

LGiU@40

For the Future of
Local Government



Since 1983, LGIU has supported our members with the insights, ideas and connections they need to navigate a changing world. Throughout that time we have made the case for stronger, more autonomous local government and more robust local democracy.

Forty years on, we need local government more than ever. We cannot tackle the big problems of the 21st century without it. But too often local government is not as strong as we need it to be.

This manifesto sets out what we believe needs to happen to set local government on the right path for the next forty years. It is based on research the LGIU has undertaken over the last decade and on a programme of in-depth conversations with our members.

We begin by setting out why we believe that national success has local foundations and identifying three challenges that are preventing local government from playing the role we need from it:

- Financial fragility
- Uncertain status
- Declining trust.

The next three chapters examines each of these challenges in detail and asks how we overcome them. We set out what we need from central government and what councils need to do to rebuild trust and participation in democratic politics.

At the heart of this manifesto is a call for a new covenant between national and local government that creates the foundation for councils to succeed.

Jonathan Carr-West,
Chief Executive, LGIU (Local Government Information Unit)



Principles for a new covenant

Parity of esteem

Local government does not draw its mandate or its authority from central government: it has a mandate directly from the electorate. A vote for a councillor is worth the same as a vote for an MP and this should be recognised.

Subsidiarity

Decisions should be made at the lowest level possible: as a matter of democratic principle and as a driver of public service effectiveness and citizen engagement.

Embedded autonomy

A system where successful local autonomy is embedded within, and supported by, continual systems of active intergovernmental cooperation and interstate relations.

Participation

Participation needs to be developed in two directions: we need more participation from local government in central government decision making and we need local government to ensure citizen participation. Properly funded, properly structured local democratic institutions are the key enabler of this.

Introduction

Local government is at a crisis point

“We are on the verge
of collapse.”

“It’s the worst it’s
ever been.”

Those are pretty damning assessments but they come direct from the front line. Over the summer and autumn of 2023, we interviewed more than 60 chief executives and leaders from councils of all sizes, types and political control across England and Scotland.

Almost all of them told us that the level of challenge they are dealing with right now is unlike anything they have seen in their careers to date.



“If central government doesn't trust us to deliver, no one wins.”

“We levy the most visible of all taxes to pay chiefly for invisible services.”

There are three key dimensions to this crisis.

1. Funding

More than a decade of savage funding cuts have left all councils under severe financial pressure. Some services have ceased entirely; others, including key statutory services, are now barely viable. Those councils that have gone bust are selling off assets and shedding staff to such an extent that it is reasonable to ask if they will continue to exist in any meaningful way, let alone deliver on the democratic aspirations of their citizens. Meanwhile funding is delivered through a series of ad hoc one-year settlements and through ring fenced competitive bidding. In 2023 only 13.84% of senior council officials in England said they were confident in the sustainability of local government finance.¹

2. Status

Central government treats councils as subordinate entities and continues to exert excessive central control and constrain local government's autonomy. There's a lack of strategic clarity about the role and structure of the local state. Government's appetite for reorganisation ebbs and flows but there is an established trend towards larger units of sub-regional governance under directly elected mayors. These have some advantages; they enable efficiency of scale and effective strategic leadership at sub-regional level. But too often, they have been driven by central government dictat not by local ambition.

3. Declining trust and participation

Discontent and disengagement with democracy - a phenomenon seen around the world, with some particularly high-profile cases, that has threatened to undermine the democratic process in profound ways. This challenge comes home to roost in local elections, too. Turnout at the 2023 English local elections was only 32%. Meanwhile, in parallel to centralisation and the creep towards larger units of governance, the last decade has seen an increased emphasis on deliberative democracy, participation and community power. These are all good things and LGIU has advocated for them since 2008. Too often, however, they are treated as an alternative to local government rather than part of a single system of governance and public service delivery. Community power needs to operate within a framework of democratic local institutions or it risks lacking legitimacy and failing to connect effectively with the complex functions of the state. In practice the big society is too often just the small state.

“If we had sufficient money - we would be able to take risks again, try things out, think of new ways. We have secured some money over 5 years for investment into research and investment - which had been stripped out. We urgently need to rebuild capacity to do more than keep going.”

Ten years ago, at LGIU we published *Connected Localism* in which we talked about local government standing at a cross roads: “In one direction lies the spectre of reduced influence, minimal service provision and public disengagement, in the other the promise of reinvigorated civic economies, public services genuinely built around the needs of citizens and engaged, resilient communities.”²

Many of the changes to local government over the years since have some merit: of course local government should be efficient, elected mayors provide a useful democratic focal point, community engagement in the design and delivery of public services is vital.

But against the background of catastrophic financial risk, the changes taking place risk a bleak future of remote sub-regional authorities presiding over a skeleton framework of basic services while unsupported, unconnected community groups are left to pick up the pieces at local a level.

¹ The state of local government finance 2023: survey results <https://lgiu.org/publication/the-state-of-local-government-finance-2023-survey-results/>

² *Connected Localism*, LGIU, 2013

“We’re not in the middle. We are the solution.”

Citizens get less: less public service provision, less agency, less control. And this creates a vicious circle of declining trust and disengagement from democracy. Local government is hollowed out just when we need it most.

Why does this matter?

At LGIU we have been supporting local government for 40 years, so of course we care deeply about the sector and the people within it, but this is not about protecting an institution for the sake of it, it’s about protecting the positive impact it has on the world. Because the country faces profound challenges and these can’t be solved without an effective local government administration and without strong and effective local democracy.

Increasing numbers of people have a sense that the country is just not working as it should. In March 2023, only 16% of people thought Britain was moving in the right direction.³ These challenges have some immediate dimensions; double digit inflation, soaring energy prices and a turbulent twelve months in which we have seen three Prime Ministers and four Chancellors come and go.

But there are also some long running, structural problems that afflict the UK.

We have sluggish growth – forecast to be the lowest in the G7 in 2023 according to OECD and IMF estimates – and persistent challenges around skills and productivity.⁴ Augmenting this are disparities both between and within regions and cities. These disparities are economic but we also see them in health, life expectancy, education, access to public services and social capital. They are inequalities which map on to each other in complex ways.

Meanwhile our public services are already in crisis. Immediate pressures – including underfunding, increasing demand and staff shortages – are obvious to all. They have been decades in the making and reflect the failure by successive governments to shift to a preventative, joined up, user-centred system.

In governance, we have an asymmetric political settlement between England and the devolved nations. Both socially and politically a growing number of people feel left behind, taken for granted and disillusioned with democracy and with public institutions. Less than a third of people trust the UK government to work in the best interests of their local area.⁵

These problems all play out against a backdrop of global developments, including:

- the climate crisis
- ageing populations
- the impact of new technologies (AI and social media, for example)
- geopolitical instability
- populism and declining trust in democracy.

“We need a new settlement setting out clarity of role and purpose.”


“So many components of what we do are just absolutely shattered.”



³ Ipsos UK Political Pulse Charts - March 2023: ipsos.com/sites/default/files/ct/news/documents/2023-03/ipsos-political-pulse-march-2023-charts.pdf

⁴ GDP, *International Comparisons: Key Economic Indicators*, House of Commons Library, Nov 2023, commonslibrary.parliament.uk/research-briefings/sn02784/

⁵ lgiu.org/wp-content/uploads/2023/04/Ipsos-Local-Elections-polling-2023.pdf



“I’d like to see local government lead and convene - to have some level of influence and authority over partners’ spend.”

Successive governments have attempted to respond to these problems – Levelling Up is just the most recent example – but none of these interventions has succeeded in shifting the dial. In part, this is because they have consistently overlooked a vital part of the solution: a clear and central role for local democratic institutions.

You can’t improve productivity and create jobs unless you are growing local economies, providing the right infrastructure, ensuring local workforces have the right skills, and making sure they have the homes and the services they need.

You can’t transition to net zero and lead a clean energy revolution unless you are building public consent, retrofitting houses and developing active transport.

You can’t take the pressure off the NHS unless you are helping people to live healthier lives, managing public health, providing healthy environments, leisure services, housing and the social care that helps people live independently for longer.

You can’t build safer communities without youth services, support for families and building community engagement and cohesion.

You can’t ensure that every child has access to opportunity without early years provision, school support services and special educational needs services.

Local government does all of these things. **National success has local foundations.**

This manifesto for the future of local government sets out why and how local government is being held back from fulfilling its full potential and sets out a manifesto for the future which builds upon the work of our Local Democracy Research Centre and extensive conversations with our members.

It sets out both what we can do now to improve the situation in the short to medium term and what more radical long-term reform might look like.

A New Covenant

How we can save local government, so local government can save us

We need a new covenant between central and local government, founded in the following core principles:

Parity of esteem

Local government does not draw its mandate or its authority from central government: it has a mandate directly from the electorate. A vote for a councillor is worth the same as a vote for an MP and this should be recognised.

Subsidiarity

Decisions should be made at the lowest level possible: as a matter of democratic principle and as a driver of public service effectiveness and citizen engagement.

Embedded autonomy

A system where successful local autonomy is embedded within, and supported by, continual systems of active intergovernmental cooperation and interstate relations.

Participation

Participation needs to be developed in two directions: we need more participation from local government in central government decision making and we need local government to ensure citizen participation. Properly funded, properly structured local democratic institutions are the key enabler of this.

What does this look like in practice?

There are things we could, and should, do now. We need a new deal for local government set out in a sub constitutional framework agreement between local government and central government (the whole of central government not just DLUHC).

This framework would set out:

- A commitment to work together in a collaborative manner and a recognition of local government's democratic mandate.
- An immediate end to competitive bid funding.
- A return to multi-year financial settlements and reversion to needs based funding mechanisms to align funding with responsibilities.
- The creation of a standing forum to allow regular and ongoing consultation between central and local government.
- Early consultation on budgets.
- Early consultation on any developing government policy that would affect local government competencies.
- Trailblazer devolution deals and open them up to any areas that can deliver on keys tests of governance and accountability.

These measures could be introduced immediately after the election and would ameliorate some of the most immediate pressures on local government, but we can and should **go further** to bring the position of local government in the UK in line with other advanced democracies and, in time, further still to make us international leaders.

To achieve this the following **progressively radical measures** should be considered:

- Statutory incorporation of subsidiarity along the lines of the German Basic Law.
- Open devolution – a more expansive devolution by default offer in which local authorities, or groups of local authorities, can draw down the statutory powers, governance arrangements and fiscal powers they need to drive growth and deliver effective public services in their localities.
- Review of taxation to develop a long-term programme to assign national tax revenues to local government in a way that reflects the full range of local government responsibilities.
- A single local (or sub-regional) budget for spending on all services – including those usually implemented across the UK such as health.
- Capacity to design and introduce new taxes, such as a tax on local business profits, or a new local property tax as seen in Germany or Italy.
- A Senate of mayors and council leaders – we need to have a seat for local government at the top table, with a powerful constitutional role in shaping, revising and scrutinising government policy. A mayors' and leaders' Senate should be established to fulfil this role.
- Reform of the House of Lords – the Brown Commission recommended replacing the House of Lords with an Assembly of the Nations and Regions with national and regional leaders but deferred consideration of the electoral process for this chamber. Populating this chamber, at least in part, with local leaders who already have an electoral mandate is an obvious solution.

Finance: what if local government was funded properly?

More than a decade of severe funding reductions and a shift to short-term, more localised sources of income has driven councils to financial crisis even as the demands on and costs of core statutory services has risen. The current situation is unsustainable.

We need a new approach whereby successful local autonomy is embedded within, and supported by, continual systems of active intergovernmental cooperation and interstate relations.

“If we were funded properly we could still make more progress on issues of social justice - inequality, inclusion. Just to have that ability to reinvest into stuff that would help us create wellbeing for people.”



Local government finance has reached a point of unprecedented crisis.

Local government funding has been reduced by around 40% since 2010 and the LGA now estimates a funding gap of £4bn over the next two years.⁶ Our annual finance survey 2023 laid bare the extent of this crisis, showing that:

- Council finances are in a critical state and there is widespread concern among senior council figures about their long and short-term resilience. Only 14% of senior council figures have confidence in the sustainability of council finances.
- 52% of respondents said their council would be cutting spending on services. 20% went further, and said their budget would lead to cuts in frontline services that would be evident to the public.
- 72% of respondents said their council had dipped into their reserves last year, and 68% plan to this year. This means that 54% of all respondents were in a council that was spending reserves in two consecutive years. This is self-evidently unsustainable.

Most urgently, 8.5% – 12 different councils – said there was a danger that financial constraints could risk their capacity to deliver their statutory duties – the essential services they are legally required to provide.⁷

This is no longer a hypothetical proposition. Over recent years we have seen a number of high-profile Section 114 notices – the formal mechanism by which a council affirms that it does not believe it will meet its spending obligations: Thurrock, Croydon, Slough, Woking and, most high profile of all, Birmingham and Nottingham. In all of these cases, there were proximate factors and local decisions that led to these collapses: over leveraging, equal pay claims, excessively risky investments.

But equally, in a broken system the places that make poor choices will inevitably be the first to fall over; that doesn't mean there isn't a systemic problem. Indeed it indicates that fragility, rather than resilience, is a feature of the system.

Recent LGIU research from the University of Northumbria provides a system analysis of how we got here. It shows how in recent years, the financial sustainability of local government in England has been under the spotlight, with a rising number of councils facing bankruptcy, primarily due to austerity measures and spending cuts imposed on local governments over the past decade.

“We need fiscal flexibility. Local outcome delivery should be judged locally and not by a national template. We need to build services from the need, back to the budget, rather than from the diktat which makes every place the same and fails incredibly miserably.”

The prevailing model of central control over local economic policy in England has persisted, despite some powers being devolved to localities through devolution deals. This centralised control has led to what Conservative Mayor Andy Street has described as a “bidding and begging bowl culture.”⁸ Local authorities in England have limited tax-raising powers and are heavily reliant on central government funding. This contradicts the rhetoric supporting local government autonomy, as local authorities have more responsibility for funding various needs, but the system lacks both the financial support and certainty required for sustainable long-term planning.

The reduction in transfer grants since 2010 has encouraged local authorities to increase local tax revenues. However, they have limited control over property-related taxes like council tax and business rates. Property market variations also affect revenue generation, making it uneven across regions.

In response to funding challenges, some local authorities have turned to the capital finance system, which is relatively unregulated. This approach has allowed some authorities to generate additional revenues, as there is no general-purpose financial regulator for local government. However, it has also resulted in some very high-profile failure as described above. Especially as councils have seen their capacity to manage risks hollowed out alongside all of their other capacities.

England lacks shared taxes like income tax, corporation tax, or capital gains tax, which disincentivizes local authorities from investing in their areas. Unlike Scotland, where fiscal devolution structures exist, England has no connection between local taxes and policy initiatives.

⁶ [local.gov.uk/about/news/funding-gap-growing-councils-firmly-eye-inflationary-storm](https://www.local.gov.uk/about/news/funding-gap-growing-councils-firmly-eye-inflationary-storm)

⁷ The State of Local Government Finance, Survey results 2023 <https://lgiu.org/publication/the-state-of-local-government-finance-2023-survey-results/> ⁸ [birminghammail.co.uk/news/midlands-news/begging-bowl-culture-must-end-26020771](https://www.birminghammail.co.uk/news/midlands-news/begging-bowl-culture-must-end-26020771)



“I’m fed up with having to compete against each other for crumbs.”

Reductions in transfer grants have forced local authorities to prioritise statutory services to avoid legal challenges, leading to substantial reductions in discretionary services.

The absence of constitutional protection and central government discretion over funding discourages long-term planning. Grant funding is provided on an annual basis, without a framework to address local government service needs, making discussions about “unfunded mandates” challenging. It is difficult to raise concerns about unfunded mandates when, in effect, the funding local governments get is unrelated to their needs.

The regulatory system for English local government is predominantly law-based, discouraging regular, formal central-local relations. Local authorities facing financial difficulties cannot expect direct central government support, indeed we might see the last 15 years as representing a wholesale transfer of financial and political risk from central to local, even as control has moved from local to central. In summary, England’s local government finance system faces challenges due to centralisation, a lack of financial autonomy, and reduced transfer grants. Local authorities struggle to generate revenue, leading to cutbacks in services, limited long-term planning, and a disconnect between taxes and policy initiatives. The regulatory system and financial oversight further complicate the situation, emphasising the need for reforms to support sustainable local government financing.

The authors conclude bleakly that: “while local authorities have more liability for funding various demands, they are operating in a system that does not support the financing of these requirements in terms of quantum nor certainty in the medium to long term. In addition, while central government has moved away from needs based funding in favour of local autonomy, in comparison to other countries it has not put in place a system to systematically support and monitor local authorities’ activities. In short, local government is largely untethered within a system of apparent autonomy

where it does not have the power to exert its own intentions. Compared with pre-2013, it can even be contended it has less power and room to innovate as the burden of local needs has increased.”⁸ This reflects the interviews we conducted. Universally, respondents condemned competitive funding; this was widely regarded as an ineffective way to distribute funds, and a serious waste of time and resources for councils. In our finance survey 82.5% of all respondents said their council had made at least one unsuccessful bid, and 21% that all of their bids had been rejected.⁹

Leaders and chief executives urged a return to multi-year financial settlements. Uncertainty over funding and the inability to make long-term decisions was their biggest complaint:

- *“Uncertainty means I’m constantly planning for a massive drop in finances. That is no way to run services for local people.”*
- *“[We need a] comprehensive and multi-year non-ring fenced un-bid set of funding streams so you could actually plan over a three to five year period.”*
- *“They could consolidate the little bits of funding into a bigger pot so we can plan for and deliver an early intervention and preventative model.”*

There was also concern about the link between demand and funding:

- *“Business rates system doesn’t work for local government, should be linked to what services you provide locally, doesn’t happen with business rates in the way it does with council tax.”*
- *“We need a business rates base reset and fair funding review. We are £35m down per year because they haven’t done that and our council tax level is suppressed.”*

One chief executive cited the example of a single working age adult with complex needs requiring round the clock care who cost his council £1.4m a year. He made the point that if that person lived a few streets across his neighbouring authority would be bearing the cost but that there was nothing in their funding that recognised these differences.

We also heard frustration at the extent to which central government continues to control the funding and the delivery of local services across the country, despite more than a decade of politicians from all sides of the ideological spectrum rhetorically emphasising their commitment to localism. Health care is run from Whitehall as, increasingly, is education.

⁸ The Limitations of Local Government Finance in England: a system perspective, LGIU 20203 [lgiu.org/wp-content/uploads/2023/06/The-limitations-of-local-government-finance-in-England-A-system-wide-perspective.pdf](https://www.lgiu.org/wp-content/uploads/2023/06/The-limitations-of-local-government-finance-in-England-A-system-wide-perspective.pdf)

⁹ The State of Local Government Finance, Survey results 2023 [lgiu.org/publication/the-state-of-local-government-finance-2023-survey-results/](https://www.lgiu.org/publication/the-state-of-local-government-finance-2023-survey-results/)

“This doesn't boil down to needing more money from central government. We need more ability to be in charge of our own destinies. We're the most centralised democracy in the western world. Give us the ability to make decisions that ultimately impact communities but also the power and ability to raise revenue if we want to.”

Local government relies on central government for its funding, is hedged with rules as to what it can and can't do, and must go cap in hand to the treasury to negotiate new spending. This over centralisation stifles growth, degrades public services, and entrenches inequalities between different parts of the country. Many of the chief executives and leaders who spoke to us were clear that if they had more freedom to get on with the job they could achieve much more and make the money they did have go further:

“We are not looking for a blank cheque. We are fully accountable and efficient. But if we had sufficient money we would invest in community infrastructure. Some libraries are gone, GP surgeries are gone, we can't maintain roads and parks, there's no bandwidth for discretionary investments. We are a blue light service - doing statutory spending.... There's no spending on wellbeing - which is also the thing that people vote on for e.g. potholes, lighting, street cleaning, spaces and places that connect people to possibility and one another.”

Further, the work we commissioned from the University of Northumbria, looked at lessons we could draw from other comparable jurisdictions such as Germany, Italy and Japan; all of whom take a very different approach to local government financing from the UK.¹⁰ One which is less based on ad hoc political decision making and based, instead, in a clear and settled framework of local government's responsibilities and funding.

Some key lessons emerge from this study. Some of these are broader structural points about the constitutional status of local government to which we shall return in the next chapter: clarity of roles, subsidiarity as an embedded principle, protection from unfunded mandates and clear mechanisms for dialogue between central and local government.

¹⁰ lgju.org/local-democracy-research-centre/funding-systems-for-local-government-international-comparisons/

In other countries, local government and local government funding tends to be constitutionally protected - which means that local governments have more powers to fight their corner. As just one small example, in Italy ring fencing is unconstitutional and can be challenged in the courts.

We can also see that we need a broader range of revenue raising and spending options.

In the UK, there are only a few options for councils looking to raise revenue: council tax (when not frozen), limited fees and charges. Whereas, other countries have a wider range of options for local revenue raising as well as discretion over spending. For instance in Germany they have a local business profit tax, property taxes (where municipalities set a multiplier from a minimum level). There are also personal taxes such as dog tax, secondary residence tax, liquor tax. In Italy local government benefits from property tax, vehicle taxes and charges on waste, water, street cleaning.

In 2019 the Institute for Fiscal Studies looked at options for tax devolution and concluded that: “If we want to devolve substantial additional tax revenues and powers, income tax seems the most promising option. It would provide a clear financial incentive to councils to boost the incomes and employment of local residents – including via commuting to jobs in neighbouring areas – and would be more administratively feasible than options such as a local VAT/sales tax or local corporation tax. Income tax is also a buoyant source of revenues which grows as inflation and economic growth boosts incomes.¹¹”

However, we should also give consideration to VAT, employers' NI, corporation tax. It would be possible to assign to local government as a whole a fixed percentage of the revenue from one or more of these to be distributed through an agreed redistribution methodology.

In many other countries we see formalised networks for central-local communication and decision-making. In Italy, for instance, there is a standing conference (Local Autonomies Conference) to manage central local relationships. This serves to maintain contact, build trust, and work through policy challenges jointly. It's made up of representatives from Italian municipalities and central government. This mechanism is designed to safeguard local government interests and autonomy – allowing local governments to raise issues, negotiate with central government and find consensus around finance and administration.

¹¹ Taking control: which taxes could be devolved to English local government? ifs.org.uk/sites/default/files/2023-01/Taking%20control%20-%20which%20taxes%20could%20be%20devolved%20to%20English%20local%20government%20-%20summary.pdf



Recommendations

The University of Northumbria study also noted that one of the key features of local government financing in other countries is that there are efforts made – as in Japan – to ensure funds can be systematically moved from more affluent places to local places more in need. In Germany, funds are redistributed vertically (from Länder to municipalities). In Italy most redistribution is horizontal via a Municipal Solidarity Fund, managed by the central government

In the UK, by contrast, there is no statutory requirement for any type of equalisation between local authorities, rather it is all down to the discretion of ministers in central government.

So the urgency of reforming local government finance is clear; but so too is the shape this reform could take.

We should aspire to a state of embedded autonomy. That is a system where successful local autonomy is embedded within, and supported by, continual systems of active intergovernmental cooperation and interstate relations.

This reflects a recognition that the provision of public services is a partnership effort by central and local government – this is expressed through tax provisions, joint working arrangements and laws moving towards “fiscal devolution”. It is a form of autonomy but embedded in broader operative practice.

There are some **immediate** actions that need to be taken:

- We need to scrap the wasteful and inefficient system of competitive bid funding.
- We must go back to multi-year funding settlements.
- The Fair Funding Review should be picked up from where it left off in 2018 and be given priority – so that we can re-establish a needs-based element to the funding system
- A new forum should be established to allow regular and ongoing consultation between central and local government – equivalent to the Italian Local Autonomies Conference – between them the LGA, DLUHC and Oflog provide plenty of capacity for this.

These measures will provide an immediate benefit but we should build on them in the **medium-term** to:

- Investigate further fiscal freedoms that local government might benefit from: tourism taxes, local sales taxes and other measures common across the world.
- Extend the trailblazer devolution deals in Greater Manchester and the West Midlands to deliver single place-based budgets in more parts of the country and covering a greater range of public spending.
- Review the tax system to develop a long-term programme to assign national tax revenues to local government in a way which reflects the full range of local government responsibilities.

Status: what if central government trusted us to do our job?

Local government in the UK lacks the constitutional clarity about its role that we see in other countries. This leaves it exposed to political interference from central government and restricts its ability to make act in a long-term, strategic manner.

We need a new settlement between central and local government that clarifies the terms of engagement.

“I’m very angry. If you treat people like children, they’ll act like children.”



“People expect the state to be there for you in certain ways that we can’t be. The workforce feel they are letting communities down. From the expenses scandal onwards we have had a trolling which has demolished trust. Some of that has become quite unpleasant and fuels a general incivility in public life that has resulted in death threats. That does not speak of trust to me.”

In 2015 we argued that: “Britain remains one of the most centralised countries in the western world. Perhaps the starkest indication is that only 2% of taxation in the UK is raised locally, compared with at least double that in countries such as France, Germany, the United States or Canada. Spending is also dominated by central government which disposes of 72% of all public expenditure, compared to 35% in France and 19% in Germany.

“Central government continues to hold the purse strings determining the delivery of local services across the country ... Local government relies on central government for its funding, is hedged with rules as to what it can and can’t do, and must go cap in hand to the treasury to negotiate new spending and income raising powers.”¹²

After nearly a decade of “devolution” how much has really changed?

- *“Government haven’t put much central capacity into the devolution deal.”*
- *“There is an absolute lack of trust, the way the mayoral thing was done is a superb case, Manchester had a real ability to negotiate to have some levers to make a difference. First thing central government wanted to do with that was production line it everywhere else.”*
- *“One size doesn’t fit all. Nowhere near the agenda for residents.”*

We have seen continuing progress in the city regions and this year the government announced new trailblazer deals for the Greater Manchester and West Midlands Combined Authorities. They will assume increased responsibilities across a number of policy areas, including transport, skills, housing, and retrofitting.

A new funding system will treat the Combined Authorities similarly to government departments, offering a single funding settlement covering entire spending review periods. This should reduce reporting requirements, enhance long-term certainty, and allow flexibility in reallocating funds based on local needs.

The proposed deal includes an indicative list of budgets that will go in to this single settlement, covering various areas such as the UK Shared Prosperity Fund, Levelling Up Fund, and Adult Education Budget, although the total amount of funding to be devolved via the single settlement remains undisclosed. The agreement also extends the retention of business rates in these areas for another ten years but falls short of granting additional revenue-raising powers.

These trailblazers represent progress (though they could go further and they remain potential rather than actual) but elsewhere the devolution revolution has failed to materialise. The Levelling Up Bill sets out a form of devolution that is limited in scope and ambition and which operates to a template framed by central government. Meanwhile, as we have seen, councils are put through a beauty parade of competitive bidding for ring-fenced funding pots.

The devolution debate has been dominated by a “rush to structure” and has become bogged down in sterile arguments about combined authorities, elected mayors and local government reorganisation. We need a different type of conversation about this: one in which form follows function to enable services to be delivered, citizens engaged and decisions made at the appropriate level.

In 2015 we proposed reversing the central government driven paradigm that was in place then and has remained in place since to create: “a locally-led process of devolution (more accurately conceived as an ‘evolution’ of power from the local rather than ‘devolution’ of power from the centre).” In which “local authorities, groups of local authorities, or local

¹² Devolution: a road map: lgiu.org/press-release/devolution-a-road-map/

“Central government has the wrong mindset, it's tiny things that all add up; they tell us how we should have meetings, how to conduct votes, it's everything and the mindset is entirely about control. But it should be about allowing us to make decisions and take the lead on things that are important locally.”



authorities and other local partners... would come forward with Local Deal proposals setting out the statutory powers, governance arrangements and fiscal powers that they need in order to drive growth and deliver effective public services in their localities.”¹³

There would be a presumption in favour of devolution subject to five simple tests:

1. **Benefit:** can it be demonstrated that the Local Deal proposed will deliver real value for local people through economic growth and development, better or more sustainable public services, pooling of resources across services, improved infrastructure, or in some other way driven by local requirements?
2. **Financial probity:** can central government be confident that public money will be spent legally, honestly and transparently?
3. **Financial management:** how will councils ensure that return on spending is at least as effective as under the current system?
4. **Ethical standards:** can it be demonstrated that the benefits of the Local Deal will be fairly distributed throughout the population?
5. **Governance:** are there adequate structures in place to make any new arrangements under the Local Deal properly accountable to local people? Accountability through the ballot box is an important part of this, but not all of it: Local Deals must also demonstrate how they will inform local people of progress and get continual feedback from them.

We believe this remains the best way to drive accelerate progress towards devolution in a way that builds political consent.

In reality what we have seen over the last decade is a process of asymmetric devolution – which is right, we should not make everywhere go at the pace of the slowest, but which is centrally driven not locally, in which government has set

overly restrictive parameters and in which the freedoms and funding on offer have not been sufficient to challenge councils to overcome their differences, especially in two tier areas.

We can also learn valuable lessons from the ways in which other countries manage the relationship between central and local government.

In Germany the principle of subsidiarity is a fundamental tenet enshrined in the German Basic Law (Grundgesetz), which insists that decisions should be made at the lowest possible level of government. This reflects a principled commitment to decentralised governance and local autonomy. Article 28 of the Basic Law explicitly articulates the principle of subsidiarity in the context of the federal structure of Germany, stating that: “Municipalities must be guaranteed the right to regulate all local affairs on their own responsibility, within the limits prescribed by the laws.”

This provision recognises the importance of empowering local municipalities to manage the issues that directly impact their communities. The Basic Law provides a constitutional recognition that local government is best placed to address the needs and aspirations of their residents. This is framed both as a way of ensuring responsive and efficient public services but also as a democratic principle and a way of driving community engagement and participation by allowing citizens to have a more direct influence on decisions that affect their daily lives.

Of course, in the UK we don't have a written constitution. We're one of only seven nations that don't. But we can see examples closer to home of how you can put in place a sub-constitutional memorandum of understanding between central and local government.

¹³. Devolution: a road map: lgiu.org/press-release/devolution-a-road-map/

“Crucially, there is a relationship between participatory and representative democracy. We need to be able to make difficult decisions about priorities. Sometimes there are vested interests.”

In June 2023 the Convention of Scottish Local Authorities (COSLA) and the Scottish Government signed a new agreement known as the Verity House agreement.¹⁴ It places co-operation and communication between local and national government on a formal footing. It sets out mutual priorities around tackling poverty, net zero and people centred public services and it recognises that “a positive working relationship should be based on mutual trust and respect”. And it agrees “to consult and collaborate as early as possible in all policy areas where Local Government has a key interest.”

It adopts a principle of “local by default, national by agreement”. which recognises that “public responsibilities shall generally be exercised, in preference, by those authorities which are closest to the citizen.” There’s also a commitment to “a robust and regular process for early budget engagement... with an underlying principle of “no surprises”. Though, as we shall see this has not proved unproblematic.

For another example of new ways of central and local government working together we could look to Australia where we have seen the revival of the Australian Council of Local Government (ACLG). This is a forum that brings local government together with the Prime Minister and key cabinet members. It was established by Anthony Albanese when he was Local Government Minister in the Rudd government back in 2008, but it was abolished when Labour lost power. Now the Albanese administration has bought it back and it held its first meeting in May 2023. The key test of such initiatives is always whether they offer a genuine opportunity for engagement, there’s a risk that they remain a tick-box exercise. The ACLG may provide a seat at the table but with 500 people at the initial meeting, it’s a pretty big table. But it also came across as a pretty serious engagement. The Prime Minister spoke at the dinner the night before and at the opening of the event. Half a dozen cabinet ministers were at the dinner. A similar number were on panels throughout the event; all taking questions – often quite challenging ones – from the audience.

¹⁴ gov.scot/publications/new-deal-local-government-partnership-agreement/

“House of Lords reform could include regional appointments - national parliamentary scrutiny from people with a local footprint.”

That’s a clear difference from the level of senior ministerial (not to mention prime ministerial) attention that local government receives in the UK, especially in England. The value of the ACLG will be in how far it enables a two-way conversation between local and federal government and how much difference this makes to decisions made. Will it be a forum in which the two spheres of government can share resources and expertise? That’s not a given. But mood music matters, and statements of intent matter.

Like the Verity House agreement, the ACLG sets out a direction of travel, but it’s important to acknowledge that it’s only a first step: a necessary but insufficient condition for better co-operation between layers of government. Unlike the German Basic Law these sorts of arrangements have limited constitutional or legal standing. The Verity House Agreement acknowledges this: “This agreement is a statement of our intent from this point forward and provides a high-level framework for our partnership – it does not create legal obligations but it is Scottish and Local Governments’ clear starting point and public commitment to the principle of regular and meaningful engagement, and respect for each other’s democratic mandate.”

The potential weaknesses of this position have already been demonstrated in the case of the Verity House Agreement. In October 2023, only four months after the signing of the agreement, First Minister Humza Yousaf unilaterally announced to the SNP conference that council tax would be frozen across Scotland. By all accounts neither the cabinet nor senior civil servants knew this was coming. Certainly, Scottish local government didn’t. COSLA didn’t attempt to hide their fury saying “The announcement of a council tax freeze... was made completely without reference to Local Government and there is no agreement.”¹⁵

It was a vivid illustration that such agreements are only as good as people’s willingness to stick to them.

One conclusion from this is that the level of constitutional protection afforded to local government in Germany or Italy should remain our aspiration. But it does not follow from this that sub-constitutional agreements like Verity House are not worthwhile. If we need honest actors to keep agreements, then we also need agreements to keep actors honest. Governments will always seek to act in politically expedient ways but agreements such as Verity House provide the plaster cast that prevents a fracture becoming an unfixable break. So how do we move forward?

¹⁵ COSLA statement, 2023: cosla.gov.uk/news/2023/statement-from-the-cosla-presidential-team-following-an-emergency-meeting-of-political-group-leaders

“There’s something about building stronger relationships. How do we come to the table on an equal footing rather than always starting from a subservient position?”



Recommendations

There are a series of measures that could be introduced in the short term. These build on existing policy and could be introduced at speed. A **new framework agreement** between local government and central government (the whole of central government not just DLUHC) setting out:

- A commitment to work together in a collaborative manner and a recognition of local government’s democratic mandate.
- An immediate end to competitive bid funding.
- A return to multi-year financial settlements and reversion to needs based funding mechanisms.
- The creation of a standing forum to allow regular and ongoing consultation between central and local government including:
 - Early consultation on budgets.
 - Early consultation on any developing government policy that would affect local government competencies.
- Deliver trailblazer devolution deals and open them up to any areas that can deliver on keys tests of governance and accountability.

Over the longer-term we should seek to develop the following more radical ideas:

- Statutory incorporation of subsidiarity along the lines of the German Basic Law.
- Open devolution – a more expansive devolution by default offer in which local authorities, or groups of local authorities can draw down the statutory powers, governance arrangements and fiscal powers they need to drive growth and deliver effective public services in their localities.
- A single local (or sub-regional) budget for spending on all services – including those usually implemented across the UK such as health.
- Capacity to design and introduce new taxes, such as a tax on local business profits, or a new local property tax as seen in Germany or Italy.
- A Senate of mayors and council leaders – we need to have a seat for local government at the top table, with a powerful constitutional role in shaping, revising and scrutinising government policy. A mayors’ and leaders’ Senate should be established to fulfil this role.
- Reform of the House of Lords – the Brown Commission recommended replacing the House of Lords with an Assembly of the Nations and Regions with national and regional leaders but deferred consideration of the electoral process for this chamber. Populating this chamber, at least in part with local leaders who already have an electoral mandate is an obvious solution.

Trust: what if people trusted and participated in local institutions?

Local government faces a trust deficit in which declining trust in institutions makes it harder to build the sorts of active relationships with citizens which provide the foundations for both democratic legitimacy and public service innovation.

Councils have a crucial role to play in breaking this vicious circle through the promotion of civic engagement and relational models of governance.

“The culture war thing has had an impact on the trust, particularly in larger urban cities and most prominent on social media. All democrats should be concerned with this. We would be complacent to view this as only a social media issue.”



Are we living in an age of post-trust politics?

The latest edition of the Edelman Trust Barometer¹⁶ certainly makes pretty grim reading. In the UK only 27% of people say they trust government (a seven year low); 57% of people feel that their interests are not represented in British politics; and 85% feel that politicians act in a way that undermines people's trust in government. These are not isolated findings

Recent research by IPPR¹⁷ showed that four out of five Britons felt that politicians did not understand the lives of ordinary people, only six percent felt voters were the key influence on political decisions and a majority of people living in deprived areas and of young adults felt that British democracy did not serve their interests well.

Some of the best and most depressing research in this area is by Yascha Mounck and Roberto Foa at Harvard which shows declining faith in democracy across advanced economies. Less than one third of Americans born after 1980, for example, believe it's "essential" to live in a democracy.¹⁸

Nearly a half of young Americans think that a strong leader who does not have to bother with elections would be a good thing. The think tank, Onward found very similar numbers for young people in Britain, with less than half of 18-24 year olds seeing democracy as the best way to run a country and two-thirds preferring a "strong man" leader to a democratic process.¹⁹

This is part of a much broader collapse of trust in institutions encompassing politics and the media, banks, large corporations. This collapse in trust has many sources. Some are general: the changing nature of employment in post industrial economies; the differential effects of globalisation; rapid population changes in some communities. Some are more specific such as the financial crisis of 2008 or in the UK the MP's expenses scandal of 2009, or "Partygate". All feed this sense that decision making elites are detached from, and no longer represent the interests of, the people they are meant to serve.

So people who feel let down and left behind by globalisation, or contemporary culture, or capitalism, or the way in which their society is changing are rejecting politics as usual.

Hence the 73% of people in the UK who told the Edelman survey that dealing with the country's problems required "new thinking, ideas and approaches:"

What of local government? Well, the good news is that we're more trusted than central government at 36% (up one from last year). Research that LGIU commissioned from IPSOS was even more positive with 49% respondents saying they trusted the council to act in the interests of their community. That could be better but it gives us something to work from.²⁰

To think about trust in local government we need to consider its dual function. It is a democratic body that gives citizens and communities a voice and a way to exercise political agency to shape the places they live in. It is also the institution responsible for the commissioning and delivery of state public services (or some of them) at a local level. Currently, both these functions of local government are under severe pressure and the pressures on the democratic function of local government make it harder, not easier, to scale up the sorts of innovation needed to relieve the pressures on public services.

The sort of public service reform we need in order to respond to both the fiscal pressures on local government and the rise in demand on key services requires more interaction between citizens and the state and thus requires trust between citizens and the institutions of local service delivery. As we



¹⁶ Edelman Trust Barometer, 2023 UK Supplement Report: edelman.co.uk/sites/g/files/aatuss301/files/2023-03/UK%20Trust%202023%20Website.pdf

¹⁷ Road to Renewal: elections, parties and the case for democratic reform, IPPR, 2022: ippr.org/news-and-media/press-releases/revealed-democracy-at-risk-as-just-6-per-cent-say-voters-have-most-influence-over-political-decisions

¹⁸ The People vs Democracy, Yascha Mounck, 2018

¹⁹ The Kids Aren't Alright, Onward, 2022: ukonward.com/reports/the-kids-arent-alright-democracy/

²⁰ IPSOS / LGIU Local Elections polling 2023, <https://lgiu.org/wp-content/uploads/2023/04/Ipsos-Local-Elections-polling-2023.pdf>

“Vocal people who aren’t satisfied have more channels to complain about the council. I still believe they’re a very small percentage of the population but they get a disproportionate hearing from lots of people. Does that then translate into lack of trust?”

“Community engagement is lot better than it used to be, still very risk adverse and distrusting of public, we’re getting better at giving them choice but in a limited way.”

have seen, however, we are currently experiencing a crisis in trust which makes the sort of reform local government needs harder to achieve.

This creates a trust deficit whereby a decline in trust in local government as a democratic institution makes it harder to achieve the types of reform we need for effective public service provision in the future.

That’s why post trust politics matters so desperately, not only because it opens the door to irresponsible strains of populism, but because it closes the door to the sort of change we need to see. Local government that is facilitative and enabling depends upon the engagement of its citizens. It relies on trust just when there is less trust than ever to go around. This mutually reinforcing connection between trust, social capital and civic engagement has been explored by thinkers such as Francis Fukuyama and Robert Putnam since the 1990s.

So we have a trust deficit and unless we can fix that we can’t ever see the sort of change we need in local government.

What can we do?

There’s a substantial body of literature on trust and many different theoretical frameworks have been developed around it. Research on trust as it applies specifically to local government is in its infancy but in a recent article for LGIU, Dr Hannah Bunting drew attention to initial findings that suggest that smaller units of local government are more trusted than larger ones, but also that trust in local government declines in places where local government has more power.²¹

Drawing on the broader literature we could collate theories of trust into four broad categories that apply to local government:

- **Transactional theories of trust:** in which trust develops as a result of people or institutions doing what they said they would.
- **Institutional theories of trust:** in which trust is based in transparency, procedural fairness and legitimacy.
- **Dialogic theories of trust:** in which trust is developed through ongoing open dialogue.
- **Relational theories of trust:** in which ongoing relationships and engagement lead to enhanced trust.

Councils should endeavour to build trust across all of these dimensions.

If our analysis is correct, however: that local government needs to nurture more citizen participation while simultaneously facing a trust deficit that makes it hard to make that participation happen, then it becomes an urgent priority to begin to encourage participation in a way that reinforces or rebuilds trust. This must be based on genuine conversations about the places we live in, on the engagement of the community in the council’s decision making and on making public institutions the catalyst for civic action.

²¹The Core Principles of Trust Applied to Local Government, Hannah Bunting <https://lgiu.org/blog-article/the-core-principles-of-trust-applied-to-local-government/>

“The best outcomes are from community asset owning. I want to be able to reinvest in the creation of social capital at a hyper local level. That is a version of giving back control.”



prevention, integration of services, multi-agency working and which is co-produced with, and designed around, the needs of service users.

That means recognising that the challenges we face cannot be solved by the state alone – instead they require collaborative engagement from all parts of the public realm: a new relationship between citizen, civil society and (local) state in which each supports the other in contribution to the common good.

In other words, we can only meet the profound challenges posed to our current model of local public services through a new relationship between local government and the community and through a vastly increased element of citizen participation in the design and delivery of those services.

There's a developing consensus around this. And there's lots of innovation and best practice; there are citizen juries, participatory budgeting, digital engagement platforms and good old fashioned town hall meetings.

At LGIU we've been working to support our members in developing thinking and practice around participation for more than a decade. Recently, we've highlighted examples of ways local governments around the world are integrating, encouraging and utilising participation in their communities, including how councils in the UK and Canada are connecting locally through social media, the village of Asdee's approach to rural participatory planning, ways Scottish councils are engaging with young people on key issues affecting them, and Fingal's Migrant Integration Forum as a platform for the diverse voices of Fingal, as well as much more. All of these illustrate how participation is not a distraction from, but an integral part of local delivery.

But there are also pitfalls, setbacks and challenges to overcome. Too often participation is framed as an alternative to representative democracy or as a way of fixing all the problems that representative democracy can undoubtedly give rise to. But we should be cautious about this narrative.

Participative democracy brings challenges as well: how do we ensure that everyone's voice is heard, how do we retain a focus on the long-term strategic vision?

What if people really participated in local democracy?

Trust in local democratic institutions provides a platform for community engagement. We know from our research that 61% of people want to get involved or better understand decision making in their neighbourhood.

In 2021, we published *A New Settlement: place and well being in local government*²² in which we explored how the relationship between residents, the place they live and the local authority is at the heart of successful place shaping agendas. When residents are involved and invested in the shaping of the local areas, they can work with the council and other landowners to create something special.

However, this is often not the case in reality. There seems to be a lack of coherent and consistent approaches by local authorities to engage residents in their place-shaping agendas. This can be linked to a mixed understanding of what local residents want out of these kinds of projects and how interested they are in the places where they live.

Collaborative place leadership remains a priority. It's important for pride in place, for well-being and for the creation of social capital but it also sets an essential platform for public service reform.

The challenges faced by local governments around the world are sadly familiar. We have already discussed pressure on council finances – to the point of failure for some councils in England and at the same time we have seen hugely increased demand across many of the most expensive core services that local government provides.²³ Without effective participation, a partnership between citizen and state, we're unlikely to solve these traditional challenges.

Yet the next forty years will bring new challenges to local government. Some are threats: populism and climate change. Some are double-edged swords: technology and a rapid pace of change, globalism, a more connected world while individuals can feel more isolated and communities more polarised. In large part we know what we need to do. We need to move from a system that is geared towards acute intervention to one that is characterised by demand management,

²² lgiu.org/publication/report-a-new-settlement-place-and-wellbeing-in-local-government

²³ lgiu.org/blog-article/councils-on-notice-does-a-section-114-mean-bankruptcy-for-local-government/



We live in a world in which networks are rapidly replacing institutions as our primary mode of organisation. Many of our most powerful emergent forces for change are non-hierarchical, non-organisational networks, Extinction Rebellion, for example, or Just Stop Oil. We're often told that we need organisation without organisations and it's certainly true that most organisations (including local government) have been too slow to open up and allow different forms of connections and action.

Elected local government has many flaws but it also has institutional virtues such as representation, accountability and the balancing of competing interests. These can be missing from more directly participatory democracy or from community led design and delivery of public services.

If we accept that representative democracy needs to be part of the democratic landscape the question remains as to the most appropriate scale at which it should operate.

There is a risk that by constantly pushing local governance upwards towards larger unitary authorities and combined authorities we leave communities feel unrepresented and distant from the centres of decision making.

Institutions did not develop solely to entrench existing power structures (though that is often their effect on their mature form), they evolved to solve human problems. If there are human virtues and system virtues, there are also institutional virtues such as representation, accountability and the balancing of competing interests.

While it is certainly true that local democratic institutions need to embed participation if they are to serve their communities well and tackle complex challenges, it is also true that participation needs democratic institutions to ensure reach, balance and accountability.

So how do we get this balance right?

The foundations

At the most basic level, participation means turning out to vote. LGIU research with Ipsos showed that 7 in 10 UK adults say that they understand why it's important to vote in local elections. But over half say they don't really understand how decisions are made within councils and a similar number say they couldn't explain what a councillor does. And of course the reality is that turnout in local elections has for the last two decades hovered around 30% (though this average conceals large discrepancies between places with up to 60% turnout and others as low as 15%).²⁴

Neither should we forget that local government is essential to national democracy – it provides both the foundation and the mechanics of voting, representation, coordination and implementation of national policy. Our recent research on the implementation of Voter ID raises some serious red flags about how we may be placing the safe and effective delivery of elections at unnecessary risk.

But local government doesn't just deliver the nuts and bolts of representative democracy (vital as this is), it's also central to mobilising public engagement with the biggest issues of all.

Building agreement on climate action

Growing consensus on the urgency of responding to the climate emergency involves a recognition that while governments have a role to play, for example in negotiating international settlements, setting emissions standards and perhaps even using fiscal instruments to change behaviours, this must be matched by personal accountability for the way we live. Policy-makers need to win people over to support intervention, work with those who feel short-changed, and

²⁴ [lgiu.org/blog-article/councils-on-notice-does-a-section-114-mean-bankruptcy-for-local-government/](https://www.lgiu.org/blog-article/councils-on-notice-does-a-section-114-mean-bankruptcy-for-local-government/)

persuade those who are unsure, while acknowledging those who disagree entirely with even the concept of climate action. This requires deliberation, debate, education, engagement, and empathy – the ingredients of building democratic consent.

We recently launched a new report on *Building Democratic Support for Local Climate Action* with outstanding examples of working with communities, a new case study from Oxfordshire about pioneering efforts in the face of fringe misinformation, and a range of work on climate governance and effective engagement highlight the challenges and ways ahead.²⁵

Technology, infrastructure and the pace of change

Even as local governments often deal with ageing infrastructure we're also dealing with new ways of thinking about infrastructure – from broadband which helps people to be democratically and economically active to social infrastructure which helps people contribute to society through fulfilling and productive employment like childcare or support for people caring for ageing parents.

That means thinking about the total asset base of a community and the value in social networks and civic energy. It means thinking about early intervention, not just in terms of invest to save but as building capacity and resilience. It means considering how we structure incentives for action: for the market and most importantly for citizens. It means understanding the networks of social action already present in every community and aligning public services with them.

Changing demographics

In a world that's seeing rapid change, both positive and negative, our people are changing, too. As people move to seek opportunities, fill roles needed by an ageing population or flee calamity, we need to find new ways to help people participate in local civic life and knit together groups of people who may have different backgrounds but who live in the same neighbourhoods.

We can also look at how we use new approaches to participation to bring healing to older wounds. At LGIU we have looked at how local democracy and engagement can help us find better ways ahead, from our focus on Indigenous peoples and local government or other questions around repairing the impact of inequality and ensuring wider participation.

²⁵ lgiu.org/resource-pack-building-democratic-support-for-local-climate-action-report-launch

Towards relational governance

At the heart of all the examples above is a relational and plural model of governance, emphasising cooperative relationships and trust. A local state, involving local government, communities, and the public sector, collaborates to draw from local capacities and capabilities, fostering adaptability and responsiveness in place leadership. Local government is unique in the democratic legitimacy it brings. It is – or should be – the institutional manifestation of its communities.

Not delivering to them, for them or with them – but absolutely part of them: outward facing, forward looking, connected and engaged.



Recommendations

Trust between local government and communities will be enhanced through:

- **Institutional clarity:** being really transparent about processes, criteria and decision making (including political control of the council).
- **Having real conversations about place:** What do the people who live here now aspire to? How can we live together effectively? What is the relation of this place to the wider world? What are our priorities and what compromises are we willing to make to achieve them? What can we learn from elsewhere?
- Put participation at the heart of the council and the council at the heart of participation by promoting a **relational governance model** of the local states.

Conclusion

National success has local foundations. Councils have a key role to play in meeting the national and the global challenges we face.

At LGIU, we believe in localism: both as a democratic ideal and because complex challenges are often best met by local innovation. We believe in local government as the institutional form that facilitates and legitimises localism.

We know from working with 300 councils around the world, that local government is doing some amazing things, often in the face of considerable odds. We see the curation of joined up, preventative public services, we see care delivered to people who need it most and we see councils and communities working together to imagine and deliver sustainable resilient places that work for all their residents.

But we also know that local government is delivering all this at a huge disadvantage. An inadequate funding system, a lack of constitutional clarity and declining trust in institutions' all undermine the foundations upon which local government success should be built.



As more and more councils warn that they will soon be unable to balance their books, this is clearly a moment of crisis for local government. But it's also a moment of opportunity. We're already in the run up to the next general election; whoever is in government after that election has the opportunity to reset the relationship between central and local government, to finally give councils the tools they need to be the change agents we all need them to be.

The chief executives and leaders interviewed for LGIU@40 are sending a clear message. We are at a point of crisis, if we fall over the consequences for the country as a whole are catastrophic, but if we are set free to deliver, the opportunities are endless.

It's time we listened to them...





Recommendations

What we need to do now.

We need to scrap the wasteful and inefficient system of competitive bid funding. We must go back to multi-year funding settlements.

The Fair Funding Review should be picked up from where it left off in 2018 and be given priority – so that we can re-establish a needs-based element to the funding system.

A new forum should be established to allow regular and ongoing consultation between central and local government – equivalent to the Italian Local Autonomies Conference – between them the LGA, DLUHC and Oflog provide plenty of capacity for this. This should provide:

- Early consultation on budgets.
- Early consultation on any developing government policy that would affect local government competencies.
- Trailblazer devolution deals and open them up to any areas that can deliver on key tests of governance and accountability.

These measures should be incorporated into a new **framework agreement** between local government and central government.

What we need to develop for the long term.

Over the longer-term we should seek to develop the following more radical ideas:

- Statutory incorporation of subsidiarity along the lines of the German Basic Law.
- Open devolution – a more expansive devolution by default offer in which local authorities, or groups of local authorities can draw down the statutory powers, governance arrangements and fiscal powers they need to drive growth and deliver effective public services in their localities.
- A single local (or sub-regional) budget for spending on all services - including those usually implemented across the UK such as health.
- Capacity to design and introduce new taxes, such as a tax on local business profits, or a new local property tax as seen in Germany or Italy.
- A Senate of mayors and council leaders – we need to have a seat for local government at the top table, with a powerful constitutional role in shaping, revising and scrutinising government policy. A mayors' and leaders' Senate should be established to fulfil this role.
- Reform of the House of Lords – the Brown Commission recommended replacing the House of Lords with an Assembly of the Nations and Regions with national and regional leaders but deferred consideration of the electoral process for this chamber. Populating this chamber, at least in part with local leaders who already have an electoral mandate is an obvious solution.



Meanwhile local government needs to rebuild trust in politics through:

- **Institutional clarity:** being really transparent about processes, criteria and decision making (including political control of the council).
- **Having real conversations about place:** What do the people who live here now aspire to? How can we live together effectively? What is the relation of this place to the wider world? What are our priorities and what compromises are we willing to make to achieve them? What can we learn from elsewhere?
- **Put participation** at the heart of the council and the council at the heart of participation by promoting a **relational governance model** of the local state.

Read more insights from our interviews with Chief Executives and Leaders...

"Vocal people who aren't satisfied have more channels to complain about the council. I still believe they're a very small percentage of the population but they get a disproportionate hearing from lots of people. Does that then translate into lack of trust?"

"The best outcomes are from community asset owning. I want to be able to reinvest in the creation of social capital at a hyper local level. That is a version of giving back control."

"Crucially, there is a relationship between participatory and representative democracy. We need to be able to make difficult decisions about priorities. Sometimes there are vested interests."

"If we had sufficient money we would be able to take risks again, try things out, think of new ways. We have secured some money over five years for investment into research and investment - which had been stripped out. We urgently need to rebuild capacity to do more than keep going."

"If we were funded properly we could still make more progress on issues of social justice - inequality, inclusion. Just to have that ability to reinvest into stuff that would help us create wellbeing for people."

"I'd like to see local government lead and convene - to have some level of influence and authority over partners' spend."

"Don't confuse empathy and a civil service that is engaging on an equal basis when developing policy. I'm part of a working group of Chief Executives and civil servants where we are trusted and consulted earlier. When the chips are down they are buffeted by the turbulence we have been through and by a lack of strategy. It is marked with the expectation that the Civil Services is more senior. The relationship feels quite transactional. People feel grateful for small offers."

"We are on the verge of collapse due to the pressure of children's social care."

"We can bring faster, more effective delivery to the table for eg on productivity, climate change transition, public health improvements. You need local government to achieve those things."

"All the research says local government is more trusted than other layers of government, but I also think we've got a rupture in the social contract. People expect the state to be there for you in certain ways that we can't be. The workforce feel they are letting communities down. From the expenses scandal onwards we have had a troling which has demolished trust. Some of that has become quite unpleasant and fuels a general incivility in public life that has resulted in death threats. That does not speak of trust to me."

"We need a new settlement setting out clarity of role and purpose."

"House of Lords reform could include regional appointments - national parliamentary scrutiny from people with a local footprint."

"If we were all funded properly I think there still would be tensions. Pre-austerity there was no need to collaborate as you had the money to do things yourself. Austerity should force people to collaborate more. There's a healthy pragmatism to the conversations we have internally. It feels like there is potential there."

"How can local government work more strategically with other partners so we can share successes?. How do we become an enabler of stuff happening rather than a doer? There is a tendency to think it doesn't count if we don't do it ourselves. We will manmark others elsewhere, needlessly."

"There's an abdication of responsibility from government. You can't isolate NHS waiting times, for example, you must look at the system. There's not enough complex thinking."

"If we could be trusted to deliver, with extra funding for a few more years, it should have lower cost ultimately. I don't think we need constant higher funding - the early intervention would save money down the road."

"There's lots to learn from others and no better learning than standing in someone's shoes. When I first went into local government there was some sort of exchange agreement where people would be on short term secondments between councils and Whitehall."

"Community engagement is lot better than we used to be, still very risk adverse and distrusting of public, we're getting better at giving them choice but in a limited way."

"Trust is getting a lot worse."

"Since Covid, the relationship with central government seems to become more top-down and more broken down. Being thanked and criticised at the same time was a weird situation."

"Throughout austerity we were the sector that delivered."

"The system is totally and utterly broken."

"One year settlements are not good enough. We need one that's substantial enough to deliver on long-term priorities."

"We trap ourselves in a hamster wheel of annual stuff."

"Systems aren't set up to be preventative, the incentives are in the wrong place, preventing us doing proper intervention."

"So many components of what we do are just absolutely shattered."

"Central government sees local government as an agent do to their dictat."

"I think financial self-sufficiency would be key, it turns more than one lock, it then allows a council to do what it feels constrained from doing now, its more than just the money."

"If central government doesn't trust us to deliver, no one wins."

"This doesn't boil down to needing more money from central government. We need more ability to be in charge of our own destinies. We're the most centralised democracy in the western world. Give us the ability to make decisions that ultimately impact communities but also the power and ability to raise revenue if we want to."

"Central government has the wrong mindset, it's tiny things that all add up, they tell us how we should have meetings, how to conduct votes, it's everything and the mindset is entirely about control. But it should be about allowing us to make decisions and take the lead on things that are important locally."

"The relationship between centre and local isn't right and does need to shift. We quite often put the spotlight on finance but it's more about trust. It's feels parent / child at the moment."

"There's something about building stronger relationships. How do we come to the table on an equal footing rather than always starting from a subservient position?"

"We levy the most visible of all taxes to pay chiefly for invisible services."

"We need a comprehensive and multiyear unringfenced, unbidded set of funding streams so we can actually plan over a 3-5 year period."

"I'm very angry. If you treat people like children they'll act like children."

"We're not in the middle. We are the solution."

"I'm fed up with having to compete against each other for crumbs."

"Things are starting to fall apart at the seams."

"We need to have a recognition that if we aren't properly funded the rest of the country will fall over."

"We need fiscal flexibility. Local outcome delivery should be judged locally and not by a national template. We need to build services from the need, back to the budget, rather than from the diktat which makes every place the same and fails incredibly miserably."

"The culture war thing has had an impact on the trust, particularly in larger urban cities and most prominent on social media. All democrats should be concerned with this. We would be complacent to view this as only a social media issue."

With thanks to all of our *LGIU@40: For the Future of Local Government* contributors. All comments included in this report are anonymous. The opinions expressed within the content of this report are those of the LGIU and do not reflect the opinions and beliefs of individual contributors.

Cllr Susan Aitken, Leader, Glasgow City Council
Cllr John Alexander, Leader, Dundee City Council
Alison Allen, Chief Executive, Northern Irish Local Government Association
Helen Bailey, Chief Executive, London Borough of Sutton
Cllr Ann-Marie Barker, Leader, Woking Borough Council
Monica Barone, Chief Executive, City of Sydney
Niall Bolger, Chief Executive, London Borough of Hounslow
Malcolm Burr, Chief Executive, Comhairle nan Eilean Siar
Arthur Charvonia, Chief Executive, Mid Suffolk District Council
Ian Cowie, Chief Executive, City of Gosnells
Cllr Paul Davies, Deputy Leader, Kirklees Council
Cllr Shaun Davies, Leader, Telford & Wrekin Council
Dr Dennis De Widt, Associate Professor, Cardiff Business School
Paul Dennett, Mayor, Salford City Council
Professor Patrick Diamond, Mile End Institute, Queen Mary, University of London
Cllr Tracey Dixon, Leader, South Tyneside Metropolitan Borough Council
Cllr Ruth Dombey, Leader, London Borough of Sutton
Professor Richard Eccleston, Director, Tasmanian Policy Exchange, University of Tasmania
Dr Peter Eckersly, Nottingham Trent University and Managing Editor, Local Government Studies
Chris Elliott, Chief Executive, Warwick District Council
Kersten England, former Chief Executive, Bradford Metropolitan District Council
Martin Esom, former Chief Executive, London Borough of Waltham Forest
Graham Farrant, Chief Executive, Bournemouth, Christchurch and Poole Council
Cllr Lorna Fielker, Cabinet Member for Health, Adults and Leisure, Southampton City Council
Will Godfrey, Chief Executive, Bath & North East Somerset Council
Cllr Roger Gough, Leader, Kent County Council
Mike Harris, Chief Executive, Southampton City Council
Cllr Claire Holland, Leader, London Borough of Lambeth
Cllr Adam Hug, Leader, Westminster City Council
Philip Hunter, Director of Strategy and Communications, Northumberland County Council
Justin Ives, Chief Executive, South Derbyshire District Council

Steve Jorden, Chief Executive, Havant Borough Council
Matt Jukes, Chief Executive, Hull City Council
Cllr Tracy Kelly, Deputy City Mayor, Salford City Council
Joanna Killian, Chief Executive, Surrey County Council
Stuart Love, Chief Executive, Westminster City Council
Brett Luxford, Chief Executive, Mitchell Shire
Cllr Vince Maple, Leader, Medway Council
Cr Jim McGee, Mayor, City of Glen Elra
Cllr John Merry, Deputy City Mayor, Salford City Council
Dr Kevin Muldoon-Smith, Associate Professor, Northumbria University
Julie Nugent, Chief Executive, Coventry City Council
Cllr Eamonn O'Brien, Leader, Bury Council
Annemarie O'Donnell, Chief Executive, Glasgow City Council
Cllr Anthony Okereke, Leader, Royal Borough of Greenwich
Helen Paterson, Chief Executive, Northumberland County Council
Cllr Nick Peel, Leader, Bolton Metropolitan Borough Council
Professor Beth Perry, Director of Urban Institute, University of Sheffield
Dr Madeleine Pill FHEA - Senior Lecturer Urban Studies and Planning, University of Sheffield
Sam Plum, Chief Executive, Westmorland and Furness Council
Robert Pollock, Chief Executive, Cambridge City Council
Professor Liz Richardson, University of Manchester
Jim Savege, Chief Executive, Aberdeenshire Council
Trevor Scott, Chief Executive, Wealden District Council
Andrew Seekings, Chief Executive, Cumberland Council
Cllr Arooj Shah, Leader, Oldham Council
Cllr Baggy Shanker, Leader, Derby City Council
Duncan Sharkey, Chief Executive, Somerset Council
David Sidaway, Chief Executive, Telford & Wrekin Council
Cllr Vikki Slade, Leader, Bournemouth, Christchurch and Poole Council
Cllr James Stockan, Leader, Orkney Islands Council
Andrew Stokes, Chief Executive, High Peak Borough Council
Cllr Mike Stonard, Leader, Norwich City Council
Jonathan Tew, Chief Executive, South Tyneside Metropolitan Borough Council
Debbie Warren, Chief Executive, Royal Borough of Greenwich
Cllr Grace Williams, Leader, London Borough of Waltham Forest
Cllr Kieron Williams, Leader, London Borough of Southwark

LGiU

LGIU (Local Government Information Unit)
251 Pentonville Road, London N1 9NG

www.lgiu.org
t: 020 7554 2800
e: info@lgiu.org