



The future of local government services in Wales



This report has been prepared by Andy Mudd in November 2025. Final Version 2.0



APSE (Association for Public Service Excellence) is a not-for-profit local government body working with over 300 councils throughout the UK. Promoting excellence in public services, APSE is the foremost specialist in local authority front line services, hosting a network for front line service providers in areas such as waste and refuse collection, parks and environmental services, leisure, school meals, cleaning, housing and building maintenance.

APSE provides services specifically designed for local authorities, such as benchmarking, consultancy, seminars, research, briefings and training. Through its consultancy arm APSE delivers expert assistance to councils with the overt aim of driving service improvement and value for money through service review and redesign. APSE delivers in excess of 100 projects a year and clients benefit from the consultancy's not for profit ethical approach to consultancy services.

This consultancy work was commissioned through APSE Synergy trading as APSE Solutions. APSE Synergy which is wholly owned by APSE. Operating on an ethical basis to support our APSE member councils. APSE Synergy Limited is a private company limited by shares registered in England and Wales under company number 16283438 whose registered office is at 3rd Floor Trafford House, Chester Road, Old Trafford, Manchester M32 0RS ("the Company").

INVESTORS IN PEOPLE
We invest in people Gold



Disclaimer

APSE reports are provided for outline information on matters of costs, productivity and quality to inform decision making. They do not represent formal advice. Users are reminded to ensure that any decisions should be subject to the usual processes before acting on reports or performance information. This includes matters of due diligence within your council or organisation.

Report Summary

Fifty years ago, the UK was a world leader in redistribution, social mobility and universal public service provision. The period 1945 to 1970 was characterised by rapid economic growth and social mobility. Wales, along with rest of the UK benefited from a comprehensive welfare state designed to simultaneously tackle the big five social issues of want, ignorance, squalor, idleness and disease.

The political consensus that allowed this transformation was broken in the 1970s by the emergence of a new economic and social policy that rejected the central pillars of the post war settlement. Returning to principles of the pre-war Conservative Party, the Thatcher government believed that the market was the most efficient way to provide what people needed and it set about privatising and marketising what it considered to be a bloated public sector. The overt aim was a property-owning democracy in which people would be free to spend their own money as they saw fit. Safety net provision would be provided for those who didn't make it.

Since then, the UK has gradually moved to a situation where core public services are in crisis, with squeezed budgets and rising unmet demand. Despite this, the data shows that there has been no reduction in the size of the state or how much it spends. The level of home ownership has increased but is slowing down as young people find themselves unable to afford to get on to the housing ladder. In the meantime, affordable alternatives in the form of high quality social housing are no longer available to most people and private rented property is expensive and sometimes in a poor state of repair.

Many of the services that have disappeared, or were drastically reduced, were ones aimed at dealing with the underlying causes of social problems and poor health. The result is that demand has soared for responsive and acute services. Secondary health provision, the criminal justice system and late intervention children's and adult's services are all now dealing with high levels of demand, much of which could have been avoided had services like early years care, youth work, home help and even parks and open spaces not been cut to the bone.

This rebalancing of demand is reflected in employment data. Austerity drove a reduction in the Welsh local government workforce from 153,000 in 2008 to 127,000 in 2024. The overall number of people working in public services however, remained more or less constant, at around 300,000. This is because the reduction in council staff was more or less matched by an increase in that of the NHS.

Despite increased funding, demand for NHS services has steadily risen. Some of this increase relates to demographic factors – the population is ageing and living longer with ill health, but it is also a result of the loss of preventative services which also impacted on demand for other reactive elements of the public sector.

Ironically the council services that have been cut or even abandoned altogether are often much lower cost than the acute and responsive services that their loss has placed so much pressure on. The loss of youth service provision for example, has been linked to an increase in anti-social behaviour, a decline in the mental health of young people, a loss of safeguarding opportunities, higher levels of drug and alcohol abuse and greater exposure of young people to exploitation. With the high costs associated with youth economic inactivity, young people's crime, and poor mental health, it is highly likely that the extra costs outweigh any savings.

This is why there has been no overall reduction in state spending and, despite the rhetoric, no reduction in the overall tax burden. What has happened is that the system is less redistributive than it used to be and social mobility has ground to a halt, with millennials the first generation in modern history to be worse off than their parents.

Since the 1980s there has been a dramatic shift from universal services towards means tested cash transfers. The move away from direct investment in new housing to giving people cash to fund private rentals is the most extreme example of this. Coupled with the subsidised sale of council houses to tenants and the transfer of most of what remained to housing associations, this shift in policy amounts to one of the biggest privatisations in history. In social policy terms it is difficult to see it as anything other than a failure. The quantity and quality of Wales's housing stock has fallen, housing has become increasingly unaffordable, and homelessness has increased.

Impact on workforce

Public service workers have seen their pay and pensions decline and many thousands of them have been outsourced to companies that compete on how far they can cut back on staff costs. Overall, there has been little change in the number of people working in the public sector since 2008 which is around 300,000 or 20% of the total Welsh workforce. There has however been a significant drop in the number people working for Welsh councils – down from 153,000 in 2008 to 127,000 in 2024. It is estimated that around 6,500 to 7,800 of those jobs still exist but in outsourced form.

The failure of budgets to keep up with demand creates huge pressure on public bodies and forces them into cost minimising strategies. Because of the labour intensive nature of public services this inevitably means bearing down on staff costs. The result is that the pay of directly employed staff has fallen behind pay in the private sector. For outsourced workers, pay and pensions are often reduced to the legal minimum.

Low pay impacts most directly on the wellbeing of the workers themselves but also damages local economies. Under-rewarded public service workers and those who have been outsourced have less money to spend in local shops and on local services.

In the case of outsourcing, 20% or more of the total amount of public money spent on services provided by private companies is lost in the form

of profit or other mechanisms. This is money that would otherwise go to care workers and other valued local public service workers. Some of it goes to local suppliers but an increasing proportion ends up in the coffers of faceless owners and investors, many of whom operate on a global level and pay little, if any tax in the UK.

The public sector workforce is disproportionately female. 70% of Welsh council workers are women as are 77% of the NHS workforce. Outsourcing public services therefore affects women more than it does men but it is also the case that the services that are most likely to be provided through contracts with private companies have even greater proportions of female front-line staff. The social care workforce, for example is thought to be 82% female. Whether the discrimination that arises from outsourcing is discriminatory in legal terms or not, it is undeniably a gender issue.

The period of austerity that followed the financial crash of 2008 exacerbated the situation with swingeing cuts to local government finance forcing councils to cut back on all service areas. Non statutory services such as the care and maintenance of public open spaces and sport and recreation took the brunt of the cuts as councils struggled to maintain statutory services like social care and education. Staffing levels plummeted, creating a growing gap between demand and capacity.



Impact on communities

Public service employment is critical to the Welsh economy. Public service workers make up a substantial portion of local communities; suppressing their pay and pensions through outsourcing therefore impacts on the wider social and economic wellbeing of those communities. Outsourced workers have less money to spend in the local economy than their directly employed colleagues. At the same time, public money flows out in the form of profit and other forms of extraction.

There is therefore a so-called negative multiplier effect associated with outsourcing, whereby the value that is added to money from wages spent locally as it moves through the economy is lost. The 'cost' of outsourcing to non-local companies is therefore much greater than the sums that are paid to them for the services they provide. Additional costs associated with in work and post-retirement benefits add further to the real economic cost of contracting out.

Although the law requires local authorities to pursue best value, cost is usually narrowly defined to mean direct cost to them. No account is made of the additional costs to society and local economies that outsourcing creates. If it was, it is highly unlikely that contracting out would come out as the best value option for core services.



Welsh government policy

Since devolution the Welsh Government has recognised many of the points raised in this report. The Future Generations (Wales) Act 2015 is a far-reaching, progressive piece of legislation with laudable objectives. The Act has led to a number of initiatives, including ones specifically focussed on reducing inequality and creating a fairer Wales.

The problem that the Welsh government faces is how to reinvest in preventative, universal services without at least a short-term increase in expenditure. There does not seem to be a way to do this.

The fact is that savings in acute and responsive provision will not come until after that investment is made, so mechanisms must be found to bring forward these future savings. This is the essential first step towards the Welsh government vision for a prosperous, more equal Wales that safeguards the wellbeing of its future generations. A full list of policy recommendations is set out below:

1. Reinvest in Preventative Services

Reverse the current trend of cuts to preventative services (such as youth work, early intervention, and community safety) even if this requires upfront investment. This “pump priming” approach brings forward future savings by reducing demand for expensive reactive services like acute healthcare and crisis social care.

2. Restore Universal Services

Shift the balance away from means-tested cash benefits and back towards universal services (e.g., building municipal housing instead of subsidising private rents). Universal services are more effective at reducing inequality and improving social mobility.

3. Progressive Tax and Spend

Adopt a more progressive approach to taxation and public spending, recognising the benefits of redistributing income and wealth to reduce demand for costly reactive services. The UK and Wales should aim for higher levels of redistribution, similar to Nordic countries, through both services and cash transfers.

4. End Leakage to Private Profit

Reduce outsourcing and insource key public services to prevent the leakage of public money to private profit. This would also improve pay and conditions for public service workers and benefit local economies through the multiplier effect of local spending.

5. Recognise and Reward Public Service Workers

Restore the status of public service workers by ensuring decent pay and pensions. Recognise the intrinsic socio-economic benefits of well-rewarded public service employment, which supports local communities and reduces inequality.

6. Address Discriminatory Impacts of Outsourcing

Consider the disproportionate impact of outsourcing on women and BAME workers, who are overrepresented in outsourced roles with lower pay and pensions. Policy decisions should account for the effect on equality and workforce wellbeing.

7. Long-Term Investment and Fiscal Reform

Fund borrowing for reinvestment (e.g., in public sector housing) over longer terms (100 years rather than 20–30 years). Differentiate between investment in people and consumption, prioritising the former. Reevaluate fiscal rules to allow for sustainable long-term investment in preventative public services.

8. Promote Collective Bargaining and Fair Pay

Support measures that promote collective bargaining and fair pay, as outlined in the Future Generations (Wales) Act. These measures help build a more equal and prosperous Wales.

9. Advocate for Policy Change at UK Level

Advocate for, amongst other things, a review of the tax system to explore ways of moving closer to a Nordic model of redistribution and universal public services.



Published and printed by UNISON, UNISON Centre, 130 Euston Road, London NW1 2AY.
CU/December 2025/1037/UNP ref 17195.