



COUNCILLORS AT THE CASINO

Source: Original cartoon by Nigel Auchterlounie
(knocky.smith@gmail.com), 2021



04.12.18 LOCAL POWER

THE PUBLIC SERVICE GAMBLE: COUNCILS BORROWING BILLIONS TO PLAY THE PROPERTY MARKET

optinmonster

FINANCIAL TIMES

UK COMPANIES TECH MARKETS CLIMATE OPINION WORK & CAREERS LIFE & ARTS HOW TO SPEND IT

Opinion **Property sector**

A quirky and hazardous corner of British public finance

It is not sensible for an offshoot of government to compete with commercial banks

JOHN PLENDER

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FINANCIAL TIMES

UK COMPANIES TECH MARKETS CLIMATE OPINION WORK & CAREERS LIFE & ARTS HOW TO SPEND IT

Opinion **Inside Business**

Local authorities need to be weaned off their debt addiction

UK government has fuelled councils' bad incentives to gamble on commercial assets

JONATHAN FORD

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The London borough of Croydon admits it cannot set a balanced budget © Alamy Stock Photo

Financialisation and local statecraft

'What's happening to the local state in England?', LSE, 24 June 2022

Andy Pike

**#1 Local statecraft = actors
underpinned by local
statehood**

- Local branch/part of national state in central-local relations
- Local authority (e.g. legal, fiscal, and regulatory powers), multiple responsibilities, and resources
- Governing > only administering and delivering services
- Autonomies: national governance, regulation and guidance; national sovereign guarantee
- Accountabilities: national and local, organisational, and political

#2 Innovation and risk in municipal *and* commercial finance engagements

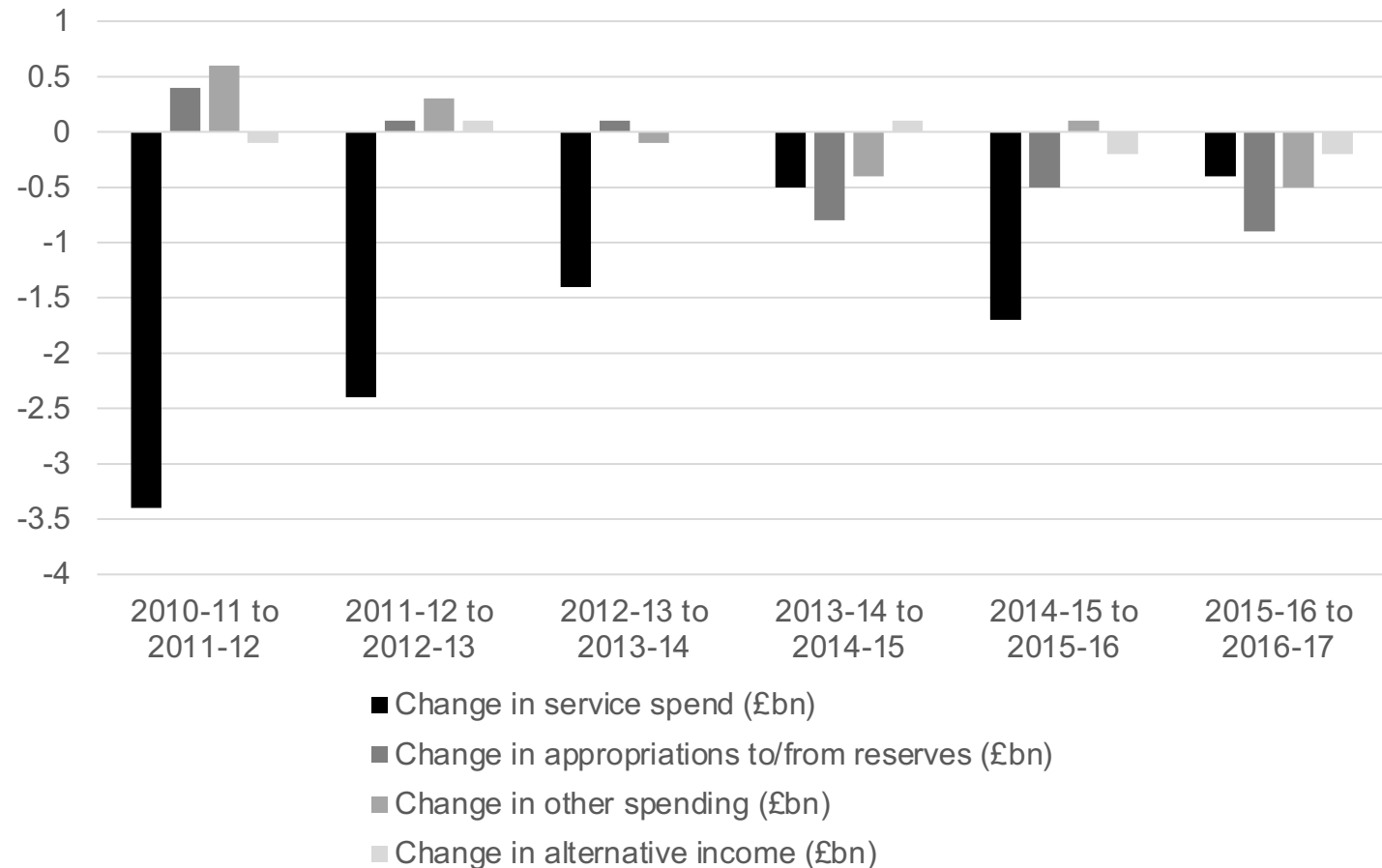
Municipal *and* commercial finance

| Dimension | Municipal | Commercial |
|-------------------------|--|--|
| Actors | National and local governments and agencies Politicians, officials | Financial institutions Managers, specialists |
| Social relations | With publics as voters and taxpayers | With finance actors as investors and capital markets |
| Objectives | Public goods provision Economic, social, and environmental welfare Social and spatial equity and distribution Value for money (economy, efficiency, and effectiveness') | Financial returns on investment |
| Accountabilities | Formal and legal to national governments, voters, and taxpayers External investors and lenders | Formal and legal for public limited companies to investors, lenders, and owners |
| Frames of action | Slow, stable, bureaucratic Longer-term and inter-generational outlook Low future discount rate, higher present value of future cash flows Risk-averse Incremental innovation | Fast, unstable, agile Shorter-term outlook High future discount rate, lower present value of future cash flows Risk-seeking Incremental and radical innovation |
| Geographies | Territorialised, immobile, geographically bounded | De-territorialised, highly mobile, geographically unbounded |

Source: Author's research

#3 More active and integrated financial strategies and risk management for savings and income generation

Methods used to address year-on-year income reductions: all local authorities in England, 2010-11 to 2016-17*

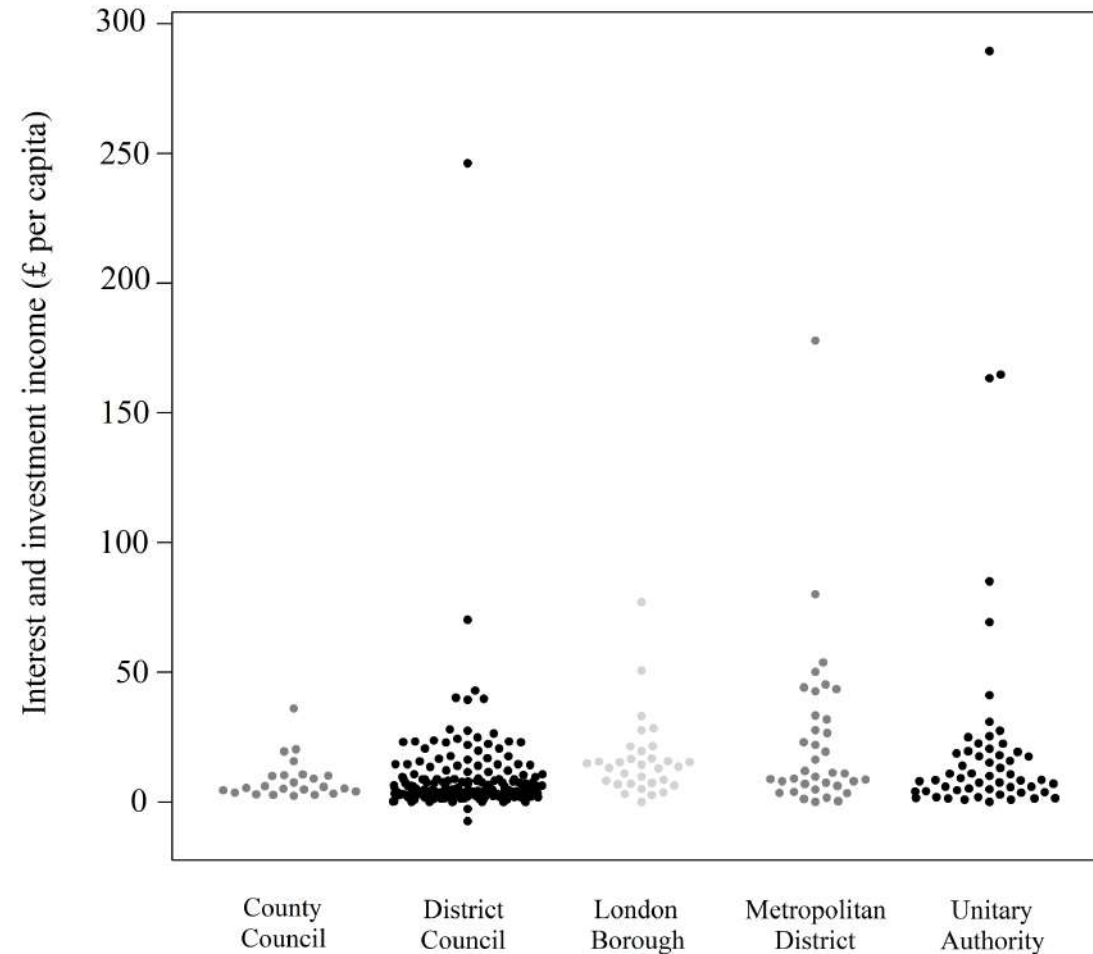


*Real terms 2016-17 prices.

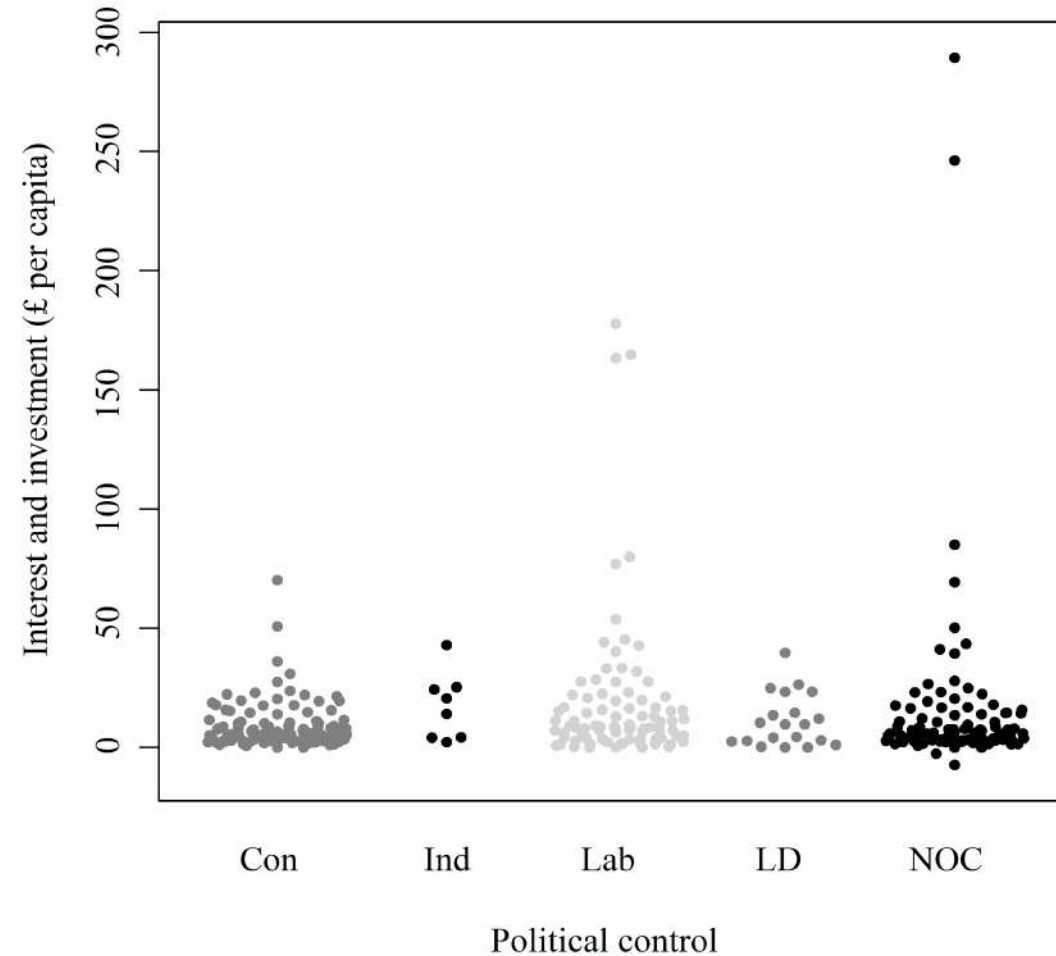
Source: NAO (2018a: 22)

#4 Differentiated landscape of *limited* engagements with financialisation: vanguard, intermediate, and long tail

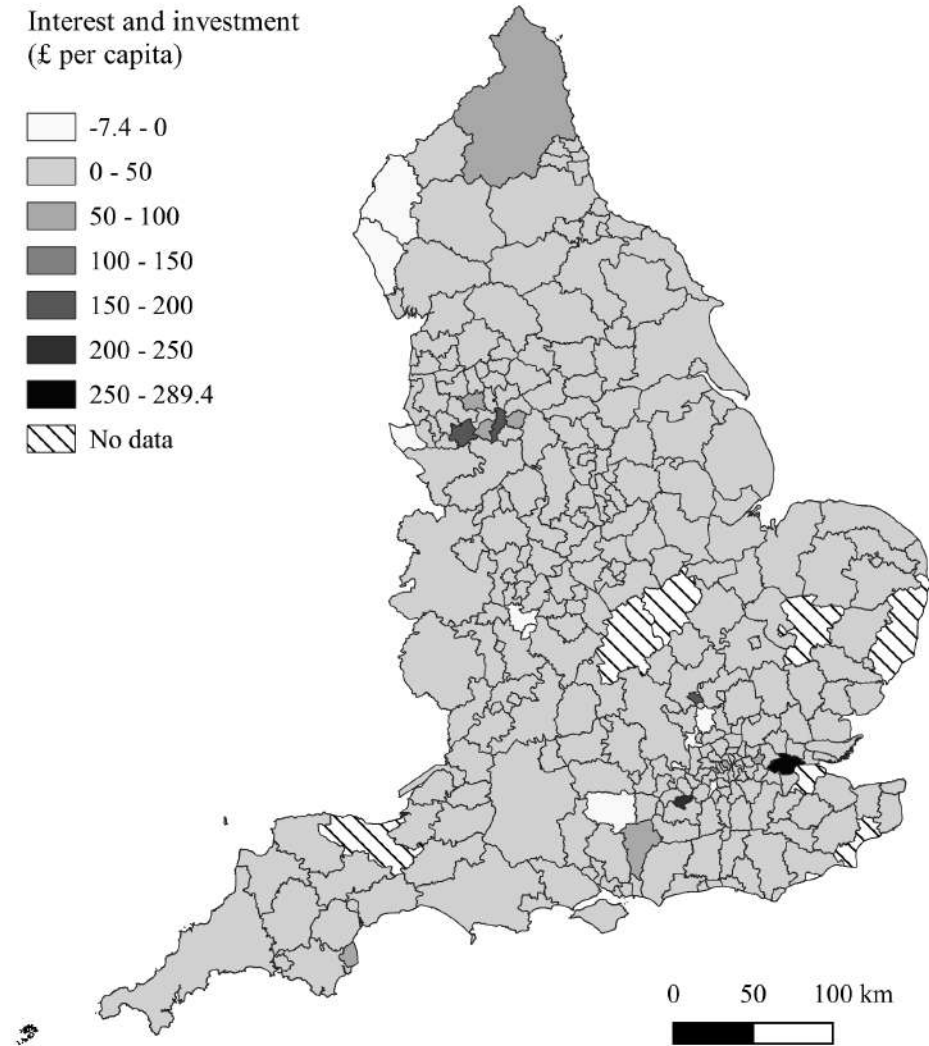
Local government interest and investment income (£ per capita) by local government type, 2019-20



Local government interest and investment income (£ per capita) by political control, 2019-20



Local government in interest and investment income (£ per capita), 2019-20



#5 Explained by local combinations of 5 key dimensions

- different local government types and sizes with varying powers, responsibilities, and resources
- differing local politics, political and officer leaderships, and experience
- organisational models, expertise and capacities
- knowledge and openness to external advice and commercial finance
- local economic assets and liabilities, conditions, growth potential, and tax bases

#6 Financial innovations to close funding gaps but rewiring and rescaling objectives, incentives, autonomies, and accountabilities

“easy to blind councillors with a complex scheme...present sixty pages of something that nobody really understands that goes by on the nod”

(Former Director, public audit body, author's interview, 2021).

#7 Multiplying risks, reducing margins for error, increasing failure(s), and undermining long-term local government financial sustainability, resilience, and local service provision?

“there’s a fundamental need to have a grown up conversation about what local authorities do”

(Director, bank, author’s interview, 2020).