adversity in the medium term. LAs learnt that buffering was not enough, and they had to, at some point, adapt. The study found that in some places, buffering could sustain LAs while they build capacities for the medium and long term. Thus, while some LAs used buffering capacities as their only or main response, other LAs adopted buffering capacities in the short term (12 to 24 months) whilst they made progress on adaptations and/or strategic plans for the medium (3 to 4 years) and long term (5 to 10 years)

“We [LA name withheld] had to use some of our balances in order to buy us time, to actually put the plans in place to increase income or save money and then rebuild the balances back up again. That was our approach. ... that approach has continued over the last sort of 13-14 years in different guises. We’ve always wanted to get back to the place where our balances were back, and our reserves were back [for us to be] resilient again.”

- Respondent C

Another interesting benefit of adopting buffering capacities is that it challenges the LA to innovate better ways of tackling the financial shocks. The study found that some English LAs were more severely affected than others based on their level of capacities during the austerity era. The CEO of one of such Shire County acknowledged that they engaged in a cutback of staff and redirected funds to the front line by restructuring and layering to save money in

one area so it could be diverted elsewhere to maintain the existing level of service - an example of buffering to bounce back. These were blunt, cost saving measures, which differed from the more planned changes to operational activity that typifies adaptive responses in the next section.

“Five years ago, there used to be four directors and a chief executive; there’s now only two directors and a chief executive. And that’s consciously down to restructuring. And actually, there’s big savings to be made at the top level [of management], because I’m the most costly person! You know?! It’s not just my salary, it’s my add-ons, including my pension, that makes me quite expensive. So, the council has cut back on that. But it’s not just taken all the savings to the centre, it’s [also] invested some of that saving lower down in the infrastructure, at the next tier, to head of service level, to empower those people to deliver the services [in the medium-long term].”

- Respondent I

The study found that Shire District councils adopted buffering capacities more often than Shire County councils. Buffering mostly took the shape of drawing from their reserves for district councils. County councils mobilised resources from increased council tax revenue, which gave some Shire Counties, which had built up reserves prior to austerity, the capacity to continue building their reserves for tough times ahead in the early austerity era. A CFO from a city council (Respondent B) acknowledged that:

“it’s been a bit of a rollercoaster. If I was to look over the past ten years, in terms of drawing from reserves, and I would say that’s probably been 70% of the activity here [LA name withheld].”

However, a CFO from a county council (Respondent D) acknowledged that there is a limit to how much you can buffer through raising council tax:

“We continue to use more revenue from council tax, and I am a bit worried because there will be a political disaster, and residents will be in an uproar if we raised council tax rates by 10% to 12%.”

Another CFO of a county council (Respondent E) agreed that resources mobilised were often utilised effectively and saved to build their reserve levels:

“I think we’re really good at making the savings, but we’ve also been good at maintaining the level of reserves. And for a county council, we’ve got one of the highest levels of reserves in the country, and at the same time, we’ve made the savings.”

The findings confirmed that LAs that provided fewer services (often District councils) and did not make savings often had lower reserve levels, thus becoming vulnerable and were more likely to engage in buffering strategies. In contrast, LAs that were able to make savings whilst (re)prioritising services (usually County councils) had higher reserve levels that enabled them to build financial headroom to respond to future shocks, although they may have remained vulnerable.

7.4.2 Adaptive Capacities

Adaptive capacities represent the ability to make incremental changes to withstand the impact of financial shocks in the short to medium terms. Adaptive capacities empower LAs to gradually migrate from the habit of buffering (a reactive approach) to a more active approach of making changes in structure and processes to ensure financial resilience during times of disruption. Bhamra et al. (2011) found that the benefit of adaptive capacity is that it improves LAs' ability to accommodate and deal with changes that arise from disruptive events and incidents. Adaptive capacities also apply to central government and are not limited to local authorities. Kickert (2012a) pointed out that adaptive capacities were common measures adopted by central governments across Western Europe (e.g., the UK, Germany, and the Netherlands) to manage and, where possible, reduce the severity of shocks that emerged from the economic recession between 2007 to 2009. Similarly, in the local government context, LAs in England (Jones, 2017), France (Du Boys, 2017), Germany (Papenfuß et al., 2017), Italy (Barbera, 2017), and the Netherlands (Overmans, 2017) adopted various adaptive capacities including, organisational restructuring (as opposed to merely delayering in the buffering example), enhancing organisational management, encouraging commercial investments, (re)prioritisation of service areas, and widening stakeholder networks with both the public and private sectors.

The adaptive strategies that English LAs adopted during the early austerity era (2010/11 to 2014/15) were characterised pre-dominantly by more cost-saving measures than entrepreneurial initiatives to increase income. Hastings et al., (2013; 2015), de Aquino and Cardoso (2017), and Downe and Taylor-Collins, (2019) found that reductions in central funding were severe for LAs in the early austerity era. The reduction in funding from central government challenged LAs to adopt adaptive strategies, which were often short-term focused. When it appeared that LAs could not mitigate the pressures permanently with short-term strategies (adaptive capacities), LAs were compelled to adopt strategies to withstand the pressure while making arrangements for medium to long-term plans. One council (Respondent C) acknowledged this when they admitted that:

“we knew the incremental cutting bits ... you can only do that for so long and you can't ... that's not a sustainable solution because you end up with nothing”.

A participant from another council acknowledged that:

“we’ve done some stuff in the middle, which is a bit more tactical and a bit less strategic, around the tinkering at the edges with certain things to make reductions but aren’t necessarily strategic in nature”.

- Respondent E

These responses confirmed that LAs adopted adaptive capacities to help them ‘bounce back’ to an original state within the short term. Responses from the study were often cost-saving interventions, and these can be categorised into five broad themes, namely:

- (i) mobilising resources transfer to minimise debt levels,
- (ii) outsourcing services to external partners/stakeholders (Girth et al., 2012),
- (iii) engaging in shared service programmes with neighbouring LAs,
- (iv) restructuring, and
- (v) employee rationalisation (strategic restructuring).

Some English LAs adopted adaptive capacities by transferring their resources to other portfolios to help reduce their debt levels. One council explained that they used their compensation from an insurance company after a fire outbreak to settle their debts during the early austerity era. The Finance Director (Section 151 Officer – Respondent F) recalled that:

“We used that [compensation for the fire] to buy ourselves out of the housing subsidy system. That saved us £450,000, so the fire, the HRA subsidy, and an insurance claim saved us £700,000 per annum in a very short period of time, and that got us through austerity”.

While some LAs restructured their treasury management commitments to reduce their debt levels (and associated interest payments), others engaged in commercial investments to raise funds for operating activities. These investments range from solar farms, housing projects, shopping malls, leisure centres, and recreational parks, although not all of these investments proved successful or effective (Wood et al., 2020; Taylor et al., 2021).

LAs in England engaged in outsourcing and shared services to cut operational costs whilst ensuring service delivery to their residents. First, LAs outsourced some services to trusts and other companies to minimise the pressure on the remaining employees. Secondly, LAs also engaged in shared service schemes to reduce the cost of services whilst providing services to residents. The Section 151 Officer of a Borough Council (Respondent M) recalled:

“The mindset for us [at the council] for those next number of years was very much cost reduction, so looking at alternative delivery models, so we created a shared service, for example, looking after back-office services with three other district councils.”

Adaptive capacities adopted by English LAs were also aimed at horizon scanning and stress-testing the occurrence of different scenarios. Saliterer et al. (2021) established that LAs were no strangers to adversities caused by (un)expected events and incidents. For this reason, LAs

engaged in sensitivity and environmental analysis (horizon scanning) and planning toward “what-if scenarios”. As a result, some English LAs developed a culture of planning for unexpected scenarios in the worst cases, which is both a coping and an anticipatory response. For example, the Director of Finance for a Unitary Authority (Respondent D) pointed out that their council planned cases for different scenarios when the central government allowed LAs to increase council tax by 2% in three years.

“I’d build that into the plan. So, I always have a view [clue] about what our financial gap would look like, and the financial gap that I’d use would tell us whether we’ve got a problem or not”.

It is worth noting that these capacities were often short-term, as it was almost difficult, if not impossible, for LAs to identify major long-term events (from external factors) that would expose LAs to financial shocks.

Restructuring was a key strategy adopted by most LAs in England. Carpenter et al. (2001) found that organisations adopt an adaptive structure that helps them draw insights based on lessons from earlier responses to adversities from previous disruptive events. Bhamra et al. (2011) confirmed that organisations that adopt more adaptive capacities could develop and apply new knowledge about the changing scope of their environment. Similarly, LAs in countries such as Brazil (de Aquino and Cardoso, 2017), England (Jones, 2017), and the US (Korac et al., 2017) have restructured their systems and organisational procedures to suit the changing scope of their environment and demands of their residents. In England, the changes made in restructuring varied among LAs based on the severity of impacts and their perceived vulnerability levels. On the one hand, councils that considered themselves “vulnerable” had to make significant changes to their structures. One council admitted that:

“a lot of our savings didn’t actually come from cuts in services, they [most of it] emerged from efficiencies and different ways of doing things. So, in the early years, that was quite straightforward in some respects, you just did a big restructure, had fewer people providing a service, and it worked. I think we did have a bit of fat to cut, to be honest, you know, so you could do that [the change in structures] quite simply.”

- Respondent Q

This study found that most LAs that engaged in rationalisation also did so at top-level management (CEOs and Directors). This reflected examples in the private sector (KPMG, 2016; Drew et al., 2019; McQuestin et al., 2021) that found that rationalisation was often common at the strategic level, where employees earn higher salaries with significant bonuses and perquisites. Such a strategy would not sustain LAs permanently:

“with the restructuring, we probably did go down the sort of quick wins. I remember the days when we would have had probably twenty

directors or assistant directors, and now we've got three directors, and the rest are heads of service. So [it was] completely rationalised down in that format. But I think in terms of our approach to that, it was really about alternative delivery models and how you can get those efficiencies and economies by sharing with a much wider group rather than just trying to do it internally."

– Respondent M

This example, when linked to the HRM buffering examples in section 8.4.1, indicates a realisation that buffering was not going to be enough in the situation they were in and that restructuring needed to be backed up with alternative delivery models. Some LAs knew these measures were short-term focussed but claimed it allowed them some time to plan more proactive measures to help them bounce forward and adopt more sustainable strategies that could enhance their financial resilience in the long term.

7.4.3 Transformative Capacities

Transformative capacities represent the ability of LAs to effect more radical changes that are new but eventually become normalised as LAs continue to enhance their financial resilience and perceived vulnerability levels. Shaw (2012) introduced the dual concept of resilience as recovery and transformation. According to Shaw (2012), recovery and transformation are two crucial concepts in building the capacity and capabilities of an organisation to 'bounce back' and 'bounce forward', respectively. Therefore, as LAs adopt buffering and adapting strategies to tackle adversities and bounce back to an original state in the short-term, in the long-term, LAs realised they had to devise transformative strategies to help them bounce forward.

For a strategy to be considered "transformative", Shaw (2012) considered it must possess four features – innovation, risk management, leadership, and civic engagement. The study found that most public servants often referred to their strategies as transformative when it is really a buffering or adaptive strategy because they are following trends and practices elsewhere or may not be aware of the terminology and language. This is an alternative perception because their strategies often did not consider (or at least articulate) any of these four features. The reason for this inconsistency may be rooted in the limited literature on transformative strategies as an approach to ensuring financial resilience. Although the academic literature on financial resilience appears to be growing, the practical definitions of transformative strategies are inconsistent.

This study defined transformative capacities as the ability of LAs to introduce radical and incremental changes within their organisations to enhance efficiency in resources – money and services – but to continue to improve such abilities to foster their capacity to initially bounce back and eventually to bounce forward. It builds upon the earlier theoretical characterisation of transformation made by Shaw (2012) and the theoretical and empirical work on financial resilience by Barbera et al., (2014; 2017; 2019; 2021) and Steccolini et al. (2015; 2018).

7.4.3.1 Timing-Medium or Long-term oriented?

Most respondents agreed that transformative strategies are medium- or long-term strategies that require some time for arrangements and plans to be made to enable them to come into effect. One relatively perceptive council (Respondent C) acknowledged,

"For us to move forward now, we might have to do a bit of buffering and adapting over the next two or three years whilst we transform because you can't transform overnight".

One respondent (P) from the National Audit Office confirmed that transformative strategies often span for longer periods than buffering and adaptive capacities:

"If you look back over eighteen months, it will have been adaption, but if you look over the ten years, the transformation will have been the dominant thing."

The Director of Finance of a Shire District revealed their LA adopted transformative strategies because of the ever-present effect of austerity:

"We've always tried to do the final one, which is just transforming services throughout the austerity period. I never for one moment thought that suddenly there would be a huge slug of extra public sector money coming into the system, and we'd all go back to the way we were in 2008. I didn't think that would happen. So, we've always thought we've got to get down to a lower base, so let's transform the services to ensure that they can operate within the envelope of money that's available. So, we've always had that approach and are trying not to do the short-term buffering and adapting approach. Because if you use buffering and adaptive capacities, you've still got to transform at some point, so you might as well transform".

- Respondent Q

7.4.3.2 Originality and Innovation

The study found that transformative strategies often stem from innovative ideas that have never previously been adopted by the organisation. Transformative strategies are medium to long-term oriented and often derived from new ideas. Baker and Nelson (2005), Desa (2012), Witell et al. (2017), and Blijleven and van Hulst (2021) all found that LAs are increasingly incorporating an entrepreneurial approach within their systems and procedure to (i) generate income and (ii) continue providing services in high demand. A Section 151 Officer of a Shire District established the need for originality or innovation in devising transformative strategies:

"You can't transform something by tweaking what you do now, you have to throw away what you do now, go back to - what do you want to do? Not whether you're required to do it, but what you want to

do, and then work out how you do it. To be fair to [Name of Neighbouring LA withheld], to some extent, that is what they've done in developing their regeneration financial plan. [To me,] that's what transformation is about. But what that requires you to do then is start to think about, you know, what are the sources of revenue, and to think about it more like a private business".

Respondent K

7.4.4 Modernisation

The study defined modernisation as a short-term transformative process of designing new responsive plans and approaches to withstand disruptive events and aims to help the LA build its capacity to absorb shocks of uncertain and unforeseen events in the future with medium to long-term foresight. The study found that modernisation is one key type of transformation, which (depending on the LAs' circumstances) could either be considered as an advanced sub-type of the 'transformative strategies' or as a fourth coping capacity.

On the one hand, modernisation could be considered a more proactive (forward-looking) approach than transforming because plans are flexible and liable to change and could be improved under modernisation. On the other hand, modernisation could also be considered a fourth coping capacity because it may be perceived as the flexible short-term version of transformative strategies. It was termed as modernisation because these plans are often improved to suit contemporary conditions whilst being adapted to minimise challenges associated with implementing such plans. Hence, plans/strategies are modernised as the organisations see fit and are not regarded as a rigid set of decisions to be made or goals to be achieved. The Finance Director of an LA was convinced that transformation and modernisation were two different terms and promoted the use of the latter over the former in their LA:

"I don't like the word 'transformation'. I've pretty much outlawed it at my authority [LA name withheld]; we use the word 'modernisation' as opposed to 'transformation'. Thus, because from my perspective, we will always have to process a Housing Benefit, so I don't think we can transform that, but we can modernise the way that we interact with our customers, so it's very much about 'digital', but 'digital-by-design' rather than by default and trying to channel shift our customers into that new way of working and thinking."

- Respondent M

This may be a bit pedantic with a respondent from an External Audit Organisation (Respondent A) summarising the situation in practice when he recalled that most LAs engaged in salami-slicing, while the few that took a medium-long term approach were less vulnerable and more resilient.

"Some LAs took a slightly different view and went for the salami slice approach, which was just, right, everybody's got to take some pain."

But the ones that weathered the storm most effectively were the ones that took a three to four-year view and said, actually, what we're going to do is we're going to take a balanced approach to investment, transformation and savings".

- Respondent A

Although LAs that implemented forward-looking strategies might have faced some immediate adverse consequences at the time of implementation (mostly during the early austerity era), this eased the challenge later as austerity went on into the late austerity era.

7.5 Financial resilience – Lessons for the future

Despite the financial stresses illustrated by the issuing of some Section 114 notices, most LAs in England withstood the pressures of austerity. While austerity was a major disruptive event that affected LAs for over a decade, LAs have continued to provide services to residents, albeit based on limited and declining resources. Although Theresa May, the then Prime Minister, famously announced in her 2018 Conservative Party conference speech (May 2018) that austerity is over, most of the interviewees argued that austerity is ever-present and that the challenge to LAs will only get more complicated over time (which subsequent events in the post-study period appear to endorse).

"Austerity for us was never over. The reality is austerity ... it's not over. And how can it be over when funding is flat, and the risk of increase demand lies within authority?"

This study identified three generic lessons that LAs have learnt in their response to tackling the severe consequences of austerity and to enhance their financial resilience. The first relates to scale and the impacts of 'global' challenges, the second relates to the need to change the basis of the response of LAs to become more contingency-based, and the third is the necessity for LAs to become creative, innovative, and entrepreneurial in their response to these global challenges.

Austerity enlightened LAs about the severe impacts that a global financial crisis could cause on central and local governments. Although budgetary constraints existed before and during the pre-austerity era, the consequences were clearly less severe and did not involve a long-term and sustained reduction of central funding to LAs.

"I got hold of a budget book that had been written in 1970, where the Treasurer started it by saying yet again, we're facing big cuts, yet again we're short of money, yet again times are hard. So, whilst austerity, which we tend to think about as being from about 2008 onwards, 2010, particularly when the coalition government came to power, it's been an ongoing issue for local authorities. I mean [public servants of] local authorities will say it's never been fully funded effectively since its inception – it's always faced difficulties, and it's always had a demand outstripping supply in terms of money."

- Respondent T

Although LAs generally anticipated that the reduction in central funding would cause financial shocks and eventually lead to higher vulnerability levels, the severity of this shock was still unknown to them.

“... we sort of knew that this was coming well in advance, so we started to make some decisions. I would have said in 2008 that helped us as we went through austerity, so we knew that the crash had happened, but we weren't getting any messages from central government about what it meant for local authority finances at that point in time.”

- Respondent E

Most English LAs did not make sufficient arrangements to address the anticipated impacts of austerity because the extent and elongation of the policy were never fully known (and certainly not until the 2015 Spending Review (HMT, 2015)). Respondent (D) described this as

“a little bit like knitting fog, in terms of trying to understand how funding has/would go down after 2010”.

Evidence from both the data visualisation and the interviews, and from the literature (Audit Commission 2008, 2009b, 2010), demonstrate LAs foreknowledge of the impending recession, encouraged them to build reserves for the uncertain future. Saliterer et al., (2017; and Steccolini et al., (2018) identified this as a buffering (i.e., coping) strategy, as it was essentially short-term focused. Austerity initially encouraged LAs to build coping capacities to bounce back to an original state, although a small minority made arrangements for anticipatory capacities to bounce forward to a better state.

The second lesson builds on the previous lesson. Austerity encouraged LAs to develop a culture of (re)prioritising services by engaging in cost-saving programmes to make savings and allocate funds to services in higher demand. One of the major problems that austerity caused for LAs was a widened funding gap (LGA, 2020). This gap was caused by the reduction in central funding at the same time as an increase in demand and expectations for services. LAs developed a 'saving' strategy to build the capacity to tackle the adverse impacts that would emerge from the financial crises. For example,

“we did know that austerity was coming, we didn't really know kind of the scale of it, but we did know that there was going to be a shock to the public sector”.

- Respondent Q

Because of this uncertainty, LAs prioritised efficiencies to generate funds and developed a culture of contingency planning. As a result, most LAs increased reserves and included contingencies in their budget to react to any sudden financial shocks that may emerge either internally or externally (from the central government). Respondent Q reflected many interviewees' opinions but was particularly clear on the issues:

“... thinking back on some of our pre-2010 budgets, we were trying to get a little bit of headroom in the budget so that we weren’t falling off a cliff edge. So, we did start making savings and started putting some contingencies in the budget. So, when we got to the first austerity budget and the coalition government, it wasn’t a massive shock, to be honest.”

- Respondent Q

The third lesson from austerity is that it eventually encouraged LAs to be creative and innovative to include an entrepreneurial motivation in their budgets and medium to long-term plans. Austerity was initially seen as a short-term problem that would end after two and then four years by 2015 (HMT, 2010; 2013).

“When Osborne had his first Budget, it looked like austerity was going to end in 2014 or 2015 or something like that, so it looked like it was a four-year shock, and we produced a Medium-Term Financial Strategy that kind of reflected that, and we thought oh this is going to be tough, you know, it’s going to be a tough four years, but we should get through it. The government did a budget after that, it ... austerity carried on for another year and then another year and another year, so we ended up having kind of ten years ... ten years of austerity.”

- Respondent Q

One of the coping/anticipatory capacities adopted by most LAs was to create new avenues for income generations to help bridge the widened funding gap created during the austerity era. Some LAs made short-term investments, whilst others made medium/long-term (capital) investments. The study found that the extent of investment generally depended on the financial capacity of LAs. Hence, the financially robust LAs invested in larger capital projects, including the construction or purchase of shopping malls, solar farms, housing estates, and recreational centres (cinemas) although, as mentioned in section 7.1. Some, such as Croydon (Wood et al., 2020), clearly overstretched themselves. Generally, incomes generated from these capital investments were continuous and often allocated to providing services. Other (smaller) LAs engaged in short-term investments, such as purchasing more trucks for waste collection.

“[What I] think it [austerity] did do was bring the innovation agenda in local authorities; it accelerated it - absolutely no doubt about it. The innovation became a real watchword that suddenly people were doing things that they may never have been able to do previously, in terms of officers saying to members, council members, “we need to change in a way that you might find unacceptable, but we’ve got no choice”. Now a classic one [example] that everybody will talk about is bin collection because whoever you are, your relationship with the local council will at least involve having your bins emptied. So, what this actually did was drive up recycling rates, which was a really good thing and saved money. So, in [LA name withheld], we were the first

council that went to what we called a three-weekly collection, so your grey bin, your general rubbish, got collected every three weeks rather than every week.”

- Respondent T

7.6 Chapter Summary

In summary, the study found that most English LAs adopted buffering capacities to withstand the severity of shocks absorbed in the short term, particularly during the early austerity era. Although often effective in the short term, buffering capacities seemed less efficient and even ineffective in the long-term. However, in general, LAs drew lessons from these initiatives (mistakes) to shape decision-making in the medium and long-term. LAs adopted cutback management in employees and services to save resources to meet the continuous increase in demand for core services such as social care during the early austerity era. The study found that LAs adopted adaptive strategies as they gradually sought to shift from the reactive, ‘fire-fighting’ approach of buffering and engage in a more forward-looking activity.

The study confirmed that transformative capacities are different from buffering and adaptive capacities, not least because of time horizons. The study found that transformative capacities presented opportunities for LAs to be innovative in taking some risks to make changes that aimed at securing the organisation’s future or long-term financial resilience. The study considered modernisation as a short-term transformative process, which is also a more proactive (forward-looking) approach than long-term transformation. Modernisation is bigger, and more holistic changes that were introduced in the short-term to improve LAs’ capacity to respond to impacts from major crises or changes and allow the authorities to bounce forward.

Information sharing or exchange of information is an important anticipatory capacity that promotes the resilience of LAs. This study also found that LAs that engage in effective information sharing are ones that have an effective blend of the three characteristics i.e.,

- (i) relevant information,
- (ii) effective communication, and
- (iii) complete comprehension (understanding).

This study found that LAs increasingly learned the importance of monitoring their external activities for a number of reasons. Exchanging information efficiently and effectively is based on mutual trust and mature reciprocity. In this research, these were clearly more evident in the pre-austerity and the late austerity eras than they were in the early austerity era. Collaboration and/or partnerships were regularly used as interchangeable terms by the interviewees. On the one hand, the study identified key benefits from collaborations and partnerships that enhanced the financial resilience of LAs. Collaboration and/or partnerships could help LAs to save operating costs, improve assurance on the quality of service delivered, and/or maximise the welfare of the citizenry. On the other hand, LAs that engaged in collaborations and partnerships sometimes faced some (expected and unexpected) challenges. These challenges ranged from difficulty in gauging equity in resources contributed

or benefits derived to a loss of control, particularly for smaller LAs, and increased bureaucracy, which in some cases caused delays in meeting organisational objectives and outweighed the benefits from the arrangements.

Chapter Eight

Conclusion and Recommendations

8.0 Chapter Overview

This chapter provides the main conclusions of this thesis. It summarises findings and conclusions on each of the research questions, having discussed the findings of the empirical research in the previous chapters. It presents some theoretical and practical recommendations before highlighting some of the contributions made by the research to the understanding of the experience of English LAs, which were subject to continuous policies of austerity-localism between 2010 and 2020. The chapter then briefly discusses some of the research's limitations and constraints to both the research itself and the experience of the researcher, particularly during the latter part of the research project. The chapter concludes with some suggestions or potential areas for future research.

8.1 Conclusion and Recommendations

8.1.1 The Quantitative Panel Dataset

The overall objective of the research was to investigate how English LAs addressed the impacts of UK policies of austerity between 2010 and 2020 using the lens of financial performance and financial resilience. The first specific research question was *to create a quantitative database that would allow or facilitate the analysis of English LAs' financial resilience during the era of austerity.*

The data set developed for this study proved suitable for analysis and relevant in helping address the research question(s) of the study, although some of its limitations are outlined and discussed in section 8.3 below. The data set was developed using raw data from RS forms and COR tables which is the financial data that is electronically submitted to the government using a preset proforma from HMT by all English LAs throughout the 15 years (2005/06 to 2019/20) of the study period. The RS forms and COR tables are the most reliable sources for the financial data that could be used for the study. At the time of writing, there is no alternative credible dataset of LAs' funding that span the 15-year study period or any significant part of it.

Despite the inevitable inconsistencies, inaccuracies and changes in the raw panel data caused by multiple changes in government policies, measures, methods, and regulations over the study period, the researcher was able to clean and recalibrate the raw data in order to develop a robust and realistic panel data set that was longitudinal and fit for the purpose of the subsequent research. As a result, a longitudinal panel data set of the financial data of all English LAs for 15 years was successfully created, and this enabled the researcher to identify trends and patterns of their income and expenditure over the study period and insights on how LAs by type and region had similar or different responses to the twin pressures that affected their operations and activities during the austerity era.

8.1.2 Data Visualisation and the Impacts on English Local Authorities' Finances

The second specific research question sought to *identify the impacts and response of English LAs to Austerity*. Although this analysis was primarily based on the data visualisation and analysis of the quantitative panel dataset, the findings were triangulated by the evidence from the subsequent elite interviews and their qualitative analysis. The study, therefore, provided findings and conclusions to both parts of this question, namely (i) impacts of austerity on LAs' income and (ii) LAs' patterns of expenditure in response to these pressures in Chapter 4 and discussion of these findings in Chapter 7.

The study concluded that LAs were exposed to a significant and sustained reduction in revenue support grants (RSG), which was identified as the principal and most significant contribution to both the reduction in LAs' financial resources and indirectly contributed to the increased service pressures that English LAs experienced throughout the austerity era. The study also demonstrated that support from other non-controllable income sources was volatile, particularly in the early austerity era. The relationship between Revenue Support Grant and Non-Controllable Income streams, particularly Non-National Domestic Rates Retained Business Rates, as well as that with the other grants (ABG, LSSG), were not consistent over the time series and were subject to considerable variations. Nevertheless, LAs experienced significant and sustained reductions in their total revenue both in the early austerity era (when non-controllable income streams were volatile) and in the late austerity era when the non-controllable external income streams were more consistent.

In the early austerity era, in particular, this created a widening central-local government gap in the knowledge and understanding of the impacts of the policies on LAs that, in all likelihood, contributed to unhelpful inconsistency in the central government's interventions. LAs had to deal with higher expenditure, particularly in social care, which subsequently contributed to budget deficits. In the initial period, most LAs in England were able to use their reserves (strengthened in the immediate pre-austerity era) to balance their expenditure budget. Reserves were used as a (temporary) buffer to withstand the immediate reductions in financial support and respond to service demand pressures. Earmarked reserves increased (and saw a notable increase in Shire Counties), although gradually, unallocated reserve levels deteriorated for nearly all LAs across both types and regions.

The study also demonstrated that LAs continued were allowed some intermittent financial autonomy over the time series. Nevertheless, there was increased dependence (reliance) on controllable income (e.g., council tax and fees and charges), although they did not have complete control because of the capping arrangement and, most notably, the gearing arrangements and referendum requirements that severely limited their ability to generate controllable income and respond to changes in their local financial environment throughout the study period. In order to respond efficiently and effectively to potential future shocks and challenges, LAs require more stable long-term financial arrangements that include both greater certainty in terms of central government support and greater capacity and flexibility to enable LAs to respond to local circumstances and generate controllable income.

The study also revealed that the difference between statutory and discretionary services became more important in decision-making as the era of austerity unfolded. LAs were responsible for providing public services, infrastructure, and amenities to meet the needs and protect the welfare of their citizens. English LAs' decision-making was significantly affected by the financial reductions in support and the increasing changes in demand pressures. Although they could be anticipated to a certain extent in the pre- and early-austerity eras and were anticipated by some LAs, the financial shock was difficult for LAs to predict or determine, even in short to medium terms. As a result, LAs were obliged to make decisions on expenditure, despite the uncertainty that clouded the severity of the impact on their finances. This study suggests that, particularly in the early austerity period LAs primarily adopted coping and anticipatory measures to (i) limit their perceived vulnerability levels and (ii) sustain their financial resilience. By the end, LAs (re)prioritised services to withstand the changing service pressures throughout the austerity era, but particularly in the early austerity period.

The study also concluded that despite the varying shifts in patterns of demand in individual for service expenditure, the most significant influence on these changes was the significant increase in the demand for social care. Social care had the largest proportion of the total net expenditure for all LAs types that were responsible for social care (SCs, UAs, LBs and MDs), when education is excluded from the analysis. The other types of LAs i.e., GLA (O) and Shire Districts (SDs), had no statutory responsibility for social care. The study also revealed a common trend amongst SCs, UAs, and MDs that had to allocate increasing amounts of funds to demand-led social care throughout the time series, despite specific short-term interventions by the central government to financially support social care services. These trends appear to support previous short-term studies of the impact on social care in the literature. For the GLA, the largest proportion was expenditure on "Other services", comprising central and emergency services. For SDs, the largest share of expenditure was on environmental and regulatory services (ERS), and they spent an average of 25% of total net expenditure (excluding education) on 'other' services.

8.1.3 The Perceived Vulnerability of English Local Authorities

The third research question sought to *investigate what impact did austerity policies have on the perceived vulnerability of English LAs* over the study period. The study investigated how austerity affected LAs in three categories – financial, infrastructure, and service areas. In terms of financial impacts, the study found that austerity led to a loss in income for English LAs predominantly through the reduction in central grants (RSG), which made them more vulnerable to financial shocks, immediate challenges and/or future crises. The perceived funding gap (for all LAs, by type and region), continued to widen, leading to an increase in perceived vulnerability levels for English LAs throughout the early austerity period and often beyond. Although austerity generated pressure on LAs' spending power, the qualitative evidence collected for the study suggested that this could positively affect some LAs' vulnerability (i.e., encouraging them to become more innovative and devise strategies for sustaining pressures), or it could negatively affect vulnerability, (i.e., making them even more vulnerable to future disruptive event)s, or in some cases, it could operate in both ways.

In terms of infrastructure, the study found that the introduction of austerity compelled some mitigating interventions and changes to financial support by the central government and that, at times, these have either empowered or hindered the ability and capacity of English LAs to

cope and adapt and anticipate and identify better ways of dealing with disruptive events (bounce back to their original state or bounce forward).

LAs were inevitably compelled to make cutbacks in services, both discretionary and statutory, including services in high demand by residents. LAs' perceived vulnerability increased because different populations demanded different services. The reduction in income caused most LAs to struggle to meet their residents' increasing service demands. Overall, austerity compelled LAs to adopt a rationalisation strategy that meant a loss of jobs for many authorities and lower employment levels within the sector. Some LAs devised or introduced strategies to increase the use of technology, which in most cases helped save operational costs. However, LAs became increasingly susceptible to varying priorities for services as different groups of residents demanded more or better services, making it impossible to meet the needs and demands of all residents (citizens) or maintain the levels of service previously provided. The continuous policies of austerity-localism, its impact upon a specific range of services and the significance of the difference between statutory and discretionary services were all explored in Chapter 7, which enabled the researcher to gain a more granular understanding of the impacts of austerity on individual and collective groups of services.

8.1.4 The Impacts of Austerity on Cultural and Related Services

The fourth specific research question sought to investigate *how did English LAs respond to the impacts of austerity in providing Cultural and Related Services using a financial resilience framework*. The main findings and conclusions related to two areas, namely the scale of the reductions and the (re)prioritisation of resources within CRS.

The study found that CRS was significantly and disproportionately adversely affected by the reduction of central funding to English LAs. It was evident that LAs reduced expenditure on culture and heritage services throughout the austerity era. This was exemplified by Arts and Development Support, a service that saw significant and disproportionate reductions throughout the austerity era for all LAs by type and region.

Second, with regards to the (re)prioritisation of CRS the study found most English LAs initially protected spending on library services (during pre/early austerity) and spent a greater proportion of their diminishing resources on parks and open spaces in the late austerity era. While all Cultural and Related Services (CRS) were significantly affected during the early austerity era, services in the 'culture and heritage' category saw a higher proportion of total net CRS expenditure than those in the 'recreation and sports' category. The GLA, essentially because of the Olympic Games, prioritised more funds for services in the 'culture & heritage' and 'recreation & sports' categories than those unspecified (e.g., library services, tourism, parks & open spaces). It was the reverse pattern for the other LG types both in the early and late austerity eras. Library services (a statutory service) had the largest proportion of funds allocated to CRS throughout the 12 years, but despite this prioritisation, library services experienced the largest reduction in expenditure by value, e.g., £228m in 2014/15 to £155m in 2019/20. LAs faced intense pressures to continue delivering CRS services during the early austerity era. As a result, most English LAs, by type and region, adopted buffering and adaptive measures by reducing funding allocated to library services and charging fees to defray operating expenses. Despite the ad hoc and short-term attempts by central

government and external arts bodies to support LAs in delivering CRS (including library services), most LAs were unable to meet residents' demands and expectations and significantly reduced the range and quality of the services provided. By the late austerity era, most LAs had adopted a more entrepreneurial approach, not necessarily to make profits but merely to contribute to the cost of running these services.

Findings of this study are useful and relevant to users including academics, practitioners, and policy makers, as indicated in the discussion of contributions in the following section.

8.2 Contribution

8.2.1 A Dataset that could be used for future research

One major contribution of this study was to create a unique quantitative panel dataset that allowed comparison and analysis of English LAs' income and expenditure over a long-term period that included the era of austerity. This will provide opportunities and a comparative context for further, more detailed research into particular services and case studies on individuals or groups of LAs. The longitudinal nature of this data set will make it useful for further studies exploring LA financial arrangements not only during the study period but also for long-term comparisons of the periods before and after the study period.

8.2.2 The benefits of using Data Visualisation

While the use of data visualisation and data disaggregation is gaining considerable traction and attention in other research disciplines, it remains 'novel' in the public management literature and surprisingly rare in the accounting and accountability literature. This study has demonstrated the benefits and the potential for greater use of data visualisation and data disaggregation in public management and accounting research, particularly in cases with very complex data sets such as the one created for this study. By using these techniques, it was possible to identify, visualise and analyse long-term changes in trends and patterns, which other data analysis techniques might not have identified. For example, other analysis techniques, such as regression and correlation, were less useful, and it was helpful to adopt a data visualisation approach to identify and understand key trends and patterns in English LAs' income and expenditure during the austerity era. This study serves as one of the first to use data visualisation to analyse and present results in the public service management, accounting, and accountability literature. This study adds to the literature in terms of assessing both a larger group of LAs and over a greater longitudinal timeframe.

8.2.3 Research in specific LA Service areas

Although previous studies have explored the impact of austerity on various individual service areas, including cultural services, no study (at the time of writing) explored the impacts of austerity on culture for all English LAs over a longer period beyond 10 years. This study contributes to the literature on how LAs have responded to austerity in a specific service area and over a longer time series. In addition to exploring the data on cultural services generally, the study also looked at a specific component of CRS, most notably library services, for a 12-

year period, which enhanced the understanding of English LAs' response to the financial challenges of austerity.

8.2.4 Theoretical contribution to the development and application of the Financial Resilience Framework

The study also contributes to the theoretical development and empirical application of the Financial Resilience Framework by applying or testing it at the sub-national level. It adds to the early theoretical characterisations of transformation by Shaw (2012) and to the more recent theoretical and empirical work on financial resilience by Barbera et al. (2014; 2017; 2019; 2021) and Steccolini et al. (2015; 2018). Previous studies have generally focused on LAs collectively within a nation and on the impacts upon them generally or collectively at a national level. This study applied the financial resilience framework to LAs in their local contexts. It also used a longitudinal time series (15 years), which allowed the study to identify different patterns and trends in three distinct eras, namely, the pre-austerity (2005/06 to 2009/10), the early austerity era (2010/11 to 2014/15), and late austerity era (2015/16 to 2019/20).

The study also identified and distinguished cases of short-term transformation (labelled 'modernisation') and differentiated this short-term transformation from the long-term transformation that both the local government sector and most individual English LAs were confronted with over 10 years of austerity. The study revealed a need to develop clearer definitions of some of the other concepts within the model, including transforming capabilities, capacities, and strategies. The current literature on financial resilience identifies 'perceived vulnerability' and transforming' as subjective concepts, which makes them challenging to understand and apply in empirical studies. This study provided a clearer definition of 'perceived vulnerability', provided examples, of and was able to define attempted to define 'transforming' capacities within the financial resilience framework. Thus, the literature was lacking a strong examples of transforming, but findings of this study provided examples with evidence from primary data within a local government context. The study identified lessons drawn from English LAs' experience in dealing with the impacts of austerity and their response to shocks, which helped inform their ability to build capacities and capabilities in the future. For example, not all decisions made by LAs were the best in their circumstances, but the more resilient authorities were those that paused to reflect, drew lessons from reflections and adopted or incorporated these lessons in their future decisions and arrangements.

8.3 Limitations of the Study

The study was conducted over four years and identified some limitations and constraints to both the research itself and to the experience of the researcher, particularly during the latter part of the research project, all of which affected both the progress and outcomes of the project. The researcher devised some strategies to mitigate some of these constraints to avoid or minimise their impacts but was in a situation where some consequences could not be prevented.

8.3.1 The impact of coronavirus (Covid-19) pandemic on PhD progress

A mixed-method approach required some qualitative analysis of primary data. The researcher could not conduct the semi-structured interviews face-to-face because of the Covid-19 restrictions on social distancing and self-isolation. The interviews were with senior officers such as Chief Executive Officers (CEOs) and Directors of Finance (DoFs) of UK LAs. However, these senior members were inevitably unavailable for face-to-face interviews due to increased responsibilities, not least with the transition from “office-working” to “home-working”, as well as the challenges of austerity. The researcher improvised by undertaking a quantitative data analysis using secondary data as the pilot study. Face-to-face interviews often had to be postponed until after the pandemic and most had to be conducted remotely using Zoom/Teams. While this allowed the study to be completed, it lost at least some of the benefits that face-to-face interviews would have contributed to a deeper understanding of the issues.

8.3.2 The LA Dataset

As the researcher adopted a mixed methods approach to the study, there was a need to generate a robust LA dataset using the financial data of English LAs. The raw financial data, to an extent lacked consistency throughout the 15-year period. First, there was a lack of consistency due to the structural changes in the local government sector and the creation of new unitary authorities by the government in England. Similarly, partway through the time series, the government changed the way it allocated educational spending and created new Police and Crime Commissioners and later Police Fire and Crime Commissioners throughout England. The researcher had to exclude all financial data relating to education, the police and fire services from the data set. This meant the dataset was not as consistent or as comprehensive or as representative of income and expenditure on LA services as it could have been. Secondly, there was a lack of consistency in some labels/expenditure items resulting from government reclassifications, as some were either renamed, replaced, removed, or introduced. The disaggregation of social services into adult social care and children’s social services from 2012/13 was an example. In this case, the researcher had to create a new label called “social care calculated” as a sum of both items to ensure consistency.

Although the panel data set was instrumental in exploring the trends/patterns in English LAs’ funding, for the reasons above, it should be regarded as a work-in-progress, and it is expected to develop further post-submission of this thesis. However, the current version of the dataset provided a good basis for a practice-oriented database that will host financial data of English LAs and allowed a visualisation of the income and expenditure position of LAs for a longitudinal time series. The current dataset requires updating with the financial data from the 2020/21 financial periods and also includes other aspects of funding (i.e., capital revenue, capital expenditure, and capital financing – see below) to become more comprehensive and useable by the public management practice community and by the public. When upgraded, this database will complement other existing financial and developing performance tools, including the CIPFA financial resilience index and the emerging financial resilience toolkit (Barbera et al. 2015; 2017), which should enable a more objective measure of LAs actual financial vulnerability to be compared with their perceived financial vulnerability.

8.3.3 Capital income and expenditure

The study analysed three sets of financial data for English LAs, namely Revenue income, revenue expenditure, and reserves. Although a fourth dataset on capital income, capital expenditure, and capital financing was available and could have provided further insights and understanding of the trends and patterns, the study had to exclude this data *inter alia* because of the limited time available to conduct the respective analysis. Capital income could have been used to mitigate, reduce, or manage the impact of austerity or disruptive events. For example, LAs could engage in capital investment to acquire property to generate future revenue income that might then have been used to fund statutory and/or discretionary services. However, analysis of the fourth financial datasets proved impractical, and Capital financing was excluded not least because as it was the least likely of the four budgets to have a significant impact on the findings and outcome of this project.

8.3.4 Financial Resilience dimensions and concepts

The focus of this study was aimed at contributing towards the growing literature on financial resilience and performance management. There was limited time to explore some financial resilience dimensions (perceived vulnerability) and concepts (transforming). Although this primary aim and purpose were achieved in the research, the wide scope of the financial resilience dimensions meant that the study could not explore all dimensions (particularly perceived vulnerability) as much as it was envisaged at the start of the project. The study provided some investigation of perceived vulnerability, but a more detailed literature review could have been made if there was enough time to do so. Second, the concept of transforming as a coping capacity is under-explored in the public service management, accounting, and accountability literature. While this study attempted to contribute to research on improve 'transforming' as part of the financial resilience framework, the concept is subjective and a consistent impression from the interviews proved that interviewees understood transforming in different ways when applied to their respective LAs.

8.4 Areas for Future Research

8.4.1 The concept of Value for Money in local public services

This study highlighted the growing realisation of the importance of the relatively new concepts of financial resilience, financial vulnerability and financial sustainability (and more general sustainability) to the operation of LAs. Since late 1990's Value for Money in the local public service context has been defined by the economy, efficiency and effectiveness by which LAs conduct their affairs and deliver their services. This study provides further evidence for future research as to whether value for money can realistically be established in the long run only by reference to the three Es of Economy, Efficiency, and Effectiveness.

8.4.2 Potential Comparative Studies

As the study has focussed very specifically on the English context but has considered an economic and social policy (austerity) that has had widespread application in the developed world, there are multiple areas that suggest themselves for future research, not least through further comparative studies. Research into the impact on LAs in the devolved administrations of Scotland, Wales and Northern Ireland would improve our knowledge about the impact of

austerity, the development of financial resilience and the efficacy and appropriateness of using the Financial Resilience Framework in the UK context. Further longitudinal research could be conducted on service areas other than Culture and Related Services, particularly the services excluded from this study, such as Education and the Police and Criminal Justice Services. In addition, as the third sector is becoming increasingly involved in public service delivery, this suggests that the application of the financial Resilience Framework to the third sector and/or to individual third-sector organisations would be a logical development for the current research. One potential area could be the Higher Education sector or individual Higher Education Institutions (HEIs), as it would be enlightening to conduct a study applying the Financial Resilience Framework to help evaluate the financial resilience and sustainability of HEIs during particular (uncertain) times or in response to disruptive events such as the Covid-19 pandemic. All of the future research areas for the domestic context of the UK could also usefully be complemented by comparable research in other parts of the world, including Europe, North America, and Australia, as there is already ongoing research into the application of the Financial Resilience Framework and the implications of national and regional policies of austerity.

8.4.3 The Nine 're-structured' Authorities excluded from the Study

Due to differences in rows and columns in the RS forms, the study excluded all nine re-structured LAs in England since they were not comparable over the time series. The study excluded the reorganised authorities as a group because it created too many complications from analysis to the discussion, but it would be an interesting project in itself to investigate the difference in impacts of austerity on these authorities and explore the (dis)similarities in their response to these shocks.

8.4.4 Explore 'Perceived Vulnerability' further in the Public Management literature

As stated above, the concept of perceived vulnerability from the financial resilience framework was not reviewed in detail, as initially planned by the researcher, due to time constraints. Whilst reviewing the literature on perceived vulnerability, further aspects of vulnerability and perceived vulnerability emerged, which could have been useful in contributing further to the literature on financial resilience and performance management. These different aspects suggest a need to conduct a study that enables much better understanding of perceived vulnerability. This could be a basis for building a robust definition of perceived vulnerability to facilitate consistent use of the dimension both by academic researchers and practitioners.

8.4.5 Capital Items

Finally although this study achieved its research aims/objectives by analysing three sets of data (discussed in 8.1.1 above), but did not explore the impact on English LAs capital accounts (e.g., data on capital income, capital expenditure, and capital financing) which is also to get a complete impression and understanding of how English LAs responded to shocks during the austerity era.

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Appendices

Appendix A: Definition of Key Terms

The study uses key terms (phrases) that ought to be understood to enable a fuller understanding of the aims/objectives of this project. These definitions are crucial because they may be slightly different (improved) from the traditional definitions in other studies.

1.2.1 Austerity-Era

The austerity era represents the period where the UK (Conservative-Liberal Democrats) government introduced fiscal austerity measures by reducing central government funding to Local Authorities (LAs) to minimise government expenditure and reduce public debt. Austerity measures were implemented in 2010 as a policy to tackle the impacts of the 2007-09 economic recession.

1.2.2 Financial Resilience

Financial Resilience (FR) is defined as the ability of an organisation to anticipate, absorb, and respond to adverse crises and shocks affecting their financial performance and position using a combination of four interrelated elements, namely; (1) perceived (financial) vulnerability, (2) shocks, (3) coping capacities, and (4) anticipatory capacities (Saliterer et al. 2017).

Appendix B: Developing longitudinal Data Sets for English and Welsh Local Authorities

1.0 Overview

In addition to introducing the research and its objectives, Chapter 1 highlighted and discussed the overall structure of local government in the UK. Chapter 1 also provided an in-depth account of the LA funding system with some significant changes that have affected the funding system of LAs in the UK since 2005/06. In chapter three, the study discussed the process of collecting financial data of LAs in England (and Wales). In this chapter (four), the researcher provides a systematic account of the secondary data collection, preparation, and analysis phases. As Chapter Three focused on primary data collection and analysis, this appendix discusses the secondary data sources and how data collected from various reliable secondary sources were cleaned and used to create a panel data set for analysis to achieve the research objective(s).

1.1 Description of the Data sets

The study created two Local Authorities Data sets using local authorities' financial data; both were significant in helping to achieve the research objectives and respond to the research questions – to establish a quantitative database that suits the analysis of English LAs' financial resilience during the era of austerity.

There are 408 LAs in the UK, comprising 343 in England, 32 in Scotland, 22 in Wales, and 11 in Northern Ireland. While the primary objective of this study was to investigate the financial circumstances and the resilience of LAs in England, it was helpful and prudent to run an initial/preliminary pilot analysis for the 22 LAs in Wales before focusing on the English context. The researcher drew lessons from this initial analysis of the Welsh LAs, which were useful in analysing the bigger data set of English LAs. The data used for this project comprised financial information on England and Wales local authorities from 2005/06 to 2019/20 financial periods. This data was collected from all principal authorities in England and Wales and published annually by their respective governments¹⁰. Principal authorities refer to upper-tier councils, including unitary, county, combined authorities, and lower-tier councils covering a district area. The exclusion of Town Parish and Community Councils, which are much smaller entities with relatively small budgets and a very limited range of services covering only parts of the country, was necessary to develop a consistent database and facilitate comparisons.

The financial datasets were derived from publicly available (secondary) data, namely (i) the Local Authority Revenue Outturn (RO) suite of forms and (ii) the Local Authority Capital Outturn Receipts (COR) group of tables. These groups of financial data were used to create the LA data sets as they are the most informative and authoritative collection of local authority funding and spending data and are used by His Majesty's Treasury and all government agencies.

¹⁰ The data (from RS/RO forms, etc.) are collected by the UK government – the Department for Levelling Up, Housing and Communities (DLUHC) previously the Ministry of Housing, Communities and Local Governments (MHCLG) at: <https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing>

The data is collected annually and is used to provide Local Authorities, the LGA, the Ministry of Housing, Communities and Local Government (MHCLG), HM Treasury, and the Office for National Statistics (ONS) with the most current information available on LA revenue and capital income and expenditure. It was necessary to keep updating the English and Welsh data sets during the study since the financial data were originally collected in 2018 and did not include financial data for the 2017/18, 2018/19, and 2019/20 financial periods. The extra data was extracted along with the population data for these later years, and the additional data was later incorporated into LA data sets to enable the researcher to compile a full range of panel data to analyse as part of the research project.

Second, the Office for National Statistics (ONS) uses the data on service expenditure breakdown to analyse public sector finances and prepare National Accounts. The data are regularly provided to HM Treasury to inform the Pre-Budget Report by the Chancellor and government spending reviews. Third, the data represents an essential source for other evidence-based financial decisions and policies, which are quoted in response to questions in parliament. Finally, it is also used by local authorities and their associations, government ministries, agencies and departments, members of private bodies and communities, and the third sector to inform the general public. For example, besides these generally summarised RS/RO forms, there are spreadsheets of detailed breakdowns by LAs for all services, including education, social care, highways & transport, and culture & related services, which helps to understand how LAs distribute resources in a specified period.

The Revenue Outturn (RO) suite of forms comprises the RS and RSX forms, which, for this study, were integrated and combined into one Excel workbook for all LAs by type and region in each financial year. These RO suites of forms are created each year to record the full range of service expenditure by the local authority with a corresponding breakdown as required in the hierarchical structure of the Service Reporting Code of Practice (SeRCOP) Section 3 (Service Expenditure Analysis for England and Wales). Under the Local Government Act 2003, SeCORP is prepared annually to comply with the financial reporting framework established by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). SeCORP is reviewed annually to ensure that it aligns with the needs of local government, transparency, the best value, and any public service reform.

This study used financial information from the RO suite of forms because they provided information on local authorities' annual revenue income and expenditure immediately before and during the austerity era. Their use was instrumental in analysing the changing trends and patterns in local authority finances over the period, as used by other scholarly researchers (Smith et al., 2010).

The Capital Outturn Receipt (COR) tables are a suite of Capital Outturn tables. COR 1-2 tables collect financial information on capital expenditure and capital receipts (income). COR 4 summarises the detailed information on COR 1-2, as it records information on the financing of capital expenditure; and other relevant information on expenditure and receipts that are not captured in the COR 1-2 tables. The study used COR 1-2 and 4 data to understand the movement of capital receipts and expenditure for local authorities before and during the (early & late) austerity era. This provided insights into the financial decisions that local

authorities made during the study period to manage their non-current assets and liabilities while addressing the financial and service demand pressures. Therefore, this research used this 'secondary' data, which comprised the financial data on income and expenditure of UK local authorities, as this is the most reliable data available for this study.

2.0 Data Set Development Process

The project used two panel data sets for LAs in each country, i.e., England and Wales. Data was analysed and discussed in four phases: pre-analysis, data preparation, data analysis, and writing-up. The development process was categorised into these phases to enable easy adjustments and minimise complications encountered when dealing with large data sets. Four different colours were used in the flowchart (below) to distinguish the different activities within the four stages of the data sets. The same process was adopted for datasets for LAs in both England and Wales.

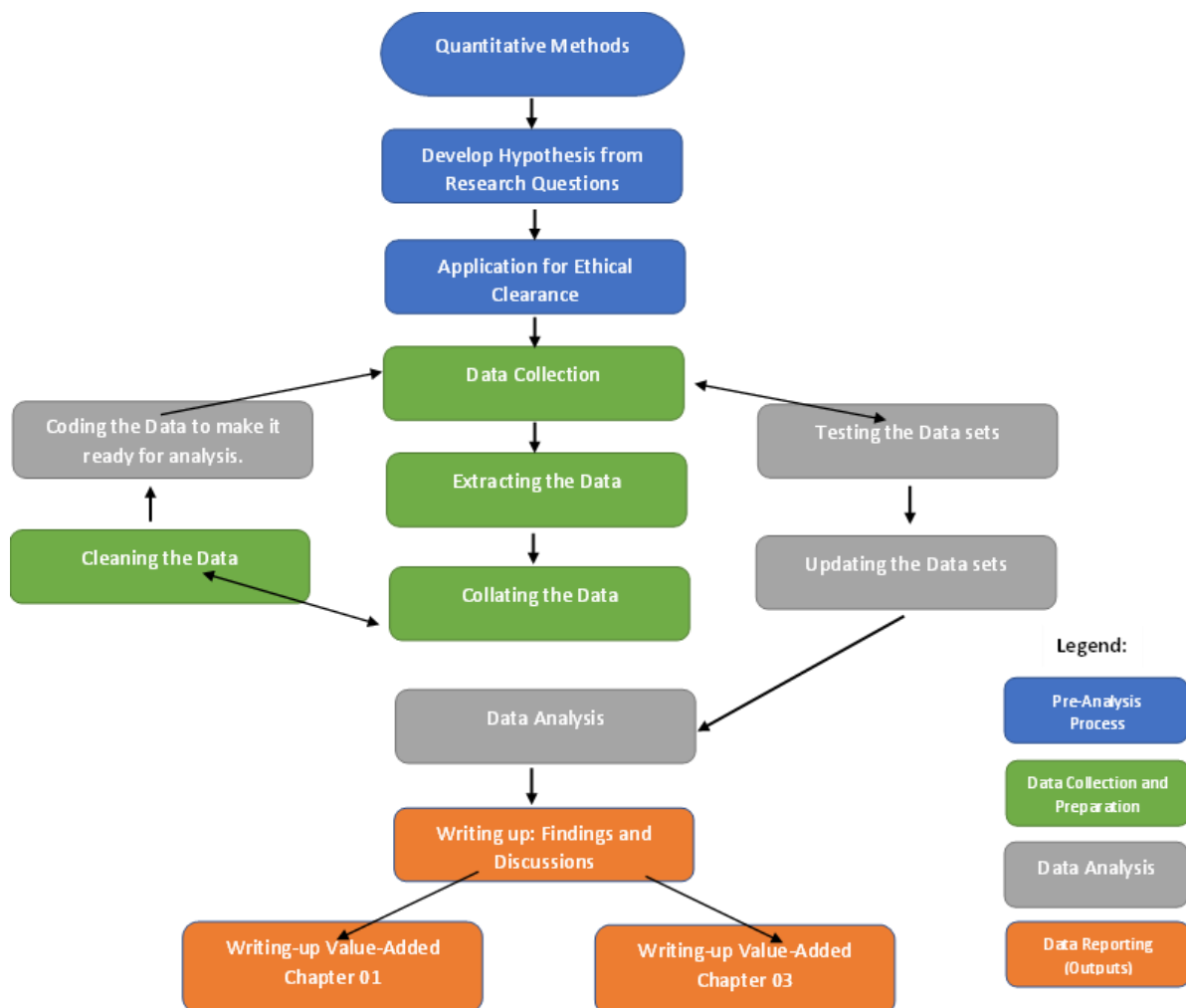


Figure 1: Flow chart for Developing the LA Data sets

Source: Field data

The pre-analysis stage included developing hypothesis and conceptual models and applying for ethical approval. Phase two was the collection and preparation stage. Data needed for the project were initially extracted from different sources, with elements combined into one Excel workbook to reflect changes made to the local government structure throughout the time series. The reasons for the parity and collation of elements are explained later in this chapter. Cleaning was an iterative exercise that was often recursive whilst inserting the data into the Excel workbook. The grey boxes (in phase three) illustrate the main data analysis process, which was also often recursive and iterative. Hence the reason why the main analysis process was illustrated in a loop on the flowchart. For example, cleaning the data required testing to get some feedback based on changes that were made. Finally, the analysed data were interpreted and discussed in the four empirical (value-added) chapters (i.e., from chapters four to seven).

2.1 The Pre-Analysis Stage

The first activity was to review the research objectives of the project. The project sought to investigate the financial resilience of English and Welsh LAs immediately before and during the austerity era. Having defined the research objective(s), it was crucial to develop models and propositions that could contribute to achieving the research objectives. The researcher had to review the hypothesis and models before applying for ethical approval for the project. The application for ethical clearance for this project was necessary as the financial data used represents a sensitive part of the LAs' financial performance both before and during the austerity era.

A formal application was completed and submitted to the College Research Ethics Committee (CREC) at Nottingham Trent University (NTU). This sought to assure participants of confidentiality, anonymity, and the appropriate use of data, even though the raw data was published on a government website, which was readily available for public use. The CREC reviewed the application and suggested some minor amendments to the application documents. A revised version of the application was submitted and approved in June 2019 by the CREC at NTU.

2.2 Data Collection and Preparation Stage

Data collected from the different sources were combined from a workbook with different spreadsheets and collated onto a single MS Excel spreadsheet to enable easy navigation and use. The financial data for all LAs in each year were recorded in each spreadsheet, with 45 spreadsheets of data on the income and expenditure of English LAs (from RS & RO forms and COR tables) and 15 different spreadsheets for Welsh LAs (from 2005/06). For example, for every year, there was a separate spreadsheet on RS, RO (tables) and COR forms. Having captured the data in Excel, it was relatively easy to clean the data, prepare it, and make it ready for analysis. Excel was useful because it enabled the researcher to collect data on all LAs in each country (England and Wales) for each year (from 2000/01 to 2019/20).

2.3 Data Analysis Stage

During the study period, some local authorities underwent reorganisation whereby some were abolished, and others created. This meant the data had to be cleaned to ensure consistency across the analysis period. Thus, it was necessary to apply unique identifiers within the data set for LAs that had been combined into unitary authorities from 2009/10 onwards. This change affected the initial codes generated by the ONS and meant the affected LAs have different codes from 2009/10 onwards. To ensure consistency, the researcher excluded the combined unitary authorities and introduced unique identifiers for the newly created unitary authorities (UAs). The Office for National Statistics (ONS) Code was the unique identifier to distinguish each LA separately. Different data sets used slightly different codes to distinguish the LAs, but the researcher used the ONS codes because they are the most often used for most datasets for English LAs.

While the English LA data set required some new unique identifiers (codes), the Welsh LAs required little or no further coding since the codes used were consistent for all 22 Welsh unitary authorities throughout the time series. The researcher used LAs in Wales to validate the data set before applying it to the English LAs. Hence, a 'pilot' analysis was run to effectively test the values and models generated from the first stage. The researcher adopted this strategy because running a preliminary analysis on a smaller data set (Welsh LAs) for a 15-year time series was much more manageable and easier to navigate than on a larger data set. Lessons from the pilot informed necessary adjustments that facilitated better data analysis for the LAs in England throughout the time series. For example, after analysing data on Welsh LAs, the researcher acknowledged the need to consider/include different revenue incomes in an English context to understand how LAs adopted strategies to withstand pressures that emerged during the austerity era.

2.4 Data Outputs

After the first three stages, the results were analysed against the research objectives. The analysis is discussed in detail in chapters 5 and 7, which used quantitative analysis. Chapter 5 discussed results on the changing trends in expenditure, movements in income, and the financial reserves of English and Welsh LAs. Chapter 5 addresses research question 2 by analysing the capital receipts and expenditure of LAs in England. Chapter seven addresses research question 4 as it discusses the impact of austerity and financial resilience on Cultural and Related Services (CRS) in England. These stages are briefly discussed in the sub-sections below.

3.0 Data Collection

Data collection was done separately for English and Welsh LAs.

3.1 Financial Data of English LAs

The data collection phase started with the financial data labels and their various sources. The researcher started by downloading the Revenue Outturn (RO) suite of forms from the government (MHCLG) website. The RO forms summarise how local authorities spent their

money over the last financial year. It presents the main sources of income available to local authorities to finance this expenditure, including the central government funding, business rates retained, and council tax. The RSX forms provide details on local authority Service Expenditure. This comprises 12 distinct service areas (such as Education, Adult Social Care and Public Health), although they are not often complete in a few cases. Consequently, there was (1) budgeted, (2) provisional, and (3) final data on local authority revenue expenditure and financing in England throughout the study period. These financial data were available and classified for individual authorities before the end of the previous fiscal year and as a group for all local authorities in England.

The budgeted financial data is published early each year to gauge estimates of England's local authority revenue expenditure and financing (usually in the autumn). The provisional results represent the draft of actual values in revenue expenditure and financing for the various financial periods before audit and scrutiny. The final data constituted actual figures on revenue expenditure and financing of local authorities for each year after internal and external audits and made ready for publication (usually 15 months after the draft budget version is first published). Although all of the data is available and accessible to the public, only the actual figures (on income and expenditure) for each year were collected/extracted for this study because these represented final figures that required no further alterations.

There is financial data on the local authority's revenue expenditure (i.e., core services and discretionary services) and financing (i.e., specific and special revenue grants, etc.) within the final data. The researcher extracted the RO suite of forms (specifically the RS and RSX forms) from 2001 to 2020 because they capture all financial data on local authority revenue expenditure and financing for England consistently throughout the time series, which includes the period of austerity (2010/11 to 2019/20).

The researcher also extracted the Capital Outturn Receipts (COR) suite of tables from the MHCLG website. The COR 1-2 and 4 tables capture financial data on local authority capital expenditure and receipts in England for the different financial years. Capital Expenditure for local authorities includes the acquisition of fixed assets, capital investment, capital grants, capital advances, and credit cover for any credit arrangements made in that financial year. Capital Receipts categorise revenue from transactions such as the sale of fixed assets, repayments of capital advances and grants, and leasing disposals. The researcher extracted COR 1-2 and 4 tables from 2001 to 2020 because it captures financial data showing each local authority's financial position throughout the time series. ONS uses the COR 1-2 and 4 tables to compile the 'Local Authority Capital Expenditure and Receipts England Final Outturn' published annually to support government decision-making.

The researcher extracted UK population data for all local authorities in the UK from 2000/01 to 2019/20. The census is taken in March and aligns as far as practical with the financial year. The researcher included population data because it is one of the common denominators for measuring changes in income and expenditure per head in an LA. Population data were extracted for each local authority in England across the time series to ensure consistency in the analysis. The researcher also used population data to create dummy variables for each local authority, such as expenditure per head, and cultural spending per head. This made it

possible to compare one local authority's performance against other authorities and to investigate trends and patterns. Due to changes in labels and data, the researcher only used financial data from 2005/06 to 2019/20 to avoid any possible inconsistencies and ensure credibility in the results. While reducing the time series from 20 years (i.e., from 2000/01 to 2019/20) to 15 years (i.e., from 2005/06 to 2019/20), the researcher eliminated English LAs with discontinuous financial data, which posed potential threats to the credibility of results and findings. As a result, 343 LAs were used throughout the time series (2005/06 to 2019/20) for the English LA population, while all 22 Welsh LAs were included in the pilot study (preliminary analysis).

The researcher extracted data on the individual scores of all local authorities during the Comprehensive Performance Assessment (CPA) regime between 2002 and 2008 (Audit Commission, 2009a). The assessment was monitored by the Audit Commission, where each local authority was scrutinised based on a standard performance criterion from poor (score of 1) to excellent (score of 5). Detailed scores were based on criteria such as the use of resources (UoR), financial management (FM), financial sustainability (FS), internal control (IC), and Value for Money (VfM). The researcher extracted data from the FM, UoR and the CPA corporate scores for all England local authorities (from 2002 to 2008) because it helped to understand the potential vulnerability of each local authority before the austerity era (2008/09). This, although variable, was expected to provide insights into the various levels at which each local authority addressed financial pressure before the austerity era. The researcher found it interesting because it gave insights into each local authority's financial performance and position after the economic recession and before the introduction of fiscal austerity policies by the coalition government (See also Audit Commission 2008, 2009b, and 2009c).

3.2 Financial Data of Welsh LAs

The financial data of Welsh LAs is made publicly accessible by the Welsh Government and was downloaded from the Government website (Stats Wales). The financial data comprised (1) the Revenue Outturn (RO), (2) the Revenue Summary (RS), and a spreadsheet with data on LAs' reserves. The Welsh and English RO forms are very similar although the Welsh RO forms combined all services into one spreadsheet, whereas English rOs had separate spreadsheets for the major services. For example, in England, there was an RO for education (RO1), highways and transport services (RO2), social care and health services (RO3), and housing services (RO4). The RS forms contained detailed information on the current revenue (income) and expenditure for the Welsh LAs. This was mostly similar to the English RS, except for some differences in labels/titles of sub-headings. For instance, police and fire & rescue services were separated for English LAs, but the equivalent was combined as "law and order and protective services" for Welsh LAs. Most elements of income were similar for English and Welsh LAs.

4.0 Extracting the Data

After the collection stage, the study examined the data to ensure it was fit for the research purposes. The researcher scrutinised the annual financial data from 2000/01 to 2019/20 for English and from 2005/06 to 2019/20 for Welsh LAs. This scrutiny was necessary to create a longitudinal analysis of financial resilience before and during the era of austerity. Welsh LAs' data was only extracted from 2005/06 because data for the prior years were not accessible from the source (StatsWales website). For the English LAs, the researcher also identified some discrepancies such as changes in policies in the annual financial data from 2002/03 to 2004/05, which affected the rows and columns to be inconsistent with the rest of time series (2005/06 to 2019/20). As a result, these were excluded, and the study only considered financial data from 2005/06 to 2019/20 for both English and Welsh LAs. This produced a 15-year data set ending at the 2019/20 financial year that was consistent and covered the entire austerity era, which helped minimise potential sampling errors. However, there were still some minor discrepancies, including changes in the names of LAs, and order of service expenditure (e.g. the amalgamation of "children services" and "adults care" into one "social care") within the data. Discrepancies are inevitable in data management, so extracting it was crucial to extract only the data that would be useful in addressing the research question. These minor discrepancies were addressed and are discussed further in the cleaning stage (below). This data was enough to create a panel data set.

The 15-year period represented a longitudinal time series that covered the austerity era. In addition, the time series allowed for investigating policy and events in the five (5) years before austerity policies were implemented in England and Wales. The researcher ensured that the financial data covered the same period for LAs in England and Wales to avoid sampling errors. Sampling error occurs due to the disparity in the representativeness of the subjects considered in a research project. Hence, considering a data set that is consistent reduces the possibility of sampling error.

Finally, the extracted data avoided selection bias. Selection bias refers to the bias introduced by selecting groups for analysis so that proper randomisation is not achieved. All possible measures were considered to minimise selection bias, although this is almost impossible to eliminate in practice. After extracting the data, the next stage/phase was to enter it into Excel Spreadsheets, which were cleaned and made ready for data analysis.

5.0 Collating the Data into Excel

The extracted data was imported into Microsoft (MS) Excel spreadsheet to create a panel data set of financial data for all English and Welsh LAs during the entire time series (from 2005/06 to 2019/20). Extracted data were imported into MS Excel rather than alternatives such as SPSS and STATA. MS Excel was used to create the panel data set because it was the most flexible software package that enhances effective data management, is easier to learn, use, and understand, and is safe and secure.

Excel is a spreadsheet software, while SPSS is a statistical analysis software, and Excel has more functionality than SPSS. Although SPSS and STATA have built-in data manipulation tools for coding and transforming variables, Excel enables users to manage the data and make it consistent and ready for use. Excel was used to re-align the data to hold all data for the 15-year period and tweak the various labels (titles) to improve reporting consistency. Third, it was easier to learn, use, and understand MS Excel than SPSS and STATA. For example, there were useful videos on YouTube and books on using Excel for data management. The researcher also got support from the University Library and the Microsoft Support Team for further lessons on creating and managing panel data. It was also useful to include data for all 15 years on one spreadsheet, which was quite impossible with other software packages (SPSS, STATA).

Two panel data sets were prepared – one for English LAs and another for Welsh LAs. For the English LAs, the data imported onto the Excel spreadsheet included annual financial data on LAs' revenue outturn (RO), revenue summary (RS) forms and the Capital Outturn Receipt (COR) tables. RO/RS forms contained financial data on the current expenditure, reserves, and income revenue of English LAs, whilst the COR tables had financial data on the capital receipt and expenditure for English LAs. The Welsh LAs had similar contents from these data sources, but some inevitable minor changes (dissimilarities in row and column labels along the 15 years) had to be made. These were not expected to affect the results when the data was analysed. Aside from these inevitable changes, there were differences between countries - for example, the delivery of education and generating business rates in English LAs is different from Welsh LAs.

After collating all data onto a single spreadsheet, it was easier to check for any inconsistencies in the panel data. A panel data is a subset of longitudinal data that consists of observations for the same subjects throughout a specific period (Wooldridge, 2015). Time series data can be regarded as a particular type of panel data. Compiling a panel data set in a single spreadsheet made it easier to locate areas with missing and/or invalid values from the English and Welsh data sets. For English LAs, the missing or invalid values were adjusted using strategies discussed in the next sub-section on data cleaning. These mainly included year-on-year changes in names of LAs, expenditure, or income titles/headings. Other key changes in the panel data included removing or introducing service expenditure, sources of income, or both at some point in the time series. These changes were caused by changes in LAs' responsibilities - introductions of service expenditure (e.g., for public health in 2013 for English LAs) and shifting responsibilities to other government agencies – e.g., establishing the Police and Crime Commissioners, (PCCs) in 2013 and Police Fire and Crime Commissioners, (PFCCs) in 2018. Some, but not all, of these changes were applied to Welsh LAs. All inconsistencies were therefore identified and resolved using appropriate measures to ensure data comparability.

6.0 Cleaning the Data

After appending all financial data into a single spreadsheet for the English and Welsh LAs, there was a crucial need to clean the data set. Data cleaning was necessary for several reasons. Among these reasons was to ensure the data set only includes values needed for the project (Chu et al., 2016). Another reason was to ensure these values were consistent for all LAs by type and region (location) throughout the time series (Corrales et al., 2018). Data cleaning was done in two phases – horizontal and vertical cleaning, which are discussed in the following two sub-sections.

6.1 Horizontal Cleaning - Rows

The horizontal cleaning meant aligning the rows in the spreadsheet to ensure they stayed the same for LAs throughout all worksheets in the data set. After importing the data into Excel, one observation was a change in LAs names for the English data set in 2009/10, although the LA names for the Welsh data set remained unchanged throughout the time series. This change was mostly due to the introduction of unitary authorities, the establishment of the Police and Crime Commissions (PCCs), and the Police Fire and Crime Commissioners (PFCCs).

The latest round of English re-organisation became effective in April 2009 (LGA, 2010). 44 local authorities were amalgamated into nine unitary authorities serving a combined population of over 3.2 million (LGA, 2010). The nine newly created unitary authorities were Bedford, Central Bedfordshire, Cheshire East, Chester and Cheshire West, Cornwall, Durham, Northumberland, Shropshire, and Wiltshire, as shown in Table 4.1 (below). Unitary authorities are created voluntarily, although they require government consent, and allow a group of local authorities to pool appropriate responsibilities. Aside from these nine newly formed unitary authorities, [Appendix I](#) outlines structural changes that have taken place since 2010 (Sandford, 2022). The other responsibilities and functions remain unchanged.

Table 4.1: Breakdown of Newly formed Unitary Authorities and their member councils.

Newly formed Unitary Authorities (UAs)	Pre-existing Councils
Bedford UA	Bedfordshire CC, and Bedford BC
Central Bedfordshire UA	Mid-Bedfordshire, and South Bedfordshire
Cheshire East UA	Cheshire CC, Congleton DC, Crewe and Nantwich DC, and Macclesfield BC
Chester and Cheshire West UA	Cheshire CC, Chester BC, Ellesmere Port & Neston DC, and Vale Royal DC
Cornwall UA	Cornwall, Caradon, Carrick, Kerrier, North Cornwall, Penwith, and Restormel
Durham UA	Durham CC, Chester-le-Street DC, Derwentside DC, Durham City, Easington DC, Sedgefield DC, Teesdale, and Wear Valley DC.
Northumberland UA	Northumberland CC, Alnwick DC, Berwick-upon-Tweed DC, Blyth Valley DC, Castle Morpeth DC, Tyndale, and Wansbeck DC

Shropshire UA	Shropshire CC, Bridgnorth DC, North Shropshire DC, Oswestry DC, Shrewsbury & Atcham DC, and South Shropshire DC
Wiltshire UA	Wiltshire CC, Kennet DC, North Wiltshire DC, Salisbury DC, and West Wiltshire DC

Source: Field data MHCLG 2005/06 to 2019/20

The cleaning was done by inserting new rows to ensure that LA names aligned with their respective expenditure to ensure consistency in values throughout each worksheet of the entire data set. Due to the difference in rows and columns for these nine LAs, the researcher excluded all nine LAs since they were not comparable over the time series.

Although the financial data for LAs up to 2012/13 included police and fire & rescue data, the data was excluded from LA budgets and from this study because the funding systems of these organisations changed frequently, are different, and their budgets are ring-fenced. The responsibility for fire & rescue services was also transferred to the Home Office from the department responsible for LAs in 2016. Ring-fencing also affected fire authorities who opted to go for the PFCC governance model after 2017, although only four Fire Authorities opted for this model. There have been subsequent amalgamations of fire authorities and services, further complicating comparisons with LAs.

6.2 Vertical Cleaning - Columns

The vertical cleaning involved aligning all columns in the spreadsheet to ensure the alignment of headings across worksheets within the data set. After inserting the data into the spreadsheet, there were some changes in the titles of the columns because of the deletion of column titles, introduction/renaming of column titles, and combining two titles into one column. The alignment of headings was crucial because the labels of income and expenditure changed throughout the time series, and the 'per year' values may change for the wrong labels, which could cause misleading results/findings that may misrepresent LAs' responses for the affected years. For this reason, all columns were re-aligned to match other years throughout the data set to avoid misleading results.

There were inconsistencies in titles because some items were deleted/removed from the financial data of LAs in England, e.g., the transfer of reserves to/received by the Combined Fire Authority that last appeared in 2005/06. Another instance was where 'Court Services' were removed/deleted from the data set from 2010/11. For income, the Adjustments to Formula Grant, i.e., 2004-05 and 2005-06 Amending Report, last featured in 2006/07, but the 'Area Based Grant' was introduced in 2008/09 and was removed/deleted again in 2010/11. New columns were presented for each heading removed/deleted to adjust these inconsistencies and ensure alignment across worksheets/years. These adjustments also ensured that the deletion/removal did not affect the values of other columns in each worksheet of the data set.

There were also some discrepancies in the titles because of newly introduced or extended responsibilities that LAs received during the time series. For example, public health was transferred from the NHS as a responsibility to LAs in the 2013/14 financial year. Police and

Fire services were still captured in the financial data until PCCs were introduced in 2013 and PFCCs in 2018. These commissioners were established to provide law, crime, and protective services that were distinct from the responsibility of LAs from 2013 and 2018, respectively. For income, the Retained income from Rate Retention Scheme (Retained Business Rates) was introduced in 2013/14 to replace the Redistributed Non-Domestic Rates (RNDR), which featured up to 2012/13. Again, one way to ensure consistency was to treat these two elements differently whilst ensuring they are still captured in the data set.

Finally, there were some differences in the spreadsheet columns because some subheadings were combined into one single column. An example of such instances was where Children's Social Care and Adult Social Care were separate entities from 2005/06 to 2010/11. These two were amalgamated into a single heading called 'social care' in 2011/12. It was necessary to create a new column – 'social care calculated' - which comprised children and adult social care for earlier years. This combination ensured consistency in the social care values for all LAs by type and location throughout the time series.

7.0 Coding the Data

Coding the data was necessary after cleansing the data to check whether there were any more inconsistencies. As explained above, it was also necessary to set unique identifiers (codes) for LAs combined into unitary authorities. While LAs in Wales were all unitary authorities, their counterparts in England had some unique traits and could be categorised by type (District, County, Unitary, etc.) and location (region).

For the English data set, all financial data had a unique E-code generated by the ONS. The E-code remained consistent from 2005/06 to 2008/09, but the newly introduced unitary authorities in 2009/10 caused some inconsistencies. For example, "E1301" represented "Darlington UA". This study used an e-code as a common identifier for the LAs throughout the investigation/analysis. The introduction of the unitary authorities in 2009/10 resulted in changes in the e-codes for the affected LAs. This required the researcher to introduce some unique codes for each of the nine (9) newly introduced UAs: BKD01 (All Bedford Councils), BKD02 (All Central Bedfordshire councils), BKD03 (All Cheshire East), BKD04 (Cheshire West and Chester councils), BKD05 (All Cornwall Councils), BKD06 (All Durham Councils), BKD07 (All Northumberland Councils), BKD08 (All Shropshire Councils), and BKD09 (All Wiltshire Councils). This was to identify the newly introduced unitary authorities, so they could be removed without affecting the consistency of the entire panel data set.

The Office of National Statistics (ONS) code introduced in the 2014/15 budget was relevant since it was the same code used for other statistical variables, including the population of individuals in the various local authorities. The ONS codes were applied to all LAs, including the newly created unitary authorities. Therefore, ONS E-codes were also introduced to identify data for the new UAs and helped merge the data of LAs for the earlier years. Coding was simple for the Welsh LAs since the 22 unitary authorities (UAs) had a consistent code

throughout the time series (from 2005/06 to 2019/20). Both data sets appeared ‘cleaner’ after adding/adjusting these codes.

The study classified English LAs by type (District, County, Unitary, etc.) and location (region). It was clearer to use ‘type’ rather than ‘class’, although ‘class’ appeared to be preferred by the ONS in all data sources (i.e., RS and RSX forms, as well as COR 1, COR 4, and COR 5 tables). The six types of LAs in England are London Boroughs (LBs), Metropolitan Districts (MDs), Unitary Authorities (UAs), Shire Counties (SCs), Shire Districts (SDs) and Other Authorities (O). The other authorities comprised PCCs and FRAs, which were excluded from the analysis for the above reasons. The Welsh LAs required less work on adjustments since they comprised 22 Unitary Authorities.

English LAs are grouped into nine regions with LAs in the North East (NE), North West (NW), Yorkshire and Humber (YH), East Midlands (EM), West Midlands (WM), East of England (EE), London (L), South East (SE), and South West (SW) regions. The study adopted these groupings from raw data in (MH)DCLG from 2005/06 to 2019/20 because the ONS uses these groupings in their official reports published in Parliament, HM Treasury, and the House of Commons Library. Similarly, this was important for this study because results are more easily comprehended, and results in these classifications are easier to understand. It also allows for comparability with existing and past literature, whether practice or academic-oriented.



Figure 4.2: Map of the nine LA regions in England

Source: Field data (2005/06 to 2019/20)

The Welsh LAs were categorised using the approach first adopted by Crawford et al. (2012) into four (groups) namely the Valleys (TV), North-East Wales (NEW), The Southern Cities (TSC), and the Rest-of-Wales (RoW). While the grouping of English LAs was based on geographical locations, the grouping of Welsh LAs was based on similar characteristics of LAs. These

groupings helped understand the severity of austerity impacts on income, expenditure, reserves, and capital receipts/expenditure of LAs in England and Wales.

8.0 Testing the Data set

The next stage after data cleaning and coding of data was testing the data set to ensure that (i) it was complete and that it included all values necessary to achieve the research objective, (ii) it was internally consistent and had the same set of data on the observable subjects throughout the time series, and (iii) it was credible and viable and had the correct figures for analysis to achieve potential generalisability and representation of the UK LA population.

One reason for testing the data set was to identify any possible problems impeding the main reason for collecting and using the data. English and Welsh LA data sets were tested differently in two tranches. Thus, the data set was tested in two preliminary analyses, one on English LAs, and the other on Welsh LAs. The main reason for testing the data sets in two tranches was to spot any possible hindrances in each nation's case, as LAs in both nations had minor dissimilarities. The first tranche tested the data on English LAs and the second Welsh LAs.

The first test was run by conducting a preliminary analysis of the East Midland City/County Councils (EMCC) - one regional cluster of the English LA population. The reason for testing with EMCC LAs was the convenience of running the test on LAs familiar to the researcher since the project was conducted in the East Midlands. EMCCs had 46 councils, which comprised three out of the six LA types (Classes) - unitary authorities (UAs), shire districts (SDs), and shire counties (SCs), and there were no Metropolitan authorities, London Boroughs or the Greater London Authority (GLA). In this preliminary analysis (pilot), the researcher tested the impacts of austerity on the EMCCs. Having achieved some objectives of the study from the preliminary analysis, it was deduced that analysis of a whole English LA population would provide a more holistic result in pursuit of the research objectives.

In Wales, the data set was tested on all 22 LAs using a preliminary analysis of LA's service expenditure and income throughout the time series. All 22 Welsh LAs are unitary authorities (UAs), similar to the Scottish and Northern Irish LAs. However, Welsh LAs were chosen over Scottish or Northern Irish LAs because they represent LAs in a devolved administration and share more similar characteristics with English LAs than those in Scotland and Northern Ireland. Although they are more similar to English LAs, Welsh LAs have some distinctive traits, including funding for education. Funding for education is passed on directly to the schools in England, whereas Welsh LAs manage this funding through their education services.

8.1 Deflating the Values in the Dataset

After testing both datasets, one common issue was the nature of values in the financial data of LAs in England and Wales. Financial data had nominal values that needed to be deflated to take account of inflation. This was crucial because adjusting for inflation helped to provide

real-term values and to avoid distortion of values in the data set. For instance, the value of £1m in 2011 would be more than the same in 2020 due to inflation. Doing so enabled comparing a similar set of values across time series and LA type and region. Deflating financial values with a common deflator and against a base year was necessary. The GDP deflator was used to convert nominal values to real-term values because it is widely used for discounting values as public expenditure is often expressed using the Gross Domestic Product (GDP). Secondly, the study chose 2010/11 as the base year because the coalition government started introducing austerity measures in June 2010, immediately after the general election in May 2010.

8.2 Segregating time series into three distinctive eras

After testing the data set, it was possible to categorise the 15-year series into three distinct periods, namely;

- Pre-austerity era (2005/06 to 2009/10)
- Early austerity era (2010/11 to 2014/15)
- Late austerity era (2015/16 to 2019/20)

The time series were categorised into these three periods to enable deeper insights into how LAs responded to pressures before and during the austerity era.

The 'pre-austerity' era captured incidents and (un)certain events that may have triggered the decision to implement austerity policies. This period was crucial to consider in the analysis because it captured the antecedents of the economic recession, which is generally believed to be the significant determinant of austerity implementation (Lowndes et al., 2013; Hastings et al., 2015; 2017; Murphy et al. 2018). Understanding the pre-austerity period is required to help understand whether LAs anticipated the financial crisis and changes in financial policy and regulations during the second (early-austerity) era, characterised by continuous reductions in financial support and increasing service demand pressures.

The 'early austerity' era represents the first five years of austerity-localism implementation in UK Local Authorities, including England and Wales (Lowndes and Pratchett, 2012, Ferry et al., 2019). It also covered a period of significant changes in the responsibilities of UK LAs. For example, the UK Government abolished Police Authorities as a responsibility for English LAs. The Government established Police and Crime Commissioners (PCC) to perform the fiduciary duties of the former police authorities, which meant that LAs had fewer responsibilities. In contrast, the government added some responsibilities (and expenditure) relating to Public Health to the services provided by English LAs from 2013/14 onwards (Department of Health, 2011). In 2014/15, the national Local Government Financial Settlement introduced a Redistributed Non-domestic Rate to replace the Business Rates Scheme (BRS). Under the BRRS regime, English LAs could retain 25% of business rates and deposit 75% into a common pool for redistribution using a national distribution formula. Analysis of this era will provide useful insights to investigate subsequent changes in regulations, how these impacts affected LAs, and how LAs have implemented decisions and strategies to sustain/address financial and demand pressures in these changing circumstances.

The third and final era was the ‘late austerity era’, which covered 2015/16 to 2019/20. The researcher observed that austerity policies continued despite some politicians’ assertions that austerity was over. This era also saw significant (inter)national incidents such as Brexit (2016/17 to 2019/20), inward migration from refugees and the run-up to the coronavirus pandemic (2019/20). In this era, the continuous increase in financial and demand pressures compelled LAs to make tough decisions and reduced service (Ahrens and Ferry 2015; Hastings et al. 2013; 2015; Jones et al. 2015; Jones 2017). One major event in local government finance during the late austerity era was the issuing of three (3) Section 114 notices by the Northamptonshire County Council (two notices) (Caller 2018) and the Croydon Borough Council (one notice) (Mackintosh, 2020). A Section 114 notice is a legal requirement to report in the public interest where a local authority fails to set (or is likely to fail to set) a balanced budget. As a result of these notices, the government investigated the financial arrangements of NCC and instigated a corporate inspection under section 3 of the Local Government Act 1999. There were multiple indicators of the potential for more notices from city councils in Manchester, Liverpool, and Birmingham (Homer et al. 2020), in the wake of the COVID-19 pandemic. While recent events appear to have disrupted the performance of LAs, many commentators (Bracci et al., 2015; Barbera et al., 2017; Jones, 2017; Ferry et al., 2019; Eckersley et al., 2021; Coyle and Ferry, 2022) trace the cause for these recent Section 114 issues to UK government’s continuing economic austerity policies. The Government responded by distributing additional financial support to LAs and undertook a plan to enhance financial sustainability for them in uncertain times of financial crisis.

Changes in regulations and policies – e.g., the introduction of the Business Rates Retention Scheme (BRRS) – a scheme that allowed LAs to keep 50% of business rates and deposit 50% in 2013/14 (Smith et al., 2016). The ratio increased to 75%:25%, and eventually, the 2020 Financial Settlement announced a pilot scheme where some LAs were allowed to keep all business rates (100%) (Murphie, 2018). The idea was to test the effectiveness and efficiency of the scheme and roll it out in 2017/18 and 2018/19 when successful. This was part of the fair funding scheme, so LAs were not obliged to commit to this scheme. Analysis and findings from this era will help understand how LAs have responded to the emerging pressures and whether or not the tough decisions made in the earlier era(s) have been efficient and effective.

Having discussed how the data set for English and Welsh LAs was established, the next chapter analyses the impact of austerity on funding for LAs in England. Prior to this analysis, a similar analysis was run for Welsh LAs in a pilot study. Whilst this was explored in an ad-hoc project, the Welsh context had 22 UAs, which made it more manageable and easier to redo things. Lessons from this ad-hoc project were useful in shaping the analysis process for the English context, which is discussed further in the next chapter. One lesson was to extract data for all 15 years before appending them onto a single file, which would have taken longer, if done the same way as Wales - considering the large number of English LAs. Another lesson was to append the row and columns in a logical manner, such that the labels for 2005/06 will be same as that for 2019/20 to ensure consistency.

Appendix C: Service Responsibilities of Local Authorities in the United Kingdom

Different LAs by type are responsible for providing different services, as shown below.

England and Wales LAs – Statutory and Discretionary Responsibilities

Statutory or Discretionary responsibilities (Services)	Shire Counties (SCs)	Shire Districts (Councils – SDs)	Unitary Authorities (UA)	Metro-politan Districts (MDs)	London Boroughs (LBs)	Greater London Authorities (GLAs)
Education (S)	✓		✓	✓	✓	
Roads and Highways (S)	✓		✓	✓	✓	✓
Public Health						
Transport Planning	✓		✓	✓	✓	✓
Passenger Transport	✓		✓			✓
Social Care (S)	✓		✓	✓	✓	
Housing (S)		✓	✓	✓	✓	
Libraries (D)	✓		✓	✓	✓	
Leisure & Recreational Services (D)		✓	✓	✓	✓	
Environmental Health (D)		✓	✓	✓	✓	
Waste Collection (D)		✓	✓	✓	✓	
Waste Disposal (D)	✓		✓	✓	✓	
Planning Applications (D)		✓	✓	✓	✓	
Strategic Planning	✓		✓	✓	✓	✓
Local Tax Collection (D)		✓	✓	✓	✓	
(S) – Statutory Responsibilities (D) – Discretionary responsibilities						

Source: LGIU (2019)

Combined Authorities

A combined authority can be set up by two or more local authorities. The government devolves various powers and funding to an area so councils can work together to make collective decisions. A combined authority does not replace the existing local authorities. These combined authorities are particularly important for transport and economic policy across the regions in which they are based.

(Shire) County Councils

Shire County Councils are councils in 2-tier areas that are responsible for providing services such as education, social services and waste disposal. Shire Counties (SCs) cover the whole county and provide 80 per cent of services in these areas, including children’s services and adult social care.

District Councils (DCs)

In 2-tier areas, each county council area is subdivided into districts, for which there is an independent district council. District Councils (DCs) are responsible for local services such as rubbish collection, housing and planning applications. DCs often cover a smaller area within a county, providing more local services (such as housing, local planning, waste and leisure but not children's services or adult social care); can be called district, borough or city council.

Unitary Authorities (UAs)

All unitary authorities (UAs), both 58 English UAs and others across the rest of the UK (Scotland, Wales and Northern Ireland), are responsible for providing all local authority services in their areas. While the UAs in England are considered in the upper tier, the UAs in Scotland, Wales and NI operate a single-tier local government system. It is relevant to note that just one level of local authorities responsible for all local services can be called a council (e.g., Medway Council), a city council (e.g. Nottingham City Council) or a borough council (e.g. Reading Borough Council).

Metropolitan Districts (MDs)

Metropolitan Districts (MDs) are councils that are responsible for all services in their area, although certain conurbation-wide services such as fire and civil defence, police, waste disposal and passenger transport are provided through joint authorities (the districts acting jointly). MDs are effectively unitary authorities, the name being a relic from past organisational arrangements. They can be called metropolitan boroughs or city councils.

The Greater London Authority (GLA) and London Boroughs (LBs)

London Boroughs are councils that provide nearly all the services in their area. However, the Greater London Authority (GLA) provides London-wide government, including special responsibility for police, fire, strategic planning, and transport. GLA was formed following the London Government Act 1963 and created a new two-tier structure to cover former London counties such as parts of Essex, Kent, Surrey, Hertfordshire, and the three former Croydon boroughs - Croydon, East Ham, and West Ham (Wilson and Game, 2011). The GLA, previously known as the Greater London Council (GLC), was preceded by the London County Council (LCC). 82 former boroughs and urban districts were combined into 32 London Boroughs – 12 in Inner London and 20 in outer London (Wilson and Game, 2011). These borough councils are responsible for core services, including social services, non-metropolitan roads, libraries, leisure, and refuse collection. This leaves the GLA with other strategic functions, including fire, police, ambulance, main roads, and refuse disposal.

Appendix D: Definitions of Principal Sources of Funding to UK LAs

Grants from Central Government

The central government passes a number of grants over to LAs. The largest grant from the government is the Revenue Support Grant (RSG) which is not ring-fenced. Other additional grants are ring-fenced, which means they are earmarked only for a specific purpose. For instance, the Public Health Grant is expected to be spent on specific services related to public health issues. While these grants are ring-fenced, LAs have the discretion to decide what services to spend on other grants such as the New Homes Bonus and Rural Service Delivery Grant (Sandford, 2022).

Grants (Revenue Support Grant, RSG)

This is a general grant calculated on the basis of the spending needed at the individual council. The grant can be spent on any service according to the objectives and priorities of the local council. There are two factors that affect the size of such grants.

First, the total amount of funding the government wishes to provide to all local councils in total. Since 2010 the government has significantly reduced this sum, and the intended policy aim is to completely remove RSG from 2020. Since 2010, the government has reduced the level of grant income provided to local councils as part of government austerity, and some councils will receive zero or negative RSG during the 2019/2020 financial year. The exact nature of arrangements after that point is yet to be finalised.

Second, the relative size and distribution of the total grant sum between councils. This is always a controversial area and requires the government to 'model' spending needs in a local area and then consider whether there is a gap between local sources of funding and this spending need, the gap being the grant sum paid. Most governments have sought to model funding requirements using local factors such as population size, relative deprivation, and urban v rural location. Recent approaches have also taken into consideration the councils' total income requirement when calculating RSG. Therefore, councils with a high council tax base receive less government grants due to their increased ability to raise money locally.

This grant was phased out over the study period.

Specific Grants

The central government also provides additional grant funding to local councils, but they restrict the use of such grants to specifically defined service areas. For example, public health grants, which must be spent on providing a range of local public health services defined by the government. The same is the case with the 'Dedicated Schools Grant', which can only be spent on providing schools. The key issue here is that local councils are not fully in control of determining how local needs can be met, as there are national rules over the use of such funds. Accordingly, since 2010, the government has generally moved away from providing specific grants as part of a drive to a more local approach. The Department for Education is an exception to this.

Council Tax

Council tax is the only common and significant local tax across all of Great Britain (i.e., England, Scotland, and Wales), although a different system applies in Northern Ireland (REF). Council tax was introduced on 01 April 1993 by the Local Government Finance Act 1992 and replaced the Community Charge (also referred to as the 'Poll Tax') (LGA, 2019). Each residential property in England, Scotland and Wales was allocated to one of eight valuation bands in compliance with an assessment of its value in 1991 (LGA, 2019), although the cut-off point between bands was different in each nation. Hence, the amount of council tax payable on a property depends in part on the valuation band to which it is allocated and in part on the number of occupants that live in the property (MHCLG, 2021). Wales used the same recent council tax structure as England until recently (on 01 April 2005) when a revaluation was introduced based on the property values as of 01 April 2003 (Adam et al., 2007).

Local Authorities often use revenue generated from council tax for meeting the difference between the amount a local authority wishes to spend and that which it actually receives from other sources, including government grants (e.g., RSG) (MHCLG, 2021). For example, two-thirds of residential properties in England are in Bands A to C, and a quarter of all properties are in the lowest band (Adam et al., 2007). Bands A to C pay less than the standard (Band D) and those in Bands E to H. Hence, Council tax is usually expressed as 'Band D equivalent' (LGA, 2019). This is because Band D council tax is the usual standard measure of council tax and is widely regarded as a benchmark when comparing council tax levels in different areas or over time. To further control for changes in prices due to inflation, these valuations are reviewed, though such revaluations proved to be politically difficult, and so there has been only one in Wales (April 2005) and one in Scotland (April 2017) (LGA, 2019). There has never been a revaluation in England. However, councils review their council tax base and are allowed to consider an increase to meet funding requirements. While it is considered illegal to increase tax base part way through the year, the Localism Act 2011 requires LAs to do so in a local referendum (Sandford, 2023). This appears to explain why no LA has considered an increase beyond a minimum threshold.

The New Homes Bonus

Building new homes leads to an increase in the **council tax base**, so it enables the council to raise more funding for services. In addition to increased council tax, the central government currently gives a financial incentive to councils that build new homes with an additional amount of government grant, known as the New Homes Bonus.

Business Rates

Business rates are amounts levied on every business premises within the geographic area of the LAs. In England, LAs were allowed to set a business rate multiplier locally prior to the 1990s. However, the national non-domestic rates (NNDR – business rates) replaced the multiplier system, where rates income collected by all LAs was pooled into a national reserve and re-distributed to councils using a government grant system (Sandford, 2021a). In 2012/13. The central government intervened by establishing the Business Rates Retention Scheme (BRRS), which replaced the NNDR. The BRRS was a 'hybrid' system where the business

rate multiplier was still set nationally, but LAs were initially allowed to retain 50% of rates collected locally and then deposit the rest into the national pool for further re-distribution. By introducing the BRRS, LAs were encouraged to (i) solicit additional funds to help minimise the widened funding gap in budget deficits and (ii) encouraged LAs to be more innovative and less dependent on the central government for funds.

BRRS was piloted first and later rolled out to all English LAs in 2013/14. Upon successful feedback from the scheme, the government aimed to pilot a new system in July 2018 where LAs could retain 75% of any business rates mobilised locally by 2020 (Sandford, 2021a). The first pilot was superseded with the 2018/19 pilot. No further pilots were conducted since 2019/20, but all LAs that participated in the five pilots have operated a 100% retention of business rates. The 2018-19 pilots included a 'no detriment' clause, which guaranteed that pilot authorities would not lose out financially as a result of the pilot. However, no such clause was included for the 2019-20 pilots.

Sales Fees and Charges

Sales, fees, and charges are monies received or generated by local authorities as a result of providing a service. In England, LAs have the powers to generate monies on sales, fees and charges from over 100 service areas¹¹ (MHCLG, 2021). However, what LAs are allowed to charge for, and not to charge for is usually determined by the law. For instance, the Libraries and Museums Act (1964) restricts LAs from charging for a book lending service but allows them to charge for other services such as CD/ DVD lending and room hire. Further, Section 93 of the Local Government Act (2003) enables LAs to charge users for discretionary services such as car parking, leisure and cultural services (cinema, mall, etc.) to cover the operating cost for such services (Wilson and Game, 2011). Given the continuous reduction in revenue support grants (from the central government) since 2011/12 and increased demand for core services, LAs have been under continuous pressure to bridge the budget deficit by focusing radically on entrepreneurial ventures to generate more income from sales, fees and charges.

Revenue Reserves

Reserves represent funds created by LAs as a means of building up funds to meet potential future liabilities that were currently unknown. There are two types of reserves, earmarked and unallocated. Earmarked reserves are reserves that are allocated to specific needs/services, while unallocated are reserves that LAs are allowed to decide what services/needs they be spent on. While councils take priority in holding higher levels of reserves, there are no legal or best practice requirements on how much LAs should hold in their reserves, as this largely depends on local budget constraints/circumstances of the individual council. The only requirement, however, is that the LA must specify and attempt to ensure that it holds a minimum reserve level to enable its capacity to fund services in times of disruption. Most LAs appeared to use a portion of their reserves to cover running (day-to-day) expenses, which spells doom in the long term, although it may save the day in the short

¹¹ These powers are found in multiple Acts of Parliament: a comprehensive list is not available.

run. Hence, reserves are often used to buy the council some time to consider how best to ensure value for money when hit with uncertainty and disruptive events.

Appendix E: Semi-structured Interview Guide

1. Introduction - Impacts of Austerity

Looking back, could you please take me through the austerity period from a financial point of view – i.e., beginning (2009/10), (middle 2015), and end (now, 2020)?

- Funding reductions
- Infrastructure changes
- Demand pressures
- Changes in Government policies and regulations

2. Perceived Vulnerability

In your view, how vulnerable was your organisation at the start of austerity – and throughout – and has your understanding of this changed?

If it changed, was it because your initial view was wrong? Or was it because circumstances changed which made them more (or less) – but most likely more, vulnerable

3. Anticipatory Capacities

In your view, what forward-looking (proactive) processes/systems have your organisation adopted to address the financial and demand pressures during austerity? Any lessons learnt from adopting these?

What informs these processes?

4. Coping Capacities

What coping (reactive) processes/systems have your organisation adopted to manage the financial and demand pressures during austerity? Any lessons learnt from adopting these?

What informs these processes?

5. Financial Resilience (General)

Do you think resilience is something that organizations apply as part of their general management and operations or is it something that only applies in one-off situations?

6. Impacts of Covid-19 Pandemic: Lessons for Tackling Future Responses

Looking back, how differently has your LA/organisation responded to Covid-19 impacts compared to austerity policies?

What is the big lesson for you from the COVID crisis in terms of how you would expect local authorities to be transformed in the future?

- Changes in government policies/regulations (commercialisation, structural changes, etc)?
- Changes in reforms/accountancy codes (Treasury Management Code, Prudential Code)?

Appendix F: Participants Information Sheet – Semi-structured Interview

Project Title: UK Local Authorities Financial Resilience during the Era of Austerity

Dear Sir/Dear Madam

You have been selected to be part of a project about UK Local Authorities aimed at exploring the impacts of austerity and lessons learned from responses to the sustained financial pressures during this period. The findings of the study are intended to help inform local authorities' response approaches to future crises.

The interview is part of a PhD (Doctoral) research project on 'UK Local Authority Financial Resilience during the Era of Austerity' and carried out by Bernard Kofi Dom under the supervision of Dr. Martin Jones, Professor Alan Collins, and Professor Peter Murphy at the Nottingham Trent University.

We (I) would appreciate it if you could take part in this study given your experience within the sector and of your organisation.

1. Project Summary

The 2007/08 economic recession had a significant impact on the public finances of central governments worldwide. This impact has compelled central governments to cut back on public expenditure, including funding allocations to support local authorities. In England, local authorities have faced significant cuts in funding since the introduction of austerity policies. This has brought its own significant challenges, as well as making them more vulnerable to other external shocks such as migration, local crises, Brexit, and the Coronavirus (Covid-19) pandemic. Local authorities have shown different levels of perceived vulnerability and thus adopted different measures to address these financial pressures coupled with increasing service demands. The current Covid-19 crisis comes at a crucial period when LAs have struggled to weather the storms of austerity, which makes this study more topical and quite novel in many ways. This project seeks to understand how Local authorities have adopted resilience strategies to cope and withstand the financial pressures during the era of austerity. The study has analysed secondary data to determine some preliminary findings, and your responses will be useful in understanding these findings. The study aims to provide findings on common resilience measures by local authorities so as to suggest/recommend appropriate resilience measures to help local authorities to minimise the impact of future crises.

These semi-structured interviews form part of a Doctoral research study seeking to understand how UK local authorities have responded to the challenges of austerity measures using the lens of financial resilience.

The research aims/objectives include:

- evaluating how austerity policies have affected UK local authorities,
- Assessing how local authorities perceive their own vulnerability and lessons for informed decision making to tackle future events/crises.
- investigating resilience strategies/choices made by UK local authorities to withstand financial pressures and service demand pressures during the austerity era

2. Ethical Considerations

This project has received Ethical Approval from the University's Committee. The Nottingham Trent University's Ethics Committee monitors the application and delivery of the University's Ethics Review Procedure across the University.

Before participating in the interview, we (I) will highly recommend that you carefully read the following points, which highlight ethical issues regarding your participation in this project:

- 1) Your participation is entirely voluntary and much appreciated. By submitting your signed informed consent form (attached), you consent to the use of recordings on your responses for the sole purpose of this research. You have the rights of withdrawal at any time before and during the interview process: this includes withdrawal of data on your responses up to the date scheduled for analysis (01 January 2021). For withdrawal of data, you will need to send me (the researcher) an email to request that your data be withdrawn from the project. Again, you will not be asked to give any reasons for withdrawal of data.
- 2) We (I) will follow ethical and legal practices to ensure that all information about you, your organisation, and your responses will be handled (in confidence) to ensure confidentiality. All recordings of your responses will be saved on a password protected hard-drive and kept securely in a university locker, whose keys are only accessed by the doctoral candidate only. We (I) also assure you of anonymity by removing any information that identifies you and/or your organisation, or that give any clues to your identity. We (I) are confident that these precautions will ensure that no one will be able to trace your transcript back to you.
- 3) During the project period, all precautions will be taken by all those involved to maintain your confidentiality, as only the investigator and supervisors will have access to your personal data. After this time, your data will be disposed of securely.

3. Nature of Interview

The interviews will be conducted online using Microsoft Teams or Skype, given the current government restrictions on social distancing and self-isolation. The interviews will be recorded via Teams/Skype to enable me to make the best use of your responses as possible. The interviews would last about 1 hour and ideally need to take place during October and November. All recordings of your responses will be kept securely and confidentially, and transcriptions will be processed strictly anonymously.

If you consent to participate for this project, kindly sign the informed consent form attached and return to the doctoral candidate via email at: bernard.dom2016@my.ntu.ac.uk

If you have any questions or need further assistance, please do not hesitate to reach us via the following contact details:

Bernard Kofi Dom, Nottingham Business School (NBS), Nottingham Trent University. Direct Telephone line: +44(0)7729203878: Email: bernard.dom2016@my.ntu.ac.uk

Dr. Martin Jones, Nottingham Business School (NBS), Head, Accounting and Finance Department, Nottingham Trent University. Email: martin.jones@ntu.ac.uk

Appendix H: Application for Ethical Clearance at NTU

Dom, Bernard Kofi 2016 (PGR)

From: Dom, Bernard Kofi 2016 (PGR)
Sent: 15 July 2019 10:00
To: Cali, Annabel
Cc: Jones, Martin; Collins, Alan; Chmura, Thorsten
Subject: N0712991: ETHICS APPLICATION FOR PhD RESEARCH PROJECT
Attachments: N0712991 Bernard Dom - FINAL Ethical Approval Application Form .pdf; Confirmation of Approval for RD1PA Application.pdf; 1. Participant Information Sheet.docx; 2. Informed Consent Form.docx; 3. Focus Group Schedule.docx; 4. Letter to the Organisation.docx; 1. Participant Information Sheet.docx; 2. Informed Consent Form.docx; 3a. Semi-Structured Interview Schedule - Internal Employees.docx; 3b. Semi-Structured Interview Schedule - External Stakeholders.docx; 4. Letter to the Organisation.docx

Dear Annabel,

Please find the following documents attached for my Ethics application for PhD.

1. Completed and signed Ethics Application Form
2. Confirmation of Approval for RD1PA document
3. Participant Information Sheet for Focus Group
4. Informed Consent Form for Focus Group
5. Focus Group Schedule
6. Letter to Focus Group Participants
7. Participant Information Sheet for Interviews
8. Informed Consent Form for Interviews
9. Interview Schedule for Internal Employees
10. Interview Schedule for External Participants
11. Letter to Interview Participants

I hope my application is considered and approved in due course.

Kind regards,
Bernard.

Appendix I: Definition of the Service Expenditure Areas for English Local Authorities

Education

Education services include maintaining schools like nursery, primary; secondary and special and services for them such as meals; education welfare and support for those with special educational needs. This expenditure may also include the cost of non-formal education to enhance well-being among the youth, adults, families, and community.

Highways and Transport Services

Highways and Transport services include costs associated with the construction and maintenance of non-trunk roads and bridges, the cost of installing street lighting, traffic management and road safety. Some transport services include public transport (concessionary fares and support to operators) and airports, harbours, and toll facilities.

Social Services

Social services include children's and families' support services, youth justice, service for older and vulnerable people, people with disabilities (i.e., physical and learning), sensory impairments, asylum seekers, and supported employments. Social service is a statutory responsibility that is provided by some types of LAs, namely: Metropolitan Districts (MD), Unitary Authorities (UAs), London Boroughs (L), Shire Counties (SCs), and Shire Districts (SDs).

Public Health

Public Health (PH) was transferred as an obligatory service (responsibility) to local authorities (Unitary and County councils) from the 2013/14 financial year.

Housing

The housing includes funds incurred on council housing (Housing Revenue Account), housing strategy and advice, housing renewal, and costs associated with housing benefits and welfare Homelessness.

Environmental and Regulatory Services

Environmental and regulatory services (ERS) include costs associated with community safety, environmental health (food safety, pollution, and pest control; housing standards), waste collection and disposal, as well as street cleansing. This service also covers the cost of a cemetery (cremation and mortuary services) and agricultural and fisheries services.

Planning and Development Services

Planning and Development Services (PDS) are expenditure on building and development control planning policy, including conservation and listed buildings. These services may also include environmental initiatives for economic and community development.

Protective Services

LAs have an obligation to spend on protective services such as Police (Community Safety) Services, Fire and Rescue services (FRS), and Court services. From the analysis, all LAs by type have no expenditure on Police services.

Central and Other Services

Central and other services include services such as local tax collection, registration of births; deaths and marriages, costs on emergency planning, local land charges, elections – including registration of electors, and costs incurred on corporate management.

Appendix J: Operationalisation of Variables

Variable and Definition	Dimensions for Impacts of Austerity	Operationalisation of Dimensions (and link to Variables)	Method Details and References
<p>Financial Shocks (from disruptive events) Disruptive events/incidents represent the occurrence of incidents that cause adverse consequences on the financial and non-financial capacities of an organisation, which hinders its capability to respond to these (un)expected consequences.</p>	Internal Factors	Disruptive events that emerge from internal sources (within the LAs) include general factors such as leadership styles and continuous changes in organisational structures.	Hastings et al. (2015); Murphy and Jones (2016); Jones (2017)
	External Factors	Disruptive events may also emerge from external factors (national) such as financial crisis, government interventions, changing levels of inflation, interest rates, and exchange rates.	Comptroller and Auditor General (2014); Bailey et al. (2015)
<p>Financial Pressures Fiscal austerity policies have caused significant organisational changes that thwart/hinder the financial performance of LAs within the short/medium or long term. Financial pressures are significant impacts that reduced funding from implementing austerity policies has on the operational</p>	Reduction in central funding	Local Authorities in England have seen massive cuts by an annual margin of 7.25 per cent between the 2010/2011 and 2014/2015 budgetary years (Ferry and Eckersley, 2012).	Dollery et al. (2006); Ladner (2017); Overmans and Timm-Arnold (2016); Johnson (2003); Ferry and Eckersley (2012); NAO (2014); NAO (2018); Lowndes and Gardner (2016); Crewe (2016)
	Widened funding gap	Funding gap is the difference between estimated local authorities' income and the	Sandford (2019; 2021)

performance of an organisation or government. Thus, financial pressures extend beyond changes that promote or hinder the financial performance of an organisation.		estimated total cost of expected spending at a particular date in the (then) future.	
	Adverse impact on financial autonomy (spending power)	Some central governments, including the UK adopted austerity measures by delegating more tasks to the local authorities (Ladner, 2017). This affected their spending power to reduce, considerably.	Dollery et al. (2006); Lowndes and McCaughie (2014); Murphy and Jones (2016); Ladner (2017)
Infrastructure Pressures Infrastructure pressures arise from the consequences of austerity that shrinks the capacities and capabilities (infrastructure) of LAs as they attempt to address the continuous reduction in financial resources and growth expectation and demand for services. The continuous existence of austerity policies has led to infrastructural changes (caused by both internal and external stakeholders) to affect the LAs capacity and capability to enhance their (non-)financial performance.	(Re)prioritisation of resources for service delivery	Austerity had an impact and compelled LAs to engage in (re)prioritisation of services and found encouraging responses in several forms among European states and cities (Turcu et al., 2015).	European Commission (2012); Avram et al. (2013); Hermann (2014); Turcu et al. (2015)
	Local Autonomy	Local autonomy is increased where local authorities are provided with additional resources and more statutory services delegated to them. Eckersley and Timm-Arnold (2014) suggest that an opportunity window opens for local authorities to be autonomous to devise key strategies where there is less control from their central governments. However, it could	Elcock et al. (2010); Eckersley and Timm-Arnold (2014); NAO (2014); Hastings et al. (2015); Lowndes and Gardner (2016); Ladner (2017); Barbera et al. (2018);

		be argued that being given additional resources from a central government reduces autonomy, especially when it comes with terms and conditions.	
	Changes in Tax regimes	The introduction of austerity policies for LAs required some intervention from the central government to help minimise LAs' exposure to financial shocks. Aside the introduction and changes in policies to empower LAs, central governments in developed countries made slight changes to their tax regimes to allow some financial autonomy for LAs.	Raudla et al. (2013); Hodges and Lapsley (2016); Korac et al. (2017); Cepiku et al. (2018)
Service Pressures Service pressures are unwanted and unforeseen complications that hinder a local authority's ability to provide quality public services in the community/municipality. The implementation of austerity has continuously made it very complicated for LAs to provide and deliver services to their citizens.	Closure/Cutback in Services	Local authorities in developed countries (Cepiku et al., 2018), particularly in England (Hasting et al., 2015) have become susceptible to making reductions in their service expenditure due to the continuous reduction in central funding.	Pierson (2002); Cepiku et al. (2018); Stukler et al. (2017); Kim and Warner (2016); Hastings et al. (2017); Burke et al. (2014); Fitzgerald and Lupton (2015); Wren-Lewis (2011); Lowndes and McCaughie (2014)
	Changes in unemployment levels	The immense pressure on LAs caused them to engage in cost-saving strategies such as rationalisation. LAs cutback staff numbers to save cost to increase	Kickert and Ysa (2014); Bordogna and Neri (2014); Lowndes and McCaughie (2014); Kenneth et al. (2015); Bracci et al. (2015)

		its operating efficiency by reducing staff through various schemes such as early retirement bonuses, termination of contracts without renewals, reduced cost for training/educating employees, etc.	
	Changes in levels of inequality	Levels of inequality signify levels of demand and expectations of services (both statutory and discretionary) from citizens in the community. Citizens have increased their expectations of services, which puts more pressures on LAs during austere times.	Demetriou (2014); Windebank and Whitworth (2014); Turcu et al. (2015), Bracci et al. (2015)
	Adverse impacts on households	Crises and other expected and unexpected disruptive events have adverse implications on the welfare of individuals, families, and their organisations. Similarly, the impacts of austerity continue to cause unprecedented consequences on households.	Power (2012); Kennett et al. (2014); Lowndes and McCaughie (2014); Fitzgerald and Lupton (2015)
Perceived Vulnerability Perceived Vulnerability (PV) is the degree/extent to which an organisation or government is considered susceptible and affected by the consequence of		Hastings et al. (2015) confirmed that UK LAs have become vulnerable in recent times, which Jones (2017) confirmed that perceived vulnerability levels of LAs have increased continuously	McEntire (2008); Barbera (2017); Berkes (2017); Papenfuß et al. (2017); du Boys (2017); Jones (2017); Saliterer et al. (2021)

a foreseeable/unforeseeable event but have limited or no access to resources to help recover from/withstand the pressure resulting from this event.		since the inception of austerity in 2010.	
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Appendix K: Operationalisation of Dimensions (Variables)

Financial Resilience Dimensions (Variables) and Definition	Strategies within the Dimensions	Operationalisation of Dimensions (and link to Variables)	Method Details and References
<p>Anticipatory Capacities Anticipatory capacities represent the availability of resources and tools (built over time) that empower organisations to identify shocks, manage their vulnerabilities, and consider themselves proactive to recognise potential threats before they arise. These resources and tools include monitoring capacities, management of information, and critical thinking processes that are often built over time.</p>	Sharing of Information	Information Sharing represents transfer of information to members within the organisation (LAs) to empower their knowledge and know-how on the abilities, capacities, and capabilities of the organisation and how to adapt that knowledge in tackling adversities that emerge from (un)identified crises.	Hood, 1991; McManus et al., 2017; Skertich et al., 2013; Barbera et al., 2017; 2021
	Exchange of Information	Information exchange is the process of interacting with external stakeholders and allies through exchange of relevant information to be informed of possible threats and take advantage of opportunities to achieve shared (common) objectives (goals).	McManus et al., 2007; Boin and Van Eeten, 2013; Linnenlueke and Griffiths, 2013; Anessi-Pessina et al., 2016; Ahrens and Ferry 2021; Saliterer et al., 2017; 2021
	Monitoring External Activities	This is the conscious process of scanning the external environment with the aim of identifying threats and opportunities that could either	Linnenlueke and Griffiths 2010;2013; Boin and Van Eeten, 2013; Barbera et al., 2021; Saliterer et al., 2021; Ahrens and Ferry 2021

		hinder or enhance the performance of LAs.	
	Collaboration and Partnership (external collaboration)	Collaboration is defined as the interaction of one LA with another peer LA with similar characteristics to deliver services using combined resources and expertise with the aim of attaining a common goal (shared objective).	Andrews, 2010; 2011; Paliokaitė and Pačėsa, 2015; McManus, 2008; Lee et al., 2013
		Partnership (external collaboration), on the other hand, represents the interaction of LAs with external partners/stakeholders in the public and private sectors to improve their capacities and capabilities that would enable the LAs to achieve value for money.	Snape and Taylor, 2003; Andrews, 2011
Sensemaking Sensemaking is simply the act of making sense from a disruptive event. An optional approach to understand the process of organising.	The Seven characteristics of sensemaking, as used by Mills et al. (2010). The seven characteristics include grounded in identity construction, retrospective, enactive of sensible environments, social, ongoing, focused on and by extracted cues, and driven by plausibility rather than accuracy.	More Details are in Table 8.2, " <u>Conceptualisation of Sensemaking</u> " (below).	Huber and Daft, 1987; Weick, 1995; Weick et al., 2005; Mills et al., 2010;

<p>Coping Capacities Coping capacities are resources that are adopted by organisations to withstand shocks and manage perceived vulnerability levels when they are exposed to adversities. The severity of impact faced by an organisation varies across organisations, hence measures of coping with shocks are disintegrated into strategies main buffering, adapting, and transforming.</p>	<p>Buffering Capacities Buffering capacities include (but are not limited to) cost cuts, selling of assets, increase in fees and charges, decrease in subsidies to associations, decrease in personnel costs, use of reserves, prioritization of investments, deferring investments and expenditures, reduction of secondary public services, reduction of public services quality and number, and an increase in debt.</p>	<p>Buffering represents an organisation's ability to absorb shocks when faced with adversities from disruptive events. Buffering capacities involve the traditional budgetary approach, such as using reserves to absorb financial shocks with the hope of better financial conditions in the short term.</p>	<p>Jones, 2014; 2017; Barbera et al., 2017; Steccolini et al., 2018; Saliterer et al., 2021; Barbera et al., 2021</p>
	<p>Adaptive Capacities Adaptive capacities include (but are not limited to) organisational restructuration processes, increasing efficiencies, increasing collaborations/partnerships, task reviews, enhancing internal competencies, enhancing performance management, enhancing control of external subsidiaries, restructuring services (mergers), implementation of urban renewal and development plans, proactive approach towards</p>	<p>Adaptive strategies represent an organisation's ability to implement incremental changes, which are usually temporary, to tackle current pressures within the short term. Adaptive capacities are defined as the ability of organisations to implement incremental changes where latent skills and expertise are drawn to adjust organisational activities without necessarily changing them.</p>	<p>Gundersson, 2000; Dalziell and McManus, 2004; Saliterer et al., 2017; Barbera et al., 2017; Steccolini et al., 2018; Saliterer et al., 2021; Barbera et al., 2021</p>

	attracting businesses, re-targeting services users, brake on debt, restructuring of services, reprioritisation of service areas, widening the stakeholder network to include private sector organisations.		
	Transformative (Modernisation) Timing of Response is often medium to long-term focussed.	Transformative strategies (transforming) represent the ability of LAs to effect more radical changes that would not initially form part of the status quo but becomes a usual process, given that LAs continuously adopt it to enhance performance.	Shaw, 2012; Barbera et al., 2014; 2017; 2019; 2021; Steccolini et al. 2015; 2018
(Non)Financial Performance Performance denotes the performance of local authorities (LAs) as expressed in financial as well as non-financial terms.	Financial Performance Indicators for measuring financial performance include LAs' ability to fund statutory and discretionary services to meet the expectations of residents (citizens), the capacity to service short-term loans and long-term debts, the ability to generate income to fund operating expenses, and the capacity to fund current expenditure and capital investments.	Financial Performance is often measured by the financial management of LAs. This could be expressed using the three Es of value for money, namely; (i) economy, (ii) effectiveness, and (iii) efficiency.	Groves and Valente, 1994, Groves et al., 1981, Hendrick, 2004, Wang, 2006, Sohl et al., 2009, Maher and Deller, 2011, Barbera et al., 2014; Steccolini et al., 2015; 2017; Barbera et al., 2019; 2021

	Non-Financial Performance (Deduce this from the toolkit questions on organisational performance)	Non-Financial Performance is often measured by the LAs' ability to comfortably provide services to their residents whilst maintaining value for money.	Van de Ven and Ferry 1980, Andrews et al. 2006, Verbeeten 2008, Walker and Brewer 2009, Andrews et al. 2009, Ray et al. 2011, Burnard et al. 2012, Speklé and Verbeeten 2014, Barbera et al. 2014; Steccolini et al. 2015; 2017; Barbera et al. 2019; 2021
Lessons Lessons represent the changes made by LAs in delivering value for money which were drawn from reflections made on their response to austerity aimed at shaping policy formulation and decision-making in tackling challenges faced in future disruptive events.	From Austerity for Austerity Lessons learnt from austerity to shape response for future austerity eras include avoiding short-termism and adopting a proactive approach in dealing with shocks, encouraging the culture of (re)prioritising services, and embedding an entrepreneurial perspective into plans and long-term arrangements.	These are lessons learnt from responding to austerity eras to shape response strategies in addressing shocks from future austerity eras.	Scorsone and Plerhoples, 2010; Shaw, 2012; Lowndes and McCaughie, 2014; Hastings et al. 2013; 2015; 2017; 2021
	From Austerity for Other Disruptive Events (e.g., Covid Pandemic) Lessons learnt from austerity to shape response to future disruptive events (such as Covid) include continuous practice in horizon scanning, developing awareness for continuous long-term planning, and for through	These are lessons learnt from responding to austerity to shape response strategies for other disruptive events such as the Covid pandemic	Maher et al., 2020; McDonald and Larson, 2020; Ahrens and Ferry, 2020; 2021; Hastings and Gannon, 2021; Hastings, 2021

	increased creativity and innovation.		
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