LOCALIS

Level Measures

A MODERN AGENDA FOR PUBLIC SERVICE INTEGRATION

By Callin McLinden & Joe Fyans

Capita

About Localis

Who we are

We are a leading, independent think tank that was established in 2001. Our work promotes neo-localist ideas through research, events and commentary, covering a range of local and national domestic policy issues.

Neo-localism

Our research and policy programme is guided by the concept of neo-localism. Neo-localism is about giving places and people more control over the effects of globalisation. It is positive about promoting economic prosperity, but also enhancing other aspects of people's lives such as family and culture. It is not anti-globalisation, but wants to bend the mainstream of social and economic policy so that place is put at the centre of political thinking.

In particular our work is focused on four areas:

- **Decentralising political economy.** Developing and differentiating regional economies and an accompanying devolution of democratic leadership.
- **Empowering local leadership.** Elevating the role and responsibilities of local leaders in shaping and directing their place.
- **Extending local civil capacity.** The mission of the strategic authority as a convener of civil society; from private to charity sector, household to community.
- **Reforming public services.** Ideas to help save the public services and institutions upon which many in society depend.

What we do

We publish research throughout the year, from extensive reports to shorter pamphlets, on a diverse range of policy areas. We run a broad events programme, including roundtable discussions, panel events and an extensive party conference programme. We also run a membership network of local authorities and corporate fellows.

Contents

Acknowledgements

The Level Measures report is the result of truly extensive engagement with local authorities, principally through seven structured senior director roundtables at regional level. These were held from early March to mid-April 2023 and took in Newcastle, Manchester, Birmingham, Cambridge and London and the South East as in person discussions, as well as two online sessions covering Yorkshire and the South West and Wales.

In the course of our research, we also held numerous separate interviews and discussions with pioneering councils and expert stakeholders, from central government and the health service.

We are also indebted to engagement with local government family groups, principally the County Councils Network, the District Councils' Network and London Councils in the course of our research.

We are extremely grateful to all those who gave up their time to contribute to our regional panels or to be interviewed and surveyed and would like to also thank the councils who provided case studies for the report chapters.

A huge debt of gratitude is owed to Capita as our partners for supporting this project over more than half a year of research and writing: to Luke Allen for commissioning us to investigate just what levelling up means for neighbourhood services, and for Capita colleagues Rachael Beer, Andy Foster, Jane Jones and Dale Wood for joining the sessions.

Finally, we must thank our colleagues at Localis – Jonathan Werran for originating the project, as well as Tinique Hay and Zayn Qureshi for administering the in-person events.

Any error or omissions remain our own.

Joe Fyans, Callin McLinden

Regional roundtables

Localis held five in-person and two online policy discussion meetings in the course of the project. Participants marked with an asterisk were not able to attend the discussion meeting but provided their views via research interview.

7 March – Newcastle

- Sheena Ramsey, Chief Executive, Gateshead Metropolitan Borough Council
- Pam Smith, Chief Executive, Newcastle upon Tyne City Council
- Paul Hanson, Chief Executive, North Tyneside Council
- Jonathan Tew, Chief Executive, South Tyneside Metropolitan Borough Council
- Patrick Melia, Chief Executive, Sunderland City Council

15 March – Manchester

- Jo Johnston, Head of Reform and Inclusion, Manchester City Council
- Rose Rouse, Chief Executive, Pendle Borough Council
- Tom Stannard, Chief Executive, Salford City Council*
- Lawrence Conway, Chief Executive, South Lakeland District Council
- Prof Steven Broomhead, Chief Executive, Warrington Borough Council
- James Winterbottom, Director – Digital, Leisure and Well-being Services, Wigan Council

16 March – Yorkshire

- Tony Cooke, Chief Officer for Health Partnership, Leeds City Council
- Jo Brown, Assistant Chief Executive, Rotherham Metropolitan Borough Council
- Martin Hughes, Head of Neighbourhoods, Rotherham Metropolitan Borough Council*
- Lily Hall, Head of Change and Innovation, Rotherham Metropolitan Borough Council*
- Rob Walsh, Chief Executive, North East Lincolnshire Council*
- Wallace Simpson, Chief Executive, Harrogate Borough Council*

22 March – Birmingham

- Paul Simpson, Chief Executive & Head of Paid Service, Derby City Council
- Bill Cullen, Chief Executive (Head of Paid Service), Hinckley & Bosworth Borough Council
- Steve Maxey, Chief Executive, North Warwickshire Borough Council
- Allison Thomas, Chief Executive, North West Leicestershire District Council
- Tony Perks, Deputy Chief Executive, Stratford-on-Avon District Council
- Rob Powell, Strategic Director – Resources (Section 151 Officer), Warwickshire County Council
- Sarah Reed, Executive Director – Corporate, West Northamptonshire Council

29 March – Cambridge

- Andrew Limb, Assistant Chief Executive, Cambridge City Council
- Paul Fox, Interim Corporate Director, Huntingdonshire District Council
- Paul Dodson, Director of Strategy, Performance & Governance, Maldon District Council
- Trevor Holden, Managing Director, Broadland District Council & South Norfolk Council
- Georgina Blakemore, Chief Executive, Epping Forest District Council
- Simon Parker, Service Director - Policy and Communities, Cambridgeshire County Council
- Paul Cracknell, Executive Director of Strategy & Transformation, Norfolk County Council
- Martyn Fulcher, Director of Place & Climate Change, North Norfolk District Council

5 April – South West and Wales

- Paul Matthews, Chief Executive, Monmouthshire County Council
- Marcus Goldsworthy, Director of Place, Vale of Glamorgan County Borough Council
- Colin Chick, Exec Director Economy, Environment & Infrastructure, Gloucestershire County Council
- Andrew Yendole, Deputy Director of Legal Services, Devon County Council

19 April – London and South East

- Majeed Neky, Head of Policy, Levelling Up Task Force, DLUHC
- Harry Cavill, Policy Manager, South East Councils
- Rachel Crossley, Joint Executive Director for Public Service Reform, Surrey County Council
- Una McCarthy, Interim Head of Strategy and Performance, London Borough of Ealing
- Michael Coughlin, Executive Director - Partnerships, Prosperity and Growth, Surrey County Council Tom Hook, Executive Director of Corporate Resources, Oxford City Council
- Rebecca Elliot, Principal Policy Officer, Local Government Association

Executive summary

The development of the Levelling Up White Paper and its subsequent legislative offspring, the Levelling Up and Regeneration Bill, monopolised most of local government's attention in 2022. National political uncertainty and a stubbornly ongoing cost-of-living crisis have set the agenda for the duration of the current political and parliamentary cycle. In 2023, this has left our place-leaders with the unenviable task of maintaining social cohesion and ensuring economic stability at the local level during a time of national and international socio-economic turmoil. This report is an overview of the key challenges in neighbourhood service delivery – that crucial, if unglamorous function of local government which is so essential to the success of such topical policy goals as levelling up and 'pride in place'. The goal of our study is to piece together the policy and the principles required to arrive at a modern and sustainable public service delivery framework.

Research overview

Perhaps the greatest of the myriad challenges facing local government is the continued delivery of local public services against the headwinds of rising inflation and inexorable demographic pressures. With the dozen missions outlined in the Levelling Up White Paper due to be enshrined in law, and all relying on not just the upkeep but the improvement of local public services, there are serious questions of capacity to be addressed.

- How well equipped are England's local authorities to navigate the twin tasks of reformed local service provision and successful placemaking in the short and medium term?
- And, looking beyond the immediate crisis-laden context, are we able to sketch a more hopeful vision for our localities and ascertain what might be achieved through more effective and harmonious public service integration?

Level Measures is a public service integration research programme carried out by Localis in partnership with Capita and involving input from stakeholders across the local government family. The vast majority of this report is the result of extensive research engagement: the research has involved over twenty hours of dialogue with local corporate leadership – primarily council chief executives, deputy chief executives and service directors – through a series of regional roundtables and supplementary interviews. The conclusions and recommendations are drawn from the outcomes of these discussions, which were structured around agendas drawn

from a broad literature review and data research exercise. Independent experts, central government officials and relevant industry bodies were also consulted throughout.

Key findings

Canvassing the views of senior corporate leadership within local government, as well as those of independent experts and central government officials, revealed a variety of obstacles to effective public service delivery, with an equally broad plurality of solutions. Yet throughout the project, prevalent themes emerged, from which the underlying principles for a modern public service integration agenda can be discerned. These seven principles are detailed below:

Seven principles for a modern public service integration agenda

- **Reliable, consistent and long-term funding.** Local leaders, elected and bureaucratic, require certainty in order to unlock the efficiencies which planning service provision over the long-term can provide.
- **A holistic understanding of public services and their interconnected nature.** Arbitrary divides between types of services and how they are funded do not allow for the kind of prevention-focused and outcome-oriented approach to neighbourhood public services which local authorities could provide in a less rigorously ring-fenced environment.
- **Trust between levels and tiers of government.** Knowledge of what local government does, and how, remains too limited in Whitehall, but trust must also be fostered between councils who share delivery responsibilities across tiers.
- **Deep internal insight into and understanding of performance data, shared across boundaries and between tiers**. While information on the outputs of public services is plentiful, there is neither a consensus nor a universal standard on the quality and purpose of data analysis. This prevents genuine insight and leads to potential innovations falling between the cracks of institutions with different capacities and divergent priorities.
- **External audit that is based on outcomes, not outputs, considering the totality of local circumstances.** Better audit is required for both the general public and central government to gain greater insight into the nature of council performance, but this must not come in the form of purely quantitative data which ranks local authorities. Audit must be purposive, focused on sharing best practice and identifying governance failures at the earliest possible juncture.

- **An integrated, systems-based approach to provision which focuses on upstream prevention and user outcomes.** Building on principle two, service provision of any given line must take into account the total aggregated impact of local public services on an individual user, with priorities set and resources allocated in a way which maximises upstream prevention and distributes strain across the system in the most efficient way possible.
- **Partnership frameworks based on long-term strategic goals which maximise local value.** Working with the private and the third sectors should be done in a relational, strategic manner where the priorities for residents are clearly spelled out and delivered to by all partners.

Recommendations

The policy recommendations drawn from this research are designed to move the English system of local public service delivery closer into line with the seven principles laid out above.

- **Councils should have revenue support for their neighbourhood service provision combined with money currently allocated through capital pots into a single placemaking budget.** Although funding has lifted in recent years, additional revenue support for local government in delivering neighbourhood services is required to uplift capacity, after a decade of an increasing consolidation of council resources solely into the provision of social care. Rather than provide funds for levelling up through capital competitions, which are widely agreed to be inefficient and ineffective, funding for levelling up should be included in the placemaking budget.
  - Placemaking budgets should be multi-year, with a five-year budget being seen as the absolute minimum required to properly plan service delivery and levelling up.
  - Councils should form placemaking boards with local partners and key stakeholders to provide input into strategy and delivery. These would ideally be formed at the county/unitary tier of governance and involve districts from across county areas as equal partners.
  - The provision and delivery of these budgets should be piloted, with a long-term view towards establishing the kind of 'whole place budgets' which have been repeatedly proposed over decades of central-local relations in English government.

- **Devolution deals should include provisions to fund both the delivery of neighbourhood services and the capacity of councils to strategically coordinate provision across service lines to prioritise upstream prevention.** To date, devolution deals have been too focused on regeneration through capital injections and too proscriptive of governance models. Better public service outcomes, and the upstream prevention benefits which accompany them, are crucial to improving quality of life and pride in place. To properly deliver on the promise of levelling up, deals must be more flexible and include provisions focused on neighbourhood services and the councils who deliver them.
- **Subregional centres should be established for the collation and analysis of public service data, to be used as a shared resource for councils across a wider geographic area**. Councils of all sizes across the country struggle to recruit and retain data professionals of the level required to provide intelligent insight into public service output data. Subregional data hubs could help achieve the scale required to compete with the private sector in a labour market with high levels of demand, and act as a valuable resource for sector-led improvement.
- **The intended role and purpose of the Office for Local Government should be clarified and broadened from a reductive focus on data.** Central government must clearly articulate the goals of performance audit, particularly when policy goals such as value for money, delivering public value, or boosting economic development appear to be in conflict. The purpose and goals of OFLOG should be clarified and designed to prevent an oversimplification of local governance, ensuring that its role aligns with the broader of objectives of public service delivery and the levelling up missions.
- **Civil service training for policy professionals should include a core element focusing on the form and function of local government**. It is a widely shared sentiment that staff in central government departments do not fully understand the structure or the extent of local government functions, nor the capacity councils have to exercise these functions. This situation is exacerbated by the plethora of departmental initiatives with a local delivery element, which can and often do overlap with and contradict each other. A universal standard for understanding throughout Whitehall – not just DLUHC – is a prerequisite for improving place-based public services across the board.

Lessons for a healthy governance ecosystem

Throughout the research engagement, practitioners made clear the slow pace of major reform at the central level and prioritised the need for all actors involved in the delivery of local public services to optimise their services within current constraints. Across local government, as well as in the private and third sectors, examples exist of pioneering practice which puts residents first and maximises the power of neighbourhood services to deliver positive outcomes and raise pride in place. The lessons below are drawn from best practice examples encountered throughout the research, some of which are detailed within the main report.

Local government	**Develop holistic placemaking policies**: Develop strategies that balance economic growth, infrastructure provision, community resilience, and service provision.
	Enhance community engagement: Involve communities early in the design of public service reform and delivery to encourage co-production and co-design. Utilise a bottom-up approach, particularly in preventative care services, to ensure services are responsive and relevant to local needs.
	Promote cross-sector collaboration: Foster genuinely trusting relationships between different sectors and institutions. Encourage shared learning and practice across organisations to enhance integrated public service delivery.
	Implement integrated digital platforms: Invest in technology that facilitates cross-departmental communication, data sharing, and collaboration. This could include a centralised, accessible database that all local departments can access and contribute to, streamlining service delivery.
	Establish cross-functional teams: Create teams that comprise members from different departments or services to collaborate on specific projects or initiatives. This could enhance understanding and cooperation between departments, leading to more integrated service delivery.

Central government departments	**Strengthen support for local government finance:** Consider the impact of national crises on local government finance and provide additional support within spending constraints where possible. Strive for long-term, strategic funding solutions over short-term, one-off capital pots.
	Define the purpose of financial and performance audit: Clearly articulate the policy goals of audit, particularly when policy goals such as value for money, delivering public value, or boosting economic development appear to be in conflict.
	Incentivise public service integration: Develop and implement policies that reward local authorities for successful integration of services. These incentives could be financial, recognition-based, or tied to increased autonomy in decision-making.
Private sector firms with a public service ethos	**Value social impact:** Expand the evaluation criteria of partnerships beyond financial metrics to include considerations of local impact and social value.
	Adopt a relational mindset: Move away from a purely contractual mindset to a more relational one. This can foster better collaboration and shared learning with public sector partners.
	Support innovation and technology: Invest in technologies that can enhance public service delivery, particularly those that facilitate integration and collaboration across different sectors.
	Share knowledge and expertise: Offer consultancy, mentorship or experts to local authorities on how to turn their data into intelligent local insight or other key aspects of public service integration that public sector skills gaps are getting in the way of.
	Promote a shared civic purpose: Align company objectives with the broader civic goals of public service provision to ensure a more integrated approach to improving outcomes

Chapter summaries

1. Public service delivery in English local government

The public service delivery framework in England is a complex web of governance responsibilities, with the particular role of the local state often misunderstood by residents. Though national government receives by far the most attention, a significant portion of the service provided to British citizens is delivered through local government. These can be statutory or non-statutory services. Statutory services are often essential services that are necessary for the health and wellbeing of residents, such as healthcare or waste collection, and are defined by national legislation and guidance. Non-statutory services are not considered essential and may include things like community engagement and matters of culture and leisure.

The divide between statutory and non-statutory services at the local level belies the interconnected nature of the two, particularly where placemaking and prevention are concerned. While not carrying the same social imperative as social care or education, services such as these are fundamental to making a local area a more attractive and desirable place to live, as well as providing important economic, social and environmental benefits. The successful implementation of policies involving non-statutory services can reduce pressure on the core statutory services, for this they are often described as 'upstream' or 'preventative' services. For example, cultural and recreational youth service provision can reduce the demand on children's social care.

How services of all kinds are delivered varies depending on governance model. Local government in England is split into several different levels with various types of organisations – each with their own set of public service delivery responsibilities. Multi-tiered delivery responsibilities within local government can cause issues with data sharing and performance tracking across silos, however well organised multi-tier delivery founded on trust can enhance local services. Beyond the complexity of delivery, the most prominent challenge facing councils of all tiers is delivering at all from positions of extreme financial precarity.

Recent crises, particularly COVID-19 and soaring inflation following the invasion of Ukraine, have exacerbated the already devastating impact of a decade of austerity on the sustainability of local government finance. By 2019, there had been a 17 percent reduction in local authority spending on residents since 2009-

10, equal to £300 per person[1]. Cuts primarily occurred in the first half of the 2010s, spending has risen since 2017-18 due to increased revenue from business rates, council tax, precepts, and ring-fenced funding for social care. Throughout this period, local government has become more reliant on local taxes for revenue, with council tax and retained business cates making up almost 80 percent of revenue. With residents and businesses increasingly squeezed by soaring inflation, the unsustainability of this model becomes more apparent with each passing year.

To understand the importance of public services to the levelling up agenda as a major domestic policy programme, a crucial distinction within local government finance must be drawn: between capital and revenue funding. Revenue funding refers to money that a local authority receives on a regular basis to cover its ongoing expenses, such as supplies, utilities, and wages. Capital funding, on the other hand, refers to money that a local authority receives for specific, one-time expenses such as building construction and infrastructure projects – this is the manner in which most levelling up funding has been distributed. Conceptually, these two types of funding are distinct. However, in practice both capital and revenue funding increasingly beget one another and necessarily work in tandem when it comes to matters of development, placemaking, and levelling up. The "revenue/capital" split in local government funding causes confusion among businesses and residents whilst also constraining councils' ability to engage in strategic, long-term placemaking efforts which maximise the quality of public service delivery.

The short-termism of both revenue funding cycles one-off capital pot funding is decreasing the ability for councils to deliver on the goals of the levelling up agenda. The short-term focus of current capital funding streams forces local authorities to make decisions based on immediate needs, within a restrictive project-by-project framework, without giving due consideration to the long-term factors and consequences of committing to the process of large-scale capital injections and their subsequent long-term infrastructure projects. On the revenue side, the lack of long-term certainty prevents councils from taking a strategic overview of financing for service delivery and instead forces a 'hand to mouth' situation. Long-term certainty of both capital and revenue funding is perhaps the most glaringly lacking element of the current central-local relationship in English government.

1 Institute for Fiscal Studies (2019) – English local government funding: trends and challenges in 2019 and beyond

2. Public services and pride in place

Neighbourhood services – broadly defined as those services which manage the quality of the environment in an area – are a crucial but often overlooked part of local government's role in society. The availability and quality of neighbourhood services can have a significant impact on the overall quality of life for residents. For instance, access to well-maintained parks can promote physical activity and social engagement, while the presence of libraries and community hubs can provide opportunities for learning, skills provision, and cultural exchange. Neighbourhood services are thus an essential part of a community's social infrastructure, crucial to the well-being and sense of community for residents. Neighbourhood service providers have an important role in local governance as they can influence a community's sense of togetherness and emotional connection to place. Yet a sustained lack of funding over the 2010s has led to cuts in neighbourhood service delivery, the impact of which is hard to negate even with a recent uplift in funding.

The state of neighbourhood services is inextricably linked with how people view their areas, a fact which is particularly relevant to the current policy discourse around local pride. 'Pride in place' is an outcome which has been sought to varying degrees by national policy agendas over several decades but has come back squarely to the fore as a policy goal as part of the levelling up agenda. In its most basic form, 'pride in place' is an expression that points to an absence of something, which political actors then compete to provide substance to. However, more charitably, pride in place is emotional in nature – stemming from feelings of attachment and working dialectically with feelings of shame. For example, the feeling of an area having declined aesthetically or in terms of service levels. As a policy goal, local pride must therefore be seen as an outcome of effective placemaking.

Placemaking is the holistic approach to the planning, design and management of local areas – with neighbourhood services playing a key undergirding role alongside more eye-catching work like public realm improvements and economic development. The process of placemaking can be complex and messy, but it is essential for creating successful and sustainable communities. Local government staff play a crucial role in this by deploying placemaking as a mindset when delivering public services. A key principle of placemaking is to put communities and residents at the forefront of decision-making – ensuring they can participate in the local political process beyond termly elections.

To properly target an increase of pride in place through local policy, holistic and broad placemaking policy must be emphasised – one which recognises and

builds on local priorities whilst also ensuring that day-to-day services are of the highest possible quality. A lop-sided focus on issues of capital investment and infrastructure improvements misses the importance of neighbourhood services in maintaining a high quality of environment for people to live and work in, which must be a prerequisite for economic development. Proactive governance, such as a firm commitment to resident and community involvement, transparent decision-making, and effective communication channels between service users and providers, can build trust and foster a sense of connection to place through such dependable and present neighbourhood services. This trust can be utilised and built on in the delivery of larger improvement projects.

Balancing the need for economic growth, infrastructure expansion, community resilience and service provision requires strategic coordination and long-term vision. Furthermore, the tensions between the nationally set levelling up agenda and the hyper-localised goals it sets out to achieve can to some degree be negated by strategic coordination at various sub-regional scales. This is recognised by central government in the focus on combined authorities as delivery vehicles, but more can be done to open the path for bottom-up configurations of councils to work together in responding to the challenge set by the levelling up agenda and balancing efforts to do so with other local priorities.

3. The state of public service delivery

The complex nature of delivery, and the expansive organisational structure of councils, make instilling and maintaining a public service ethos the foundational tenet of high-quality services. Distilling this task into simple lists of what makes good governance and what causes failure is therefore bound to be reductive yet remains an important part of a holistic understanding of local public services. There is general consensus that effective public service delivery relies on the outward-facing principles of accessibility, quality, responsiveness, transparency and participation. Organisationally, an internal culture of accountability, adaptability, communication and collaboration is a prerequisite to quality public service delivery.

While this is easy enough to conceptualise in theory, the practice of delivering a range of services in an increasingly constrained environment is hazardous. In recent years, high-profile council failures have highlighted not just the perilous state of local government finance but also the need for the sector to become more proactive in addressing issues related to culture and governance. Reductions in funding have placed substantial pressure on local councils to maintain essential services, leading to multiple instances of financial instability and poor governance. In response to mounting concerns, central government has been

engaging in intervention processes, seeking to identify patterns and learn lessons to guide future actions from local authorities.

This is complicated by the emergence of a growing 'audit gap' caused by a lack of capacity both for external audit, due to the insufficient supply of auditors in the market, and for internal evaluation, due to limited resources available to turn data into intelligent performance insight. Since the abolition of the Audit Commission – which oversaw both financial and performance audit of local government – the intended transfer of its core responsibilities to the private and voluntary sectors has not transpired with complete success, with a lag in the timely audit of local authorities becoming increasingly apparent. According to recent figures, only nine percent of local authority 2020-21 financial audits were completed by this deadline, an 88 percent drop since 2015-16.

The new Office for Local Government (OFLOG) has been established by central government to help close the performance management element of the audit gap, however there is concern in the sector that this could lead to the complex task of local governance being reduced to league table rankings. OFLOG will evaluate local authorities on a series of pre-existing indicators, with a draft framework spreading oversight focusing on local authority reserve levels, waste management, adult social care provision and adult skills. The extent to which such information – which for the most part already exists in other public forms – can help evaluate performance and drive improvement remains to be seen, but the sector as a whole remains sceptical.

OFLOG as an institution must understand and clearly communicate the intended results of audit and scrutiny, acknowledging that the use and construction of metrics are inherently political and subject to inconsistencies or manipulation. Without this, there is a risk that authorities may focus on hitting specific targets rather than long-term strategic goals, with many duplicative efforts across different organisations. Ultimately, there must be total clarity as to what the goal of audit is, with policy goals such as achieving value for money or boosting economic development often at odds with each other. A more positive potential role for OFLOG could be to identify best practices in data tools and usage, helping local authorities improve their insights sector-wide.

4. Public service integration

Public service integration, using partnerships across silos and a focus on innovation, emerged in recent decades as a response to the increasing complexity of public service delivery. Public service integration encourages closer collaboration between different services, both within local government and with

external partners within other sectors. The aim is to provide services that focus on the needs and outcomes of residents, rather than the siloed interests of individual service departments. Integration can be seen as an ecosystem of delivery – where innovations in technology are complemented by shared learning and practice across organisations, with actors adopting relational rather than contractual mindsets.

Across the local government sector, there is a common emphasis on the need for a more holistic approach that considers the various components, relationships, providers and users of local public services as interconnected and interdependent elements within a larger local system. Viewing integration as an ecosystem can help conceptualise this desire. Through a synthesis of social learning, logic-of-practice, trust, and services-as-a-system perspectives, an ecosystems framework highlights the importance of reflective practitioners from across sectors and service delivery, who are united by a shared sense of purpose in delivering better public services. In developing this approach, it is important to create opportunities for service providers and users to engage in ongoing dialogue, exchange expectations and ideas, and co-create solutions. Such opportunities help build trust and emotional connection amongst stakeholders, enabling more effective and sustainable service provision in the long-term.

Nurturing relationships and fostering connections amongst various stakeholders is crucial for creating a more integrated, effective, and responsive public service system, as is open dialogue and developing a shared understanding of local needs and expectation. Strong local networks facilitate the sharing of knowledge, data, resources, and best practices, ultimately enabling different stakeholders to learn from one another and co-create solutions to acute policy or service issues. These networks become indispensable at times of crisis – as many local authorities experienced during the first months of the COVID-19 pandemic.

Integrated Care Systems (ICSs) represent an attempt to put this systems-based approach into practice across organisations responsible for public health in a locality, with a focus on preventative care and improving outcomes. ICSs are made up of different components; an Integrated Care Partnership (ICP), an Integrated Care Board (ICB), local authorities, place-based partnerships, and provider collaboratives. Stakeholders work together to provide a seamless and coordinated approach to the provision of healthcare services. ICSs have significant implications for policy and practice of local government and, potentially, the delivery of neighbourhood services, as a focus on upstream prevention is a prerequisite for a holistic approach to services in an area.

While a systems-based approach is a step in the right direction, there remain concerns with the ICS model, particularly around how service reform is communicated to relevance and how accountability is spread across the partnership. ICSs have shown potential in linking together the levers of what drives population health. However, local authorities and the NHS sometimes lack coherent data to inform the strategic direction of ICSs, resulting in a mismatch of data between partners and institutions, often compounded by a perceived lack of trust amid organisations which are asymmetric in their size and power. Moving forward, maintaining a genuinely 'bottom-up' approach to the role of local public services in preventative care is crucial, as is the fostering of genuinely trusting relationships between institutions. Nevertheless, the focus on systems and cross-organisational working, with a shared goal of prevention, presents a useful lens through which to view neighbourhood service provision.

5. Modern delivery models

A long-term shift towards an arms-length managerial mindset in local government, accompanied by expansive front-end service contracts, has been negated in recent years by a move towards insourcing and much more targeted contracting of services. This change has been motivated by the desire to gain better strategic control over service provision and improve cost-efficiency, flexibility, quality, and public value. The COVID-19 pandemic further highlighted the importance of responsive and adaptable public services. In this context, local authorities and relevant stakeholders have continued on trend towards more strategic contracting of services and central government departments have continued to provide increasingly holistic commissioning guidance.

A move to more strategic and precise contracting does not mean that private sector partnerships will not be relevant going forward. In the current economic conditions and under major fiscal constraints, local authorities and the private sector must work together to achieve the provision of public services that meet the social and economic needs of local communities. However, this must come alongside an ongoing shift in the mindset of previous years, moving from focusing solely on cost-effectiveness to emphasising local economic outcomes and social value.

Managing partnerships effectively requires addressing perceived power imbalances, as well as having the necessary skills, capacity, and resources. Furthermore, transparency on goals and processes is key to establishing trust between partners, and public-private partnerships should be seen as 'anchors' in the delivery of local placemaking and levelling up goals. Modern partnership working involves multiple partners delivering on different levels, with a

requirement of shared civic purpose, mutual assurances and a relational mindset. Evaluations of partnerships have also expanded beyond a singular focus on value for money to include much deeper consideration of local impact and social value.

The involvement of communities as partners in the design of public services has also increased, particularly in establishing new models for outcomes-based integration. The traditional view of residents as passive consumers of public services, with local authorities delivering to satisfy need short-term, has gradually changed, with the value of public input increasingly appreciated. As people spend most of their day-to-day lives in a place, their collective and personal experiences of their locality, as well as their unique expertise, must be considered in the development of local policies and service delivery. Trailblazer councils at all tiers of governance have demonstrated an ability to drive public service delivery reforms that facilitate the participation of community groups in local service provision.

Done well, consultation and engagement allow for an emotional connection to be developed between local authorities and residents, allowing for more complex and difficult matters to be approached holistically, grounded in the everyday experiences of residents. Trust and a relational mindset are crucial components of community engagement, with early input from service users being key to co-production and co-design. Effective consultation and engagement also require good, well-managed channels of communication, to avoid residents feeling out of the loop and becoming disillusioned with the process or, on the flip side, feeling bombarded and fatigued with consultations coming too thick and fast. To this end, ongoing engagements should be relational in scope, with open-ended and strategic channels of communication to allow for a shared vision of placemaking to be negotiated and developed.

Introduction

By Jonathan Werran, chief executive, Localis

The origin of this research projects lies in the time just before the publication of the Levelling Up White Paper in February 2022 – in that short era sandwiched between the end of pandemic measures and before Putin's invasion of Ukraine.

At the pre-publication briefing held in the state dining room of Number 10 Downing Street, a group of think tank chiefs were told a tale of two data problems. First up, co-author of the white paper and then head economist at the Bank of England, Andy Haldane, lamented the quality of regional and sub-regional economic data upon which serious investment decisions could be made. Soft local intelligence from local authorities was no substitute for the hard, the reliable and the quantifiable.

Later, levelling up secretary Michael Gove expressed his regret at the dearth of performance data and insight on local public services and social outcomes. While it would be out of the question politically to resurrect anything on the scale and size of the Audit Commission to deliver the goods, something – into which we can pour Oflog – was deemed necessary to fill the perceived information and knowledge gap.

This raises a distinct and unique challenge to local government. Many among the dozen levelling up missions take on a cross-cutting approach. Approaches that could, potentially, instigate necessary activity across a range of actors from combinations of central government departments, local authorities, the NHS and the wider public sector, the private and voluntary sectors and community groups. For their success in the main, the place-based success of the levelling up missions will rely on not just the upkeep, but also the steady and measurable improvement of local public services, to the local public realm and local economies. So, in this context it wouldn't be unfair to say that local government finds itself firmly on the hook for the success or failure of many players tasked with delivering this flagship domestic policy.

While central government initiatives can be, in time-honoured Whitehall tradition, 'doomed to success', with resources and attention lavished upon them until they reach whatever ministerial target has been set in stone, the all too real capacity issues facing our councils make this far less of a certainty.

After the 2008 financial crisis, wholesale public service reform didn't accompany the financial retrenchment. There were exceptions. In welfare the 'grand project'

of Universal Credit was eventually accomplished to streamline benefits payments and encourage work. The academy programme inherited from New Labour was completed in Michael Gove's stint as education secretary. However, pre-Brexit, any hopes of radical reform died in the failure to launch of the Open Public Services White Paper amid the arc lights of the Leveson Enquiry into phone hacking and coalition disunity. For councils, as the most adaptive and efficient part of the public sector, whole place budgeting, a rebadged 'total place' was absorbed and internalised as the sector continued its role of delivering neighbourhood services as best it could against demographic pressures at either end of the social care spectrum and financial constraints arising from the 2010 spending review.

> "This research represents a crucial component of understanding of some of the most complex challenges affecting our communities and shines a light on how they are being solved. The relationship between public, third and private sectors has never been more important, and this research reinforces how the whole ecosystem of public services needs to work closer than ever to lead and define what levelling up means locally."
>
> Andy Foster, Strategic Partnerships Director, Capita

Meanwhile, as councils just got on with the day job, the circus moved town and public service integration was abandoned as the main placemaking agenda for the pursuit instead of purposeful local economic growth. This evolved through the policy lens of devolution deals, then industrial strategy and finally, 'levelling up' – absorbed the sector's attention economy.

The Levelling Up White Paper and subsequent legislation being carried through parliament brings a more solid and nuanced appreciation and understanding of the interdependency between economic and social prosperity. Admittedly, the accompanying 'tournament financing' of competitive cash pots, such as the Towns Fund, Levelling Up Fund et al, never had the heft or scale to restore 'pride in place' equally everywhere. However, the explicit linkage between performing the basics of neighbourhood services brilliantly and creating the conditions for strong communities from which to build the foundation of a strong local economy and a prosperous and unified nation has been a helpful if overdue policy flarepath.

In the course of our research, which involved seven regional roundtables with local authority chief executives and senior directors, we heard an open and palpable desire from our place leaders to continue to innovate to deliver responsive neighbourhood services as the foundation of prosperous places in all corners of the country. Through this prism the positive embrace of what effective

public service integration – including developments from the ICS landscape in health or the folding in of local enterprise partnership functions – can do to deliver better for communities offers a route to future continued improvement. Allied to this is the pursuit of excellence in local government's more adroit use of data analysis and its longstanding mature approach to partnership working across the private and voluntary sectors. Previous prime ministers have famously complained about bearing the scars of public service reform on their backs. If public service reform is best served through place-based approaches, an effective neighbourhood public service integration platform offers the promise of more gain for less pain.

Methodology note

The vast majority of this report is the result of extensive research engagement: the research has involved over twenty hours of dialogue with local corporate leadership – primarily council chief executives, deputy chief executives and service directors – through a series of regional roundtables and supplementary interviews. The conclusions and recommendations are drawn from the outcomes of these discussions, which were structured around agendas drawn from a broad literature review and data research exercise. Independent experts, central government officials and relevant industry bodies were also consulted throughout. The unattributed quotes in the report are taken from the roundtables and interviews with senior local government corporate leaders, or from the responses to the District Councils Network survey detailed on pages 54 and 55.

"There is an emerging emphasis that economic growth has to be predicated on strong social and public service foundations, which is encouraging to see."

CHAPTER ONE

Public service delivery in English local government

Understanding how everyday services function in England requires looking across a multi-tiered network of institutions – equipped by a funding system replete with redlines and ringfences – and appreciating how pressures both external and internal have impacted on the ability of these institutions to function at their most strategically intelligent level. This section breaks down the roles and responsibilities of local public service delivery, along with the finance and funding mechanisms, detailing the constraints and pressures which were described to us by local corporate leadership throughout the research engagement for Level Measures.

Key Points

- The public service delivery framework in England is a complex web of governance responsibilities, with the particular role of the local state often misunderstood by residents.
- The divide between statutory and non-statutory services at the local level belies the interconnected nature of the two, particularly where placemaking and prevention are concerned.
- Multi-tiered delivery responsibilities within local government can cause issues with data sharing and performance tracking across silos, however well organised multi-tier delivery founded on trust can enhance local services.
- Recent crises, particularly COVID-19 and soaring inflation following the invasion of Ukraine, have exacerbated the already devastating impact of a decade of austerity on the sustainability of local government finance.
- The "revenue/capital" split in local government funding causes confusion among businesses and residents whilst also constraining councils' ability to engage in strategic, long-term placemaking efforts which maximise the quality of public service delivery.
- The short-termism of both revenue funding cycles one-off capital pot funding is decreasing the ability for councils to deliver on the goals of the levelling up agenda.

1.1 Roles and responsibilities

Between central government departments, local government bodies, and an array of other actors, a complex network of governance relationships exist for public services. These relationships are either accountability-based or focused on achieving better public service delivery outcomes through collaboration and partnerships. How different institutions and their roles relate to each other, and to the overall legislative framework, is an important, though not widely-understood, element of any appraisal of local public services.

1.1.1 Who delivers public services?

The British government is responsible for providing a wide variety of public services, as well as the broader economic, social and environmental vision for the country that inevitably affects all layers and levels of government below it and

the communities and residents on the ground. Central government, therefore, plays a critical role in setting the direction and budget envelope for local public services. This involves defining the vision and laying out relevant objectives, as well as establishing standards for service delivery and performance. For example, one of the core objectives of the current Conservative government's levelling up agenda is to "spread opportunities and improve public services, especially in those places where they are weakest…".[2]

> "The constant variety of those involved in delivering crucial services has completely watered-down democratic accountability, to some terrible results."

Other public service responsibilities are delegated across a range of departments and organisations, including government agencies, independent public bodies, local authorities themselves, and sometimes even to organisations within the private and third sectors. These institutions can then be tasked with the design, funding, and delivery of public services, whilst becoming publicly accountable for them. Additionally, central government agencies and regulators are often responsible for ensuring that services provided by local authorities, other public bodies, or non-public partners meet national standards. Commenting in interviews and roundtables as part of this research, local corporate leaders expressed numerous times a sense that public service delivery responsibilities are not well understood by the general public. This can lead to both practical and political problems, as councils find themselves being admonished by residents for things over which they little to no control. This can partly be attributed to the complex delivery and funding systems described below, however council chief executives and service directors were on the whole keen to stress that the primary responsibility for explaining how and what local government does must be on councils themselves. Perhaps more worryingly, however, was the consistently-held view that central government officials often do not fully understand the complexity of local governments roles and responsibilities.

1.1.2 Local statutory and non-statutory services

A significant portion of the service provided to British citizens is delivered through local government. According to LGA guidance published in 2018, English local authorities typically provide over 800 services to communities and residents[3]. A common distinction in local government service provision, increasingly relevant

2 HM Government (2022) – Levelling Up the United Kingdom
3 Local Government Association (2018) – Guidance for New Councillors

in the fiscal environment of recent years, is between statutory and non-statutory services. In England, statutory public services are those that are provided by local authorities (or any form of government) and are required by law. These are often essential services that are necessary for the health and wellbeing of residents, such as healthcare or waste collection, and are defined by national legislation and guidance. In a research briefing presented to the House of Lords in 2019, it was noted that English local authorities have up to 1,300 different statutory responsibilities to uphold – most notably in education and social care[4].

While statutory service provision is legally required, non-statutory services are pursued on more of a discretionary basis. This means that the government, whether central or local, is obligated to provide statutory public services, while non-statutory are subject to change and could potentially be cut all together, depending on the availability of funding and strategic vision of government. Local authorities have the discretion to deliver statutory services in a way that meets criteria but also goes further than basic functionality, as well as deciding which non-statutory are provided, typically based on a broader strategic vision and the needs and preferences of local communities and residents.

Non-statutory services are not considered 'essential' and may include things like community engagements and matters of culture and leisure in the area. While not carrying the same social imperative of social care or education, services such as these are fundamental to placemaking and helping to make a local area a more attractive and desirable place to live, and they provide important economic, social and environmental benefits. Throughout the research for this report, council corporate leaders, as well as third and private sector partners, stressed the importance of non-statutory services to the ability of councils to deliver statutory services. The successful implementation of policies involving non-statutory services can reduce pressure on the core statutory services, for this they are often described as 'upstream' or 'preventative' services – for example, cultural and recreational youth service provision can reduce the demand on children's social care.

1.1.3 Local government tiers

Local government in England is split into several different levels with various types of organisations – each with their own set of public service delivery responsibilities.

Much of rural England is covered by a two-tier system of district and county

4 House of Lords Library (2019) – Local Authority Provision of Essential Services

councils. District councils are the first tier of local government in these areas, responsible for a smaller geography within broader county boundaries. District councils are imbued with perhaps the most significant power of local government in the UK: the production of statutory local development plans. Beyond this, districts have an array of delivery responsibilities which are immediate and tangible to residents, with waste collection being the most obvious example. They are therefore deeply embedded in the day-to-day functionality of a local area.

County councils are the uppermost tier of local government in county/district areas of England and are responsible for providing services across a large geographical area. These services may typically include education, social services, transport, amongst others. County councils also play a key role in providing services that support the regional economy, such as maintaining and developing infrastructure, as well as supporting local tourism. They are also key players in setting out the strategic vision of the county and will develop relations with other neighbouring counties – some going as far to partner up on certain services[5] – as well as mediating the views of district and other councils below.

Unitary authorities typically reside over an area smaller than county level but larger than typical district level and combine the functions of both. This category includes metropolitan district councils – distinct from regular district councils in their responsibilities and governing within England's metropolitan areas. Furthermore, there are 32 London borough councils which, similarly to metropolitan district councils, govern within the city-wide Greater London Authority. However, London boroughs do tend to have much more autonomy over strategic issues within their boundaries.

In the past fifteen years, the mayoral combined authority (MCA) has also been added to the local governance landscape. Combined authorities are a group of unitary local authorities that have come together to form a single, integrated authority, generally led by a directly elected mayor. A key trade-off for this model of integration is the devolution of more powers, allowing the MCA a degree of further autonomy over the development of a more strategically minded and tailored public service delivery model. Still relatively young as a model, combined authorities do not deliver a great range of direct public services to residents, however there are notable exceptions to this – the most prominent being the Greater Manchester Combined Authority's delivery of social care services across its subregional jurisdiction.

5 Sandford (2019) – Local government: alternative models of service delivery

"No matter what tier of local government, I think we all accept the important role each of us have in facilitating the delivery of services"

There are also parish and town councils at the smallest-scale official tier of local government, responsible for providing neighbourhood-by-neighbourhood services within a small geographical area – such as the administration and maintenance of community buildings or local parks.

In sum, there are a diverse array of local authorities, each possessing sometimes overlapping, sometimes distinct powers, functions, and areas of responsibility – all of which play a critical role in the delivery of the public services which represent the main interaction most residents will have with the state during their lives.

In the interviews and roundtable discussions conducted as part of this research, local corporate leaders identified positives and negatives to delivering public services across tiers of government. Key limitations include the problem of sharing and pooling performance data across organisations which have their own distinct cultures and silos, especially where inter-organisational trust is lacking. Another issue to multi-tier delivery is the potential for overlapping responsibilities to emerge in increasingly crowded governance ecosystems. For example, a Cambridge City resident would come under the jurisdiction of no less than four tiers of government with broadly the same overarching goals but applied to very different scales, creating the possibility of replication or even contradictory policies between tiers where communication is lacking. On the other hand, there was widespread recognition from research participants that when different tiers of local government do work together, they are able to address power imbalances, raise awareness, and share resources, expertise, and best practice to create more efficient, integrated and effective public services.

1.2 Financing and funding

The delivery responsibilities for public services are supported by a funding system which, as is well known, has come under increasing strain in recent decades due to a myriad of pressures both internal and external. A shared understanding of what characterises both the immediate and long-term fiscal barriers to delivering public services, as well as the systemic issues with the form of financing which cause inefficiency, is crucial to genuine service improvement.

1.2.1 The immediate context

The current state of local government funding and finances can be characterised by several key challenges and concerns raised by council corporate leadership in the roundtable discussions. One central theme that emerged was the inadequacy

of one-off capital funds and partnership ventures as a substitute for sustained revenue. Participants discussed the challenges of achieving financial sustainability in a situation where the borrowing constraints placed on councils combine with the piecemeal nature of funding streams to continually complicate the task. Councils find themselves responsible for knitting together various funding sources in an increasingly unsustainable manner, between reduced funding from central government, an over-emphasis on competitive bidding and a series of short-term funding cycles.

The issue has been compounded in recent years by major, global crises and their impact on the national economy. In 2023, there are two main factors challenging the ability of councils to deliver public services: the ongoing impacts of the coronavirus pandemic and the strain brought to bear by soaring inflation, largely attributable to the Russian invasion of Ukraine in early 2022.

COVID-19 disrupted many aspects of public service delivery in England whilst significantly increasing the demand for certain public services. The healthcare and social care systems were placed under immense pressure with rising cases and protecting the vulnerable. This led to delays and disruptions in the delivery of less urgent health and social care services. One of the main immediate impacts was the need for local authorities and service providers to adapt to rapidly changing circumstances and demands. Many service providers had to implement new measures and policy on the fly to ensure staff, communities and residents are safe and socially distanced. Providers were admirably innovative in this respect, implementing remote working and other technologies effectively, as well as the mobilisation of community and voluntary groups to protect the most vulnerable.

Rapid decision-making and a more relational approach to public service delivery facilitated the breakdown of barriers between sectors during the pandemic. The widespread and effective use of digital technology was also observed. However, according to a 2021 report by the House of Lords Public Service Committee[6], certain weaknesses in the delivery of public services were exacerbated during the pandemic, including:

- a lack of support for prevention and early intervention services;
- centralised management of services with poor communication and a lack of integration between service providers;
- a lack of cooperation and data sharing between services working with the vulnerable, as well as between healthcare and social, and,

6 House of Lords (2020) – A critical juncture for public services: lessons from COVID-19

- an unequal access to public services with a lack of input from communities and residents.

Furthermore, the pandemic had a significant impact on the UK economy writ large, due to a sharp decline in economic activity and rise in unemployment. Lockdown measures and rising cases disrupted supply chains, sector viability, and a significant decline in consumer spending. Despite the admirable innovations and strength shown by local authorities and other service providers, renewed economic pressures from the pandemic now sees public services put at even greater risk of widespread failure. This risk becomes potentially critical with suggestions from key figures in the current government that retrenchments in day-to-day public service spending are once again "necessary" as a "solution" to economic pressures.[7]

"It can feel as though you just keep repeating things – that a lot of the public sector is set up to fail. If local government was rebuilt from the ground up, this would not be the model."

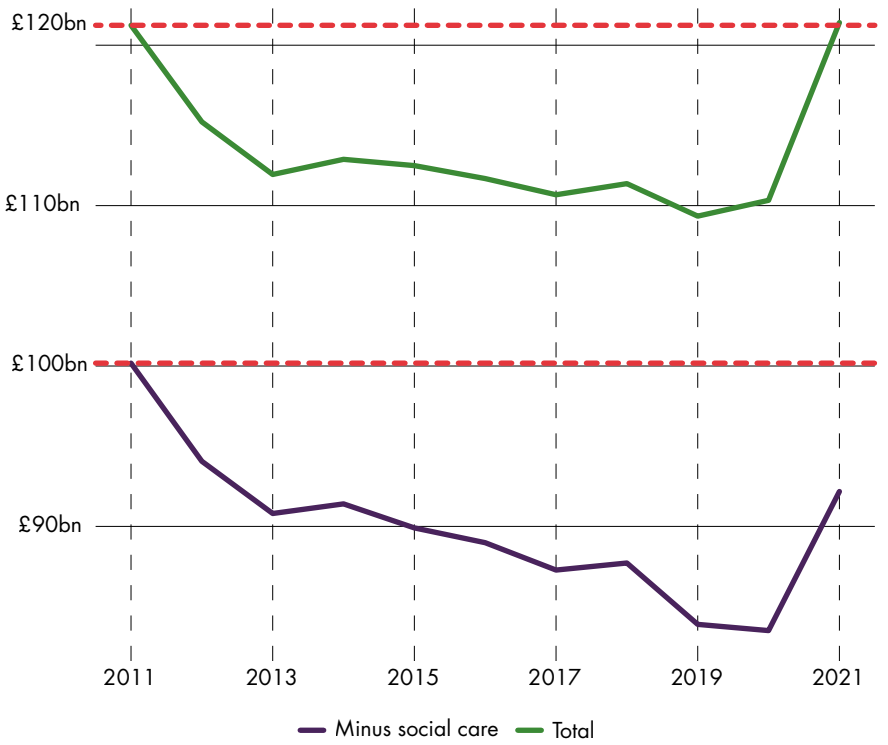
Higher levels of inflation have also affected local authorities' ability to deliver public services in England. When budgets are set in cash terms, they do not automatically adjust to accommodate higher-than-expected inflation, resulting in a decline in their real terms value. This forces local authorities to grapple with reduced purchasing power for goods and services, which can compromise the quality and range of essential services they provide. Moreover, high inflation rates typically result in higher costs of utilities, wages, and raw materials, placing further strain on the operational capacity of local authorities. As local authorities face increasing costs for energy, wages, and contracts, they struggle to find ways to raise additional funds. For example, the council tax cap and the requirement for a referendum on increases above five percent limit the potential for raising revenue from the local tax base to cover the inflationary decline in value.

High inflation can also exacerbate social inequalities because the increased cost-of-living negatively impacts resident wellbeing and subsequently increases service demand. Local authorities must collaborate across sectors to address these challenges, while public sector accountants play a vital role in managing limited resources and advising on efficient spending practices to maintain indispensable services.

7 Warren (2022) – Austerity 2.0: why it's critical for our health that the government learns the lessons of Austerity 1.0

1.2.2 Austerity and its impact

Figure 1. Local authority revenue outturn
Total net expenditure

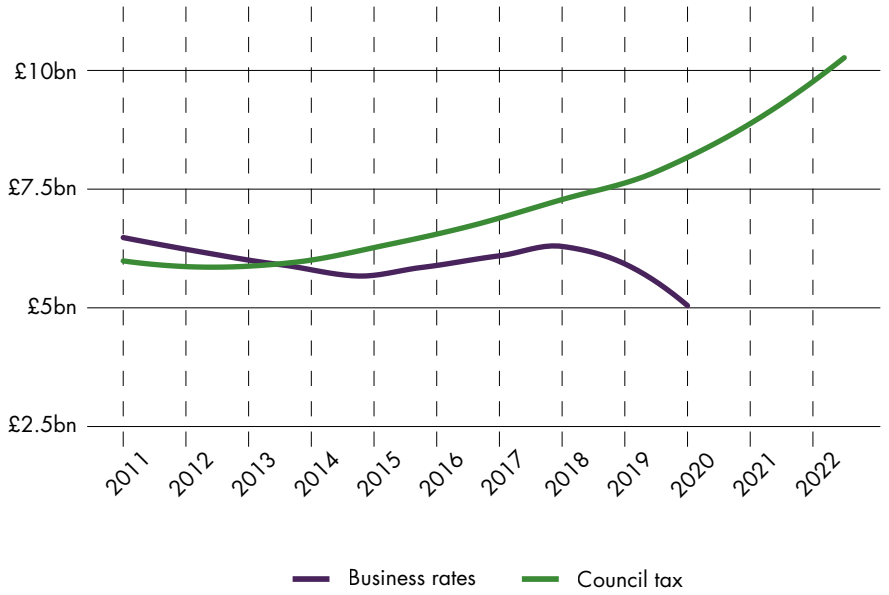


Source: DLUHC

In 2019/20, local authorities in England received 23 percent of their funding from government grants, 50 percent from council tax, 27 percent from retained business rates (what is left after Treasury contributions)[8]. This funding structure is quite different to that which existed before the 2008 financial crisis, where central government grants were typically the largest contributor of funding to local government. Now, council tax is the largest contributor – paying for half of all local services in England. Business rates, now accounting for over a quarter of all local public service funding, are taxes on business premises set by central government, collected locally by districts and borough councils, passed on to central government and then distributed back to local authorities.

8 Institute for Government (2020) – Local government funding in England

Figure 2. Local revenue sources
Domestic and non-domestic rates, 2011-2022

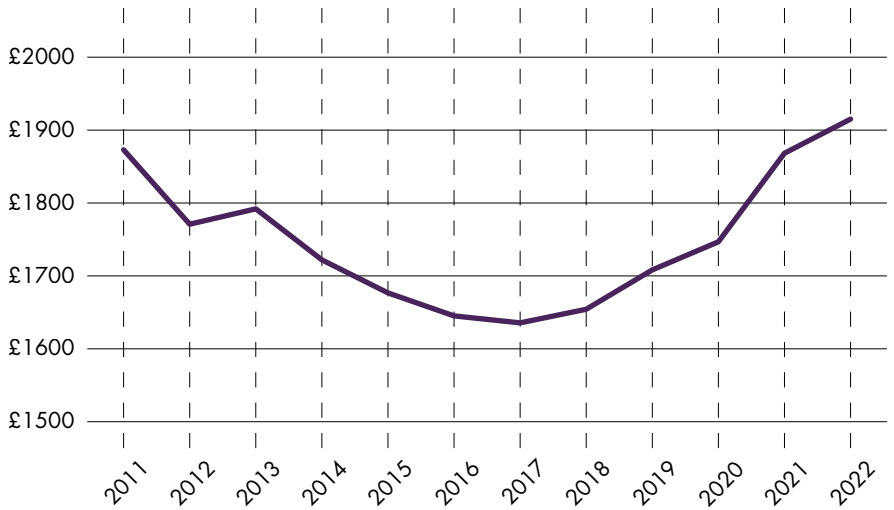


Source: DLUHC, Note: Business rates data not included post 2020 due to COVID impact

The impact of austerity on local public service provision is unavoidable. By 2019, there had been a 17 percent reduction in local authority spending on residents since 2009-10, equal to £300 per person[9]. This cut primarily occurred in the first half of the 2010s, spending has risen since 2017-18 due to increased revenue from business rates, council tax, precepts, and ring-fenced funding for social care. Councils have focused their increased spending predominantly on social care services, which now make up 57 percent of service budgets. Additionally, billions of pounds of additional funding will likely be needed to meet the rising costs of service provision in the long-term. Although the impact of COVID-19 on these costs has not yet been fully calculated, it is predicted to exacerbate resource challenges.

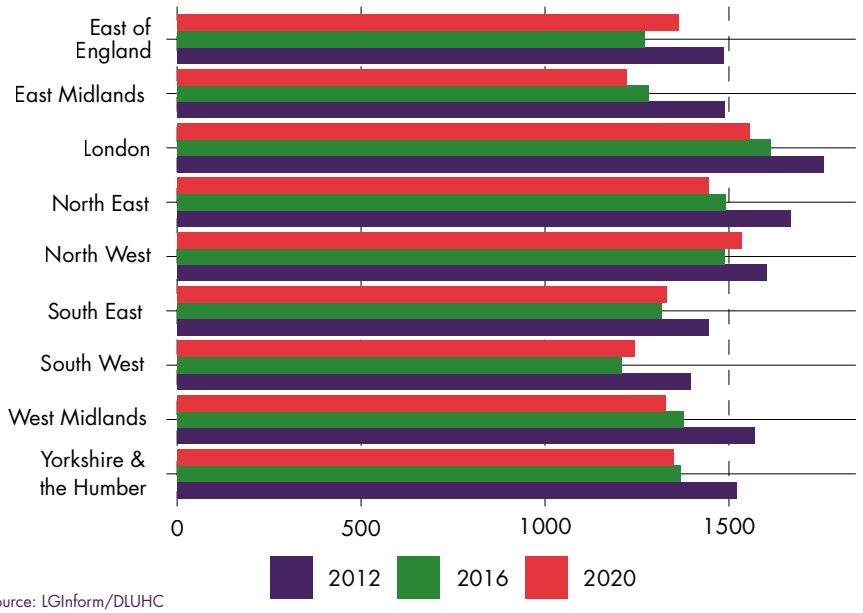
9 Institute for Fiscal Studies (2019) – English local government funding: trends and challenges in 2019 and beyond

Figure 3. Council service spend in England
Spend per head of population, 2011-2022



Source: LGInform/DLUHC

Figure 4. Regional service spend in the 2020s
Total service spend per head: 2012, 2016 and 2020



Source: LGInform/DLUHC

In the 2022/23 local government finance settlement, local authority core spending power is set to increase by 4.3 percent compared to the previous year - and there is a promise that funding will be allocated differently with the most deprived local authorities receiving the largest increases. However, with double-digit inflation persisting throughout 2022 and 2023, the purchasing power of the allocated budget will decrease significantly, rendering the 4.3 percent increase in core spending power insufficient in covering the increased costs of goods, services, and operational expenses – resulting in the further erosion of real spending power for local authorities.

The most expensive statutory service, representing the majority of all council spend in England, is adult social care. Perhaps the most enduring legacy of a decade of austerity has been the ever-increasing share of councils' resources in providing social care, at the expense of other services. The focus of this research is on the neighbourhood services which undergird civic pride and form the basis of most residents' interaction with councils as custodians as place. As such, this report does not cover the role of councils in social care provision. However, the impact of the current system for adult social care on local government finance cannot be ignored.

Social care is a complex and pressing policy challenge that requires a systemic solution. The notion that local authorities should have the primary fiscal responsibility for social care has proven inadequate to demographic demand, as evidenced by the inability of council taxpayers alone to resolve the crisis. Previous attempts to secure a popular mandate to properly fund social care, most notably during Theresa May's 2017 general election campaign, led to a policy reversal when proposals became controversial. And with the lack of a mandate, ultimately, reform did not materialise. The problems with the system, long identified, persist and require a comprehensive solution that extends beyond the purview of local authorities. Until it's repeal by Liz Truss's administration, the Health and Social Care Levy Act, which required individuals to pay a tax equal to 1.25 percent of their earnings or profits may have been a step in the right direction but even so did not address the underlying systemic issues. A root-and-branch reform of social care is necessary to truly resolve the challenges facing the system and ensure that local authority budgets are freed from such an unsustainable financial burden; tinkering with tax and precepts will no longer do.

1.2.3 The revenue/capital split

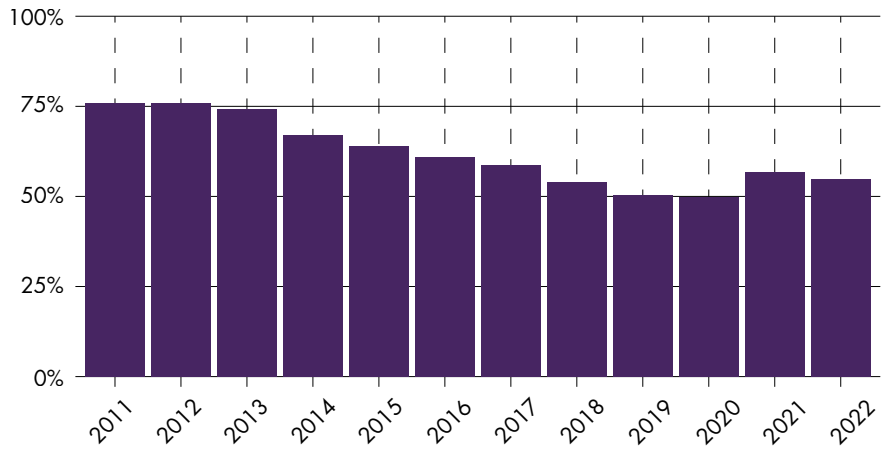
To understand the importance of public services to the levelling up agenda as a major domestic policy programme, the distinction between capital and revenue funding must be drawn. Revenue funding refers to money that a local authority

receives on a regular basis to cover its ongoing expenses, such as supplies, utilities, and wages. This funding typically comes from sources like taxes, fees, and grants. Capital funding, on the other hand, refers to money that a local authority receives for specific, one-time expenses such as building construction and infrastructure projects. This funding typically comes from bonds, loans, and central government grants.

> "Levelling up bids, towns funds, all the rest of it... a disjunct has emerged as the demand from the local level is for long-term revenue."

Conceptually, these two types of funding are distinct. However, in practice, there is a necessary strategic alignment and balance to be struck, as both capital and revenue funding can beget one another – particularly in the context of increased commercialisation and strategic procurement – and necessarily work in tandem when it comes to matters of development, placemaking, and levelling up. At the research roundtables, concerns were raised about the complexity of this funding structure, making it difficult for councils to explain their finances to businesses, communities and residents. Ultimately, the disjunct between revenue and capital financing is causing a capacity constraint – money comes in the form of capital, but the lack of revenue funding diminishes a local authority's ability to deliver on the regenerative promise of capital projects.

Figure 5. Central government grants
Percentage of total local government revenue expenditure, 2011-2022



Source: DLUHC

Figure 6. Local government borrowing and investing
Total minus loans to and from councils, 2014-2022

Source: DLUHC

This dynamic of capital and revenue funding, and how it manifests within local authorities, is a crucial yet often neglected aspect of the debate surrounding English local government finance. Capital funds cannot be reallocated to revenue spending, and local authorities are not allowed to borrow to finance revenue spending. Consequently, many innovative revenue sources that are proposed by the sector and its stakeholders cannot be accessed by local authorities, as they exist within a restrictive accountancy and regulatory

framework[10]. Moreover, while financial directors are unlikely to refuse any additional funds, freeing up access to more novel sources of revenue is unlikely to match the scale of current main sources such as business rates and council tax that, even with their large scale, are themselves struggling to account for the revenue pressures of local authorities.

Despite the reduced availability of funds putting pressure on councils, the potential for well-managed capital funding pots to stimulate further development was emphasised by local leaders as still being of high importance throughout the research for this report. Effective allocation of resources to this end can create a cycle of growth, with successful projects paving the way for new developments in the area, provided the portfolio and longevity of such projects is managed well. Strategic financial management is therefore essential in overcoming the limitations of shrinking budgets and ensuring continued progress toward better public services. The frustrating irony is that the decreased capacity brought about by continually restricted revenue funding acts as a drag on councils ability to properly allocate resources around capital funding.

Levelling Up funding

The issue of levelling up funding has acted as a lightning rod for frustrations over capital-based, bid funding of local regeneration. The allocation, effectiveness, and potential impact of levelling up capital injections on local revenue funding has begun to spark controversy in the sector. First, critics contend that the allocation of levelling up funds lacks transparency. Furthermore, it has been argued that the policy does not directly address the root, systemic causes of regional inequality, such as economic and social disparities, housing affordability, and access to quality public services – instead manifesting as patchwork capital injections with opaque determinants.

Moreover, the disjointed nature of existing funding streams, such as the Community Renewal Fund, European Social & Regional Development Funds, and the Shared Prosperity Fund creates difficulties for businesses and councils. The lack of seamless transition between these siloed funding streams is creating gaps in both business support provisions and local authority revenue expenditure. This scepticism is further compounded by the overlapping application deadlines of various levelling up funding streams. This places undue

10 Sandford & Muldoon-Smith (2020) – COVID-19 has emphasised the importance of the local state – but how to solve a problem like local government funding?

strain on the bid writers within local authorities responsible for overseeing applications, raising doubts about the feasibility of delivering infrastructure projects within a given financial year.

A particularly pertinent criticism is that the focus on capital funding for infrastructure projects and other long-term investments will lead to a reduction in local revenue funding. Local authorities depend on this revenue funding to provide essential public services and the real time cuts that commitments to ongoing levelling up capital infrastructure projects are likely to incur could result in worse public services, job losses, and negative impacts on the communities and residents that the levelling up agenda is aiming to assist. This dynamic risks becoming another funding disorder for the sector to contend with – one that is already lacking in capacity. The councils acting as 'lead authorities' are likely to lack to the necessary expertise and capacity to deliver business support programs, as economic development remains a discretionary service.[11]

"Local government already has a continuity problem; we're often still asking the same questions we were 20 years ago. Short-term funding and tinkering from central government only make this problem worse in the long run".

Short-termism and capacity

The persistent short-termism in budgeting across both capital and revenue funding is a problem consistently identified by local leaders as detrimental to the overall levelling up mission. The short-term focus of current capital funding streams forces local authorities to make decisions based on immediate needs, within a restrictive project-by-project framework, without giving due consideration to the long-term factors and consequences of committing to the process of large-scale capital injections and their subsequent long-term infrastructure projects. Combined with the capacity constraints and general uncertainty over long-term revenue funding, this 'bidding for pots' system has served to embed reactive decision-making in many aspects of local government.

This kind of reactive decision-making has resulted in inefficient resource allocation, missed opportunities for innovation, and a constant struggle to meet ever-changing demands with, at most, a few years of strategic purview. This causes a situation where the delivery of levelling up and pride in place cannot

11 Shaw (2022) – Whitehall is undermining its own levelling up projects

be considered as a systemic push across council functions from neighbourhood services. The consequences of short-termism in funding are far-reaching in the sector, including a lack of investment in preventative and neighbourhood services, a hindrance on collaboration and innovation, and a decline in the perceived legitimacy of local government and its ability to perform well.

"We have to act in a selfless way as conveners; as place leaders."

CHAPTER TWO

Public services and pride in place

That there is a correlation between the provision of quality day-to-day services within an area and the sense of pride felt by residents of that area seems almost to be a truism. Yet it is all too often forgotten about in policy focusing on increasing pride in place through boosting economic growth, expanding opportunities and improving infrastructure. The intersection between these two drivers of pride in place can be found in the placemaking role of local authorities. This section examines neighbourhood services, the concept of pride in place and the policy goals of levelling up, making the argument that all must be considered as parts of a whole which can be understood through the lens of strategically coordinated placemaking.

Key Points

- Neighbourhood services – broadly defined as those services which manage the quality of environment in an area – are a crucial but often overlooked part of local government's role in society.
- A sustained lack of funding over the 2010s has led to cuts in neighbourhood service delivery, the impact of which is hard to negate even with a recent uplift in funding.
- Placemaking is the holistic approach to the planning, design and management of local areas – with neighbourhood services playing a key undergirding role alongside more eye-catching work like public realm improvements and economic development.
- 'Pride in place' is an outcome which has been sought to varying degrees by national policy agendas over several decades but has come back squarely to the fore as a policy goal as part of the levelling up agenda.
- To properly target an increase of pride in place through local policy, holistic and broad placemaking policy must be emphasised – one which recognises and builds on local priorities whilst also ensuring that day-to-day services are of the highest possible quality.
- Balancing the need for economic growth, infrastructure expansion, community resilience and service provision requires strategic coordination and long-term vision.

2.1 Neighbourhood services

Much of the immediate interaction of citizens with the state – be it through the collection of waste, the upkeep of parks or the development of the public realm – is handled by local government. While the precise definition is debatable, these neighbourhood-level services are critical social infrastructure, and how they play into people's perceptions of where they live is central to bringing local public services back into the levelling up conversation.

2.1.1 Defining neighbourhood services

Neighbourhood services are the range of facilities, resources and programmes that are available to and affect residents and communities at the hyperlocal level. Education, social care and some housing services are excluded from this definition as they belong to their own grouping of services, with unique powers, structures

and systems in place. Beyond this, neighbourhood services typically include the following:

- cultural and related services such as arts, community programmes, libraries, green spaces, sports and recreation, etc.
- environment and regulation services such as transport, regulatory services, waste management, community safety, etc.
- highways and transportation services such as public transport planning, road maintenance, fares, etc.
- planning and development services such as dealing with planning applications and consulting on the local plan for future development, etc.

The availability and quality of neighbourhood services can have a significant impact on the overall quality of life for residents. For instance, access to well-maintained parks can promote physical activity and social engagement, while the presence of libraries and community hubs can provide opportunities for learning, skills provision, and cultural exchange. Evidence highlights how concentrated poverty and inequality can lead to problems with neighbourhood services through a cycle of reinforcing processes.[12] This underscores the importance of understanding the mechanisms of neighbourhood effects, and the potential impact of increased resources on environmental conditions, resident attitudes and behaviours, and neighbourhood service practitioners.

Neighbourhood service providers have an important role in local governance, as they can influence a community's sense of togetherness and emotional connection to place. They can do this by providing essential services, responding to community needs, and promoting community development initiatives. When service providers actively communicate with residents and involve them in the planning and delivery of neighbourhood services, research has shown that residents self-report a stronger sense of community as a result of the process[13]. The research also indicated that high performance in meeting residents' needs through neighbourhood services was important for driving a neighbourhood's stronger sense of community. Therefore, it is important to ensure that neighbourhood services are distributed equitably and in a way that benefits all members of a community.

Neighbourhood services can therefore be said to be an essential part of a

12 Hastings (2009) – Neighbourhood environmental services and neighbourhood 'effects': Exploring the role of urban services in intensifying neighbourhood problems

13 Liu, Li & Guo (2022) – The impacts of neighbourhood governance on residents' sense of community

community's social infrastructure. Their availability and quality are crucial to improving the well-being and sense of community for residents. Equitable distribution of neighbourhood services should therefore be of upmost priority in the push to level up the country. The seven-roundtable series with council corporate leadership emphasised the importance of fostering strong community relationships in the provision of neighbourhood services. Chief executives and service directors highlighted the need to focus on the basics and address challenges. Participants stressed the importance of establishing and communicating a broad definition of neighbourhood services, moving beyond traditional local authority function to a co-designed and inclusive governance of the 'street scene' in an area. As well as more immediately obvious street-level services such as waste collection and planning, services like leisure and culture were identified as critical factors in shaping place identity.

> "Neighbourhood services are vital for economic development. We must make sure we get that social development working in parallel to growth."

2.1.2 Current state

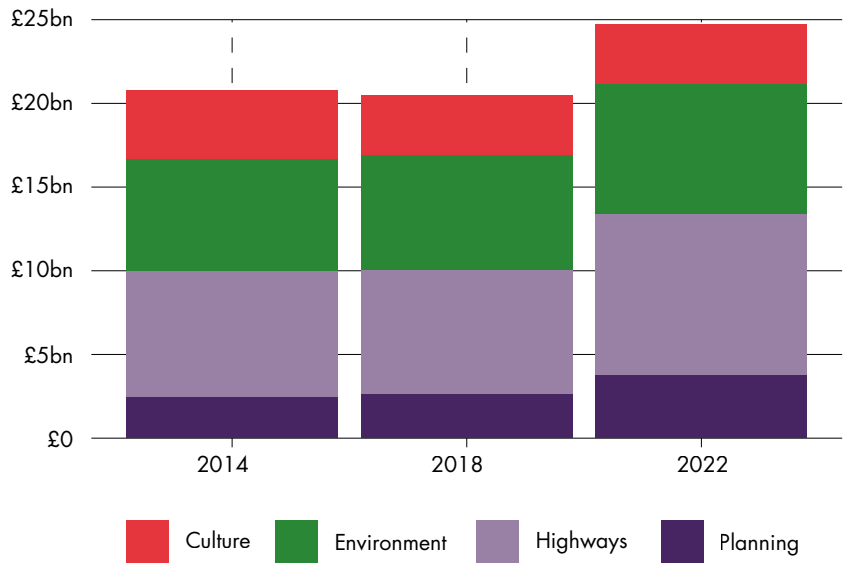
The state of neighbourhood services in England has been a matter of concern for over a decade. Local government in England has faced cuts and budget constraints since the 2010 austerity programme, resulting in less spending on neighbourhood services. Before the COVID-19 pandemic, resources devoted to neighbourhood services across the UK fell by 27 percent, equal to £8.9m according to 2017/18 prices[14] – this decline occurred against a background of a 19 percent real fall in total UK local government spending. The most deprived areas faced the largest cuts, while social care demands added additional pressures. Spending on social care increased the most in the least deprived areas.

The cuts affected performance, but a direct correlation is difficult to account for and analyse due to a lack of consistent audit and performance data. Although the relationship between spending cuts and performance is not straightforward and varies across local authorities, it is clear that the situation is not sustainable. Interviews with local authority officials suggest that local politics and management styles have also played a role in determining the impact of cuts on services[15] – suggesting that these discretional decisions can play a role going forward.

14 APSE (2019) – Neighbourhood services and sustainable local government
15 Institute for Government (2022) – Neighbourhood services under strain

A 2019 report[16] by the APSE Local Government Commission analysed three possible scenarios for distributing an extra £2.1bn of spending to neighbourhood services in the UK. The first scenario involves distributing the extra spending in proportion to the spending on each service in 2017/18, resulting in a 12 percent increase in spending for each service. The second scenario involves allocating the extra spending among services in proportion to the cuts they experienced between 2012/13 and 2017/18. However, this scenario would only be able to reverse 40 percent of the total cuts. The third scenario involves allocating the extra spending first to reverse the "very deep" cuts and then distributing the remaining money among services that had "very deep" or "deep" cuts. Even after this allocation, these services would still be at a lower level than services that had "less deep" cuts and would not receive any extra money.

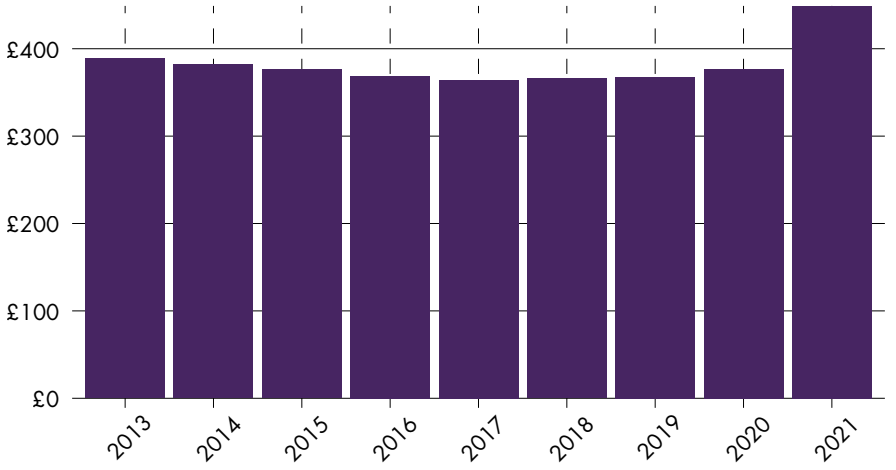
Figure 7. Neighbourhood service spend
England; 2014, 2018 and 2022



Source: DLUHC/LGInform

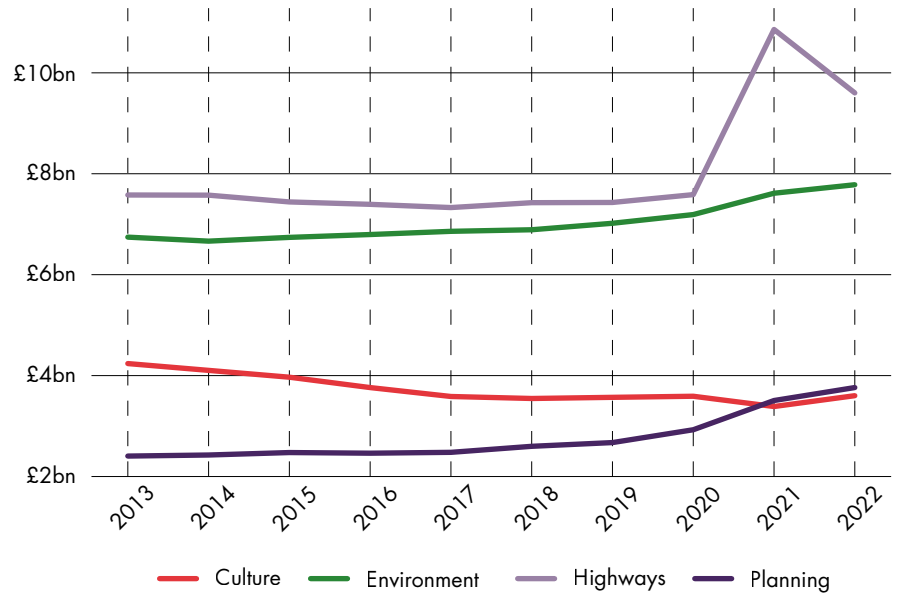
16 APSE (2019) – Neighbourhood services and sustainable local government

Figure 8. Neighbourhood services per head
Expenditure by resident, 2013-2021



Source: DLUHC/LGInform and ONS population estimates

Figure 9. Neighbourhood service spend
England total, 2013-2022



Source: LGInform/DLUHC

2.2 Placemaking and levelling up

Throughout the research interviews and roundtables supporting this report, participants discussed the distinctions between levelling up as a project of capital injection and placemaking as an ongoing process of improving outcomes. Local corporate leaders emphasised the importance of central government providing both sustained funding and wider powers for councils to improve their quality of environment. Neighbourhood services, as the foundation of a 'street scene', must be considered the basis for all attempts at the nebulous yet widely recognised local authority role of placemaking. Understanding how neighbourhood services and placemaking intersect with the aims and logic of levelling up is therefore crucial to piecing together an agenda for local public service reform.

"Where you get something that's very place based and inner community, regardless of whether it is district, county or other partners, it can work really well."

2.2.1 Levelling up and Pride in Place

Pride as an aspect of local identity has been a notable part of public policy discourse since the early 1990s, especially in urban areas. The origins of this can be traced back to the Heseltine initiatives of the early to mid-1980s and stretch forward to the Localism Act 2011 which, while not explicitly mentioning pride, implicitly sought to restore a sense of pride in local places by empowering community and resident groups. The notion of pride in place as a policy goal was brought to the forefront of the national conversation once again during the 2019 general election, crystalised in the levelling up agenda. Following on from this, the Levelling Up White Paper, now codified in the Levelling Up and Regeneration Bill, introduced pride in place as a central component of local regeneration efforts. Under objective three, the goal is to restore "a sense of community, local pride, and belonging"[17]. The white paper and subsequent bill both implicate communities, cultural activity, green space, and regeneration as key elements of pride in place from a central government perspective.

In its most basic form, 'pride in place' is an expression that points to an absence of something, which political actors then compete to provide substance to. However, more charitably, pride in place is emotional in nature – stemming from feelings of attachment and working dialectically with feelings of shame,

17 HM Government (2022) – Levelling Up the United Kingdom

for example, the feeling of an area having declined aesthetically or in terms of service levels[18][19]. Ultimately, inspiring pride in place in communities and residents is a negotiation of both pride *and* shame, as these emotions are interconnected at the local level and depend on each other to be noticed or understood.

Targeting pride in place as a policy goal is therefore a fraught, though worthy, endeavour. Navigating emotions of local pride and shame, and how they inform local identity, is challenging for organisations that are often entrenched in bureaucracy and internal process. However, it is becoming increasingly important for public officials and officers to develop and embody values such as integrity, sound judgment, and emotional intelligence.

Such values can be embedded themselves through organisation-wide training that communicates best practices across departments and throughout hierarchies. The practical challenge of addressing recruitment and staff retention issues to maintain service quality, while enabling this modal shift in relations was raised on many occasions by participants in this research. Skill-matching and addressing competition from large private firms in recruitment and capacity were identified as particular challenges concerning the availability of skilled staff in the public sector able to grapple with the task of conceptualising, operationalising and targeting the improvement of pride in place.

Pride or shame?

In 2022, Localis published The Connected Society which argued that pride in a place, in policy terms, must be seen as an attempt to negate those things that make people feel ashamed of where they live. To foster pride in place effectively, local authorities should engage with the emotional aspects of local identity in their policymaking process – especially on matters of pride and shame. Engaging residents on what makes them feel most ashamed about their local area allows for 'epicentres of shame' to be identified, enabling emotional aspects of local identity to be explored without undermining the relevant baggage of inequality, social injustice, or other causes for negative perceptions of place. Focusing solely on pride leaves too much room for interpretation, as it is less likely to be representative of a shared local vision, potentially manifesting as misguided and unsavoury intolerance of little use to the goals of

18 Dobson (2022) – Boosterism and belonging: 'pride in place' and the levelling-up agenda
19 Localis (2022) – The Connected Society

placemaking and levelling up. Instead, by identifying and addressing sources of shame, local authorities can inspire an emotional connection to the process of placemaking and levelling up whilst developing a stronger sense of place pride. Moreover, it allows for the vague signifier of 'pride in place' to be given a local substance, one that is both actionable and co-produced.

There is also an inherent tension within a nationally-set agenda to level up which focuses on a nebulous, yet inherently localised, policy goal of pride in place. This is another dimension to the friction created by a central focus on short-term capital uplift projects while long-term local strategy is frustrated by limited and short-term revenue funding. Navigating these tensions requires advanced political leadership, collaboration, and communication among stakeholders. Research participants throughout the regional roundtable series tended to lament the dissonance between localised visions of what might raise pride in place and central government's top-down, capital injection approach to addressing regional inequality. A more genuinely partnership-based framework from central government, with greater powers and more efficient funding options to identify and pursue priorities for local pride in place over the long term, was almost universally called for by research participants.

2.2.2 Placemaking as local policy

Placemaking is a holistic approach to the planning, design, and management of local areas. It should be based on the idea that the both the physical environment, including the built environment and open spaces, and social environment, including the activity and amenities of a place, shape the economic, environmental and social wellbeing of communities and residents. A key principle of placemaking is to put communities and residents at the forefront of decision-making – ensuring they can participate in the local political process beyond termly elections. This involves engaging and collaborating with communities and hyperlocal stakeholders in the planning, design, and management of local areas, allowing for the creation of spaces that are both aesthetically pleasing and functional to those who live there – but are also meaningful due to the emotional connection struck through an effective placemaking process.

The process of placemaking can be complex and messy, but it is essential for creating successful and sustainable communities. Local government staff play a crucial role in this by using policy and practice available to them to deploy

placemaking as a mindset when delivering public services. In this context, it should be viewed as a continuous process, not a one-time project. Any approach to placemaking must be undergirded by a base offer of dependable and effective local public service delivery that, if approached relationally, is maintained, refined and driven by community and resident decision-making. Ultimately, utilising placemaking principles in the delivery of public services will allow for levelling up to be achieved on the terms of those on the ground, rather than solely at the whim of central government measured diktat.

Participants in the roundtable discussions called for bolder civic leadership with localised visions, noting a cluttered placemaking agenda as it stands. They stressed the importance of 'place' in delivering economic agendas and the need for a balanced approach to addressing social challenges. The role of neighbourhood services in fostering this social cohesion and strengthening communities was highlighted, with the necessity for these services and the importance of them to be communicated through democratically elected members.

To understand placemaking as an external process of local authority policy, practice and the delivery of public services, it is useful to explore the following four interconnected aspects of 'placemaking':

- **Local centres and public spaces:** as areas of local commerce, culture, history, and social activity – often the spaces that come to mind when residents consider their thoughts on a place – a placemaking approach must ensure long-term strategies are in place for the management of these local assets. This should come with a recognition that these spaces and their constituent parts have aesthetic, emotional, and functional aspects that should all be accounted for.
- **Neighbourhood services**: the backbone of local civic pride, neighbourhood services constitute the frontline role of councils in the day-to-day maintenance of local centres and public spaces, such as street cleaning and park maintenance, as well household services like waste collection.
- **Consultation and engagement**: as residents and communities spend most of their day-to-day lives in a place, there are collective and personal experiences of place that must be considered, and unique expertise to be utilised. The same can be said of other local sectors and stakeholders. In order to capture this experience and expertise, effective consultation and engagement processes should be a fundamental part of any approach to placemaking.
- **Economic development and social value:** where local delivery,

levelling up and placemaking meet most impactfully is in how a local authority approaches economic development. Social value has been a powerful tool for local authorities to achieve placemaking and "community wealth building" benefits – what 'social value' consists of, how it can be leveraged, and having the capacity to do so effectively, are matters of great importance to placemaking.

The importance of strategic coordination

The tensions between the nationally set levelling up agenda and the hyper-localised goals it sets out to achieve can to some degree be negated by strategic coordination at various sub-regional scales. This is recognised by central government in the focus on combined authorities as delivery vehicles, but more can be done to open the path for bottom-up configurations of councils to work together in responding to the challenge set by the levelling up agenda and balancing efforts to do so with other local priorities. For example, in cities and rural areas alike, local leaders face challenges in balancing the need for growth and infrastructure expansion with resilience to crisis and community needs. Working together across boundaries in a way which is fluid and flexible can help local authorities arrive at scales where these sometimes-competing priorities can be balanced and implemented strategically.

Considering governance configurations that could help enable this coordination whilst avoiding the 'one size fits all' proscription of a mayoral combined authority, some research participants called for a renewed focus on the strategic role of county councils. Bar education and infrastructure, county councils play a notable strategic role in planning by collaborating with district councils and other stakeholders on issues such as housing, employment, and transport, as well as providing input as statutory consultees in the local planning process. Planning powers and responsibilities do vary depending on a council's structure – some roundtable speakers lamented this and called for expanded and better-defined spatial and infrastructure planning roles for county councils.

"When councils have a much greater strategic approach; a leadership convening role, they can drive quality services and see a place work preventatively in ways beyond their immediate powers."

Participants also mentioned growth boards as an emerging idea that can help councils achieve placemaking and levelling up goals, streamlining efforts and resources towards a common vision. The potential of growth boards to allow business leadership forums to play a greater role in public-private partnerships and contribute to local development

and growth was touted as a key step forward. Regardless of the specific form advocated for, the sense that there needed to be some larger-scale coordination to the direction and priorities of growth projects, without losing the voices of authorities down to the most local level, was palpable throughout the research roundtables and interviews conducted for this report.

Part of this call for strategic coordination – whether through the current model, where only mayoral combined authorities enjoy the highest level of devolution, or through the more flexible approach advocated for by local leaders – can be attributed to the occasional contradictions that arise from the plethora of initiatives handed down from central government. The presence of multiple governing central government bodies, with departmental priorities targets but little by way of strategic cross-Whitehall coherence to consider the whole place impact is creating confusion and conflict in the implementation of placemaking initiatives. A more strategic purview would help councils work together to navigate this landscape. While governance reform could better facilitate the task, councils already work to do this outside of the combined authority areas. Several research participants spoke of the importance of having "glue" members of staff who are tasked with working across silos locally and navigating the various central government funds and initiatives supporting development.

Understanding neighbourhood disadvantage

To address the decline in the accessibility and quality of neighbourhood services in the immediate context, local authorities must prioritise spending and social value considerations on notably lacking services and their delivery. For services that are currently either failing or unable to be accessed, local authorities must aim for a period of steady growth and service reform to bring the service up to an acceptable standard - one that sets a precedent of working towards a long-term average share and ensuring accessible, affordable, and high-quality neighbourhood services for residents.

In research discussions, local leaders highlighted the importance of understanding local unemployment, improving resilience, and encouraging spend on a neighbourhood basis. They discussed safety net provisions, the significance of so-called "shop window" public relations for attracting investment, and the need for a county or subregional approach to defining levelling up strategically. Asset mapping and understanding local economic anchors were also emphasised to this end.

By taking a holistic approach that considers the individual drivers of neighbourhood effects and the local processes that contribute to them,

local authorities can ensure that services better meet the specific needs of neighbourhood service users. A range of individual drivers contribute to neighbourhood effects, such as low income, poor living conditions and social exclusion. These factors inevitably lead to negative outcomes, such as poor health, underachievement, and limited access to neighbourhood and broader public services.

Whilst this may be basic stuff for most local authorities, how these drivers are understood and then targeted through policy and practice requires novel and strategic approaches. However, there has been a tendency, compounded by poor audit and comparative data on public service budgets and performance, to apply a more general 'public management' approach, where drivers and the responsibilities for them are managed through delegation and statistical outcomes, rather than targeted through proactive governance. Participants discussed the importance of locally attuned wellbeing offers, minimalist strategies, and evidence-driven change, as well as grassroots, small-scale, ward-based working, and the significance of diverse skillsets in strategic partnerships concerning neighbourhood services.

Good governance practices

Proactive governance, such as a firm commitment to resident and community involvement, transparent decision-making, and effective communication channels between service users and providers, can build trust and foster a sense of connection to place through such dependable and present neighbourhood services. On the other hand, poor governance that lacks accountability and responsiveness to residents' needs does the contrary – eroding trust, fragmenting the sense of community in neighbourhoods, and stoking feelings of shame and resentment in a local area. Service providers play a crucial role in neighbourhood governance and impact residents' sense of community through their presence and delivery of neighbourhood services. Therefore, such actors should be trained and developed to think and approach service delivery more relationally; being conscious of how relationships between users, providers and place as a whole are being developed and what the implications of this are for the wellbeing of residents. Other proactive governance practices include:

- Performance management: Effective performance management, in accordance with locally-attuned priorities (the result of resident engagement, etc.), helps identify and address issues with neighbourhood service delivery as they present themselves. Regular review, feedback, and 'refresher' coaching can help foster a culture of proactivity.
- Practitioner engagement: If individuals responsible for the delivery of

neighbourhood services in some capacity are engaged and motivated on the importance of a relational mindset and proactivity, they are more likely to provide higher quality services and be mindful of those in particular need.

- Streamlining processes: By streamlining internal processes and reducing bureaucracy, local authorities can reduce costs, increase efficiency, and provide faster, more accessible and effective services.

DCN Survey Results

In February 2023; Localis and Capita launched a short survey on the themes covered in this research project at the annual District Councils Network conference. We received responses from the corporate leadership of 32 district councils. The survey included multiple-choice questions and options for long-form text responses. Some of the text responses have been included in the quotes in the body of this report, a summary of the multiple-choice questions is included below.

Headline findings

- **69%** of respondents rated the level of pressure on public services in their local authority as "High", with **31%** rating pressure levels as "Moderate". None rated their level of pressure on service delivery as "Low".
- Respondents were somewhat split on whether the operation of local authorities are too complex for individual councillors to understand – with **26.1%** agreeing that authorities are too complex, and **41%** disagreeing. The remaining respondents were either neutral (**25%**) or chose to enter a long-form answer.
- There was also division on whether or not the operation of local authorities is too complex for members of the public to understand, although this skewed in the other direction to the question regarding councillors – **56.3%** of respondents felt councils are too complex for citizens to understand, **22%** were neutral and **19%** disagreeing.
- Respondents were also asked whether they felt the Levelling Up initiative so far had impacted civic engagement and 'pride and place' in their communities in a positive or negative way. **47%** of respondents felt that the agenda had so far had no impact, **34%** felt that Levelling Up had a negative effect and **16%** felt that the effect on civic engagement and pride had been positive.

Other responses

Figure 10. How satisfied are you with the level of service provision your local authority can deliver under current funding arrangements?

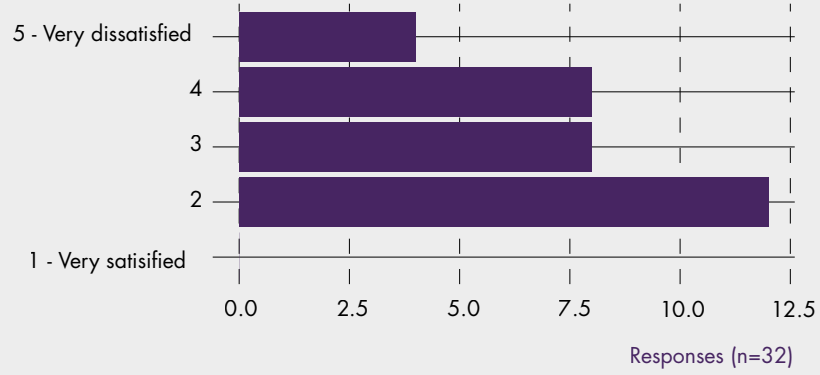


Figure 11. How satisfied are you with the current regime for auditing local government spending?

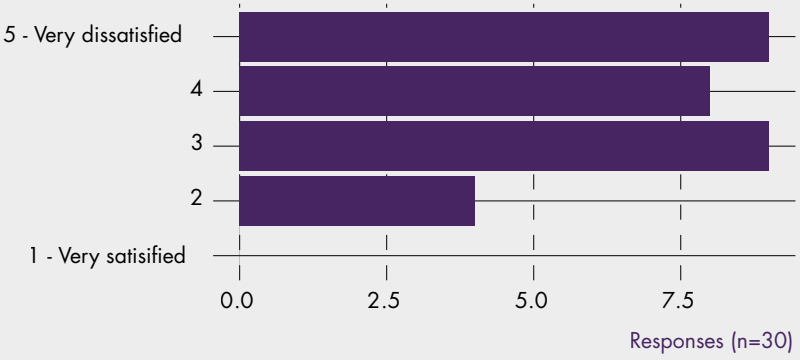
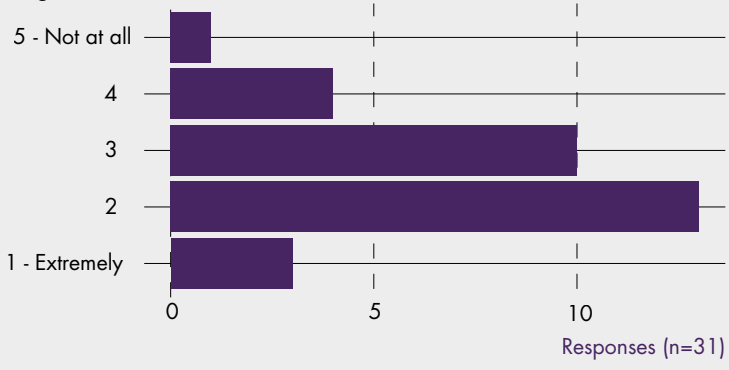


Figure 12. How important do you consider public-private partnerships in delivering local services?



"We have seen a decade of underinvestment and no driving mission or vision for public services... the real test of 'Levelling Up' or any inequality agenda will be how these services can be revitalised."

CHAPTER THREE

The state of public service delivery

Assessing the current levels of local public service delivery in England is challenging for a number of reasons, not least the difficulty of comparing metrics across vastly different spatial scales, economic circumstances and social configurations. Yet there are clear, overarching principles for effective delivery. How these can be turned into effective insight and informed evaluation of outcomes is the pressing question, particularly in light of several high-profile council failures in recent years. This section outlines the guiding principles for public service delivery in theory and in practice, before describing the 'audit gap' that has emerged in recent decades and attempts by central government to close it.

Key points

- Effective public service delivery relies on the outward-facing principles of accessibility, quality, responsiveness, transparency and participation.
- Organisationally, an internal culture of accountability, adaptability, communication and collaboration is a prerequisite to quality public service delivery.
- In recent years, a number of high profile council failures have highlighted not just the perilous state of local government finance, but also the need for the sector to become more proactive in addressing issues related to culture and governance.
- This is complicated by the emergence of a growing 'audit gap' caused by a lack of capacity both for external audit, due to the insufficient supply of auditors in the market, and for internal audit, due to limited resources available to turn data into intelligent performance insight.
- The new Office for Local Government (OFLOG) has been established by central government to help close the audit gap, however there is concern in the sector that this could lead to the complex task of local governance being reduced to league table rankings.
- Ultimately, there must be total clarity as to what the goal of audit is, with policy goals such as achieving value for money or boosting economic development often at odds with each other.

3.1 Delivery in principle and practice

The complex nature of delivery and the expansive organisational structure of councils make instilling and maintaining a public service ethos the foundational tenet of high-quality services. Distilling this task into simple lists of what makes good governance and what causes failure is therefore bound to be reductive, yet remains an important part of a holistic understanding of local public services. This must include looking past the theory and to the practice, including instances where councils have faltered or failed as service providers.

3.1.1 Principles of effective delivery

In times marked by rapid change and rising expectations, local government faces significant challenges in meeting the diverse needs of residents. The provision of high-quality public services at the local level is essential to fostering social cohesion, promoting economic development, and ensuring equitable

access to resources and opportunities for all. Within this contemporary context, understanding the principles of effective public service delivery, how they are changing, and how they are to be applied locally, becomes crucial, not only for policymakers and public managers but also for communities and residents themselves, who are ultimately the recipients of said services.

Principles to this effect serve as a set of guidelines that seek to ensure the highest possible standards in the provision of public services, whilst still leaving room for the nuances of local need and practice. In this sense, principles allow local government to be accountable, agile, and responsive in addressing the unique needs of communities and residents across the country. These principles should also act as a compass, guiding decision-making processes and informing the development of initiatives, policies, and strategies that have a direct impact on the lives of residents.

The following principles – taken from a broad survey of literature and best practice case studies – provide a summary of commonly accepted principles for good public service delivery in England. These guiding concepts are not only instrumental in orienting policy towards better public service delivery outcomes but also in working toward an increasingly equitable, effective, and vibrant system of public service delivery, despite contextual challenges.

First are the typical *outward-facing* principles of good public service delivery:

- Accessibility: Ensuring that all residents have equal and equitable access to services, providing clear and concise information and designing service interfaces that are easy to engage with.
- Quality: Effectively meeting the needs of communities and residents in an efficient manner, in a way which is regularly reviewed and improved upon with resident input.
- Responsiveness: Ensuring that resident needs and concerns are addressed in a timely manner, with a prioritisation of prevention, and providing substantive responses to complaints and requests.
- Transparency: Being open and honest about decision-making processes and resource allocation, as well as providing information on how services are being designed, targeted and delivered locally.
- Participation: Allowing residents to have their say over the design, implementation and delivery of public services, to ensure services are tailored to local need.

Whilst there is an inevitable overlap, secondly are the notably *inward-facing* principles of good public service delivery:

- Accountability: Ensuring that there are structures and ethical standards in place, embedding a willingness to accept responsibility and learn from mistakes.
- Adaptability: Changing services in response to feedback and new information, as well as changing fiscal and political context.
- Communication: Ensuring that all those responsible for delivery are aware of their roles, responsibilities and what is expected of them.
- Collaboration: Fostering a culture, both internally and with external stakeholders, of cooperation, ensuring that services are coordinated and integrated, whilst taking advantage of any potential economies of scale or other efficiencies.

> "A principle that makes the world go round is open-mindedness; once you have that sorted, others come naturally."

Expanding on how these accepted principles are currently realised, and how they might be improved, in different geographic and social contexts across England, is key to understanding how public service delivery can be optimised in the current challenging context. Across the seven roundtable sessions with senior council officers from across England's regions, there was a shared understanding of the importance of a principled and service-orientated approach to integrating public services. The discussions demonstrated a collective intent from the sector to apply several if not all of the principles outlined above, with an encouraging ethos of public integration and its merits permeating the sessions.

3.1.2 Assessing failure

Failure to adequately assess public service delivery internally could lead to the service becoming dysfunctional and put at risk. Dysfunction within public service delivery can manifest in several different ways.

Common overarching indicators of an at-risk public service are:

- poor performance;
- insufficient funding;
- lack of support;
- and poor communication.

When these overarching indicators go unnoticed and compound with one another, the delivery of public services become dysfunctional and at risk of failing, producing symptoms such as:

- Bureaucratic inefficiency and red tape.
- Inadequate staffing or resources.
- Inequitable access to services.
- Lack of accountability or transparency.
- Long wait times or delays.
- Poor communication and quality of information for residents.
- Unresponsive or unhelpful staff.

Generally, when a public service is failing or has failed, one or more of these symptoms and overarching indicators has become so widespread that the service is failing to provide its basic function. Identifying and learning from service failure as rapidly as possible is the inverse to identifying and spreading innovation and best practice. In the current context of public service pressures and realities, neither can be ignored as part of a modern integration agenda.

In the context of service failure, it is crucial to understand the intricate relationship between governance culture, leadership, and delivery, as they are essential for addressing and improving public service outcomes. When a service failure occurs, the organisational culture of local authorities, defined by shared attitudes, behaviours, and values, significantly impacts how councils respond and recover. Both organisational and political culture can either hinder or enable the resolution of service failures. By capitalising on these components, local authorities and relevant partners can establish more comprehensive, efficient, and transparent decision-making procedures to address service failures, ultimately resulting in better public service recovery outcomes in the long term.

Governance and leadership

Governance culture encompasses both the organisational and political culture. While organisational culture can either impede or enable transformative shifts, political culture involves the influence of party politics and politicians on an organisation's culture[20]. Individual parties at the local level have their own cultures, and local authorities as a whole may themselves have a prevailing political culture. Both aspects influence the response to service failures. Understanding the existing organisational and political culture within a local authority is vital for implementing improvements in response to service failures. A more positive governance culture can help overcome barriers by fostering an environment more open-minded and relational in scope. Moreover, strengthened

20 Centre for Governance and Scrutiny (2019) – Governance, culture and collaboration

governance culture ensures that a local authority has a shared vision and set of values that can guide their decision-making processes during service recovery and can be communicated to potential partners.

Leadership is another element that shapes culture within local government. This is particularly relevant when trying to affect cultural change in addressing service failures. Traditional hierarchical leadership positions may not be sufficient to drive effective recovery. Instead, a systems leadership approach is required, which emphasises collaboration as the foundation for building new cultures. In this context, leaders across various organisations and positions within the local government system need to work together to address challenges and promote positive change during service recovery. This collaborative approach allows local authorities to better understand and respond to the needs of their communities, ensuring that public services are restored and improved with the best interests of residents in mind. Effective leadership is necessary for building trust among different public service stakeholders and potential partners in the aftermath of a service failure. Without this trust, organisations may be unwilling to share information, resources, or cede decision-making power, ultimately hindering the process of public service recovery and improvement.

Governance culture and leadership play a significant role in addressing service failures and integrating local public services. These factors create an environment more conducive to collaboration, promoting accountability, adaptability, and trust. By fostering cooperation amongst various stakeholders and potential partners, local authorities can ensure that public services are restored and improved with the best interests of residents identified and accounted for.

Our roundtable sessions for this report brought to light the significant role of governance culture and leadership in public service integration. Across discussions there was both an implicit and explicit understanding from local leaders of the ways in which how they govern impacts their communities and residents. There was a shared belief in the power of an ever-increasingly positive organisational culture, spearheaded by principled leadership, all working towards a shared local vision. Mutual respect, transparency, and shared responsibility across hierarchies were all consistently heralded as key outcomes of a positive shift in organisational culture for the sake of better integrated services. Leaders would speak of creating an environment where every voice is valued; not just encouraging collaboration with and participation from all stakeholders but ensuring that the value of doing so is understood

> "It comes down to that bold civic leadership... having the local vision to articulate things the national vision misses out on."

throughout the local authority.

Moreover, leaders were keen to move beyond abstract rhetoric and would often highlight real-life applications of this shift in leadership and governance culture and how efforts to do so had led to improved service delivery. The roundtables brought to light that these leaders are not just talking about good governance and leadership but are actively striving to embed these principles in their daily practical operations – wishing to continue leading the sector by example.

3.1.3 Recent history

The Local Government Association (LGA) has warned that many local authorities face an "existential crisis" mainly due to massive funding shortfalls. The LGA argues that the multibillion "black hole" in England's local finances cannot be fixed by local ratepayers alone[21]. Reductions in funding have placed substantial pressure on local councils to maintain essential services, leading to multiple instances of financial instability and poor governance. Since 2010, the local government sector has experienced a concerning number of instances of financial mismanagement and instability. Beyond funding, oversight issues have led to high profile failures of governance in councils across the country.

In November 2020, the London Borough of Croydon effectively became insolvent after a series of poor financial decisions, including risky commercial property investments, spiralled out of control. The council's collapse marked only the second time in two decades that a council had gone bust. Subsequently, other crisis-hit councils such as Slough and Thurrock have experienced similar issues with financial management and come under fire for opaque decision-making.

In Croydon's case, an official report kept under wraps for over 18 months suggested that the scale of corporate dysfunction was serious enough to warrant a police investigation into potential misconduct in public office. Allegations of lax governance, reckless decision-making, disregard for democratic processes, and a habit of ignoring inconvenient evidence were highlighted in the report[22]. As a result, the council was forced to embark on one of the most dramatic programmes of cuts ever seen in English local government.

Having asked central government to write off £540m-worth of the council's £1.6bn debts, Croydon borrowed £120m from the government to stay afloat while selling off assets and having to adopt a 'bare legal minimum' approach to

21 Chamber UK (2022) – LGA warns of "existential financial crisis" for local authorities
22 HM Government (2021) – Government acts to tackle failure of Croydon Council

service provision – negatively impacting the residents of Croydon significantly.

Liverpool City Council's failures provide another striking example. In 2021, the government appointed four commissioners to oversee some functions of the council after a "breakdown" in local governance and accusations of wasting up to £100m of public money[23]. Following a report that suggested the council had not made enough progress, and there were serious concerns about financial decision-making, the government decided to expand its role in running the council to cover financial decisions, governance, and recruitment. Notably, an investigation found that the council had failed to renew 12 contracts across various services, which had expired or were close to doing so, reducing service provision and compromising the best value for their residents[24]. For example, it was revealed that the council's errors in renewing their energy supply contract could cost the city an extra £10m.

The increasing number of council failures since 2010 has led to greater scrutiny and calls for transparency in local authority culture and governance. In response to mounting concerns, central government has been engaging in intervention processes, seeking to identify patterns and learn lessons to guide future actions from local authorities. Although formal government interventions such as these are rare, there has been a notable uptick in such actions since 2010; aside from the cases previously mentioned, Doncaster, Tower Hamlets, Rotherham, and Northamptonshire councils have all experienced statutory interventions from government[25].

As a result of this alarming trend, it has become imperative for local authorities to become more proactive in addressing issues related to culture and governance. By identifying and rectifying weaknesses in these areas, councils can work to prevent future failures and avoid the need for formal government intervention. Collaboration with central government, as well as implementing lessons learned from previous interventions, can help local authorities achieve sustainable and effective governance to the standard necessary to deliver better public service outcomes. The surge in council failure since 2010 serves as a crucial reminder for local authorities to prioritise good governance practice and cultivate a culture of accountability and transparency in order to safeguard their constituents' interests against an already admittedly difficult financial context.

23 Halliday, Wolfe-Robinson & Sabbagh (2021) – Liverpool council may have squandered up to £100m of public money

24 BBC News (2022) – Liverpool City Council: Report finds more contract failings

25 HM Government (2020) – Addressing cultural and governance failings in local authorities: lessons from recent interventions

3.2 Evaluating service delivery

The availability of up-to-date and nuanced indicators to evaluate local government performance in public service provision stands as a major obstacle to both obtaining greater autonomy from central government and fostering more meaningful collaboration with communities. Conceptualising the space between insight and information, both internal and external, is a prerequisite for effective evaluation – as is understanding exactly what 'good' looks like to residents and to different levels of government.

3.2.1 The 'audit gap'

For 32 years, the Audit Commission was the public body responsible for evaluating local government financial management and performance, until its closure in 2015 after half a decade of winding down. Over its lifetime, the Audit Commission secured some important successes as part of its mission to ensure transparency over public finance, but became controversial due to increasing costs, expansive bureaucracy and the discontent of many local authorities. The Local Audit and Accountability Act 2014 was responsible for the abolishment of the Audit Commission, setting out the legal framework for local audit in England. The Act aimed to devolve audit appointment and management to local bodies while maintaining regulatory oversight. The Act transferred the responsibilities for setting the Code of Audit practice and relevant guidance from the abolished Audit Commission to the National Audit Office (NAO). Since its abolition, however, the intended transfer of its core responsibilities to the private and voluntary sectors have not transpired with complete success, with a lag in the timely audit of local authorities becoming increasingly apparent.

The 'audit gap' developing between local and central government and their contracted auditors refers to the growing gap between the required completion of local authority audits by their statutory deadline and the actual number of audits being completed on time. According to recent figures, only 9 percent of local authority 2020-21 audits were completed by this deadline, an 88 percent drop since 2015-16. This figure is the lowest percentage of audits completed since the introduction of the Local Audit and Accountability Act in 2014. This is, in part, due to there being only eight firms registered to perform local audits, with two firms currently conducting over 70 percent of these audits.

Part of the problem with closing the audit gap is identifying exactly what the nature of effective local government audit should be, whether an entirely finance-focused audit of accounts is all that is necessary or whether the performance of councils should also be factored in. The Audit Commission took on functions of both financial audit and performance measurement, which are in many respects

different sides of the same coin, but the gap left since its abolition has meant too few firms able to carry out the financial element and an incomplete patchwork of public bodies handling performance audit, as laid out in section 3.2.3.

> "Local government has been feeding the beast for no particular gains... to expend so much time and effort going through the rigmarole of audit, just to revert back to the discussion the sector was having 15 years ago is frustrating."

The audit gap can also present issues with public consultation on regeneration and public realm improvements, a crucial element of regional economic rebalancing. The complex nature of local government finance, along with the unmediated nature of transparency obligations such as open contract registers, can present an obstacle in creating open dialogue with communities. The disconnect between financial audit and performance evaluation (or, how public money is managed and how it is spent) further confuses the issue, where a community's idea of failure in delivery can in financial terms be simply the only prudent course of action for the council. The use of local consultation and collaboration to identify priorities has rightly been stressed in the prospectus for capital investment under the auspices of levelling up. For meaningful collaboration to take place, however, there is a need for greater clarity and comparability in the transparency of data which is provided to the general public.

3.2.2 Internal evaluation

Local authority corporate leadership acknowledge the importance of using data and insight to drive performance and devolution while remaining cautious of box-ticking and overlooking local nuance. Contextualised metrics, data sovereignty, and performance management frameworks that prioritise relevance to residents and account for contingencies were touted as essential in our series of seven regional roundtables.

To facilitate evidence-led decision-making, there is recognition across the sector of the need for data integration, staff upskilling, and process improvement. Beyond this, there is the crucial role of human intervention in turning data into actionable insights. Participants insisted that local authorities must work to synthesise qualitative and quantitative data, acknowledging the value of being challenged in their approach. Research participants spoke consistently of data ownership, control and co-design of datasets, better guidance and procedures on data management, data subject rights, collaboration and advocacy for local vision. By co-designing datasets and safeguarding data, local authorities can make informed decisions about development projects without spooking the market,

allocate resources effectively, and tailor interventions to the specific needs of their communities revealed by more accessible insight.

Achieving this level of intelligent internal oversight requires strategic allocation of resources. The capacity limitations of data in the public sector compared to the private sector necessitate focusing resources on genuine insight, rather than just focusing on the capacity for data collection. Skills and capabilities in data analysis are highly divergent between local authorities, with some areas being data-rich and others lacking sufficient data from which to gain insight and to act upon. Some participants spoke of the value of providing monthly economic and service performance updates provided by in-house data analysts, able to inform policy and approach. However, this strategy requires a certain capacity that is not widespread throughout local government as it stands – particularly with such fierce competition from private firms for data-related roles.

Furthermore, pooling data between different tiers of local government could help improve analytical capabilities; however, trust between authorities, particularly at differing tiers, remains a barrier. To this end, participants called for a cultural shift emphasising the importance of data and insight in the decision-making process. This would require local authorities to develop practical data usage skills, improve data sharing between different tiers of government, and foster greater collaboration.

Overall, English local authorities possess an abundance of data but often lack the analytical capabilities to effectively use it. A cultural shift emphasising the importance of data and insight, coupled with improved data sharing, practical skill development, and a focus on translating data into relatable lived experiences, is necessary for local authorities to better utilise data in their decision-making processes.

3.2.3 External audit

One such aspect of the legal framework laid out by the Local Audit and Accountability Act 2014 was the requirement for audit firms carrying out local public audits to be registered with a recognised supervisory body (RSB) which, as of 2021, is the Institute of Chartered Accountants in England and Wales (ICAEW) for those operating in England. The Financial Reporting Council (FRC) is responsible for the regulation of auditors carrying out local public audits, including setting auditing and ethical standards, monitoring audit quality, and taking enforcement action where necessary.

Local authorities themselves are guided by CIPFA in the preparation of their accounts. The CIPFA Code of Practice is prepared yearly and provides guidance

to local authorities on proper accounting practices in current context. Local authorities also have audit committees, which play a key role in governance, providing independent assurance on the competence of risk management frameworks, internal control environments, and the integrity of financial reporting and annual governance processes. The LGA has also set up Public Sector Audit Appointments Ltd (PSAA), an audit company established to oversee audit contracts and appoint auditors to local public bodies specifically. Local authorities must also adhere to a wealth of financial regulations, particularly when engaging in investment activity and financial services – notably of which are FCA rules and regulations. With long-standing dense regulatory bureaucracy and the trend towards increased commercial maturity, many have lamented the lack of join-up between financial regulation and local audit.

The Redmond Review[26], led by Sir Tony Redmond, illuminated significant issues within local government's audit arrangements when published in 2020. The review identified three key problems;

1. Current local audit practices failed to meet policy objectives as outlined in the Local Audit and Accountability Act 2014, with weaknesses in the functioning, value, and timeliness of local audit findings.
2. Market fragility was identified, with the review suggesting the sector is unattractive to audit firms, threatening the stability and longevity of the local audit market.
3. An absence of systemic leadership due to a decentralised audit framework, resulting in incoherence and difficulties in resolving ongoing systemic weaknesses.

The implications of the Redmond Review for local government were profound and in many ways prophetic, recommending a complete overhaul of the existing system to address market instability and establish clear leadership. This included recommendations for immediate action to stabilise the public audit market, leadership training and development, the enhancement of local audit function, improved transparency, and specific measures for smaller bodies and lower tiers of governance.

Despite these comprehensive recommendations, the Redmond Review appears to have failed to land with central government in their reform of local audit, with

26 Sir Tony Redmond (2020) – Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting

"You've got different systems of accountability not joining up, and politicians involved in most but not all of it... We want to see what we are spending on place and how we can spend it better."

the current government appearing to retain the current decentralised and fragmented audit landscape notwithstanding the addition of OFLOG. This could be due to several factors, such as a resistance to change and lack of consensus across Whitehall, the complexity of implementing such comprehensive reforms, or, and most likely, the emergency and political turbulence of the COVID-19 pandemic and subsequent changes of government in quick succession.

In 2022, central government established a new Office for Local Government (OFLOG) to evaluate the performance of local authorities and produce an annual report on the performance of local government services. The aim of the office is to address the local audit gap and "shine a light" on the successes and failures of local authorities and provide better marshaling of data to the public. Michael Gove has said that he views OFLOG as a "social justice mission" and a step towards devolution. OFLOG will evaluate local gap authorities on a series of pre-existing indicators, with a draft framework spreading oversight focusing on local authority reserve levels, waste management, adult social care provision and adult skills.

One key point of contention from our seven-roundtable series with local leaders was the current direction of the Office for Local Government (OFLOG), which has caused consternation due to apprehension around 'league tables' ranking councils in wildly different circumstances on universal metrics, particularly due to a perceived narrow focus on finance from OFLOG. Council representatives consistently advocated for greater sector involvement and a more integrated approach to data sharing and analysis across multiple agencies. In partial response to these sector concerns, local government minister Lee Rowley announced in May 2024 that the government were considering broadening the remit of OFLOG to look at the totality of public spending outcomes in an area, rather than just local government performance.[27]

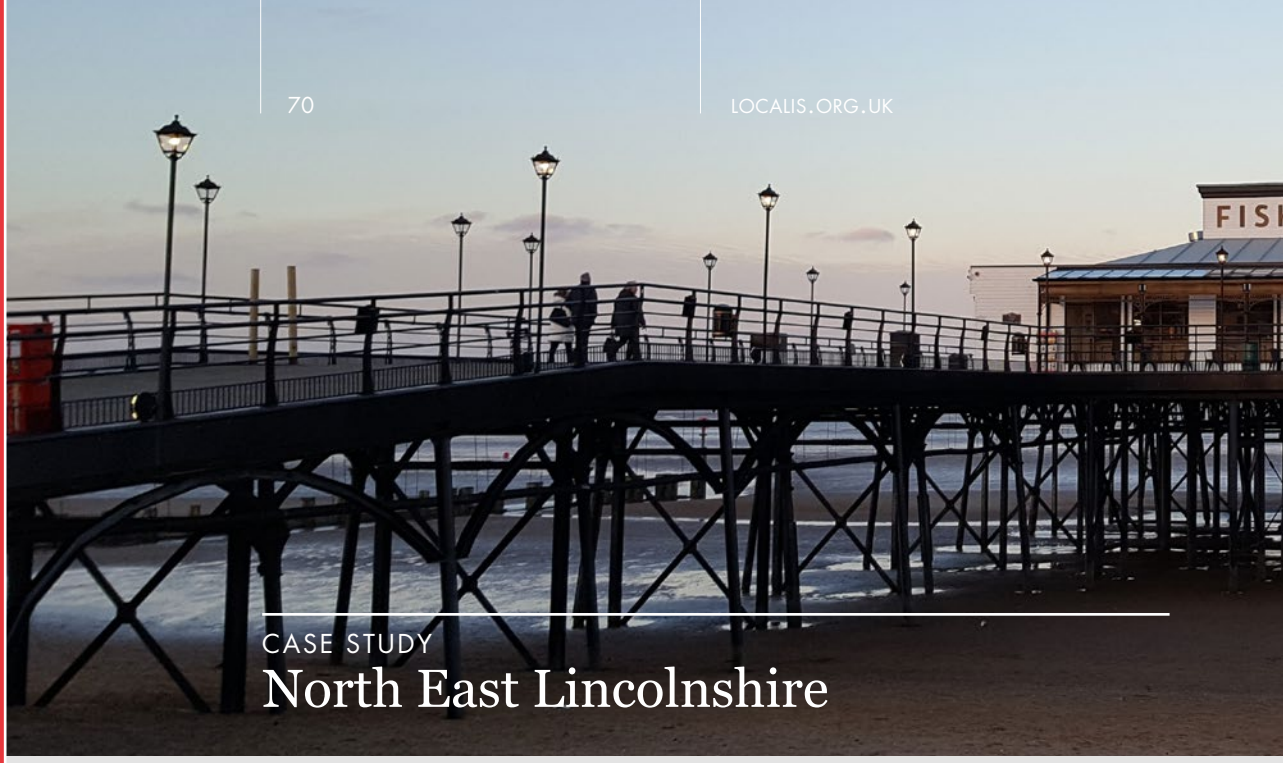
Participants also stressed that OFLOG needs to understand and clearly communicate the intended results of audit and scrutiny, acknowledging that the use and construction of metrics are inherently political and subject to inconsistencies

27 The MJ (2023) - EXCLUSIVE: Rowley considers broadening Oflog remit

or manipulation. They expressed concern that authorities may focus on hitting specific targets rather than long-term strategic goals, with many duplicative efforts across different organisations. Furthermore, the policy context for evaluation and even OFLOG itself is subject to change, with participants questioning if OFLOG should measure for success in levelling up missions or value for money – both of which suggest an incomplete picture of sector work towards placemaking and economic growth. They also noted that data does not adequately capture perception, leading to a focus on benchmarking rather than local impact. This is exemplified by the fact that positive indicators, such as housing targets, might be met with consternation from existing residents.

Local corporate leaders expressed concern about the focus on provider-driven assessment, suggesting a need for more people-driven evaluations. They also pointed out that local authorities are not particularly effective at self-assessment sector-wide and highlighted that centralised performance management systems can be a drain on local authority capacity and resources. Participants called for added value from external audits and emphasised the importance of sharing data with partners in an organisationally neutral and integrated manner – rather than the slow, top-down approach that has characterised centralised external audit for years now. A potential positive role touted for OFLOG could be to identify best practices in data tools and usage, helping local authorities improve their insights sector-wide.

Comparing the audit system in England with that of Scotland and Wales, local leaders identified the shortcomings of purely quantitative data and the superficial nature of audits as they stand. They highlighted the inability of central departments and local authorities to prevent foreseeable issues and called for sensible core datasets and a more hard-headed approach to external audit. To this end, addressing the disconnect between urban and rural councils' interactions with different government departments is considered essential for systemic efficiency and the development of comprehensive strategies – otherwise matters of levelling up and placemaking will remain fragmented.

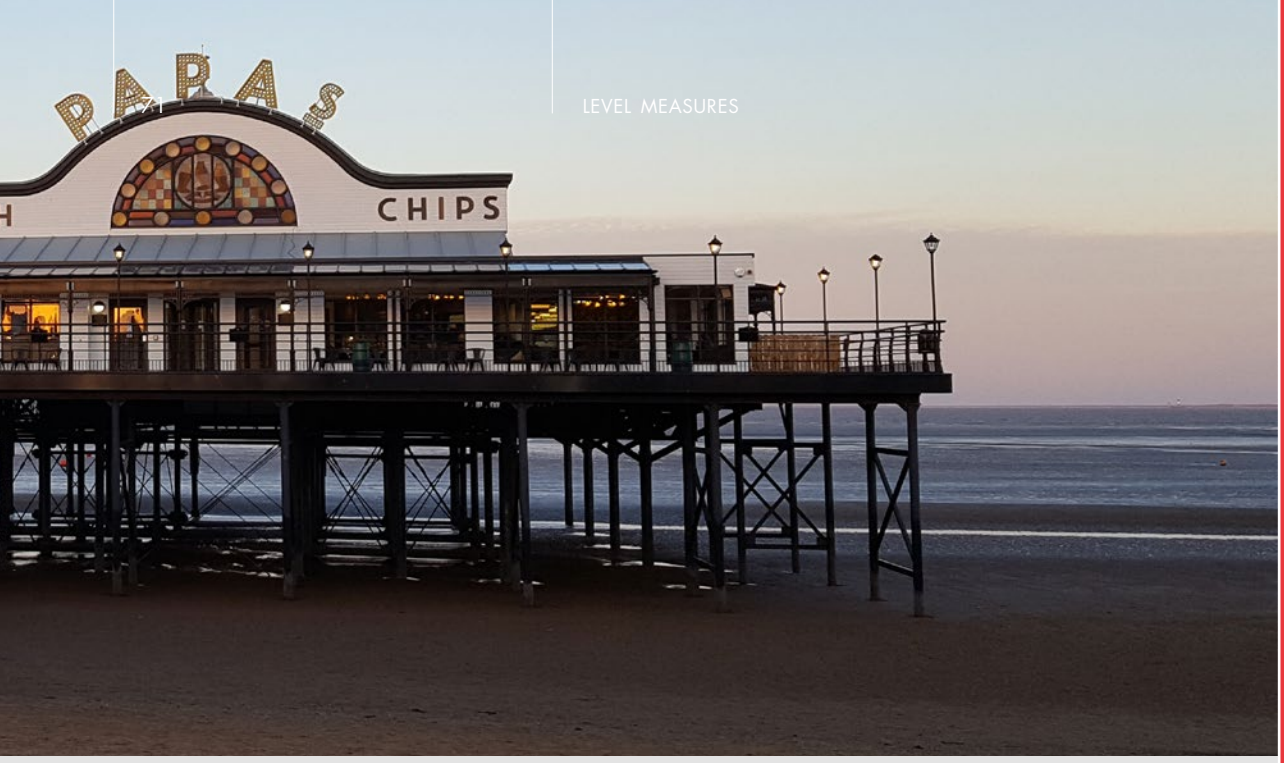


CASE STUDY

North East Lincolnshire

North East Lincolnshire (NEL), a unitary authority area in England, is an exemplary representation of effective public service provision and relationship-building. Despite various economic and social challenges, NEL has achieved notable success in its public service approach through the application of the "art of pragmatism," underpinned by solid political cover, and driven by a vibrant and vocal voluntary and community sector.

NEL's approach centres on a strategic model that leverages relationship building and trust, underscored by an authentic, pragmatic focus on community-based outcomes rather than solely performance or financial metrics. This model places significant importance on social value, effective collaboration, and the concept of 'place leadership'. Moreover, they are adopting a future-focused approach, embracing digital transformation and innovation, and planning for the next ten years and beyond. NEL's approach emphasises the importance of the transition from transactional to relational community co-design services, prioritising the needs of residents.



Critical to NEL's success is its effective stakeholder involvement. NEL's leadership has consciously nurtured an environment where multiple stakeholders, including the voluntary community sector, health care providers, and local economic anchors, collaborate. The focus on open, honest relationships built over time has proven crucial in facilitating effective cross-sector integration. Moreover, political pragmatism has played an integral role in the NEL's public service provision, enabling the authority to adapt, learn, and innovate with full political cover.

One of the most compelling examples of NEL's approach in action was the council's response to the COVID-19 pandemic. The local authority proved itself as an enabler and facilitator, allowing those best placed to achieve a particular outcome to take the reins. This approach meant that voluntary and community sector leaders, who felt they could perform certain tasks better, were provided and facilitated with the necessary infrastructure and financial support to take on these tasks – to eventual great success.

Moreover, NEL has seen significant successes in its approach to health and social care integration. This has been achieved through building trust and relationships over 10-15 years, resulting in an earned pool of funds specially dedicated to managing health and social care within the borough.

NEL's approach, driven by a long-term vision, investment in relationships, and pragmatism, offers a valuable model for public service provision and relationship-building for other local authorities and stakeholders.

"The reason integration is such a high priority is because local people don't live their lives in siloed departments or pockets of funding."

CHAPTER FOUR

Public service integration

The integration and rationalisation of public service provision – through innovations both technological and organisational – has been a recurring theme of local government both in England and internationally for some time. Understanding public services at a systems level, with a focus on outcomes and interdependencies, is crucial to informed, relational provision. This section breaks down the theory behind integration and examines the recent establishment of Integrated Care Systems as an example of a cross-organisational and outcome-focused governance framework, with implications for neighbourhood service provision.

Key points

- Public service integration, using partnerships across silos and a focus on innovation, emerged in recent decades as a response to the increasing complexity of public service delivery.
- Integration can be seen as an ecosystem of delivery – where innovations in technology are complemented by shared learning and practice across organisations, with actors adopting relational rather than contractual mindsets.
- Integrated Care Systems (ICSs) represent an attempt to put this approach into practice across organisations responsible for public health in a locality, with a focus on preventative care and improving outcomes.
- While this systems-based approach is a step in the right direction, there remain concerns with the ICS model, particularly around how service reform is communicated to relevance and how accountability is spread across the partnership.
- Maintaining a genuinely 'bottom-up' approach to the role of local public services in preventative care is crucial, as is the fostering of genuinely trusting relationships between institutions.
- Nevertheless, the focus on systems and cross-organisational working, with a shared goal of prevention, presents a useful lens through which to view neighbourhood service provision.

4.1 Integrating public services in England

The journey to integrated public services in England has encompassed twists and turns over the decades, yet clear principles for and barriers against achieving this efficiency can be gleaned.

4.1.1 Background and principles

In the 1980s, public service provision was already complicated, but the implementation of "new public management" between 1985 and 2005 emphasised competition and efficiency, leading to further fragmentation and complexity. Under the new public management approach, local authorities and their provided services were increasingly organised around separate departments, each responsible for a specific area of service provision. While this was intended to introduce efficiencies won through competition, over time this began to have the inverse effect as siloed

departments and segmented services lead to duplication and gaps emerging in provision.

Over the past decade, however, local agencies, managers, and staff have been working to improve public services through partnerships and joined-up thinking through a recognition that the architecture of English public services is overly complex and competitive. Innovations during this period have provided the basis for a wave of public service integration across sectors, organisations, public bodies, and community groups. Public service integration encourages closer collaboration between different services, both within local government and with external partners within other sectors. The aim is to provide services that focus on the needs and outcomes of residents, rather than the siloed interests of individual service departments. Developments to this end have led to new ways of approaching and understanding public services and their delivery; these include:

- **Digitisation**: making use of digital technologies to streamline and improve the targeting and delivery of public services. Includes making resident-local authority context more effective and efficient, as well as simplifying internal government processes and making better use of data and analysis.
- **Reintegration and co-production**: closer collaboration with residents and civil society, with an emphasis on working together to co-create services that meet the needs and expectations of all stakeholders.
- **Service user-focused disintermediation**: the removal of intermediate, overly bureaucratic layers of service delivery and access to improve the experience of service users.

4.1.2 Barriers to service integration

Despite the desire to integrate public services, there are a number of barriers and challenges that can hinder successful integration including:

- **Appropriateness of service integration**: Not all services in every local area are immediately suitable for integration, and it is important to carefully consider which services should be integrated and how. Risk assessments and close communication with service users are key here.
- **Goal orientation**: Important to ensure that the primary goal of public service integration is to improve service delivery for citizens, rather than to achieve organisational goals or to cut costs. This requires a shared understanding of purpose and a commitment to prioritising the needs of residents above other considerations.
- **Intra-organisational tensions**: Public services are often delivered by multiple

organisations. These organisations may have different cultures, priorities, and ways of working and there may also be perceived competition for resources, power struggle, or a lack of trust – all of which create tension and hinder collaboration.

- **Misconceptions of public service integration**: There are often misunderstanding about what public service integration is and what it may entail. This can make it difficult to build support and understanding for the integration process, as stakeholders may be resistant to change or may not understand the potential benefits of integration.
- **Readiness and willingness**: Successful integration requires all stakeholders involved to be willing and prepared to work together towards shared goals. However, there may be resistance to change, a lack of adequate leadership, or a reluctance to invest time and resources in longer-term, collaborative projects.

4.1.3 Integration as ecosystem

> "You start with mutual trust, respect, that the outcomes will be for the people; the residents we serve."

An ecosystem perspective focuses on changing relationships and collective intra-organisational consciousness, challenges the loaded assumptions of the public management approach, and emphasises the importance of distributed learning and a shared sense of purpose. It is particularly relevant to public service integration, as it offers a more holistic and nuanced understanding between service providers, users, and wider groupings of invested stakeholders. Unlike a network, which often places emphasis on the structure and control of connections, an ecosystem approach recognises the agency and autonomy of sub-systems and their constituent practitioners and stakeholders, including their emotional-cognitive expectations, intent, trust and appropriate authority. This approach recognises that innovation in public services, whilst undoubtably helped by a considered use of technology, is more related to learning and practicing within a particular context and culture. In the context of public service integration, this becomes a must – because emphasising structure and control of connections becomes increasingly futile and a point a tension. In many ways, integration as an ecosystem is an externalisation of the relational mindset.

Through a synthesis of social learning, logic-of-practice, trust, and services-as-a-system perspectives, an ecosystems framework highlights the importance of reflective practitioners from across sectors and service delivery, who are ideally united by a shared sense of purpose in delivery better public services. Adopting an ecosystem perspective requires time for reflection and learning in intra-organisational and cross-sectional settings, as the approach values the active participation of service

users and other hyperlocal representatives in learning, problem-solving, and broader decision-making. It is therefore important to create opportunities for service providers and users to engage in ongoing dialogue, exchange expectations and ideas, and co-create solutions. Such opportunities help build trust and emotional connection amongst stakeholders, enabling more effective and sustainable service provision in the long-term.

Viewing integration as an ecosystem was evident across our seven roundtable sessions, whether implicitly or explicitly. There was a common emphasis on the need for a more holistic approach that considers the various components, relationships, providers and users of local public services as interconnected and interdependent elements within a larger local system. Collaboration was a consistent central theme, with participants highlighting the importance of encouraging cooperation, co-production and partnerships between public, private and third sector organisations to enhance outcomes. The local leaders also stressed the need for resident-centered design, focusing on the needs, experiences, and nuanced expectations of service users to ensure that public services are accessible, effective and user-friendly – as well as bringing these residents into the fold of collaborative efforts.

There was a tendency to discuss public services as a matter of systems thinking, with participants typically recognising the complexity and dynamic nature of public services at the local level and often considering the long-term, broad-scale impacts of policies, interventions or initiatives – some going as far to express concern with how the short-termism of funding and election cycles frustrates this type of beneficial systems-thinking. Moreover, these concerns were part of a broader emphasis on the sustainability of public service systems. Local leaders were in agreement when it came to considering the sustainability of public services, with all-round agreement on considerations of social, economic, and environmental factors in decision-making processes. Many described attempts at seeing this approach transcend the short-termism of election and funding cycles towards the long-term development of a local public services ecosystem.

Participants spoke of the importance of a relational mindset too, a key concept of viewing public services as an ecosystem. Nurturing relationships and fostering connections amongst various stakeholders was touted as crucial for creating a more integrated, effective, and responsive public service system, as was open dialogue and developing a shared understanding of local needs and expectations. Some added nuance to this approach by describing a focus on the human aspects of public services, involving a broader understanding of resident experiences, emotions and perspectives when using services.

Finally, creating and nurturing networks within a local area was raised during

the discussions. Strong local networks facilitated the sharing of knowledge, data, resources, and best practices, ultimately enabling different stakeholders to learn from one another and co-create solutions to acute policy or service issues. Some spoke of this being crucial to ensuring that public service systems stay adaptable and resilient in the face of crisis and emerging challenges.

4.2 Integrated care systems

The logic of integrated public services has recently been given a strong statutory backing with the establishment of Integrated Care Systems, which view the delivery of health and care services holistically with a cross-organisational, outcome-focused approach that prioritises upstream prevention. With many neighbourhood-level, non-statutory council services functioning themselves as upstream preventative measures, evaluating this approach is an important part of piecing together an agenda for a more wholesale and holistic delivery model.

4.2.1 Definition and evolution

Integrated Care Systems (ICSs) are a new approach to delivering health and social care services in England. They are partnerships between different organisations in the healthcare sector, including local authorities, healthcare providers, and community services, aiming to work together in improving the health outcomes of residents and communities they serve. ICSs were established on a statutory basis in 2022 and there are currently 42 in place across the country. The key objective of ICSs is to ensure that health and social care services are better coordinated, resulting in improved access, greater efficiency, and reduced costs. By working collaboratively, ICSs support complex needs and provide better support, particularly to those with long-term conditions. Explicitly, ICSs are a response to the complex health and care needs of England's ageing population with multiple long-term conditions. They are a key force in the effort to improve health and reduce health inequalities, bringing together NHS bodies, local authorities, the third sector, and other local partners.

ICSs are made up of different components; an Integrated Care Partnership (ICP), an Integrated Care Board (ICB), local authorities, place-based partnerships, and provider collaboratives. Stakeholders work together to provide a seamless and coordinated approach to the provision of healthcare services. ICSs are also designed to deliver broader social and economic benefits, notably through 'social

> "The work of ICSs is in the right direction in terms of integration... yet trust and shared understanding is an issue, and the process has exposed how little is known of what councils do across other public sector partners."

value'. Furthermore, the **"triple aim"** is a legal requirement for NHS bodies to consider the effects of their decisions on addressing the inequalities in the health and wellbeing of the public, the quality of services, and the sustainable use of resources, in the area they are operating. As per NHS involvement, ICSs are also governed by this principle. Moreover, ICSs must involve local communities and work towards clearly laid-out objectives benefitting patients, service users, and communities writ large.

ICSs evolved from typically **non-statutory** sustainability and transformation plans/ partnerships (STPs) created in 2016 to develop place-based plans for health and care services in local areas. Since then, local systems have strengthened these partnerships and worked well in planning and improving health and care. Until July 2022, there was no statutory basis for ICSs, making progress sometimes challenging. However, the 2022 Health and Care Act established ICSs as legal entities, creating greater consistency in their governance arrangements and responsibilities whilst still allowing room for flexibility in accordance with local circumstance. Now with statutory footing, ICSs have focused on agreeing on a strategic direction for local service and driving service improvements, as well as establishing proactive infrastructure and ways of collaborative working.

ICSs follow a three-tiered model of *neighbourhoods, places,* and *systems*; an approach to integrated care that applies its principles to large geographical areas. The **neighbourhood level** covers smaller populations and is where groups of GP practices work with NHS community services, social care, and other providers to deliver more coordinated and proactive care. The **place level** covers larger populations and is where partnerships of health and care organisations in a town or district come together to join up the planning and delivery of services, engage with residents and communities, and address health inequalities and social determinants and drivers of health. The **system level** covers the largest populations (typically regional) and is where health and care partners come together to set overall system strategy, manage resources and performance, plan specialist services, and drive improvements in areas such as workforce planning, digital infrastructure, and estate management.

Despite laying it out as such above, there is no distinct one-size-fits-all answer for what particular activities should sit at which level of an ICS. The division of roles and responsibilities between ICSs and their constituent neighbourhoods and places has not been laid out in guidance or legislation. Decisions to this end should be made locally on the principle of subsidiarity and co-production. ICSs tend to delegate significant budgets and responsibilities to place-based partnerships, and the integration White Paper outlines plans to introduce minimum expectations around place-level governance, leadership arrangements, and a new shared outcomes

framework from April 2023.

4.2.2 Implications for local governance

ICSs have significant implications for policy and practice of local government and, potentially, the delivery of neighbourhood services. ICSs require local authorities to play a key role in driving the health and social care agenda alongside NHS bodies and other key partners. This involvement brings three key benefits: joining up health and social care services at all levels, improving population health and wellbeing, and enhancing accountability and transparency through considered engagement with local residents and communities. However, the formalisation of local government's involvement in ICSs through the ICP and the representation of local authorities on the ICB does not always ensure an equal partnership. There is a risk that the focus on NHS resources and performance may undermine the sense of equal partnership, causing tensions between the NHS and local government in some areas. This demands doubling down on the relational mindset by clarifying roles and responsibilities, openly addressing power imbalances, sharing data and information, and embedding continuous evaluation and improvement of relationship dynamics and parity.

Another key implication is the need to foster cultural change, predominantly amongst leadership and management. Inclusive and relational values and behaviours must be developed through the use of 'action learning groups' that encourage experimentation, learning and contextualised practice. People from across a local authority and wider partnership should be involved to ensure commitment to improved service delivery runs deep and practitioners know what role they are fulfilling. Moreover, the involvement of the upmost senior leaders in developing relational and ecosystem-focused values and styles of leadership is also critical to the success of improved service delivery through the ICS model.

Beyond this, local authorities should look to identify potential trustworthy partners, build partnerships across different sectors and tiers of government, invest in the participation of local residents and communities, align incentives and goals across all partners, addressing organisational and systemic barriers (where possible) that frustrate collaboration, develop a style of leadership that is able to convene and champion place-based, partnership-driven neighbourhood service integration, and establish an effective system of internal audit, evaluation, and monitoring for better service delivery outcomes.

4.2.3 Integrated Care in practice

In the public sector, the work of Integrated Care Systems (ICSs) moves in the right direction in terms of integration, particularly towards a more systems-based approach

through initiatives like Wider Determinants of Health. However, trust and shared understanding remain crucial issues. Throughout the engagement with local authority corporate leadership for this research, concerns around the sharing of data and related issues of accountability were raised. ICSs have shown potential in linking together the levers of what drives population health. However, local authorities, particularly at the county level, and the NHS sometimes lack coherent data to inform the strategic direction of ICSs, resulting in a mismatch of data between partners and institutions. In some cases, this is leading to parallel trajectories failing to join up, sometimes due to genuine knowledge gaps and other times due to political choices, both of which frustrated considerably by a lack of comparative data and insight.

These concerns at the local level dovetail with a perceived lack of accountability within ICSs. For their part ICBs set the direction of strategy, while ICPs oversee how contracts and resources are used to address the strategy. Some with experiences to this end reported how this structure stretches the accountability gap further. Patients and residents are primarily concerned with outcomes and visible results, meaning there can often be a misalignment between the strategic priorities of ICBs and the needs and expectations of residents. What appears to be manifesting is that ICPs and lower-tier local authorities bear the brunt of the ire from residents over these misaligned priorities with little autonomy over feeding this back into the strategic direction of the ICS at the higher-tier level of ICBs. This dynamic is instilling a notable lag in accountability between institutions, causing a gap that is wider than what was initially expected. It is also reportedly putting residents off, as it is yet another bureaucratic nuance to have to explain when residents are looking for accountability over outcomes and results.

Another challenge within ICSs is the potential for misalignment between the funding and strategy of health partners and the delivery and operations of care services. Ensuring that local authorities, as the principal commissioner of care services, have a seat on the ICS Board would help to bridge this gap and fulfil the promise of a more integrated care system better. Moreover, the top-down strategic direction is reportedly frustrating, particularly for district councils and the VCSE sector. These stakeholders have said they often feel excluded from decision-making processes and the strategic direction of ICSs writ large. In some cases, this has led to disengagement and a potential lack of buy-in for ICS initiatives at a more local and hyperlocal level.

Furthermore, it is often these smaller-scale stakeholders who are responsible for delivering on the strategic direction of the ICB; if they feel as though their views are not being considered, coordination on the ground is likely to falter. Moreover, the centralisation of decision-making coupled with the setting of strategic direction is stoking concerns at the local, district and neighbourhood level over how resources are allocated within the ICS, with reported fears that the focus on integrated care

specifically might divert funding from other local priorities. Many districts see this as an encroaching loss of autonomy over local priority-setting and delivery that, without a more collaborative, relational and inclusive structure, only serves to add additional layers of bureaucracy and centralised power.

"There is no alignment of geographies between the various systems, which makes collaboration, and hence public service reform, challenging."

Finally, institutional power imbalances are a significant challenge within ICSs, addressing these power imbalances openly and honestly is essential for fostering a sense of trust and collaboration amongst partners. Participants at our roundtable discussions emphasised the distinct funding and organisational structures, cultures, and priorities of the NHS and local authorities, which can make it challenging for them to align their efforts within an ICS. Local authority leaders also expressed concerns about the NHS dominating decisions regarding resource allocation and service delivery, thereby limiting their influence over strategic direction in a local area or region. There was an identified need for a better understanding and cooperation between these organisations to develop a unified, socially-valuable and sustainable approach to integrated care. It is on this cooperation and trust that a vision for the area and how an ICS can help can be produced.

The Hewitt Review[28], published April 2023, has outlined a transformative vision for ICSs, advocating a move from traditional top-down management to an environment encouraging learning and improvement. The report promotes a 'self-improving' model for ICSs, where local accountability and streamlined data replacing would replace static national targets. It suggests an equal partnership between national bodies and ICSs, implying more local autonomy in decision-making and resource allocation, though the lack of substantial changes to the role of national entities could limit this. The review also embraces local diversity in the development of ICSs stressing its importance in pursuing a preventative approach to healthcare. However, the review does leave the relationship between providers and ICBs undefined, perhaps suggesting that should be approach differently depending on local context and structure. Despite the ambitious vision, the Hewitt Review's analysis and recommendations are very fresh and not yet government policy, leaving their potential impact uncertain. However, integrated care system practitioners and stakeholders should nonetheless take heed of the review's findings and act on rectifying any relevant critiques that apply to their ICS experiences.

28 Rt Hon Patricia Hewitt (2023) – The Hewitt Review: An independent review of integrated care systems

CASE STUDY

South Tyneside's approach to public service integration

South Tyneside is a local authority in the North East of England that has been notably proactive in its approach to public service integration. The area is committed to serving its communities by implementing a more efficient and collaborative system.

South Tyneside has a diverse demographic profile with distinct challenges. These challenges include health inequities, job insecurity, and a lower-than-average healthy life expectancy and life expectancy. South Tyneside Council, in collaboration with various stakeholders, has been determined to address these issues and improve the wellbeing of its population.

Their approach is founded on a 20-year vision for the borough that has been collaboratively developed with communities and sectors (public, private, and voluntary), in South Tyneside, emphasising a wholesale focus on place. With a population of around 150,000, the borough presents a varied demographic with significant health and social care needs. The council's integrated system is designed to respond to these needs effectively and inclusively.

The integration strategy in South Tyneside is underpinned by the vision for the borough, complemented by a refreshed health and wellbeing strategy, both working together to focus on community needs, assets, and aspirations. The strategic ambitions aim at transforming public service offerings based on

community needs and existing community strengths, and these are facilitated through structural support for service development and redesign. The strategy for public service integration in South Tyneside hinges on a co-production model that encourages direct engagement with local communities.

The council's willingness to directly engage with the community and incorporate their feedback is a standout feature. They have recruited COVID-19 champions (retained since as 'A Better U' champions) from their communities to help with messaging and support within local communities, particularly during the vaccine rollout, and established a network of community-led Warm Spaces, which are set to continue over the summer as 'Welcoming Places', underpinned further by support from multiple local agencies, from the NHS and Fire & Rescue through to debt support and energy efficiency advice. They have also worked with local community and religious leaders to communicate opportunities for co-production more effectively across communities.

The council has adopted an evidence-based approach too that not only leverages hard data and published research, but also incorporates local knowledge, opinions, and experiences through a university-led approach, engaging with seldom-heard groups and utilising local community assets, such as community associations, the VCSE sector, council buildings, and more.

Stakeholder involvement in South Tyneside is broad and includes public, private, and voluntary sectors. The South Tyneside Pledge is a key initiative that has brought together over 200 organisations to focus on local issues like procurement,

recruitment, volunteering, health, and climate change. This pledge has enabled the council to establish links between larger organisations and SMEs, fostering collaboration and localised procurement. Through this approach, the council has been able to encourage private sector companies to contribute to community activities and initiatives like the Warm Spaces support fund – where partners have been asked to donate funding, under the auspices of the South Tyneside Pledge, which was then used to support activities and provide food in the Warm Spaces during the heightened cost-of-living.

Several scenarios highlight the effectiveness of South Tyneside's public service integration approach. A standout example is the council's innovative response to low vaccine uptake rates. The council identified that the issue was not vaccine hesitancy, but the inconvenience posed by traditional vaccine appointments to those juggling multiple jobs and family responsibilities. In response, the council focused on a comprehensive outreach programme and was not afraid to try experimental approaches including consideration of a drive through vaccine centre for taxi & delivery drivers who due to the nature of their work were less able to attend 'off the shelf' appointments.

Similarly, during the vaccine rollout, the council worked with local community figures to disseminate information through local WhatsApp groups, demonstrating a simple, yet innovative, grassroots approach. They also quickly established "drop-in" vaccination clinics in pharmacies and other community venues, recognising that convenience was a major factor influencing people's decision.

Key lessons from South Tyneside's approach include the importance of direct community engagement, cross-sector collaboration, agility and responsiveness, and an evidence-based approach. These elements have allowed the council and partners to identify and address the real challenges faced by their communities and residents, as well as experiment with innovative solutions. Additionally, the system has learned the relational value of saying "yes" more often than "no", demonstrating a culture that empowers practitioners to take necessary actions based on data, insight, and community engagement. Finally, their ongoing commitment to tackling economic inequities and promoting better work conditions shows an important recognition of the role of good work and fair employment in public service provision.

The council is at the start of its journey with much more planned around insight, engagement and public service integration. This is happening at an interesting time in the North East with both NHS structural reform and devolution presenting both challenges and opportunities.

"Public services provide the people-focused infrastructure around which economic rebalancing needs to take place, alongside the role of local councils as place shapers in building civic pride of place."

CHAPTER FIVE

Modern delivery models

After sustained periods of outsourcing and insourcing, councils across England are attempting to arrive at delivery mixes – involving the public, private and third sectors to varying degrees – which best suit their localities and the needs of their residents. This section looks at the recent history and current local government views on mixed provision, with a focus on the conditions for successful collaboration in the fiscal constraints of the 2020s.

Key points

- A long-term shift towards an arms-length managerial mindset in local government, accompanied by expansive front-end service contracts, has been negated in recent years by a move towards insourcing and much more targeted contracting of services.
- Modern partnership working involves multiple partners delivering on different levels, with a requirement of shared civic purpose, mutual assurances and a relational mindset.
- Evaluations of partnerships have also expanded beyond a singular focus on value for money to include much deeper consideration of local impact and social value.
- The involvement of communities in the design of public services has also increased, particularly in establishing new models for outcomes-based integration.
- Trust and a relational mindset are crucial components of community engagement, with early input from service users being key to co-production and co-design.

5.1 Working with the private sector

Public-private partnerships (PPPs) in service provision have long been advocated for as a means of leveraging private sector expertise and financing to deliver better services and improve public infrastructure. However, trust in a mixed delivery model has been eroded by high-profile failures of provision, controversial contractual arrangements and the public dissatisfaction of some local authorities with their private sector partners. What cannot be denied, however, is the ongoing importance of the private sector in providing both public-facing and back-office functionality to councils, relationships which are of great importance in the current, extremely limited fiscal context. How public-private collaboration can be optimised to the benefit of councils and citizens across the country is therefore an issue which cannot be shied away from as part of a modern agenda for integration.

5.1.1 The mixed history of public-private delivery

The New Labour government of 1997-2010 were a strong proponent of PPPs, seeing them as a way to modernise public infrastructure and services on a national scale. The flagship policy of this era was the Private Finance Initiative

(PFI), first introduced by the Conservative government in 1992, but expanded and promoted under New Labour. PFI projects were used to build and maintain infrastructure such as schools, hospitals, prisons, and transport links – typically taking on a distinctly national and regional character. In local public services, PPPs have often taken the form of major delivery contracts, often covering multiple service areas, in the decades since the 1990s.

> "Too often in joint ventures has the council had to take all the risk with council money... There needs to be a revitalisation of public sector values with buy-in when writing up contracts."

At the turn of the millennium onwards, outsourcing and PPPs in neighbourhood service provision saw a shift in focus towards market-based approaches, best value, and new incentive structures. However, during the 2008 global financial crisis, interest rate costs associated with private finance rose dramatically, and transaction costs increased as financial market instability led to longer negotiation timeframes – a situation rendered even more costly for the public sector who were less adept at longer-term negotiations due to typically only receiving yearly financial settlements. The credit crunch and altered financial market dynamics saw 'monoline wrapped bonds', the predominant source of private financing for PPPs at the time, almost vanish overnight, causing considerable challenges for new projects – including delays, stretched out renegotiations, and failed deals the world over. In the UK, the average number of PPP projects reaching their financial close was halved[29].

Despite these challenges, the UK government displayed unwavering support for PPP markets by devising new political, financial, and institutional strategies to rescue the sector. Managing down costs and securing the cheapest of contracts became a modus operandi in neighbourhood service provision across local government. Nonetheless, debates about what services ought to be outsourced were common, particularly as the distinctions between statutory and non-statutory, neighbourhood and centralised services. Although an institutionalised managerial mindset persisted, these debates provided nuance to outsourcing and PPP usage at the local level, with an increasing focus on best value (rather than cheapest costs) beginning to manifest in the mid-to-late-2010s – aiming to strike a better balance between cost-efficiency and service quality[30].

29 Timmins (2010) – PFI projects hit fresh low as industry battles to close deals

30 Cox, Roberts & Walton (2011) – IT outsourcing in the public sector: Experiences form local government

The sector has thus undergone a significant shift towards insourcing and targeted contracting[31]. This change has been motivated by the desire to gain better strategic control over service provision and improve cost-efficiency, flexibility, quality, and public value. Prior to the pandemic, there was a mounting interest in insourcing across political lines and various government and institutional levels, including within the NHS. Local authorities across the political divide have actively reintegrated numerous services such as cleaning, housing repair, IT, road maintenance, social care, and waste collection. This movement has been driven more by practical, pragmatic considerations than any ideological stance, with the potential advantages including cost reductions, enhanced quality, seamless service integration, and increased strategic control over service management.

In 2018, the Cabinet Office embarked on a reform initiative to address the pitfalls of outsourcing, culminating in the publication of the Outsourcing Playbook in 2019 (later becoming the Sourcing Playbook in 2021)[32]. This document established a more stringent process for determining whether to outsource services. The COVID-19 pandemic further highlighted the importance of responsive and adaptable public services. In this context, local authorities and relevant stakeholders have continued on trend towards more strategic contracting of services and central government departments have continued to provide increasingly holistic commissioning guidance.

5.1.2 The current context

Collaboration must be a crucial aspect in delivering public services at a local level. It involves the active participation of different stakeholders, including local authorities, other public bodies (at a district and regional level), anchor institutions, the private and third sectors. This collaboration can take the form of partnerships, or other forms of collaborative agreements – notably through procurement. Local partnerships were heralded as important to achieving better public service outcomes across all seven of our regional roundtables. While the era of large, multifaceted, and long-term backend contracts in the private sector has passed, participants agreed that there remains a valuable role for the private sector in delivering specific elements of public services.

In the current economic conditions and under major fiscal constraints, local authorities and the private sector must work together to achieve the provision of public services that meet the social and economic needs of local communities.

31 Sasse, Nickson, Britchfield & Davies (2020) – Government outsourcing: When and how to bring public services into government hands

32 Cabinet Office (2021) – The Sourcing Playbook

However, this must come alongside an ongoing shift in the mindset of previous years, moving from focusing solely on cost-effectiveness to emphasising local economic outcomes and social value. Public-private ventures must be constituted with ethical principles and social value priorities in mind that align with the placemaking expectations and values of the communities and residents of the local area as best they can.

Despite understanding the value of partnerships, participants emphasised the importance of procurement focusing on local impact and ensuring that initiatives are genuinely local. This was borne out of a shared critique of a shrinking services market due to over-consolidation and a critique of the lack of local nuance in the approach taken to generating local social value by central government and some local authorities. Some elements of this critique are, to a large extent, inherent to the nature of local governance – for example, the need to fit results within political cycles and the laborious process of changing cultures across large organisations were cited by multiple research participants as obstacles to developing public-private partnerships which maximise local value.

Other elements, however, can be remedied through central and local government action. Some commonly-cited drags on the development of more effective partnerships were:

1. Budget constraints;
2. Levels of training within local authorities;
3. Fragmented decision-making;
4. Procurement processes with too heavy an emphasis on value for money.

Effective partnership working requires all parties to have a shared understanding of the goals and values they are trying to achieve. The suboptimal approach described by participants is sometimes resulting in misaligned objectives and poor trust and credibility. Furthermore, leaders described the focus on short-term gains or financial metrics, and the box-ticking exercise of 'X' percentage social value on contracts, as failing to account for long-term strategic goals or stakeholder engagement that social value legislation opens the door for.

Moreover, a perceived unwillingness to properly engage with social value frustrates partnership working, with the social value element of contracts failing to produce strategic value in accordance with a local vision and instead viewed narrowly as something to be tacked on, contract to contract, with little strategic purview. Funding capacity building in local authorities, as well as continuing with the reformed procurement guidance initiated by the Procurement Green Paper in

"The way local government delivers services to the higher standard desired is by collaborating across every sector."

2020, can help alleviate these problems and lift barriers to effective, locally beneficial public-private partnerships.

5.1.3 Conditions for collaboration

The systematic investigation of the relationship between preconditions, collaborative processes, and outcomes is also critical in understanding why and how a collaborative is faring or will fare. By examining the interplay between these factors, authorities can take proactive steps to address potential problems in the formation and functioning of collaborative local networks. To then sustain collaboration, local authorities must also always look to improve processes and be aware of the types of drivers behind the formation of a collaborative relationship, to ensure these factors succeed in delivering consistent results to universal satisfaction.

Participants emphasised the need for fostering a shared civic purpose, meaningful propositions, and strong leadership. They advocated for mutual assurances, trade-offs, and bespoke, tech-led innovations that draw on local history and purpose to inform public sector reform. Participants stressed the value of utilising broad local networks and getting academics on board with the placemaking agenda. They also acknowledge the positive progress in the maturity of conversations between commercial partners and the importance of judging suppliers by their impact on local vision and residents.

Managing partnerships effectively requires addressing perceived power imbalances, as well as having the necessary skills, capacity, and resources. Furthermore, transparency on goals and processes is key to establishing trust between partners, and public-private partnerships should be seen as 'anchors' in the delivery of local placemaking and levelling up goals.

Social value must be strategically directed and built upon to achieve meaningful outcomes, and participants suggested the establishment of place boards, which would include representatives from a diverse range of stakeholders. These boards could act as a "sounding board" for collaboration, providing valuable input and feedback on various projects and initiatives involving public-private partnerships. To achieve successful partnerships, trust, respect and understanding between partners is crucial. The appetite for data scientists and the importance of commissioning guidance and strategic nuance were also noted.

Data scientists can collect, analyse and interpret information from various sources to provide insights into local market trends, consumer and supplier behaviour and

various economic indicators. This information is not only invaluable for public sector decision-makers in identifying opportunities and challenges and adapting to change but is also likely to attract potential partners with aligned local interests. More data-driven and insight informed decision-making that data specialists provide improves the credibility of local authorities as partners, opening the door to a more mutually assured collaborative process. However, participants recognised the challenges of bringing data scientists into local authorities, as it requires resources and capacity, as well as job offers able to compete with large private sector firms for talent.

5.2 Involving communities and the third sector

Co-design and co-production of public services between councils and communities (often represented through the third sector) has been a fact of delivery in England for some time. Recently however, spurred on by the return to hyper-localism of the COVID lockdowns, there has been a push for more meaningful and substantial involvement of communities and the third sector. Properly understanding what this might mean in practice is a must for policymaking which seeks to improve and enhance neighbourhood-level services in England.

5.2.1 Consultation and engagement

Effective consultation and engagement with communities and residents is a vital component of successful placemaking and public service delivery at the local level. As people spend most of their day-to-day lives in a place, their collective and personal experiences of their locality, as well as their unique expertise, must be considered in the development of local policies and service delivery. Done well, consultation and engagement allows for an emotional connection to be developed between local authorities and residents, allowing for more complex and difficult matters to be approached holistically, grounded in the everyday experiences of residents. This is essential to the placemaking and broader development process as it reduces the likelihood of overtly negative impacts on communities and residents whilst ensuring that it is tailored to the expertise and needs of the people who spend their lives there.

As Localis put forward in 'The Connected Society', a toolkit on public engagement, local authorities should strive to understand three types of engagement from an internal perspective: reactive, directive, and proactive – with the prior two being an inevitability but proactivity being the standard to be striven towards.

Non-statutory engagements in particular play an important role in agenda setting, policy formation, and tracking the performance of public services to make

changes accordingly. They can also strengthen the basis for further opportunities for participation and even co-production later in the policy cycle. Effective consultation and engagement also requires good, well-managed channels of communication, to avoid residents feeling out of the loop and becoming disillusioned with the process or, on the flip side, feeling bombarded and fatigued with consultations coming too thick and fast. To this end, ongoing engagements should be relational in scope, with open-ended and strategic channels of communication to allow for a shared vision of placemaking to be negotiated and developed. However, resident participation should not be confined to specific instances of consultation, instead providing room for resident participation throughout a process, particularly in matters of refinement, design, and delivery.

Overall, trust and a relational mindset were identified as crucial components of community engagement, with early input from service users being key to successful co-production and co-design. Championing citizen power and fostering an involvement ethos were also discussed as important aspects.

While community involvement is considered the ideal way forward, participants recognised that achieving co-production levels of public participation can be labour-intensive and potential open a "pandora's box" if not managed well. Meaningful community involvement requires committed individuals and strong leadership.

Executives emphasised the importance of levelling up at the people's level, allowing them to have a say in the process whilst warning that winding down community involvement can inadvertently create more demand issues due to higher expectations. Furthermore, balancing expectations around the environment, the council's financial position, and the need to drive pride in place is a challenging task.

Participants noted the importance of coordination to avoid situations where numerous organisations from the public and third sectors deploy 'community connectors' into a single area with little alignment – often only serving to put most residents off involvement in the local political process. Trust is multifaceted, with personal touchpoints and trust in the system as a whole playing vital roles in genuine engagement. The group agreed that accountability systems focused on box ticking can hinder these trust-building efforts, as can the misalignment and fragmented approach previously outlined.

5.2.2 Communities and the third sector as delivery partners

In recent history, there has been a transformation in the way local authorities, third sector organisations, and community groups interact and function. The traditional

view of residents as passive consumers of public services, with local authorities delivering to satisfy need short-term, has gradually changed. This change is largely due to the challenges faced by the institutionalised managerialism of the decades prior. The new public management model largely responsible for this institutionalisation heavily relied on a straightforward, product-centric approach – boiling down the complex realities of public service provision down to more perceivably manageable chunks. However, this approach became inadequate in dealing with the increasingly complex and entangled reality of public services, as well as bearing the harsh brunt of reduced funding for the sector.

In response, a more service-orientated framework emerged, placing greater emphasis on the role of collaboration and joint value creation. This came with greater recognition of the need for a more dynamic and interactive relationship between public service providers and their respective residents. An important implication of this approach was to begin viewing public service users not just as consumers but also as citizens with broader societal and local interests. It is within this developing context that community groups and third sector organisations, with their nuanced understanding of local expectations and priorities, began to be acknowledged as vital partners in the provision of local services, with local authorities acting to bring these groups into the fold as active contributors.

This co-productive model of public service delivery is now becoming increasingly endemic in the sector, with trailblazer councils now adept at working closely with community groups and the third sector in enhancing the effectiveness of service delivery and engendering a greater sense of community involvement and ownership within local government. Nonetheless, there is much work to be done in ensuring that the rhetoric of co-production is put into practice in a way that is bottom-up and truly integrated, where community and respected third sector groups are active partners able to contribute their unique skillsets, resources and perspectives on local need and expectations.

Bottom-up integration requires genuine and at times formalised collaboration with community groups and stakeholders. Trailblazer councils at all tiers of governance have demonstrated an ability to drive public service delivery reforms that facilitate the participation of community groups in local service provision. Moreover, there has been an increase in public-voluntary sector partnerships to deliver local services beyond the scope of local authorities, something that should be encouraged, facilitated

> "...it's the face-to-face relational engagement with people, fostered in their communities where the council understands the holistic way in which residents live their lives... only then can you go further with co-production."

and supported where possible by public bodies.

The involvement of communities in public service integration emerged as a key theme in the seven-roundtable series with council leadership. Participants cited the significance of community power, resources, and capacity building to develop strong local relationships and trust. Inspired communities were seen as an untapped resource, and the importance of developing citizenship and engagement at the local level was highlighted. In addition, helping communities understand local government functions and the impact on their lives can improve relationships and build confidence in decision-making.

Building trust and sharing resources, both downwards and upwards, are also important factors in improving the outcomes of collaboration. Participants emphasised the importance of embedding co-production and co-design principles from the ground up, as well as the need for fostering community wealth building. To address antisocial and isolated communities, local leaders highlighted the significance of collaborating with the third sector and investing in the voluntary, community, and social (VCSE) sector. Moreover, roundtable participants agreed that a deep commitment to co-design and a renaissance in the role of elected members is essential to achieve genuine, human engagement with communities.

CASE STUDY:

Peterborough's interactive budget simulator

In the summer of 2022, Peterborough City Council's Financial Sustainability Working Group recognised a need for a change in approach. Public engagement in the council's budget setting process had remained disappointingly low, with an average of just 50 responses for a population of over 200,000.

The council also faced a difficult financial situation with the predicated budget pressure for 2023/24, and a substantial portion of their £214m budget tied up in areas with limited flexibility, such as adult social care and children's social care. They needed a way to get residents interested, informed, and involved in these complex budgetary decisions in a way that reflected local expectations and need.

To increase public engagement and raise awareness of the troubling financial situation, Peterborough City Council explored various innovative tools and decided on an interactive budget simulator developed by Delib. This was chosen for its intuitive design as the tool allowed participants to directly experience the consequences of different budget allocations. It also allowed the council to gather results in real-time, rather than waiting for a feedback report.

The council dedicated substantial effort to ensure the simulator was informative and engaging. They populated it with detailed descriptions of each council service

area and the impacts of budget changes. Users could, for instance, understand the implications of reducing spending in adult social care by 10 percent. The simulator's introduction page featured a video message from the council leader and was customised with the council's branding for a cohesive user experience and sense of organisational ownership over the process.

Upon launching the budget simulator, the council engaged in a multifaceted promotional campaign. Local media outlets, including BBC Radio Cambridgeshire and ITV Anglia, covered the initiative, bring the tool into the community and capturing live feedback. The council also utilised their social media platforms to spark discussions and discourse, sharing emerging trends and inviting local public opinion. The Youth MP and various community connectors helped reach wider demographics, included the city's non-English speaking communities.

The budget simulator initiative was a resounding success. In just four days, the council received more responses than they typically would during an entire budget consultation period. It sparked local conversations about budget allocation, and residents expressed surprise and sympathy at the complexity of balancing the council's budget. The tool provided valuable insights into residents' priorities, with education and children's social care ranking high. The majority also supported an increase in council tax to address budgetary pressures.

Despite the project's success, the council has acknowledged the need for further improvement. Although the 200 responses greatly exceeded the average 50, the council aims for even broader participation. For future budget setting, they plan to use the simulator again and expand its reach by taking it directly into neighbourhoods and communities. They are also looking to refine the tool to include more categories for prioritisation, making the budget allocation challenge more accessible and representative of local needs and expectations.

6. Conclusions and recommendations

Canvassing the views of senior corporate leadership within local government, as well as those of independent experts and central government officials, revealed a variety of obstacles to effective public service delivery, with an equally broad plurality of solutions. Yet throughout the project, prevalent themes emerged, from which the underlying principles for a modern public service integration agenda can be discerned. These seven principles are detailed below:

6.1 Seven principles for a modern public service integration agenda

- **Reliable, consistent and long-term funding.** Local leaders, elected and bureaucratic, require certainty in order to unlock the efficiencies which planning service provision over the long-term can provide.
- **An holistic understanding of public services and their interconnected nature.** Arbitrary divides between types of services and how they are funded do not allow for the kind of prevention-focused and outcome-oriented approach to neighbourhood public services which local authorities could provide in a less rigorously ring-fenced environment.
- **Trust between levels and tiers of government.** Knowledge of what local government does, and how, remains too limited in Whitehall, but trust must also be fostered between councils who share delivery responsibilities across tiers.
- **Deep internal insight into and understanding of performance data, shared across boundaries and between tiers**. While information on the outputs of public services is plentiful, there is neither a consensus nor a universal standard on the quality and purpose of data analysis – this prevents genuine insight and leads to potential innovations falling between the cracks of institutions with different capacities and divergent priorities.
- **External audit that is based on outcomes, not outputs, considering the totality of local circumstances.** Better audit is required for both the general public and central government to gain greater insight into the nature of council performance, but this must not come in the form of purely quantitative data which ranks local authorities. Audit must be purposive, focused on sharing best practice and identifying governance failures at the earliest possible juncture.

- **An integrated, systems-based approach to provision which focuses on upstream prevention and user outcomes.** Building on principle two, service provision of any given line must take into account the total aggregated impact of local public services on an individual user, with priorities set and resources allocated in a way which maximises upstream prevention and distributes strain across the system in the most efficient way possible.
- **Partnership frameworks based on long-term strategic goals which maximise local value.** Working with the private and the third sectors should be done in a relational, strategic manner where the priorities for residents are clearly spelled out and delivered to by all partners.

6.2 Recommendations

The policy recommendations drawn from this research are designed to move the English system of local public service delivery closer into line with the seven principles laid out above.

- **Councils should have revenue support for their neighbourhood service provision combined with money currently allocated through capital pots into a single placemaking budget.** Although funding has lifted in recent years, additional revenue support for local government in delivering neighbourhood services is required to uplift capacity after a decade of an increasing consolidation of council resources solely into the provision of social care. Rather than provide funds for levelling up through capital competitions, which are widely agreed to be inefficient and ineffective, funding for levelling up should be included in the placemaking budget.
- Placemaking budgets should be multi-year, with a five year budget being seen as the absolute minimum required to properly plan service delivery and levelling up.
- Councils should form placemaking boards with local partners and key stakeholders to provide input into strategy and delivery. These would ideally be formed at the county/unitary tier of governance and involve districts from across county areas as equal partners.
- The provision and delivery of these budgets should be piloted, with a long-term view towards establishing the kind of 'whole place budgets' which have been repeatedly proposed over decades of central-local relations in English government.

- **Devolution deals should include provisions to fund both the delivery of neighbourhood services and the capacity of councils to strategically coordinate provision across service lines to prioritise upstream prevention.** To date, devolution deals have been too focused on regeneration through capital injections and too proscriptive of governance models. Better public service outcomes, and the upstream prevention benefits which accompany them, are crucial to improving quality of life and pride in place. To properly deliver on the promise of levelling up, deals must be more flexible and include provisions focused on neighbourhood services and the councils who deliver them.
- **Subregional centres should be established for the collation and analysis of public service data, to be used as a shared resource for councils across a wider geographic area**. Councils of all sizes across the country struggle to recruit and retain data professionals of the level required to provide intelligent insight into public service output data. Subregional data hubs could help achieve the scale required to compete with the private sector in a labour market with high levels of demand, and act as a valuable resource for sector-led improvement.
- **The intended role and purpose of the Office for Local Government should be clarified and broadened from a reductive focus on data.** Central government must clearly articulate the goals of performance audit, particularly when policy goals such as value for money, delivering public value, or boosting economic development appear to be in conflict. The purpose and goals of OFLOG should be clarified and designed to prevent an oversimplification of local governance, ensuring that its role aligns with the broader of objectives of public service delivery and the levelling up missions.
- **Civil service training for policy professionals should include a core element focusing on the form and function of local government**. It is a widely shared sentiment that staff in central government departments do not fully understand the structure or the extent of local government functions, nor the capacity councils have to exercise these functions. This situation is exacerbated by the plethora of departmental initiatives with a local delivery element, which can and do overlap with and contradict each other. A universal standard for understanding throughout Whitehall – not just DLUHC – is a prerequisite for improving place-based public services across the board.

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