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The local government response to austerity in a small devolved country: the case of Wales

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ABSTRACT

The 2008 Global Financial Crisis and subsequent austerity drive across Europe and North America has been particularly felt at a local government level. Wales presents a valuable case study through which to explore the impact of austerity on local government: it is a small country with a devolved government that is philosophically opposed to austerity, yet where cuts to local government have been drastic. Drawing on interviews with Welsh councils and key stakeholders, this paper explores three approaches councils have taken to managing austerity – efficiency, investment, and retrenchment – and finds that councils were already at a financial 'tipping point' before the pandemic. This paper concludes by considering the lessons that could be applied to the new challenge of recovery from the Covid-19 pandemic.

KEYWORDS Austerity; budget cuts; local government; councils; Wales; efficiency; Covid-19 pandemic

Introduction

The 2008 Global Financial Crisis (GFC) and subsequent austerity drive across Europe and North America has been particularly felt at local government. The Coronavirus pandemic adds different and intensified financial pressures on councils and their future viability, compounded in Wales by Brexit. This paper examines Welsh local government's response to austerity and considers lessons that could be applied to the new challenge of recovery from Covid-19.

The scale and pace of cuts to local government has differed between countries (Gray and Barford 2018). Wales presents a valuable case through which to explore local government experiences of austerity. It is a small devolved country under different political control from national (UK) government since before austerity. Across OECD countries, sub-national jurisdictions account for almost a third of government spend on average (OECD and KIPF 2016) and yet less is known about the impact of austerity on these nations. Most studies of austerity in local government have researched large authorities in the US and England. There is also an English bias in this literature that

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this paper helps rectify (Kim and Warner 2020, 242). In addition, existing evidence on Wales only assesses the early years of austerity and takes a quantitative approach (Jones, Martin, and Whittington 2015). This paper aims to address the gap in qualitative, in-depth research on austerity and local government in devolved nations by analysing the strategies Welsh local government has taken to respond to austerity and identifying lessons for similar jurisdictions in future.

The paper starts by analysing how local governments across the world have responded to austerity before detailing approaches used by Welsh councils, drawing on interviews conducted in 2018. We then consider these findings in relation to the pandemic and briefly examine Welsh councils' reaction. The conclusions set out learning on the effectiveness of approaches to reductions in funding and the concern that Welsh councils were already at the financial 'tipping point' pre-pandemic.

Conceptual framework: strategies to manage austerity

There is extensive research on local government responses to austerity, mostly on cities, including global comparative case studies (Davies 2017; Davies and Blanco 2017; Guarneros-Meza et al. 2018) and studies in the US (Kim and Warner 2016; Davidson and Ward 2014), Thailand (Krueathep 2013), and continental Europe (Cepiku, Mussari, and Giordano 2016; Overmans and Noordegraaf 2014; Overmans and Timm-Arnold 2015). While there may be no such thing as 'universal' austerity plans (Overmans and Timm-Arnold 2015, 1059), there are similarities in strategies local governments have deployed.

Existing literature outlines several ways to group responses to austerity, from Overmans and Noordegraaf (2014) categories of decline, cutbacks, retrenchment, and downsizing in the Netherlands and Germany, to Overmans and Timm-Arnold (2015) organisational cuts, fiscal cuts, fiscal changes, and organisational changes in Dutch cities, and Krueathep's (2013) expenditure, revenue, and management improvement strategies in Thailand. We find the categories used by Hastings et al. (2015) and Gardner (2016), – efficiency, investment, and retrenchment (see Table 1) – most useful as these encompass the range of actions taken; we adopt this framework in our analysis. These strategies are not 'new' – they were adopted by councils pre-austerity – but the way they are employed to respond to an acute fiscal crisis presents a new way of working by local government.

Actions range from simple 'cheese slicing' or 'cutback' approaches (Politt 2010; Cepiku, Mussari, and Giordano 2016) to more strategic choices which Kiefer et al. (2014, 1282) refer to as 'innovation-related changes': 'doing something new in the organization by generating or adopting new practices and services'.

Table 1. Strategies to manage austerity.

Strategy	Component	Example
Efficiency	Reduce 'back office' and 'fixed' costs	Reduced support functions
	Redesign front-line services	Smarter working using technology
	Income generation/loss reduction	Increase traded income via selling services
	Seek savings from external providers	Re-commission existing contracts
Investment	Encourage economic growth	Attract investment or jobs
	(Accelerate) capital investment	Growth-orientated investment (e.g., site preparation)
	Preventative revenue spend	Re-ablement in domiciliary care
Retrenchment	Renegotiate division of responsibilities between council and other agencies	New models of provision such as co-operatives
	Renegotiate division of responsibilities between council and citizens	Asset transfer to community groups
	Charges (for existing services)	New or increased charging for services (e.g., bulky waste)
	Reduce range of services	'Statutory' only level of service provided
	Continue to provide service on universal but reduced level	Reduced number of facilities (e.g., libraries)
	Continue to provide service but target towards 'need'	Provision focused only on the neediest groups or neighbourhoods

Adapted from Hastings et al. (2013); Hastings et al. (2015)[1]

[1]Table 1 includes the sub-strategies and a reduced list of the dimensions reported in Hastings et al. (2013), a later version of which was also published by Hastings et al. (2015).

Efficiency

Efficiencies 'aim to reduce costs of council services without changing service levels as far as the public are concerned' (Hastings et al. 2015, 606). Politt (2010, 21–3) describes how efficiencies are considered a way for councils to 'do more with less' and generally 'appear to be politically and organizationally the most desirable way to make savings' because changes usually go unnoticed by the public. They therefore tend to be the first measures used in response to austerity across the public sector (Fitzgerald and Lupton 2015; Hastings et al. 2015; Kiefer et al. 2014).

Efficiencies are indicative of what Hastings et al. (2015, 602) call the 'survival' narrative of local government's response to austerity, highlighting 'the capacity of local government to adjust to and survive periods of austerity' without offering reduced or lesser quality services. However, as Politt (2010) cautions, efficiencies alone cannot make the savings required by austerity cutbacks; they are usually combined with other strategies when significant savings are needed.

Investment

Investment strategies 'aim to reduce the need for council services or reduce the cost of services in future' (Hastings et al. 2015, 606). Unlike efficiencies, which provide (public-facing) stability, investments are a 'change measure' – 'proactive, targeted, and aimed at the long term viability of an organization' (Overmans and Timm-Arnold 2015, 1049). Investments are not equally available to all councils: they are more likely to be made by councils with greater financial autonomy (Overmans and Timm-Arnold 2015) because they require expenditure. Attracting local investment, such as from private companies, are more likely for councils where '(market) conditions are propitious' (Peck 2012); larger, urban councils are better equipped to make investments than smaller, rural areas.

As Hastings et al. (2015, 616) argue, there is a limit to how far investments can bridge the gap in finances caused by austerity, but they do represent 'a transfer of new levels of responsibility and therefore of risk to councils', marking a different way of working.

Retrenchment

Retrenchment involves 'actions which reduce the council's role in terms of the services it provides and for whom' (Hastings et al. 2015, 606). Like efficiencies and investment, retrenchment began before austerity: it is considered 'a fundamental aspect of a longer-term neo-liberal project which aims to re-shape and redefine the state at a national and local level', with the GFC a 'justifying mantra' for continued post-crisis retrenchment (Hastings et al. 2017).

Retrenchment involves the 'responsibilisation' of actors including the third sector (Guarneros-Meza et al. 2018) and communities themselves in providing services previously delivered by the state. It is linked to 'community resilience', in that resilient communities are considered self-reliant and 'charged with solving their own problems through the reinvigoration of community' (Platts-Fowler and Robinson 2016, 767). The same study cautions that communities need support from the local state, however, to manage increased responsibilities (Ibid., 781); there is a limit to how far communities can cope with large-scale retrenchment.

The Welsh context

Wales is a small country (population 3.1 million) that has been devolved since 1999. Since then, successive Labour-run administrations have taken a 'distinctively Welsh' or 'Made in Wales' (Moon 2013) approach to local government. Austerity was adopted by the Coalition (Conservative and Liberal Democrat) and Conservative governments of 2010–2020 and has been opposed by the Labour Welsh Government (Hutt 2016), in contrast to the UK Government's framing of austerity as an opportunity for reform (HM Treasury 2010, 8). However, cuts to the block grant Wales receives from UK Government mean Wales has also undergone a period of austerity.

Although Welsh councils were initially relatively protected (Pill and Guarneros-Meza 2018), they still experienced mean reductions in service spending of 12% between 2009–10 and 2016–17 (Gray and Barford 2018). In late 2019 UK Government declared the 'end of austerity', and there was a real-terms increase in Welsh Government funding for councils in the 2020–21 budget. However, local government spend remains below 2010 levels (Ifan and Sion 2020) and the financial situation of Welsh councils is likely to deteriorate following Covid-19.

In focusing on Wales this paper offers insights into responses to austerity in a different context from existing research: there is strong ideological opposition to austerity nationally and locally, councils have limited staff capacity, and they serve small populations with high levels of need and economies that rely on public sector employment. This context is typical of many other less affluent countries and other peripheral regions in rich countries.

Methods

This study involved interviews with senior representatives in 12 of Wales' 22 councils and relevant external stakeholders. The councils were selected to provide a representative sample according to geography (Nomenclature of Territorial Units for Statistics [NUTS] classification) and political control. Wales is divided into two NUTS 2 areas, within which are 12 smaller NUTS 3 areas. The councils in our study represent 10 NUTS 3 areas and are broadly representative in terms of political control, with a spread of Labour, Independent, Plaid Cymru, Conservative and coalition councils. Ahead of the interviews, we reviewed each council's Corporate Plan and Medium-Term Financial Strategies to identify priorities and spend. This informed our interview questions, which focused on responses to the recent 2018–19 financial settlement and approaches to efficiency, investment, and retrenchment, using examples in Table 1.

Interviews (n = 29) were conducted with at least one (though in most cases two or three) of the following from each council: chief executives, directors of finance, and leaders or cabinet members for finance. This paper provides senior officers' account of austerity; it is likely to have produced a different response had we focused on another group, such as frontline workers (Hastings and Gannon 2021). We also interviewed stakeholders (n = 4) from Welsh Government, the Society of Local Authority Chief Executives, and Audit Wales. We used the same topic guide as for councils but pitched the questions at the strategic level across the experience of Welsh councils in general. The findings are reported on a non-attributable basis to protect anonymity. All interviews were conducted by the authors between March-May 2018 either face-to-face or via telephone, each lasting 30–90 minutes.

Interviews were recorded and transcribed. A deductive approach to analysis was taken with a coding framework developed by the authors based on themes drawn from the topic guide and Table 1. This was tested and refined on a random selection of six transcripts to check respective interpretations of the coding, with discrepancies discussed and resolved. Once an agreed framework was established, each transcript was then coded by the authors (half each) using NVivo.

The next section explores our findings according to the three strategies of efficiency, retrenchment, and investment.

Efficiencies

In all cases, efficiencies were the first of the three strategies to be implemented and made up most of the savings.

Most councils had a negative view of austerity but some acknowledged that, particularly early in austerity, budget cuts had positive effects:

> There was a need for local government across Wales to reflect on their working practices. Because if you go back beyond the last eight years, we did live in a time of plenty. Many of the decisions that needed to be taken up in the council chamber were, "How are we going to spend this money?" rather than, "How are we going to save money?" (Chief executive)

A small minority of councils explained that austerity was an opportunity to improve service delivery and identify waste and inefficient processes. One leader explained:

> It's made me more business minded in the context of public services, and not losing the public service ethos, but thinking more business-like about what we do, and the way we provide services in a different way.

Austerity gave another leader the chance to challenge existing conventions and create space to be creative and take calculated risks. One chief executive believed austerity meant he got support for changes that he would not get in easier circumstances.

The two most common approaches to efficiencies matched the experience in councils elsewhere: reducing back office costs and redesigning frontline services, which largely meant making better use of digital and technology, as well as limited work on income generation and seeking savings from partners. Several interviewees used the phrase 'low hanging fruit' to describe these initial efficiencies. These were internal changes and therefore relatively straightforward to implement, being less likely than public-facing savings to elicit opposition from councillors and the public.

Reducing back office costs

These measures can have substantial impacts. One council highlighted that their review of back office and clerical support reduced costs by 45%. Others highlighted examples where efficiencies were made relatively painlessly including rationalising printers (£600,000 saving a year), centralising administration (£1 m saving), making all postage second class (£250,000 saving) and changing how they dispose of residual waste (saving £1 m per year).

Back office savings predominantly affected councils' workforce by reducing staff numbers. Across Wales, councils' workforce dropped by almost a fifth between 2009–2018 (Ifan and Sion 2019a). This was achieved by actions such as removing layers of management, centralising HR and administration teams, and voluntary redundancies. Generally, councils avoided compulsory redundancies, but remaining staff then had to work harder and 'prove their worth'. Reducing the workforce negatively impacted morale, stress, and sickness leave levels, as recent research echoes (Hastings and Gannon 2021), and there was a concern that further reductions would leave councils unable to deliver services.

Public sector job losses can disproportionately impact local economies when the council is the largest local employer. Wales has a much higher proportion of its population working in the public sector than the UK as a whole (Ifan and Sion 2019b). Reducing the workforce has increased levels of unemployment locally, affecting council tax and councils' ability to generate income. This was coupled with significant redundancy costs.

In some cases, interviewees recognised that despite the difficulties in reducing the workforce, change has been necessary. One chief executive admitted that:

> We were a bit top heavy in certain respects, so when I took this post up there were 23 heads of service that are now 11, or 12. A lot of staff, they were good staff but frankly they weren't up for the fight that austerity represented.

Redesigning frontline services

Many interviewees talked about creating 'one-stop shops' or 'hubs' hosting multiple council services in one building to reduce overheads and enable councils to divest property. This enabled libraries to stay open and other services to continue. Councils also reduced desk space and building costs by encouraging agile working, particularly for staff not predominantly desk-based.

Changes to service delivery also resulted in significant efficiencies. One chief executive reduced the paperwork social workers had to complete, freeing their time to deal with a significant backlog of work. The result was social services holding their budget position for three years running. These changes are in some cases long overdue. Another chief executive explained that: 'Some of the systems that we've managed to design and layer over many, many years simply are completely unnecessary, over the top, too expensive'.

The use of technology to make efficiencies and improve service delivery is important. One council was ahead of the curve in setting up a Digital Development Team over a decade ago. Another had recently appointed a Chief Digital Officer, and a third had won external funding to support 5 G investment, but these were exceptions. Most councils felt they could significantly 'up their game' in this area, a deficiency that reaches across the wider public sector (Welsh Government 2018). There was also felt to be no obvious digital leader in Welsh public services from whom others could learn.

Nonetheless, councils introduced various developments to move council business online, such as apps. All interviewees were working to expand and/ or improve online transactions and interactions. However, IT changes require significant investment, which is especially difficult with a reduced workforce. One council used £1 m of reserves to improve their digital strategy and the public's electronic engagement with the council.

There was an understanding that changing service delivery should not marginalise the digitally excluded. Approximately 11% of adults in Wales (300,000 people) do not use the internet, and these are most likely to be marginalised groups (Welsh Government 2019). While councils aim to be 'digital by default', they recognise that multi-channel options need to be provided for some.

Income generation

Welsh councils were not particularly advanced at income generation, nor did they have ambitious plans here. This was said to be partly because of the statutory nature of many fees, and the lack of General Power of Competence (GPC) in Wales, which allows councils to do anything provided it is not prohibited by other legislation. It may also be because most councils in Wales are small, with few covering large metropolitan areas, making it difficult to generate significant income. In Wales, business rates councils collect are paid into a national 'pool' administered and redistributed by the Welsh Government, so there is no incentive, unlike in England, to increase the amount of rates collected. Furthermore, Wales has a long tradition of 'progressive universalism', where services are provided for free on a universal basis (e.g., free prescriptions), making charging for services an alien concept. Interviewees did talk about increasing charges for services such as green waste collection and car parking (also highlighted by Auditor General for Wales 2016) – although these were acknowledged as being political 'hot potatoes'. The limited examples of novel income generation activities we heard included a council which recruited specialist IT staff to build systems facilitating internal digital improvements, selling these systems to other authorities, and another that established an income generation group with £750,000 to pilot initiatives.

Council tax is one of the few income sources available to Welsh councils, making up 19% of gross revenue in 2017–2018 (Ifan and Sion 2019a). Council tax increases are not featured in Table 1 because of the UK government cap on increases. In Wales, a notional 5% 'cap' exists, but the 2018–19 council tax increases ranged from 3.3–12.5%. Some councils told us that they could not afford to keep below the 'cap', and those with higher increases were still below the Wales average. Others were critical of councils which had broken it.

Some councils tried to explain to the public that council tax increases fund existing services such as social services. While there was some public sympathy for this, communication needs careful handling to manage expectations about what rises mean for services. As one leader warned:

> Putting our council tax up by X% gave the impression to people out there that we got X% more money to run services this year than last. You try and explain that to them and you can't.

Overall, there is significant concern about the feasibility of increasing council tax as a long-term solution to balancing a budget. One director of finance said that 'dealing with austerity with council tax feels a bit like trying to bail out the Titanic with a bucket with a hole in it'.

Seeking savings from external providers

Apart from one council which had made significant savings from buying themselves out of a PFI contract, and another which extolled the work they had done on procurement in understanding categories of spend and extracting maximum value, we heard little about seeking savings from external providers. One council was cautious about trying to seek savings from others for fear of jeopardising relationships.

Outsourcing was also rarely discussed. For some, there was little political support for outsourcing and councillors would only consider it as a way to protect the highest priority services. Some created arms-length companies, such as one on careline services and another to progress building affordable homes.

Reducing back office costs and redesigning frontline services were the most important changes for councils trying to make efficiencies. Councils recognised that they could do more to generate income and there was only limited discussion on savings being sought from external providers. We will now consider where councils responded to austerity through investment.

Investment

The types of investment councils can make include preventative revenue spend, encouraging economic growth, and accelerating growth-oriented capital investment.

Prevention

The most significant area of investment for councils in our study was in prevention. In one council, £500,000 had been allocated to early intervention, with a part-time deputy chief executive dedicated to it. Much of the preventative spend we heard about was in social care, accounting for 30% of Welsh councils' service expenditure in 2017–18 (Ifan and Sion 2019a). One council said they had stabilised the number of elderly residents needing costly, intensive support packages by supporting them at home. This saved money, but as one interviewee explained, 'the challenge for us is that the complexity of this demand is increasing all the time, and therefore the costs'.

Some of this spend was focused on children and young people looked after. Wales has higher rates of children and young people looked after than the rest of the UK (Hodges and Bristow 2019) and councils invested in this area to reduce numbers and improve outcomes for those in care. Examples included recruiting a psychologist to work with mothers of children in care, establishing a family support service, and supporting those with Adverse Childhood Experiences. Despite these positive examples, many interviewees told us that prevention was a difficult area of spend because of the delayed returns on investment and the risk that increasing demand outstrips preventative measures.

Encouraging economic growth

The lack of GPC may have restricted Welsh councils' ability to invest and generate income. Nonetheless, councils spoke favourably of some means of investment, particularly the potential of city deals in encouraging economic growth. Stemming from the UK Coalition Government's localism agenda in the early 2010s, city deals are designed as conduits for investment in economic growth, driven by key actors in local areas and partially funded by central government.

At the time of our fieldwork, two city deals in Wales had been signed (Cardiff City Region and Swansea City Region). The £1.2 billion investment in the Cardiff Capital Region city deal aimed to deliver up to 25,000 new jobs with the majority funding a new Metro network for South East Wales. This was regarded by an external stakeholder as 'a real success story ... I think they have got this agenda, and they've got some really good, powerful council leaders now which are going to drive this forward'. The Swansea Bay City Deal, though subject to delays and governance issues (Actica Consulting 2019, 5), was expected to bring in significant jobs (one project alone was anticipated to create 1,800 jobs). The pandemic will undoubtedly lead to changes in plans for each city as more of the population may continue to work from home, reducing the need for a metro system.

The promise of city deal funding meant that councils had to take risks, however, with one director of finance telling us 'We're looking to plough everything in inside five years, even though the funding from Welsh

Government, UK Government, comes over 15 years. That means I'm taking all of the risk in the short run'. Ultimately, however, he argued that such investment is necessary:

> We're stony broke like every other authority, but we've committed, with our public-sector partners, to put in our share of £396m we don't have, and I'm going to borrow loads of money over the next 15 years to pay for it. That causes some difficulty … However, the view is, politically, if we don't do it, we'll die.

Accelerating capital investment

Few councils had accelerated capital investment, though where they had this was in schools and housing. The 21st Century Schools programme, joint funded with the Welsh Government, aims to improve the condition of school buildings, reduce surplus capacity, reduce running costs, and meet demand for Welsh and faith-based schools. The programme was cited by several interviewees as enabling them to boost schools' performance, though one director of finance said that 'it still requires me to do heavy lifting in the short run to pay for it'. A cabinet member for finance at another council was concerned that they would need to fund their investment in the programme through borrowing, which could create budget pressures. In housing, one council had invested in house buying in the local area and in ensuring that all their houses met the Welsh Housing Quality Standard. Another had partnered with a local housing association, providing land to build houses to generate profit for the council. Some had been successful in attracting external investment, including building a teaching hospital, bringing highly paid jobs locally. Attempts were also made to attract large retailers to bring additional footfall to an area.

Overall, our findings suggest limited actions taken to invest in response to austerity.

Retrenchment

Retrenchment strategies are twofold: changes to services, and changes to relationships between the council and other councils, organisations, and local people. While there was some discussion of changes to services in our interviews, many felt that services had thus far generally been maintained. What had changed was by whom and how services were delivered. This renegotiation of responsibility is the focus of this section.

One example of how councils' relationships with other bodies had changed was through asset transfer. Non-statutory services, including the maintenance of some parks and recreation grounds, libraries, leisure centres, and public toilets, were cited as assets or services that had been passed on to town and community councils or voluntary groups. In some cases, this improved the service. One chief executive mentioned a library that is 'thriving now under new management because the people that are running it know their community better than we do'. Another cited handing responsibility for the council-run luncheon club to a charity that raised the charges. The response from service users was positive, he felt, because of different expectations associated with the council versus a voluntary organisation:

> I was actually in the room when they announced that they'd have to put the charges up a little bit – 50p or whatever it was – and there was actually cheering and clapping. Now, if the council had done that, I'm not sure whether we'd have had the same reaction.

Councils supported these transfers through initial grants or subsidies that taper off over time. One leader expressed taking care not to just 'push the problem' on to others, and another explained: 'We could have gone harder [in terms of seeking further savings], but I think that would have ended in failure . . . the aim is to make these facilities sustainable'.

One council aimed to make £40 m worth of asset sales, while another wanted to reduce their 'massive asset register' of 8,086 assets, from pubs to caravan parks, which brought in around £300,000. There was caution expressed by several, however, about limited local capacity for asset transfer or service delivery, especially in small, rural councils. One leader had negotiated with a community group to take over a small leisure centre because 'there is no private sector that would want to take it on here'. Elsewhere, there was political opposition to transferring more iconic buildings. With continued financial cuts, some interviewees were concerned that subsidies could be no longer viable, which would mean making difficult decisions on maintaining some high-profile facilities such as theatres.

Communities were also involved in renegotiating responsibility. Drawing on the rhetoric of the Big Society, 'recasting the relationship' between the council and the public, as one leader put it, involved encouraging the public to do things for themselves and each other. Several councils had considered creative ways to change this relationship, such as creating community hubs and networks, with the council as the 'hub' relying on community members as 'spokes'. The leader of that council gave an example of a park in his ward:

> Every six months we used to have this meeting where people would turn up, and everyone would complain that the park isn't what it used to be, and that the council were awful . . . I [said] "Look, I don't like this as much as you don't, but if you were a councillor, would you spend less money on social care, and on schools, and more money on keeping a park tidy? You probably wouldn't." . . . Now there's a team of 50-something volunteers who help make that park look better.

Another council aimed to mobilise the local population to deliver services differently, setting up a volunteer scheme to maintain locally-accessible services. To ensure the success of these schemes, councils established practices that enable communities to do things for themselves. While this new relationship is important in mitigating the effects of austerity, it does represent a fundamental departure from existing models of local government.

Welsh councils have also renegotiated relationships among themselves, owing to frequent calls from Welsh Government to collaborate. We heard several examples of collaborative working across councils, from shared regulatory services to IT systems, framework contracts for property, health programmes, and the city deals, but mostly these pre-dated austerity, and we did not hear examples of shared management teams as a response to austerity (Bello et al. 2017, 134).

Others felt that collaboration does not always save money given the transaction costs of collaboration and the staff travel costs involved. This is echoed in recent analysis which shows that shared services do not necessarily lead to savings and that the benefits have been oversold (Dixon and Elston 2019; Elston and MacCarthaigh 2016). In our study, one challenge was the inability of some to 'find the willing partners to dance with', as one director of finance put it.

The renegotiation of responsibilities is not a new concept – the 'enabling council' (Smith 2000) existed pre-austerity in Wales and elsewhere (Guarneros-Meza et al. 2018), as did joint working between councils. However, it is a new development for the councils in our study insofar as they actively pursued such strategies in response to austerity. As one council leader told us, 'that stuff that the council could have done in days gone by, we are no longer doing. We are switching to a facilitating role, more often than not, and often, that's okay. Often, there's still value added there'. But it also reflects 'a contraction in local government power and ability to do things'.

Discussion: learning the lessons for the pandemic recovery

Austerity has challenged Welsh local government to become more efficient. By streamlining back office functions and redesigning some services, councils have largely avoided removing services and directly impacting the public. We found that efficiencies tended to be made in the earlier stages of austerity (as in Hastings et al. 2015) and that scope for further efficiencies through back-office cuts was limited, although there remains potential for using technology to redesign services and reduce costs.

Welsh councils' use of investment was limited and reflects existing research finding that investment strategies were only pursued on a small scale (Hastings et al. 2015). This may be because some are not well-placed to

Table 2. Mature and less mature local government responses to austerity.

Mature responses to austerity	Less advanced responses to austerity
Long-term approach	Short-term planning
Clear sense of purpose and priorities	Not matching budgets to priorities
Learning from the experience of others	Not learning from others
Adopting new ways of working	Resistance to change
Focusing on organisational change and development	Focus on cutting costs rather than improving efficiency
Working collaboratively with stakeholders	Working alone
Careful maintenance of reserves	Using reserves to top up the base budget
Whole-budget approach to identifying savings	'Salami-slicing' costs from individual departments

attract investment owing to size, rurality, transport links, and supply of skilled labour (Peck 2012). The lack of investment may also reflect councils' attitude to risk as investments are a 'change measure' (Overmans and Timm-Arnold 2015, 1049) – investment savings are only likely to materialise in the longer-term and cannot address immediate challenges. However, it is likely that councils, along with other public services, will need to invest in prevention and early intervention as the only way to tackle 'wicked issues'.

Welsh councils also preferred to 'dilute' rather than withdraw services, and engaged in renegotiating the relationship between the council and the public. There is potential for councils to do more in this area as they are accused of not effectively nor consistently involving the public in helping them shape and deliver services (Audit Wales 2021). The current Welsh experience is akin to the 'pragmatic municipalism' – where councils 'balanc[e] the pressures of fiscal stress with community needs' in attempting to maintain services – of certain US states, compared to the 'austerity urbanism', cutting and privatising services – especially in the poorest areas – that characterises responses in England and much of the EU (Kim and Warner 2020, 235).

Some councils in our study responded to austerity by focusing on the long-term and quickly adopted new ways of working. We classify these as 'mature' responses compared with those that focused on short-term efforts, were more resistant to change, and looked for efficiencies across the board (Table 2).

Communities in Wales have been hard hit by cuts to welfare spending, resulting in rising demand for council services, and yet councils have little appetite or potential to generate additional income from local taxes or user charges, as this paper shows. They have adopted the same repertoire of approaches to austerity as larger, better-resourced authorities serving more affluent communities with vibrant economies, but have been less able to embrace investment and innovation – being less inclined to charge citizens for services, being against out-sourcing, and because they lack staff with the time or ability to innovate.

While Welsh councils have largely managed austerity, there are concerns that they are now at the financial tipping point. It has become harder each year for councils to make savings, and further retrenchment – in particular, withdrawing so-called discretionary services – is therefore more likely in future. This anticipated reduction in the quantity and quality of services could directly impact quality of life in Wales.

Austerity and the Covid-19 pandemic

The fieldwork for this project was conducted before the pandemic, which represents an immediate and unprecedented financial challenge for local authorities compared to the 'slow burn' of austerity (Ahrens and Ferry 2020; Maher, Hoang, and Hindery 2020). Wales has been especially badly hit: it was the fifth-highest country in Europe for excess deaths in the first half of 2020 (Office for National Statistics 2021) and in December 2020 had the second highest number of new Covid cases in the world (Financial Times 2021). In response to the pandemic, councils have, as well as continuing to provide existing services and adapt them for social distancing, also distributed food parcels, secured housing for homeless people, administered business grants, helped build field hospitals, supported contract tracing, helped schools to provide distance learning, and transitioned them to reopen safely. At the same time, councils have lost income from council tax (meeting increased need for relief via the Council Tax Reduction Scheme), car parks, leisure centres, and tourism-related spend, creating a double-whammy of increased costs and reduced income.

Welsh councils were already facing significant challenges prior to the pandemic. Many reported low reserves, with some close to minimum levels, and others had used general reserves to balance their base budget (albeit sustainably). In response to the pandemic, it is likely that more councils will use reserves to mitigate financial pressures. The financial position of Welsh councils varies significantly, with usable reserves as a percentage of the net cost of services varying from 33% in the Vale of Glamorgan to 5% in Conwy (Audit Wales 2020). The Welsh Government has funded additional expenditure incurred with £490 m provided to councils to address increased demand and reduced income (Minister for Housing and Local Government 2020). This support has been vital, but recent research concludes that there is likely to be a funding gap of £178 m for Welsh councils in 2022–23 (Sion and Ifan 2021). The situation is fast-moving and uncertain, but the financial implications of the pandemic on local government will certainly be felt in the long-term.

The most popular strategies in responding to the financial shock of the pandemic are freezing discretionary spending, pausing recruitment, and delaying capital expenditure and routine maintenance (Maher, Hoang, and Hindery 2020). These are generally short-term actions, but councils will need to move to longer-term plans (potentially including redundancies and increasing council tax). Recent forecasting of budgets in Wales assumes an average council tax increase of 4.5% (Sion and Ifan 2021). Many councils in our study felt they had already reached the limit of what they could do in these areas. This leaves options such as raising fees and removing services, which have wider implications for the public, especially in a recession. The pandemic is likely to hit more deprived councils especially hard as they will have less ability to raise additional income through means such as council tax and business rates.

Regarding retrenchment, the process of renegotiating the council's relationship with the public is likely to have facilitated the community volunteer response to the pandemic. In May 2020, over a third (35%) of people in Wales looked after or gave support to family members, friends, neighbours or others – up from 29% in 2019 (Welsh Government 2020). Evidence suggests much of this was coordinated by or in conjunction with councils (Taylor-Collins et al. 2021). It will be important to build on this community resourcefulness and the shift in attitude by some councils towards third sector organisations who are now seen as integral partners in decision-making (Welsh Assembly Research Service 2020).

Finally, there have been calls from local government 'for an ambitious programme of investment in several local authority-led programmes which could help rebuild Wales' communities and economy' (Morgan 2020). These would include more focus on preventative health measures such as active travel initiatives. It remains to be seen whether investment in these areas will be delivered. During the pandemic, all council leaders met with the Minister on a weekly basis to discuss ways to work together in response (WLGA 2020). It is this sort of partnership approach which is most likely to lead to a sustainable recovery.

Limitations

This study offers an important contribution to the literature on austerity and local government by providing an overview of the Welsh response. Although the councils involved in this research are broadly representative of Wales, the small number of councils (22) means that it was difficult to compare responses to austerity across different types of councils. Further research involving all Welsh councils could enable comparisons according to political control and urban/rural location. More detailed and systematic analysis of councils' spend over time, grouped under the three strategies explored here, was beyond the scope of this study but could provide additional evidence on approaches.

Conclusions

This paper has examined findings from qualitative research with councils in a small devolved country, testing the applicability of the framework devised by Hastings et al. (2015) in grouping different local government approaches to handling austerity. We found that the framework was relevant to the Welsh context and that it generally encapsulated councils' approaches.

Local government has long been recognised as a survivor (John 2014) and resilient to shocks (Shaw 2012), but the pandemic adds to existing financial pressures. The additional costs in addressing urgent issues from the pandemic are significant, the future sustainability of the sector is uncertain, and further retrenchment is likely. There is a danger that short-term approaches to bailing out councils may continue, but the use of sticking plasters to try to 'solve' long-term challenges is not a viable strategy. We support the view that to 'build the institutional capacity of our state to withstand future shocks, society will need a much stronger system of local self-government' (Hambleton 2020).

Councils can expend efforts trying to grow income and work more effectively with partners to improve service delivery, but ultimately, the efficacy of these approaches will be limited by the financial constraints placed upon them and by rising demand for services. There was a consensus from our interviewees that 'ticking along' is not an option and innovation in service design and delivery (e.g., better use of digital) is required to respond to future challenges. Conventional responses to a crisis, such as those adopted by the councils in our study in response to austerity, are unlikely to be effective in addressing the inequalities that have been both amplified and created by the pandemic in Wales and elsewhere. Nonetheless, councils have played a central role in responding to the pandemic. It is important that innovation in both organisations and individuals are embedded in the way councils operate in future.

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