Wales Centre for Public Policy
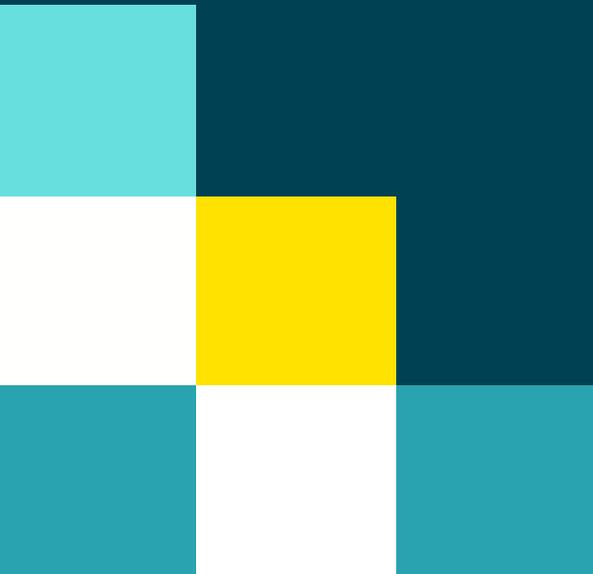**Canolfan Polisi Cyhoeddus Cymru**

Transforming local government in Wales

Part 2: Testing our starting points
Workshop report

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March 2026

Our Mission

The Wales Centre for Public Policy provides ministers, senior policy makers and public service leaders with authoritative independent evidence and expertise which helps them to identify effective policy responses and practical solutions to some of the biggest policy challenges facing Wales.

The Centre has worked on a wide range of policy challenges and is currently focusing in particular on developing fresh thinking about community wellbeing, the environment and net zero, and tackling inequalities.

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Contents

Summary

- It is widely accepted that the current model of local government in Wales is unsustainable. Work needs to be undertaken to develop, test and adopt a new model to ensure local government is fit for the future.

- We build on the hypothesis set out in our first paper, 'Exploring the Evidence', that any programme of work to develop, test and implement new models will need to overcome three challenges:

  1. We do not have a clear, shared vision or understanding of what a sustainable version of local government looks like.

  2. Innovation capacity to develop, test and implement long-term change aligned to this vision has been eroded over the past 17 years, leaving only the capacity to pursue short-term solutions that sustain the current model.

  3. It is not possible to switch the old system off and switch a new system on. Any change will need to be tested and implemented over a sustained period, and while some elements of the existing system are likely to remain, it is not yet clear which.

- Through a series of semi-structured interviews with people working in and with local government, supported by feedback from workshop respondents, we tested both the challenge and our proposed solutions to understand the extent to which they represent the right starting points for a transformation programme.

- Based on the feedback from these interactions, we argue that these challenges can be tackled through the following actions:

  1. Invest in an experimental shared innovation service, building on lessons from the London Office of Technology and Innovation (LOTI), to explore how it might drive collaborative activity that develops, tests and implements a shared vision for sustainable local government.

  2. Use the Three Horizons model to analyse the gap between the current model and the emerging vision, and to manage the transition between the two.

  3. Explore how to improve the enabling environment for innovation, particularly focusing on how new sources of funding could support further activity in the future.

Introduction

It is widely accepted that the current model of local government in Wales is unsustainable. There is sufficient evidence to suggest that while local governments have continued to exercise their functions through a series of improvement activities over the past 17 years, their ability to do this effectively has increasingly diminished. We know that local governments in Wales are stretched to the point where the Auditor General has said:

> **'…as the cumulative impact of financial restraint builds, we cannot assume that the future for the sector is sustainable. The position is fragile and sensitive to the competing and complex factors that affect council finance.' (Audit Wales, 2024: 4)**

Local government cannot always call on the skills and experience it needs to balance long-term strategic decision making with short-term delivery and cost cutting.

While on paper accountability for local services appears to be relatively straightforward, this has not always been the case in practice. Local government is sometimes perceived as a delivery arm for Welsh Government, rather than as an independent set of organisations accountable to their citizens (Griffiths, 2025).

The most recent data from the National Survey for Wales points to a reduction in citizens feeling that good services are available in their area (Welsh Government, 2025a). More worryingly, fewer than 20% of citizens feel they can influence decisions in their local area. A similar pattern exists in relation to innovation in Wales, with only 20% of people feeling they have power over decision making, including what gets funded, how ideas are developed and selected, and how benefit is shared (Welsh Government, 2024).

So how might we bring about change in the sector, and how can this be done in a way that puts the needs and desires of citizens at the heart of local government?

About this paper

This paper represents the second part of research conducted by newydd|new on behalf of the Wales Centre for Public Policy (WCPP) over the autumn of 2025.

We took the recommendations and research set out in our first report, 'Exploring the Evidence', and facilitated conversations with key stakeholders in local government,

and those who work with local government, to test the validity of the challenges set out below and to begin exploring some of the proposed solutions.

The challenge

The first part of our conversations with stakeholders focused on verifying the challenges set out below.

Any programme of work that supports a shift to a more sustainable version of local government in Wales will need to address three main challenges:
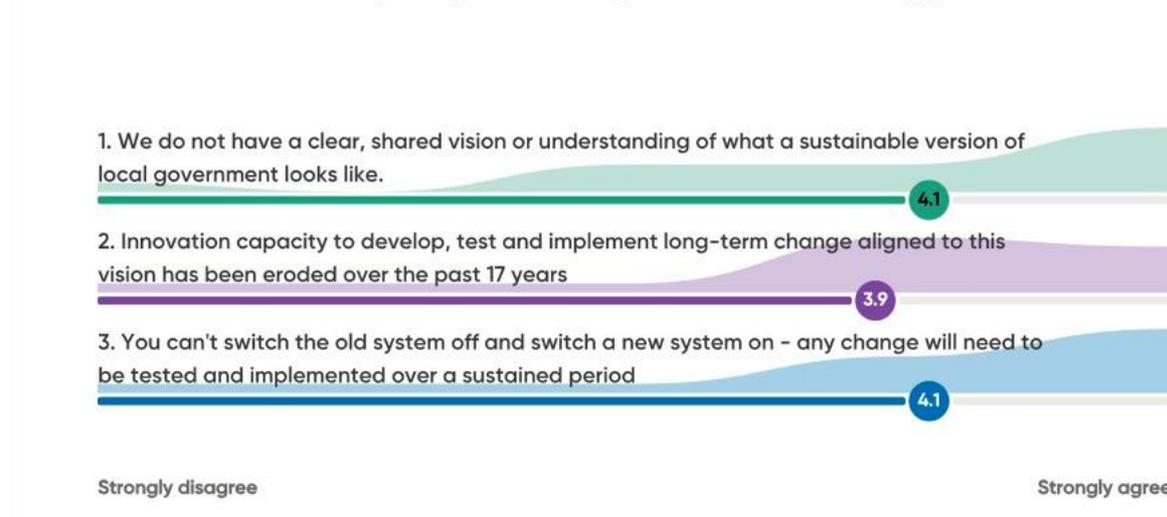
- We do not have a clear, shared vision or understanding of what a sustainable version of local government looks like.

- Innovation capacity to develop, test and implement long-term change aligned to this vision has been eroded over the past 17 years, leaving only the capacity to explore short-term solutions that sustain the existing model of local government.

- It is not possible to switch the old system off and switch a new system on, so any change will need to be tested and implemented over a sustained period. Some elements of the current system are likely to remain, but it is not clear what they will be.

Over the course of these conversations we found strong support for the challenges and agreement that they should form the basis for designing any programme of transformation activity. There was some nuance in responses based on factors such as the amount of innovation or transformation capacity an organisation may already have, or the severity of the immediate pressures they might face. However, none of these nuances were sufficient to suggest that the challenges as currently described would not provide a solid foundation for programme design work.

The diagram below shows responses to a Mentimeter survey conducted at a workshop of local government senior leaders in November 2025 (n=14) when asked about the extent to which they agree or disagree with the challenges as described. We used a 1-5 likert scale, with 5 being strongly agree:

Figure 1: Mentimeter results from workshop participants.

Rate the extent to which you agree or disagree with the following problem statements:

1. We do not have a clear, shared vision or understanding of what a sustainable version of local government looks like. — 4.1

2. Innovation capacity to develop, test and implement long-term change aligned to this vision has been eroded over the past 17 years — 3.9

3. You can't switch the old system off and switch a new system on - any change will need to be tested and implemented over a sustained period — 4.1

Strongly disagree — Strongly agree

Given the high level of confidence in the challenges we are seeking to address, conversations moved on to potential solutions, which are summarised below.

Setting a vision for a sustainable future for local government

We do not currently have a well-articulated or clear vision for how local government may perform sustainably in Wales in the future.

In their opening paper, the working group convened by WCPP set out their understanding of the purpose and functions of local government in Wales (WCPP, 2025). However, this reflects the current state of play rather than a radical vision for the future.

Without a clear vision, it will become increasingly difficult to establish and deliver a programme of innovation activity with clear goals, or to know whether the activities undertaken are the right ones. It is widely recognised in the literature that a clear vision is a fundamental component of organisational change (Allas et al., 2018).Recognising the urgent need for reform, a group of chief executives in Scotland came together in 2022 to map out a new operating approach for local government (Improvement Service, 2022). To guide their work, they asked two key questions:

- How do councils transition from a predominantly service provider-based approach to one that is adaptable, collaborative and creative, driven by strong

local democratic mandates that put people and communities at the heart of change?

- How do councils make the shift to a new paradigm, which is outcomes obsessed, delivery agnostic, and involves them holding a strategic vision with and for citizens, to craft economic and social outcomes that are equitable for all?

These questions are important because they articulate a direction of travel, in other words a vision.

How might we do this in Wales?

If the purpose of local government is local democracy, it is important that local areas develop and own a vision that sets them up well for a more sustainable future. However, this does not mean that all 22 local governments should undertake 22 separate exercises to define what sustainability looks like in isolation. We believe it is likely that a smaller number of shared principles could be applied across local government to support sustainability, allowing for appropriate local adaptation. Some potential principles are suggested in the questions set by colleagues in Scotland:

- Adaptable, collaborative and creative;
- Outcomes obsessed and delivery agnostic; and
- Holding strategic visions with and for citizens.

To these, we might add others:

- More preventative;
- An enabler of services as much as, or more than, a provider of services;
- AI and data enabled, and evidence driven; and
- More deliberative and participatory.

There is almost certainly a longer list, and we should encourage the sector to think creatively and critically about what these principles should be. It is not currently clear, however, whether using these principles to shape the future of local government will lead to greater sustainability in the long term. Put differently, there is no established evidence base on what a sustainable operating model looks like for councils. Therefore, we need to experiment and iterate, rigorously testing models as they emerge to understand how, and in what circumstances, they lead to more sustainable outcomes.

To achieve this, we can make use of the existing performance framework for local government set out in legislation (Local Government and Elections (Wales) Act (UK Government, 2021), assessing each principle against:

- Impact, meaning effective delivery of services;

- Resource efficiency; and

- Sufficient governance processes to deliver both of the above.

If we can develop a shared articulation of the sustainability principles that will inform local government reform, and be clear about how those principles lead to greater sustainability across these three areas, we will have created a shared vision that can shape new work. Importantly, we can do this in a way that is more consistent nationally and, hopefully, more comparable, increasing opportunities for collaboration, shared learning and the scaling of ideas that are proven to work elsewhere.

Building the capacity and environment for innovation and change

Developing a compelling vision alone is not enough, and we need to bring it to life. We know that local governments lack the capacity to make the transition from where they are now to where they need to be, and that the enabling environment for innovation is unstable. Compounding financial pressures and a lack of access to skills (Chartered Institute of Personnel and Development, 2023; County Councils Network., 2024), both essential for successful innovation activity, suggest that it will be hard for organisations to invest successfully over a sustained period if they try to do this individually.

Resetting the enabling environment

It is also not always clear what the incentives for innovation are or whether they are effectively aligned for local government. This is particularly true in relation to prevention and how we account for the value created by it. It also includes a wider culture of learning through failure. As one public servant memorably noted some years ago, 'we're absolutely encouraged to fail, right up to the point when we do…'. Finally, we know that both individual local governments and the WLGA currently operate on an annual funding cycle, something that appears to be changing in England. This is not conducive to long-term thinking, or crucially, to retaining skills within an organisation (UK Government, 2025).

How might we do this in Wales?

It is not sensible at this stage to try to deploy 22 innovation teams, one in each local authority, to bring our visions to life. They would be underpowered for the scale of the task. The power will come from collaborative, centralised and focused innovation activity. Having conducted a rapid literature review and a small number of expert interviews to explore the evidence on different models, we think that the London Office of Technology and Innovation (LOTI) model offers a valuable case study, and lessons that local government in Wales could adopt. LOTI, founded in 2019 and funded by its members (local government, the Greater London Authority and the Mayor's Office) as well as other sources over a multi-year period, has demonstrated its ability to save money and build resilient innovation, data and digital capacity across the capital (Greater London Authority, 2024). Some key takeaways from LOTI's work to date include:

- It is funded for multiple years, creating a stable platform for developing new work. Its first four years of operation cost around £2.5m, although borough memberships are annual and membership numbers fluctuate.

- It is a convenor that can foster collaboration between organisations, from sharing job descriptions to support recruitment, to managing projects that deliver better data sharing between governments. It shows how collaboration can take place while maintaining the sovereignty of individual organisations. They never undertake work unless at least three members are involved.

- It is a thought leader. LOTI has advanced members' understanding of best practice in technology, data and innovation.

- It is small and agile, with a relatively small team, currently around 8 to 10 FTE, for a population and number of local governments both larger than Wales.

- It is viewed favourably and is seen to get things done by its members (Greater London Authority, 2024). It focuses on a small number of areas that are collectively important.

- It is entrepreneurial and able to leverage new money to deliver specific projects, securing around £3m of additional income in its first four years.

Developing and testing a similar, centralised innovation capacity in Wales, focused solely on bringing the long-term sustainable vision to life, will help to address the near-term capacity issues that local governments currently face.

Managing the transition

Finally, we cannot switch the current system off and switch on a new system overnight. We need to consider how to manage the transition over a long period, hold ourselves accountable, and ensure that new work genuinely moves us towards the future we want.

The Three Horizons model (International Futures Forum, n.d.), originally developed by futurist Bill Sharpe to support the creation of a shared vision of the future and a plan for moving towards it, facilitates this by helping us establish:

- What is currently happening that is no longer sustainable, and what, if anything, may need to be retained (Horizon 1, red);

- The vision we are aiming for and why this may be more sustainable in the future (Horizon 3, green); and

- The activities we will undertake to bridge between them (Horizon 2, blue).

Figure 2: The Three Horizons model
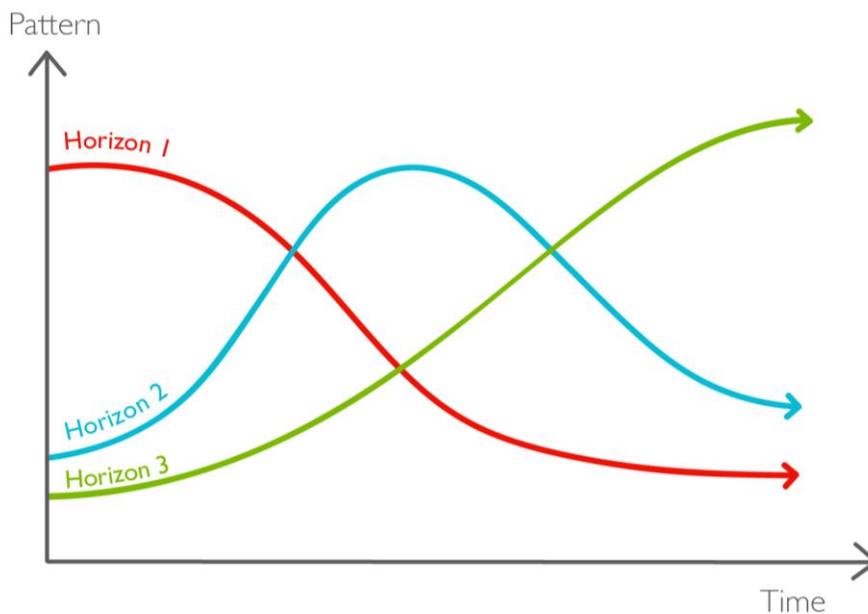
Source: (H3Uni, n.d.)

It is a useful model in this situation because it recognises that the current way of doing things exists and is likely to continue, at least partially, in some form in the future. At the same time, a new version of the future needs to be developed, tested

and brought to life, and we can use the model to understand the gap between the two. We cannot pause the services that local government provides while we bring new versions to life, so we must approach this in a way that holds both the present and future together, while building momentum for change.

Annex 1 presents an example of this in action, along with examples of how people are already moving us towards versions of the future that we may wish to explore further.

Feedback from conversations with stakeholders

While broadly supportive of the idea of a shared innovation service, or capacity, stakeholders were keen to hear more about the impact of LOTI. There was a minor preference for first exploring how existing funding for transformation work could be repurposed to support a collaborative innovation service, before new money was invested.

They also emphasised the importance of not losing sight of the existing challenges that local authorities face, particularly around homelessness, education and social care. Stakeholders were therefore keen to explore how a shared innovation service might provide benefit in both the short and long term, and how the balance between short and long might shift over time, for example a 70 to 30 investment in short versus long in the early years that slowly reverses. However, they also noted the need to protect capacity for long-term change.

Stakeholders were particularly supportive of a principles-based approach to setting a vision, because of its flexibility and capacity to reflect local needs and challenges.

They also found the Three Horizons model a compelling proposition for managing change, particularly given its ability to hold the current context alongside a future vision. While it was new to some stakeholders, it was easy to describe and robust enough to stand up to scrutiny.

Recommendations

1. Building innovation capacity

The overarching aim for the next 12 to 18 months should be to find a way to increase the innovative capacity of local government in Wales, strategically and collaboratively, rather than individually. That innovative capacity must be established

and protected to focus on exploring and starting to deliver a more sustainable version of local government.

The WLGA and local governments, with enabling support from Welsh Government, could invest in a pilot shared innovation service, building on lessons from initiatives like LOTI, to explore how it might best function and demonstrate its effectiveness. This funding could come from:

- WLGA's existing budget for 'improvement and digital';

- the equivalent of small subscriptions from interested local governments, noting the current subscription fee for London boroughs joining LOTI is £30,000; and

- Additional match funding from Welsh Government.

This should happen as quickly as possible, and not be held up by drawn-out conversations about ownership and governance. Where new capacity is required to enable this, we can learn from how the UK government's Test, Learn and Grow programme used secondments from within and outside government to get pilot programmes underway quickly (UK Government, 2024).

2. Developing and testing a shared vision

Once established, this service should:

- Explore the sustainability principles in depth, commissioning research and engagement activities to establish and test a long list from which a shared vision can be developed.

- Use the Three Horizons model to further analyse the gap between where we are and where we want to be, and to evaluate existing transformation activity to better understand whether it is moving us in the right direction.

- Set up and run experimental activities that test ways of working and demonstrate the value of collaborative innovation around the shared vision. These experiments should focus on both policy-specific areas and place-based needs, and determine how best to balance these.

- Explore how it can support the implementation, spread and scale of proven (new) ideas within groups of local governments that share elements of the shared vision.

- Propose a business case for its continuation, or the exploration of different models of collaborative innovation that lead us towards a more sustainable version of local government.

3. Resetting the enabling environment

Finally, the service should explore how to create a more stable enabling environment for innovation in local government across three areas:

- Increasing funding from new sources;

- Developing skills, behaviours and incentives that drive innovation; and

- Ensuring that the relationship between local and Welsh Government is mutually respectful, beneficial and productive, building on the recent strategic partnership agreement (Welsh Government, 2025b).

In particular, the service should explore the wider landscape of innovation funding and support, and make recommendations about how and where new money can be leveraged for innovation in the future. It has been challenging to establish how much external innovation funding flows to local governments in Wales, but our hypothesis is that it is a very small amount. Developing new ways to leverage funding from research councils or philanthropic bodies will be crucial in the early years to ensure we have the capacity and partnerships, public and private, in place to build positive momentum towards a more sustainable future for local government in Wales.

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Annex: Examples of Three Horizons for local government in Wales

Horizon 1 – The current system	Horizon 3 – The future system	Horizon 2 – Example activity
Services are more likely to be reactive to demand than proactive and preventative.	Local government is the bedrock of a preventative culture, and its proximity to people gives it a unique advantage to shape, enable and deliver the benefits of prevention.	**From reactive to preventative services:** Gateshead Council's proactive planning policy on fast-food outlets. By banning new takeaways near schools and in saturated areas, Gateshead reduced the density of fast-food outlets by 14% and saw a 4.8% drop in childhood obesity in its most deprived communities. This illustrates a shift towards preventative action, creating healthier environments instead of reacting to ill-health demand (NIHR ARC North East and North Cumbria, 2024).
The default is to do to citizens rather than with them. As a result, citizens expect services to be delivered for them rather than with them.	Those receiving support are co-designing and co-delivering services, and the role of the council is to enable individuals, communities, and the wider public and private sectors to work with the council and alongside each other to deliver sustained improvement in outcomes.	**Doing with (co-production) instead of doing to:** Barking and Dagenham's 'Everyone Every Day' project. This 2017 to 2023 participation initiative worked with nearly 10,000 residents to co-create over 300 community projects and businesses. It demonstrates how councils enabling

Horizon 1 – The current system	Horizon 3 – The future system	Horizon 2 – Example activity
	Local government defaults to being an enabler of services rather than a provider, although it will retain provision for certain services.	communities, rather than simply delivering to them, can unlock citizen capacity and improve outcomes. This aligns with Adam Lent's concept of "withism," in which public services are carried out with people rather than to them (Participatory City, 2023).
Services are less likely to be personalised to the needs of the individual and more likely to be somewhat generic or siloed.	Where services need to be delivered, they are more joined up and personalised to the individual.	**Integrated, person-centred services:** Hull's Jean Bishop Integrated Care Centre. This frailty care centre uses a holistic 'do with' approach for older people. In its first two years, it reached 90% of severely frail residents, halved emergency hospital admissions for that group, and reduced A&E visits for over-80s by 13.6%. Multiple agencies on site and effective data sharing enable joined-up, personalised support, demonstrating the power of breaking down silos between health and social services to meet individual needs (Lent, 2025).
Local government is highly reactive to changing technology, and new digital systems and processes do not always create the value that they could or should.	It is highly digitally literate. AI is being used (carefully and ethically, with permission and involvement from citizens) to free up human capacity that drives innovation and change within the organisation. This is not just about	**Digital literacy and ethical AI freeing capacity:** Somerset Council's AI notetaking for social care. In 2023, Somerset piloted 'Magic Notes', an AI tool transcribing meeting notes for social workers. It cut weekly administrative time

Horizon 1 – The current system	Horizon 3 – The future system	Horizon 2 – Example activity
	reducing overheads but about improving outcomes for citizens.	by 46%, sped up reporting by 65%, and saved social workers around 11 hours each week. Crucially, the council emphasises ethical use and keeps humans in the loop. This shows how carefully introduced AI can augment staff productivity and free up human capacity for value-added, front-line work (Horton, 2025).

Acknowledgments

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