

The 24th Annual IRSPM Conference

**Public Management, Governance, and Policy in
Extraordinary Times: Challenges and Opportunities**

20th - 23rd April 2021

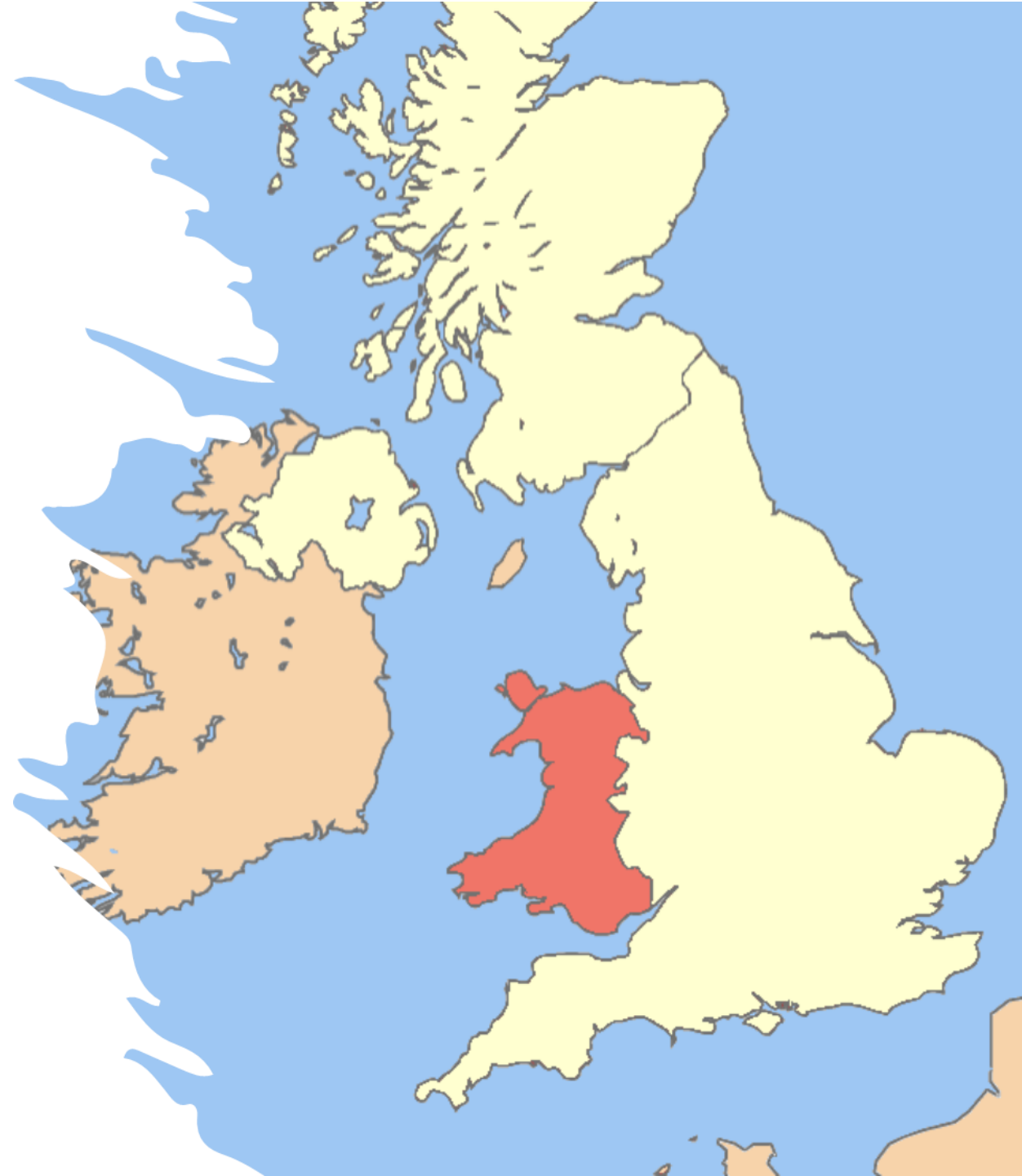
Accounting and Accountability
Special Interest Group Panel P26

**“Accounting for extraordinary times – ensuring
accountability in extraordinary times”**

The Impact of Austerity on Welsh Local Authorities: Where the Axe is Falling

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RQ: How have Austerity policies affected the service expenditure for Welsh Local Authorities?

Why Welsh LAs?

- A devolved administration, offering an opportunity to study phenomena in a national context.
- Unlike England, all 22 LAs in Wales are unitary authorities, which makes them more easily comparable.
- Welsh LAs have some similarities with their English counterparts, which will ultimately allow for comparison between them at a later date.
- This study forms part of a wider body of work looking at UK LA responses to austerity and the context of financial resilience (Barbera et al, 2017).

Research Aims

- To investigate the changing trends and service expenditure patterns 2005 to 2020
- To understand how LAs have (re)prioritised various areas of service expenditure (2005 to 2020).
- Provided insights on service expenditure in three time periods; pre austerity (2005/6 to 2009/10), early austerity (2010/11 to 2014/15), and post austerity (2015/16 to 2019/20).

Context – Welsh Government Income & Spending

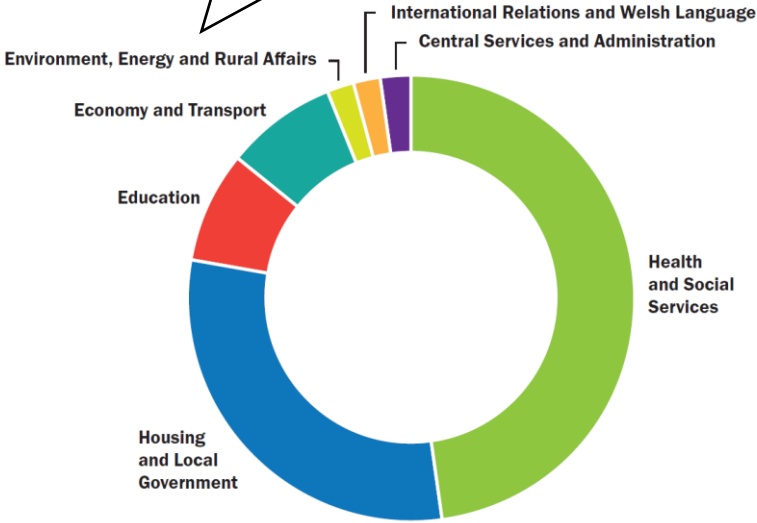
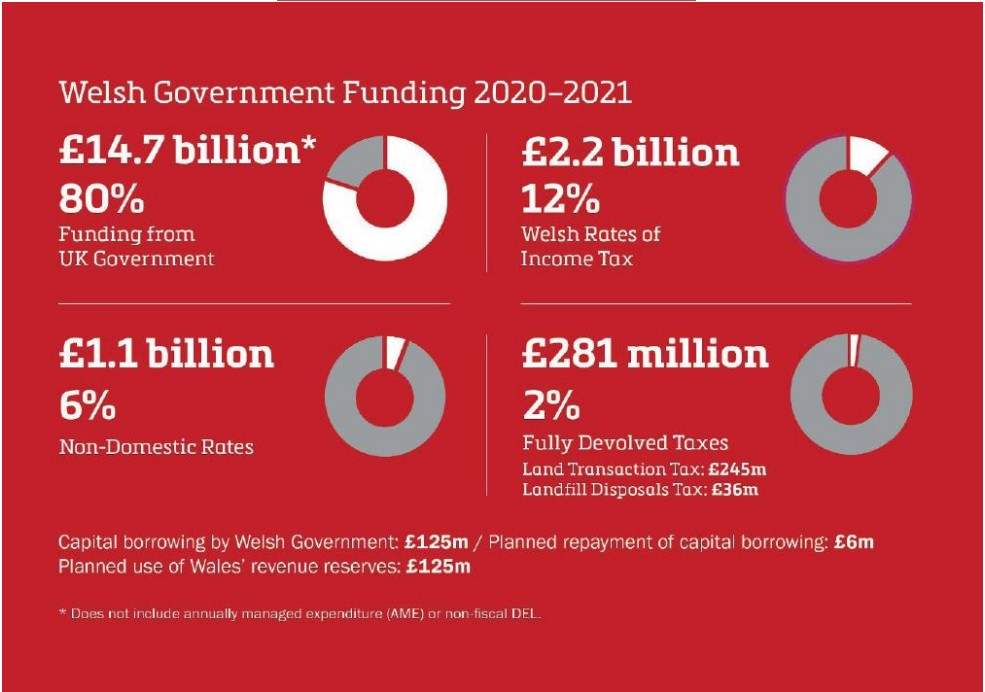
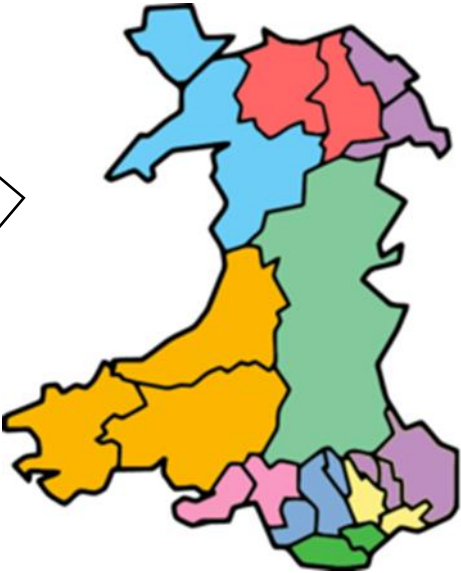


Barnett Formula
£14.7 Bn



RSG (£3.3 Bn) and NDR (£1 Bn)

Other public expenditure



Welsh LA context

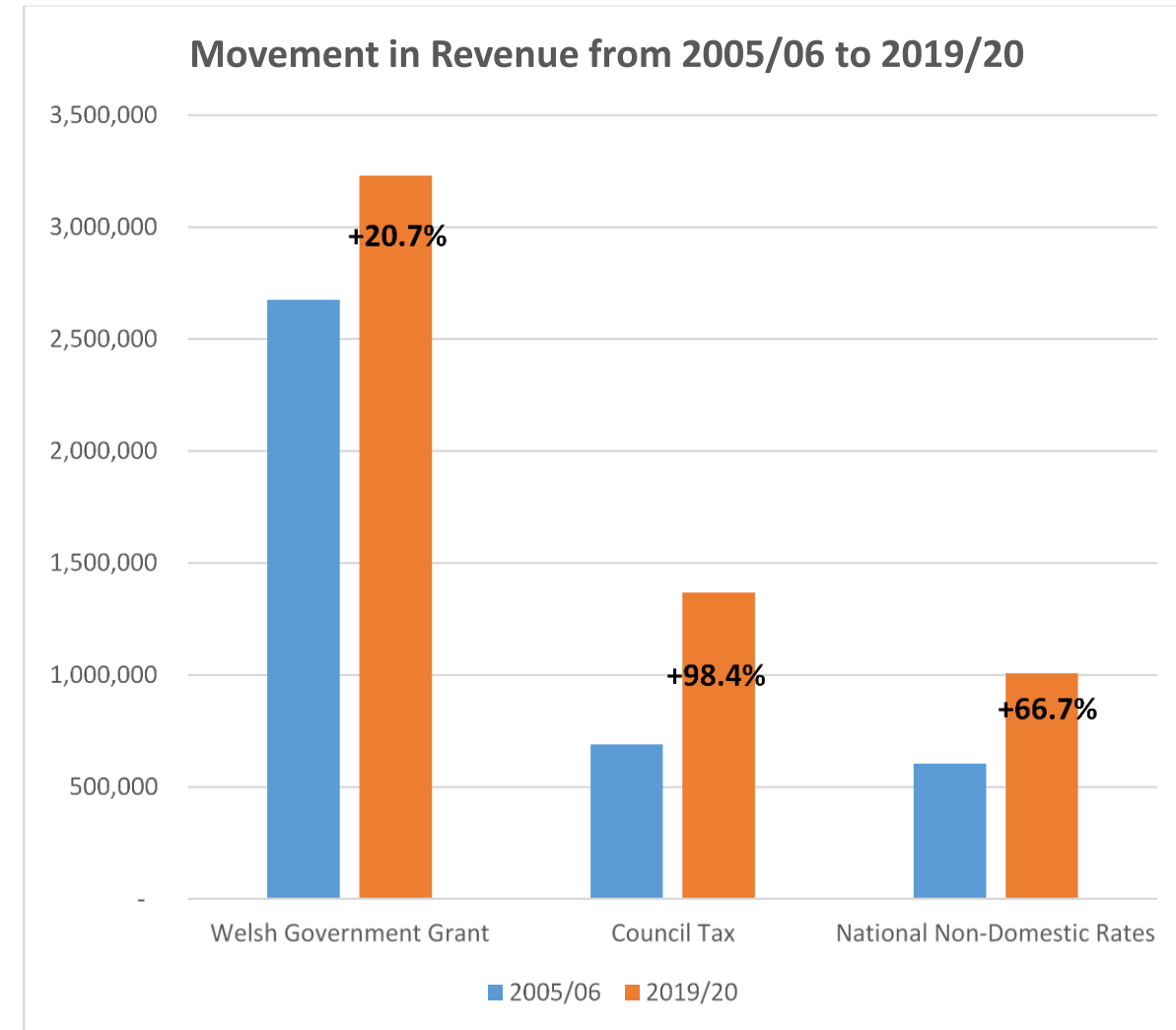
- Studies have explored the state of Local Government Finance in Wales:
Often **practice-oriented** (Ogle et al. 2017; Ifan and Sion 2019; Downes and Taylor-Collins, 2019), but a few **academic-oriented** (Dollery and Wijeweera, 2010)
- 22 unitary authorities providing eight similar services
- Barnett formula postponed the onset of austerity (HM Treasury 2010)
- Austerity was not as severe in Wales as in England (Ogle et al. 2017; Downes and Taylor-Collins, 2019)
- Some similarities with England, but also some differences (Education/NDR)
- Good relationship between LAs and Welsh Government (Hay and Martin 2014; Ferry *et al.* 2017)
- But difficult decisions still to be taken at the local level – efficiency, investment and retrenchment (Downes and Taylor-Collins, 2019)
- Increases in council tax were not sufficient to meet the funding gap (Ifan and Sion, 2019)

Context - Welsh LA Income

	LA Revenue (£'m)		Change (%)
	2005/06	2019/20	
Welsh Government Grant	2,674,963	3,229,481	20.7%
<i>% of total revenues</i>	<i>67.4%</i>	<i>57.6%</i>	<i>-9.8%</i>
Council Tax	689,992	1,368,806	98.4%
<i>% of total revenues</i>	<i>17.4%</i>	<i>24.4%</i>	<i>+7%</i>
National Non-Domestic Rates	604,800	1,007,950	66.7%
<i>% of total revenues</i>	<i>15.2%</i>	<i>18.0%</i>	<i>+2.8%</i>

(Adapted from Ifan and Sion, 2019)

Council tax is an increasingly important source of income for councils..... around the time of our interviews, the 2018-19 council tax rates had just been announced, with increases ranging from 3.3-12.5%. Discussion centred on whether councils were prepared to or had gone above the notional 5% 'cap' set by Welsh Government. Some councils told us that they couldn't afford to keep below the cap, while others were critical of councils which had broken it. (Downe & Taylor-Collins, 2019)



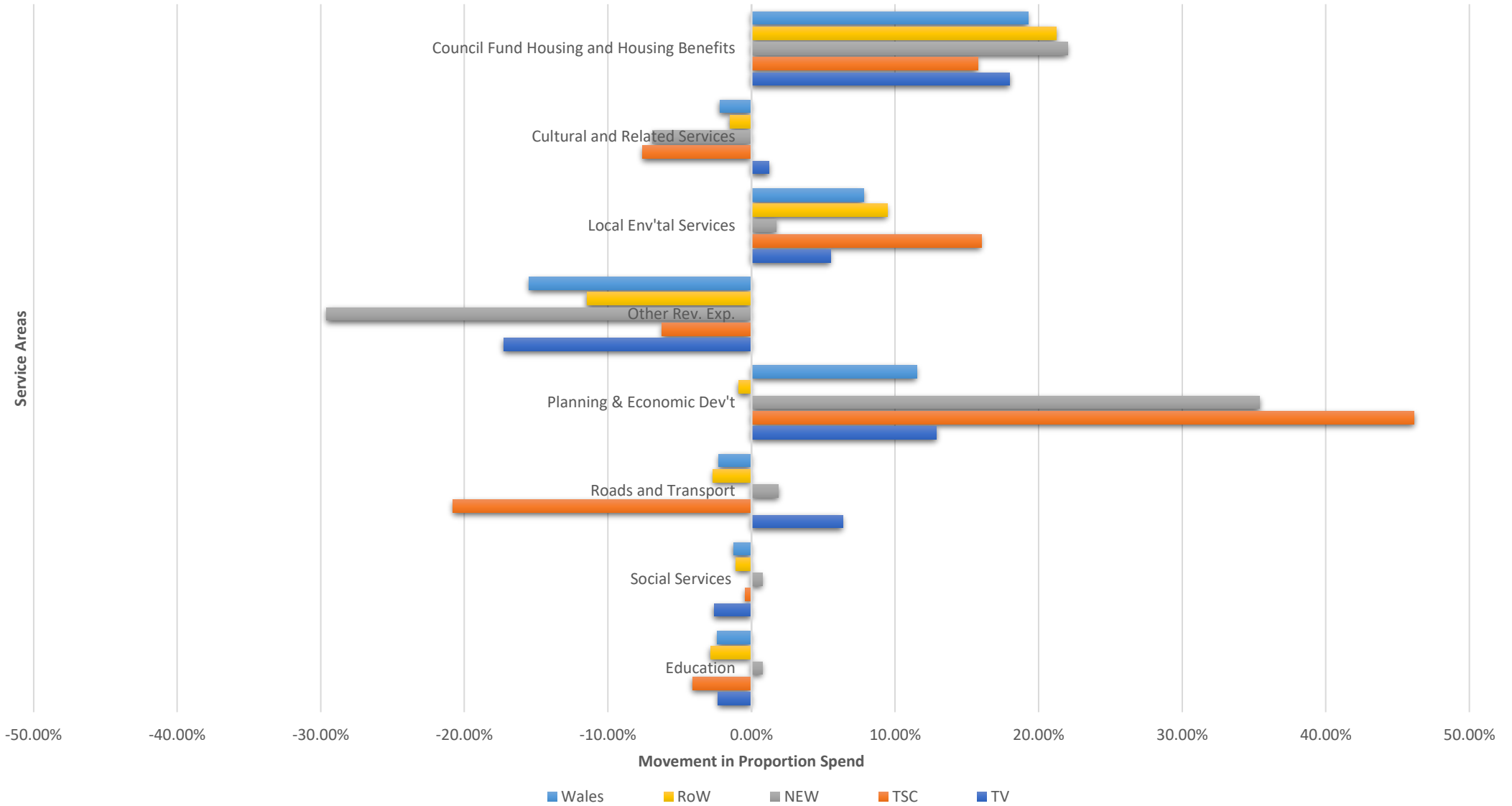
Methodology and Methods

Exploratory approach – quantitative, disaggregated, secondary data (RS/RO Forms)

- We look at how Welsh LAs prioritised and re-prioritised service expenditure in response to the reducing resource envelope presented by austerity.
- LAs were grouped into four distinct regions, by similar characteristics, as used by Crawford et al. (2012);
- Classified the longitudinal time series into three distinct eras:
 - pre austerity (2005/6 to 2009/10)
 - early austerity (2010/11 to 2014/15)
 - post austerity (2015/16 to 2019/20)
- Prioritisation was measured using changes to the per capita proportionate spend of each service area within the overall annual budget at the beginning and end of each era. (similar to Crawford et al. 2012)
- All expenditure was converted to real term values, using the GDP deflator, with 2010/11 as the base year (widely regarded as the year that austerity started to bite in UK local government finance settlements).
- Three analysis frames:
 - Movement in per capita spend by service area & group by era – focus of presentation
 - Year-on-Year movements in real term per capita spend by service areas
 - Year-on-Year movements in proportionate per capita spend by service areas

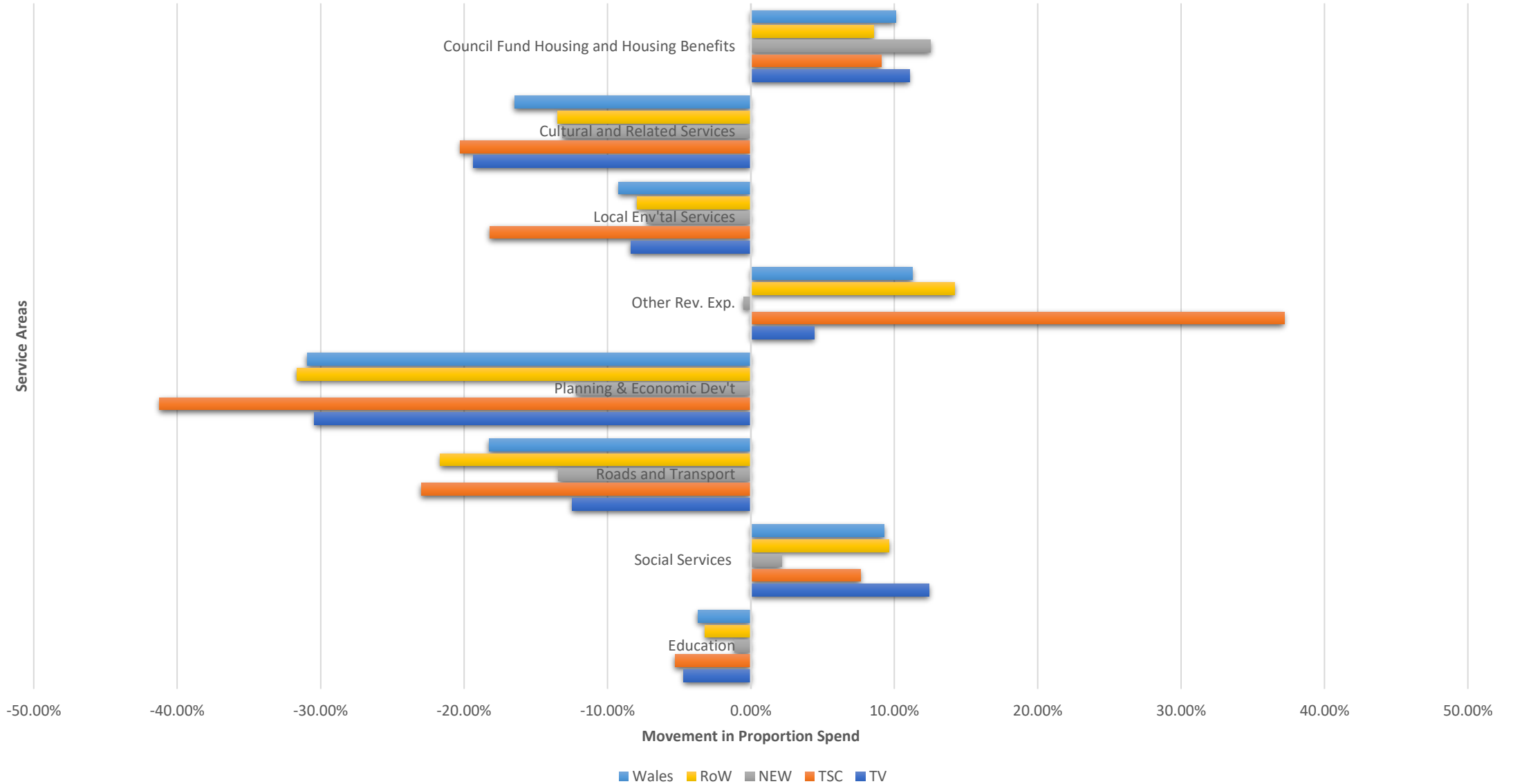
Results and Findings: Movement in Per capita spend by Service Area & Group - Pre-Austerity (2005/06 – 2009/10)

Movement in Proportion of per capita spend by Service Area by Group - PAE



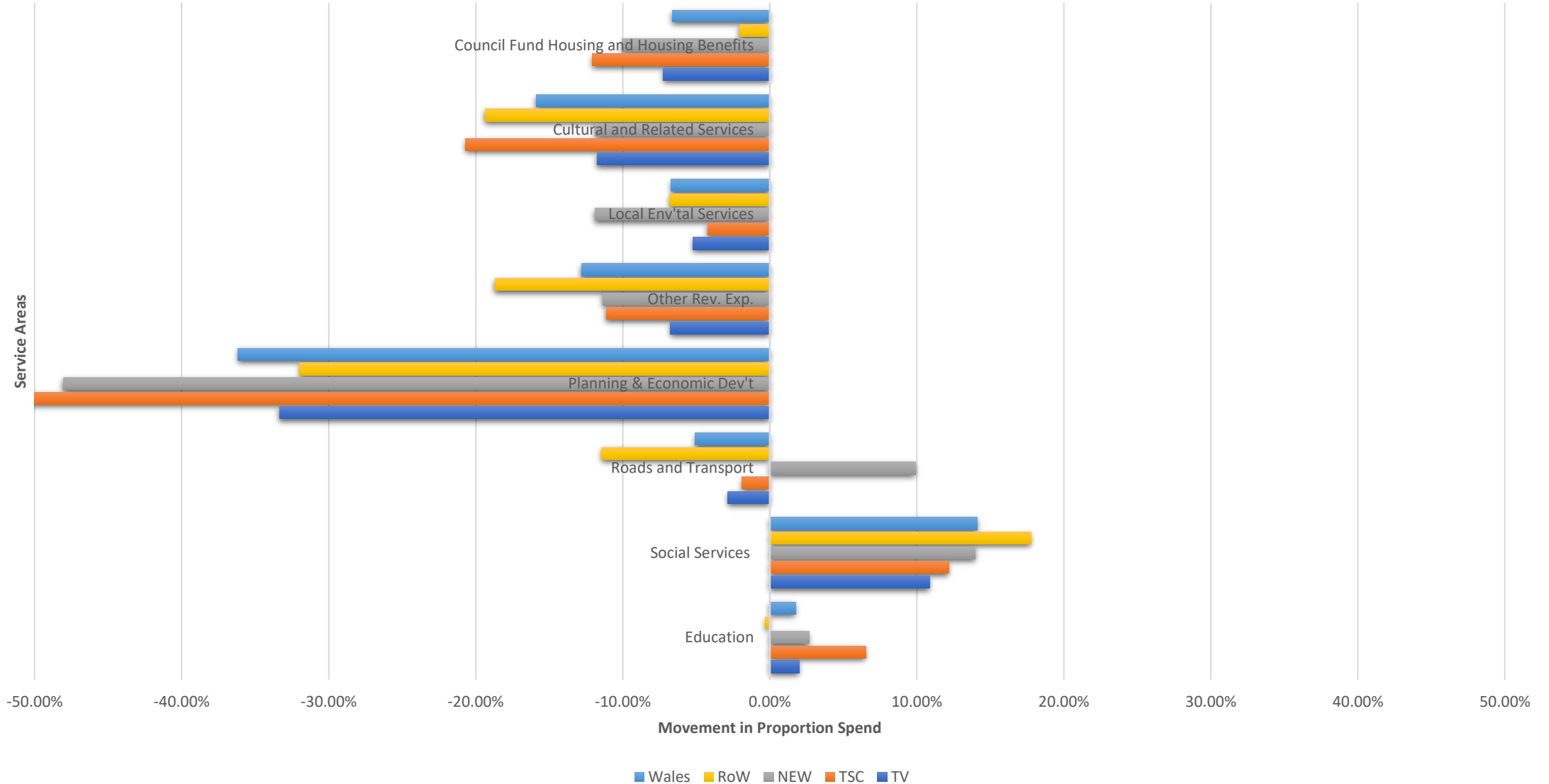
Results and Findings: Movement in Per capita spend by Service Area & Group - Early Austerity (2010/11 – 2014/15)

Movement in Proportion of per capita spend by Service Area by Group - EAE



Results and Findings: Movement in Per capita spend by Service Area & Group - Late Austerity (2015/16 – 2019/20)

Movement in Proportion of per capita spend by Service Area by Group - LAE



Pre-Austerity (2005/06 – 2009/10)

RA 1: Changing trends and service expenditure patterns

- A continuous increase in expenditure per capita for Social Services and Council Housing and Housing Benefits for all regions throughout the pre-austerity era.
- ROW and TV had higher real term per capita values than TSC and NEW.

RA 2: Reprioritisation of services

- Share of Social Services per person increased for all regions between 2005/06 & 2006/07, but reduced slightly for the rest of pre-austerity Era
- Lowest share of Council Housing and Housing Benefits was recorded at the start of the pre-austerity era (19.63% in 2005/06)
- Services with the most discretionary services had the largest proportion in the pre-austerity era, reducing in later periods.
 - Planning and Economic Development was largest (4.14%) in 2008/09.
 - Roads and Transport was highest (8.22%) in 2005/06 but reduced continuously throughout the three periods (2005/06 to 2019/20).
 - Other Revenue Expenditure was largest (15.25%) in 2005/06 but reduced continuously throughout the three periods (2005/06 to 2019/20).

Early Austerity (2010/11 – 2014/15)

RA 1: Changing trends and service expenditure patterns

- Social Services per person increased continuously for all regions throughout the early austerity era, except a marginal drop for TSC UAs in 2011/12
- LAs in all Regions made minor cuts in expenditure for
 - (1) Cultural and Related Services,
 - (2) Planning and Economic Development,
- Roads and Transport reduced significantly towards the end of this period
- Other Revenue Expenditure decreased in TSC, NW, and RoW. Only TVs had a continuous increase in Other Revenue Expenditure.

RA 2: Reprioritisation of services

- Share of Social Services continues to increase for all UA regions.
- Council Housing and Housing Benefits was volatile with an average share of 24.38 (TV), 29.11% (TSC), 23.49% (NEW), and 21.48% (RoW).
- Continuous reduction in share of some discretionary services (LES, CRS and PED), although ORE increased marginally (average 1.13%) across all regions.
- Continuous reduction in road and transport (statutory) from an averaged 7.94% (2010/11) to 6.34% (2014/15).

Late Austerity (2015/16 – 2019/20)

RA 1: Changing trends and service expenditure patterns

- Social Services continued to increase throughout the late austerity era except for TV and TSC UAs, which had a 2.45% and 1.37% reduction in social service spend per person in 2015/16.
- Major reductions in other revenue expenditure was made in the late austerity era with an average growth rate of -1.37% (TV), -0.27% (TSC), -0.72% (NEW), and -2.32% (RoW).
- Largest cuts in Cultural and Related Services spend per person was in 2015/16 and 2016/17
- Largest cuts throughout the 15 period for Planning and Economic Development, Cultural and Related Services, and Local Environmental Services for all regions was in 2015/16.

RA 2: Reprioritisation of services

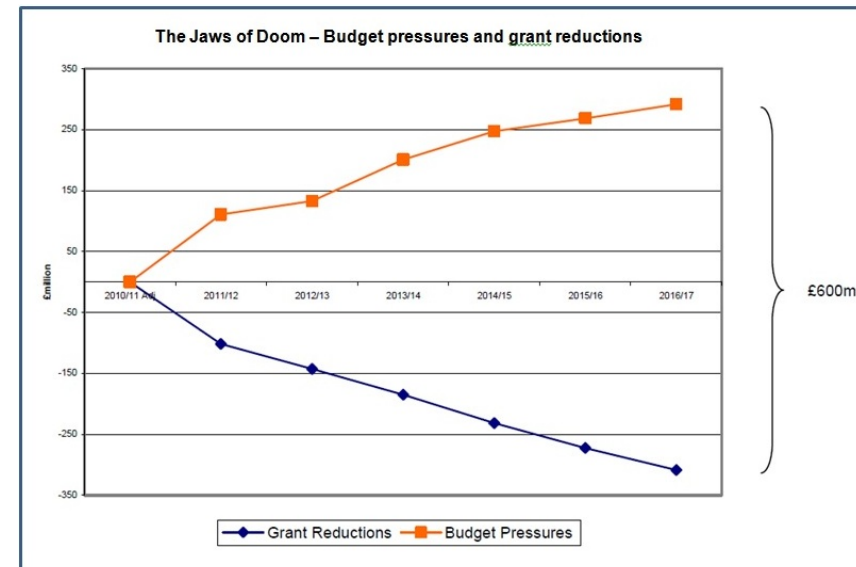
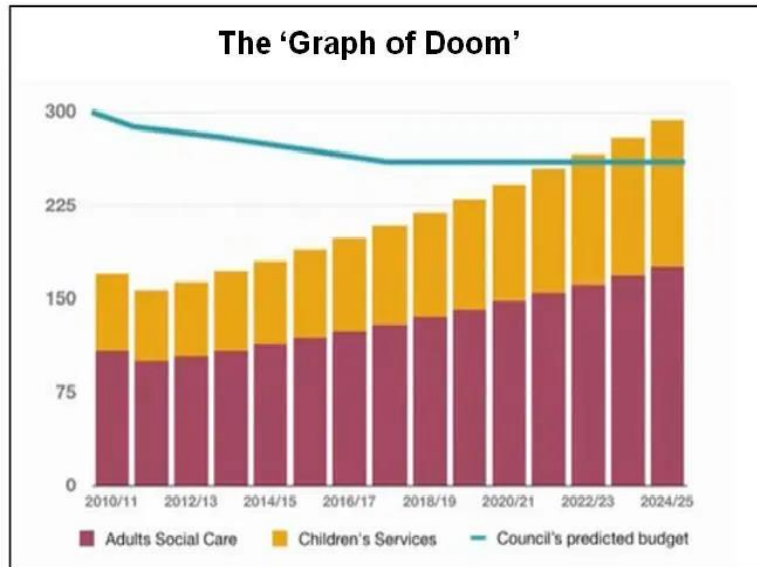
- Share of Social Service spend per person continues to increase to an average 44.68% for all UA regions, the largest share on net expenditure excluding education.
- The lowest average share of some more discretionary services (Planning and Economic Development, 1.76%; Local Environmental Services, 8.58% - 2018/19) was recorded in the late austerity era

Significance of Findings

- Income
 - Reduction in RSG and increases in CT and NDR
 - Rebalancing of proportions, but RSG still dominates
 - Increases in CT and NDR insufficient to alleviate the need for cuts
- What is happening to service expenditure?
 - 2005/06-2009/10 - four service areas out of eight to the left; four to the right. Note Social Services and Education to the left
 - 2010/11-2014/15 - five services areas to the left; three to the right, but increased expenditure to the right more narrowly focused on specific services
 - 2015/16 -2019/20 - Social Services and Education dominate to the right, all other services to the left
 - i.e. gradually less and less variation/discretion until all driven by social services and education?
- How do the 4 regions compare
 - Surprisingly consistent patterns across all 4 regions again suggesting reduction in variation/discretion
- Social Services was often prioritised over other statutory/non-statutory services – previously the problem child that other services had to bail.
- Only 2 Blocks had positive movements in the late austerity era – Education and Social Services are both statutory and demand led. Presumption that non-statutory services not delivered.
- NEW LAs had a positive movement in Roads and Transport – due to major increases for Flintshire and Wrexham during the late austerity era – not clear why from the figures.

A final thought.....

- Is devolution and discretion stopping in Cardiff?
- Is Wales becoming Barnet? - The Barnet graph of doom from 2010 “a PowerPoint slide, showing that within 20 years, unless things change dramatically, Barnett Council will be unable to provide any services except adult social care and children’s services. No libraries, no parks, no leisure centres – not even bin collections”.



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