GROWTH, REFORM AND TRUST

Creating places that deliver the promise and potential of local government reform

INNER CIRCLE CONSULTING

DCN
DISTRICT COUNCILS' NETWORK

EXECUTIVE SUMMARY

Our communities face unrelenting challenges – stagnant growth, fiscal restraint, rising inequality, intergenerational poverty, and a catastrophic loss of trust in institutions.

Local Government Reorganisation (LGR) offers a vital opportunity to address these issues, yet some see it as a short term cost-saving exercise through the creation of a small number of large councils. It's an approach that relies on basic number crunching, zooming out on maps and adopting outdated models of local government service delivery. At best this approach is insufficient. At worst it will be a hugely costly and disruptive process that will simply create larger versions of semi-functional or dysfunctional arrangements that aren't delivering for those that need it the most or for the nation as a whole.

In terms of achieving financial resilience, recent LGR efforts have delivered mixed results, underscoring the urgent need for reform. To this end, the English Devolution White Paper highlights priorities: economic growth, housing, prevention, and restoring public trust. These are not standalone goals but interconnected drivers of sustainable, effective public services.

The returns to the public purse from growing economies, building housing, preventing future needs and restoring trust are far more significant than the short-term savings that accrue from consolidating existing functions. This is why we believe any proposition for LGR must demonstrate how these objectives will be delivered and what their delivery requires, in terms of geography, operating model, design, leadership, capability and fit with new or existing institutions or partnerships. Their realisation demands a place and people-based approach to the design of future organisations. It is in places that true change happens, be it in a region or a neighbourhood or a village. All of these are key dimensions in the renewal of public services and, consequently, the renewal of the nation.

District councils, deeply engaged in housing and frontline services, hold crucial insights. Their daily interactions with communities give them an unmatched understanding of local needs. As new institutions are designed and then delivered their insight and perspectives are invaluable and their voice must be heard.

The design of future arrangements must adopt a long perspective. Designing the right future state isn't any more complicated than designing an interim one. While it can make strategic sense to implement change incrementally it rarely if ever makes sense to elaborate goals or a vision of the future incrementally. Such an approach will tend to the status quo. Phasing should be purposeful, ensuring each stage aligns with long-term objectives, rather than a risk adverse restructuring that postpones real transformation. Being 'safe and legal' is not a vision, it needs to be one of many key objectives.

LGR success depends on co-production and commitment. Reform should build local capacity, confidence, and resilience rather than merely rearrange structures. Establishing independent design and transition teams and drawing expertise from across existing councils, can ensure reforms are strategic, innovative and effective.

The greatest risk is losing momentum and settling for change that isn't change. Instead, LGR must focus on a meaningful renewal and reform – driving economic growth, improving public well-being, and restoring faith in the local state.

Now is the time for optimism and action. By prioritising sustainable reform over short-term fixes, LGR can reshape local government into a dynamic, effective force that truly serves the people and places it is here to serve.

INTRODUCTION

Imagine being among the generation of public servants who reset the course of public service to create a 21st century system that was financially sustainable and designed to enable people to live good lives. Imagine being part of the movement that restored public faith in institutions and the power of the state to be a force for good.

Imagine being among the people who let that opportunity pass by.

Local government has for decades been told to do more with less, and still less. Through efficiency drives, outsourcing, insourcing, inspection and regulation, through austerity and a pandemic, services have buckled. The housing crisis, cost of living crisis, social care crisis brought further strain. Almost every aspect of community life feels to be in crisis. And the most vulnerable people are bearing the brunt.

Local authorities sit at the sharp end of modern challenges but they are also the key to delivering the answers to them, from overcoming inequality and intergenerational poverty, to growing our economy and building homes. So the government's demand that authorities reorganise and refocus provides a welcome opportunity to move on from a model designed for very different times. It has also lit a thousand questions about what this means and how to deliver it, many of which largely remain unanswered.

It must be acknowledged that for many public servants it's hard to leap to action when you are immersed in daily crisis management. It's hard to look up when the critical focus of your job is simply stemming the bleeding. It's hard to create and innovate when strategy, transformation and delivery functions are pared to the bone, and so too, capacity and capability. Many senior leaders know what needs to be done but lack bandwidth or support to develop proposals and delivery arrangements at pace. For many, the local government reorganisation (LGR) process is pitting tired people against each other, creating too many potential scenarios where the outcome could be driven by risk aversion rather than innovation, and a mistaken conclusion that it would be simplest just to consolidate things as they are into the most basic model of something 'new.'

In the face of complexity and risk it will be tempting to pursue approaches to LGR that make it as easy as possible to implement – focusing only on scale and minimising disruption. But consolidating a status quo that is currently failing to deliver risks creating bigger sub-optimal organisations. In short, it is not easier to work at repeating mistakes. LGR will feel easier and less disruptive only if we answer the big questions that have long been left hanging: Who are public services really for? What do they need to achieve? How can we fund them? What does community cohesion and identity look like and signify? And more: How do we give people a voice and a forum to share their perspectives, reach understanding and consensus? When, where and how must power be exercised when opinion differs but action is required?

Answering such questions feels harder because of the catastrophic loss of trust in institutions that we are all experiencing and see repeated across the western world. It is baffling and upsetting to see opportunists on the public stage applauded for answers that do not ring true to those of us who have dedicated our lives to public service. We have to dig deep to understand why this is happening and what we can do about it.

That starts with honesty about public services that were designed in a bygone era and rest on assumptions that have not been true for a long time: a continually growing industrial economy, full male employment with decent wages, a care system supported by the unpaid labour of women, basic housing needs always met and an understanding that people only use public services episodically until they get back on their feet. If you ask people what they need now, you'll get very different answers that reveal the urgency of understanding the root causes of inequality, the breakdown of family and community relationships, and the importance of trust and affinity between a public service institution and a person who needs help from it.

As personal wellbeing is inextricably linked to economic wellbeing, so local public services must create thriving local economies as part of their organisational reinvention. Growth is vital in order to pay for public services, provide jobs and build warm, safe homes – the conditions for the good life to which so few people currently have access. If LGR is thus also the work of creating local growth, then devolution and fiscal reform must play a key part in it. A place-based approach is vital, as is understanding that places all need different approaches. And so it follows that differences in size and scale are a necessity, not an indulgence of parochial interests What works for city regions is not the same as what works for new towns or for cathedral cities or university towns. Hard thinking on this is essential if we are to avoid the pitfalls of the last 40 years: economic agglomeration, market failure to provide housing, and a lack of investment in skills and education that have marked a generation.

There will be those who say at this point: We need to ask permission. Or: We need clarification. But to wait for someone else's idea of the work is to miss this opportunity and confirm public scepticism that the sector is not up to the job. This is the moment to take the lead, and to bring with us those who might be on the verge of giving up on us. With everyone's investment, public services can yet unlock the agency, resources and support that they need to thrive and to help all of us thrive.

INNER CIRCLE CONSULTING

DCN DISTRICT COUNCILS' NETWORK

WHAT REORGANISATION SHOULD ACTUALLY LOOK LIKE:
REFORM AND RENEWAL

The national fiscal position and long-term underfunding of local government is driving a view that LGR must create short-term savings and efficiencies by simplifying and consolidating disparate local government functions. Aside from the fact that previous attempts to save money through LGR have delivered mixed results, what jumps from every line of the white paper is an urgent need for reform and renewal that could and should be deeply liberating for local government.

Specifically, there is a call to deliver growth and housing, a call to reform to focus on prevention and a call to restore trust in politics and institutions. The white paper suggests that these are good outcomes in their own right, as enablers or pre-conditions for wider devolution.

We can boil the work down to three key aspects: growth and housing, prevention of future need and the restoration of trust.

Each of these goals enables and reinforces the other. Between them they provide the foundations for sustainable and effective 21st century public services. Collectively they could yield significant returns to the public purse in terms of economic output and a reduction in demand – far more so than the short-term savings that accrue from consolidating existing functions. Moreover, their realisation demands a place and people-based approach to the design of future organisations – and place is where true change happens, be it in a region or a neighbourhood or a village. All of these are key dimensions in the renewal of public services and, consequently, the renewal of the nation.

GROWTH   PREVENTION

TRUST
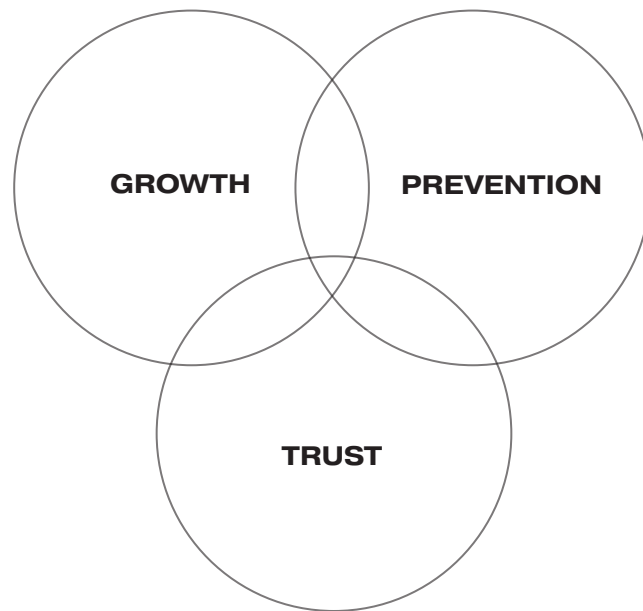
Any proposition for LGR must therefore demonstrate how these objectives will be delivered and what their delivery requires, in terms of geography, operating model, design, leadership, capability and fit with new or existing institutions or partnerships. To draw up such a plan insists that we move beyond the narrow ambition of previous reorganisations, in which a focus on 'safe and legal', saving money and an over-reliance on off-the-shelf business cases diminished the prospects of real improvement or advancement. To draw up a modern plan we must all stand our ground against the idea that what this moment calls for is simply a smaller number of organisations working as before. It is understandable that in a complex and ambiguous world, there is comfort to be found in the familiar, even when the familiar is semi-functional or dysfunctional. But it does not follow that designing the right future state is any more complicated that designing an interim one. While it can make strategic sense to implement change incrementally it rarely if ever makes sense to elaborate goals or a vision of the future incrementally. Such an approach will tend to the status quo.

Furthermore – we know the core components of a modern future plan already. We understand the implications of delivering more growth. Many places have already implemented place-based approaches to prevention. Knowledge-sharing on enabling community power is cheeringly common. All we have to do is share all of this at pace and deploy it in pursuit of better outcomes.

District councils understand these perspectives well. For decades they have worked at the sharp end of housing delivery. They contend with the hardship and human misery of homelessness as it arises at the intersection of poverty and unaffordable homes. They hold many of the levers and relationships that can help reduce demand and prevent harm. The scale of their daily interaction with the public dwarfs that of almost any other part of the public sector save for the NHS. As new institutions are designed and then delivered, their insight and perspectives are invaluable and their voice must be heard. These could and should be hopeful and optimistic times and an opportunity for top-tier councils and districts to share and overcome their frustrations. What scares and demotivates them is the prospect of their contribution being lost in an obsessive rush to draw boundaries on maps, focus on numbers and apply outdated methods of local government delivery. This would be a disaster for our sector, our places and the people we serve.

The rest of this paper seeks to understand the requirements of goals relating to growth and homes, prevention and trust, and provide clear direction so that together we can simplify the task, provide clear design requirements and in so doing help to de-risk implementation.

GROWTH AND HOMES

The white paper is clear that the government's growth and housing missions are a key deliverable of LGR and, subsequently, devolution.

What this means in practice is the importance of designing of new strategic and unitary authorities that can play a more intentional role in the delivery of growth – able to leverage their planning power, land holdings, balance sheets and investment strategies to shape their economies for the benefit of those who need growth and homes the most. The notion that attending to growth in new devolved arrangements will be the principal responsibility of new Mayoral Strategic Authorities is to completely misunderstand the vital importance of local councils in bringing capacity, capability, leadership and partnerships that are all key to the delivery of growth in their place.

The benefits of consolidation and scale must be amplified through the deliberate design of new operating models that fulfil this ambition while managing risk. These arrangements will necessarily vary by place and by the nature of the growth opportunity in question. In some instances, the focus will need to be on land assembly and infrastructure development in pursuit of housing delivery, in which cases planning capacity will be key both in the strategic authority and relevant unitary councils. Consideration may need to be given to new public sector delivery vehicles to ensure houses get built. In other cases, the focus may need to be on attracting inward investment. Places that succeed will understand their role as developing a pipeline of investable propositions capable of meeting sovereign wealth fund thresholds. In every case, the design and purpose of the new and existing MCAs – and their fit with new or repurposed unitary authorities – is key and will need to be an early design consideration along with their implementation and an understanding of the enhanced need for collaboration.

In many county areas there is pressing need to ensure that proposals relating primarily to the geographic split of new unitaries are also tested against their capacity and capability to power growth. Leadership and political accountability must be aligned with the most significant growth opportunities. Hotspots such as university towns or new towns with urban development potential – high growth places well connected to core cities or growth hubs like free ports – must have institutional capacity and a mandate to deliver. The continuing need to focus on the quality of our high streets – their purpose and future is one that demands an intimacy and proximity that must be designed into the detail of future structures. Leaders should also appreciate the danger of losing the voices and power situated in towns or smaller cities in predominantly rural settings, for to do so would pose a real risk to the government's growth agenda. Any savings from reductions in the overall number of councils must be weighed up against the economic cost of sub-optimal growth that might then follow.

It will be down to local places and leaders to navigate and deliver arrangements that make most sense to them. It will also be vital to ensure that each place developing such plans has a single controlling mind in charge, so clarity and purpose is maintained throughout the design of new strategic authorities and the capability of unitary councils.

PREVENTION

Few would disagree that that we should be working to ensure public services act as preventative systems to tackle the "upstream" factors that cause people to need expensive treatment or support. There is common consensus too that new service delivery models are required if local public services are to successfully turn their focus to this, and ensure the co-option of community power in support. For all of this to happen we must make a clear and decisive move away from developing services that tackle only the manifestation of need, to build those that can alleviate the risk factors triggering it. Tackling the wider determinants of health or root causes of demand into statutory services requires a thoughtful placemaking and an intentionally place based approach. Much of this thinking underpins the NHS 10 year plan – it would be odd not to adopt a similar imperative to the design of new institutions as we elaborate LGR. Alignment with the NHS means much more than boundaries on a map.

Too many households grapple with issues and risks most commonly associated with the drivers of crisis and distress. But public services frequently understand and respond to these issues episodically and only once a service need arises. Reform and renewal demands the horizontal integration of services within and across local government, from aspects of adult and children's social care, homelessness and housing to debt and money advice, domestic abuse, community safety; as well as health and employment support; a progressive, reciprocal relationship with communities; and the adoption of deep relational practice. Where this has been tested, it has proven to cut cost and deliver better outcomes.

Achieving this in a two-tier setting has always been challenging. But with the prospect of designing, then delivering new organisations, many of these barriers can be overcome. And while implementation of those new arrangements may come in sensible and clear phases both pre and post vesting, these is no reason why new institutions can't be designed from the outset according to prevention focused design principles and a corresponding target operating model to deliver them. In most cases it will boil down to a matter of will and leadership.

Prevention-led operating models inevitably involve the integration of services, partnerships, and relationships in neighbourhood settings.
In some cases that may mean a physical integration and assembly of teams in a particular place or building, in others a more virtualised approach to patch based and shared case working.

In almost all instances, upstream working requires a degree of comprehensive professional integration underpinned by deep relational practice and the systematic use of data and insight, in particular predictive analytics. No place has the same set of challenges. Evidence and data, combined with local insight, can help make the case to redirect resources to the right challenge in the right way. Active prevention requires a hypothesis about who is at risk of tipping into crisis and what the triggers in any given place might be. Data can help predict those households, families and individuals. Relational practice helps develop trust and a commitment to change once contact has been established. Service redesign and place-based partnerships are then essential to deliver the right kind of support, be that a neighbourly helping hand or the provision of a public sector led statutory service. A vision for effective neighbourhood working requires a corresponding vision for how community and voluntary effort can be supported, and nurtured and prioritised in any given place.

Successful neighbourhood working will also be key to the confident delivery of a range of universal place-based services such as cleansing, waste management, grounds and building maintenance, and addressing anti-social behaviour including the co-option of the public in the pursuit of these goals. For the vast majority of people, it is their experience of these services, and their impression of how responsive and effective they are, that forms the basis for their trust in local public services more generally.

Locally integrated service delivery must be accompanied by outstanding customer service. But for too many councils, customer service arrangements have not kept pace with user expectations. A 20-year-old telephone-based contact centre or a website that directs to disconnected, siloed e-forms undermine every effort elsewhere. Where they exist, such arrangements are leading to catastrophic levels of failure and a growing sense that councils are disinterested in the circumstances and stresses of our everyday lives. Reimagining how we help the public to fulfil basic tasks with us must be an urgent priority for any organisation seeking to win back the confidence and consent of those it purports to serve.

Meanwhile we can all glimpse the potential of digital to transform everything from the provision of insight to a step change in productivity. But the true scale of that potential has yet to be discerned. We've learned – painfully – that the adoption of new technology, pushing the boundaries of AI, automation and machine learning, can rarely deliver substantial benefits without the need for corresponding organisational change and leadership. Moreover, it is not obvious that private sector suppliers are stepping up to help. Rightly, there is deep scepticism of any solutions that can be described as "out of the box" or "plug and play" after too many failed to live up to their name. Meanwhile, a significant number of suppliers seem more interested in protecting the commercial value of their intellectual property or retaining license payments for outdated and often ineffective legacy software systems. A toxic mix of inaction, siloed thinking and greed is stifling genuine ingenuity while dressed in the rhetoric of innovation.

Building new organisations offers the perfect opportunity to consider and assess prevailing systems and their ability to meet the demands we will have of them in years to come. Crucially, this means designing for outcomes rather than for technology and that in turn demands an urgent need to recapitalise the sector's capacity and capability to innovate, test new ideas and then collectively commission, manage and lead a market and supply chain for digital services that needs to up its game.

New Strategic Authorities have a crucial part to play in these endeavours. They can share the burden of specialist capability and provide the bridge to other national initiatives including the Public Service Reform agenda and the Test, Learn and Scale programme. Indeed, isn't LGR the opportunity to deliver change at scale?

Examples abound from the London Office of Technology Innovation (LOTI) through to the Observatories of Public Sector Innovation (OPSI) in Greater Manchester and the Liverpool City Region. Every place should have this capacity as a day one deliverable.

Mayors can play a vital role in leading change and removing barriers. This much is obvious, but mayors also need supporting organisations that understand this is their role and have the capacity to deliver. Meanwhile, government should be less equivocal in its desire to see mayors exercising influence and leadership of the local health systems. With the NHS in crisis, this is now essential.

TRUST

Trust is a commodity much in demand and scarce in supply. Building trust between people and between people and the state should be a conscious goal of any change and reform.

The white paper focuses on the importance of mayors in providing a locus for leadership, accountability and belief. But we know that a multitude of interactions across an organisation and its services can win or lose trust. Some are mundane: the missed bin or the inability to transact at a time or through a means of our choice. Some are profound: gaining support for a loved one who needs extra help, getting support if you lose your job, or having the right information about a new development proposed close to your home. In these moments we assess whether public services are on our side and have our best interests at heart. People won't always agree, and won't always hold the same truth about context or intention. But delivering new organisations provides the opportunity to reimagine how we may orchestrate engagement, discussion and consensus in ways that reflect how we live and the different realities that constitute the place we call home, be that our street, town, county or region.

All options for this should be on the table (but they also need to be seized) – from the exploitation of new technology to experiments with direct and participatory democracy and the adoption of neighbourhood working arrangements, while all the time protecting the power of leaders to deliver their democratic mandate.

Astute public services and thriving local places are deeply connected. Both are integral to achieving a good life for everyone. The essence of a good life is built on infrastructure and services but hinges also on community cohesion and belonging, so every individual feels respected and valued. Well-run and inspiring public services not only fulfil our basic needs but also bring delight and elevate our quality of life. The sector loses sight of this at our peril.

CONCLUSION

This agenda is complex. We need to make it less complicated.

We have spoken to numerous public service leaders as we have prepared this paper. Without exception they are finding the current stage of LGR deliberation personally and professionally challenging.

While many are trying to remain hopeful, they remain deeply concerned that there is insufficient time and safe, reflective spaces to work out what could and should happen next. As one serving chief executive put it: "The idea that we can politely organise ourselves around this and figure it out together fails to recognise the power dynamics that are in play."

Furthermore, there is a perception that government is failing to fully show the things that it values, or the real criteria that it is adopting to appraise and determine the final form of arrangements in any given place. As a result this is giving space to many different players with different levels of power to project their own priorities onto submissions and risk squeezing out other valid perspectives. Worry about democratic engagement and civic proximity can too easily be dismissed as the death rattle of smaller districts, rather than as an urgent call for action. Choosing to interpret the financial resilience agenda narrowly allows an argument that the job is simply to ensure services are safe and legal and that survival is possible without reform and growth. But if we listen to the messages of reform in the white paper we must discuss prevention and an intentional and progressive approach to growth.

To help work through this complexity we believe that there are three actions places must now take if they are to maximise and then deliver the potential and promise of LGR.

The first is to test and develop submissions against more than just the easy money. It's obvious that LGR will bring opportunities to streamline, consolidate and simplify local government in a manner that has the potential to reduce cost. On the balance of probabilities fewer larger organisations will yield higher savings. On the other hand, places that favour a higher number of unitaries could consider mitigating additional cost by considering the use of alternative delivery models to deliver efficient shared arrangements for services that benefit most from scale. Either way, savings that might arise from deleting duplication, while necessary, will not be sufficient. They may be easy to plug into a top line business case and attendant spreadsheets, but they will miss the very significant financial rewards that could accrue from reform, and from additional growth. So it is vital that these attributes feature strongly too. To this end, as a minimum, we would argue that all unitary proposals must address the following:

I.   the extent to which proposed arrangements (at both strategic authority and local authority level) are fit and

     optimised to exploit the growth potential of places

II. how they will enable public service reform including but not limited to

     ▪ prevention

     ▪ neighbourhood working, service integration, co-production and community power

     ▪ a step change in the customer experience

     ▪ the exploitation of digital, data and other emergent technologies

III. how arrangements will facilitate a renaissance of democracy and the rebuilding of trust, including how they reflect

     local identities

The second action is to establish a design and delivery team that rapidly develops end state Target Operating Models for both the strategic authority in their place and the new proposed unitary councils. These designs will necessarily be top level and in due course subject to progression, refinement and decision making by each new sovereign organisation, but they can serve from the get-go to set ambition, conclude cases for change and guide judgement about the relative scale, purpose and fit of each organisation. Co-production and commitment to change must be at the heart of this work. Everyone involved has to believe in a regenerative model of design and delivery that's focused on building capacity, confidence, capability, hope – and independence. With this in mind, organisations within a place should consider establishing a single independent team, drawing individuals from legacy organisations and possibly third-party support so that it can act as a new single controlling mind. This independent team would need appropriate sponsorship and governance and would obviously need to be connected back into the legacy organisations for decision making purposes until such time as shadow arrangements are established.

Finally, organisations must give significant consideration to the conscious phasing of change. It is unrealistic to expect new organisations to move to their future state operating model in one go. While holding true to the end goal there will inevitably need to be a phased approach to implementation. All efforts should be made to resist the urge for that phasing to be a vesting day consolidation of existing arrangements in a manner that is safe and legal with the promise of transformation to follow. Being safe and legal should be a given, not a vision – one of many vesting day objectives and phases of pre-planned, prepared, resourced and communicated change that points to a higher purpose and a better outcome.

The biggest risk in the coming years is a loss of momentum and a loss of commitment to change. The best way to heighten that risk is to concentrate attention on maintaining a version of the status quo. Let's instead build an implementation approach that can attend to the detail, while focusing on the prizes. Those prizes are good things. They are reasons for optimism and hope in a world that desperately needs it.