

## Press Release

### Welsh local government spending: some deep cuts done, but much more to come

Spending by Welsh unitary authorities (UAs) is set to be 8.0% lower per person this year than in 2009–10 in real terms. Despite this significant cut the majority of the cuts implied by Government spending plans are still to come. Even if the UK Government's fiscal repair job is completed by 2016–17 as planned, and public spending then grows in line with the official forecasts for long-term economic growth, the spending power of Wales' UAs per person in 2020–21 looks likely to be below its current level in real terms, let alone the level enjoyed in 2009–10 prior to the current austerity drive commencing.

These are amongst the findings of a new report by IFS researchers, *Local Government Expenditure in Wales: Recent Trends and Future Pressures*, funded by the Welsh Local Government Association, and launched today at their 2012 Finance Conference in Cardiff.

Other key findings include:

- The cuts planned between 2009–10 and the current financial year, 2012–13, vary significantly across local authorities, in large part reflecting differences in cuts to grant allocations from the Welsh Government. However, unlike in England, where the cuts have generally been larger in more deprived areas where reliance on central government grants is greatest, the cuts in Wales have not been disproportionately greater in poorer areas. For instance, the real-terms reduction in spending per person by UAs in West Wales and the Valleys have averaged 7.8%, whilst in the generally more affluent East Wales region, spending cuts by UAs have averaged 8.4%.
- The scale of the cuts also varies significantly by service as shown in the figure below. Spending on regulation and safety services faces the largest cut between 2009–10 and 2012–13 (24.6% per person), followed by planning and development (22.9%) and housing (20.6%). Spending on social services has been relatively protected (falling by 3.8%), perhaps reflecting increasing demand for such services and councils' efforts to meet Welsh Government targets to protect spending in this area. Spending on environmental and refuse services and education have also been relatively protected, falling by 4.8% and 7.3% per person, respectively.

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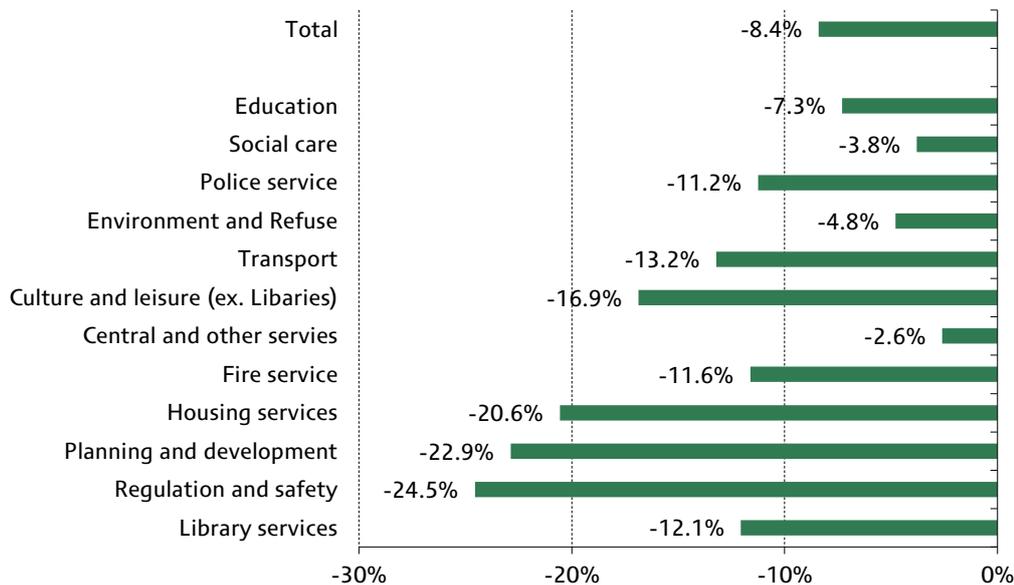
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Figure. Cuts in real terms local government spending per person (%) by service, 2009–10 to 2012–13



- Overall local authorities in England have had to make larger cuts than those in Wales over the last 3 years. This is largely due to the decision in Westminster to plan to protect the English NHS budget from cuts at the expense of greater cuts elsewhere, compared to the Welsh Assembly Government's decision not to protect the Welsh NHS from cuts and thereby reduce the cuts needed across other areas of spending.
- Cuts to local government spending in Wales have to date been smaller than those in England and much smaller than those in the North East of England, the region of England most similar to Wales in terms of its socio-economic characteristics (excluding education spending, in order to ensure comparability, the figures are 9.3% for Wales, 15.6% for England and 18.7% for the North East of England). The spending cuts in England have also varied by service area, but in most instances are substantially larger than those made to date in Wales.

David Phillips, a senior research economist at the IFS and one of the authors of the report, said: "Even if the UK public finances are restored to health by 2016–17, and public spending then grows in line with the OBR's forecast of long term economic growth, Welsh unitary authorities would likely be spending less per person at the end of this decade than they do now and that is after three years of quite deep spending cuts. This squeeze on spending is taking place in the context of rising demand on key spending areas such as social services for older people. Further cuts even after 2016–17 are a real possibility."

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Notes to Editors:

1. For copies of the report “Local Government Expenditure in Wales: Recent Trends and Future Pressures” by Rowena Crawford, Robert Joyce and David Phillips visit the IFS website, or for other queries, contact:  
Emma Hyman or Bonnie Brimstone at IFS: 020 7291 4800, [emma\\_h@ifs.org.uk](mailto:emma_h@ifs.org.uk), [bonnie\\_b@ifs.org.uk](mailto:bonnie_b@ifs.org.uk).
2. The authors are very grateful for financial support from the Welsh Local Government Association (WLGA) in producing this report. Co-funding from the ESRC-funded Centre for the Microeconomic Analysis of Public Policy at IFS (RES-544-28-0001) is also gratefully acknowledged. The WLGA represents the interests of local government and promotes local democracy in Wales. It represents the 22 local authorities in Wales and the 4 police authorities, 3 fire and rescue authorities and 3 national park authorities are associate members. The WLGA's primary purposes are to promote better local government and its reputation and to support authorities in the development of policies and priorities which will improve public services and democracy.
3. Data on local government expenditure and budgets to 2012-13 in England and Wales are available from the Department for Communities and Local Government and StatsWales websites. The OBR's forecasts for the public finances in the short and long term are available at <http://budgetresponsibility.independent.gov.uk/economic-and-fiscal-outlook-march-2012/> and <http://budgetresponsibility.independent.gov.uk/fiscal-sustainability-report-july-2012/>, respectively. A full list of data sources can be found in the report.
4. Spending by Welsh local government as a whole in 2012-13 is planned to be 8.4% lower than in 2009-10 after accounting for whole-economy inflation (measured by the GDP deflator). For unitary authorities, who undertake around 88% of all spending by local government, the reduction is 8.0%. Spending by police and fire authorities, which comprises almost all the remaining local government expenditure is set to fall by 11.3%, and 12.3%, respectively.
5. The change in spending on education services is excluded for England (and hence the comparison of overall cuts in England and Wales) because the growing Academies and Free School programmes mean an increasing fraction of funding for schools in England bypasses local authorities. An analysis of spending on education by local authorities would therefore significantly overstate the reduction in spending on schools in England.