Press Release

Welsh Government faces tough choices balancing spending over the next 12 years as cuts continue

The UK Government’s deficit reduction plan means the Welsh Government faces at least four more years of budget cuts on top of those already delivered over the three years since 2010–11. While overall spending may be able to rise from 2017–18 significant challenges will remain. In particular, pressures for increased spending in areas such as health, social services and schools over the period to 2025–26 could see continuing spending cuts in other areas, such as transport, culture and housing.

These are among the main conclusions of new IFS research, funded by Wales Public Services 2025 and being launched at a conference in Cardiff today. The research looks at recent changes in Welsh Government spending, and the prospects for the Welsh Government budget under various scenarios as far as 2025–26.

- The level of cuts to be implemented by the Welsh Government over the next four years is likely to remain uncertain until after the next UK general election. But a plausible range is between 5% (£800 million) and 9% (£1.4 billion).
- These come on top of cuts of just over 9% (£1.5 billion, when measured on a like-for-like basis) already delivered since 2010–11.
- Overall the Welsh Government is likely to have between 14% and 17% less to spend in 2017–18 than it had in 2010–11, unwinding the increase in spending that occurred over the previous six years between 2004–05 and 2010–11.

There is greater uncertainty beyond 2017–18 so the report considers a number of plausible scenarios and sets out the possible trade-offs between spending on different services under each:

- The baseline scenario considered in the report has Welsh Government spending growing so that by 2025–26 it is 16% higher than in 2013–14. A rising population means that protecting spending on health, social care and schools from further cuts between now and 2017–18 would mean spending per person on other services would only just regain its current level in 2025–26.
- Under this scenario relatively large real-terms increases in spending on health (5% per year), social care (4.5%) and schools (2%) to help meet the pressures of rising demands and costs and to undo the earlier cuts would only be possible with deep cuts to other services, such as transport, culture and housing, that would have to average almost one-quarter (24%) by 2025–26 compared to today (with spending on these areas needing to fall beyond 2017–18).
- Under a more pessimistic scenario, in which more austerity was required beyond 2017–18, such that overall Welsh Government spending would be lower in 2025–26 than 2013–14, when combined with the pressure of increased demands and costs would imply spending cuts in these other areas that are difficult to comprehend.

The report also looks in detail at the cuts made in Wales over the period from 2010–11 to 2013–14 and compares then to those made in the rest of Great Britain over the same period:

- The Welsh Government has chosen to cut the health budget by 8.6%; the budget of the department for Economy, Science and Transport by 20.8%; and of Education and Skills by 10.1%. The Department for Local
Government has seen a relatively smaller reduction of 4.5%. However, it is important to note that this budget now has to fund a higher proportion of Welsh Government grants to local government in Wales as a number of specific grants from other departments have been scrapped.

- These choices are in stark contrast with the cuts implemented in Scotland and England. Both the Scottish and UK governments chose to ring-fence NHS spending: between 2010–11 and 2013–14 spending on the NHS is to fall by just 0.4% in Scotland and rise by 3.1% in England. On the flip-side, the departmental budgets for local government fell more rapidly than in Wales, by 6.2% and 9.5% in Scotland and England respectively.

David Phillips, a senior research economist at the Institute for Fiscal Studies and an author of the report said:

“The planned UK wide austerity implies four more years of cuts to the Welsh Government’s budget on top of the cuts already implemented since 2010–11. Overall this means that spending by the Welsh Government in 2017–18 is set to be between 14% and 17% lower than it was in 2010–11, and at a similar level to that seen around 2004–05.

Even an increase in the total Welsh Government budget of just over one-fifth over the period 2017–18 to 2025–26 would still lead to difficult trade-offs being necessary. A growing and ageing population and rising demand for health, social care, and schools spending could mean spending on other services in 12 years time remaining substantially below current levels and, indeed, perhaps facing continuing cuts even after the fiscal repair job is complete. A focus of the Welsh Government should be on ways of reducing the demand and cost pressures facing these public services over the coming years.”

ENDS

Notes to Editors:

1. For embargoed copies of the report contact: Bonnie Brimstone at IFS: 020 7291 4800 / 07730 667013, bonnie_b@ifs.org.uk

2. This research has been commissioned by Wales Public Services 2025 using funding from the Welsh Local Government Association, the Society of Local Authority Chief Executives and the Welsh NHS Confederation. Wales Public Services 2025 is Wales Public Services 2025 is an independent programme, hosted by Cardiff Business School, looking at the fiscal, demographic and other pressures which public services in Wales face over the next decade and beyond. It has received funding from the Big Lottery and Joseph Rowntree Foundation and works in partnership with organisations such as Nesta, Carnegie UK, the Welsh NHS Confederation, the Welsh Local Government Association, SOLACE Wales and others.

3. The findings of this report are being presented at the Wales Public Services 2025 conference at the Future Inn, Cardiff Bay which begins at 9:30 on Thursday 26th September. Information about this conference is available at: https://www.eventsforce.net/cbs/frontend/reg/thome.csp?pageID=11632&eventID=58&eventID=58.