The Local State We're In

PwC's annual local government survey, 2019

How can local public services work together to create inclusive places?

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Contents

About this report:
This is the ninth edition of The Local State We're In, our annual report exploring the views of leaders and chief executives on the ambitions of, and challenges facing councils and wider local public services. It draws on a local government survey, interviews with representatives across councils, the NHS, local enterprise partnerships, transport bodies and universities, as well as polling of a representative sample of over 2,000 members of the public from across the UK.

This year's report forms part of our wider Future of Government research exploring practical steps government can take to create a fair and inclusive future. For further details see: www.pwc.co.uk/futureofgovernment

Executive summary

Austerity has put councils under pressure, with short term concerns about financial viability too often overriding their ambitions to support inclusive growth, embrace the opportunity technology offers, and create thriving communities and places.

Increasingly, local authorities are realising that working collaboratively, with other organisations and with the public, is critical to delivering better services and achieving better outcomes for their people and places. Indeed, the most successful will be those that take on a wider place-based approach, setting out a credible vision for why a place is unique and creating a distinctive experience for residents and businesses, that will attract people to live, work and thrive there. However, there are barriers that must be overcome in order to create alignment behind these visions and make strategies work.

The reasons why places are successful and the way they function are changing, as people and businesses value different things today than in the past and rapid advances in technology reshape what's possible. Taking a place-based approach means moving beyond integrating individual functions or services between organisations and redesigning services around people by 'integrating the integrations' that occur across multiple organisations. The level of complexity demands new thinking on funding, leadership and digital delivery.

The role of local government is now less about control and delivery, and more about influencing, enabling and convening to support inclusive growth, develop community resilience and enhance the experience of residents, visitors and businesses. Is your organisation ready for the step change that is needed?

Key findings

Creating successful places

Councils, along with the wider public service leaders we interviewed, realise the importance of taking a place-based approach, with 94% agreeing that place leadership is important. Almost nine in ten (87%) say supporting economic and productivity growth is the primary purpose of their vision or strategy for place, with eight in ten (79%) saying it's about defining and developing distinctive local strengths, and seven in ten (70%) saying their priority is integrating public services to provide a better customer experience.

However, many councils are not translating these priorities into strategy or delivery, with collaborative relationships focused around public sector partners and the NHS, and barriers to be overcome, including misaligned incentives (64%) and a siloed approach from central government (81%).

Delivering outcomes

Over half (55%) of council respondents agreed that councils should be more responsible for facilitating outcomes rather than delivering service solutions. Almost the same (50%) say they fully understand how to measure outcomes and assess the impact they have. However, only 29% agree that they fully understand the cost of securing outcomes on a multi-organisational basis across their area.

When it comes to outcomes, 80% agree health and social care integration will have a positive impact on health outcomes. However, only 25% agree that integration will deliver savings for their council and only 19% say incentives are well aligned across health and social care. Thinking about how things might be, 57% agree there should be a single budget for each local health, social care and public health economy.

Supporting inclusive growth

Almost half (47%) of respondents say they are on track to have their Local Industrial Strategy completed by early 2020, with 9% saying they already have their strategy in place. Nine out of ten (86%) agree they have a clear understanding of the assets that make their place unique. Housing (87%) and skills (80%) are the top priorities for growth, which chimes with the priorities identified by the public, followed by transport (78%) and inward investment (78%). Respondents see the lack of investment in infrastructure (70%), lack of affordable or suitable housing (63%) and lack of influence over skills policy (56%) as the main barriers to local growth.

With uncertainty over the timing and outcome of Brexit, less than half (43%) of our survey respondents say they feel prepared as a council for the potential outcomes of Brexit. While half (50%) agree that Brexit will impact the funding they receive, three quarters (74%) are not confident that central government will engage with cities and local government in reshaping regional investment and regeneration funds in a post-EU landscape. Chief executives and leaders are taking their own actions to ensure their places are ready for Brexit, with almost one in five (18%) proactively going abroad on a city-to-city basis to find investment and develop trading links, up from 12% in 2018.

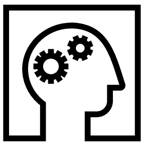
Rethinking digital and data

Almost seven in ten agree that their organisation puts customer experience first, but 80% are not embracing new technology and only 26% of the public agree that their council is embracing the opportunities that new technologies offer. A reason behind this may be that, while nine out of ten (89%) agree that digital will enable them to engage in new ways with residents and communities, and eight out of ten (80%) say it will improve service delivery, only around half (53%) say digital will enable them to reduce costs. When it comes to cyber, two thirds of councils are confident that their approach to digital security will cope with cyber threats, yet only 40% of the public trust their council with their data. Regarding artificial intelligence (AI), four in ten say they have plans to introduce AI into their organisation in the next three years, while another 36% say they have introduced limited AI already.

A willing public

Our public polling shows a mixed picture when it comes to attitudes to the council and councillors. Over half (58%) of the public we surveyed are concerned about the impact that service reductions and closures will have on them personally, and 67% were concerned about the impact on their local community. Three quarters (77%) of those aware of cuts say that they or their family has been directly impacted.

While this presents a clear challenge, there are indications that the public is willing to engage but the methods currently being used are not appealing. Four in ten say they would participate more to improve their local area and help local people if their council made it easier to do so, and a third of the public say they would like more interaction with councillors, including 40% of 18-34 year olds.



Resource and capability concerns

While there is no shortage of ambition, resource and capability constraints loom large on the minds of council leaders. The ongoing impact of austerity is evident with just half (53%) of council respondents to our survey remaining confident of delivering savings in the next year without impacting on quality of service or outcomes. That's down from 72% last year and a high of 94% in 2012. Only a third (33%) are confident that they can make the savings needed in the next five years, although 93% say that they expect some councils to get into a serious financial crisis during that period.

Given these sustained pressures, it isn't a surprise that financial worries go hand in hand with capability concerns. While 80% are confident about their financial management capabilities, only 61% are confident about their transformation capabilities. Around half are confident when it comes to digital and technology, commercial acumen, talent management and business intelligence. Less than 27% are confident about their data analytics capabilities, with 68% not using data to inform decision-making.

Key areas of focus for the future

As we approach the next Spending Review, the resource challenges facing local government are stark. Councils have proved their ability to deal with significant demands in the past decade, but the greatest challenges may yet be to come. Councils, and their partners, will need to continue to adapt, innovate and collaborate as they look to 2020 and beyond.

There are five key strategies that local public services should adopt to create places where people want to live, visit, work and invest:

- Define a shared vision for your place, and then translate this **ambition into strategies**, that bring together numerous partnerships, are clear on accountability and underpinned by an integrated plan to deliver
- Focus on growing and nurturing relationships with people and communities on their terms, **to build resilience and independence**
- Develop a **'digital mindset'**, harnessing **new technologies** such as AI to deliver better outcomes
- Embrace the **value of data** and invest in an **analytics capability** to inform decision-making and drive smarter, earlier interventions
- Focus on building the **right leadership skills and capabilities** for new ways of working based on collaboration, innovation and relationships.

Creating successful places

Against an uncertain and changing backdrop, place leaders have an opportunity to reconsider their economic strategies, their position in the global economy and their role in delivering a fair and inclusive future. This means local public service leaders need to focus on taking a holistic approach to growth, supporting community resilience and improving the experience of residents, visitors and business. The numerous partnerships and integrations that exist across the public and private sector need in their own right need to be integrated.

With demand for services continuing to rise, councils, and wider public services, have spent much of the last decade transforming their organisations to become more efficient while continuing to deliver for residents.

And they have largely been successful, despite concerns from the public about the impact of cuts. However, they are increasingly finding it difficult to see a sustainable way forward.

In response, there needs to be a fresh focus on what councils can do to support inclusive economic growth in the broadest sense, build community resilience and improve the experience of residents, visitors and business. This means councils need to focus on how they can bring organisations together, define a shared future vision and ambition for their place, and – most importantly – ensure that these strategies are put into practice.

Councils realise the importance of place-based transformation, with 94% agreeing that place leadership is important. However, many are not translating this priority into strategy or delivery, and significant barriers remain, including unaligned incentives (64%) and a siloed approach from central government (81%).

94%

Agree that place leadership is important

91%

Have not not yet got a local industrial strategy in place

64%

Say unaligned incentives and funding are a barrier to place based transformation

81%

Say a siloed approach from central government is a barrier to place based transformation

Priorities for place-based transformation

Almost nine in ten (87%) respondents say that supporting economic and productivity growth is the primary purpose of their vision or strategy for place, with eight in ten (79%) saying it's about defining and developing distinctive local strengths, and seven in ten (70%) saying their priority is integrating public services to provide a better customer experience.

> We need to think about our place – not as a council but as a public leadership system. How can we continuously improve our place for all those who live, work or visit, creating equality of opportunity and outcomes? To do this leaders across the public sector need to come together and humbly lead for a common and not corporate purpose.
>
> **Unitary council chief executive**

The primary purpose of our vision or strategy for place is (% agree).

What does place leadership mean to you?

“Galvanising all ‘actors’ in our community to create a place where people are excited and proud to live, work, study and visit.

Unitary council chief executive

“Working through how we want the area to look and feel in the future; developing strategies that facilitate the delivery of that aspiration but in a way that is adaptable given that we cannot predict with certainty the impact, for example, of technology on how people will live their lives in the future.

Unitary council chief executive

“A coherent vision for the place that is meaningful at a strategic and local level and drives organisations to work in a way which achieves better outcomes for the resource invested in a sustainable way.

County council head of paid service

“Getting ‘stuff’ done!

District council leader

“Evidenced based shared priorities grounded in ambition, reality and delivery at pace.

County council chief executive

“Visibility, vision and vibrancy

Metropolitan council leader

“Bringing together analytical techniques to prioritise the real issues and working with our partners and communities to deliver transformational change, led and owned by the place/community.

District council chief executive

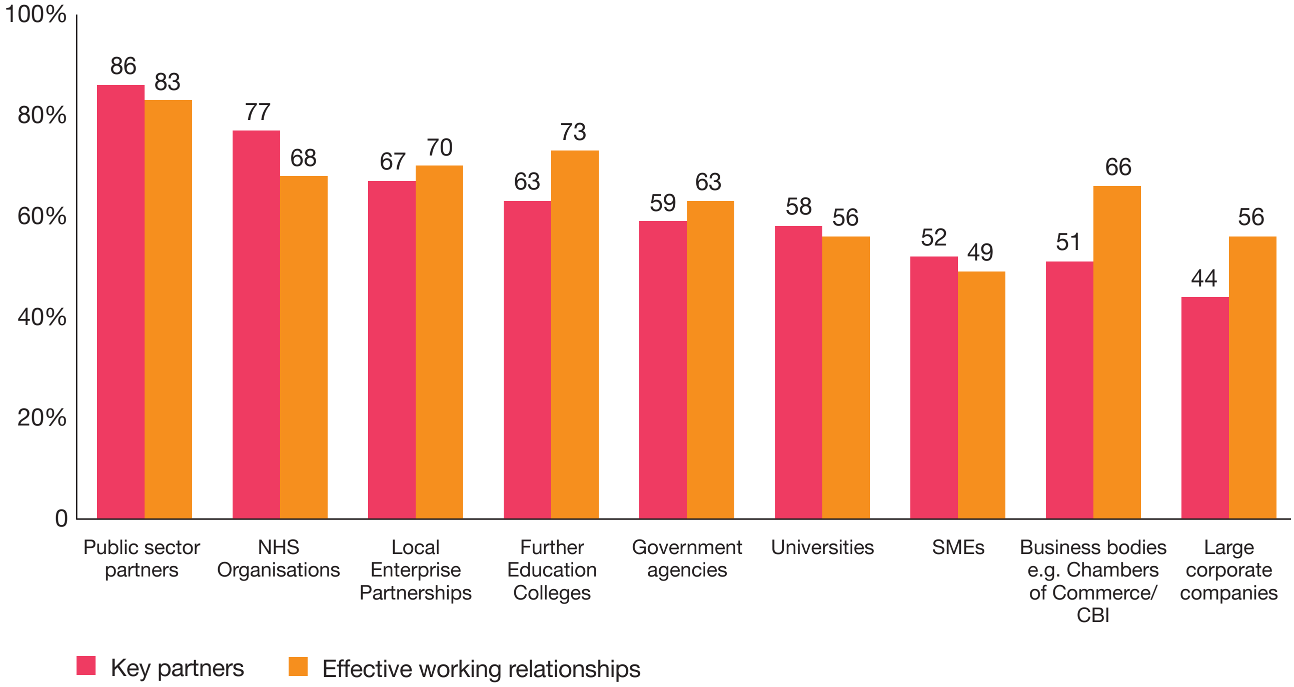
“Assembling the ingredients to make a successful place, we therefore act as ring master, municipal entrepreneur, story tell, vision and agenda setter.

District council chief executive

Partnerships and effective working relationships

However, many are not translating these priorities into strategy or delivery, with collaborative relationships focused on public sector partners and the NHS, rather than on local enterprise partnerships and business. There is also a notable gap in terms of relationships with the NHS, where 77% say they are a key partner for place-based transformation, yet only 68% say they have effective working relationships with NHS partners.

Partners and relationship for place based transformation (% agree).



The civic role of universities

Six out of ten councils agreed that universities were key partners for collaboration for place-based transformation, and our interviews with vice chancellors from across the UK indicated that universities themselves recognise the value they bring to place.

The vice chancellors we spoke to highlighted their civic role and how embedded they were in the places they're located. In many places, universities are major employers in the city or region, and they have a wider impact through attracting UK and international students, with economic and cultural benefits, as well as the physical presence of having a campus in a town. However, while this civic role is important, others highlighted the need for universities to find a balance between local, national and international priorities.

Universities see themselves as crucial to economic growth, attracting inward investment and playing a "translational" role between the public sector and business. When asked about collaboration, most did talk about the local council or combined authority, but it was collaborations with businesses that were often at the forefront of their minds. They had a clear understanding of the need for both partners to see any collaboration as mutually beneficial. They were also realistic about the time investment needed to grow successful collaborative relationships, and the need for those relationships to run throughout both partner organisations. One vice chancellor described collaboration as a "full contact sport".

While many of the universities in England we spoke to play an active role in their local enterprise partnership boards, there were mixed views on how successful these have been with some frustrations around balancing the priorities of business and democratically elected politicians and the changing priorities of central government in terms of devolution and Local Industrial Strategies.

Also, while all of the vice chancellors acknowledged the importance of the place-making agenda, the HE sector is facing challenges of its own, from the Augar Review to the introduction of the Office for Students. As a result, some highlighted the need for the sector to better articulate the wider value it brings to the UK as a whole, as well as to specific places.

Barriers and success factors in place-based collaboration

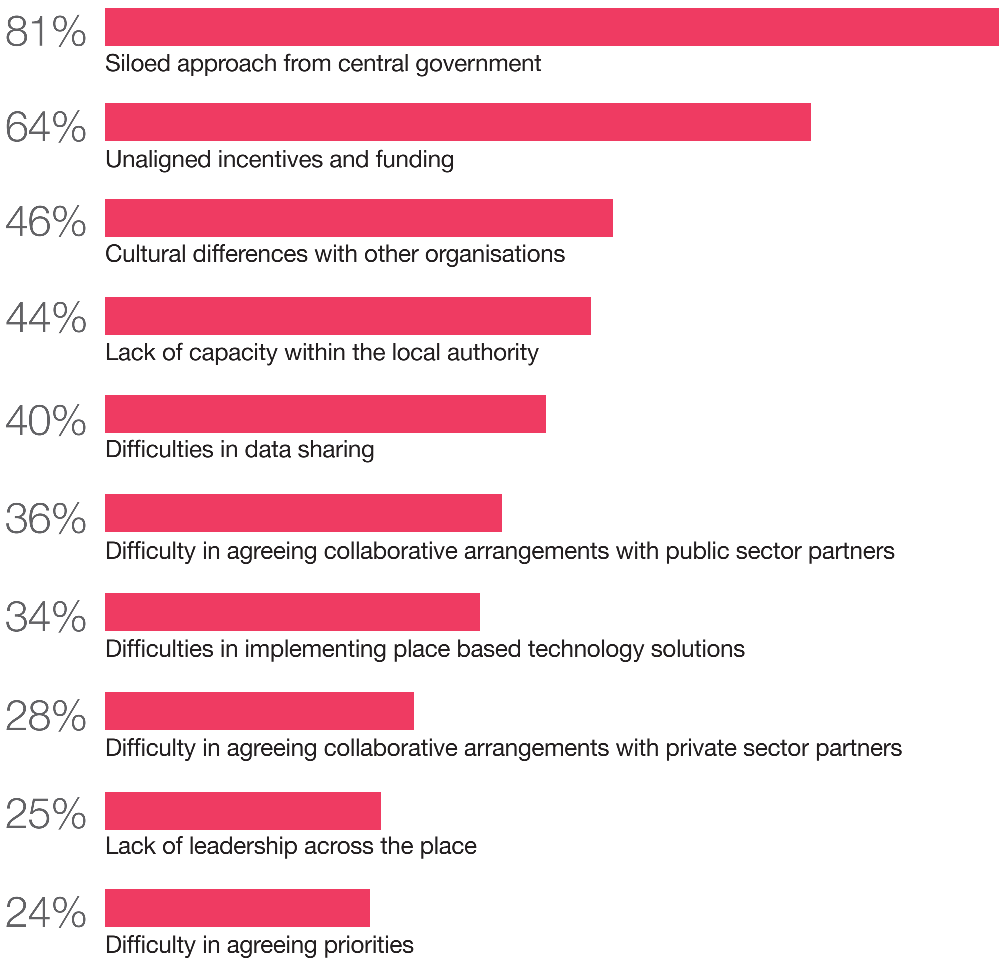
When asked about the barriers to place-based transformation, a siloed approach from central government was seen as the most significant barrier, highlighted by 81% of respondents. This was followed by unaligned incentives and funding (64%), cultural differences with other organisations (46%) and lack of capacity within local authorities (44%). Similar themes emerged from our interviews, particularly around the pressures across public services, which make it difficult for people to find the capacity or headroom to invest time in collaborative place-based working.

However, our interviews also explored views on what makes collaborative place-based working successful.

There was consensus around the need for people and organisations to be able to unite behind a common vision, as a foundation for any successful collaboration. Those from Mayoral Combined Authorities talked about the convening power of the mayor to bring together organisations across a place. But even these referenced the important role central government initiatives and funding play in providing a catalyst for people and organisations to invest the time and effort needed to get joint-working off the ground.

Developments such as Local Industrial Strategies provide such a catalyst to revive place-based collaboration and work towards a joint vision or outcome framework that is crucial to successful place-based working.

The following are significant barriers to delivering place based transformation (% agree).



The public view

Our public polling also explored views on what councils' priorities should be. The majority of the public agree that their council should focus more on improving overall prosperity for their area (60%), with only 27% agreeing that their council currently is effective in supporting local economic growth. A majority (59%) were of the opinion that their council should focus more on improving the experience of residents, visitors and businesses.

60%

Agree their council should focus more on improving overall prosperity for the area

37%

Agree their council should focus more on empowering people to look after themselves and be less reliant on public services

59%

Agree their council should focus more on improving the experience of residents, visitors and business

27%

Agree their council is effective in supporting local economic growth. 41% say their council is responsible for local economic growth

Four in ten (39%) say they would participate more to improve their local area and help local people if their council made it easier to do so, and 37% say their council should focus more on empowering people to look after themselves and be less reliant on public services. Some of our interviewees touched on the challenges of moving beyond a transactional relationship with the public, and particularly around engaging harder to reach people or communities. Worryingly, only 25% say they feel their councillors represent their interests, and 30% agree that councillors represent the interests of their community.

However, there is some evidence that a proportion of the public is willing to engage more, with a third of the public saying they would like more interaction with councillors, including 40% of 18-34 year olds. Interestingly, this demographic is also the least likely to say that they understand the role and purpose of councillors.

Tough questions on creating successful places

1. Do you have a shared vision and comprehensive strategy for place-based transformation, incorporating organisations across the public, private and third sectors?
2. How clear are you on what makes your place unique and how you can use your assets to create a distinctive offer for residents, businesses and investors and deliver wider outcomes?
3. Are your resources and effort aligned behind your place based strategy?
4. Do you have a deliverable plan to make your place based strategy real? Are you able to "integrate the integrations"?
5. Is accountability and governance clear, to build alignment and ensure responsibilities are met?

Supporting inclusive growth

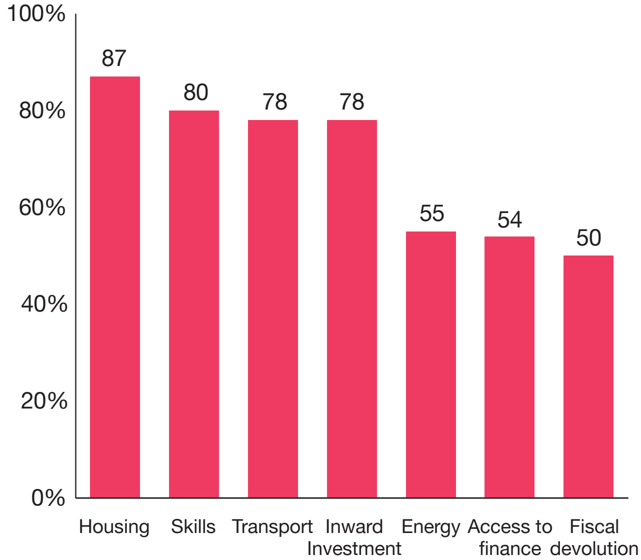
Creating investor-ready and liveable places, and delivering inclusive growth, must be at the heart of Local Industrial Strategies. As organisations come together to develop and deliver their Local Industrial Strategies, it is therefore paramount that they focus on building a credible economic evidence-base, so that they can engage widely with stakeholders to create a compelling and tangible vision and strategy.

Nine out of ten (87%) say supporting economic and productivity growth is the primary purpose of their vision or strategy for place. Places need to take a broad view of inclusive and good growth, covering factors like health, housing affordability and the environment, alongside jobs, skills and income. Social exclusion and inequality are among the biggest issues facing our cities, and reducing inequality and deprivation can itself drive growth. Whether the problems are related to financial exclusion, or access to employment, transport or digital connectivity, a successful place must help address them. Places should focus particularly on skills and education, housing and transport infrastructure, and health and wellbeing.

This is reflected in our survey, with skills and housing topping the priorities to drive place-based growth, followed by infrastructure and inward investment, growth. This chimes with the findings of our Future of Government public research, where the public identified housing and education as two of four fundamental priorities for fairness, alongside food and health.

Priorities for growth

My council's priorities to drive place based growth are (% agree).



Barriers to growth

However, significant barriers remain in each of these areas, with 79% identifying lack of investment in infrastructure as a key challenge, 70% lack of affordable or suitable housing and 67% lack of influence over skills.

70%

Say lack of investment infrastructure is a barrier to growth

56%

Highlight lack of influence over skills policy as a to growth barrier

63%

Cite lack of affordable or suitable housing as a barrier to growth

49%

Say lack of investment in digital connectivity / broadband is a barrier to growth

What makes a good Local Industrial Strategy?

The Industrial Strategy, published in 2017, references unlocking the potential of places to drive growth and productivity as a priority, and the Government has set out its ambition to see Local Industrial Strategies developed across England by early 2020, with the trailblazer Local Industrial Strategies leading the way.

When it comes to the Grand Challenges set out by the Industrial Strategy, our survey respondents said an ageing society is the top priority (65%), followed by clean growth (61%), the future of mobility (58%) and AI (55%).

In each area, it will be important to develop a credible economic evidence base, engage widely with stakeholders and create a compelling and tangible vision and strategy. It is important to understand that the reasons why places thrive, as well as the way they function, is changing. People and businesses value different things today than they did in the past, and rapid advances in technology are reshaping what's possible. The UK's position on the world stage is also changing. To tell the story of a place successfully, and to present a future vision, Local Industrial Strategies need to consider questions including: how can each place define a distinctive vision and create an iconic brand, given that 38 Local Industrial Strategies are being developed? What are the key assets that can be built on? What is the vision for making the place liveable and ensuring growth is inclusive? How can organisations help develop a commercial culture? And how will investments be financed?

One of the challenges will be the need for local leaders to give special attention to developing credible, shared and robust evidence to underpin the strategic vision. There is a need to be more collaborative and coordinated, including sharing data. And the experience of residents, visitors and businesses must be front and centre of the way in which local organisations operate and work together.

How important are the Grand Challenges defined by government to your Local Industrial Strategy?

55%
Artificial intelligence and data

65%
Ageing society

61%
Clean growth

58%
Future of mobility

Rethinking smart futures

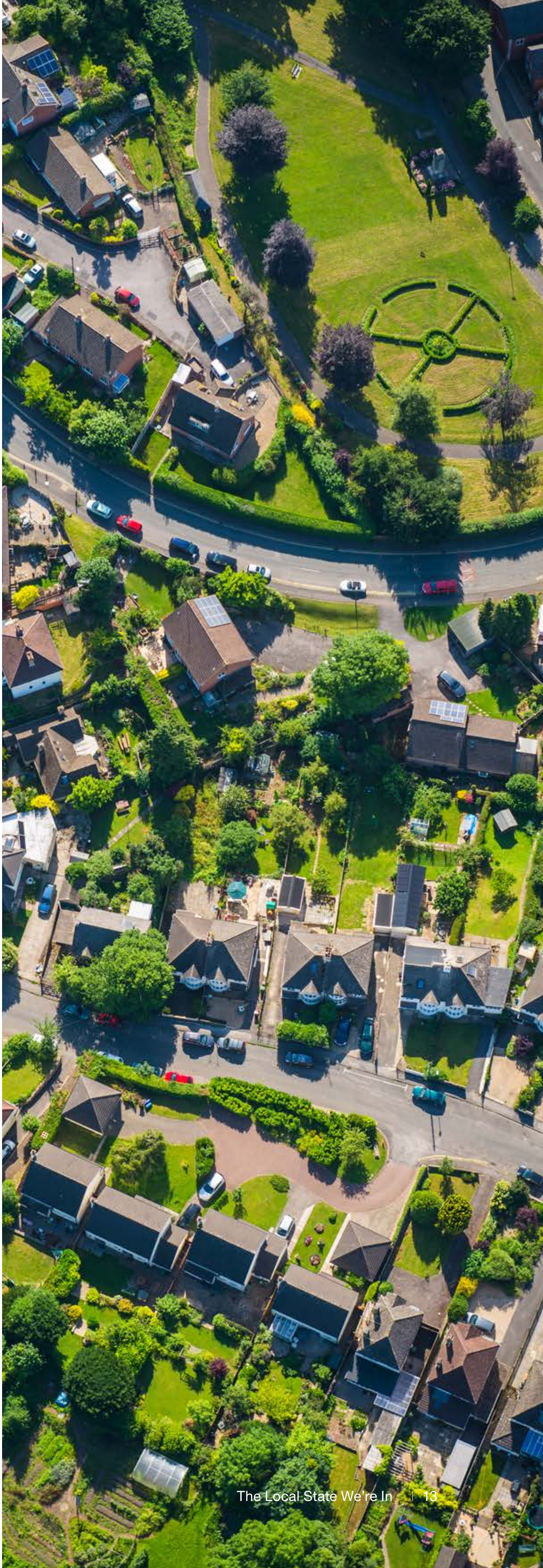
Successful smart places – whether cities or regions – will be about much more than new technologies. They'll also help to address societal issues in areas like health and education. They'll promote inclusion. They'll embrace digital innovation. And they'll prioritise transport as a vital enabler, underpinning all the other benefits. Achieving these goals requires an approach that puts improving people's lives at the heart of every decision.

Our recently launched research, together with London Transport Museum, Thales and Gowling, sets out the challenges of delivering smart places focused on people, enabled by transport and powered by technology.

Similar issues were touched on in our transport sector interviews, in which interviewees acknowledged that the conversation around transport had shifted in recent years to focus much more on the role transport can play when it comes to enabling inclusive growth. For example, one interviewee spoke of their focus on "connecting cranes to community", ensuring that local people feel the benefit of growth, including exploring how to use capital spend to influence wider inclusive growth issues. Examples of this include using procurement routes to encourage apprenticeships and working with education providers to influence syllabuses.

Another interviewee from a Mayoral Combined Authority emphasised the importance of the mayor in bringing both national and local transport organisations together to create a forum and foster a dialogue around how to work together to address mutual issues and concerns, with good results.

Read our Rethinking Smart Futures research at **https://www.pwc.co.uk/smartfutures**



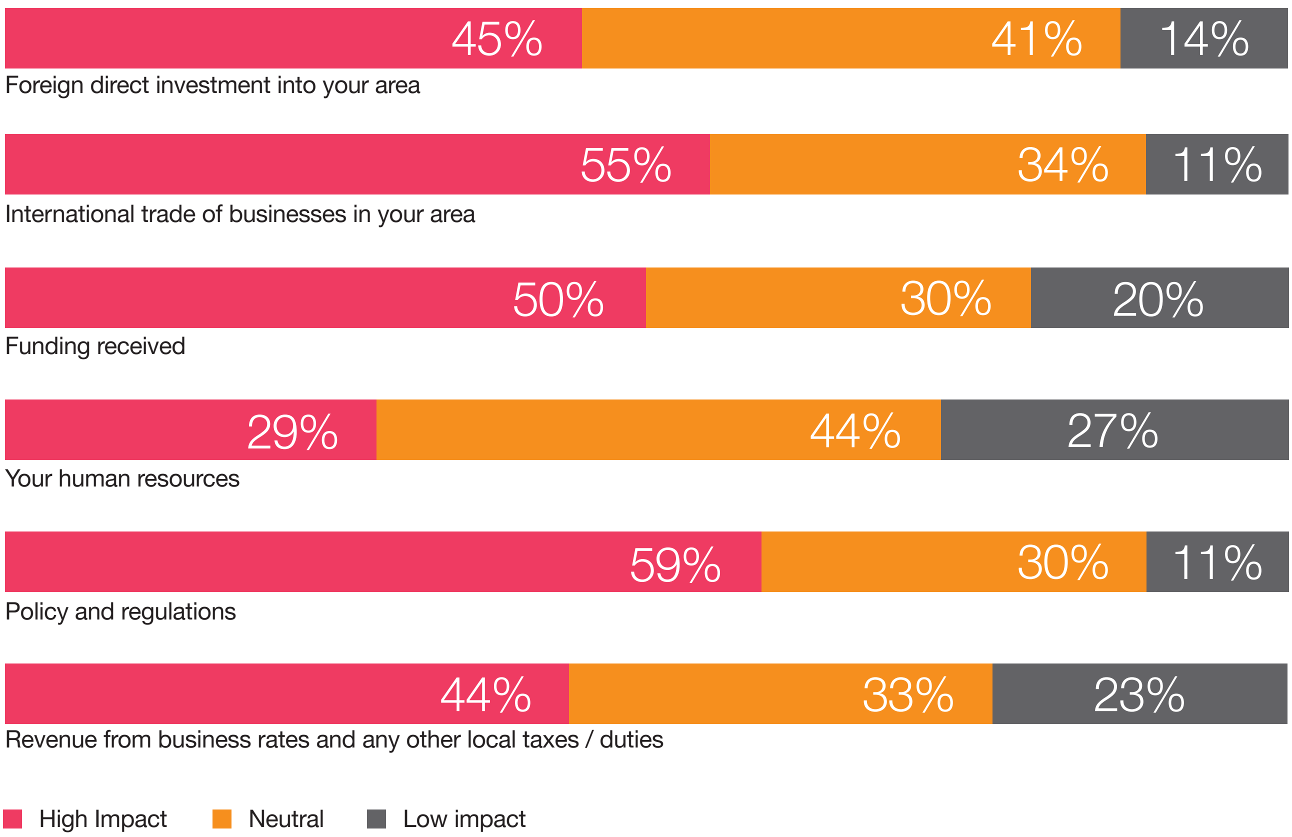
Preparing for Brexit

With uncertainty over Brexit, less than half (43%) of our survey respondents say they feel prepared as a council for the different potential outcomes of the UK leaving the EU.

When asked which areas respondents thought would be most likely to be impacted by Brexit, the top answer was international trade of businesses in their area (55%), followed by the funding councils receive (50%), foreign direct investment into their area (45%), and revenue from business rates and other local taxes (44%).

Almost one in five (18%) said that they are proactively going abroad on a city-to-city basis to find investment and develop trading links, up from 12% in 2018. This suggests that councils are shifting in response to the changing trade landscape. However, when it comes to central government, three quarters (74%) say they are not confident that central government will engage with cities and local government in reshaping regional investment and regeneration funds in a post-EU landscape.

Thinking about the potential consequences of leaving the EU, to what extent will the following factors impact on your council?



Finding your place in the shifting trade landscape

The UK preparing to leave the EU is just one aspect of the shifting global trade landscape. While the policy focus is on international trade agreements, place-to-place and city-to-city relationships are key to promoting exports and building stronger links with high-growth markets. The result is shared innovation, business growth and prosperity. But having on the ground knowledge is essential.

In 2018, for example, the UK and India agreed to forge a “tech partnership” to pair universities and businesses from different regions in the UK with states in India. One element of this tech partnership is a link-up between the Midlands Engine and the state of Maharashtra, focused on the future of mobility, including the development of low-emission and autonomous vehicles, battery storage and the creation of lighter vehicles. City-to-city connections are also advancing apace, with Sheffield City Region recently commissioning the UK India Business Council to conduct a location analysis and produce a strategy for future collaboration.

Find out more at **www.pwc.co.uk/india**

Tough questions on supporting inclusive growth

1. How ‘investor ready’ are you in terms of having stakeholders aligned behind a Local Industrial Strategy that incorporates a clear economic identity for your area and priorities for good growth?

2. How are you balancing supporting existing businesses and key assets, with nurturing future growth industries?

3. Do you understand what the public consider to be good growth or inclusive growth and their priorities for how this can be delivered?

4. Do you have feasible plans to meet both your physical infrastructure needs, including housing, transport and environment, as well as your social infrastructure needs, including skills, health and wellbeing?

5. Are you prepared for the implications on your organisation and your local economy of leaving the EU?

Reforming public services

Successful public service reform starts with thinking about the citizen and the community and the outcomes you want to achieve. This means moving beyond integrating individual services or collaboratively addressing single issues. Securing agreement on, and alignment with, the shared outcomes that organisations across a place want to achieve, setting clear accountability in terms of who will deliver, and being able to measure outcomes and assess impact, are all critical.

Public service reform is a priority for many councils and wider local public services across the country. However, the integration and redesign of services has tended to be around specific issues or spending areas, which limits its impact.

Many councils recognise that they have a broader role to play in facilitating outcomes, with 55% of all respondents agreeing that councils should be more responsible for facilitating outcomes rather than just delivering service solutions. And while half say they fully understand how to measure outcomes and assess the impact they have, only 29% fully understand the cost of securing outcomes on a multi-organisational basis across their area. Bridging this gap between aspiration and reality will be key to delivering successful public service reform across a place.

55%

Agree councils should be more responsible for facilitating outcomes rather than delivering solutions

29%

Say they fully understand the cost of securing outcomes on a multi-organisational basis across our area

50%

Say they fully understand how to measure outcomes and assess the impact we have

55%

Agree they have a defined set of indicators aligned to the outcomes we want to achieve that we can track in real time

> To be effective, transformation needs to focus on individual and community needs and not organisational or professional needs.
>
> **County council head of paid service**

> Cultural differences and financial challenges mean the focus from some partners is not on improving outcomes for residents but on complicated organisational forms of delivery.
>
> **Metropolitan council chief executive**

Health and social care integration

The gap between aspiration and outcomes on the one hand, and execution and delivery on the other, is demonstrated by our survey respondents' views on health and social care integration. The increasing cost of social care is a primary driver of the financial challenges facing councils. Eight in ten (80%) of respondents agree that further health and social care integration will have a positive impact on health outcomes for the local population and almost half (47%) agree that health and social care integration will support local economic growth. However, only 25% think it will generate savings for their council and 19% say incentives are well aligned across health and social care.

80%

Agree health and social care integration will have a positive impact on health outcomes

25%

Agree that integration will deliver savings for their council

19%

Say incentives are well aligned across health and social care

57%

Agree there should be a single budget for each local health, social care and public health economy

When asked about barriers to integration, respondents cited unaligned incentives across health and social care, which echoes their wider concern about unaligned incentives as a barrier to place-based transformation. Four in ten (44%) said their organisation would be part of an integrated care system in the next three years, while almost six in ten (57%) agreed that there should be a single budget for each local health, social care and public health economy. When we asked the same question of finance leaders in the NHS for our Making Money Work in the Health and Care System research in 2018, 78% agreed that there should be a single budget for each local health, social care and public health economy or place. This suggests that there is appetite from both the NHS and local government to think more boldly about how the health and care system could be reformed and how accountability, finances and operational responsibility could be aligned.

Local government reorganisation

When it comes to reforming local government itself, a majority (75%) agree that unitary local government is more efficient than the two-tier system. However, almost half (46%) agree that it is possible to achieve the benefits of structural reform without reorganising, while a similar proportion (47%) say local government reorganisation is worth the expense and disruption.

75%

Say unitary local government is more efficient than the two tier system

44%

Say significant reorganisation of local government will happen by 2025

46%

Agree it is possible to achieve the benefits of structural reform without reorganising

47%

Say local government reorganisation is worth the expense and disruption

Tough questions on public service reform

1. Do you have a good understanding of the business models and delivery mix of public services needed to deliver key economic and social objectives and outcomes across organisational boundaries across your place?
2. How is your council bringing together the numerous partnerships, collaborations and integration projects that exist into one coherent plan?
3. How are you working with communities to develop self-sustaining models of support that build resilience and independence?
4. Is your council fully engaged in health and social care integration at both a strategic and operational level?
5. To what extent are you using technology and data to enable and operationalise integration at scale?

Embracing digital and data

Digital technology is enabling local government to transform everything from the back office to how they collaborate with partners and engage with residents and communities. Data, meanwhile, has the potential to underpin a shift to making earlier, smarter interventions. Councils must embrace a 'digital mindset' in terms of how they approach the opportunity digital and data offer to transform how they operate and change the terms of engagement with the public.

There are two notable trends that emerged from this year's survey when it comes to how councils are embracing the opportunities technology offers.

Firstly, we've seen a drop in respondents' confidence when it comes to how well they feel that their council is embracing the opportunities that new technologies offer for better local public services. In 2016, 76% said that they felt confident compared to only 20% in 2019. This perhaps represents something of a reality check for councils who, as they embark on embracing digital, are beginning to notice the scale of the gap between the extent of potential digital opportunities and their ability to deliver. With regards to AI specifically, 40% say they have plans to introduce AI into their organisation in the next three years, while another 36% say they have introduced limited AI already.

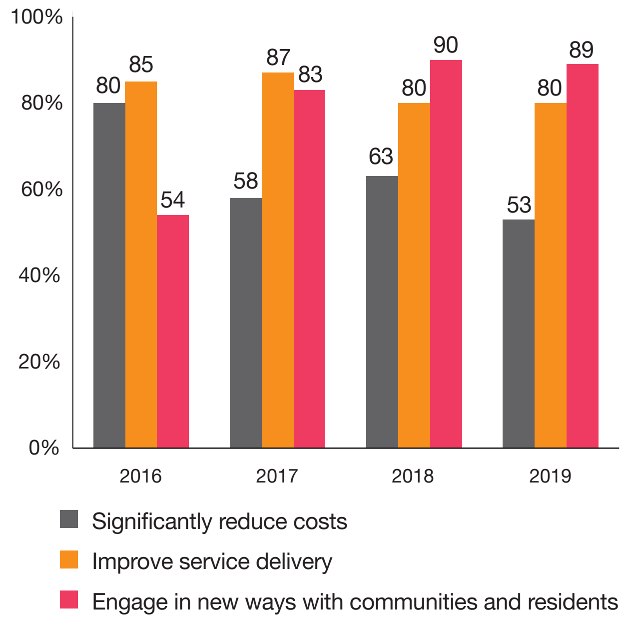
69%
Agree that their organisation puts customer experience first and foremost

53%
Say digital will enable them to reduce costs

80%
Say their council is not embracing the opportunities new technologies offer

60%
Have implemented a digital 'front door' for customers

Digital will enable us to. (% agree)



Where in previous years there was a significant gap between the digital confidence of councils and the views of the public, views are now much more aligned. Some 26% of the public today agree that their council is embracing the opportunities that new technologies offer.

The second notable trend has been the increase in expectations on what digital can deliver. Nine out of ten (89%) respondents' agree that digital will enable councils to engage in new ways with communities and residents, up from 54% in 2016. Whereas in 2016 80% thought digital would enable them to significantly reduce costs, a figure that has now fallen to 53%.

The public view

Our Future of Government deliberative research showed that the public believe that technology could have a positive and transformative impact on public services. In our polling we asked the public in what ways they currently engage with their council. Six in ten (60%) have had not interacted with their council digitally in the past month and 21% are not aware of any council services being available digitally. In terms of how people engage with their council, 23% have accessed information on services digitally, 23% have used digital platforms to pay for services and 8% have given feedback digitally or interacted with customer services online.

40%

Of the public are satisfied with the digital access they have to council services

34%

Of the public prefer to interact with their council in person

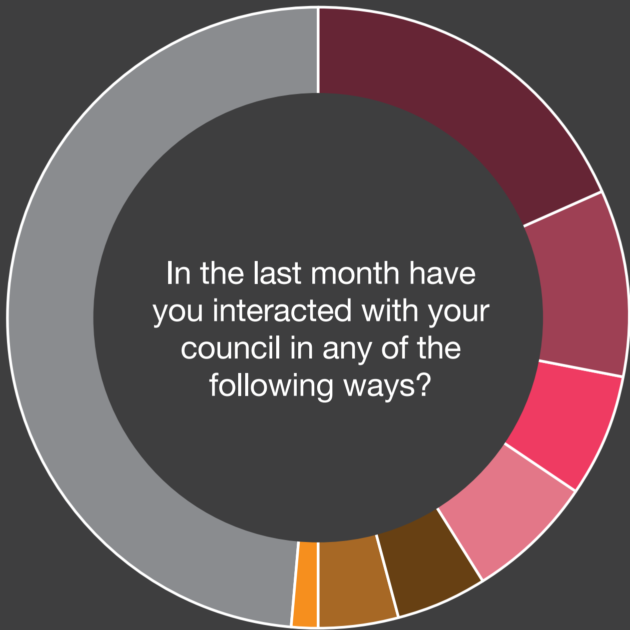
21%

Of the public are not aware of any council services being available digitally

30%

Of the public prefer to interactive with their council by telephone

Digital interaction with the public.



- Accessed information on services digitally (e.g. website, app etc.) **23%**
- Used a digital platform to pay for public sector services (e.g. council tax) **12%**
- Used a digital platform to interact with the customer service department **8%**
- Gave feedback on services via a digital platform **8%**
- Engaged with your council via social media (e.g. Twitter, Facebook etc) **6%**
- Engaged with other members of the public (e.g. on an online forum) **5%**
- Other **2%**
- None **60%**

Smarter engagement for fairer outcomes

In the aftermath of the EU referendum, many people and communities felt unheard and disconnected from decision-makers. Our Future of Government research programme is exploring the practical steps government, both central and local, can take to create a fair and inclusive future, which includes addressing regional imbalances.

Building on our previous work with Citizens' Juries, we are collaborating with Opinium to use an innovative online 'pop up community' to canvas the views of the public. Participants communicate their views by recording video diaries and sharing their stories through online discussion forums. When asked to assign a personality type to the British state, members of the community described it as a distant next door neighbour, who you might 'occasionally take a parcel in for but don't speak to much'.

Citizens clearly saw an active role for government in shaping a fair and inclusive future. There was recognition that those in need will require greater support than what's currently available to them. Unfairness and social disparity were seen to be increasing, with a greater divide between the haves and have-nots.

We know from this research that the public wants to see collaboration, including between government, businesses and people themselves, to create a more inclusive future. While decentralisation and place-based approaches to date have largely focused on devolving from central to local government, the focus needs to shift to finding new ways to engage the public and communities themselves in decision-making. This means communicating with the public in smarter ways, on their own terms and reaching out to people and communities who don't typically turn up to traditional consultation events.

Find out more at **www.pwc.co.uk/futureofgovernment**

Doing more with data

Data and analytics is another key area that councils are beginning to tap into. However, less than a third (32%) of respondents agree that their council uses data analytics effectively to inform decision-making and strategy.
The survey also suggests that there is a capability gap in terms of data analytics, with only 27% feeling confident that they have the data analytics capabilities they need – the lowest of all the options we asked about in the survey.

Cyber risks

Clearly, new digital and data approaches offer great opportunities for local authorities, but it is important to put in place the relevant safeguards both for privacy but also to ensure cyber and information security. This is a concern for the public, with only 40% of our polling respondents trusting their council to protect their personal data and information from cyber attacks. Two thirds of councils are confident that their approach to digital security will cope with cyber threats, and the same proportion actively monitor people-related cyber security risks.

67%
Actively monitor people-related cyber security risks

50%
Are confident their employees exhibit robust cyber security behaviours at work

67%
Are confident that their council's approach to digital security will cope with cyber threats

40%
Of the public trust their council to protect their personal data and information from cyber attacks

Tough questions on digital and data

1. Is your approach to technology about developing a ‘digital mindset’, rather than digitising existing processes or services?

2. How are you ensuring your approach is citizen-centric? Do you have a clear vision of how digital technologies can engage residents and communities and enable the delivery of outcomes?

3. Are you making the most of what your existing platforms and tools can deliver, rather than getting caught in the technology change race?

4. How are you embedding a culture of curiosity, innovation, engagement and ‘test and learn’, when it comes to technology, including learning from leading organisations across the public and private sectors?

5. Are you investing in your capability around data, insight and predictive analysis, including appropriate governance and controls, and using this to drive smarter, earlier interventions?

Building organisational resilience and capability

With uncertainty over the Spending Review and the Fair Funding Review, councils need to grasp the levers they have control over to future-proof themselves. New ways of working means different capabilities are needed, with a greater emphasis on skills around influencing, enabling and convening, underpinned by data analytics and evidence.

The ongoing impact of austerity is evident with just half (53%) of council respondents saying that they are confident they can deliver savings in the next year without impacting on quality of service or outcomes, down from 72% last year and a high of 94% in 2012. In previous years, the 'cliff edge' tended to be around three to five years into the future, but for many councils it now appears to have moved closer. Only a third (33%) are confident that they can make the savings needed within the next five years, suggesting hopes are set on a Spending Review that will relieve some of the pressure.

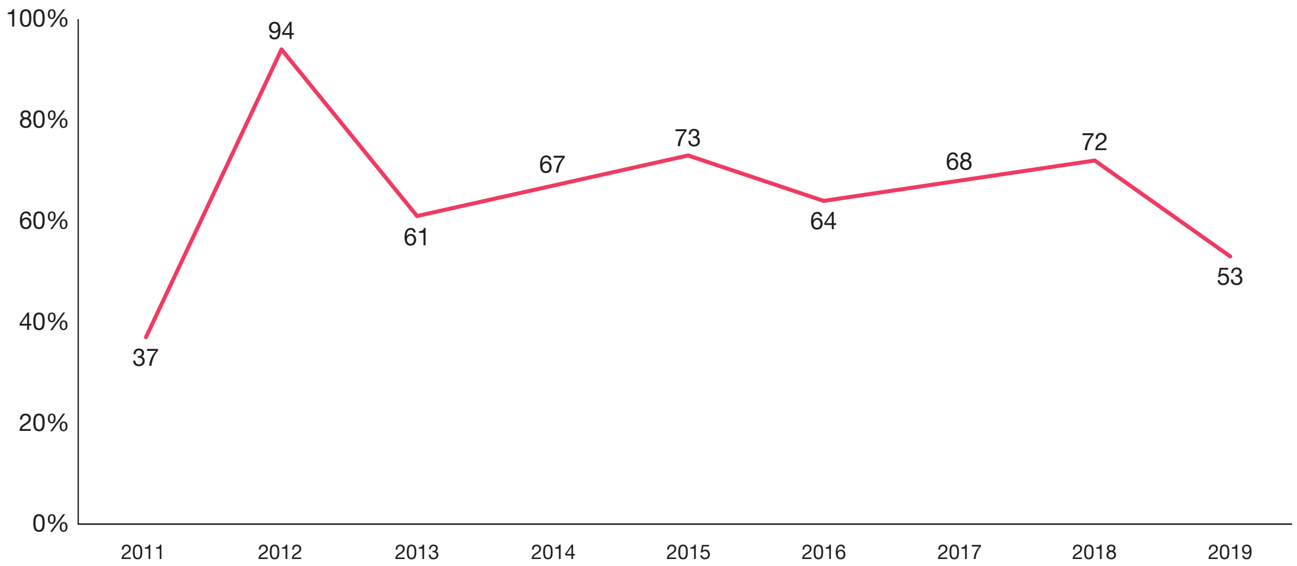
53%
Say they can make the necessary savings in the next year, down from 72% in 2018

30%
Say they can make necessary savings in the next five years

85%
Say some councils will fail to deliver essential services in the next five years

93%
Say some councils will get into serious financial crisis in the next three years

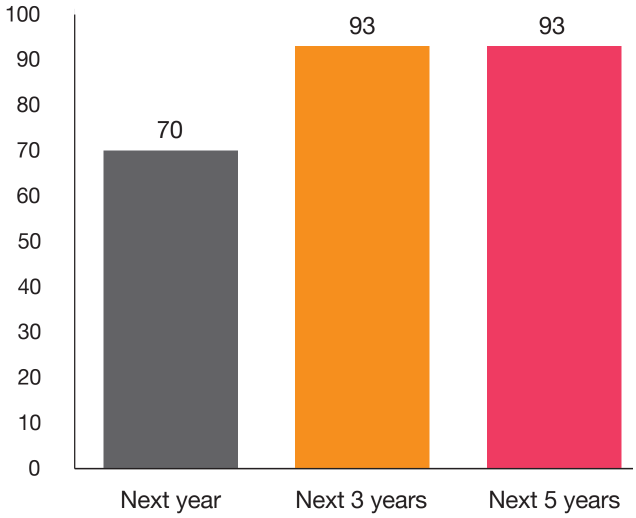
We are confident that we are able to make the necessary savings in the next year (% agree).



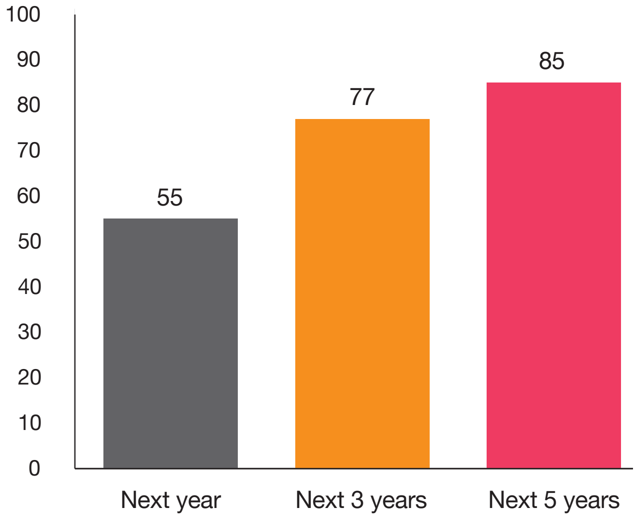
When it comes to considering the sector as a whole, rather than just their own council, 70% of all respondents believe that some councils will get into serious financial difficulty in the next year, while 55% think that some councils will fail to deliver the essential services residents require over the next year. When looking to the next five years, 93% think that some councils will get into serious financial crisis and 85% agree that some councils will fail to deliver essential services.

> The uncertainty around the future funding of local public services is leading to an inability to plan for the medium to long-term. Our funding scenarios range from a £5m-£30m shortfall depending on the outcomes of the Fair Funding and Comprehensive Spending Reviews.
>
> **County council deputy chief executive**

In the following time period some councils will get into serious financial crisis (% agree).



In the following time period some councils will fail to deliver essential services (% agree).

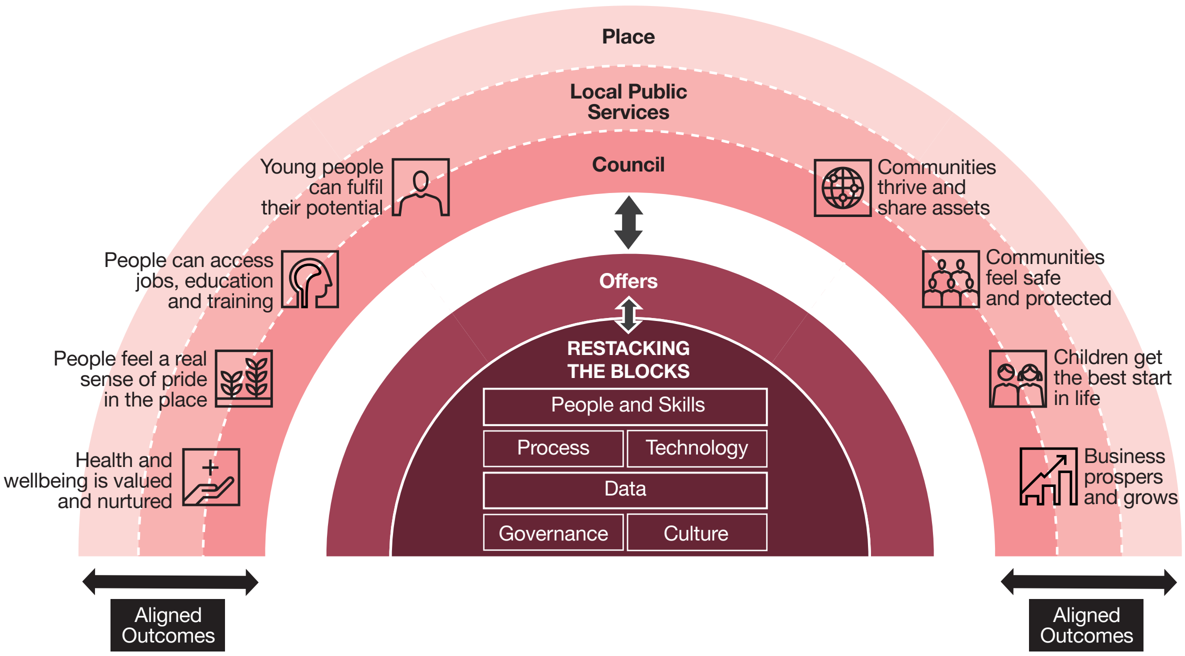


Post-austerity local government: time to restack the blocks?

The combined effect of ten years of fiscal constraint and increasing demand has left the local government sector in a very different place to where it began. Local government has changed significantly in that time, but it has not been possible to plan that change in a wholly strategic way. There is now a pressing need to "restack the blocks" of local government, in a purposeful way, to maximise the positive impact that can be made for people and places across the country.

In a series of thought pieces over the last ten years PwC has articulated the changes facing local government arguing for: more agility to respond to unknown futures in The Agile Council (2012); a new focus on place leadership in Redefining Local Government (2014); and a need to relinquish control and be far more facilitative in Beyond Control (2016). Looking back over that period, our work with councils shows that local government has changed in line with those trends. When we look at what councils are actually doing now we see that they typically spend 25-30% of their effort on service delivery compared to 50-55% ten years ago.

Many of these changes have been made in a piecemeal way, driven by short term pressures, and the different capabilities that make up a typical council are not organised in an optimal manner. Whether austerity is over, or not, now is the time for local government to "restack the blocks." This needs to be done based on a very clear re-evaluation of what each authority will, and won't, do to achieve outcomes that are aligned across the council, their local public services system and the wider place. Look out for our thought piece later in 2019.



The role of local government is now less about control and delivery, and more about influencing, enabling and convening to support inclusive growth, develop community resilience and enhance the experience of residents, visitors and businesses. Is your organisation ready for the step change that is needed?

The public view

Our public polling indicates that over half (51%) accept that their local council needs to reduce or close services or facilities. Nonetheless, concerns remain about the impact of council closures or reductions, with 58% of the public surveyed concerned about the impact that reductions and closures will have on them personally and 67% concerned about the impact on their community, up from 61% in 2018. With further closures or reductions likely in many areas, engaging the public in the reasons for these changes and working with them to co-create and co-design new service models is key.

58%
Are concerned about the impact of cuts or reductions in council services on them personally

67%
Are concerned about the impact of cuts on their community, up from 61% in 2018

77%
Of those aware of cuts say they or their family had been impacted

51%
Oppose the need for cuts in council services, up from 48% in 2018

What taxes could be devolved to local government?

Our analysis for the County Council Network (CCN) sets out starkly that current levels of local government funding are unsustainable, with councils in England facing a £52bn funding black hole over the next six years, primarily driven by the pressures associated with an ageing population. This challenge means a new funding model or radical transformation of local public services to reduce costs and better manage demand is needed.

The Institute for Fiscal Studies (IFS) Local Government Finance and Devolution Consortium, which we are part of, has been exploring funding options and issues for local government, including what potential taxes could be devolved to local government. Their conclusion was that a share of local income tax is possibly the most effective and credible means for raising significant levels of income locally.

It's critical that any decisions about devolving taxes should not be made in isolation; the best decisions are made when the full picture is considered and all the consequences are understood and evaluated. In considering the potential benefits of any such new local taxes (including the question of devolving larger taxes such as income tax), we also need to consider the obvious trade-offs like the potential for such devolution to create additional complexity and to have an impact on competitiveness. Arriving at the right balance will not be an easy road but the outcome – a rebalanced tax system that helps to address funding needs – is a worthwhile objective.

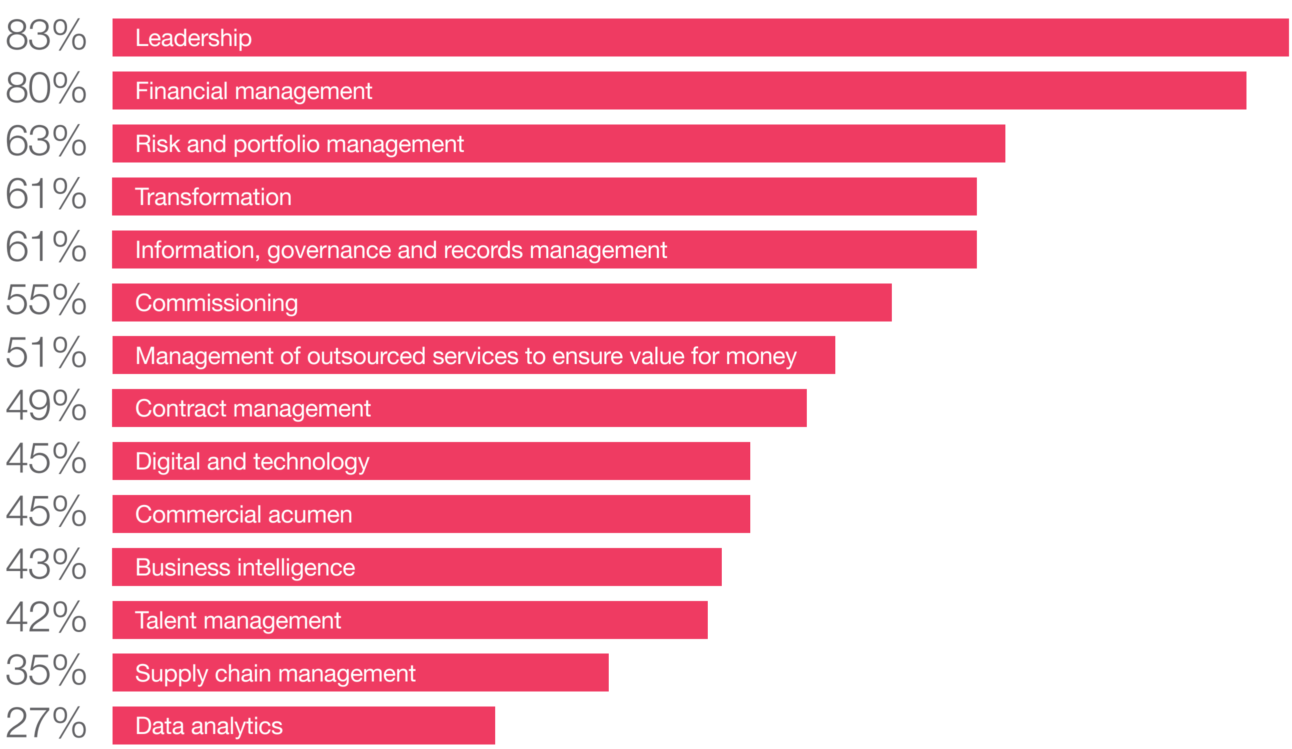
Capability concerns

Given these sustained pressures, it isn't a surprise that concern about finances goes hand in hand with capability concerns. While eight out of ten respondents are confident about their financial management capabilities, only six in ten are confident about their transformation capabilities, around half are confident when it comes to digital and technology, commercial acumen, talent management and business intelligence. Less than three in ten are confident about their data analytics capabilities, with 68% not using data to inform decision-making.

Tough questions on organisational resilience and capabilities

1. Is your council confident in its approach to reducing costs, developing innovative solutions to commissioning and supply chain management?
2. Are you building the right skills, capabilities and processes to secure organisational resilience and manage key organisational risks?
3. Does your council have the commercial skills and acumen needed to optimise revenue and realise the value of your assets?
4. What new models are you exploring to access the skills and capability you need?
5. How will you quickly access the core new skills you need, including data analytics skills to drive your decision making?

My council is well equipped with the following capabilities (% agree).



Agenda for action

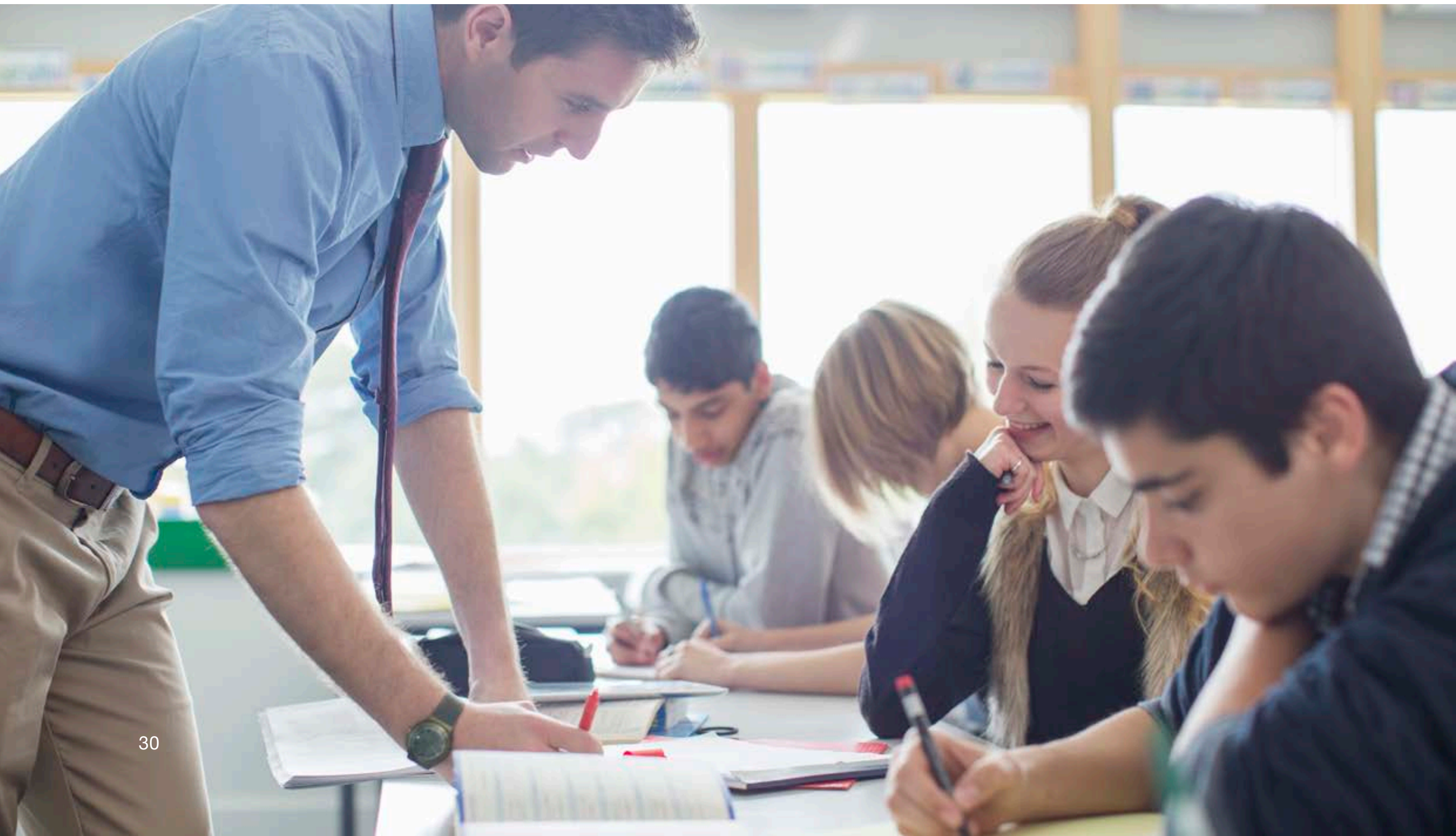
This year's survey has demonstrated the continuing challenge for local public services to find the space, time and resource to build collaborative relationships that will be critical to creating thriving places. For councils in particular, the pressures of ongoing financial challenges and capability concerns, have not dampened ambition. Nonetheless, for too many places, ambitions and visions are not translating into priorities, resources and deliverable plans.

As we look to the next Spending Review, local councils' priority is to have clarity and certainty on funding, investment in the areas that are most under strain, and balance and fairness across the local government sector.

The Spending Review offers a further opportunity for central government to move beyond its siloed approach and develop new models of funding to support places to deliver better outcomes. That can be done by taking a holistic approach to transforming services, supporting economic growth and improving the way they engage with citizens and communities.

For local public services, there are five key areas organisations should focus on to deliver successful places where people want to live, visit, work and invest:

- Define a shared vision for your place, and then translate this **ambition into strategies**, that bring together numerous partnerships, are clear on accountability and underpinned by an integrated plan to deliver – start to integrate the integrations
- Focus on growing and nurturing relationships with people and communities on their terms, **to build resilience and independence**
- Develop a 'digital mindset', harnessing **new technologies** such as AI to deliver better outcomes
- Embrace the **value of data** and invest in an **analytics capability** to inform decision-making and drive smarter, earlier interventions
- Focus on building the **right leadership skills and capabilities** for new ways of working based on collaboration, innovation and relationships.



“We need investment in public services – Adult Social Care, Children’s Social Care, Schools, the NHS, Police. Most public services are now significantly straining after years of under-funding, the Country’s public services are not far away from catastrophic failure.

Unitary council chief executive

“The priority for the Spending Review should be to increase overall funding for councils who have been hurt by nine years of austerity and who have responded innovatively and effectively to protect their communities. Councils are on the edge of a cliff and will be permanently harmed if pushed over.

District council leader

“The Spending Review needs to achieve balance – all authorities need to feel that they are receiving a balanced deal.

Unitary council cabinet member

“We need a fairer distribution of funding for authorities responsible for demand led services and more local autonomy over how funds are used.

Unitary council chief executive

“A sustainable and medium-term financial settlement for local government incorporating some clear messaging of direction of travel around the funding of adults and children’s services.

County council deputy chief executive

“I fear a policy vacuum and a short term financial approach will mean continued top slicing of local government funding for individual projects and specific issues (as they surface) whilst the fundamental underlying problems of inequalities continues to get bigger.

Metropolitan council chief executive

“The priority needs to be formulating a grant distribution which is equitable and developing a plan to help those councils who will not be able to operate due to lack of funding either now or in the future, and if that means reorganisation in specific areas so be it.

District council executive director

Methodology

Our survey research covered local authority chief executives, directors and elected council leaders across the United Kingdom. These surveys were conducted online between March and May 2019. We also carried out interviews with a number of local public service leaders, including representatives from councils, combined authorities, the NHS, education, transport and local enterprise partnerships.

An online survey of 2,007 UK adults aged 18+ was carried out from 4 to 6 June 2019. The results of the public opinion poll have been weighted to a nationally representative criteria.

This is the ninth edition of the Local State We're In, the first was published in August 2011.

Acknowledgements

We would like to thank the chief executives and leaders from across the UK who shared their views with us for the Local State We're In survey and the supporting interviews. We are grateful for their contribution and valuable insights.

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The Future of Government

With the UK in the process of leaving the European Union, there is an opportunity for the country to focus on what kind of society we want to live in. We are optimistic, looking to the future and thinking big. We're listening to others and considering what's needed to build stronger communities, rethink public services and secure a future for the UK which is based on fairness and regional balance.

Everyday we see the difference the public sector can make to people's lives. The Government's next Spending Review has the potential to drive change; to improve outcomes for citizens and deliver value for money. What does a fairer future society look like? And how can government transformation meet the challenges that will face post-Brexit UK? Could this transformation put citizens and communities at the centre and build a fairer country that works for everyone?

Drawing on an expert steering group and convening views across business, the public sector and civil society, PwC will explore these questions in our Future of Government research programme.

Join the debate #futureofgov

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