# Foundations for developing a new model of local government in Wales

Following the publication of its first position paper in June 2025, the **Independent Working Group on Sustainable Local Government for the Future** has been considering some of the structural and cultural changes that would support the development of a more sustainable operating model for councils in Wales.

This position paper summarises the context for these discussions and articulates a position or set of propositions on the issues discussed. It is accompanied by independent evidence produced to support the group's discussions (Ashelford, 2026a; 2026b; Muldoon-Smith, 2026).

## Context

In the previous position paper, the group explored the purpose and functions of local government. The full paper can be found [here](#) but the key conclusions the group reached were:

The combination of rising demand for services, particularly statutory services, combined with over a decade of reducing or constrained budgets has led to a situation where Councils have limited scope to respond to local priorities. A significant majority of council resource and activity is concentrated in a limited number of statutory services.

The unique value of local government is its proximity to and relationship with its local population, but councils are struggling to realise this because the current model for local government is unsustainable. The costs of councils meeting their legal obligations is expected to continue to grow. At the same time, public finances are set to continue being constrained. The implication is that something needs to change – whether that is what councils are responsible for, how they deliver what they

are responsible for, or the context in which they are operating.

In the first position paper, the group outlined its view that the purpose and value of councils is still valid. That we should try to sustain a local tier of government.

The group also explored whether there should be a change in what councils are responsible for. They concluded that making fundamental changes to the functions and responsibilities of local government is not the solution. There is little that councils are doing that could simply be stopped, and shifting responsibility for delivery of functions would not address the fundamental challenge of rising need and constrained resource.

The implication of the first position paper is that there is a need to reimagine how local government might deliver its roles more sustainably into the future, and how their operating environment needs to change.

This paper builds on these conclusions by exploring some of the changes needed to support the development of a more sustainable model for local government that realises this purpose, and delivers these functions. In particular, it looks at:

- how local government is financed;
- how councils develop a new operating model;
- the kind of leadership needed;
- what workforce local authorities need to deliver change; and
- how the culture within councils needs to change.

## Finance

It is clear that funding for local government is insufficient to sustain the current model, but also clear that there is limited scope for significantly increasing the funding envelope.

An independent assessment commissioned for the group (Muldoon-Smith 2026) considered the resilience of the current finance system for councils in Wales, comparing it to the approach taken in a selection of other OECD countries. This concluded that there are systemic weaknesses in the current approach to funding of local government in Wales. Fiscal autonomy is limited. The demands for statutory services mean that there is little scope for discretion, and short-term grant funding undermines effective and efficient approaches. For councils to adapt and change, they need greater flexibility.

In order to reach a more sustainable and resilient footing, the existing settlement must therefore be made to work more effectively, and alternative ways to raise and manage revenue should be considered.

### Recommendations

The Welsh Government should pursue a package of reforms organised around the principles of **meaningful subsidiarity and autonomy** for local government.

These reforms should be, where possible, delivered as a package rather than as discrete interventions. This will best support local authorities to become more fiscally resilient.

**The fiscal autonomy and resilience of local government in Wales should be enhanced**, through:

- Putting in place **multi-year funding settlements** which will facilitate longer-term financial planning. In OECD countries the standard is for three-to-five-year settlements to be in place, and England is moving towards a three-year settlement cycle.

- Further **reducing the ringfencing of grants**, aiming in the short term to reduce ringfencing below 10% of total authority funding, with a longer-term ambition of eradicating ringfenced grants.

- It should be an explicit assumption and requirement that **any responsibilities held by local government should be accompanied by sufficient funding to discharge these responsibilities**. This will be critical to ensure that demand-led services do not overwhelm local government's financial resources.

- Diversifying revenue and exploring potential new sources of revenue; this could include:

  o **Road pricing** could be considered as a replacement for existing vehicle and fuel taxes, with funds raised being used to support road maintenance; public transport; and modal shift (including reducing congestion). These could be administered by local authorities as the highways authority. A more ambitious version of this could collect time and location of use data to support differential charging models where needed.

  o Consider whether local authorities could be granted a **proportion of income or sales taxes**, either as an increment of national taxation or as a local variant, which would support greater fiscal autonomy and connect local policy choices with income.

  o Tourism and environmental taxes could be used to further generate revenue, and local authorities could be given more discretion over fees and charges.

  o **Municipal bonds** can be used particularly for funding capital projects. These could be either through community municipal instruments which offer the general public an opportunity to invest in local infrastructure projects (which could include specific benefits to local residents) or commercial bonds, although this would require a change in legislation. There is some evidence from the Investment Association suggesting that this would be a popular and investible proposition, were it to be introduced.

- Existing **financial distribution systems should be improved and recalibrated** against need across a variety of axes

including rurality, poverty, and social care demand. At the same time, mechanisms like the equalisation process could be modernised with better data and more transparency, although the principle of redistribution is fair.

- **Council tax revaluation** should happen as soon as possible in the next Senedd term.

**Oversight and monitoring systems should be simplified to increase the ability of local authorities to respond to local need, and to join up services where possible**. This could include:

- A shift from monitoring delivery against specific indicators, which frequently require bespoke data collection exercises, and requiring set processes to be followed, to an **outcomes-based framework** where funding is tied to set outcomes for specific services with more autonomy for local authorities in delivery, and assessed against a simpler and harmonised data collection exercise. Such a change to monitoring could facilitate a shift towards prevention and a holistic approach to addressing local need, particularly if services can be delivered in a connected and flexible manner.

- Reviewing the volume and diversity of **reporting requirements** both to Welsh Government and to regulators and seeking to rationalise this.

- A **transparent and independent financial monitoring system should be established**, to provide early warning where local authorities may run into financial difficulties. This could adapt the 'traffic light' system used in Japan, or other examples of international best practice. This system would be preventative, not punitive, aimed at supporting early intervention to increase fiscal resilience.

  o This system might also include explicit, outcomes-based metrics for considering other aspects of council performance, drawing on learning from the Peer Panel Assessment process.

- Changes to the finance system need to be underpinned by **strengthened partnership working between Welsh Government and Welsh local government built on mutual trust and respect**, which is as crucial to the success of these reforms as it will be for the development of a new operating model.

## Developing a new operating model

Councils have changed significantly over the last decade, as financial pressures have driven adaptions in what they do and how they do it. However, for the reasons articulated above and in the previous position paper of the group, it is clear that a different approach is needed to ensure the development of a new model for local government. At the same time, the pressures on the system also offer the opportunity to develop this new approach.

The change required is more fundamental than what has been achieved to date. Ideas proposed by the working group, and by local government as a whole – which include shifting to prevention and a change in the role of local authorities and in the relationship between citizen and state, etc – require changes that fall outside of organisational boundaries. Some of these changes could also stretch the risk appetite of local authorities (as well as coming against structural barriers such as finance), particularly where new ideas are unproven at scale.

For these reasons, and because it would be inefficient for councils to be addressing shared challenges alone, it is clear that **individual authorities will not be able to deliver these changes on their own; they will need to be achieved collectively.**

This is one necessary pre-requisite, but there are other factors which will need to be in place to facilitate a shift to a new model. Some of these require shifts in the management and funding of local government; others are, to an extent, within the gift of local government.

Key to the success of any sector-led change is the **capacity within the sector to innovate**. Reductions in headcount have particularly affected local authority corporate centres, largely in order to protect the delivery of frontline services, but this means that there is less ability to implement or manage new ways of working. To achieve the desired changes, it is necessary

to **(re)build this capacity and develop organisational cultures which value and prioritise innovation.**

There is also a need for a **new relationship between Welsh Government and Welsh local government**, including a shared agreement on the purpose and value of local government and on the need for change. The Welsh Government needs to be an active and enabling partner in this process, and responsive to making changes such as multi-year funding cycles where needed.

Recommendations

- The incoming Welsh Government should work with the sector to **develop an agreed approach to supporting the development of a more sustainable model for local government**, based on the work of the working group and others.

- This approach should incorporate existing work being carried out across Welsh local government, including in digital transformation, while retaining a broader and longer-term focus on **how local authorities need to change culturally, organisationally and operationally to shift to a new model.**

- The first step would be a scoping exercise to develop potential model(s) for creating and sustaining capacity to innovate in local government.

- This scoping exercise would aim to **develop ideas and options which can then be tested with the sector** including ensuring that proposed model(s) is commensurate to the scale of the challenge; that resourcing and responsibility for development and delivery are clearly set out; and that there is an agreed approach to where capacity would sit and how it would replace, complement or build on current initiatives.

## Leadership

Leadership is key to fostering good organisational cultures; to enabling and facilitating innovation and change; and to ensuring good service delivery and accountability mechanisms.

Local government leadership comprises both officers and elected members. Both require role-specific attributes and both can facilitate, or obstruct, change.

Currently there is still a significant emphasis on traditional skills-based leadership training emphasising managerial competence over behaviours. Research suggests that a behaviour-based leadership model can be more effective. Additionally, promotion can sometimes be based on length of service or on domain expertise, without also accounting for suitability for more senior leadership roles (which generally do not rely as much on domain-specific expertise and skills).

Recommendations

If a more sustainable model for local government is to emerge, there needs to be **a focus on elected members**. Political leadership will be key to any change, but fully realising the purpose of local government could also imply a change in the way councillors interact with and represent their communities.

In light of the wider conclusions and recommendations being made by this group, there is scope to review the training and support offered to councillors. Maintaining high standards in the behaviours and conduct of councillors is also vitally important.

For **senior officers** within local authorities it will be important to develop, foster and promote the leadership styles and attributes which enable change. This could include:

- Shifting towards a **behaviour-based leadership model** in which the habits and attributes of leaders are prioritised over traditional skills-based approaches. This could mean, for example, developing and recruiting leaders based on more than just domain expertise; accounting for how they lead and support their 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.

- Relatedly, adopting a **transformational leadership style** will support the move to a new operating model.

- To support this, leaders and leadership candidates will need **time and space for development and reflective practice**, which will need to be actively managed and supported within the organisation. This can enhance strategic thinking and leaders' understanding of the wider context in which they operate, supporting a more holistic approach to operation and service delivery.

- **Peer support networks**, either formal or informal, can help to spread good practice and support leaders in developing their own approaches.

- Ensuring that the council leadership team has the right mix of knowledge and skills (including business acumen and experience of the private sector), and that the recruitment processes and career pathways enable this.

- There is also a need to ensure that **future leadership candidates are supported**. There is a big step up from middle management to senior leadership, including in the need for a strategic perspective and increased access and interaction with elected members. Supporting people looking to take the step up can ease this transition and create a viable pipeline of future leaders.

- Finally, leaders should support **digital reform and digital transformation** including through:

  o Using AI, where it is beneficial, to support service delivery and increase efficiency / productivity;

  o Supporting improving digital and data infrastructure within local authorities;

  o Investing in leadership talent; and

  o Being transparent and accountable about the use of digital technologies, and supporting a sector-wide approach to the same.

## Workforce

Local government headcount has dropped by about a fifth in the last decade in Wales and remaining staff are working harder to fill the gaps. Many local authorities have prioritised protecting frontline service delivery and staff, meaning that corporate centres have been in effect hollowed out, with some people taking on additional roles in practice as a result.

In addition to challenges posed by the reduction of headcount across local government, local authorities can struggle with recruitment and retention of staff, especially in social care where poor working conditions, low pay and lack of progression are seen as reasons for staff to leave. Structural barriers to career development (such as limited senior leadership roles and low turnover in them) are an issue across local government.

Recruitment is also difficult for specialist technical roles and as a result, skills gaps are emerging in local authorities. Pay can lag behind private sector wages, exacerbating this challenge.

These issues, and rising demand for statutory services, have led to rising stress-related sickness absences and low morale in council workforces. Senior leaders can be perceived as unaccountable, which can affect morale still further and cause problems for organisational culture (see below).

<u>Recommendations</u>

The sector needs to adopt **strategic workforce planning** to understand what skills are required both now and in the future. This would account for new and emerging trends (e.g. 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 recruitment around these skills and roles, and to work with Welsh Government to develop target programmes designed to ensure skills pipelines and pathways. 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).

Workforce planning could be done collaboratively between authorities in order to ensure that skills and resources are available while minimising overall cost, in a similar manner to existing collaborations such as

Shared Regulatory Services. Roles could be redesigned to separate out tasks which must be delivered locally from those which could be done remotely which could enable more efficient working.

To address low workplace morale and burnout there is a need for **broad reform of working conditions in local authorities** including providing adequate wellbeing support; targeted retention packages; and increasing the use of flexible working arrangements. This should go alongside changes in organisational culture (below).

## Culture

Good organisational cultures are critical to maintaining employee commitment and morale and in successful delivery of organisational purpose.

Leadership is a core driver of culture and particularly in catalysing, mediating and stewarding culture change. Conversely, leaders who do not have the attributes and behaviours required to build and foster good organisational cultures can block change and lead to disengagement (or worse).

Culture change can be fostered or blocked by the sense that leaders (at all levels) have of whether they have permission to do things differently or 'freedom to fail' if changes don't work. Some within local government feel that this is not in place and there is a low tolerance for failure or doing things outside established norms. There is also a degree of risk aversion which makes suggesting or implementing new ideas more difficult.

Welsh Government decisions and behaviours help to shape the culture of individual councils and the sector as a whole, along with the way that regulators and commissioners discharge their duties.

### Recommendations

Local authorities should aim to **develop organisational cultures that are open, responsive and foster innovation at all levels**. Achieving this involves action on multiple fronts, including:

- Leaders, both officers and elected members, should **provide support and**

**backing to testing new approaches**, recognising that not all will succeed or succeed straight away;

- 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;

- 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. 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 and;

- Having a mechanism or approach to supporting the development or adoption / adaptation of new approaches. As outlined above, this would ideally connect to a sector-wide approach to innovation and transformation. And it would reflect some core principles that might include:

  o **Frontline staff and service users** should be involved at the core of innovation initiatives, especially where they affect day-to-day delivery, with opportunities for codesign or user input emphasised.

  o Staff should be offered 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.

  o A **phased 'test and learn' approach to change** based on a principle of safe experimentation can help to mitigate risk, with new approaches tried and then rigorously tested.

  o There should be a **clear pathway to implementation** for new projects with accountability mechanisms in place to ensure delivery.

- o A **streamlining of bureaucratic processes** including business case approval processes and making procurement more agile.

## Implications

The group's positions in these areas reflect the need to reimagine how local government might deliver its roles more sustainably into the future.

While individual local authorities will change in different ways, responding to the needs of their local populations and geographies, there is a need to articulate what it is that local authorities are aiming towards: what does a sustainable operating model for local government in Wales look like?

The final output of the group will therefore include a vision for the future of local government which can be developed and adopted by local government in partnership with the next Welsh Government, to provide a clear direction of travel for the sector.

## Opportunity for feedback

We are looking for views from within the sector, its partners and other interested parties. If you would like to provide feedback on this position paper, you can do so through the following link: [Feedback on the foundations for developing a new model of local government in Wales](#)

## References

Ashelford, R. (2026a). **Transforming local government in Wales: Part 1: Exploring the evidence**. Wales Centre for Public Policy.

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## 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.

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