A firm foundation for change

Towards a new operating model for local government in Wales

Over the last 18 months, a group of leaders, chief executives and local government experts has been exploring how an incoming Welsh Government can work with the sector to develop a new operating model for local government in Wales.[1]

This note brings together the conclusions and recommendations that we, the group, have reached. This package of measures would create the conditions for the sector to develop a more sustainable future for councils. A full list of the positions and recommendations is provided below.

The group is calling on the incoming government to act quickly to:

- Address the systemic weakness of the current finance system by introducing measures that increase the resilience and autonomy of councils.

- Streamline and strengthen the approach to accountability, to reduce the administrative burden while also providing a more robust and systemic approach to assessing the performance and financial health of councils.

- Work with the sector to develop a workforce strategy and collaboratively address the current and anticipated skills gaps.

- Invest in rebuilding the capacity for innovation in the sector so that there is a coordinated, sector-led effort to develop, test and implement new models of delivery.

These actions, and the associated recommendations, need to be underpinned by agreement on the purpose and functions of councils, and a shared vision for what the council of the future will look like.

Action by Welsh Government will also need to be accompanied by action within and by the sector. The development of a new, more sustainable model for local government can only happen with leadership from within the sector. An incoming government can facilitate and enable change, but this will not be enough. Leaders within the sector need to take on the challenge of developing more sustainable models in collaboration with other councils, other public bodies, and the communities that they serve.

April 2026

---

[1] See Annex for further details on the composition of the group.

The positions and recommendations of the group

The current model of local government is no longer sustainable. Financial pressures, including rapid increases in demand for statutory services (particularly social services; education and additional learning needs provision; and housing and homelessness) and the lingering effects of years of austerity, have meant that local government has had to stretch, economise and reshape itself to continue to deliver frontline services.

For most authorities, more than two thirds of the budget is spent on just three cost areas: social services; education; and housing and homelessness. While most authorities have maintained frontline service provision and workforces to an admirable extent, provision in other services, including those which are most visible to the public (e.g. road maintenance, public realm, community spaces), has been squeezed and council workforces cut.

This has resulted in a hollowing out of the strategic and long-term planning functions of councils, with senior staff instead focusing by necessity on meeting ever-increasing demand for services and short-term cost pressures.

A combination of factors including ill-health, an ageing population with low fertility rates, and low levels of economic growth mean that demand and costs are likely to continue to rise into the foreseeable future and the overall financial envelope is not likely to significantly increase. This would mean a still-increasing proportion of the budget being spent on addressing demand-led, statutory services, gravely affecting provision elsewhere and having implications for democratic engagement.

The approaches that have historically been taken to cope with falling budgets while maintaining frontline service provision have run out of road. For instance, back office capacity can scarcely be further reduced and most efficiency savings have already been made. This has been the case since before the Covid-19 pandemic (Downe and Taylor-Collins, 2019). Therefore there is a risk that, if nothing is done, local authorities may no longer be able to meet their statutory obligations, resulting in a section 114 notice and effective service collapse.

This would have grave consequences for the provision of local public services and the place leadership role which our citizens value, as well as for the care of the vulnerable and for the legitimacy of the state as a whole. There is, then, a need to rethink how local government operates; what its role should be; and how it is funded, informed by a clear, purpose-led vision.

The areas we considered, and the recommendations and positions we have adopted, are set out below.

The purpose of local government

The core purpose of local government is **the unique connection between local government; citizens; and places, exemplified by local democracy**. Some ways in which this plays out are that:

- Elected members can understand and represent residents' interests in decision making processes and be held to account for this.

- Councils can design and deliver services that are responsive to local contexts.

- Councils can play a leadership role in their local areas, collaborating with and coordinating contributions from communities, third sector organisations, businesses and other public bodies, with the aim of improving outcomes for a local area and its population.

Importantly, it is the democratic and representative functions of local authorities that enable this connection by providing a clear line of sight between decision-makers and citizens. We do not believe in local government as simply a delivery body or administrative agency responsible for delivering services decided by others. Nor do we believe in local politics as a microcosm for national politics and national

issues. Rather, local government should involve direction-setting and decision-making overseen by local elected politicians, connected with their local areas.

We recognise as well that our relationship with local people has been tested and is now too often characterised by disillusionment, mistrust and disengagement. In developing a new model we will need to rebuild trust and engagement. We believe the value, role and purpose of local government lies in building and exemplifying the specific relationship between place, people and government. To get there, we will need to move toward a model of democratic self-government, including the involvement of local people in making and agreeing decisions in their local areas.

The functions of local government

Due in part to fiscal and demand pressures, there has been discussion around whether some functions could be reorganised, either so that they are no longer delivered by local government or so that they become delivered by local government. **We have no appetite for radical changes to the functions for which local government is ultimately responsible**.

In Wales, councils are responsible for over 1,450 services and functions (Audit Wales, 2021). Typically, a distinction is made between 'statutory' services, which are required by law, and 'non-statutory' services where there is no specific legal requirement to deliver. However, in practice this is often not clear-cut. Non-statutory services are often longstanding and valued areas of activity such as leisure and recreation, and statutory services are often provided beyond legal baselines or in association with other areas of activity.

We do not feel there is merit in removing responsibility for social care from local authorities as local government has institutional experience and expertise; established relationships and networks; and connections with other public services that would need to be replicated at cost in time and resource by another organisation. Any other delivery organisation would also face the same issues of increasing demand and funding difficulties as local government does currently.

There is a strong case for better integration of public health with local authority decision making but a wholesale transfer of responsibility and functions comes with risks, particularly for smaller authorities who may not have the resources to exercise these functions effectively. Better integration with public health and other public services would also support early intervention and prevention which we support as a priority for councils, but which are currently under-resourced due in part to the need requirement to address acute need and demand for statutory services.

There was discussion about which functions, and which elements of functions, are best held and delivered at a local or hyper-local level, and which could be delivered or held in collaboration with others (for example other local councils or other public bodies); and / or at a national level. This does not need to mean formal reorganisation of functions (although it could). It could instead mean separating out aspects of functions to see which could be delivered at different levels. For instance, strategic direction for areas such as economic development might sit more naturally at a regional level, but 'tactical' or operational decisions and delivery responsibility could remain at a local level.

We support **collaboration** between councils and other services where this adds value and is not duplicative. Collaborations built on shared interests and priorities, which are built from the bottom up and with a strong sense of ownership, are more likely to provide added value such as reduced costs; increased resilience; or quality and service improvement. Collaboration will also be key for developing joined-up multiagency approaches such as person-centred working.

While national policy, legislation and funding has a role in facilitating collaboration, where processes or forms of collaboration do not have buy-in or a clear purpose, they risk being little more than bureaucratic exercises.

The current **regional partnership landscape needs to be adjusted and simplified** because it is too often complex, duplicative and under-resourced to make effective change. Better partnership working could follow from a harmonised and more efficient regional structure developed collaboratively between local authorities and Welsh Government.

Underpinning all of our recommendations is the need for a **stronger partnership between local government and the Welsh Government**, built on mutual trust and respect and a shared understanding of the purpose and functions of councils, and a shared vision for what the council of the future will look like. This will be critical not just in ensuring better ways of working or an adequate finance system, but also in ensuring we can develop new operating models fit for a sustainable future.

Recommendation	Responsibility
Adjust and simplify the regional partnership landscape	Welsh Government, in consultation with local government
Improved partnership working between Welsh Government and local government	Welsh Government Local government

Local government finance

Improving the current local government finance system is critical to any reform agenda and is an immediate priority for action. An independent assessment commissioned for the group (Muldoon-Smith, 2026) found that the current local government finance system in Wales has systemic weaknesses. Discretion is limited by regulatory requirements and the need to fund demand-led services, and there is little true fiscal autonomy. While there are also strengths in the Welsh finance system, the overall assessment is of a system with 'low resilience and autonomy' (Muldoon-Smith, 2026: 37).

However, given an overall context of significant fiscal constraints, we do not see much scope for significantly increasing the funding envelope for local government. Therefore, there is a need to find ways to make the current settlement work more effectively; to increase the flexibility and revenue raising opportunities available to local authorities; and to simplify oversight and monitoring processes to allow better join-up across services. **Reforms which increase the resilience and autonomy of local government will facilitate the development of a new operating model and support the future sustainability of local government.**

The guiding principle of reform should be meaningful subsidiarity and autonomy for local government, reflecting the need to align delivery responsibility with control over revenues as far as possible.

There should also be a presumption that any responsibilities held by local government should be accompanied by sufficient funding to discharge these responsibilities. This implies resourcing local government such that demand-led services do not overwhelm our budgets. It is also important, however, in ensuring that new interventions or responsibilities are not handed over to local government without a clear plan for how they are to be resourced and delivered. Our recommendations, to be most effective, should be pursued as a package of multiple interventions by the Welsh Government.

Recommendation	Responsibility
Responsibilities held by local government, both existing and new, should be accompanied by sufficient funding to discharge these responsibilities.	Welsh Government
Implement multi-year funding cycles for local government, at a minimum over a three-year cycle. • This would allow for greater certainty in funding and enable longer-term planning of workforce deployment and service provision, among others. The OECD norm is for three-five year settlements and, in England, there is a move towards three-year settlements.	Welsh Government
Reduce ringfenced grant spending to 10% with an ambition to eliminate ringfenced grants entirely over the longer term. • At present, 21% of local authority spending is ringfenced and can only be spent on specific programmes. Reducing this would increase flexibility.	Welsh Government
Improve and recalibrate the existing financial equalisation mechanism with up-to-date data and new metrics to better reflect need. • The equalisation mechanism built into council funding is a recognised strength of the Welsh system, aiming to ensure that greater funding is provided to areas of greater need. To modernise this system and better reflect the diversity of need across Wales, we should improve and recalibrate the equalisation mechanism using factors like rurality, entrenched poverty, and social care demand to ensure that decisions are based on the best available information. Periodically updating these data will ensure that the equalisation mechanism does not become skewed over time, and making the process more transparent could increase trust in the system.	Welsh Government
Undertake council tax revaluation as soon as possible in the next Senedd.	Welsh Government
Explore and evaluate additional sources of revenue such as road pricing; visitor levies; environmental taxes; and fees and charges. • Road pricing could be considered as a replacement for existing vehicle and road taxes and administered by local authorities as the highways authority in their area. Funds could be hypothecated to road maintenance; public transport; and supporting modal shift (including reducing congestion), and a more ambitious version of this proposal would collect time and location of use data to enable differential charging models. • Tourism and environmental taxes could also generate revenue. • Local authorities could be given more discretion over setting the levels of fees and charges and how revenue is used.	Local government Welsh Government
Consider whether local authorities could be granted an increment of existing income and consumption taxes or the power to levy taxes of their own. • This could be granted to local authorities, either as an increment of the total tax take or as a new local tax, e.g. a local income or sales tax. This would support greater fiscal autonomy and connect local policy choices with the income generated by local authorities.	Welsh Government

Explore municipal bonds (community or commercial) for financing of capital projects. • These could be community municipal instruments, offering the public the ability to invest in local infrastructure developments that provide community benefit or specific advantages to investors. Commercial bonds (which would require legislation) would allow for a greater scale of investment if used prudently.	Local government Welsh Government (to enact legislative changes)
Implement a transparent and independent financial monitoring system to improve oversight and provide early warning of financial distress. • This would support resilience by offering an early warning system of where local authorities might run into financial difficulties. It could be modelled on the 'traffic light' system used in Japan, or other examples of international best practice. The intention of such a system would be to be preventative instead of punitive: by providing early indication of where financial difficulties are developing, plans can be put in place to mitigate any increase in demand or other factors that are causing the pressure. This system could also include other indicators around outcomes (learning from the Peer Panel Assessment process) to consider other aspects of council performance.	Welsh Government
Rationalise, harmonise and reduce the volume and diversity of data required to be reported to Welsh Government while maintaining effective oversight. • A starting point would be to review the metrics that are required to be reported.	Welsh Government Local government
Move towards an outcomes-based funding and monitoring framework with increased flexibility in how money is spent. • This would allow local government to deliver services more flexibly and responsively to local need, with success determined by a shared set of outcomes relating to key policy areas. Outcomes and any outstanding delivery requirements should be agreed between Welsh Government and local government, with a focus on reporting against simpler, more transparent and harmonised metrics. This could allow more joined-up working around individuals, and a shift towards prevention, for instance, by freeing up the funds and capacity currently spent on monitoring, oversight and compliance, and enabling services to be delivered differently.	Welsh Government Local government

Workforce, leadership and culture

Developing a new and more sustainable model for local government implies tackling issues with our workforce, including headcount; morale; and meeting skills needs. It also requires strong, transformational leadership approaches and the development of open organisational cultures which can foster innovation. Clear and consistent leadership from within the sector is crucial not only for the development of internal culture, but also to drive change with other public bodies and with the public which they serve, and to make and reinforce the case for change.

Workforce

Local government headcount has dropped by about a fifth in the last decade, and remaining staff are working harder to fill the gaps. Because many local authorities have prioritised protecting frontline

service delivery, this is particularly apparent in local authority corporate centres which have been hollowed out, with many people taking on multiple roles as a consequence. This hollowing out has implications for local authorities' capacity to deliver new ways of working (see below).

We can also see increasing issues surrounding recruitment and retention, particularly in service areas like social care which are affected by low pay; poor working conditions; and lack of career progression. There are structural barriers to career progression across local government, with few more senior roles available and low turnover in these positions. Skills gaps are emerging as some local authorities struggle to recruit to more technical roles, and pay can lag behind the private sector for certain positions. Illness and low morale also affect staff in local government with stress-related sickness rising.

Recommendation	Responsibility
Reform working conditions in local authorities to better support staff. • This could be through providing adequate support for staff well-being; increasing flexible working arrangements and opportunities; and using targeted retention packages, alongside changes in culture and leadership to reflect an open and nurturing approach.	Local government
Undertake strategic workforce planning on a collaborative basis to identify future skills needs and existing skills gaps, and to rebuild local government corporate centres. • This can help us to understand what skills are required both now and in the future. This would account for new and emerging trends (e.g. the impact of AI on the labour market) and the development of new operating model(s). Strategic workforce planning could also be used to rebuild corporate centres in order to manage processes of innovation and change, or to improve and better co-ordinate service delivery. • Such a plan would enable the sector to target these skills and roles in recruitment, and to work with the Welsh Government to develop programmes designed to ensure skill pipelines and pathways are filled. It would also serve to highlight some of the challenges that require national solutions (e.g. divergence in pay and terms and conditions across the public sector). • Roles could be redesigned to separate out tasks which must be delivered locally from those which could be done remotely to enable more efficient working.	Local government Welsh Government

Leadership

Leadership is key to fostering good organisational cultures and in facilitating innovation and change. It can also support good service delivery and clear, consistent accountability mechanisms.

Local government leadership comprises both elected members and officers, both of which require role-specific attributes in order to succeed and both of which can facilitate or obstruct efforts at change.

Recommendation	Responsibility
Review the support and training offered to Councillors / elected members in light of the need to move towards a new operating model.	Local government

• Training could support elected members as we transition to a new operating model and/or a new relationship between them and their communities. • Maintaining high standards and conduct will also be important.	
Senior officers should adopt transformational leadership methods based on a behaviour-based leadership model. • Transformational leadership can support sensitive change management. • Behaviour-based leadership involves selecting leaders based on, for instance, how they lead and support teams (what culture do they promote, how do they achieve the required outcomes), how they build and sustain relationships, and how they collaborate with others. This could help to tackle a perception within parts of the local authority workforce that leaders are remote and unaccountable.	Local government
Senior officers and managers should be given adequate time and space for reflective practice and development, and peer support networks should be in place to support this.	Local government
A pipeline of future leadership candidates should be identified and supported through mentoring, participatory opportunities and formal and informal training. • This should support the acquisition of higher role-specific skills such as managing interactions with elected members and political leadership, and strategic thinking.	Local government
External recruitment should focus on bringing in individuals with diverse skills and experiences including business acumen or private sector experience.	Local government
Leaders should facilitate and encourage digital transformation, including the adoption of AI, on a transparent and accountable basis. • This can support with service delivery and increasing productivity, among other potential public benefits.	Local government

Culture

Good organisational cultures are critical to maintaining employee commitment and morale as well as supporting the delivery of organisational values. It is therefore critical that we foster and develop a culture that allows local government to effectively achieve its objectives, including supporting the development and implementation of new operating models and ways of working.

Leaders have a key role to play in catalysing, mediating and stewarding cultural change. Organisations where leaders (at all levels) perceive that they have permission to do things differently and, crucially, 'freedom to fail' if changes don't work out, will be more successful at developing open and innovative cultures.

We recognise that there is a feeling in parts of our workforce that this is not always the case and that there can be low tolerance for failure or for stepping outside of established norms. Risk aversion can also act as a barrier to change.

Recommendation	Responsibility
Local government organisational culture should be open, innovative and responsive. The desired culture should be clearly articulated and integrated into and underpinned by a council's Corporate Plan, Medium-Term Financial Plan, and its transformation agenda.	Local government
Leaders, both officers and elected members, should provide support and backing to testing new approaches, recognising that not all will succeed or will succeed right away.	Local government
Councils should be clear about where and how collaboration will help to drive learning and change, and to achieve the development of different ways of operating.	Local government
Councils should aim to participate in (and perhaps foster) local innovation ecosystems which might include community groups; think tanks; academia; private sector stakeholders and others who could identify ideas and practices from elsewhere which could be implemented within public services.	Local government
Councils should have a clear mechanism or approach to support the development or adaptation of new operating models, including the approaches recommended below.	Local government
Involve frontline staff and service users at the core of innovation initiatives, especially where they affect day-to-day delivery, with opportunities for codesign or user input emphasised.	Local government
Offer staff the opportunity to feed ideas for change into their organisations and schemes for evaluating ideas promoted, and innovative behaviour rewarded to reinforce the desired culture change.	Local government
Adopt a phased 'test and learn' approach to change based on a principle of safe experimentation.	Local government
Put in place a clear pathway to implementation for new projects with accountability mechanisms in place to ensure delivery	Local government
Streamline bureaucratic processes including business case approval, and make procurement more agile.	Local government

Developing a new operating model

The work that we have carried out implies the need to shift to a new operating model in which services are delivered differently, and councils' ways of working change.

Budgetary restrictions have driven adaptations in what councils do and how they do it. However, a more fundamental change is now required. A new model, incorporating the shifts we want to see in how we approach our responsibilities (prevention, a person-centred approach, changes in how the citizen relates to the state etc.), requires changes that fall outside traditional organisational boundaries and which could stretch the risk appetite of individual authorities.

Developing a new model will require (re)building the capacity within the sector to innovate and to manage change. As corporate centres have been hollowed out, and the strategic direction-setting function of local authorities has been directed towards managing short-term budget cycles, individual

authorities can no longer call upon the same internal resource as they may once have been able to. This is not about the talent which is available within local authorities, but about how people have had to work to deliver services under severe budgetary pressure. In order to be able to drive this change, we will need to build this additional capacity into our organisations and to develop organisational cultures which foster and value innovation.

We are calling on the Welsh Government to support our efforts by investing in innovation capacity within the sector. A collaborative, shared resource which can support multiple councils would be the first step. The precise form of this should be developed through a scoping exercise undertaken by Welsh Government in partnership with the sector. Whatever emerges should be capable of enacting meaningful change commensurate to the scale of the challenge we face. Part of this exercise would involve setting out expectations around how this resource is funded and responsibilities around the development of new initiatives and how they are tested and delivered. We will also need to be clear about where the capacity would 'sit' and whether it would complement, replace, or build on existing work. The resource must work for local government and be tested with and in the sector to ensure it can support the testing and deployment of innovative models and enhance the capacity of local government.

We recognise that we are not starting from scratch: there is ongoing work in digital transformation which can be built on to support service delivery, and colleagues across local government are working tirelessly to sustain their services in the face of current difficulties. This work should be incorporated into our agreed approach, with a focus on the cultural, organisational and operational changes needed to transition to a new model.

Recommendation	Responsibility
Invest in rebuilding the capacity for innovation in the sector	Welsh Government in partnership with local government
Develop an agreed approach to support the development of a new model of local government, with concrete ideas and options for developing a model or resource to increase the capacity to innovate. • This model or resource will need to be commensurate to the scale of the challenge; financing and responsibility for development and delivery will need to be clearly set out; and that there will need to be an agreed approach to where capacity would sit and how it would replace, complement or build on current initiatives. • This should build on existing work and focus on cultural, organisational and operational changes needed to transition to a new model. • Any new models developed should reflect the purpose of local government (i.e. local democracy and the connection we have with our communities), and that there is a clearly articulated vision for what we want to transition into.	Welsh Government Local government

What comes next?

Adopting the measures proposed in these position papers would enable the sector to start to build a secure foundation for local government into the future. In particular, finding a way to improve the resilience of the local government finance system and increasing autonomy in spend can unlock further changes that will be critical to ensuring our long-term sustainability.

However, to fully realise the potential and purpose of local government, more far-reaching changes are needed over the longer-term. The sector must work together and with the Welsh Government to agree a direction of travel and take concrete steps towards it, starting early in the new Senedd term.

The group has developed a vision for what purpose-led, agile and future-oriented local government would look like and will be publishing this, alongside recommendations for how we start to move towards this vision, after the Senedd election.

References

Ashelford, R. (2026a). **Transforming local government in Wales: Part 1: Exploring the evidence**. Wales Centre for Public Policy. Retrieved from https://wcpp.org.uk/report/foundations-for-developing-a-new-model-of-local-government-in-wales/

Ashelford, R. (2026b). **Transforming local government in Wales: Part 2: Testing our starting points**. Wales Centre for Public Policy. Retrieved from https://wcpp.org.uk/report/foundations-for-developing-a-new-model-of-local-government-in-wales/

Audit Wales. (2021). **At Your Discretion: Local Government Discretionary Services.** Retrieved from https://www.audit.wales/sites/default/files/publications/At-your-discretion-English.pdf

Independent working group on sustainable local government for the future. (2025). **The purpose and functions of local government in Wales**. Wales Centre for Public Policy. Retrieved from https://wcpp.org.uk/project/sustainable-local-government-for-the-future/

Independent working group on sustainable local government for the future. (2026). **Foundations for developing a new model of local government in Wales**. Wales Centre for Public Policy. Retrieved from https://wcpp.org.uk/report/foundations-for-developing-a-new-model-of-local-government-in-wales/

Muldoon-Smith, K. (2026). **A critical juncture for change: Local government finance reform in Wales**. Wales Centre for Public Policy. Retrieved from https://wcpp.org.uk/report/foundations-for-developing-a-new-model-of-local-government-in-wales/

Annex: The independent working group on sustainable local government for the future

The independent working group on sustainable local government for the future was established by the Wales Centre for Public Policy (WCPP), in collaboration with the Welsh Local Government Association.

The group considered challenges and opportunities across local government's remit in order to develop a clear vision and proposals for purpose-driven and sustainable local government.

Group members

- Professor Steve Martin, Cardiff University, chair
- Cllr Mary Ann Brocklesby, Leader, Monmouthshire County Council
- Cllr Darren Price, former Leader, Carmarthenshire County Council
- Rob Thomas, Chief Executive Officer, Vale of Glamorgan Council
- Eifion Evans, Chief Executive Officer, Ceredigion County Council
- Emma Palmer, Chief Executive Officer, Powys County Council
- Martin Nicholls, Chief Executive Officer, Swansea Council
- Max Caller CBE, former Lead Commissioner, Birmingham City Council
- Simon Brindle, Director of Continuous Improvement, Welsh Government (Observer)
- Paula Walters, Interim Head of Corporate Policy and Services, WLGA (Observer)

The group was supported by a team within WCPP, which provided evidence, input and framing for discussions and drafted outputs:

- Dan Bristow, Director
- Dr Helen Tilley, Director of Policy and Practice (Welsh Government)
- Dr Jack Price, Research Associate
- Ioana Filipas, Research Apprentice
- Yasmine Ghorayeb, Research Assistant

About the Independent working group on sustainable local government for the future

The independent working group on sustainable local government for the future was established by the Wales Centre for Public Policy, in collaboration with the Welsh Local Government Association.

The group will consider challenges and opportunities across local government's remit and develop a clear vision and proposals for purpose-driven and sustainable local government.

Made up of council leaders, chief executives, and independent experts, the group is chaired by Professor Steve Martin and will report its findings ahead of the 2026 Senedd election.

About the Wales Centre for Public Policy

Here at the Centre, we collaborate with leading policy experts to provide ministers, the civil service and Welsh public services with high quality evidence and independent advice that helps them to improve policy decisions and outcomes.

Funded by the Economic and Social Research Council, Welsh Government, and Cardiff University, the Centre is based at Cardiff University and a member of the UK's What Works Network.

For further information contact:

Jack Price

+44 (0)29 2087 5345

jack.price@wcpp.org.uk