

CHAPTER 10

FINANCIAL RESILIENCE: HOW DUTCH CITIES HAVE BUFFERED AND ADAPTED TO THE FINANCIAL CRISIS

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ABSTRACT

Since 2010, Dutch local authorities (LGs) have been coping with fiscal stress and austerity. Restoring fiscal balance is difficult for Dutch LGs as they have very limited abilities to increase the level of local income. Fundamental choices regarding policy priorities and public services are required to reduce fiscal deficits. An in-depth case study of four carefully selected LGs revealed three typical financial shocks in the Netherlands: the reduction of national transfers to LGs, the decentralisation of national tasks to LGs without corresponding budgets and the declined value of municipal assets (construction land). The perceived vulnerability for financial shocks is relatively high in Dutch LGs due to their undiversified and uncertain revenue sources. This chapter illustrates that while the anticipatory capacity initially was low, many efforts have been made since 2010 improving risk management and medium-term financial planning. Dutch LGs have typically deployed short-term and long-term responses to cope with austerity. Regarding the short-term, two types of responses were commonly used to balance the budget: cutting costs and postponing investments. Long-term responses were deployed to realign actual operational outputs with strategically desired outputs. Sticking to strategic plans was not easy as financial shocks evolved

**Governmental Financial Resilience: International Perspectives on how Local Governments Face Austerity
Public Policy and Governance, Volume 27, 173–186**

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ISSN: 2053-7697/doi:10.1108/S2053-769720170000027010

quickly. An important long-term response in the Netherlands was the 'transition of the role of government in society', moving from a proactive self-organising type of government towards a more passive, coordinating type of government. No evidence was found for radical changes of the financial system.

Keywords: Coping with austerity; local governments; Netherlands; cutback management; resilience

INTRODUCTION

Many public sector organisations in the Netherlands have been coping with shocks since 2008. At the national level, for instance, the government identified and responded to three types of shocks (Kickert, 2012). Firstly, the government saved and supported banks to deal with the financial crisis. Secondly, they took economic recovery measures to deal with the economic crisis. Thirdly, serious austerity management was needed to tackle the fiscal crisis.

Although these shocks did not noticeably influence local policies until 2010, Dutch cities have been facing austerity ever since (Overmans & Noordegraaf, 2014). Restoring the equilibrium between income and expenditure is difficult for local authorities. Not only are they partly responsible for the implementation of nationally imposed cuts, they also have limited abilities to increase the level of local income. Local authorities in the Netherlands have limited financial autonomy; they are heavily dependent on transfers from the national government. Because of these restraining determinants, local authorities need to make fundamental choices regarding policy priorities, performance and public services.

A growing number of studies focus on the effects of shocks and crises for public sector organisations. The emphasis in this chapter is on the long-term consequences of financial shocks in local authorities in the Netherlands. This is important as crises have had significant effects on the Dutch public sector and the role of government in society. Either forced by philosophical or financial motives, politicians have introduced numerous policies that contributed to the shift from *welfare state* to *participation society*. Consequently, local authorities must not only anticipate and absorb short-term fiscal gaps; they must also react strategically in order to safeguard their organisational-environmental fit (cf. Morgan, 1998).

This chapter is structured as follows. Firstly, the context of Dutch local authorities is introduced. In the methods parts, the case selection and research process are elaborated. Subsequently, the results section provides the empirical

findings regarding the patterns of financial resilience. Conclusions are drawn in the final section.

CONTEXT

Main Features of Local Government and the Financial System in the Netherlands

The Netherlands is a constitutional state and has a parliamentary system (Breeman & Van Noort, 2008). There are four levels of government: national government, provincial authorities, local authorities and regional water authorities. Unlike some other countries there is only one type of local authority in the Netherlands.

The governance of Dutch local authorities consists of three elements. Firstly the *City Council* (CC), the main role of which is to provide guidelines for the local policies and to exercise oversight over their implementation. The size of the CC depends on the number of inhabitants, but is maximised to 45 members in the largest cities, such as in the cities of Amsterdam and Rotterdam. Members of the CC are chosen by the general populace. Decisions are made by simple majority. Secondly, there is the *Council of Mayor and Aldermen* (CMA), which is the executive board of the city and implements policy. The CMA has the proactive duty to inform the CC on policy and budgetary issues. The size of the CMA might vary across cities. Typically, a CMA varies from two (part time) aldermen in the smallest cities up to 5,000 inhabitants, to six full timers in cities with over 100,000 inhabitants. Members of the CMA have their own portfolio; they cannot be a member of the City Council at the same time. The CMA operates as a collegial body and decisions are made by consensus. Thirdly, there is the *Mayor*. In contrast to many other countries, the mayor in the Netherlands is not elected, but crown-appointed. The mayor is responsible for public order and safety and has a minor policy setting role. The mayor chairs the CC as well as the CMA in which he or she operates as *primus inter pares*.

In the Netherlands, local authorities are an important branch of government. More than 25% of the government's spending is accounted for by local authorities (Allers & Steiner, 2014). This contribution increases as national tasks, such as youth care, have been decentralised in recent years. The budgets spent by local authorities cover around 9% of GDP. The large contribution of local government spending indicates the wide range of public services provided by Dutch municipalities: social care, housing, infrastructure, environment, promotion of local economy, primary education, culture, sports and maintenance of public space (cf. Leisink & Bach, 2014).

There are three principal sources of income for Dutch cities. Firstly, the Municipality Fund (MF). Municipalities get most of their budget from

the central government, around two-thirds of total budget. Although some transfers are ring-fenced, there is a movement towards more generic budgets with local autonomy for spending the budget. Secondly, local authorities charge users for specific services, such as garbage collection and sewage. Although this might be around 25% of total budget, it has to be spent on the specific services of the charge. No other policy can be financed with these monies. Thirdly, there are the local taxes, such as a property tax for homeowners. Around 8% of a city's budget comes from locally collected taxes (Overmans & Timm-Arnold, 2015).

As a result of NPM-thinking, many financial management practices were changed in the 1980s and 1990s. For instance, the decentralisation of financial authority to lower level managers increased the need for financial skills and professional controllers and accountants. Furthermore, accrual-based accounting standards were introduced in Dutch municipalities in 1985. Accrual accounting recognises transactions in the accounting period where transactions occur, regardless of when the payments or receipts are made or received (Bandy, 2014). It provides executives and managers with a fuller picture of actual costs and benefits of municipal services. Dutch cities must balance their budget yearly and multi-year forecasts have to provide a convincing picture of the long-term finances with matching income and expenditure. The financial sustainability is overseen by the provincial authority. Budgets for investments, such as new municipal buildings, have to come from previously collected reserves or borrowings.

Local Authorities and the Aftermath of the Financial Crisis

According to the OECD, the Netherlands suffered severely from the financial crisis and the economic consequences exceeded the average of Western countries. The period of moderate continuous growth ended. At first, the downturn was considered as a temporary slowdown; later it became obvious that the decline was severe and Dutch public organisations moved into an era of long-term fiscal stress and austerity.

Since municipal budgets depend strongly on transfers from national government, local finances were seriously affected by the crises. However, analyses of municipal budgets and austerity plans show that there were no significant concerns for the effects of the crisis until 2010. Since then, municipalities have been coping with serious levels of fiscal stress. On average, Dutch cities have had to restore a gap of approximately 250 euro per capita (Allers, 2009; Overmans & Timm-Arnold, 2015). However, there are large variations between cities. For instance, the challenge was more pressing in the city of Amsterdam (531 euro per capita) than in Haarlemmermeer, the city hosting Schiphol Airport (436 euro per capita).

METHODS

On the basis of a multiple case study, this chapter provides insights on four levels: types of financial shocks in Dutch local authorities, the perceived level of vulnerability, the level and types of anticipatory capacity and the level and types of coping capacities.

Case Selection

In line with the comparing aims of the broader research project and the other chapters in this book (Barbera, Jones, Korac, Saliterer, & Steccolini, 2017), the selection of cases in the Netherlands followed the same logic and steps. Four local authorities, with maximum variety on two dimensions, were selected in order to examine the global phenomenon of *financial resilience* in the Netherlands. For reasons of comparison, only cities with more than 50,000 inhabitants qualified for the study. In the Netherlands, 75 municipalities had more than 50,000 inhabitants in 2014 (around 20%). Municipalities that had recently been involved in merges were excluded, resulting in 67 cities that were potentially appropriate for this study.

Two criteria were used to select cases: financial performance and volatility. A city's *financial performance*, in this study, refers to the 10-year average of its budgetary position. Local authorities have to balance their budget every year. In the case of an (imminent) deficit, cutbacks in expenditure are required, or unallocated reserves have to be used. The size of the movement in the latter reflects the budgetary position of the municipality. If reserves are being used to cover expenditures, the budgetary position can be characterised as being negative. If benefits exceed expenditures and money is being added to reserves, the budgetary position is positive. If expenditures and benefits are more or less equal the budgetary position is around zero. Using data of Statistics Netherlands (CBS) the budgetary position was calculated for 67 municipalities between 2005 and 2014. The second criterion is *volatility*, the rate at which the budgetary position goes up and down. Volatility is an important criterion as maintaining a stable financial position is a basic challenge for governments (Hou & Moynihan, 2008). Similar to the budgetary position, volatility was determined again using data between 2004 and 2015. Using standard deviations, a municipal's volatility was labelled low, medium or high.

In line with the other chapters, four types of cities were selected which were at the outer ends of the dimensions (see Table 1). Ede was selected as it had negative budgetary position (-2.59%) and medium volatility (1.66%). Hoorn was selected as it had a budgetary position around zero (-0.12%) and high volatility (2.18%). Zwolle was selected as it had a budgetary position around zero (0.17%) and low volatility (0.69%). Hengelo was selected as it had a positive budgetary position (1.43%) and medium volatility (1.35%).

Table 1. Selected Local Authorities.

Budgetary Position Volatility	Negative	Zero	Positive
High		Hoorn	
Medium	Ede		Hengelo
Low		Zwolle	

Table 2. List of Respondents.

Ede	Zwolle	Hengelo	Hoorn
City Manager	Head of finance department	Head of staff and finance	Head of planning and control
Head of services and operations	Financial manager	Senior policy advisor	Concern controller
Concern controller	Financial policy advisor	Policy advisor	Senior policy advisor

Data Collection and Interpretation

In line with the aims of this chapter, information about responses to budgetary shocks had to be uncovered as well as elements of financial resilience. Therefore, 12 qualitative interviews have been conducted with key players in each of the four local authorities (see Table 2). Among the interviewees were financial specialists, such as a chief financial officer or a concern controller. However, we have also spoken to generic officials, holding positions as city manager or policy advisor. Most respondents have long track records within their organisation. Many have been working there for over 10 years and were able to provide us with detailed information about the event. All interviews were semi-structured around five parts: introduction (personal and organisational introduction, financial aims), context (risks and shocks in the last decade), responses (actual responses, determinants, inhibitors), financial resilience (meaning and expressions), and open ending (additional information). Interviews typically took one hour. Interviews were recorded and elaborated in detailed transcripts. In order to write the case studies, these transcripts were encoded and analysed.

RESULTS

City of Ede

The city of Ede (110,000 inhabitants) is a local authority in the centre of the Netherlands. Presenting a balanced budget during the crisis years was not

a sinecure; Ede has overspent its income in several years. While balanced budgets are required for Dutch local authorities, the city repeatedly had to use its reserves to restore the gap between income and expenditure. The city has a significant debt level (136% of total budget, worsening since then) but also has substantial general reserves. According to the respondents three external shocks have brought the city to a fiscal squeeze. Firstly, the decentralisation of national tasks without corresponding budgets. Not only was the provision of inadequate levels of money considered a problem, but also the modification of variables that are used for dividing national budgets over the cities caused major concerns. Secondly, the reduction of grants from the Municipality Fund (MF) which directly affected the level of income. Thirdly, the income from selling construction land has dropped significantly as land prices have declined. These factors have put a true burden on the city's finances. In 2009, the city of Ede was relatively vulnerable to financial shocks. The city was strongly dependent on ring-fenced and generic transfers from the national government, and there were limited abilities to diversify the nature of their income. Moreover, the vulnerability was increased by the high level of debt financing. However, the debt level was not perceived as a main problem. As one respondent noticed:

Yes, our debt is relatively high. But large parts of it in fact concern debts of local housing corporations. If you look more closely, we only have a financial issue with our land stock and depreciation of its value. But we knew what risks could occur at the time we bought the land.

Although crisis management was picked up relatively fast after 2009, the anticipatory capacity at that time was average. Respondents state that despite swift political responses to fading incomes, the city might have been a little optimistic regarding the consequences and severity of the financial crisis. Besides multi-year forecasting and budgeting, the use of early-warning systems for uncovering potential financial instabilities was not typical. However, risk management has seriously improved the anticipatory capacity in the city, especially the capacity of the local financial managers and executives. The city has become more careful and cautious. Or, as one of the respondents argued,

We have developed a new control paradigm, covering a longer time frame than the political cycle of four years. [...] All proposals for new policies or projects now have to come with a solid risk analysis. Because this procedure is new and people are not used to it, the role of the controller becomes more important.

Also, the annual participation of the city in a series of benchmarks and stress-testing programs generates additional insights in the long-term financial performance of the city. The interviews uncover two dominant coping capacities. Firstly, the short-term impact of the crisis was absorbed by using reserves, cutting operational costs, selling more land and ceasing or

postponing investments. There was a strong agreement on the use of reserves to restore the fiscal gap. One respondent stated:

Reserves are not primarily meant for the internal organization, it is public money. Therefore, instead of saving and keeping the money to ourselves, we used it to create value in times of poverty.

Secondly, incremental changes were implemented to deal with the long-term effects of the crisis. For instance, to increase the level of efficiency, the level of financial transparency or the quality of partnerships.

City of Zwolle

The city of Zwolle (125,000 inhabitants) is a local authority in the centre of the Netherlands. It has a relatively young, rich and growing population. It is the economic heart of the region and home to many industries and service providers. Despite the economic prosperity, Zwolle suffered a major adverse impact during the austerity period. In Zwolle, the crisis originated mainly from two external elements. Firstly, the national cutbacks on the MF which generated a severe drop in income. Secondly, the significant losses on construction lands. However, also the decentralisation of tasks from central government without adequate budgets increased budgetary pressure. Although the financial situation was better than average, the city was relatively vulnerable to financial shocks. The city strongly depends on uncertain national transfers and has little options for generating income through additional sources. However, due to sound financial management in pre-crisis years, the city found itself in a comfortable position when the crisis occurred. There was a balanced budget, the level of debt was relatively low (80%, improving since then) and the city had comfortable levels of reserves.

In Zwolle, the budgetary process always was about dividing the extras. There was no need to discuss the budgetary base, let alone a need to cut back expenses. [...] We have always been a financially healthy city. Our solid and reliable financial base was a great advantage when we needed to adjust our expenses.

When the crisis occurred, the anticipatory capacity in Zwolle was moderate. Although there definitely were risk management activities in pre-crisis years, this financial shock happened unexpectedly to Zwolle. Or, as one respondent argued:

We never realized that periods of great wealth could turn around so quickly.

Public finance was managed solidly, but besides some basic multi-year forecasting, no important forecast activities were deployed. Since 2010, therefore, a number of developments have been introduced to increase the capacity to recognise and manage financial vulnerabilities. For instance, tighter risk

policies were introduced to identify potential risks, and financial procedures were optimised for better insights in the long-term consequences of new policies. Although the crisis was not foreseen, the response in Zwolle was hands-on.

Once the consequences of the crisis were identified, we acted immediately. We made the necessary decisions and implemented them.

Two coping capacities were evident in Zwolle. Firstly, the city used a number of buffering strategies to cope with immediate shortfalls, such as cutting costs, tapping additional income sources (e.g. co-sponsoring of investments and services by the provincial authority or other partners), terminating optional services or postponing investments. Also, organisational changes were realized, for instance to increase the level of efficiency and the quality of partnerships.

City of Hengelo

The city of Hengelo (80,000 inhabitants) is a local authority in the eastern part of the Netherlands, close to the German border. It is the second largest city in the robust economic region of Twente and was, in the past, home to many industries and large companies. Before 2010, Hengelo was a relatively healthy authority, according to the respondents. There was a balanced budget, decent levels of reserves, and frequently the budget was underspent. On the other hand, it is noticeable that – referring to the financial position of the municipality – none of the respondents refers to the extraordinary debt level of Hengelo (255%, worsening). The prosperous situation changed dramatically when the crisis hit.

We had no experience at all with axing personnel. Everybody of course knew stories of people who got fired, but not here. Not in our own organization. Everybody felt that the crisis was nearby.

The severe levels of fiscal stress were mainly caused by three shocks. In particular, the decentralisation of tasks without appropriate budgets caused large problems in Hengelo. National services, such as the provision of youth care, were passed down, combined with budget cuts of up to 25%. Furthermore, the deficit was caused by the consequences of national cuts on the Municipality Fund and depreciation of construction lands. In 2009, Hengelo was definitely vulnerable to financial shocks. Not only because a large part of the city's income is derived from one single source, but also because of its extraordinary level of debt. This decreases the financial autonomy of the city, as a substantial part of the yearly budget has to be spent on interest. Initially, the anticipatory capacity was medium. Although risk management did exist in pre-crisis years, austerity and fiscal stress were not foreseen and real cutbacks were uncommon before 2010. However, this improved as the crisis evolved. Since the crisis, the controlling and monitoring of finances have become more accurate.

The advisory process is tighter and has improved a lot. Instead of solving financial issues along the way, we now clarify problems immediately. Apart from calculating precise deficits, we also uncover the consequences of specific proposals. [...] It is our job to provide our executives with a good advice, even if they sometimes want to hear another story.

Furthermore, risk management techniques have significantly improved to better identify potential risks. Austerity management in Hengelo takes the form of two coping capacities. Firstly, shocks were absorbed by terminating services, ceasing and postponing investments, and cutting expenditure. In first instance merely across-the-board cuts were used, later the cuts became more targeted based on savings reviews. Also, some incremental changes were found such as organisational reforms and shared services to improve the efficiency and effectiveness, and to increase the level of transparency.

City of Hoorn

The city of Hoorn (70,000 inhabitants) is a local authority in the north-western part of the Netherlands. Although this city is home to many commuters in the Amsterdam area, it also has a central economic and cultural role in the region. Traditionally, Hoorn always was a relatively rich city.

There were gigantic surpluses in the long-term budgets and everything was focus on growth, growth, growth.

In recent years, however, the city has been coping with financial challenges, up to 10% of the total budget. In the first place, fiscal stress was caused by the usual suspects: decreased transfers from the MF, large losses on construction lands and decentralisation of tasks without proper budgets. However, in Hoorn also an additional *fourth shock* affected the budget, that is the physical collapse of the *Toneeltoren*. This refers to a local event of a brand-new theatre building that collapsed even before it was completed. The aftermath (legal settlement, rebuilding) put a major burden on the local finances; finances that already were affected by the other shocks. Although the city of Hoorn had relatively low levels of debt financing before the crisis (82%; improving), they were vulnerable to financial shocks due to undiversified income sources. This vulnerability is likely to increase as one important source of income, that is the selling of construction land, evaporates as Hoorn literally touched its spatial borders.

We are reaching the limits to growth. We don't have any new lands to build on. If we want to build something new, we must demolish old buildings and build new ones.

The anticipatory capacity to respond to the crisis was relatively low and, especially during the early stages of the crisis, the authority had some problems to calculate the financial dimension of the event.

Already in 2010 we knew that major cuts were likely. We prepared an initial austerity package worth 18 million. However, the challenge turned out to be only 12 million. This caused a series of unnecessary political debates about spending or saving 6 million. This distracted the attention from the challenge itself.

However, the anticipatory capacity grew as the event evolved. Growing awareness about the city's financial vulnerability created a platform for improvements, such as the introduction of a professional risk management system, the appointment of risk officers, and improved monitoring and forecasting efforts following the basic principles of project management. Responses to the financial shocks in Hoorn took the form of two coping capacities, buffering and adapting. Buffering, because many of the responses merely absorbed the fiscal squeeze, such as terminating optional services, cutting costs or postponing investments. Adapting, because also reforms were implemented that contributed to the long-term improvement of organisational efficiency and the changing relationship between community and authority.

CONCLUSIONS

The consequences of the financial and economic crises have been visible in all the municipalities in our sample (Table 3). Before the crisis, municipal circumstances can be characterised by continuous moderate growth with 'plenty of money' for locally desired policies. Then, the attention for fiscal stress and austerity management exploded onwards from 2010. More than once, respondents in our sample entitled the encounter as the largest financial challenge in their personal careers. Besides its severity, also the suddenness of the crisis was mentioned often in the interviews. Although respondents regarded the crisis as a serious issue with many consequences for the organisations and society, also many interesting positive effects can be extracted from the interviews. In this sample, local authorities also used the crisis as opportunity, for instance, to improve their level of transparency, to introduce organisational innovations, to reduce organisational slack, or to stimulate team spirit and pride ('together we were fighting the dragon'). These examples of reform-oriented responses are similar to other studies in the Netherlands (e.g. Overmans & Timm-Arnold, 2015).

Buffering and Adapting to the Crisis

One aim of this chapter was uncovering responses that were used to deal with the shocks. We distinguish between short-term responses and long-term responses. Regarding the short-term, two types of responses are commonly used: cutting costs and adjusting investments. There were many responses aimed at cutting costs. These concern reductions in staff, reductions in

Table 3. Patterns of Financial Resilience in Dutch Cities.

	Ede	Zwolle	Hengelo	Hoorn
Financial shocks	Grant reduction, declined value of assets (construction land), decentralised tasks without adequate budgets	Declined value of assets (construction land), decentralised tasks without adequate budgets, grant reduction	Decentralised tasks without adequate budgets, grant reduction, declined value of assets (construction land)	Local event, grant reduction, declined value of assets (construction land), decentralised tasks without adequate budgets
Perceived vulnerability levels and sources before the shock and their/ evolution over time	<i>Initially high, stable over time</i> Undiversified and uncertain revenue sources, dependence on grants, high debt financing, budget deficits/increasing debt, uncertain grants	<i>Initially medium, stable over time</i> Undiversified and uncertain revenue sources, dependence on grants, budget deficits, low debt, solid financial position/ decreasing debt	<i>Initially high, stable over time</i> Undiversified and uncertain revenue sources, dependence on grants, high debt financing, budget deficits/ increasing debt	<i>Initially low, increasing over time</i> Low debt financing, healthy financial reserves, volatile budgets/increasing dependence on grants due to growth limitation
Level and types of anticipatory capacity before the shock and their/evolution over time	<i>Initially medium, increasing over time</i> No early-warning system, quick response/stronger risk management, more benchmarking and stress testing, stricter budgeting	<i>Initially medium, increasing over time</i> No early-warning system, basic risk management/tighter risk management and other monitoring tools, financial reviews	<i>Initially medium, increasing over time</i> Medium-term financial planning, response/stronger risk assessment, more advises, more transparency, more strict budgeting	<i>Initially low, increasing over time</i> Medium-term financial planning/stronger risk assessment, more strict budgeting
Levels and types of coping capacity	<i>Selective</i> <i>Buffering:</i> <i>Cut costs, cancel investments, prioritisation</i> <i>Adapting:</i> <i>Efficiencies, transparent budgets, partnerships</i> <i>Transforming:</i> –	<i>Selective</i> <i>Buffering:</i> <i>Cut costs, cancel investments, postpone investments, prioritisation, alternative resources</i> <i>Adapting:</i> <i>Efficiencies, layoffs, partnerships</i> <i>Transforming:</i> –	<i>Selective</i> <i>Buffering:</i> <i>Cut costs, cancel investments, postpone investments</i> <i>Adapting:</i> <i>Efficiencies, transparent</i> <i>Transforming:</i> –	<i>Selective</i> <i>Buffering:</i> <i>Cut costs, cancel investments, postpone investments, deferring maintenance</i> <i>Adapting:</i> <i>Efficiencies, thematic working</i> <i>Transforming:</i> –

maintenance levels, or the ending of public services. Cost cutting activities were deployed across-the-board as well as targeted. Furthermore, many investments on capital and projects were evaluated and then continued, ceased or cancelled. Although a great many projects have been cancelled or postponed, cutting investments was done carefully to avoid a lock down of the city. In contrast to many other countries, increases of local taxes were absent in Dutch cities. This is most likely to be caused by the financial arrangements in the Netherlands and the limited financial autonomy of the local authorities. As only an insignificant part of their budget comes from taxes, even the smallest contribution to the restoration of the fiscal squeeze would require an extraordinary rise of local taxes.

Besides short-term responses to restore immediate fiscal deficits, also long-term responses were deployed to realign actual operational outputs with strategically desired outputs. Sticking to strategic plans was not easy as financial shocks evolved so quickly. One long-term response is evident in the Dutch cases, namely the transition of the role of local government in society. The interviews indicate a transition from a proactive self-organising type of government towards a more passive, coordinating type of government. This transformation was driven by two elements. Firstly, governments operate in a broader web of stakeholders, or as one respondent said:

A municipality always needs other organizations to realize goals. Thinking that we can do everything on our own is a bit old-fashioned.

Secondly, many issues nowadays are not regarded as an exclusive governmental problem.

Having a deficit is not a problem of the municipality, it is a societal problem. The society therefore has to be involved, from the beginning, to solving it.

In the Netherlands, no evidence is found for radical changes of the financial system. However, since the end of 2015 a political debate has started to reform the financial arrangements in the Netherlands. This debate is likely to result in larger financial autonomy for cities to collect a higher level of taxes, at the expense of lower nationally imposed taxes.

ACKNOWLEDGEMENTS

The findings in this chapter are based on a secondary analysis of data gathered by Fien de Koning MSc, who in 2015 investigated the financial resilience of five Dutch local authorities as part of her master's thesis at the Utrecht University School of Governance. The author is very grateful for the provision of the research data.

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