Local productivity, national impact:

The role of local authorities

Authors:
Jack Shaw
The Productivity Institute
Joe Peck
The Productivity Institute

Date:
May 2026

The Productivity Institute
Working Paper No.073

Authors' contacts:
jack.shaw-2@manchester.ac.uk
joe.peck@manchester.ac.uk

Acknowledgements
G The authors wish to thank Prof. Bart van Ark, Prof. Andy Westwood and Joel Hoskins at The Productivity Institute for their considered and useful comments.

Suggested citation

J. Shaw, J. Peck (2026) *Local productivity, national impact: The role of local authorities*, Working Paper No. 073, The Productivity Institute.

The Productivity Institute is an organisation that works across academia, business and policy to better understand, measure and enable productivity across the UK. It is funded by the Economic and Social Research Council (grant number ES/V002740/1).

The Productivity Institute is headquartered at Alliance Manchester Business School, The University of Manchester, Booth Street West, Manchester, M15 6PB. More information can be found on The Productivity Institute's website. Contact us at theproductivityinstitute@manchester.ac.uk

Abstract

This report argues that local government must play a much bigger role in tackling the UK's long-standing productivity problem.

While national debate often focuses on the private sector, local authorities account for substantial public spending and shape many of the conditions that support growth, including housing, planning, skills, public health and social care. Yet the sector's contribution to productivity has been held back by fragmented funding, reduced capacity, and a central government approach that has too often treated productivity growth as a short-term initiative rather than part of a longer-term transformation.

The report argues for a shift away from episodic efficiency drives and toward a coherent long-term reform programme. Its recommendations: better data, clearer prevention frameworks, freedom to innovate, investment in digital transformation, stronger innovation capability and capacity-building, are all ingredients necessary to increase local government productivity.

Together, these reforms would help local authorities move from crisis management to continuous improvement, making them not just more efficient institutions, but more productive shapers of local growth and public value.

CONTENTS

EXECUTIVE SUMMARY

This report argues that local government must play a much bigger role in tackling the UK's long-standing productivity problem. While national debate often focuses on the private sector, local authorities account for substantial public spending and shape many of the conditions that support growth, including housing, planning, skills, public health and social care. Yet the sector's contribution to productivity has been held back by fragmented funding, reduced capacity, and a central government approach that has too often treated productivity growth as a short-term initiative rather than part of a longer-term transformation. For their part, local authorities have often been characterised by risk aversion and do not have robust measurement of productivity in place. The report's central claim is that productivity in local government should be understood not simply as 'doing more with less' but as improving public value through better service design, prevention, digital transformation and stronger collaboration across institutions. We argue that past reform efforts have too often been superficial, top-down, or narrowly focused on 'budget efficiency', as we outline in chapter two. As a result, local authorities have not been treated by central government as strategic partners with responsibility for improving the productivity of their institutions or the places they represent.

In chapter three, the report presents measurement as a major obstacle. Local authorities deliver hundreds of services, but productivity is only systematically measured in a narrow range of areas, especially adult and children's social care. In many other services, data is inconsistent or incomplete. This makes benchmarking, learning and evaluation difficult. We therefore make the case for a sector-wide Local Government Data Strategy to standardise what is measured, how often, and in what format. We also argue that strategic authorities need their own bespoke performance measures, given their powerful role in shaping local economic performance through investment, co-ordination and system leadership.

The report also highlights prevention as one of the clearest routes to higher productivity in chapter four. Preventative spending can reduce avoidable demand, improve outcomes and free up capacity in overstretched services. However in practice it is often crowded out by immediate financial pressures, short-term (political) time horizons and fragmented funding rules. The report recommends a clear cross-government framework for defining what counts as preventative spending, alongside a new Prevention Settlement for local authorities that would give them more flexibility to align funding streams around early intervention.

The importance of digitalisation and artificial intelligence are also rapidly emerging themes in local government, as we highlight in chapter five. These technologies can reduce administrative burdens, improve responsiveness and, complementing preventative spending, help redesign services around earlier intervention. Councils are already using AI for tasks such as call handling, transcription, recruitment support, risk identification and case management. However, there is a disjuncture between rhetoric to describe AI's potential and the current reality of its use-cases. It is clear that progress in this area is being slowed by poor interoperability, legacy systems, limited technical skills and weak data-sharing arrangements. To address this, this report recommends investment in digital transformation and stronger national and sub-national support for innovation, including scaling models like the Office for Public Service Innovation.

Finally, in chapter six, the report stresses that productivity depends on organisational capacity and leadership. Local authorities have lost staff, face high vacancy rates and often lack the leadership continuity needed for long-term transformation. They need stronger workforce planning, better use of staff skills and more support to learn from innovation across the sector. Shared services, partnerships with universities and stronger local-state capability can all help authorities work more effectively.

Overall, the report argues for a shift away from episodic efficiency drives and toward a coherent long-term reform programme. Its recommendations: better data, clearer prevention frameworks, freedom to innovate, investment in digital transformation, stronger innovation capability and capacity-building are all ingredients necessary to increase local government productivity. Together, these reforms would help local authorities move from crisis management to continuous improvement, making them not just more efficient institutions, but more productive shapers of local growth and public value.

INTRODUCTION

The persistent weakness of productivity growth remains one of the most intractable challenges facing the economy in the United Kingdom. For three decades prior to the financial crisis of 2008, productivity increased at an average rate of two per cent annually. Since then it has stagnated, averaging 0.5 per cent per year (Bhattacharjee et al., 2024). Promoting productivity is essential to improving living standards and increasing the fiscal headroom available to the government. As a result, the Chancellor of the Exchequer, Rachel Reeves, has placed it at the centre of her economic policy, enshrined in the Growth Mission (HM Treasury, 2025a).

Yet this strategy faces a serious test. The Government has not yet articulated a clear vision to improve productivity and the Office for Budget Responsibility (OBR) downgraded growth forecasts over the medium term at the Autumn Budget (OBR, 2025). Despite significant attention on reforming public institutions, not least through local government re-organisation and further devolution, much of the productivity debate has concentrated on private sector productivity. The government has largely overlooked the central role the public sector has to play in boosting productivity even though it accounts for 20 per cent of national economic output and employs nearly six million people (Coyle & van Ark, 2022).

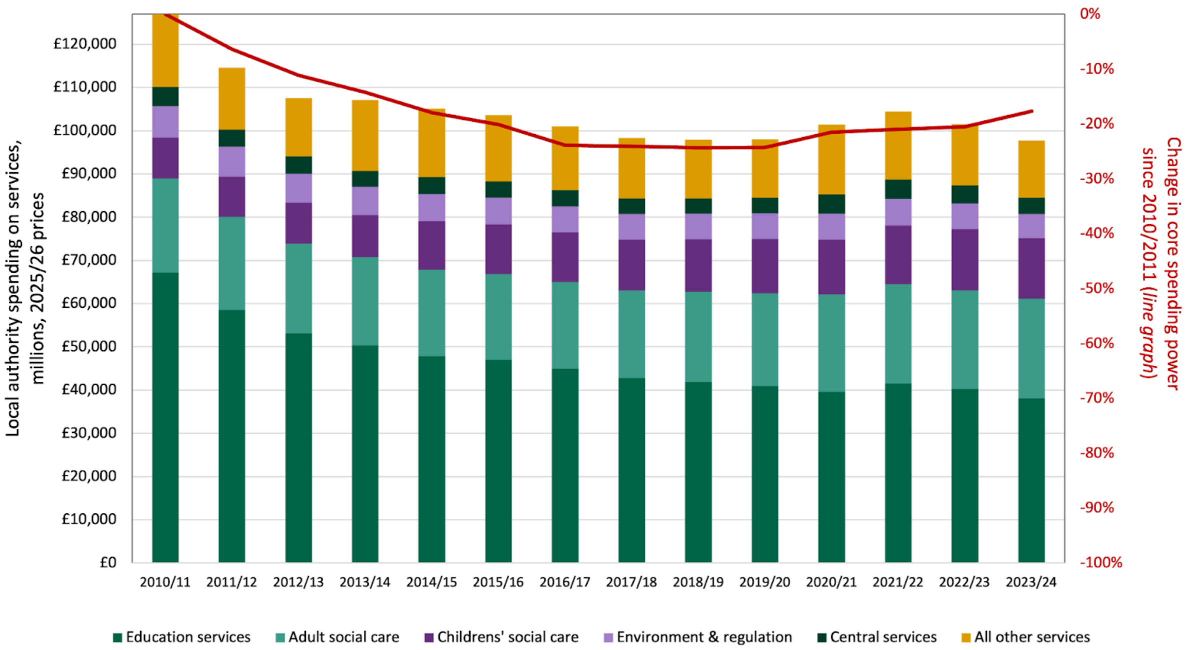
More fundamentally, it has not yet articulated a coherent cross-government strategy for public service reform within which productivity improvement in local government can sit. Reform of local government structures, devolution arrangements and funding mechanisms are necessary, but they are not sufficient on their own. Many of the strongest drivers of productivity improvement — prevention, service integration, digital transformation, data-sharing and long-term system redesign — depend on decisions made by central government across departmental boundaries. Without a credible national reform strategy, progress in local government productivity will be slower, more fragmented and harder to sustain.

The consequences of this neglect are significant. Weak productivity growth in the public sector is a drag on national economic performance. The Treasury has calculated that public sector productivity growth would need to be 0.5 percentage points higher each year in order to *maintain* the size of the state at current levels while meeting rising demands for public services (HM Treasury, 2023). The Institute for Fiscal Studies estimates that efficiencies outlined in the 2025 Spending Review could increase 'funding productivity' across the public sector by 0.8 percentage points annually if achieved - an approach that measures whether public investments are being used effectively, in contrast to the focus on operational efficiency (Harvey-Rich & Warner, 2025).

When public sector productivity has received attention, health and education have received a disproportionate share of attention from both academia and policymakers given the considerable share of public expenditure dedicated to them and the relative ease with which improvements in productivity can be measured (Freedman & Wolf, 2023; van Ark, 2022). By contrast, local authorities — with an annual expenditure in the UK of £170 billion in 2024/25 — have attracted relatively little sustained attention (HM Treasury, 2025b).

Figure 1. Core Spending Power Has Fallen by 15 per cent Since 2010

Local authority spending on services by type and change in core spending power in England, 2010/11 - 2023/24



Source: Brien (2025). Note: 2023/24 is the latest data available.

Realising the potential of local government is no simple task. Contemporary conditions in the sector make it — perhaps uniquely — ill-equipped to improve productivity. Severe financial pressures limit authorities' ability to innovate or pursue 'invest to save' strategies (Fig. 1). Underdeveloped data infrastructure and patchwork evaluation constrain evidence-based decision-making and our collective understanding of what is effective and what is not.[1] Attitudes in the public sector can be sceptical of productivity as a meaningful goal, reflecting in part entrenched concerns that the adoption of artificial intelligence may displace employment.[2] Governance arrangements are more often than not siloed and risk averse, inhibiting multi-disciplinary collaboration, although some authorities have achieved greater success in overcoming such barriers than others and this is not unique to local authorities. Central–local relations remain characterised by mistrust in many cases, though the current administration has promised a 'reset', while satisfaction in local authorities is among its lowest since the Local Government Association began recording it (LGA, 2024; MHCLG, 2024). Workforce contraction of over 30 per cent has eroded organisational capacity,

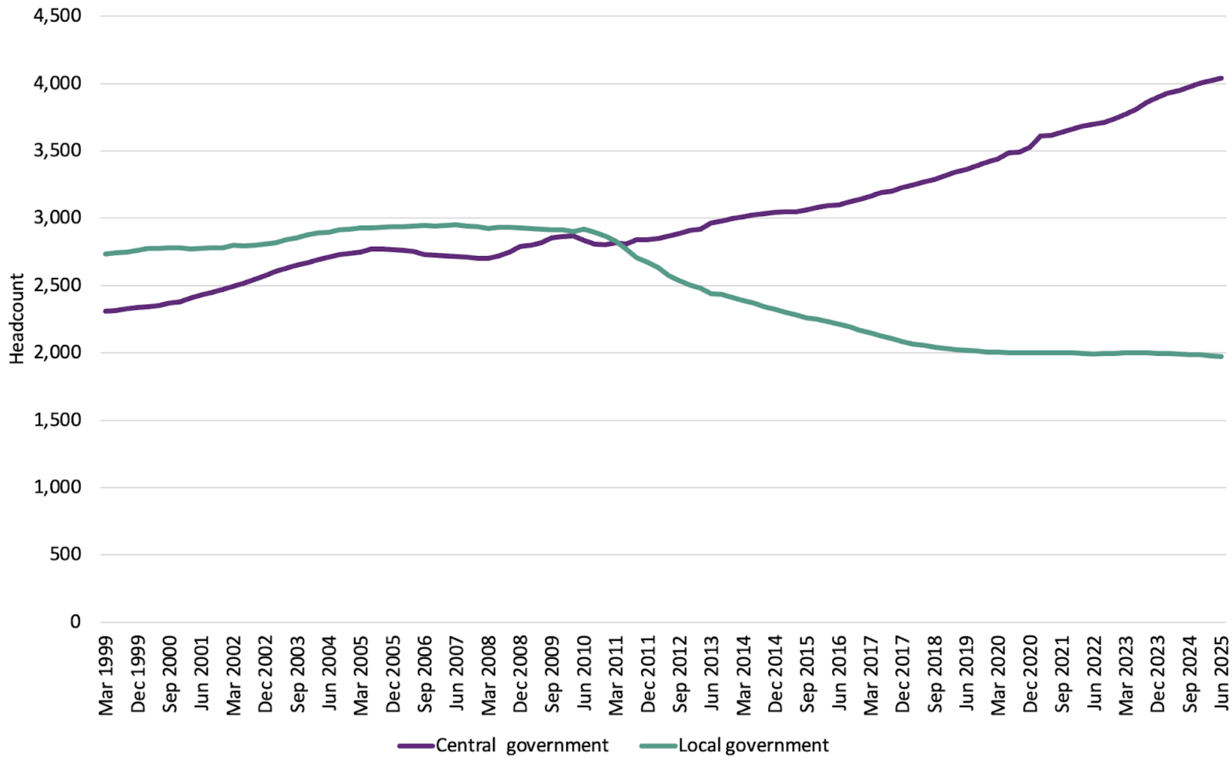
[1] This is not particular to local government. The National Audit Office identifies that only eight per cent of government spending on major projects — the equivalent of £35 billion from a total of £432 billion in expenditure — had robust evaluation plans in place. See National Audit Office (2021a).

[2] The public is also more skeptical about the value of AI in public services. See Cameron et al. (2025).

with fewer staff in local government since it was first recorded in 1999, undermining the ability of authorities to learn from or embed innovation (Fig. 2; ONS, 2025a).

Figure 2. Headcount in Central Government Overtook Local Government in 2011 and the Gap Has Widened Since

Public sector employment headcount by sector classification



Source: Office for National Statistics, Public sector employment by sector classification (Headcount) series. Dataset ID: PSE. Note: police and fire services are classed as central government.

Meanwhile, there is no strategy to address the sectoral skills challenges and over-reliance on interim leadership further weakens the strategic continuity required for long-term transformation. At the same time, high levels of market concentration among providers of business-critical software restrict integration and interoperability, while local authorities' autonomy to act as place-shaping agents is constrained by, for example, limits on their ability to borrow. The climate is not favourable to local authorities and unique if not in scope then in scale.

Yet there is room for optimism. The inconsistent measurement of services overseen by local authorities is a binding constraint on productivity that can be overcome, and indeed the Office for National Statistics is an international trailblazer of such measurement in the public sector more widely. Public sector improvement, at least over the last 15 years, has too often been trivialised as an exercise in cost-cutting. But it too can be overcome and there is a critical mass of practitioners now experimenting and testing new public service designs. Artificial intelligence (AI), better co-ordination between public services, service transformation and digitalisation all present opportunities with clear use-cases. No less experimental, there is a long history of and significant literature on the merits of prevention and early intervention in reducing costs and improving outcomes. The government's commitment to public service reform — and its focus on local government re-organisation — on one hand provides a clear impetus for Whitehall and a confidence that the Government is open to pro-productivity approaches than have hitherto not been pursued, with historic focus too heavily weighted toward budget efficiency rather than organisational productivity (van Ark, 2022).[3] But the Government must ensure that rather than a building block for more productive local authorities, its appetite for widespread structural reform does not become a distraction.

[3] We draw on Bart van Ark's definitions of productivity. For more information visit Van Ark, B. (2022) *Making public sector productivity practical*. Manchester, UK: The Productivity Institute.

APPROACHES TO PRODUCTIVITY

Efforts to improve the productivity of local authorities have been a recurring feature of public service reform in England, but they have rarely been neutral or uncontested. Whether reforms were framed explicitly around productivity or not, the history outlined in this chapter helps to explain the enduring scepticism in some quarters about productivity. Many past initiatives have been criticised as superficial or instrumental, serving central government priorities more than local improvement. Taken together, they reveal a consistent tendency for successive administrations to treat local authorities less as democratically legitimate institutions and more as 'delivery agents' of national policy. Yet, the current focus on administrative reform, devolution, and national productivity has reopened this debate, creating an opportunity to reconsider the role that local authorities can play in driving genuine improvements in public sector productivity.

Within this context, efforts to improve efficiency across sub-national governments have often been interpreted not as genuine attempts at improvement, but as proxies for centralisation or fiscal retrenchment. In the 1980s, concerns that local authorities were 'ungovernable' led Margaret Thatcher to impose new constraints on them (Parker et al., 2025; Diamond, 2026). The introduction of Compulsory Competitive Tendering in 1980, which required local authorities to operate with discipline akin to private markets, alongside the prospect of bankruptcy, reflected the dominant economic thinking of the period. These reforms curtailed local authorities' autonomy over public expenditure and marked a decisive shift in the balance of power between central and local government.

In the late 1990s and early 2000s, Labour administrations sought more control over the functioning of the state, creating oversight, audit and inspection regimes to improve performance across Whitehall and within public services. The *Modernising Government* White Paper in 1999 set out that local authorities should have "common targets, financial frameworks, IT links, management controls and accountability mechanisms" (UK Government, 1999). During this period, the government's approach was hierarchical, drawing on management theories of 'targets and terror', notably by taking responsibility for decisions over how local authorities allocated resources, as well as introducing more forms of oversight such as the Best Value regime, which gave government an opportunity to directly intervene in local authorities where performance was not sufficiently strong (Bevan and Hood, 2006). This period marked a broader approach to spending control over public services whereby the Treasury not only set out how much authorities could spend, but also *how* they should go about spending it.

At the same time, a focus on wider reform, including promoting collaboration, co-ordination and integration, was also a feature of efforts to improve public service performance. This corresponded to debates about the 'entrepreneurial spirit' of the sector, returning to a theme encouraged in previous decades. Local Area Agreements were one initiative established to oversee authorities' progress. Authorities were encouraged, as part of agreements with central government, to work with institutions in their communities to improve public service outcomes, though evidence suggests that they did not always meet that test (National Audit Office, 2007). There was also a focus on promoting excellence through knowledge exchange programmes such as the Beacon Councils Scheme, which encouraged highly-regarded councils to share best practice, though by the end of the programme half of England's authorities were awarded Beacon Status, suggesting it became a standard feature of local governance rather than an important driver of innovation and excellence. Authorities reinforced that view, observing that its value lay in building the profile of their authority and the morale of its employees as much as in excellence (Lilly & Wilson, 2016).

In the decade Tony Blair was Prime Minister, the UK witnessed large increases in public spending, on average 4.4 per cent annually in real terms (Chote et al., 2010). As a result, Labour placed an emphasis on a strong accountability regime to ensure that public spending achieved value for money and realised tangible benefits. It also established institutions such as the Local Government Association and internal fora such as the Social Exclusion Unit, which sat in the Cabinet Office and was charged with supporting authorities tackle rough sleeping and improve outcomes for children in care (Diamond, 2026). Under Gordon Brown, there was a move towards greater institutional collaboration and scale, first through Local and Multi Area Agreements and Total Place, and latterly through the creation of combined authorities.

Since 2010, Conservative administrations have approached the performance of local authorities in a less systematic fashion than previous Labour administrations. The Coalition Government dismantled the audit regime by shutting down the Audit Commission, which continues to have significant adverse implications for local authorities and the preparation of Whole of Government Accounts (HM Treasury, 2025c). It also imposed a programme of budget reductions that have undermined the resilience and autonomy of local authorities, hitting London, the North East and North West the hardest (Innes & Tetlow, 2015).

To counterbalance the reduction in government spending, local authorities were encouraged to take calculated risks and pursue commercial approaches to generating more income. This included rationalising or selling their assets that couldn't generate an income and purchasing assets that could. As commercialisation has progressed, the National Audit Office has warned about the risk it poses to authorities' long-term sustainability. Some authorities now possess over £1 billion pounds in liabilities on their balance sheets because of their investment decisions, which in turn undermines their financial resilience (National Audit Office, 2020). As a result of what one academic has described as 'debt-driven entrepreneurialism', authorities have had to spend a higher proportion of their budget servicing their debts, which has prevented them from investing in pro-productivity policies in the long-term (Billingham et al., 2023; Dagdeviren, 2023).

More recent initiatives have continued to emphasise budget efficiency at the expense of system-wide change and organisational productivity. In 2023, the Ministry of Housing, Communities and Local Government (MHCLG) requested that local authorities publish Productivity Plans. In them, the government asked authorities to set out how they plan to reduce 'wasteful spending'. These have proven superficial and short-lived. Local authorities were skeptical of their motive, which was opaque, and many authorities did not publish theirs by the time the general election was announced. Authorities have subsequently withdrawn from them. Similarly, HM Treasury set a target for local authorities to raise productivity by 0.5 per cent annually, which was expected to generate £20 billion. Yet no strategy or investment was identified to support local authorities achieve this transformation.

The current government, by contrast, has adopted a more outcomes-based approach to promoting productivity. Its development of a Local Outcomes Framework seeks to measure impact rather than service output, but the precise measurements included are contested and authorities are concerned that their performance will be decontextualised and categorised into 'league tables'. It follows the government's decision to abandon the Office for Local Government (Oflog) established under the previous administration, which offered real potential to better understand performance (Ellson, 2024; MHCLG, 2025a).

The government also adopted an iterative Test and Learn approach (and more recently Test, Learn and Grow) designed to experiment with small-scale initiatives and supported by a £100 million Public Service Innovation Fund (Cabinet Office, 2024). Though these initiatives are at least partially centrally-coordinated (informally, the Test, Learn and Grow initiative is supported by 'convenors' outside of government) local authorities have been active participants in their design. It is too early to determine whether this policy innovation will have a long-term effect on the sector, but it will need to be scaled significantly before it affects productivity.

What remains less developed, however, is the wider strategic framework within which these reforms sit. Compared with the Blair administration in particular — when public service reform was pursued through a clearer combination of central stewardship, performance management, institutional innovation and integration across services — the current approach is more piecemeal. There are important initiatives underway, but they do not yet amount to a coherent national public service reform strategy capable of aligning departments, funding systems and local institutions around shared objectives such as prevention, productivity and better outcomes.

The government has also embarked on administrative reform, namely through the creation of new single-tier authorities. In the absence of a stronger national reform strategy, there is a risk that structural reorganisation becomes a substitute for genuine public service reform rather than an enabler of it. Changing institutional boundaries may deliver some efficiencies, but it does not by itself guarantee more integrated services, stronger prevention or sustained productivity growth. The government takes the view that larger authorities are more optimal economic geographies to deliver public services. Evidence does suggest that larger, more populous single-tier authorities benefit from economies of scale and do realise some efficiencies by reducing duplication and their overheads, but the literature is mixed (Andrews & Boyne, 2009; Diamond & Shaw, 2024). The transitional costs of new institutions are higher than anticipated, casting doubt on the savings the government expects to realise. And there is also inconsistent evidence about the relationship between the optimal size of authorities and their productivity. Some academics have observed that reorganisation has 'disruptive effects on organisational outcomes', with the performance of some services deteriorating (Andrews & Boyne, 2012; Chisolm, 2002; see also Game & Wilson, 2011). Evidence from Denmark, the Netherlands, Norway and the United Kingdom also indicates that public satisfaction is higher with authorities that are smaller in size, so administrative reform may boost productivity at the expense of public satisfaction (Denters, 2002).

Recent analysis suggests that, on the current trajectory, public services could become more centralised, less integrated and no more preventative by the end of the parliament. Avoiding that outcome requires local government reform to be matched by a credible national public service reform strategy (Hoddinott, 2026).

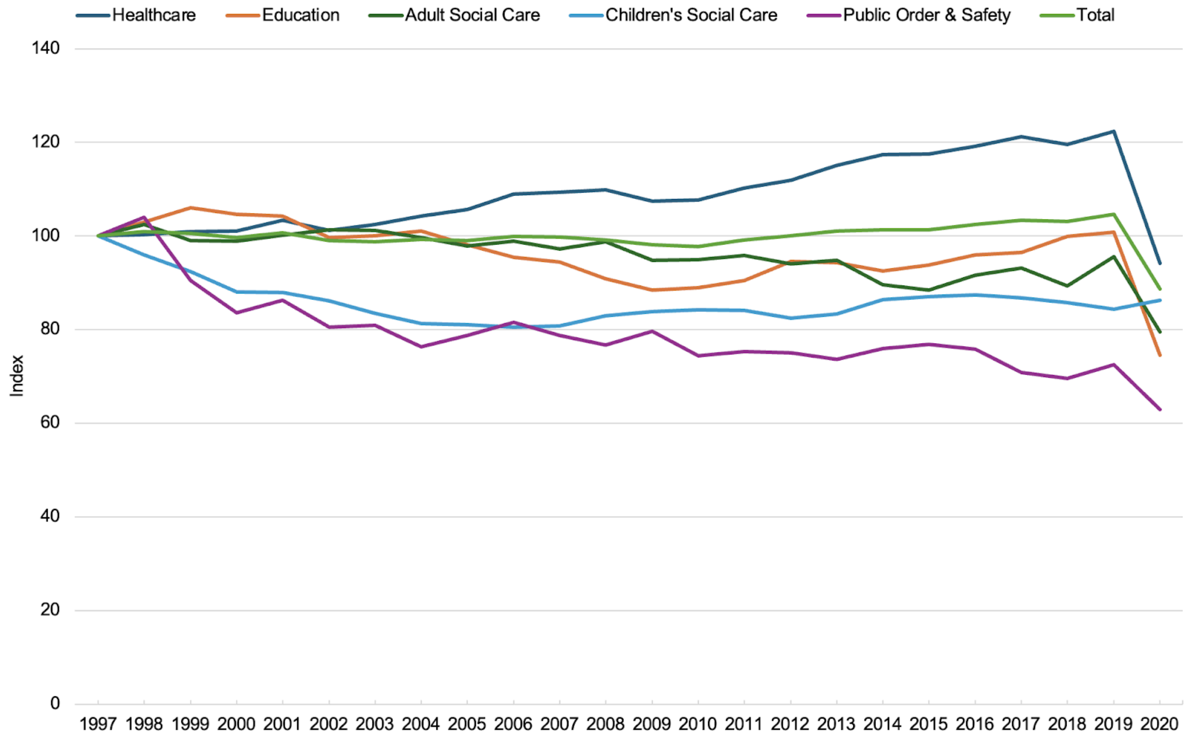
MEASUREMENT

Assessing the impact of policy changes such as those outlined in the previous chapter is challenging, not least because the data available to measure productivity in local government remains limited and uneven. As a result, evidence of sustained improvement is weak. In some core services — particularly adult and children's social care — performance appears to have deteriorated (Fig. 3), although trends across the wider public sector are partially offset by improvements in healthcare, masking significant variation within and between services.

Measuring productivity is not simply a technical exercise; it is central to improving it. Without reliable and comparable data, it is difficult for policy-makers and practitioners to identify where inefficiencies exist, which interventions are effective and how resources can be better allocated. Robust measurement enables benchmarking across authorities, supports accountability for public spending and helps to distinguish between short-term cost reductions and genuine, sustainable improvements in outcomes. It also provides the evidence base required to scale successful innovations and discontinue ineffective approaches. In the absence of such measurement, efforts to improve productivity are not underpinned by a clear understanding of what works.

Figure 3. Public Service Productivity Growth by Service Area, 1997 - 2020

Quality adjusted by service area, indexed at 1997 = 100.



Source: Office for National Statistics (2023), Public service productivity, UK: 1997 to 2022. Note: Defence, police, social security administration, and others are excluded from the service areas but do form part of the total.

The Office for National Statistics (ONS) only records productivity data for adult and children's social care, yet despite these being statutory services in local government, responsibility for service delivery is distributed among a range of organisations, including community and voluntary sector providers.

A central challenge to measuring productivity in local government is the diversity and number of services authorities deliver. According to the Local Government Association, local authorities run over 800 public services (LGA, 2025b). And the landscape of local government service delivery further complicates this picture, as authorities frequently operate through a complex network of wholly owned subsidiaries, joint ventures with the private sector and shared services run at sub-regional scales (such as waste authorities). As a result, measuring and defining productivity in the public sector is fraught with practical challenges. The Atkinson Review (2005) marked an important step forward, recommending closer alignment between public and private sector productivity measurement, moving it from the outputs-inputs model that has characterised much public sector measurement internationally, to a more superior measurement that adjusts for service quality. The Bean Review (2016) improved how productivity in social care is calculated and the Public Sector Productivity Review (2025) by the ONS has identified a series of recommendations to improve the measurement of productivity further.

Determining whether changes to public service delivery realise measurable improvements remains an abiding challenge. Public services share distinct dissimilarities to the private sector, such as their rarely operating in markets with price signals (Alayande & Hampton, 2024). Inputs — dominated by staffing costs — are relatively straightforward to quantify, but outputs are harder to measure since they are often delivered free at the point of use. As a result, productivity is currently measured across only 60 per cent of public sector services, with health and education the most comprehensively measured due to better data availability. Moreover, many services have preventative or redistributive dimensions and the benefits of these activities are difficult to capture through conventional productivity methodologies. The absence of robust and timely data as well as the difficulty of attributing outcomes to specific organisations, therefore, hinders accurate measurement.

Many of the services delivered by local authorities — particularly environmental, waste and planning services — are not currently measured. It is welcome that the ONS is exploring the prospect of a new Environmental Services category to cover local authorities, but given that authorities are not capturing the necessary data in a standardised format, as well as the 24 months required by the ONS to provide quality-adjusted productivity information, this is unlikely to be realised during the current parliament. Unfortunately, the scope of the Public Service Productivity Review was curtailed by the expectation that Oflog would address data availability constraints. Oflog has since been abandoned (UK Statistics Authority, 2025).

MHCLG is co-ordinating with the ONS to design a strategy to record services run by local authorities, but it should also go further than the recommendations made by the Public Service Productivity Review. In particular, there is an insufficient understanding of the data that local authorities record, and the manner in which they record them. One example of this is potholes. Despite the importance that the public places on road maintenance, it wasn't until earlier this year that authorities were required to publish information on the number of potholes their services have filled (Department for Transport, 2025; Simpson, 2024). The Government should, therefore, in collaboration with the Local Government Association, co-design a data strategy for the sector with a view toward standardising data measurement and publication. Similar challenges are present in local authority expenditure, with local authorities publishing their statutory financial documents, such as the Medium Term Financial Strategy, in different formats, preventing public understanding of their financial health (Pike & Shaw, 2024). This is not a challenge limited to England, or the UK, either: research by the OECD across 89 cities internationally highlights the potential for increased and more widely-available local data to improve policy design (OECD, 2019a).

Moreover, the Public Sector Productivity Review does not acknowledge the role of strategic authorities. Further attention should be given to how they can boost productivity, including how those institutions — which are not responsible for delivering services in the same manner that local authorities are — should be measured for their performance. Though their public expenditure is significantly smaller than local authorities, the establishment of integrated settlements, the prospect of fiscal devolution and the creation of more strategic authorities throughout England suggests that productivity measurement within strategic authorities deserves greater attention than has hitherto been the case.

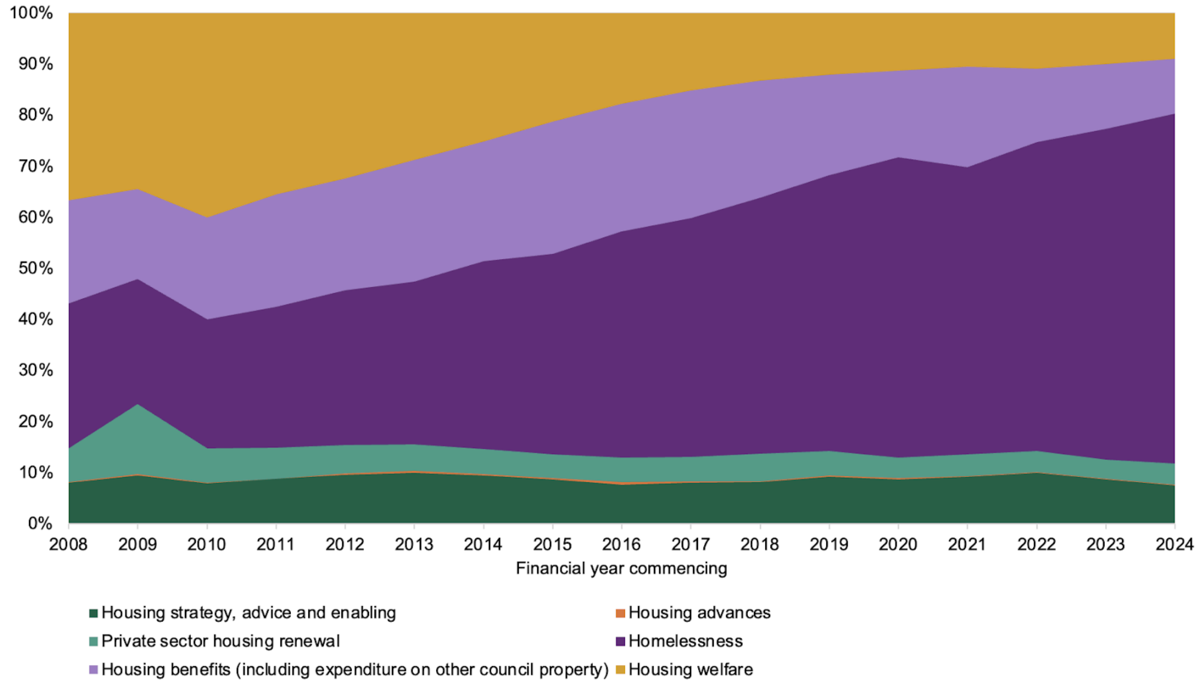
With respect to strategic authorities, a better understanding of their performance also strengthens their claim to certain functions and protects them from institutional churn. Though a common assumption in UK public policy is that devolution will continue to mature, evidence from some OECD countries (e.g. Ireland, Hungary) suggests recentralisation is not uncommon, especially in times of crises, as Ireland's experience of the Global Financial Crisis attests (OECD, 2019b). While this government has expressed a commitment to devolution, different institutions are emerging to deliver what might otherwise be the domain of strategic authorities, such as AI Growth Zones. As a result, it is not certain that in the long-term strategic authorities will have sole responsibility for the domains in which they operate (Shaw, 2025). Creating the performance architecture to demonstrate their productivity-enhancing potential can also inoculate strategic authorities from the risk that they will not be a permanent feature of England's governance. The long list of abandoned governance systems - from Pan-Regional Partnerships and Regional Development Agencies to the Greater London Council - demonstrates that institutional churn is one of the greatest threats that strategic and local authorities face.

PREVENTION

Prevention is among the public sector's strongest tools to boost productivity, but despite the rhetoric and attention paid to it, it has not been pursued in a systematised manner. Since 2010 there have been significant changes in patterns of local government expenditure. Spending on housing from local authorities' spending accounts has shifted slowly from services aimed at preventing homelessness, such as housing benefits and housing welfare, toward demand-management, with the costs of managing homelessness now accounting for more than 50 per cent of expenditure on housing services in local authorities (Fig. 4). With London authorities only spending 16 per cent of their Homelessness Prevention Grant on prevention in 2023-24, for example, the Government has responded by ringfencing prevention. It now requires 49 per cent of local authorities' allocation to be spent on prevention, relief and staffing activity (MHCLG, 2025b).

Figure 4. Local Government Spending on Acute Housing Services Has Grown, Outstripping Preventative Services

Share of total expenditure by non-housing revenue account housing service



Source: Authors' analysis of MHCLG, General Fund Revenue Account Outturn series (RO4: Housing Services), 2008/09 - 2024/25.

Notwithstanding the surge in demand, there are salient political reasons why it is difficult for local authorities to prioritise prevention. For example, the merits of preventative interventions may not be well understood until long after the public investment in them and, as a result, policymakers are risk adverse and less willing to invest in prevention in the face of pressing challenges. It is also difficult to determine the causality of such outcomes.

These legitimate concerns are further shaped by short-termist political and organisational cultures, which hinder local authorities from adopting a preventative approach (Marshall et al., 2024). Political incentives encourage policymakers to respond to the immediate needs of the electorate, and the financial challenges facing local authorities are such that spending on managing demand is often given greater attention over longer-term investments such as service transformation that will pay a dividend later, especially if benefits accrue after the political cycle in which they are made (Hoddinott et al., 2024). This dynamic is most commonly exhibited in the preference for policymakers to scale-back public investment in capital expenditure when public finances become tighter, since borrowing costs are met through day-to-day spending (Odamtten & Smith, 2023). Though councillors are elected on four-year terms, a number of local authorities elect in thirds or halves rather than 'all-outs'; that they have elections every 12 months is not a recipe for long-term stewardship. Likewise, senior officials are increasingly stretched, the pressure applied on them by the elected representatives they support and the impact on their career if overseeing a service that receives an poor inspection result (such as a Grade 4 from Ofsted of a Category 4 from the Regulatory for Social Housing) all encourage officials to prioritise immediate management over long-term investment that could boost productivity across their services.

THE PREVENTION DIVIDEND

Despite these challenges, there is significant evidence that prevention spending produces strong outcomes across the public sector. The Sure Start programme was introduced in 1999 to give disadvantaged children a better start in life. The programme peaked in the late noughties with a network of over 3,000 Sure Start centres operating as multidisciplinary, multi-agency 'one-stop shops' for families with children under five (Carneiro et al., 2024). Intended to support school readiness, Sure Start centres worked with local authorities to provide employment and childcare support for parents. Its evaluation suggests Sure Start had positive impacts on child health and school attainment, particularly for children from the most disadvantaged backgrounds (Cattan et al., 2022). Sure Start is the most salient example in the popular imagination, over two decades since it was announced, but other preventative programmes have been adopted elsewhere. The NHS Diabetes Prevention Programme offered behavioural interventions for those with a high risk of developing type two diabetes, such as dietary and exercise recommendations. Individuals were identified if the level of hyperglycaemia in their blood surpassed a certain threshold and then referred to the programme (Public Health England, 2016).

For another example, Project CARA applies a conditional caution to perpetrators of domestic abuse, requiring them to sign an admission of their activity and attend workshops to understand the impact of their action. Trialled in 2011, the programme is designed to promote self-awareness among perpetrators of what constitutes domestic abuse and is an alternative arrangement to court proceedings. Evidence suggests that participants in the programme are less likely to reoffend (Hughes, 2017). Meanwhile, in another example, the Supporting Families Programme, delivers targeted interventions to vulnerable families (DfE & DLUHC, 2022). These families usually face overlapping challenges, such as mental ill-health or higher incidences of antisocial behaviour, which the programme works to combat. Evidence suggests that the programme reduced the number of children needing to be taken into care (DfE & DLUHC, 2022).

Though not on the same scale, local authorities have seen positive results when they have pursued prevention programmes. In Camden, for example, the authority protected preventative spending in children's services. As a result, they have seen a steady decrease in the number of children in care across the borough (Hoddinott et al., 2024). Maidstone Borough Council implemented a new approach to identifying households most at-risk of homelessness. Working with several agencies across Kent, Maidstone pro-actively engaged with at-risk households to understand their needs and, where appropriate, provide support including financial planning, debt and advice support, access to one-off funding streams, such as the Discretionary Housing Payment or Homelessness Prevention Grant, and mediation services to resolve household conflict and prevent homelessness (Gold et al., 2024).

Nowhere are the potential benefits of preventative action more clear-cut than in health and well-being. Research suggests that a 1 per cent reduction in per capita total service expenditure across local authorities after 2010 was associated with a 0.1 per cent increase in the prevalence of multi-morbidity (that is, two or more long term health conditions exhibited by one person) and a 1 per cent cut in public health expenditure was associated with a 0.15 per cent increase in multi-morbidity (Stokes et al., 2022). An increase in preventative spending on alcohol services can reduce long-term health problems as well as antisocial behaviour; health promotion raises physical activity and lowers ill health; just as free condoms prevent teenage pregnancy (Allen, 2015). The benefits of preventative interventions are not borne exclusively by the authorities that deliver them, with the UK Government and other agencies also being beneficiaries.

A RENEWED PREVENTATIVE APPROACH?

With the evidence across the public sector overwhelming, it is welcome that the government has taken tentative steps through the establishment of Test, Learn and Grow and the new minimum expenditure threshold for the Homelessness Prevention Grant. These represent different approaches to encouraging prevention and early intervention.

Though it is beyond the scope of this report to explore the full spectrum of political and organisational incentives required to encourage prevention in local authorities, we make three observations about what is needed to turn the dial further than has hitherto been pursued. First, a clear framework is needed that sets out which services should be considered preventative and which should not. Unlike the System of Healthcare Accounts (SHA) created by the OECD, which provides internationally standardised definitions of healthcare expenditure, including whether or not expenditure is classified as preventative, there is no equivalent for local authorities (Scott, 2024). There are also different approaches across services. For example, public health practitioners view prevention according to three tiers: primary, secondary and tertiary prevention. This is not commonly used by practitioners across other services. There are also different interpretations of service functions across institutions. For local authorities, adult social care is a service provided – increasingly – to those with the most acute need. To the National Health Service, however, adult social care is viewed as a service that prevents people ending up in hospital. Indeed, as Hoddinott et al. (2024) caution, all government services could be considered preventative to some extent. The line of what does and does not constitute prevention must necessarily be drawn somewhere and, in doing so, policymakers will be able to classify which services meet the criteria for preventative spending. This should be embedded in the Treasury's approach to fiscal policy and wielded as a tool to address cross-departmental policy challenges.

With a clear framework in place, the government should explore a 'prevention settlement' for local authorities, similar to the integrated settlements in place for strategic authorities. An integrated settlement provides strategic authorities with "a mandate to act strategically" by enabling them to pool funding streams across a number of themes (MHCLG, 2025c). The principle of giving authorities more autonomy to deploy funding from central government creatively should be extended to local authorities in order to promote prevention. It might include a range of funding streams, such as the Homelessness Prevention Grant, Local Authority Better Care Fund and Disabled Facilities Grant. This would enable horizontal and vertical integration across services; with investment, for example, public health can reduce demand for homelessness services, and vice versa.

O'Brien et al. (2023) propose the establishment of a Prevention Departmental Expenditure Limit (PDEL) across Whitehall departments. In short, this would ringfence preventative investment and exist alongside the Resource Departmental Expenditure Limit (RDEL), responsible for day-to-day spending, and the Capital Departmental Expenditure Limit (CDEL), ensuring a certain share of departmental budgets is dedicated to capital investment.

Finally, prevention and innovation are complimentary policy goals. A renewed preventative approach invites an intellectual curiosity about the merits of current public service delivery models to get a better understanding of 'what works'. In this regard, the Power to Innovate adopted by the previous Labour administration is instructive. Under the Education Act 2002, the Power to Innovate allowed the Secretary of State to exempt schools and other bodies from certain education law requirements for a limited time to test innovative projects aimed at raising educational standards. The initial four-year time limit was removed by the Education and Inspections Act 2006, allowing it to continue indefinitely. An example of the Power to Innovate in action in its earlier iteration was in Hull, where it was invoked to navigate legislation that prevented Hull City Council from offering free school meals. For a three-year period, Hull was able to provide free school meals for all its primary and special school pupils as part of a healthy eating programme aligned with the curriculum. As the government set out in its recent Child Poverty Strategy, it is extending the eligibility for free school meals so that it will cover more than two million children across the UK (HM Government , 2025).

Building on the experiments in the Department for Education's Innovation Unit would provide explicit legal and political cover for time-limited regulatory or statutory flexibility, enabling local and strategic authorities to test new approaches safely and transparently where appropriate. A clear framework under which the Power to Innovate will operate is necessary, as will further research into the use-cases of a Power to Innovate, For example, it might give local authorities and schools more flexibility over how they use their assets under the Education Act 1992, which currently prevents school land from being used for anything other than educational purposes, despite the fact that some local authorities have seen dramatic declines in the number of pupils enrolling in their schools across some cohorts and adjacent land to a school site that is not being properly utilised might be better used for temporary accommodation, which has reached record levels in London (MHCLG, 2025c).

The sector may wish to work with the government on a set of priority areas - homelessness prevention, adult social care or planning, for example - where the Power to Innovate might operate, allowing controlled testing across a cohort of local authorities (such as London authorities in the case of planning) without requiring every authority to negotiate bespoke permissions. And it need not focus solely on early intervention or prevention, though there is a clear opportunity for doing so.

Collectively, a framework for determining what constitutes early intervention and prevention; operationalising that through the creation of a Prevention Settlement and enabling places to deploy that investment with as few barriers possible would help local authorities act more innovatively and pursue wider service transformation. These solutions alone are not, of course, able to address the productivity challenges local authorities are facing and will need to be seen as part of a wider strategy to boost local government productivity.

DIGITALISATION AND ARTIFICIAL INTELLIGENCE

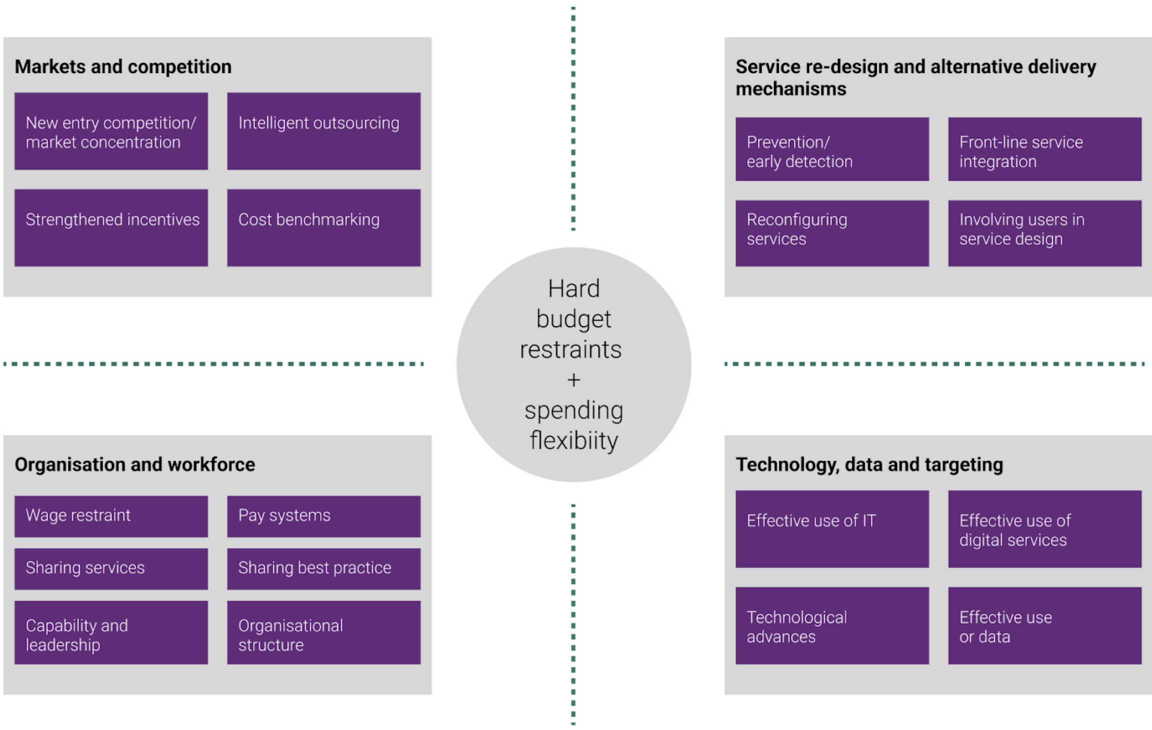
Digitalisation and AI have also emerged as central to enhancing productivity in the public sector. At scale, they are estimated to reduce costs by £8 billion annually in local authorities across England and Wales (Large et al., 2025). Across the public sector, the State of Digital Government Review estimates that an annual £45 billion 'productivity prize' is not being realised (Government Digital Service, 2025). The Government acknowledges the potential of digitalisation and AI and is supportive of deploying it in the public sector. A new Government Digital Service (GDS) has been seeded through merging the Central Digital and Data Office (CDD), the Responsible Technology Adoption Unit and the Incubator for AI (i.AI) with a remit for testing and evaluating applications of AI across the public sector. In November 2025, GDS Local was also established. Its remit is broad and includes the creation of a new digital architecture for the public sector, which will complement the National Data Library in facilitating AI-driven innovation by making it easier to access data held by different institutions.

Though these are welcome changes, digitalisation has been a feature of local government for more than a quarter of a century and it has rarely been adopted at pace. As a result, the productivity dividend has not been systematically realised, despite significant evidence of its productivity-enhancing potential for local authorities (ONS, 2025b). Slow adoption in the public sector is not specific to authorities. In its *Modernising Government* white paper in 1999, the government set a target that by 2005 half of public interactions with the government would be online (Diamond, 2026). That was never realised and the Digital Government Review determined that, two decades later, half of all services in the NHS cannot be accessed through digital routes. The Driver and Vehicle Licensing Agency still processes 45,000 letters daily, while HM Revenue & Customs handles 100,000 calls a day (Government Digital Service, 2025). Northern Rail, which is publicly owned, still uses fax machines (Al-Othman, 2024). As a result, the relationship between digitalisation and the public sector has often been characterised by what academics have described as a cycle of 'hype, expectation, disappointment' (Hirsch-Kreinsen, 2024).

Despite this tension, local authorities across the UK have adopted a number of digital technologies that have the potential to improve productivity. The automation of minute-taking, transcription, recruitment and HR functions, summarising consultation responses, analysing documents and datasets, and drafting statutory documentation, such as Personal Housing Plans to issue to households at risk of homelessness, are use-cases of digital technologies realising efficiencies (Montgomery, 2024). AI-enabled chatbots and technologies that pre-screen calls (such as Voice AI) are more responsive, being open 24 hours per day, seven days per week, while simultaneously reducing the human capital required to provide these services (LGA, 2025a). Hillingdon Council became the first local authority in England to use voice automation and AI at scale and estimates they reduced the cost per call by 5 per cent, enabling up to 30 employees to prioritise the delivery of other services. Wigan Council, for example, has co-developed a range of AI-supported tools to make social care provision more efficient. These were developed in co-ordination with social care staff and help automate needs assessments, streamline case audits, and help analyse qualitative survey responses (LGA, 2025i). West Berkshire has employed AI to assist with the creation of job adverts, streamlining their employment processes (LGA, 2025h). Service designers are iterating those tools on an ongoing basis to improve their functionality. For example, giving chatbots human characteristics, such as by naming them and adopting local accents, builds public confidence and trust in them, with Coventry's chatbot called Basil while Derby's is called Darcie (LGA, 2025a).

These efficiencies reduce the administrative burden of service delivery, either for local government employees or by reducing the 'time tax' required by members of the public to engage with services. And insofar as they afford officials more time to focus on prevention and early intervention, they can further improve outcomes. Though these examples may not appear significant at first glance, the potential for digital and AI advances continues to grow at a rapid pace alongside the maturing market of new and emerging technologies, and new use-cases continue to appear.

Figure 5. Drivers of Public Sector Productivity Identified by the Public Sector Efficiency Group



Note: Authors' recreation of National Audit Office (2021a)

As the National Audit Office has set out, there are different approaches to pursuing productivity. Under Value for Money principles, much of Whitehall's focus has been on improving the efficiency of the public sector – in short, delivering services more efficiently. It can be summarised as reducing public expenditure to achieve the same outputs or realising higher outputs within existing resources (National Audit Office, 2021a). But there is also a need for broader service reconfiguration. This is often described as ‘doing things differently’, as opposed to ‘doing things better’, as was set out a decade ago by the cross-Whitehall Public Sector Efficiency Group (see the right-hand side quadrants of Fig. 5) .

There are significant use-cases of service reconfiguration that digitalisation and AI must give sustained attention. Local authorities are using predictive analytics to enable the earlier identification of households at risk of homelessness in Kent, AI-enabled autonomous road scanning in Hertfordshire, and processing real-time data and weather forecasts to improve flood resilience in Northumberland (LGA, 2025c; LGA, 2025e; Gold et al., 2024). National Health Service teams in Wolverhampton started a data-led programme to identify frequent users of accident and emergency, and provide them with targeted support, including helping them back into employment or adequate housing. As a result, participants’ hospital visits fell by 58 per cent (Allas, 2025; NHS England, 2024). Meanwhile, Islington Council significantly boosted the uptake of pension credit in the borough by identifying financially vulnerable families through its Low Income Family Tracker (LIFT) data platform (Allas, 2025; The Productivity Institute & Institute for Government, 2025).

THE LIMITS OF AI DIGITALISATION

Yet despite the potential, there are significant limitations preventing local authorities from leveraging the uses of AI and digitalisation. The barriers are technical, cultural and organisational in nature. Chief among the technical barriers are the complexity and cost of data-sharing arrangements between local agencies, the interoperability between legacy technologies, and the absence of standardisation in data collection and presentation (LGA, 2025g). The Government has begun to set out recommendations to address the deficit in data-sharing, such as by requiring local authorities and the NHS to share data about children in temporary accommodation as part of its Child Poverty Strategy, but it has not done so in a systematic manner (Cabinet Office, 2025).

Culturally, there is a view in the public sector that sharing data is high risk. These concerns have limited the adoption of productivity-enhancing data sharing mechanisms in the past. For example, the implementation of the National Programme for IT between 2002 and 2011, designed to improve access to information within the National Health Service, failed over doctors’ privacy concerns (Justinia, 2017). Local authorities could be concerned about how their data will be used and, in a political context, whether or not they will be used in a manner that decontextualises the activities of authorities. The LGA criticised the Office for Local Government (Oflog), for example, after it used local authority data to rank councils against one another (Davies, 2024).

Importantly, data integration, new dashboards and technologies are not without cost. Where data sharing requires new data infrastructure, cost has been a significant barrier. The escalating costs of Birmingham City Council’s new Oracle IT system, from £19 million to £170 million, contributed to it issuing a Section 114 notice – what is commonly referred to as a bankruptcy notice (Flash, 2026). As it stands, authorities are currently shouldering the cost burden, with much of the capital expenditure facilitated by the Public Works Loan Board.

To scale this activity further, the government should establish a Digital Transformation Fund which, though not explicitly intended to disintermediate private-sector technology providers, would, where necessary, identify or create technologies that could facilitate the public sector's path to more productive service delivery. This should build on the work of GDS Local and the Incubator for AI in identifying, designing, prototyping or purchasing new technologies (DSIT, 2025). There are multiple avenues for financing this transformation; financial support might be in the form of a grant to local authorities to invest in technology infrastructure, or it might be in the form of equity to establish new, promising public sector technologies.

One example where a Digital Transformation Fund might support local authorities is through the development of new technologies to navigate technology providers that are unwilling to provide application programming interfaces (APIs) for legacy systems or, when they are, affix a high price tag for the privilege (Say & Olsen Bedford, 2019). APIs allow different computer systems to 'talk' to each other. GDS Local has been clear that market reform is on the horizon, but it will need to take on significant, vested interests that, alongside regulating the sector, such as through placing a cap on the cost companies can charge for API support or mandating that companies supply the required information to public sector organisations, will involve developing sovereign capability of public sector technologies.[4]

Although the National Data Library and GDS Local have a central role to play in addressing these challenges, devolved administrations also have an important role to play in coordinating technological advancement. The Office for Public Service Innovation (OPSI) incubated by Liverpool City Region Combined Authority has become an important institution in promoting technological innovation across the sub-region and has developed an iterative 'test and learn' approach to data integration and AI. For example, it is piloting data on school absenteeism to identify complex households' needs and provide early intervention (Liverpool City Region, 2023). The model needs to be scaled beyond Liverpool City Region and its model should be extended to support strategic authorities England-wide. The precise governance and spatial arrangements would require further examination, but given the number of strategic authorities, the scale at which they operate (which is smaller than their European counterparts) and the time in which it will take to create strategic authorities England-wide, which is not expected until the 2030s given the progress of devolution, hosting them in strategic authorities may be impractical.

Despite the government's decision to stop investing in Pan-Regional Partnerships, an Office for Public Service Innovation is likely better-placed operating at a pan-regional scale. Being hosted in a national institution such as the Local Government Association or UK Mayors Network or even through a nationally-focused but independent What Works Centre for Regional and Local Government may also be an option.[5] Building sub-national technical

[4] The Levelling Up and Regeneration Act (2023) also included new powers for Ministers over software requirements.
[5] Although the Office for Public Service Innovation would need to adopt regional models of service delivery in a similar manner to Homes England and other agencies.

capability and expertise will be essential for digital and AI adoption across all levels of government.

The ability to procure technology infrastructure is also a limitation on authorities, as they lack the necessary technical expertise or engagement with market actors. According to one LGA survey, 18 per cent of posts within information technology across local government are vacant (LGA, 2025a). The knowledge of legacy systems (alongside their interoperability) is also a barrier that leaves authorities ill-equipped to adopt new technologies, regardless of their potential advantages (Allas, 2025; Critch & Luke, 2025). The LGA has mooted that central government could use Public Buying Organisations (PBOs) such as Crown Commercial Services or GDS Local to coordinate assurance and compliance and to foster trust in technology, saving resources and capacity for council investing in technological upgrades (LGA, 2025d).

THE ORGANISATION OF LOCAL AUTHORITIES

The organisation of local authorities and the optimisation of their skillsets are also important to productivity. Not only has the workforce of local authorities shrunk since 2010 (see Fig. 2), authorities continue to experience high vacancy rates and staff turnover, while senior officials are increasingly employed on an interim basis and therefore organisations do not have the organisational continuity to see through long-term transformational change.

WORKFORCE ORGANISATION AND EMPLOYEE PERFORMANCE

Institutions are more successful when the quality of their employees is higher. Across the civil service, survey evidence suggests that poor performers are not sufficiently held accountable for their weaknesses and that managers spend a disproportionate amount of time organising them (Hill et al., 2025). These kinds of workforce problems likely hurt local government productivity. So how can local authorities hire the strongest individuals to roles and avoid these problems?

Local authorities could increase salaries to inspire more suitable workers for jobs and boost productivity within their workforce. However, local authorities' expenditure is determined in large measure by central government, through both referendum principles which set *de facto* maximum thresholds under which local authorities can raise council tax as well as from the grant the government provides via the Local Government Finance Settlement. Further, public sector employees, who entered the sector in the knowledge that it may not be the most financially advantageous, are likely to value recognition in their work and often have different motivations from those in the private sector, for whom remuneration and job security are more important (Jörden et al., 2024; Khojasteh, 1993).

Given the public sector struggles in both recruiting and retraining workers because it offers lower remuneration than the private sector, especially among those with technical skills, a handful of authorities have been willing to experiment (Government Digital Service, 2025): South Cambridgeshire District Council has been piloting a four-day working week, which saw job applications increase by 120 per cent when it started (South Cambridgeshire District Council, 2025). But flexible working arrangements have proved deeply contentious among both Conservative and Labour administrations (Catt & Wright, 2025; MHCLG, 2023).

Rather than increase remuneration or provide more-flexible working arrangements, local authorities might instead place employees in more suitable roles to increase productivity. Each employee will have a skillset that is better-suited to certain roles or a personality more aligned with certain workplace cultures (Tåg et al., 2022). In roles more suited to their skillsets, employees are more productive and that productivity increases over time

(Guvenen et al., 2020). As a result, leaders can increase productivity when they better-match employees to roles across an organisation (Coraggio et al., 2025; Peck & Congdon, 2023).[6]

Local authorities should examine the available skillsets within their workforce to ensure employees are in the appropriate roles and, in instances where that is not the case, managers should incentivise better job matching (Jörden et al., 2024). This has two major preconditions. First, local authorities must be able to more easily identify skills mismatches where they exist; and, second, managers must be willing to support employees transition into new roles that better suit their skills. In the face of considerable cuts to its budget in the early 2010s, Sunderland City Council completed a skills assessment of its entire workforce, so that individuals could be matched to jobs that suited their strengths (Hailey et al., 2013). This process relied primarily on workers reporting their qualifications, experience and personal strengths. When staff were matched to a role, they were invited to apply, provided training where necessary, and entitled to a trial period after which they could choose whether or not to accept the job. When employees were displaced from their job, they were placed within a team which assigned them projects and secondments. In instituting a system for the creative and flexible allocation of public sector workers, Sunderland was able deliver services more cost-effectively (Hailey et al., 2013).

PARTNERSHIPS BETWEEN LOCAL AUTHORITIES AND EXTERNAL ORGANISATIONS

Local authorities can be more productive by sharing their services with other councils. These relationships, known as bi-borough or tri-borough services (Hailey et al., 2013), range from smaller projects like Surrey and Buckinghamshire's decision to share environmental protection, waste, and regulatory services, to Richmond upon Thames and Wandsworth's creation of a shared staffing structure which, by moving towards a joint workforce, was expected to save the authorities around £17 million a year.[7] These arrangements can minimise duplication and enable authorities to operate at more suitable geographies.

Local authorities might also find productivity gains in their relationships with universities. When authorities utilise the talent pools of universities, particularly their research specialisms, they are able to increase their capacity for policy innovation and, in effect, receive services at a cheaper rate than they would by working with private contractors. Research England (RE), the UK Research and Innovation (UKRI) and the Economic and Social Research Council (ESRC) recognise the potential of universities to contribute to the 'policy ecosystem' surrounding local authorities and have funded the Universities Policy and Engagement Network (UPEN) and Capabilities in Academic Policy Engagement (CAPE), which bring together universities, policymakers and communities. The benefits of these relationships can be considerable and stretch beyond immediate productivity gains for local authorities themselves.[8] In many cases, universities are working with strategic and

[6] Evidence also shows this to be true across private sector firms, see Tåg et al. (2025).
[7] Authors' analysis of data within LGA (2025f).
[8] Local governments are the most important and likely convener of institutional networks of organisations (from universities to hospital trusts to businesses, etc.). Institutional capital within local areas could be leveraged to help places build new and inclusive economic growth. See Agarwala et al. (2020).

local authorities to understand the challenges they are facing and support them to identify the solutions, including through the development of Local Growth Plans. The rewards to local authorities of the enhanced research capabilities provided by partnerships with universities are clear, with increased innovation translating into stronger economic development (Hilmawan, 2023). In the United States, relationships between local governments and research organisations have proved an important driver for local government innovation and productivity growth (Doleac & Harvey, 2025).

Third sector organisations can also have a role to play in making local authorities more productive. While universities can strengthen the analytical and evaluative foundations of services and policy implementation, the voluntary and community sector can contribute both direct delivery capacity and locally embedded expertise, particularly in preventative and relational forms of support. The third sector should also examine how it can support local authorities to explore further cross-organisational capacity-building, similar to models proposed for municipalities in the United States, which continue to navigate similar challenges facing the UK.[9]

LEARNING FROM PRODUCTIVITY INNOVATIONS

International evidence suggests that local authorities are better placed to support innovation when they have the capacity to scan and review ideas and practices outside of their own institutions (Considine & Lewis, 2007; Kim, 2010) and when employees are empowered to innovate new, more productive, modes of service delivery by top managers, such as council leaders and executives (Gullmark & Clausen, 2023). When those managers possess strong leadership skills, they are more likely to see innovative changes through (Gabris et al., 2001). Innovation policies are helped when leaders encourage a culture of taking reasonable risks and learning from mistakes (OECD, 2019a).

The relationships local authorities have with the plethora of institutions that exist to support authorities secure better outcomes are also valuable. The Seeing the Light programme, founded by the last Labour government, offered an opportunity for sharing information and helped replicate productivity innovations in local government. The Audit Commission, under whose authority the programme came, identified innovative practices during its audit of local authorities and proactively shared this knowledge with other councils (Audit Commission, 2007). The Local Government Association's Productivity Experts programme similarly acts as an information exchange between councils and specialists. In the first four years of its operation, between 2012 and 2016, its programme generated £131 million worth of savings for local authorities (Apteligen, 2016).

There are too many institutions to provide a comprehensive list here, but they range from the Local Government and Social Care Ombudsman, responsible for scrutinising authorities, to the Society of Local Authority Chief Executives and Senior Managers (SOLACE), responsible for supporting officials, and the County Councils Network and District Councils

[9] Such as that proposed in Doleac & Harvey (2025).

Network, which are responsible for supporting elected representatives. The Local Government Information Unit plays a more evidence-led role to support authorities, while others operate across thematic areas, such as the Association of Directors of Environment, Economy, Planning and Transport (ADEPT) or the Association of Directors of Adult's Social Services (ADASS) or spatial boundaries, such as the Special Interest Group of Municipal Authority, which primarily represents authorities in the Midlands and northern England. Each of these institutions has a crucial role to play in both plugging the capacity and capability gaps that exist in local authorities and in proactively identifying opportunities for their members to improve the outcomes of their services.

The success of cross-departmental, and even cross-organisational, resource sharing and collaboration is contingent on the ingenuity of individual institutions or indeed a small number of well-placed officials within those institutions. The government should therefore endorse and encourage this activity.

CONCLUSION

Greater attention on the local state cannot be avoided if the government wishes to tackle the UK's productivity challenge. Local authorities and their partners shape the conditions for growth through policies and programmes across planning, regulation and skills. Their approach to prevention and service demand, and the day-to-day operation of services, underpin economic growth. Yet the sector's ability to improve productivity has been constrained by weak and inconsistent measurement, fragile capacity, fragmented funding, and lukewarm or misplaced support from central government, which too often defaults to short-term efficiency drives rather than sustained system redesign. Instead, a strategy for sustained productivity improvement in local government is required. But that strategy must also be nested within a wider programme of national public service reform. Many of the barriers identified in this report — fragmented funding, weak incentives for prevention, siloed governance, poor data-sharing and uneven digital capability — cannot be resolved by local government acting alone. They require clearer stewardship from the centre of government and a more coherent framework for reform across the state.

Though this report does not provide a comprehensive route-map to achieving higher productivity, it does set out a series of opportunities that the government should take advantage of to support a durable public sector productivity dividend. Together, they aim to rebalance the productivity debate away from episodic cost-cutting and toward a long-term programme of organisational productivity, service redesign, and improved public value.

RECOMMENDATIONS

1. Publish a cross-Whitehall Public Service Reform Strategy

   The government should publish a clear cross-government public service reform strategy setting out how its objectives on devolution, prevention, integration, digital transformation and productivity fit together across departments. This should clarify the respective roles of Whitehall, strategic authorities and local government, and explain how structural reforms such as local government reorganisation contribute to wider service improvement rather than distract from it.

   Without such a strategy, local government productivity reform will remain harder to deliver because many of its principal drivers sit outside local government itself.

2. Co-design a sector-wide Local Government Data Strategy to standardise measurement

   A binding constraint on productivity in local government is the absence of consistent, comparable, and decision-useful data across the breadth of services authorities provide. While the ONS can improve measurement methodologies with the data it receives, local authorities currently collect data in different formats, at different frequencies and at varying levels of quality and coverage. This impedes benchmarking, evaluation, learning, and, as a result, a failure to identify where interventions improve outcomes and reduce demand.

Led by the Local Government Association in partnership with the government, a Local Government Data Strategy should be co-designed that specifies a set of common datasets across major service areas (starting with high-spend, high-demand domains and those with significant public salience). The forthcoming Local Outcomes Framework provides the basis for this. Though it must keep the burden proportionate, a sector-wide strategy will need to set minimum measurement requirements across services, the frequency of data collection and presentation, and quality thresholds. This will better position the ONS to develop its productivity metrics and, through improving data availability and standardisation, increase the speed of quality-adjusted measurements so that central government and local authorities can better understand how service delivery informs public sector productivity.

3. Develop bespoke performance metrics for strategic authorities

   Strategic authorities increasingly shape local economic performance through convening power, investment choices, system leadership, and the stewardship of place. Yet these institutions are not primarily service providers in the way local authorities are, meaning that measuring their productivity and performance is altogether a different exercise from that of local authorities.

   Nevertheless, insufficient thought has been given to productivity among strategic authorities and, as devolution progresses, measuring strategic authorities' performance will be pertinent to public sector productivity overall.

4. Establish a clear, cross-government framework for defining 'preventative' expenditure

   The government must set consistent criteria that can be applied across central government to determine what constitutes public expenditure on prevention. In creating this enabling architecture, the government could establish a new Prevention Settlement akin to the Integrated Settlement that strategic authorities already benefit from.

   Doing so will enable local authorities to pursue preventative models of public service delivery at a pace that has hitherto not been achievable given the 'agile stability' of local authorities having to slowly ratchet up prevention while, concurrently, dialing down late-stage management.

5. Establish a 'Prevention Settlement' for local authorities to embed prevention and early intervention

Investing more in prevention is one of the routes to higher public sector productivity by reducing avoidable demand, improving outcomes earlier, and freeing capacity for higher-value work. Yet prevention is systematically crowded out by acute pressures, short political time horizons, and fragmented funding streams that are not aligned across agencies.

The government should establish a Prevention Settlement for local authorities, similar to an Integrated Settlement that currently exists among strategic authorities, which would help embed prevention as a core operating principle.

Further, integrating fragmented prevention-related funding streams into a more coherent settlement will need to sit alongside corresponding architectural changes in central Government, which should be embedded in the Treasury's approach to fiscal policy and wielded as a tool to address cross-departmental policy challenges.

6. Re-establish a Power to Innovate principal to enable responsible experimentation and managed risk

   Productivity improvements across prevention and early intervention, and in the delivery of new service models, data integration and AI, require controlled experimentation, learning and iteration.

   A renewed Power to Innovate, building on the experiments in the noughties, would provide explicit legal and political cover for time-limited regulatory or statutory flexibility, enabling local and strategic authorities to test new approaches safely and transparently where appropriate.

   A clear framework under which a Power to Innovate will operate is necessary and, in collaboration, the government may wish to identify a set of priority areas that a Power to Innovate might prioritise, encouraging controlled testing across a cohort of local authorities without requiring every authority to negotiate bespoke permissions.

7. Create a Digital Transformation Fund to accelerate technological change across local government

   Digitalisation, data integration, AI adoption and service redesign all require upfront investment: infrastructure, skills, change management and time. At present, many local authorities are taking forward 'invest to save' approaches while under severe fiscal pressure, which limits their ambition and creates an uneven landscape of adoption.

   A dedicated Digital Transformation Fund would provide the capital (and revenue, where necessary), alongside GDS Local, the Incubator for AI and the National Data, to design, purchase, build or procure digital and data infrastructure; to facilitate interoperability and integration through AI-enabled service redesign at scale; to support the building of technical capacity and to ultimately ensure that productivity-enhancing approaches to local government administration and public service delivery become the norm rather than the exception.

The government should adopt an outcomes-oriented approach by prioritising targeted support for local authorities with the most identifiable need.

8. Amplify public service innovation capability through building on the Office for Public Service Innovation

   National initiatives such as the National Data Library and GDS Local can set national standards and facilitate market reform to a technology landscape that is currently undermining public service integration, but they cannot alone deliver the operational change required across England's dozen strategic authorities or 317 local authorities. The government must therefore sponsor local innovation and institutional capacity, which is currently uneven, contingent on exceptional leadership and, where it does exist, often operates at an inefficiently small scale.

   Establishing a scalable model of the Office for Public Service Innovation that can operate at a regional or sub-regional geography would help embed the data and institutional infrastructure places need to accelerate innovation capability.

9. Establish a Productivity Commission

   The government should establish a Productivity Commission to connect the various policy domains touching on productivity, including that of the public sector, and advise the government on how to use existing instruments better (or improve them) to boost productivity. The central rationale is straightforward: government requires an institutional home for its strategic focus on accelerating productivity gains in local government, a function that is currently dispersed and, to a significant extent, outsourced to sector-led organisations such as the Local Government Association. The Productivity Commission would therefore fill a clear gap in the current central architecture by providing sustained ministerial and official attention to local state capability and its potential to raise productivity.

   Given the cross-cutting nature of this agenda, the Commission's focus on productivity in local government would sit alongside its research and recommendations for productivity in other areas of the public sector and the wider economy, just as is practiced in many economies similar to the UK (Pilat, 2023).

Taken together, the recommendations set out in this report constitute the foundations of a coherent reform programme to improve local government productivity, rather than a menu of discrete interventions. While each element of this emerging playbook targets a distinct constraint on productivity, their effectiveness depends on being pursued in parallel: the greatest gains will come not from isolated adoption, but from the cumulative and reinforcing effects of implementation across the system.

Better data and measurement create the conditions for learning and accountability, but, without prevention funding and innovation flexibilities, they risk fostering compliance rather than improvement. Likewise, investment in digitalisation or AI without shared standards, institutional capability, and political leadership will continue to produce isolated pilots rather than systemic change. By aligning incentives (through prevention), autonomy (through the Power to Innovate), and capability (through scalable institutions), capital (through a Transformation Fund), and sponsorship and capacity-building (through OPSI model and the Productivity Commission) the government can begin — slowly — to support local authorities transition from a cycle of crisis management toward one of continuous improvement, where the productivity dividend can be reinvested into better outcomes and reduced demand over time. Crucially, this approach treats local and strategic authorities not as delivery agents to be tightly controlled, but as partners in reform — anchored by national standards and accountability, yet empowered to adapt solutions to local conditions and scale 'what works' across places.

REFERENCES

Agarwala, M., Cinamon Nair, Y., Cordonier Segger, M.C., Coyle, D., Felici, M., Goodair, B., Leam, R., Lu, S., Manley, A., Wdowin, J., Zenghelis, D. (2020) *Building Forward: Investing in a Resilient Recovery.* Cambridge, UK: Bennett Institute for Public Policy. Available at: https://www.bennettschool.cam.ac.uk/wp-content/uploads/2020/12/WER_Building_Forward_Investing_in_a_resilient_recovery.pdf.

Alayande, A. and Hampton, L. (2024) *Redefining public sector productivity*. Cambridge: Bennett School of Public Policy.

Allas, T. (2025) 'Public sector productivity: using digital technology to deliver better outcomes' in van Ark, B., Millard, S., Pabst, A. and Westwood, A. (eds.) *Joining up pro-productivity policies in the UK*. London, UK: National Institute of Economic and Social Research. Available at: https://www.productivity.ac.uk/research/joining-up-pro-productivity-policies-in-the-uk/.

Al-Othman, H. (2024). Northern says it still uses fax machines to send messages to train crews. https://www.theguardian.com/business/2024/oct/30/northern-uses-fax-machines-send-messages-train-crews.

Andrews, R. and Boyne, G. (2009) 'Size, structure and administrative overheads: an empirical analysis of English local authorities', Urban Studies, 46(3), pp.739-759.

Andrews, R. and Boyne, G. (2012) 'Structural change and public service performance: the impact of the reorganisation process in English local government', Public Administration, 90(2), pp.297-312.

Apteligen Ltd (2016) Evaluation of the Productivity Experts Programme.London, UK: Local Government Association. Available at: https://www.local.gov.uk/sites/default/files/documents/LGA%20Productivity%20Experts%20programme%20evaluation_final_August%202016.pdf.

Atkinson Review (2005) *Final report: measurement of government output and productivity for the national accounts*. London, UK: Cabinet Office. Available at: https://news.fbc.keio.ac.jp/~hayami/pdf/productivity/Atkinson_Report_Full.pdf.

Audit Commission (2007) *Seeing the light: innovation in local public services*. London, UK.

Bevan, G. and Hood, C. (2006) 'What's Measured Is What Matters: Targets and Gaming in the English Public Health Care System', Public Administration 84(3), pp.517-538. https://doi.org/10.1111/j.1467-9299.2006.00600.x.

Bhattacharjee, A. Da Silva Gomes, E., Marioni, L., Pabst, A., Smith, R., and Szendrei, T. (2024) *General election briefing*. London, UK: National Institute of Economic and Social Research.

Billingham, Z., Frost, S., Swift, R. and Webb, J. (2023) *Parallel lives*. London: Institute for Public Policy Research. Available at: https://www.ippr.org/articles/parallel-lives.

Brien, P. (2025) *Local government finances*. House of Commons Library. Available at: https://commonslibrary.parliament.uk/research-briefings/cbp-8431/.

Cabinet Office (2024) *Pat McFadden vows to make the state "more like a start up" as he deploys reform teams across country*. London, UK.

Cabinet Office (2025) *Celebrating a wave of innovation: scalable experiments from the One Big Thing initiative*. 29 May. London, UK. Available at: https://moderncivilservice.blog.gov.uk/2025/05/29/celebrating-a-wave-of-innovation-scalable-experiments-from-the-one-big-thing-initiative/.

Carneiro, P., Cattan, S., Conti, G., Crawford, C., Drayton, E., Farquharson, C. and Ridpath, N. (2024) *The effect of Sure Start on youth misbehaviour, crime and contacts with children's social care*. London: Institute for Fiscal Studies. Available at: https://ifs.org.uk/publications/effect-sure-start-youth-misbehaviour-crime-and-contacts-childrens-social-care.

Catt, H. and Wright, G. (2025) *English councils warned against adopting four-day week*. London: BBC News. Available at: https://www.bbc.co.uk/news/articles/cgl6j8n04eno. Accessed 12 January 2026.

Cattan, S., Conti, G., Ginja, R., Farquharson, C. and Pecher, M. (2022) *The health impacts of universal early childhood interventions: evidence from Sure Start*. IFS Working Paper 21/43. London: Institute for Fiscal Studies. Available at: https://ifs.org.uk/publications/health-impacts-universal-early-childhood-interventions-evidence-sure-start.

Chisolm, M. (2002) 'The cost of local government structural reorganisation in Great Britain during the 1990s', Environment and Planning C: Politics and Space, 20(2), pp.251-262.

Chote, R., Crawford, R., Emmerson, C. and Tetlow, G. (2010) *Filling the hole: how do the three main UK parties plan to repair the public finances?* London, UK: Institute for Fiscal Studies. Available at: http://ifs.org.uk/publications/filling-hole-how-do-three-main-uk-parties-plan-repair-public-finances.

Considine, M. and Lewis, J. M. (2007) 'Innovation and innovators inside government: from institutions to networks', *Governance*, 20(4), pp.581-607. https://doi.org/10.1111/j.1468-0491.2007.00373.x.

Coraggio, L., Pagano, M., Scognamiglio, A. and Tåg, J. (2025) 'JAQ of all trades: job mismatch, firm productivity and managerial quality', *Journal of Financial Economics*, 164, 103992. https://doi.org/10.1016/j.jfineco.2024.103992.

Coyle, D. and van Ark, B. (2022) *Can public services improve their productivity without new funding?* Cambridge, UK: Bennett School for Public Policy.

Critch, N. and Luke, D. (2025) 'A critical appraisal of Labour's AI agenda', *The Political Quarterly*, 31 October. https://doi.org/10.1111/1467-923x.70019.

Dagdeviren, H. (2023) 'Austerity urbanism, local government debt-drive, and post COVID predicaments in Britain', Journal of Economic Geography, 23(4), pp.1-16.

Davies, S. (2024) ‘LGA writes to Rt Hon Michael Gove MP on Oflog concerns. London, UK: Local Government Association. https://www.local.gov.uk/lga-writes-rt-hon-michael-gove-mp-oflog-concerns.

Denters, B. (2002) 'Size and political trust: evidence from Denmark, the Netherlands, Norway and the United Kingdom', Environment and Planning C: Politics and Space, 20(6), pp.793-812.

Department for Education and Department for Levelling Up, Housing, and Communities (2022) Supporting Families Programme guidance 2022 to 2025. Available at: https://www.gov.uk/government/publications/supporting-families-programme-guidance-2022-to-2025/chapter-1-introduction-and-objectives (Accessed: 8 January 2026).

Department for Science, Innovation and Technology (2025) A blueprint for modern digital government: A long-term vision for digital public services, a six-point plan for reform, and the role of the new digital centre of government. Available at: https://assets.publishing.service.gov.uk/media/678f6665f4ff8740d978864c/a-blueprint-for-modern-digital-government-web-optimised.pdf (Accessed on 12 December 2025).

Department for Transport (2025) PM tells councils to prove action on pothole plague to unlock extra cash and reveals £4.8 billion for major roads. Available at: https://www.gov.uk/government/news/pm-tells-councils-to-prove-action-on-pothole-plague-to-unlock-extra-cash-and-reveals-48bn-for-major-roads (Accessed: 1 December 2025).

Diamond, P. (2026) *Reshaping the State in the Age of Fiasco: Fifty years of public management reform in the United Kingdom*. London, UK: Palgrave Macmillan.

Diamond, P. and Shaw, J. (2024) Should local authorities reorganise? A review of the evidence. Cambridge: Bennett School of Public Policy. https://www.bennettschool.cam.ac.uk/blog/should-local-authorities-reorganise/

Doleac, J. and Harvey, A. (2025) *Building state and local government innovation capacity: investing in university-government innovation partnerships*. Available at: https://www.brookings.edu/articles/building-state-and-local-government-innovation-capacity-investing-in-university-government-innovation-partnerships/.

Ellson, A. (2024) 'Worst-performing councils in England revealed - where does yours rank?', *The Times*. 30 April. Available at: https://www.thetimes.com/uk/politics/article/worst-council-england-uk-nottingham-xkpb5jzmz.

Flash, O. (2026) *Delay in fixing council's troubled IT system*. London, UK: BBC News. Available at: https://www.bbc.co.uk/news/articles/cm2xnjlx4kgo. Accessed: 18 January 2026.

Freedman, S. and Wolf, R. (2023) *The NHS productivity puzzle*. London, UK: Institute for Government. Available at: https://www.instituteforgovernment.org.uk/publication/nhs-productivity.

Gabris, G. T., Golembiewski, R. T. and Ihrke, D. M. (2001) 'Leadership credibility, board relations, and administrative innovation at the local government level', *Journal of Public Administration Research and Theory*, 11(1), pp.89-108. https://doi.org/10.1093/oxfordjournals.jpart.a003496.

Game, C. and Wilson, D. (2011) Local government in the United Kingdom. 5th edn. Basingstoke: Palgrave Macmillan.

Gold, N., Thom, J., Toombs, B., Cornel, P., Stothard, P., Riddle, R., Boobis, S., Morris, N., Szydlowska, A. and Santangelo, N. (2024) Trial Protocol: Using data to prevent homelessness: a randomised controlled trial. London, UK: Xantura. Available at: https://cdn.prod.website-files.com/646dd81ef095aa13072c44e0/67e2bc4203aba0d61b4cc3c9_Using%20Data%20to%20prevent%20homelessness%20-%20Trial%20Protocol.pdf.

Government Digital Service (2025) *State of digital government review*. Department for Science, Innovation & Technology. Available at: https://www.gov.uk/government/publications/state-of-digital-government-review/state-of-digital-government-review.

Gullmark, P. and Clausen, T. H. (2023) 'In search of innovation capability and its sources in local government organizations: a critical interpretative synthesis of the literature', *International Public Management Journal*, 26(2), pp.258-280. https://doi.org/10.1080/10967494.2022.2157917.

Guvenen, F., Kuruscu, B., Tanaka, S. and Wiczer, D. (2020) 'Multidimensional skill mismatch', *American Economic Journal: Macroeconomics*, 12(1), pp.210-244. https://doi.org/10.1257/mac.20160241.

Hailey, V. H., Daye, J., McGurk, J., and Rees-Jones, T. (2013) *Driving innovation in local government, HR and its role in innovation, Part 2*. London, UK: Chartered Institute of Personnel and Development.

Harvey-Rich, O. and Warner, M. (2025) *The outlook for public sector productivity.* London, UK: Institute for Fiscal Studies. Available at: https://ifs.org.uk/publications/outlook-public-sector-productivity.

Hill, J., Eke, S. and Pickles, C. (2025) *The Alternative People Survey.* London, UK: Re:State. Available at: https://re-state.co.uk/wp-content/uploads/2025/07/Alternative-People-Survey-2025-2.pdf.

Hilmawan, R., Aprianti, Y., Yudaruddin, R., Bintoro, R. F. A., Suharsono, Fitrianto, Y. and Wahyuningsih, N. (2023) 'Public sector innovation in local government and its impact on development outcomes: empirical evidence in Indonesia', *Heliyon*, 9(12), e22833. https://doi.org/10.1016/j.heliyon.2023.e22833.

Hirsch-Kreinsen, H. (2024) 'Artificial intelligence: a "promising technology"', AI & Society, 39, pp.1641-1652. doi: 10.1007/s00146-023-01629-w.

HM Treasury (2023) *Chancellor Jeremy Hunt's speech at the Centre for Policy Studies*. 12 June. Available at:

https://www.gov.uk/government/speeches/chancellor-jeremy-hunts-speech-at-the-centre-for-policy-studies.

HM Treasury (2025a) *Reeves: I am going further and faster to kickstart the economy*. 28 January. Available at: https://www.gov.uk/government/news/reeves-i-am-going-further-and-faster-to-kick-start-the-economy.

HM Treasury (2025b) Public Spending Statistics, July 2025. Available at: https://www.gov.uk/government/statistics/public-spending-statistics-release-july-2025/public-spending-statistics-july-2025#local-government-financing-and-expenditure (Accessed 29 March 2026).

HM Treasury (2025c) Whole of Government Accounts: year end 31 March 2024. Available at: https://assets.publishing.service.gov.uk/media/68776746352c290d20dcaef9/WGA_2023-24_accounts.pdf (Accessed 4 January 2026).

Hoddinott, S., Davies, N. and Kim, D. (2024) A preventative approach to public services. London: Institute for Government. Available at: https://www.instituteforgovernment.org.uk/sites/default/files/2024-05/preventative-approach-public-services_0.pdf (Accessed: 8 January 2026).

Hoddinott, S. (2026) Devolution, integration, prevention: Do the government's public service reform plans add up? London: Institute for Government. Available at: https://www.instituteforgovernment.org.uk/publication/governments-public-service-reform-plans (Accessed 20 April 2026).

Housing, Communities and Local Government Select Committee (2025) The funding and sustainability of local government finance: government response. London: House of Commons.

Hughes, C. (2017) How is Project CARA an 'improved' criminal response to domestic abuse? Presentation by The Hampton Trust. Manchester. https://hummedia.manchester.ac.uk/schools/soss/law/research/n8prp/CARA-N8-Partnership-4.pdf.

Innes, D. and Tetlow, G. (2015) Central cuts, local decision-making: changes in local government spending and revenues in England, 2009-10 to 2014-15. London: Institute for Fiscal Studies.

Jörden, N., Hampton, L. and Alayande, A. (2024) *Public sector productivity review: fifteen questions*. Insights Paper No. 030. Manchester, UK: The Productivity Institute. Available at: https://www.productivity.ac.uk/wp-content/uploads/2024/03/PIP030-Public-Sector-Productivity-Review-FINAL-060324.pdf.

Justinia, T. (2017) 'The UK's National Programme for IT: why was it dismantled?', *Health Services Management Research*, 30(1), pp.2-9. https://doi.org/10.1177/0951484816662492.

Khojasteh, M. (1993) 'Motivating the private vs. public sector managers', *Public Personnel Management*, 22(3), pp.391-401. https://doi.org/10.1177/009102609302200304.

Kim, Y. (2010) 'Stimulating entrepreneurial practices in the public sector: the roles of organizational characteristics', *Administration & Society*, 42(7), pp.780-814. https://doi.org/10.1177/0095399710377432.

Large, O., Britton, L. and Iosad, A. (2025) *Governing in the age of AI: reimagining local government*. London, UK: Tony Blair Institute for Global Change. Available at: https://institute.global/insights/politics-and-governance/governing-in-the-age-of-ai-reimagining-local-government.

Lilly, A. and Wilson, S. (2016) Beacon Councils Scheme. London: Institute for Government.

Liverpool City Region Combined Authority (2023) *The Office for Public Service Innovation – OPSI*. Available at: https://www.liverpoolcityregion-ca.gov.uk/the-office-for-public-service-innovation

Local Government Association (2024) *Polling on resident satisfaction with councils: Round 39*. London, UK. Available at: https://www.local.gov.uk/sites/default/files/documents/Resident%20Satisfaction%20Polling%20Round%2039%20281124.pdf.

Local Government Association (2025a) *AI opportunities action plan: LGA response*. London, UK. Available at: https://www.local.gov.uk/parliament/briefings-and-responses/ai-opportunities-action-plan-lga-response.

Local Government Association (2025b) An introduction to local government. London, UK. Available at https://www.local.gov.uk/our-support/councillor-and-officer-development/councillor-hub/introduction-local-government.

Local Government Association (2025c) Hertfordshire County Council: AI road maintenance robot. London, UK. Available at: https://www.local.gov.uk/case-studies/hertfordshire-county-council-ai-road-maintenance-robot.

Local Government Association (2025d) *LGA statement times analysis of log data*. London, UK. Available at: https://www.local.gov.uk/about/news/lga-statement-times-analysis-oflog-data.

Local Government Association (2025e) Northumberland County Council - FloodAI, using AI to detect flash floods. London, UK. Available at: https://www.local.gov.uk/case-studies/northumberland-county-council-floodai-using-ai-detect-flash-floods.

Local Government Association (2025f) *Shared services map*. London, UK. Available at: https://www.local.gov.uk/efficiency-and-productivity/shared-services/shared-services-map.

Local Government Association (2025g) *State of digital local government*. London, UK. Available at: https://www.local.gov.uk/publications/state-digital-local-government.

Local Government Association (2025h) *West Berkshire Council: development of generative AI tools*. London, UK. Available at: https://www.local.gov.uk/case-studies/west-berkshire-council-development-generative-ai-tools

Local Government Association (2025i) *Wigan Council: QuickAction in adult social care*. London, UK. Available at: https://www.local.gov.uk/case-studies/wigan-council-quickaction-adult-social-care.

Marshall, L., Briggs, A. and Bibby, J. (2024) How can the next government take prevention from rhetoric to reality? London: The Health Foundation. Available at: https://www.health.org.uk/reports-and-analysis/briefings/how-can-the-next-government-take-prevention-from-rhetoric-to-reality#lf-section-218326-anchor (Accessed: 8 January 2026).

Ministry of Housing, Communities and Local Government (2023) *Formal warning to council over four-day working week*. Press release, 3 November. Available at: https://www.gov.uk/government/news/formal-warning-to-council-over-four-day-working-week.

Ministry of Housing, Communities and Local Government (2024) *Deputy Prime Minister promises relationship 'reset' with councils.* London, UK. Available at: https://mhclgmedia.blog.gov.uk/2024/10/24/deputy-prime-minister-promises-relationship-reset-with-councils.

Ministry of Housing, Communities and Local Government (2025a) *Local Government Outcomes Framework: priority outcomes and draft metrics*. London, UK. Available at: https://assets.publishing.service.gov.uk/media/686baaa82cfe301b5fb677d1/Local_Government_Outcomes_Framework_priority_outcomes_and_draft_metrics_1.pdf.

Ministry of Housing, Communities and Local Government (2025b) *Homelessness Prevention Grant 2025-26: technical note*. London, UK. Available at: https://www.gov.uk/government/publications/homelessness-prevention-grant-allocations-2025-to-2026/homelessness-prevention-grant-2025-26-technical-note.

Ministry of Housing, Communities and Local Government (2025c) *Integrated Settlement: policy document*. London, UK. Available at: https://www.gov.uk/government/publications/integrated-settlement-policy-document/integrated-settlement-policy-document.

Montgomery, J. (2024) *AI in local government: shaping the future of public services*. 20 November. Cambridge, UK. Available at: https://www.ai.cam.ac.uk/blog/ai-in-local-government-shaping-the-future-of-public-services.

National Audit Office (2007) Local Area Agreements and the third sector: public service delivery. London: The Stationery Office.

National Audit Office (2020) Local authority investment in commercial property. London: National Audit Office.

National Audit Office (2021a) *Efficiency in government. Session 2021-22.* London: National Audit Office. Available at: https://www.nao.org.uk/wp-content/uploads/2021/07/Efficiency-in-government.pdf.

NHS England (2024) *NHS artificial intelligence (AI) giving patients better care and support*. 12 December. Available at: https://www.england.nhs.uk/2024/12/nhs-ai-giving-patients-better-care-and-support/.

O'Brien, A., Curtis, P. and Charlesworth, A. (2023) Revenue, capital, prevention: a new public spending framework for the future. London: Demos. Available at: https://demos.co.uk/research/revenue-capital-prevention-a-new-public-spending-framework-for-the-future/ (Accessed: 8 January 2026).

Odamtten, F. and Smith, J. (2023) Cutting the cuts. London: Resolution Foundation. Available at: https://economy2030.resolutionfoundation.org/reports/cutting-the-cuts/ (Accessed: 8 January 2026).

OECD (2019a) *Enhancing innovation capacity in city government*. Paris: OECD Publishing. https://doi.org/10.1787/f10c96e5-en.

OECD (2019b) *Making Decentralisation Work: A Handbook for Policymakers*. Paris: OECD Publishing. https://doi.org/10.1787/g2g9faa7-en.

Office for Budget Responsibility (2025) *Economic and fiscal outlook – November 2025*. London, UK. Available at: https://obr.uk/efo/economic-and-fiscal-outlook-november-2025/.

Office for National Statistics (2023) *Public service productivity, UK: 1997 to 2022*. Newport: Office for National Statistics.

Office for National Statistics (2025a) *Public Sector Productivity Review*. Newport: Office for National Statistics.

Office for National Statistics (2025b) *Public sector employment: June 2025*. 16 September. Available at: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/publicsectorpersonnel/bulletins/publicsectoremployment/june2025.

Parker, S., Dove, B. and Taylor, B. (2025) A hundred origin stories – an unfinished history of relational public services. London: UCL Policy Lab. Available at: https://www.ucl.ac.uk/policy-lab/news/2025/dec/hundred-origin-stories-unfinished-history-relational-public-services (Accessed: 8 January 2026).

Peck, J. and Congdon, W. J. (2023) *Search and matching for jobseekers: priorities for research*. Washington, DC: Urban Institute. Available at: https://www.workrisenetwork.org/publications/search-and-matching-jobseekers.

Pike, A. and Shaw, J. (2024) 'Mapping the gaps: the geography of local authority financial distress in England', Cambridge, UK: Bennett Institute for Public Policy, University of Cambridge. Available at:

https://www.bennettschool.cam.ac.uk/wp-content/uploads/2024/10/Townscapes-Mapping-the-Gaps.pdf.

Pilat, D. (2023) *The Rise of Pro-Productivity Institutions: A Review of Analysis and Policy Recommendations,* Productivity Insights Paper, No. 015. Manchester, UK: The Productivity Institute. Available at: https://www.productivity.ac.uk/research/the-rise-of-pro-productivity-institutions-a-review-of-analysis-and-policy-recommendations/.

Public Health England (2016) *NHS Diabetes Prevention Programme NHSDPP overview and FAQ,* London, UK. Available at: https://www.england.nhs.uk/wp-content/uploads/2016/08/dpp-faq.pdf

Say, M. and Olsen Bedford, H. (2019) *APIs for the public good: underpinning the next generation of public services*. London, UK: UKAuthority. Available at: https://www.ukauthority.com/media/7599/apis-for-the-public-good.pdf.

Scott, S. (2024) Evaluating preventative investments in public health in England. London: Chartered Institute of Public Finance and Accountancy. Available at: https://www.cipfa.org/evaluatingpreventativeinvestments.

Shaw, J. (2025). The role of place and the 'zonification' of growth. Available at: https://www.productivity.ac.uk/news/the-role-of-place-and-the-zonification-of-growth/

Simpson, F. (2024) 'Number of UK drivers concerned with state of local roads hits record levels', The Guardian, 12 August. Available at: https://www.theguardian.com/business/article/2024/aug/12/number-of-uk-drivers-concerned-with-state-of-local-roads-hits-record-levels (Accessed: 1 December 2025).

South Cambridgeshire District Council (2025) *Reports showcase four-day week performance*. 4 July. Available at: https://www.scambs.gov.uk/news/reports-showcase-four-day-week-performance.

Stokes J., Bower, P., Guthrie, B., Mercer, S. W., Rice, N., Ryan, A. M. and Sutton, M. (2022) 'Cuts to local government spending, multimorbidity and health-related quality of life: A longitudinal ecological study in England', The Lancet Regional Health – Europe. https://doi.org/10.1016/j.lanepe.2022.100436.

Tåg, J., Pagano, M., Scognamiglio, A. and Coraggio, L. (2022) *The matching between workers and jobs explains productivity differentials across firms*. Available at: https://cepr.org/voxeu/columns/matching-between-workers-and-jobs-explains-productivity-differentials-across-firms.

The Productivity Institute and Institute for Government (2025) *Productivity pitches #7: welfare*. 8 July. Available at: https://www.instituteforgovernment.org.uk/event/productivity-pitches-7-welfare.

UK Government (1999) Modernising government. London: The Stationery Office.

UK Government (2025) Our children, our future: tackling child poverty. Available at: https://assets.publishing.service.gov.uk/media/693a9df9cfacd5e888491de0/child-poverty-strategy.pdf (Accessed: 8 January 2026).

UK Statistics Authority (2025) National Statistician's Independent Review of the Measurement of Public Services Productivity. London: UK Statistics Authority. Available at: https://uksa.statisticsauthority.gov.uk/publication/national-statisticians-independent-review-of-the-measurement-of-public-services-productivity/pages/1/ (Accessed: 1 December 2025).

Van Ark, B. (2022) *Making public sector productivity practical*. Manchester, UK: The Productivity Institute. Available at: https://www.productivity.ac.uk/wp-content/uploads/2022/08/Making-Public-Sector-Productivity-Practical-Capita-Report-August-2022-FINAL.pdf.

ACKNOWLEDGEMENTS

The authors wish to thank Prof. Bart van Ark, Prof. Andy Westwood and Joel Hoskins at The Productivity Institute for their considered and useful comments.