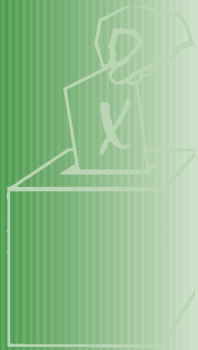




Service Quality



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Finance



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Regions



OFFICE OF THE
DEPUTY PRIME MINISTER

LOCAL AND REGIONAL GOVERNMENT
RESEARCH PROGRAMME

Research Summary

Learning from the experience of recovery Foundations for recovery: First Annual Report

Introduction

Improving the performance of local authorities is high on the political agenda. Central government has implemented a range of policies to stimulate and focus improvement, there are extensive systems of support for local government through national agencies and councils themselves are demonstrating ways of strengthening service and corporate performance. The Comprehensive Performance Assessment (CPA) process illustrates that councils are distributed across the performance spectrum, from those that are excellent to others that face fundamental problems.

Learning from the Experience of Recovery is the long-term evaluation of the intervention and recovery process in local authorities by a team of researchers led by Professor Chris Skelcher at the Institute for Local Government Studies, University of Birmingham. The study aims to identify:

1. Why some local authorities become poor performers

2. What approaches to sustainable recovery work most effectively and in what situations¹

Foundations for Recovery, the first annual report of this long-term evaluation, provides an analysis of early approaches to recovery in poorly performing local authorities and of the approach to engagement and intervention by central government. Policy papers on specific topics are also being published throughout the life of the project.²

Government policy towards poorly performing councils

Government's interest in improving the performance of individual local authority services through Best Value has now widened to incorporate the overall governance and management of councils. The Comprehensive Performance Assessment (CPA) provides a composite measure of each council's service performance and ability to improve on a

¹ The Office of the Deputy Prime Minister (ODPM), Local Government Association (LGA), Audit Commission and Improvement and Development Agency (IDeA) commissioned this study. INLOGOV is working in association with its research partners at the Centre for Local and Regional Government, Cardiff University and MORI. The study commenced in December 2002 and runs until summer 2005. Further details are available at www.inlogov.bham.ac.uk/research

² These are available at IDeA Knowledge, www.local.odpm.gov.uk/research/index.htm or www.inlogov.bham.ac.uk/research

five-point scale from excellent to poor. The first round of CPA results for upper tier and unitary councils were announced in December 2002, and 15 councils were identified as poorly performing.³ A further round of CPA reported in December 2003.

The decision by government to act in relation to poor performance by councils relates to the dilemma at the heart of centre-local relations, namely: to what extent can local council performance be left to the judgement of electors? The justification for central government action is that the local democratic process is unable to motivate sufficient change in the council's performance and therefore external pressure is in the interests of citizens.

Where government does resolve to take action in relation to a poorly performing council, it faces a choice between:

1. Engagement – non-statutory action, for example having a lead official work with the council to test and challenge its recovery process, ministerial visits to meet with members, etc., and
2. Intervention – action by the Secretary of State in exercise of his powers under s15 of the *Local Government Act 1999* or similar legislation, and without the council necessarily agreeing to that action.

The Government's initial policy towards poorly performing councils pre-dated CPA. This was only implemented in the case of one council and involved extensive use of legal powers and external consultancy. A new approach to working with poorly performing councils has developed since summer 2002. This places the onus on councils to accept responsibility for leading their own improvement, in a context of external support and challenge, and oversight by the nominated ODPM lead official and monitoring board. Legal intervention is regarded as the last resort in the event that agreement on recovery between government and council is not forthcoming.

Poorly performing councils differ considerably in the nature of their problems and their previous experience of recovery. Consequently the form of engagement is tailored to the needs of each council. The evolution of the relationship between central government and the council permits greater flexibility because of its non-statutory nature.

Ministers reach their decision on the form of relationship with each council on the basis of a range of evidence provided from the CPA reports,

assessments by ODPM lead officials and other sources. The presumption has been that local authorities should take responsibility for their own recovery, and that intervention would only be used where this was not forthcoming.

The greater emphasis on local authorities' corporate performance has stimulated moves towards a more co-ordinated and complementary approach to poorly performing councils across government. Mechanisms have been created at Cabinet and official level nationally, a regional structure has recently been put in place and there are multi-agency monitoring boards for each poorly performing council.

The relationship between Government and the LGA was particularly important in providing a level of support in the local government community for engagement by ODPM with poorly performing councils. The *Framework for Partnership* of November 1997 set out the respective roles of central government and the LGA, and contained a *Protocol on Central Government Engagement and Intervention in Poorly Performing Authorities* detailing the principles and processes for engagement and intervention.

Explaining poor performance in local government

The ability of an organisation to recover from poor performance requires it to understand how it came to be in that position. Sustainable recovery and improvement involves addressing the fundamental causes of poor performance rather than the surface manifestations.

This research has investigated why councils become 'poor performers'. At the heart of the problem is 'path dependency' – that organisations develop ways of working that become resistant to change. Sometimes this is because an approach worked in the past and there is a belief that it will continue to do so, even though times have changed. Or it may be because there are insufficient checks and balances in the organisation to test and challenge existing approaches.

Some councils are relatively isolated from debates within the local government world, and this helps perpetuate old ways of working. But INLOGOV have also found councils who were so busy implementing new initiatives that they did not attend to basic questions of good service delivery and management.

³ These comprise 13 councils with a 'poor' rating and 2 councils who scored 'weak' overall but had a limited ability to improve.

The data from five case study councils demonstrates that the theory of poor performance arising from path dependencies provides a helpful explanation at a general level, but there are important differences between the councils. For example, some councils had strong political leadership, while in others it was weak. One of the factors thought to contribute to poor performance is the electoral cycle. However the evidence is not consistent in relation either to election by thirds or all-in/all-out every four years.

The early experience of recovery

The triggers for recovery can be generalised into two 'performance profiles' (Figure 1 below):

1. Where path dependency is deeply engrained in the organisation, change is only possible through the authoritative introduction of new external incentives, for example a threat to remove the legal base of key decision-makers' power.
2. Where path dependency is more limited, key organisational decision-makers are subject to a plurality of incentives that motivate change to correct poor performance.

Two case study councils provide examples where the path dependencies were particularly strong and the incentives were aligned to their continuation. In these cases government had to exert significant external pressure to gain the agreement of the council to establish a recovery process. In three case

study councils the process of recovery had started pre-CPA, motivated by electoral change, critical inspection reports and changes in party groups.

The lead officials have played a key role in enabling councils to commit to self-managed change supervised by the external monitoring board of ODPM, Audit Commission and other agencies. Lead officials are all former senior local government officers and their understanding of the operation of local councils and the local political process has placed them in a good position to know what to say, in what ways, to whom. It also enables them to broker the relationship with external agencies.

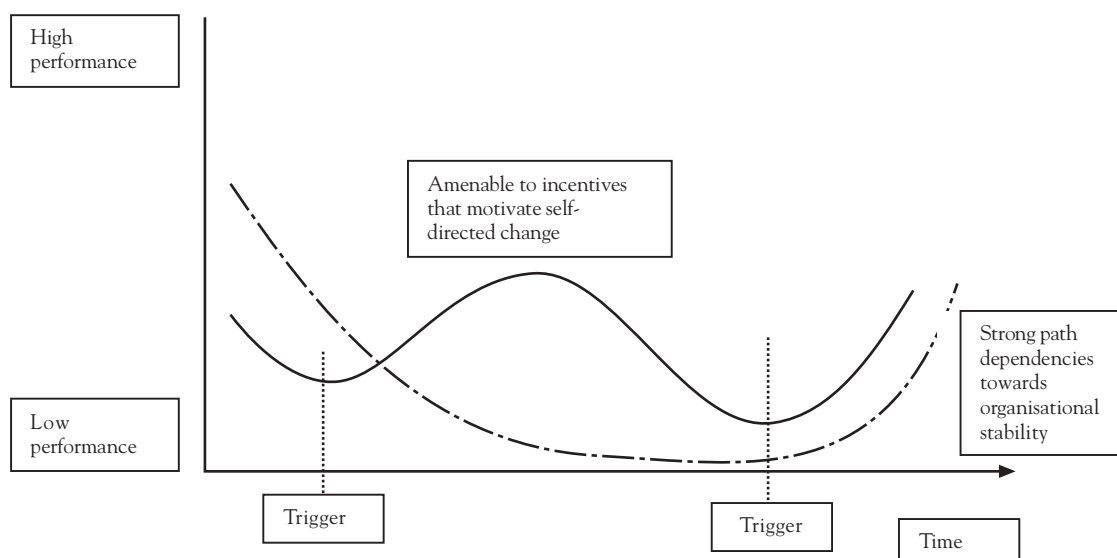
IDEA and the LGA provide a range of support and advice services to poorly performing councils. Political mentors work with some leaders and party groups in some poorly performing councils to facilitate the political process to engage fully with the need for recovery. They have assisted in bringing home the realities of the government's commitment to reducing poor performance. Several councils have used interim managers to support the change process.

Councils have created Partnership Boards of experts for external, but non-Government, challenge and support. These also offer a way of overcoming the insularity that is a feature of some poorly performing councils.

There is a standard set of approaches to recovery within councils. The typical arrangement is:

1. A senior member-level group working with chief officers to oversee the recovery process

Figure 1: Performance Profiles



2. A scrutiny committee with responsibility for monitoring progress
 3. A change manager at a senior level
 4. A recovery (or improvement) plan consisting of a number of projects, each with a chief officer and/or member lead, a project manager and project officers.
3. *How will exit from 'poorly performing' status be defined and managed?* The Audit Commission's analysis of intervention in education and social services identified 'exit' as the most problematic aspect. The CPA Refresh announced late in 2003 resulted in some councils going up one category. However improvements in CPA score do not guarantee disengagement (or reduced engagement) by ODPM. There is a strong aspiration on the part of councils to improve their CPA scores, but also to gain independence from engagement.

Conclusions

The policy and practice of tackling corporate poor performance in local government has been developed in practice. It has emerged out of the necessity to establish effective ways of enabling poorly performing councils to make significant changes that will start the process of recovery.

The response to the lead official model on the part of local authorities has in general been very positive. This model may have a wider application to the centre-local relationship.

The role of political mentors, who have operated in some councils and with some political groups, has also been instrumental in motivating change at key points, especially where councillors have been reluctant to commit to recovery.

A feature common to several councils is the very active local political system within which the authority is located, and its close interaction with members and officers within the council. In some cases the form of local politics is seen to be an impediment because it reinforces pre-modernisation councillor roles.

Councils are now moving into the medium-term process of recovery. This poses a number of questions that INLOGOV will be exploring as this research continues. These include:

1. *What is 'recovery'?* Is it the achievement of the recovery plan? Or is recovery more than this? Is it really about the council demonstrating self-confidence in identifying and tackling the issues it faces?
2. *How effective is the development of a capacity to challenge?* The introduction of challenge is a key part of the engagement process. The discussion of theories of poor performance illustrates how challenge provides a potentially significant strategy to tackle the underlying problems of path dependency. Yet how can challenge operate in a political context?

4. *Does work on recovery distract from other agendas facing the council?* Recovery consumes considerable organisational energy. At the same time the council has to deal with the other issues with which it is faced. Potentially, there is a danger that recovery takes resources from other areas and in the process runs the risk that they will decline in performance terms.

The research will examine these issues over the next two years. Dissemination will be through a series of policy papers and reports available through the ODPM, IDeA Knowledge and INLOGOV web sites together with contributions to conferences and workshops. There will be a further annual report later in 2004 examining developments in year two of the recovery process.

Further Information

Copies of this summary and the full report are also available on the ODPM website:
<http://www.local.odpm.gov.uk/research/index.htm>

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