



**COMMISSION ON
THE FUTURE OF
LOCAL GOVERNMENT**

EXECUTIVE SUMMARY

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This Commission brings a fresh perspective to the role that local government can play in helping the UK meet some big social and economic challenges. We have based our work on **civic enterprise: a new leadership style for local government where councils become more enterprising, businesses and other partners become more civic, and citizens become more engaged**. We have analysed relevant research, the policy context and the many responses to our calls for evidence. We conclude that councils are doing a good job in difficult times and if they want to adapt they can do even more. We make five propositions about civic entrepreneurs, good growth, 21st Century infrastructure, a new social contract with citizens and English devolution. These are backed up not just by 'asks' of central and local government, but by commitments to act from leading national organisations that will ensure the idea of civic enterprise becomes a reality.

A perfect storm

Local government is in the eye of a perfect storm: financial cuts deeper than any other sector with more to come; indifference from large parts of Whitehall; relatively low turnout at elections; disconnection from many local people; economic stagnation outside London in a decade of low economic growth; unprecedented environmental challenges to reduce carbon and waste; social polarisation between local communities; fast changing policy context in areas like education and health; and rising demand for services all combine to signal an apparently bleak future for local councils.

Successive UK governments have often seen local government as part of the problem rather than part of the solution. Even the all-party consensus that localism is the antidote to the over-centralised UK state often leads to policies designed to bypass local democracy. The national media's coverage of councils too often promotes a cynical, negative or indifferent attitude that the sector needs to recognise and confront. We live in an unforgiving age when every missed bin, unreturned phone call and impersonal letter chips away at taxpayers' confidence in public services and trust in democracy.

The great untold story of public servants rising to the challenge

Yet every day millions of relatively low paid public servants provide valued services to local communities. When someone is in trouble, or there is an emergency, a council worker will often be one of the first at the scene. Given its role in safeguarding vulnerable children, adults and elderly people, gritting roads and cleaning up after riots, floods or acts of terrorism, local government is the UK's invisible emergency service. It is also arguably the sector – especially in the North of England – making the most significant contribution to reducing the UK's deficit, managing the impact of 28% cuts sensitively and effectively. Local councillors work tirelessly to champion the views of people and communities and provide local democratic leadership, in a way that is often not recognised.

This untold story of the positive side of local government is reflected in public attitudes. Polls show it is twice as trusted as central government, with seven

“The cumulative impact of policy change on local government has had a huge impact, and makes the Commission timely and important.”

Will Hutton

Principal, Hertford College, Oxford and Chair of the Big Innovation Centre



out of ten people satisfied with the way their council is running things. This strong public service ethos and civic pride is the DNA of local government that enables it to make a difference to the lives of people every day.

Local government must seize the day

Rather than waiting for central government to tell it what to do, now is the time for local government to seize the opportunity to shape its own future. The unequivocal message the Commission heard was that only local government has the mandate to lead cities and towns, and the public trust it to do so. Councils are becoming increasingly innovative and effective at producing good quality services and value for the taxpayer and they now need to look ahead positively.

In planning ahead, local government must rediscover the spirit of the original civic entrepreneurs, such as Joseph Chamberlain, who created the Victorian utilities and infrastructure that shaped Britain's great cities and Joseph Rowntree who, whilst growing his business, devoted time and resource to public life. Just as clean water, sewers and electricity were the utilities needed in the 19th Century, local government can help develop the infrastructure needed for the 21st Century. Councils can stimulate good local economic growth, ensuring that the benefits are felt by all, and forge a new social contract with citizens to reinforce and restore people's faith in local democracy as a progressive and vital British institution. Councils, and councillors, will need new approaches to do this successfully, such as utilising less formal social networks, participatory democracy, better engagement with young people and a broader influencing role, rather than the more formal traditional structures we associate with the public sector.

In considering the **future of local government** we make **five propositions**, supported by **commitments and calls to action** to ensure momentum and impact. The five propositions are:

Proposition 1: Becoming civic entrepreneurs

People change places and it is the civic entrepreneurs who permeate businesses, communities, councils and charities who change cities and towns for the better. There are crucial roles for councillors not only in being civic entrepreneurs but also in providing visible civic leadership to enable and support the work of others. We must find and celebrate good examples of individuals from all walks of life, and organisations from all sectors, to inspire others to do the same and more. This new era requires a new 'whole place' leadership approach to replace the managerialist, formulaic and hierarchical partnership approach that too often produces meetings and policy papers rather than action that improves people's lives. The public service ethos can endure, but it needs to adapt

"The Commission will use this to achieve a credible platform of change."

Lord Victor Adebowale
Chief Executive,
Turning Point



ONE IDEA – CIVIC ENTERPRISE



FIVE PROPOSITIONS

- Becoming civic entrepreneurs**
- Stimulating jobs, homes and good growth**
- Establishing 21st Century infrastructure**
- Devising a new social contract**
- Solving the English question**



COMMITMENTS AND CALLS TO ACTION

if citizens are to become advocates of their council. Cities and towns should continue to revitalise joint working through new, local government-led civic enterprise networks, with distinctive ambitions, common working values, and sharply focussed actions. This should focus on results based accountability to cut through bureaucracy to action, replace unpopular corporate communication with personalised and direct engagement including social media, develop shared leadership programmes and a learning culture.

Local ward councillors must reclaim their leadership role as the accepted and mandated voice of citizens who enable all sectors to take action together in campaigns to improve people's lives. They need recognition and support, to help them enhance their role as key influencers and door-openers to other community leaders who can make things happen, such as GPs, head teachers, community, youth, voluntary, faith and business leaders.

Proposition 2: Stimulating jobs, homes and good growth

Businesses create wealth, not the state, but local government can create the conditions for enterprise to thrive by engaging the private sector and universities to develop their distinctive economic assets. In a decade of low growth, where the old models of funding economic and housing development have gone, councils can become a vital part of micro-economic policy, especially to create and support good growth with socially responsible approaches to employment and economic wellbeing. An example is councils using food waste from households and schools to produce energy through anaerobic digestion plants.

The financing of local government is changing, with councils relying substantially on business and housing growth to generate additional business rates and council tax income, so the future of local public services depends much more directly on economic success. Councils have a range of options to capitalise on these changes, for example, by taking advantage of Tax Increment Financing (TIF). They can invest in infrastructure and skills, provide direct support through rate relief and grants, reinvest in business and housing through the Community Infrastructure Levy, New Homes Bonus, and Section 106, and share risk and provide support through loan guarantees. Government should give councils greater powers to vary taxes through business rates and help councils access borrowing at the lowest costs, including the removal of any margins from Public Works Local Boards funds, and facilitating access to other funding sources like municipal bonds. The Bank of England could support local growth by providing funding for small businesses through Shadow City Bank Boards based on the German Landesbank model. Most of all, given the vital economic role of councils, it would be a false economy for the next Spending Review to penalise the sector, especially in the North, for its success in achieving savings.

Proposition 3: Establishing 21st Century infrastructure

In the 19th Century local government started to provide the infrastructure and utilities of water, electricity, sewers and public health. The new economic, social, environmental and technological challenges of the 21st Century and beyond demand new infrastructure and different utilities to help create smarter towns and cities. Councils have a central role in commissioning

“The role of businesses in shaping cities and towns is important. They need to be involved at all times, starting with policy development, rather than only when controversial decisions need making.”

Prof David Begg

Chairman,
Commission for
Integrated
Transport



this new infrastructure, for example enabling affordable and good quality ultra-fast broadband, low carbon energy and cheaper fuel bills, housing for first time buyers and older people, and transport systems. There is also a case to think differently about the social infrastructure that the 21st Century demands: how to create multi-use assets that have social value and act as community hubs, including public spaces and parks, schools and cultural amenities. Towns and cities need to find new approaches to bring together dynamic local intelligence and understanding to inform better modelling, decision making and action to run local assets, for example, replicating the power of the Rio de Janeiro Smart Cities Hub.

Proposition 4: Devising a new social contract

Society faces big challenges that cannot be solved by the state alone, but require the state to orchestrate action. Polls suggest that the public know that they need to do more, with many willing to do so, but equally they cannot do so without well-functioning public services. The challenge is to change the nature of the relationship between the citizen and the state, rebuild trust and ensure good local integration between health, social care and other services.

Our ageing population brings with it a number of challenges. The existing system of care and support is no longer fit for purpose and the gap between demand, funding and provision is forecast to increase further. For older people, local authorities should use their leadership role in Health and Wellbeing Boards to bring the entrepreneurial resources of citizens, communities and all sectors alongside integrated health and social care. Central government must ensure the adequate resourcing of care, by building on Dilnot's findings and supporting local integration.

Outcomes for children from disadvantaged backgrounds are not good enough and the state is not managing to engage with many of these families. The economic outlook and welfare changes could make this worse and if schools do not work with other local services we are likely to let down even more children. Additionally, outcomes for children in care are unacceptably low and the costs of intervention are prohibitive and rising. The relationship between the state and families who need support has to change and be based on a restorative high support and high challenge way of working to help people be more productive and make positive choices. Those in positions of authority should therefore do things with families rather than to or for them. Collective action, led by local government, could be accelerated and communicated under the banner of a new social contract with citizens that would include support for the Troubled Families Initiative and encouraging schools to be part of a community that supports wellbeing.

Proposition 5: Solving the English question

One size no longer fits all in the UK. Devolution to Scotland, Wales, Northern Ireland and London has created very different environments for local government, with a more positive and better supported role in the devolved settings of Scotland and Wales. In all cases, more power should be devolved from the overly centralist and silo'd Whitehall, closer to communities who have a stake in the success of places and who should then see a closer link between politicians and positive action. The Barnett formula is outdated and many argue, particularly in England, that this should be reviewed.

“Engagement of youth in the process of democracy is important. This goes well beyond studying citizenship.”

Dame Jo Williams

Chair,
Care Quality
Commission



By involving Leeds, Glasgow and Cardiff, this Commission has clearly demonstrated that different approaches are needed in the countries that make up the UK. For England, the current governance system is unsustainable, and needs to be considered, especially before any further cuts are imposed. Central government should address the unfinished issue of English devolution by devolving significant powers and resources from Whitehall and Brussels on the drivers of productivity, skills, transport and innovation. Building on City Deals, powers could be given to councils or collections of councils (such as Combined Authorities) that reflect the way local economies and markets work. In a decade of low growth and austerity, attempts to rebalance the economy geographically will only succeed if local areas can take more control over their own destiny. This requires new and vibrant public-private ventures that enable councils to become more enterprising and businesses to become more civic.

“Local government can be a galvanising force for social and economic change, especially in an age of austerity.”

Simon Parker

Director,
New Local
Government
Network



What next: our commitments and calls to action

The Commission concluded that producing a report with asks of government and councils was important and these calls to action are listed below. One difference of this Commission is that we have agreed commitments to action with a range of bodies to translate the idea of civic enterprise into practical action, promote good practice and do further research. Our ambition is to create a movement of like-minded organisations and people who can together tackle the big challenges facing the UK.

Calls to action:

1. **Local authorities** should take full account of this report and how it relates to their own contexts, using the characteristics of Enterprising Councils as appropriate (see appendix).
2. The Commission asks that the **UK government** produces a formal response to this Commission and that it considers:
 - a) whether any central government departments or government agencies could become more enterprising and join the Civic Enterprise Network;
 - b) taking early steps to devolve economic powers through City Deals, e.g. through Combined Authorities or their equivalent;
 - c) incentivising public-private partnerships to develop new 21st Century infrastructure;
 - d) ensuring the adequate resourcing of care, building on Dilnot’s findings and giving councils a leadership role in creating a new care system;
 - e) a review of the Barnett Formula in order to develop a more robust, fairer and more sustainable funding formula for the UK;
 - f) reconfiguring departments in Whitehall, within existing resources, to create an ‘English Office’ with appropriate Ministers, Permanent Secretary and Select Committee.
3. The **Bank of England** should consider establishing Shadow City Banks in the German Landesbank model to channel Quantitative Easing resources more directly to small businesses.

Commitments to action:

4. **University of Leeds, Leeds City Council, IBM, 2020 Public Service Hub at the RSA, and PwC** will establish a Civic Enterprise Network to identify and connect the civic entrepreneurs who are developing smart 21st Century cities and towns.
5. The **Trades Union Congress (TUC)** will identify and champion public servants who are civic entrepreneurs making a difference to people’s lives.

6. The **Local Government Association (LGA)** will establish a network of Enterprising Councils and a national cross-sector leadership development programme.
7. The **Society of Local Authority Chief Executives and Senior Managers (SOLACE)** will explore and define important characteristics of good place leadership that can enable civic enterprise to flourish.
8. **INLOGOV (The University of Birmingham)** will create a bespoke development programme to enable councillors to take on their community champion role.
9. **New Local Government Network (NLGN)** will identify through its Commission on Localism those policies most likely to reconnect citizens to democracy to give more autonomy to citizens.
10. The **Confederation of British Industry (CBI)** will promote the positive role businesses can play in civic leadership, including developing sustainable employment for our young people through apprenticeships.
11. The **National Association for Voluntary and Community Action (NAVCA)** will identify and champion great examples of civic enterprise and civic entrepreneurs from the third sector.
12. **IPPR North** will:
 - a) bring forward more detailed proposals for devolution of financial powers to local government and new financial instruments as part of its work with the Northern Economic Futures Commission.
 - b) develop a Spending Review North programme to feed into the next comprehensive spending review.
13. The **2020 Public Services Hub at the RSA** will carry out further research to support the development of new infrastructure – physical and digital – that will underpin quality public services and sustainable economic growth in 21st Century cities and towns.
14. The **Core Cities Group** will demonstrate how urban Councils are utilising their economic influence to enable good growth in jobs, economic output and housing, as well as reducing dependency, and making the case for further devolution to support this.
15. The **Centre for Cities** will do work on ‘Growth in Austerity’ and make proposals for the spending review to suggest how funding and powers can support all urban councils to enable growth in jobs, economic output and housing.
16. The **Joseph Rowntree Foundation (JRF)** will carry out further research to understand how local government can meet the needs of citizens in deprived areas, and how society and the state can work together for the common good.
17. The **Association of the Directors of Adult Social Services (ADASS)** and the **LGA** will make the case for local government to lead and champion an integrated care system focused on prevention, civic enterprise and partnership, with sufficient funding for success.

In conclusion

Civic enterprise is only an idea, but ideas can be powerful drivers of change that can unite people regardless of their politics, sector, geography or background. We live in difficult times and the only answer, in the absence of additional public money, is to get better, quicker and more effective at improving people’s lives. Civic action needs a mandate and an anchor body to organise and legitimise it, as well as functioning public services at its heart. Local government is that mandated body and we would invent it now if it did not exist. Civic enterprise can provide the new leadership style that will allow councils to build on their good response to such challenging times and have an even greater impact on helping to solve some of the big economic, social and environmental challenges facing the UK.

The idea of enterprising councils and civic businesses has resonated very widely with many people. We are setting up a Civic Enterprise Network to continue the momentum of this dynamic thinking, stimulate further commitments and provide an online resource for more practical support that draws on the evidence we received. The perspectives, support and evidence provided by Glasgow and Cardiff have been invaluable to illustrate the similarities and differences across the UK. Cardiff and Glasgow are committed to the general direction of the Commission, in so far as the approaches are applicable to their contexts.

“Councils continually change and innovate. The LGA will ensure there is a strong network of enterprising councils to support and develop new ideas.”

Cllr Sir Merrick Cockell
Chairman,
Local Government



Commission Members:

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(Leader, Leeds City Council) – Chair of the Commission
- Cllr Gordon Matheson**
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* Cllr Matheson and Jon House are committed to the spirit of civic enterprise and the work of the Commission in so far as it applies within their particular devolved Scottish and Welsh contexts.

Website: www.civicerpriseuk.org

Knowledge Hub: www.knowledgehub.local.gov.uk/group/futureoflocalgovernmentacivicerpriseapproach

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