



Equipping local governments to deliver national and local priorities

Executive summary

Council budgets per person in England [have been cut](#) by 18% in real terms since 2010. Councils are hitting financial crises: twelve have issued section 114 notices in the last six years, compared with zero in the previous 17 years.

Representative institutions at all levels of government are suffering from declining legitimacy and increasing polarisation. Local government plays a vital role in increasing democratic relationships and trust.

Councils' wide remit, local knowledge, democratic accountability, public service ethos, and key roles in working with partners and shaping local places makes them critical to the delivery of all five of the government's key missions.

Local governments are best placed to operationalise solutions to interconnected problems, for example, improving public transport and encouraging more cycling and walking helps meet net zero targets. It can also deliver health benefits, reducing the burden on the NHS, as well as increasing productivity by giving businesses access to a wider and healthier workforce.

Action is required to ensure that councils are fit for purpose to make the type of contribution that central government requires of them. Underlying this is a lack of confidence in local government on the part of ministers and civil servants.

We have identified three areas in which the government must be confident if it is to equip the local level with more power: financial sustainability, performance standards, and community power and participation.

Policy recommendations

Financial arrangements

1. Provide multi-year funding.
2. End competitive bidding and deliver a "single funding pot" for each council/ local area that has been allocated fairly and sensitively to the needs and assets of the community.
3. Abolish council tax capping.

Audit and performance management

1. Strengthen the evaluation of councils' performance management.
2. Make OFLOG independent and extend its remit and approach.
3. Reintroduce effective management and support of council external audit by independent bodies.

Community power and participation

1. Strengthen the role of councillors as facilitators and catalysts of community-driven change.
2. Embed participatory governance to ensure lived experience and marginalised voices drive policy and service delivery.
3. Develop public-commons partnerships and community-wealth building to support community-driven sustainable economies.

About the research

As the [Layfield Commission](#) concluded 50 years ago, **local government funding should promote responsible and accountable government**. Beyond welcome recognition of acute financial challenges and commitment to multi-year funding settlements, there is a pressing need for additional immediate and longer-term action to improve Councils' financial position and strengthen local accountability.

Local authorities have different needs for funding, depending for example on levels of population and its composition, deprivation, and spatial factors. Central and local government should develop updated funding formulae and funding models which are as simple as practicable whilst capturing the key elements of local need, and as transparent as practical in operation. There are many reports researching available options for [fairer funding](#), approaches to [fiscal devolution](#), and local government funding [options](#).

Local audit, performance regimes and regulation each have a part to play. Both a [parliamentary select committee](#) and the [Redmond Review into the Oversight of Local Government](#) have sought to investigate the failings in local government audit. The latter in 2020 critiqued market driven audits, stating that the new audit arrangements have undermined accountability and financial management.

The adoption of the Redmond Review's proposal for an Office for Local Audit Regulation would provide oversight on procurement, management, and regulation of external audits of local authorities. The government could extend the oversight of local government performance management processes while avoiding the creation of an overly powerful national regulator, by adopting key recommendations on the future arrangements of OFLOG (the Office for Local Government).

Proximity means that local government can play a crucial role in improving relationships between government and citizens. By creating conditions to mobilise the diverse expertise and

resources of communities, local government can ensure that public policies and funding are informed by the assets, priorities and needs of local people and places. There are already many examples where local government has made progress with [innovations](#) such as citizens' panels and juries, the delegation of power to the [hyper-local level](#) and in [building inclusive economies](#).

We have over thirty years' worth of research on [deliberative democracy](#), [social innovation](#), and [co-production](#) evidencing the value of collaboration with diverse communities and stakeholders. Participatory governance is less about finding perfect solutions and more about [transforming organisations to engage with communities](#) in processes of co-producing mutual understanding, shared solutions, and a sense of collective ownership.

Our work on the [21st Century Councillor](#) can help with [enabling the role of councillors](#) not just as democratic representatives but also as facilitators and boundary spanners between institutions, communities, civil society and local businesses.

Community-wealth building, pioneered in Preston and several [London boroughs](#), can help strengthen the local economy with insourcing, linking public procurement to local cooperatives and social enterprises. These novel forms of governance can be formalised through [Public-Commons Partnerships](#).

Equipping local government to deliver national and local priorities will leave a long-lasting legacy of a well-resourced, effective, accountable, and engaged local government.

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