

# **LEARNING FROM THE EXPERIENCE OF RECOVERY**

## **FOUNDATIONS FOR RECOVERY: First Annual Report**

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## CHAPTER 1: INTRODUCTION

### *The local government improvement agenda*

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 through national agencies of local government, and councils themselves are demonstrating ways of strengthening service and corporate performance.

The desire by central government level to improve the performance of local authority services has increased in significance during the two decades since the early 1980s. Policy initiatives have developed in sophistication, moving from the relatively simplistic assumptions about the power of market forces that were inherent in Compulsory Competitive Tendering (CCT) through more comprehensive service review and procurement approaches in Best Value and then into a range of demonstration and incentive initiatives including Beacon Councils, Local Public Service Agreements and Shared Priorities. Frequently, these policies have emerged as a result of innovation within local government. Their development and implementation has been supported by the active involvement of individual local authorities and the Local Government Association (LGA). The implementation of performance improvement policies has been assisted by a substantial infrastructure of consultancy, organisational and management development providers, including those programmes within the Improvement and Development Agency's (IDeA) portfolio.

### *The CPA and poorly performing councils*

The drive of these programmes is towards performance improvement, but the introduction of a nation-wide performance assessment process - the Comprehensive Performance Assessment (CPA) – has revealed that some councils are unable to respond effectively to the improvement agenda. Within this group, a number are poor performers whose services and corporate arrangements do not meet the standards expected of modern local government. The CPA is being undertaken in a series of phases for all local authorities in England. It started with the major spending councils – county councils, London boroughs, metropolitan and unitary councils - who had their performance reported in December 2002. District councils in two-tier areas are currently being assessed. Councils are classified into one of five performance bands (excellent, good, fair, weak and poor), and there is a strong expectation that those in the lower bands will improve significantly. Councils classified as poor are subject to special monitoring by central government and the Audit Commission, and may be the focus of legal intervention to direct them to undertake certain tasks or transfer responsibility for a function to a nominee of the Secretary of State.

The evidence that a group of councils that is under-performing relative to national expectations raises two important questions:

1. Why do local authorities becoming poor performers?

2. What approaches to recovery (or turnaround) work most effectively and in what situations?

There is little scientific research into these issues as they bear on the public sector. What literature there is tends to focus on failures in policy implementation (i.e. why a given policy is not delivered as intended or does not have the effect that was intended, e.g. Bovens, *et al* 2001; Bovens and t'Hart 1998; Wildavsky 1884) rather than weaknesses of organisational performance. The research into organisational performance in the UK public sector primarily concentrates on schools, reflecting the school effectiveness/school improvement debate (e.g. Gray *et al* 1999; Willmott 1999), although there is also some with a broader base (e.g. Anheier 1999). There are also some practice-based reports that have a strong prescriptive edge. In contrast to the paucity of public sector research there is a voluminous and largely US-oriented private sector literature. This tends to focus on the way in which organisational leadership fails to respond to environmental changes affecting business profitability, and prescriptions are largely related to chief executive changes or organisational restructuring (e.g. divestment, re-financing, re-positioning, etc.) (e.g. Barker and Mone 1998; Boyne *et al* 2003; Mellahi 2002).

### ***Learning from the experience of recovery***

The research reported in this report provides an analysis and evaluation of early approaches to recovery in poorly performing local authorities. It arises from a long term evaluation - 'Learning from the Experience of Recovery' - commissioned by the Office of the Deputy Prime Minister (ODPM), Local Government Association (LGA), Audit Commission, and Improvement and Development Agency (IDeA). The evaluation is being undertaken by the Institute of Local Government Studies (INLOGOV) at the University of Birmingham in association with Cardiff University, MORI and other partners. The study commenced in December 2002 and runs until summer 2005. It involves:

1. evaluation of the recovery process and its impact in five poorly performing case study councils, together with a more limited analysis in another 10 councils
2. a study of the implementation and impact of the policies of government and national agencies in relation to poorly performing councils
3. action-learning sets with managers of the recovery process and recovery projects
4. policy papers on themes and issues related to recovery in poorly performing local authorities
5. dissemination to a range of policy-maker, practitioner and academic audiences.

This first annual report provides early findings from the study, drawing on baseline studies of five 'poorly performing' case study councils and on the response of central government and national agencies. The five councils were selected to give a mix of performance problems and recovery approaches. Future annual reports will supplement the experience of these five councils with those of the other ten in the group that is subject to close attention by central government.

In the next chapter we set out the policy context and the approach used by central government and other national agencies in working with poorly performing councils. We then draw on the evidence from our case study councils and the available literature and discuss how poor performance can be explained. From this, the report moves into an analysis of approaches to recovery adopted in the case study councils. The final chapter draws conclusions from this initial stage of the research and indicates the ways in which the research will develop over the next two years.

In our research we have defined poor performance in terms of the CPA results. As we show in the next chapter, this judgement is the result of a matrix of scores derived from data that in some cases will be several years old. There is a lively debate about the CPA scoring methodology within the local government community, and there are councils who believe that the results have not been a fair reflection of their current performance. We do not engage with this debate here. However it is important to recognise in interpreting and using our results that the definition of a 'poorly performing council' is contested. We should also point out that the data on which this first annual report was prepared was gathered between January and September 2003, and thus does not reflect developments in these councils since this period.

The research protocol with the councils we are studying maintains that our work will not draw undue attention to them, and therefore references have been anonymised. The gaze of publicity and the label 'poor performer' does not provide a positive context for them in taking the steps to recovery and improvement, and they are already subject to detailed review by ODPM and the Audit Commission. It is also important to recognise that our case study councils have undergone a process of change since the inspections on which the CPA scores were based. We are only able to give an indication of these changes in this report, but the process and impact of their recovery will be dealt with more fully in future annual reports.

The research team would like to thank the members and officers of the case study councils for their assistance in data gathering, at a time when there were already other significant demands on them. ODPM officials and staff of the Audit Commission, LGA and IDEA have been generous with their assistance, as have the members of the LGA Improvement Support Group. We would also like to thank our steering group and the research managers from ODPM for their guidance and support.

The views expressed in this report are those of the research team and do not necessarily reflect the position of the individual case study councils, ODPM, LGA, IDEA or the Audit Commission.

## **CHAPTER 2: GOVERNMENT POLICY TOWARDS POORLY PERFORMING COUNCILS**

### ***The widening agenda of performance assessment***

Government policy towards poor performance by local authorities has developed significantly in the period since 1997, and particularly in the last few years. Before then, government pressure on and intervention in councils was typically related to matters of difference in policy choice between locality and centre (e.g. DETR 1999; Loughlin 1996). Examples include:

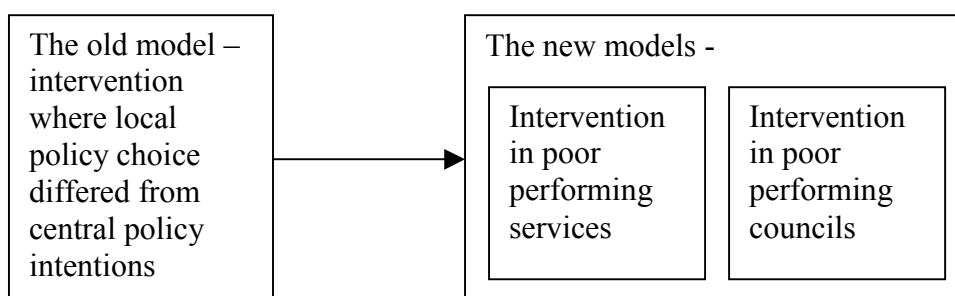
- the Tameside case (1976) in which that council faced legal action because of its decision to maintain selective secondary education in the face of government policy for comprehensive education
- the use of administrative action (withholding financial allocations) in the late 1970s against South Yorkshire Metropolitan County Council and Oxfordshire County Council because their respective public transport subsidies were deemed by government to be too high and too low
- Norwich council's unwillingness to implement 'right to buy' legislation in 1981, resulting in the Secretary of State taking action to intervene under the Housing legislation
- the rate-capping process in the 1980s, which involved a mixture of administrative action against councils and legal action against councillors to achieve constraint in council expenditure.

Now, however, government is concerned with the performance of council services and the overall management of councils as a corporate body (figure 1). This policy has developed in the context of a commitment by New Labour to improve the quality of public services. The central policy instrument is Best Value, which emerged as a response to the limitations of the previous compulsory competitive tendering (CCT) regime. A duty was placed on local authorities to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness" (s3, Local Government Act 1999). The intention of Best Value was to introduce a process through which a council would review its functions and activities, redefine these in relation to consultation and other evidence, and choose the delivery method that would give 'best value' to local people.

However there are processes of performance assessment and intervention in local council services located elsewhere in Whitehall. Legislation in 1970 and 1996 respectively gave the relevant Secretaries of State power to intervene in relation to the social services and education functions of local authorities. The Social Services Inspectorate and OFSTED (the education inspectorate) have undertaken regular reviews of social service authority, school and local education authority performance. Where it decided that the service was not at an acceptable standard, the inspectorate could recommend that the Secretary of State placed it in some form of 'special measures' (normally close supervision and improvement support) or – in the case of an LEA – order its functions to be outsourced. These inspections and interventions

were service specific and originally did not engage with the corporate governance of the council. However from 2000 onwards there was a gradual recognition that service problems might be affected by weaknesses in the council’s corporate governance and management (OFSTED 2003).

**Figure 1: Changing agendas for central government intervention**



A wider understanding about how performance could be enhanced arose from the early experiences with Best Value and the turnaround initiatives undertaken by individual local authorities (for example Liverpool City Council). The Local Government Improvement Programme (LGIP), initiated by IDeA and LGA, was particularly influential in this respect. It piloted a process of peer-reviewing a council’s overall managerial and governmental arrangements and laid the foundation for the Corporate Governance Inspections (CGIs) subsequently undertaken by the Audit Commission. The evidence it and other initiatives generated led to a realisation that improvements in specific services were related to the boarder corporate governance of the council, in other words the quality of its decision-making process, performance management systems, member-officer relations and so on. The conclusion was that service-specific interventions and improvements needed to be set in the context of changes to the organisation’s corporate centre and culture.

### ***Comprehensive Performance Assessment***

Best Value, LGIP and CGI provided a suite of methods for appraising a council’s performance in relation to individual services and corporate governance. Consequently it became possible to develop an overall judgement of a council’s standing – the Comprehensive Performance Assessment (CPA). This approach was set out in the 2001 White Paper *Strong Local Leadership – Quality Public Services* (cm 5237). CPA was applied to upper tier councils and unitaries in 2002 and district councils in two-tier areas in a rolling programme from 2003. Councils were scored between 1 (low) and 4 (high) in relation to a two-dimensional matrix - current service performance and corporate capacity to improve – with the relationship between these defining five performance categories: excellent, good, fair, weak and poor (figure 2). The first round of CPA, announced in December 2002, produced the spread of scores illustrated in figure 3.

**Figure 2: CPA Scoring Matrix**

	SCORES	CORE SERVICE PERFORMANCE			
		1	2	3	4
COUNCIL ABILITY	1	poor	poor	weak	not applicable
	2	poor	weak	fair	good
	3	weak	fair	good	excellent
	4	not applicable	good	excellent	excellent

Source: Audit Commission

**Figure 3: Scores from First Round of CPA**

CATEGORY	NUMBER OF COUNCILS	%
Excellent	22	15
Good	54	36
Fair	39	26
Weak	22	14
Poor	13	9
TOTAL	150	100

Source: Audit Commission

### ***Addressing the Problems of Poorly Performing Councils***

The White Paper *Strong Local Leadership – Quality Public Services* (cm 5237) discussed various ways through which poor performance could be tackled, including close supervision, transferring functions to other providers, franchising and placing the council in administration. This was followed by an ODPM consultation paper *Tackling Poor Performance* that set out the detailed approach the Government expected to take in relation to the poorest performers. This paper was based on experience with the two councils that were, at that point, subject to direct engagement by ODPM – Hackney LB (since 2001) and Walsall MBC (since mid 2002). Hackney represents a ‘technological’ approach to engagement. It is characterised by an arm’s-length separation between central government and the council, the relationship being managed through ministerial directions and extensive use of consultants employed by ODPM under a ‘framework agreement’. One participant saw it in the following way:

The intervention approach used in Hackney reflected the traditions of government – keep ministers at arm’s-length, use formal legal directions and

get consultants to do the implementation – and spend lots of money. (ODPM civil servant 1)

In Walsall there is the early development of what can be termed a ‘relational’ approach. Here, from mid 2002, an ODPM official had sustained personal contact with the council motivating the authority to effect reform in those political and managerial spheres necessary to provide the basis for recovery. This included “working in an area that most civil servants fear to tread – talking direct to local government politicians.” (ODPM civil servant 1)

*Tackling Poor Performance* recognises that a variety of approaches – a ‘quiver of arrows’ (DETR 1999: 30) – are necessary in dealing with poor performing councils. It sets out a process in which, after CPA results are published, an ODPM relationship manager advises ministers on whether or not the council has the capacity to improve. In the former case, the council would work with external advisors (for example IDeA) to prepare and implement a recovery plan. In the latter case, significant external support would be sourced and there might also be a necessity for ministerial directions (as in the Hackney example). These powers of intervention would be under the Best Value legislation. They provide the Secretary of State - in the event that a council failed to comply with its Best Value responsibilities – with a several possibilities, including directing that the council undertake particular tasks and transferring the responsibility for a function or functions to a nominee. *Tackling Poor Performance* noted that the local authority and the Government would jointly appoint a Partnership or Improvement Board. It would “provide advice and support to the council and help them make progress against key milestones” (ODPM 2002a: para 18). The ODPM report recognises that interim management teams and support for members may also be necessary. *A Force for Change* - the Audit Commission report on social services and education intervention – had noted that exit was one of the most problematic elements in an intervention process (Audit Commission 2002a). The ODPM paper sets out two criteria: “firstly when improvements are well established and are judged to be sustainable, and secondly when the council’s political and managerial leadership are sufficiently improved to secure key service outcomes without further assistance or directions.” (*op cit*, para 40)

There was little formal change in the proposed approach as a result of consultation with interested parties. The resultant statement by Government - *Freedoms and Flexibilities* (ODPM 2002b) - emphasised the role of the relationship manager (now termed ‘lead official’) in advising ministers on the approach to be taken in respect of individual councils and in maintaining a regular oversight of their progress by chairing the monitoring board consisting of the Audit Commission and other government departments. This approach evolved and was refined in the light of experience of working with poorly performing councils following the announcement of CPA results in December 2002, and was documented in *Government Engagement with Poor Performing Councils* (ODPM 2003).

The councils subject to close attention by ODPM as a result of the first round of CPA are the 13 in the ‘poor’ category and the 2 in the ‘weak’ category that have a 1 score for ‘capacity to improve’. It is important not to view this group as having uniform characteristics. There are differences in the nature and causes of poor performance. The 15 councils can be differentiated into four groups in terms of the CPA analysis:

1. Poor corporate capacity and services. These councils are ‘poor’ on both services and ability to improve. Three councils score 1 on both the overall service score and the corporate assessment, and two of these were already subject to central government engagement prior to the December 2002 publication of the CPA results.
2. Poor services. These councils are ‘poor’ on services but with some ability to improve. Two councils score 1 on services overall and 2 on corporate assessment.
3. Poor corporate capacity, weak services. These councils are ‘poor’ on ability to improve but have services above the minimum. Eight councils score 1 on corporate assessment and 2 on services overall. One of these has a single service that scores 4.
4. Poor corporate capacity, good services. These are ‘weak’ councils, who have a ‘poor’ ability to improve but stronger services. Two of the twenty-two weak councils came into this category, both scoring 1 on corporate assessment and 3 on services overall. Each has one service that scores 4.

**Figure 4: Relevant Government Initiatives for Dealing with Poor Performance in Local Government**

DATE	EVENT
1970	<i>Local Authority Social Services Act 1970</i> – introduces power for secretary of state to issue directions to a social services authority
1996	<i>Education Act 1996</i> - introduces power for secretary of state to issue directions to a local education authority
Nov 1997	<i>Framework for Partnership</i> signed between central and local government, including provision for discussion of intervention and support to poor performing councils
1999	<i>Local Government Act 1999</i> gives power to Secretary of State to issue directions to a council that is failing to comply with its Best Value duties
2001	Central government commences intervention in Hackney LB
Mar 2002	' <i>A Force for Change</i> ' – Audit Commission analysis of poor performance and intervention in social services and education
May 2002	Central government commences engagement with Walsall MBC
Aug 2002	' <i>Tackling Poor Performance in Local Government</i> ' consultation paper
Nov 2002	' <i>Freedoms and Flexibilities for Local Government</i> '
Dec 2002	Comprehensive Performance Assessment for top tier and unitary councils published; ODPM commences engagement with an additional 11 'poor' and 2 'weak' councils
Feb 2003	' <i>Protocol on Central Government Engagement and Intervention in Poor Performing Local Authorities</i> '
Mar 2003	' <i>Government Engagement with Poor Performing Councils</i> ' – guidance for lead officials
Aug 2003	Pilot Comprehensive Performance Assessments for district councils in two-tier areas published
Oct 2003	First round of Comprehensive Performance Assessments for district councils in two-tier areas published

## ***Intervention in the context of centre-local relations***

The initiation of a focused and potentially interventionist relationship between ODPM and individual local authorities in relation to their overall performance marked a major step in centre-local relations. No longer was government only to intervene in relation to specific cases of service failure, as under the social services and education legislation, but instead would address the local authority as a whole. It would be making judgements, as a result of Audit Commission inspections, on the capacity of the corporate centre of the council to lead and sustain improvements.

The critical choice facing government is: at what point in a council's performance curve should government take specific steps to engage or intervene directly with the council? The evidence from *A Force for Change* is mixed. Some councils thought that intervention had come too late, while for others it conflicted with recovery activity that was already underway. Such variation can be seen in the CPA diagnoses of poorly performing councils, some of whom were engaged in self-directed recovery while others only partly recognised the nature of the problems they faced.

There is a wider issue involved in this choice of when to engage or intervene. The question is at the heart of the unresolved dilemma of centre-local relations, namely: to what extent can local council performance be left to the judgement of electors and the other mechanisms of local politics? The theory of local democratic accountability rests on the idea that politicians will be elected into office on the basis of their manifesto and elected out of they do not deliver. It also assumes, although this is never stated, that candidates will stand on platforms that are about delivering benefits to the community – in terms of improved services, or reduced council tax bills, or both. They do not stand on the platform of making the council's performance worse. There is also an expectation by the current Government that councillors will be committed to delivering the local government modernisation agenda – a core theme of which is to do with improving the performance of councils in their ability to meet the needs of their communities.

The reality of local democracy is more complex than the simple causal model of voters electing councillors in and out on the basis of their performance, but nevertheless it has an important symbolic value in the context of decisions by central government about whether and how to address poor performance. This is because it involves the delicate balance between local democracy and central control:

... it involves one tier of democratically elected government intervening in the affairs of another tier, which raises difficult questions of democratic legitimacy and accountability. (Audit Commission 2002: 5).

Consequently the justification for central government to take action in respect of low levels of local council performance is that it should be a backstop to act in the interests of local people when the council fails so to do:

Tackling poor performance.... is the responsibility of local elected members and officers. Where it is not addressed quickly and effectively, local people are denied the quality of service which they rightly expect. In the first

instance, councils will be accountable to local people for their performance..... However, where poor performance persists, or there is no prospect of effective local action to tackle it, the Government itself will act in the wider interests of good governance. (OPPM 2002a: para 5)

This normative position of central government as the protector of citizens from poor local government is given statutory force in various Acts that give the Government power to intervene in specific local authority functions. For example, the *Local Authority Social Services Act 1970* gives powers to the Secretary of State to issue directions to individual social service authorities and the *Education Act 1996* confers similar powers, but also opens up choice in intervention strategy by permitting the Secretary of State to transfer an LEA's functions to another provider. Statutory powers of intervention were service specific until the *Local Government Act 1999*. The significance of the powers contained in this Act is that they can be applied to any area of the council's operations and thus can be used to address issues that are contributing to overall performance failure.

The relationship between Government and the LGA was particularly important in providing a level of support in the local government community for direct engagement by ODPM with poorly performing councils. There had been a closer relationship between Government and the LGA since the election of the Labour administration in 1997, with the institutions of central-local partnership being re-established. 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. This was revised in early 2003 (LGA/ODPM 2003). From the LGA's point of view, working together with government and supporting its policies to improve performance were part of a long-running strategy to ensure that local government was an active player in shaping Government's policy agenda and that local government's interests were protected. A particular concern was to avoid formal intervention in any poorly performing council.

### ***The 'quiver of arrows' - engagement or intervention?***

If Government does resolve to take action in relation to a poorly performing council, the next decision is to determine what steps should be taken. The basic choice is between:

1. engagement – “non-statutory action taken with regard to an authority where there is a serious concern regarding a substantial failure that might lead to statutory action if satisfactory improvement is not achieved” (ODPM 2003: para 4) and where that action is undertaken with the agreement of the authority, and
2. intervention – action by the Secretary of State in exercise of his powers under s15 of the *Local Government Act 1999* or similar service specific legislation, and without the council necessarily agreeing to that action.

Engagement involves more than government putting pressure on a council, for example through ministerial letters or speeches, visits from senior civil servants or threats of sanctions. It is a structured process in which the local authority voluntarily

(although not necessarily without reluctance) agrees to develop and implement a recovery plan under the supervision of central government and relevant national agencies. In contrast, intervention involves the use of statutory powers. In the context of the *Local Government Act 1999*, this may involve directions to the local authority to act in particular ways (including to outsource or transfer services or activities) or the introduction of a nominee to whom is transferred the statutory authority of the council in relation to one or any number of its duties and powers. Within ODPM there was a view that “some of these powers used selectively with the council’s support may be beneficial” (ODPM civil servant 3) – in other words, that councils may need the force of statutory intervention in order to resolve political or managerial blockages to recovery. Nevertheless statutory intervention was seen as the last resort – “ODPM’s intervention policy was about avoiding the use of legal powers” (ODPM civil servant 2).

Hood *et al* (1999) refer to these choices as a ‘ladder of sanctions’, but recognise that the starting point and sequence is not necessarily the same for all councils. *Lessons Learnt from Intervention*, a study commissioned by the then Department of the Environment, Transport and the Regions (DETR), comments that:

the array of sanctions is less a ladder to ascend in incremental steps and more a ‘quiver of arrows’ from which to select an appropriate response according to circumstances (DETR 1999: 30).

The revised *Protocol* agreed between ODPM and the LGA is relevant here. It states, “the form and extent of engagement and intervention will reflect the type and seriousness of failure and the need for effective improvement” (LGA/ODPM 2003: para 12). However it is also important to note that improving the performance of local government services is a key policy objective of the Government, leading one civil servant to comment:

the Government’s priority is delivery, and they are now more willing to intervene. (ODPM civil servant 1)

The evidence base to inform the decision on engagement or intervention arises from two sources. The first is the CPA (or in some cases the corporate governance inspection (CGI)) report. This is supplemented and refined from a ‘stock-take’ by the lead official from ODPM’s Performance Unit appointed to liaise with each council. The lead official has a nodal role in the day-to-day relationship between central government and a poorly performing council. The individual acts as the primary conduit of information flows, influence and advice between the two parties, but within a wider context of legal and political structures that bear on the management of the poorly performing council.

The lead official role has a number of aspects<sup>1</sup>:

1. to assist the council to reach a clearer definition of the nature of the performance problems to be addressed
2. to stimulate the council’s thinking about its recovery plan and to question and critique the ideas being put forward during the planning process

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<sup>1</sup> These are identified from the *Practice Guidance* and interviews with relevant ODPM officials.

3. to assist the council to identify external sources of support, including potential capacity building funds (see discussion of capacity building funds below)
4. to arrive at an initial view of whether the council is capable of managing its own recovery (the ‘stock-take’) and on this basis to advise the Minister on the engagement and/or intervention options (see discussion of Ministerial involvement below)
5. to co-ordinate Government’s monitoring of the council’s implementation of its recovery plan (see discussion of monitoring group below).

The lead official role has a high ‘boundary spanning’ component. It involves working closely with the organisations and individuals on both sides of the process – with the poorly performing council on the one hand and with officials in central government and other national agencies on the other. It also involves advice giving both to the council and to ministers, in the latter case with an element of judgement about the course of action that central government should take. Consequently there is some potential for role conflict (e.g. between advising the council and advising ministers) and role bias (e.g. becoming too aligned with the council’s position).

However the core accountability of lead officials is to ministers. This was expressed in the following manner:

Lead officials are not operating as free agents, nor even as consultants – but are the agents of government. (ODPM civil servant 1)

The *Practice Guidance* on lead officials’ roles reinforces this point, but in the context of the boundary spanning roles set out above:

Lead Officials are in a position, by virtue of their role and experience, to offer informal advice and to question/critique Council plans. However, it must be clear at all times that the Council is accountable and responsible for its own actions (unless statutory action means otherwise). (ODPM 2003: 6)

Whilst the lead official is expected to engage actively with the Council, his/her accountability is to Ministers and consequently the Government.... (L)ead officials should not (and in practice cannot) be responsible for recommending to a Council the specific content of their recovery planning. (*op cit*: 9)

The *Practice Guidance* goes on to stress that lead officials should resist any approach by councils to give formal advice on the details of their recovery. Three reasons are given:

1. That it might “compromise the objectivity of advice given to Ministers if the Lead Official has given the impression of Government ownership of the recovery plan.” (*op cit*: 10) This reflects the strong presumption on the part of government that the recovery plan is the council’s and that successful implementation relies on such ownership (except in cases where statutory powers are exercised) – “Unless the Government decides to use its Best Value powers to intervene it is the responsibility of the Council to plan for recovery and to deliver improvement” (*op cit*: 4).

2. That lead officials should not be seen to pre-judge any decision that the minister might make or, more generally, to act in a way that might provide grounds for judicial review should intervention be the outcome.
3. That the difficulties within poorly performing councils required corporate action by members, officers and others, rather than the advice of any one individual. This reflects the likelihood that, from the council's point of view, the advice of the lead official will have particular salience in determining what path is optimal in minimising the risk of intervention and maximising a speedy exit from 'poorly performing' status.

ODPM introduced 'moderation' – an externally-validated challenge process for lead official stock-takes and consequent advice to ministers in order to minimise the problems of bias or mis-judgement arising from this high-profile boundary spanning role. The process was moderated by consultants from PriceWaterhouseCoopers, and involved one lead official with civil servants from ODPM challenging the analysis and recommendations of another.

A submission in respect of each council was made to the minister on the basis of the challenge process. The main options available were:

1. allow the council to lead implementation of the recovery plan with appropriate support
2. as (1), but with contingencies for intervention should the lead official decide that there are serious risks of the council not being able to succeed with its recovery plan
3. ask the Audit Commission to inspect the council and ascertain whether it is complying with the duty of best value, and intervene depending upon the result of that assessment
4. combinations of the above.

The Minister decided that intervention would not be employed in any of the cases (save Hackney, which predates this process)<sup>2</sup>.

### ***Joining-up the centre***

Earlier we discussed how the statutory structure for central government monitoring and intervention in local authorities has traditionally been in terms of a series of vertical functional inspection and intervention regimes, which in general operated independently of each other. Although the diagnosis of poor performance in individual service areas sometimes noted the contributory impact of corporate weaknesses, there was (until recently) an absence of any mechanisms to address these:

The problem for SSI and OFSTED was that they identified corporate issues in the local authority but had no route to address these. They would try to improve the council, but the levers were weak. Ministers played key roles in inviting the leader and chief executive as well as the departmental chief officer to be addressed by them. It had some impact on some councils, but DTLR

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<sup>2</sup> Directions have subsequently been made in respect of one council.

didn't see [corporate improvement] as their job. (Audit Commission official 2)

The greater emphasis on local authorities' corporate performance within ODPM, the exposure of these issues in the CGI and now the CPA process, and the basis for statutory intervention in the *Local Government Act 1999* has established the need for a more co-ordinated and complementary approach to poorly performing councils across government. It has also been stimulated by the tensions that have emerged when different departments of state and inspectorates are simultaneously engaged with service-specific and corporate involvement in a single poorly performing council, including a lack of co-ordination of action, different lines of relationship and contradictory advice. These problems were experienced in both Hackney and Walsall. At the same time the LGA had been making representations to Government and the Audit Commission to simplify and co-ordinate inspection activity in general.

Two main mechanisms were established to deal with these issues. At the local authority level a round-table meeting was held soon after publication of the CPA results between the lead official, government departments, the Audit Commission and the council. One of the aims of this meeting is to "consider the most appropriate means of ensuring coherence between recovery planning and inspection and audit programmes" (ODPM 2003: 27). Subsequently, a monitoring group is created for each poorly performing council. The monitoring group provides a mechanism to assess the council's progress but also to bring together representatives of government departments and to enable "the overall co-ordination of the Government's actions, led by the Lead Official, in relation to the council's recovery." (ODPM 2003: 44) The *Guidance (op cit.: 45)* reinforces the nodal position of the lead official, commenting that:

The Government, represented by the Lead Official, assumes primary responsibility for monitoring the progress of Poorly Performing Councils towards recovery.

At national level there are political and official structures concerned with intervention. The Deputy Prime Minister (John Prescott) chairs a Cabinet Committee (GL) responsible for local government, and the Minister of State (Nick Raynsford) chairs a sub-committee (GL(P)) specifically concerned with the intervention agenda. An interdepartmental group on intervention, composed of officials across government departments, supports the political decision-making process. A *Memorandum of Understanding* is in the process of being agreed across Whitehall to provide a basis for co-ordinated action on poorly performing councils. However the political pressures on ministers responsible for individual service areas mean that there is always a potential for departments and inspectorates to act independently of each other.

**Figure 5: Chronology of Engagement**

DATE	EVENT
1999-2001	CGI and other inspection reports on Hackney – leading to intervention by central government
January 2002	CGI report on Walsall; commencement of Audit Commission-led engagement
Mid 2002	Walsall engagement transferred to ODPM
Mid 2002	Policy on intervention agreed at political level in central government
Aug 2002	<i>'Tackling Poor Performance in Local Government'</i> consultation paper
Nov 2002	<i>'Freedoms and Flexibilities for Local Government'</i>
Late 2002 – early 2003	Threat of legal challenge by Torbay and Ealing councils
December 2002	CPA results announced; government identifies 15 poorly performing councils (PPCs)
January/February 2003	Round tables with each PPC
Feb 2003	<i>'Protocol on Central Government Engagement and Intervention in Poor Performing Local Authorities'</i>
Mar 2003	<i>'Government Engagement with Poor Performing Councils'</i> – guidance for lead officials
mid February 2003	ODPM writes formally to PPCs with 8 week timetable for production of recovery plan, and noting specific issues to be addressed in the plan
February 2003	Seminar for Minister
12 March 2003	Discussion at cabinet committee/ or sub committee
10 April 2003	Deadline for receipt of recovery plans
April/May 2003	ODPM assessment of recovery plans
	<i>'Moderation'</i> – internal challenge of each Lead Official's analysis and recommendations; recommendations to minister agreed
19 May 2003	Ministerial decisions announced in letter to each council
June /July 2003	Individual meetings between councils and minister
Summer 2003 onwards	Re-inspections of some councils

## *Establishing the process of engagement*

The development and early stages of the engagement process are set out in figure 5. The process of engagement relates to two key outcomes that are necessary for Government to deliver. The first is that it acts, and is regarded as having acted, within its powers and with due regard for local autonomy. The CPA process and policy towards poorly performing councils takes central government further into the territory of central control and influence on local affairs. Unlike intervention in education and social services, directions arising from the duty of best value are relatively untested. Some councils also questioned the statutory basis of the CPA process, and there were threats of judicial review. Equally, it is important for government that the local government community is supportive of its approach with respect to poorly performing councils. Government needs to be seen to be acting in the spirit of central-local partnership and the accords signed by the two parties.

The second outcome is that, if at all possible, the authority accepts that it is responsible for its own recovery. In this sense, the preferable outcome for government is the council's voluntary acceptance of the minister's decision. As one respondent commented:

for us, intervention is not success, it's a failure. (ODPM civil servant 1)

The LGA and Audit Commission had a similar policy orientation.

This emphasis on problem ownership by a poorly performing council marks a difference in approach between the early intervention in Hackney and the latter work with the other 14 councils. Legal intervention has always been a possibility, and remains so where a voluntary agreement is not forthcoming or maintained. However the current approach foregrounds a relational strategy of influence and persuasion to build a commitment to improve, where this is not immediately forthcoming from the council. Early evidence on how this strategy plays out in practice is discussed later in this report.

## **CHAPTER 3: EXPLAINING POOR PERFORMANCE IN LOCAL GOVERNMENT**

### ***Poor performance: interpreting the case study data***

In this chapter we provide an analysis of the causes of poor performance in the five case study councils. Our understanding of the causal factors leading to each of the case study councils being defined as poorly performing is set out in summary form in figure 6. These data are derived from our baseline reports on each council. One of the issues we face in identifying the causes of poor performance is that, inevitably, there is not a linear cause-effect relationship. Some causal factors are deeply rooted in the organisation, and contribute to other second-order causes. We have given some indication of these linkages in the description in the table. We discuss these causes in terms of a general theory of poor performance and use this to consider the common and special features applying in the case study councils.

**Figure 6: Comparative explanations for poor performance**

COUNCIL	EXPLANATION FOR POOR PERFORMANCE
JI council	<p>Poor awareness of financial position/ management arising from culture of creative accounting in 1980s, poor employment practices and political agendas</p> <p>Strong political leadership at times, alternating with periods of leadership vacuum</p> <p>Long history of innovation, but limited capacity for implementation and sustainability; innovation distracted from basic service delivery</p> <p>Criticism of council discounted as politically motivated due to highly adversarial political culture inside and outside council</p>
PW council	<p>Instability of political control and leadership arising from multi-party council and elections by thirds, combined with highly localised and competitive party politics insulated from wider local government community</p> <p>Political culture limits capacity to address financial problems and generates poor standards of conduct</p> <p>Extensive member involvement in management</p> <p>Inertia in political agenda, with policies arising from radical politics of early 1980s still unresolved</p> <p>Several nationally recognised innovations, but difficulties in mainstreaming due to political instability</p>
MO council	<p>Insularity of members and officers from wider local government community</p> <p>Stability of political control and leadership dominated by traditional Labour</p> <p>Strong departmentalism</p> <p>Strong services concealed a weak corporate centre and the inability of the council to respond to issues of diversity in the community</p>
PB council	<p>Series of hung administrations</p> <p>Loss of town to unitary status, leading to loss of status, resource base and staff</p> <p>Frequent reorganisations after 1997</p> <p>Innovative activity distracted from basic service delivery</p> <p>Weak performance management systems</p> <p>Strong services concealed weak services</p>
DC council	<p>Insularity of members and officers from wider local government community</p> <p>Stability of political control and leadership dominated by traditional Labour</p> <p>Legacy of self-belief in the council as a successful organisation</p> <p>Strong departmentalism</p> <p>Some innovation, but lack of performance management to sustain and deliver benefits</p>

## ***Theories of poor performance***

The available literature tends to explain organisational failure in two main ways (Anheier 1999; Meyer and Zucker 1989):

1. Changes in the external environment. These changes affect the organisation's strategic contingencies and raise questions about its continued ability to survive. Such changes may arise from technological, cultural, political or economic developments, that sometimes are emergent (as in the development of e-commerce) and sometimes are catastrophic (as in a stock-market crash).
2. Path dependency within the organisation. Path dependency refers to the 'standard operating procedures' that arise in an organisation where there is a combination of (a) deeply embedded norms and (b) incentives for change are absent or ineffective. The ways in which the organisation operates have a reality independent of organisational actors. The path dependent organisation has a strong motivational investment by key actors in the prevalent norms and structures. These actors exhibit the fallacy of success, namely that strategies that delivered success in the past will do so again in the future. And these combine to constrain the emergence of a source of sufficient authority within the organisation to challenge and change the status quo.

### **Changes in the external environment**

Local authorities do experience disruptions in their external environment and the impact of these on the organisation's internal resources, politics and operations can contribute to poor performance. These changes can include economic change (e.g. loss of industry), population change (e.g. increasing community diversity), political change (e.g. new local political movements) and institutional change (e.g. changes in the rules on allocating finances).

We identified two examples from our case study councils. One authority had lost part of its area to unitary status. This had a significant effect on the authority. Skilled staff left to work in the new unitary council. The authority's finances were weakened due to the loss of about one-third of the council's population together with the special funding available to the town because of its level of deprivation. This change also had subjective effects on the council, particularly a perceived loss of status given its already relatively small population and area. This change combined with other internal factors to contribute to poor performance. In another authority there had been civil disturbances and political factionalism in the community. This presented a significant challenge to the council, and highlighted its internal weaknesses in identifying and engaging with community well being.

In both cases, however, it was not the external change *per se* that caused poor performance. Rather, the external change revealed or aggravated pre-existing internal weaknesses. They made the situation more complex but also brought it into vision.

### **Path dependency within the organisation**

It is this second set of explanations that proves the most productive in developing a robust theory of poor performance in local government. This builds on the orientation of public management literature towards explaining failures by governmental bodies in terms of intra-

organisational factors (Borins 2001; Bovens and 't Hart 1996; Hood 1998). However we give this a stronger theoretical underpinning by drawing on the idea of path dependency. We identify three sets of factors relating to path dependency, namely the motivational investment in the status quo, the fallacy of success, and the absence of a source of sufficient authority within the organisation for challenge and change.

### **MOTIVATIONAL INVESTMENT IN THE STATUS QUO**

At the heart of path dependency is a strong motivational investment by key organisational actors in the status quo. This is not purely a conscious choice, but is the product of socialisation into the pattern of rules and norms that shape perception and behaviour, and the way in which these reflect the underlying relations of power. The investment in the status quo is reinforced by low turnover of staff and members, a phenomenon exhibited by several of our case study councils, together with a low level of networking into the wider local government community and thus isolation from developing thinking and practice:

.... [the Council] was so conservative, it kept its head down. Its basic services were good, it balanced its budget. (Senior manager 113, MO Council)

We're a very traditional council. Just three years ago, and the first thing that hit me when I first came, they were still smoking in the building. Now people hadn't been smoking in local government buildings for ten, fifteen years. And the financial controls were the most rigid and inflexible and controlling that I've ever had and real step backs: you weren't allowed any carry forwards. I couldn't upgrade somebody temporarily if they were acting up without doing a full report. We had a vacancy control committee. If you wanted to fill a vacancy you had to do a committee report and take it to committee, explain why you needed this post, then leave the room while they discussed whether you could have it or no. Also we didn't modernise like other people did at the same time. I'd come from an authority that had cabinets and executive members, and I came to an authority that was still the traditional committees and only modernised in October 2001. (Senior manager 032, MO Council)

... we had people who believed in public service and gave of their best but had been here too long; not just at the top but at all levels, including councillors. We had councillors who had been here for thirty odd years and did some tremendous work for the city but didn't have any fresh ideas and were just going through the motions. And I think when you get a combination of councillors going through the motions and officers going through the motions the penalty is that you get decline. (Leading councillor A, DC Council)

Localised patterns of recruitment amongst officers compound this problem, for example in social services (which, in this council, was in special measures):

I think the people ... a common theme seemed to be people were very insular looking and just not ... and I think it's quite difficult in social services because [this region] has a reputation as London used to have as being the poorer social services authorities so many people only come from one [of the region's authorities] to another, even if they've moved so that didn't mean, you know, people weren't bringing you know like the radical advanced development ideas

of practice that you might get say if you were in the North West (Chief Officer 1, DC Council)

This combination of stability and insularity led councils to become stuck in debates about past decisions, as in the case of PW Council where events in the early 1980s still had a significant political resonance twenty years later:

There also seems to be long memories and lots of history and lots of personal animosities. So in fact the groups are very difficult to lead because they are not one party..... To me it seems to be that we have politicians who have been here an incredibly long period of time. So they have incredibly long memories about such and such an incident or what happened there. (Middle manager A, PW Council)

There are echoes of this also in MO Council.

### **THE FALLACY OF SUCCESS**

The motivational investment in the status quo is reinforced by a legacy of status in the local government community because of past innovations. Many of the councils in the group of 15 poor performers have histories of innovation and as a result have, at various times, had a high profile in the local government community. This is apparent within the 5 case study councils, for example in terms of governance and management issues:

1. two councils introduced administrative and/or political decentralisation in the early 1980s; one still maintains these arrangements while the other only recently withdrew them
2. one council was an early adopter of outsourcing and strategic partnering with the private sector
3. one council was an early adopted of a joint chief officer post with the health authority
4. one council has an extensive system of area co-ordination and planning
5. one council had a longstanding reputation as a centre of excellence in corporate and financial planning and management
6. three councils had Beacon Council status for some of their services
7. one was a Best Value pilot council
8. the Education services in one council were 'excellent and in seven councils were 'good'
9. one had an 'excellent' Benefits service.

The councils can also point to successes in relation to substantive policies, including regeneration schemes, attracting a major cultural investment, transport innovations and high standards of externally validated services such as education and leisure.

The reality for a poorly performing council – as indeed for most organisations - is that it simultaneously contains good, mediocre and poor. It is the particular mix of these that leads to a CPA scoring of poor. However two important findings are emerging from our research data. The first conclusion is that the successful aspects of the organisation take top-level decision-makers' attention away from those elements that are less good. In other words, good performance occludes poor performance. The second conclusion is that the collective understanding of what it is that the organisation does well may be true historically but not

contemporarily. Past successes live on as symbols of the organisation's well being long past the point at which they have any real impact to make to the organisation's performance. This happens for three reasons: the normative environment for local government, the psychology of top-level decision-making and weaknesses in performance information systems.

### **Normative Environment**

The normative environment within which councils operate requires them to position and promote themselves as successful. Government and other national agencies present the 'modernised council' as the ideal towards which to aspire, and there is considerable resource being devoted to motivating and supporting councils to change towards this goal. The process of encouragement is paralleled by a regulatory system, currently the CPA, which inspects and reports on council's compliance with the ideal and scores councils (in part) on this attribute.

We noted the impact of this normative environment in our study of innovation in local government, and identified it as a major factor driving change (Newman, Raine and Skelcher 2000). Since this study, the pressure on councils to comply with this model has increased. There is thus a premium on councils adopting the elements of modernisation, or at least promoting themselves as modernised, and to be perceived as progressive and innovative. Our current research identifies that in poor performing councils there are at least two responses to this pressure.

The first response is that a half-hearted move towards modernisation is made, but that this fails to alter the underlying culture and processes of the organisation. In PW Council there were attempts by chief executives to modernise the council in line with the national agenda, but without political support little progress was made:

I think creative and leading officers within the organisation have always had a fairly clear idea of what they wanted to do and where they wanted to go and certainly in terms of [name] and [name] had the support for it. The failure was the political one to back those changes, they were much more interested in who was doing what, where, when and why and how much it cost on a very small-scale basis and they would not look at the bigger picture. I think it was so ingrained, we'd seen [name] who was a great innovator try for a long time and in the end throw his hands up and say 'I've had enough of this'. (Senior manager A, PW Council)

The second response is that innovation around the modernisation agenda promotes an external image of success but detracts organisational resources from basic improvements in service management and delivery. This occurred in PB Council:

We went for things that maybe just seemed to be glitzy that would improve the reputation and we took our eye off the ball of some hard performance and even where we did it, we didn't actually drive it through. Coupled with that I think from '92 onwards we'd just got through far too many restructures, re-organisations. I think all of our Chief Executives believe the way to advance the organisation was through restructuring but I think we just had far too many. Coupled with things like the outsourcing programme we adopted in '97

up until 2001 again took a great, a lot out of the organisation. (Senior manager A, PB Council)

And also in JI Council:

My personal view is that it's about people not having their eyes on the ball of basic building blocks of delivering good services, because they were too busy doing 'clever things' (Senior manager B, JI Council)

In both cases the drive to be successful and in tune with modernisation, and the need to be seen as such, led to an overemphasis on new initiatives at the expense of dealing with performance problems that – at the time – were evident.

### **Psychology of Top Level Decision Making**

The psychology of top-level organisational management (which includes, in this context, both managers and members) is such that signals of poor performance are discounted against the messages of success. This contains both a general process and one that is particularly pronounced in the local government political environment. The general process is one of group-think (Janis 1982). This describes the process through which the groups who make the key decisions for an organisation – which are typically contain a small number of individuals who are in frequent intense contact - develop a set of common assumptions through which data is filtered. In essence, the tendency to unanimity limits a group's capacity to realistically appraise data or to explore alternative options.

Mellahi et al (2002) show how this process operated in the case of the Marks and Spencer's board. Their strong belief in the Marks and Spencer brand and its past performance led them to discount data that showed competitive pressures arising from changes in market share and customer base and preferences. Mellahi et al conclude:

As the environment changed, management failed to react. Moreover, this failure to react and believe in the need for new forms of change was itself exacerbated by the political vulnerability of certain groups who fought to maintain the status quo. (op cit: 26)

The quote notes that managers' positions were threatened if the organisation responded to market signals. This is much more significant in the government environment because of the dynamic of the political system. Relationships between parties are predicated on an adversarial model, in which the controlling group or alliance has to maintain that success is being achieved or is deliverable and thus that change is not required. This plays out in all tiers of elected government, but arguably is heightened in a local context because of the immediacy of some of the services and the transparency of the decision-making system.

A leading member in JI Council described it in these terms:

It's very adversarial and whichever party's in opposition, it tends to be even more critical of the council than is perhaps the norm and .... [to] seize on failures of the council greatly and... and you can have any... any service, there can be one per cent to five per cent failure rate is well within

acceptability but those would be seized on and magnified. (Leading councillor B, JI Council)

In DC Council and PW Council the cycle of elections by thirds was thought to aggravate the problem. The majority group was unwilling to risk taking decisions that might associate them with something other than success in terms of the local political agenda:

I experienced Councils where the election is every four years and it was a very different culture where you get annual election because they are ... in a four year programme, a year before the election, councillors froze, wouldn't make difficult decisions but then for the next three years they would ..... And you know there was always a three-year period where they were prepared to take the bull by the horn, take the more difficult decisions and see them through. There was always one year where they found that difficult. Well here, every year, well it's almost like you can hear them thinking "Well if you're going to make a difficult decision let's make it before September" because after then it will coming up towards the election. (Chief Officer 1, DC Council)

There can be even less willingness by members in the majority group to consider and respond positively to data showing poor performance when political contest is finely balanced. Members sometimes exert pressure on officers to conceal the data or recast it in more favourable terms. In PW Council the accepted norm was that the information and advice officers reported to members was constrained by the views of that member or dominant grouping:

The key thing I think is that members have not wanted to have reports that didn't fit in with what they wanted to hear.... Because how it operated here was that you will not submit a report, which says 'options A or B', you know, I can only accept a report that says this. (Senior manager B, PW Council)

The result was considerable variation in the transparency of information and occasionally the creation of inaccurate information to protect a particular position. For example, the Audit Commission raised questions about the accuracy of housing benefit information presented as part of a best value review. A senior councillor commented that when in opposition this made it very difficult to get information:

"... at one time officers would not be seen talking to opposition councillors in case they got penalised by those in control". (Leading councillor A, PW Council)

The censoring of information and views was reinforced by the appointment process and also behaviour that has been described as "bullying" between members and officers – in which "officers were fearful of members":

[Members] involved themselves in staffing issues to the extent that if a director tried to tackle a poorly performing member of staff then their favourite elected member would come along and say get off their case, so it was a difficult job for directors and you need some very tough people.... (Senior manager B, PW Council)

A number of these features are common across any form of elected government. The issue in poorly performing councils, however, is that they are part of and reinforce a deeply rooted path dependency and unwillingness to identify and address performance problems.

### **Weaknesses in information system**

Finally, the performance management systems within the organisation may themselves be poorly developed or utilised, resulting in data not being made available or available data not being used. A manager in JI Council noted that:

The current systems [here] are quite sophisticated, established as a result of Best Value, and there is lots of measurement. But people aren't necessarily using that to improve services. (Senior manager B, JI Council)

In other cases the external agencies did not identify the problems the council faced:

The audit – our external auditors every year gave us a clean bill of health; with the letter they send, you know, it was an unqualified letter which was probably the most [un]helpful thing they could have done because some things we found were going badly wrong, you know, in finance as well. But when you're getting that message from external people.... (Leading councillor A, DC Council)

### **ABSENCE OF AUTHORITY FOR CHALLENGE AND CHANGE**

Meyer and Zucker (1989) argue that in periods of organisational failure individuals will be motivated towards an agenda of organisational persistence (and therefore no change) rather than organisational performance (and therefore change). The implication is that individuals will be oriented to place a higher value on the familiar and the routine. In policy terms, we may observe an escalation of commitment to existing courses of action (Staw 1981) rather than any attempt to review goals in the light of changed circumstances. This inertia is compounded by a balance of power between forces in the organisation. There will inevitably be pressures from some for change (what we have termed the 'blocked progressives'), although typically there will be different courses of action debated, as much as there is a pressure from others for stability. Consequently the organisation faces a collective action problem. Unless the individuals and groups within the organisation are able to realign such that there is a sufficient agreement for change, all will suffer.

In the case study councils this balance of power was expressed in different ways. In some cases it was to do with the political balance of the council.

.....there's a lot to be said for having an administration that you actually then have a clear political direction. As with all political parties it's not necessarily right but at least there's some steering whereas I think what we had suffered from, although others might argue this differently I suspect, was that having all three parties involved in all the decisions meant that we had a middle of the road approach to things. (Senior manager A, PB Council)

This council moved from several years of no overall control to a marginal Conservative administration and then to one with a more substantial majority. The effect was to release the capacity for change:

...it was only in more recent times once the Conservatives were elected again in 2001 with a couple of more seats that we were able to start thinking about a vision for [the council]. (Senior manager A, PB Council)

In other cases the inertia was located in the relationship between officers and members at a senior level. In JI Council the strength and vision of the political leadership was not perceived to have been matched by the strength of the officers, resulting in an absence of a constructive dialogue about change:

(The leader was) a very capable, energetic, innovative politician who provided a lot of strategic direction for the authority [but was not surrounded] ... with the staff of the highest quality. (Leading councillor A, JI Council)

Conversely, some chief executives who gave leadership did so in conditions where they lacked political support for change. This is evident in PW Council, PB Council and also in JI council, at a later stage than that to which the previous quote refers. There, a new chief executive was recruited in 1996 and led the initial process of recovery, but the marginal political situation and lack of effective political leadership and support resulted in this process being less successful than anticipated.

### ***Contrasts and compatibilities***

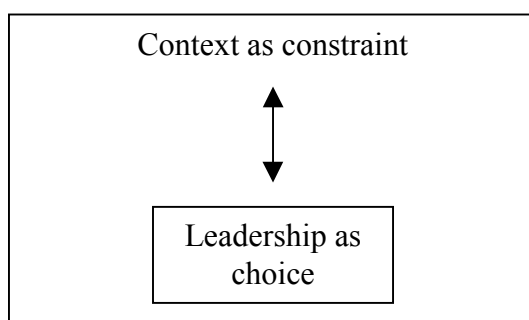
The ability of an organisation to recover from poor performance requires it to understand how it came to be in that position. Sustainable recovery and improvement involves addressing the fundamental causes of poor performance rather than the surface manifestations. In this respect, the theory of poor performance discussed above provides a valuable tool for a council in shaping its recovery process. It is particularly important given the set of prescriptions with which it is faced, prescriptions based on a trait theory of what might be called the 'well performing local authority'. This trait theory changes over time, reflecting the rise and fall of different normative models of the local authority. There are consistent themes to be found in these models – leadership, management, information, and so on – but how these are to be manifest varies from era to era. For example, prescriptions about the way in which the overall management of a council should be organised has included: corporate management (c 1970) and strategic directors (c 2000); management processes have included corporate planning (c1970) and performance management (c2000); political management solutions have included power devolved to area committees (c 1980) and centralised in an executive (c 2000). The ability of a council to develop a theory-in-use of its poor performance (i.e. a theory that applies a causal understanding of its problems directly to its recovery and improvement activity) is a way of enabling it to select from these prescriptions on the basis of an understanding of its history and situation.

The data from the 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. Taking the example of political leadership, often cited as a key element in the prescription for a modernised council, the data show that some councils had strong political leadership (PW Council; JI Council; DC Council) while in other it was weaker (PB Council). In the case of officer leadership, chief executives have been able to make a difference in some circumstances (e.g. JI Council) but less so in others. Their leadership has been affected by the political context within which they were operating and their personal qualities and interests. In at least two councils we identified previous chief executives who were regarded internally and by the local government community as good strategic thinkers who were keen to innovate. However in both councils there were weaknesses in translating ideas into established practice.

Leadership itself is not the issue; rather it is how that leadership is used and the context in which it is located. Leadership can be used to promote the council and present an image of external progress, but at the same time can fail to address basic performance problems within the organisation. Leadership may be preoccupied with the problems of maintaining control of a divided council or divided group, and thus less able to engage with the external community agenda. With the benefit of hindsight we might say that those in leadership positions could have acted differently; however the path dependencies constrain the strategies available to leaders. In some of these councils it is questionable whether it would have been possible for the leadership to make a significant difference. The causes of poor performance are more do with structural factors in the organisation and its wider political system than the strategies of individuals in leadership posts. If the conditions are right, then it is possible for leaders to make a difference (figure 7). We discuss these contextual conditions – the triggers for recovery – in the next chapter.

**Figure 7: Relationship between contextual constraints and leadership choices**



One of the structural 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 former can contribute to instability or fragility of political control where the balance of power is finely held or there are multiple parties necessitating frequent alliance building (e.g. PW Council); but so too can election every four years (e.g. PB Council). Election every four years can breed its own problems, particularly where one party dominates over a long period of time and there is stagnation of political vision (e.g. JI Council) – but this phenomenon is also apparent in election-by-thirds councils (e.g. DC Council and MO Council). The

underlying issue, then, is more about the party political composition of the area than the form of electoral system. However this is not to say that a council's capacity to choose which electoral system to implement as part of a recovery strategy might not be helpful – although it is important to remember that we are dealing here with an institutional change that brings costs and benefits for the different parties involved. Its political impact is likely to be greater than its impact on the recovery process.

In essence, the theory of poor performance for an elected body like a local authority needs to be based in an understanding of the organisation as a political mechanism. The processes of democratic politics motivate particular kinds of behaviour – individual or group self-interest, partial release and interpretation of information, criticism of opponents, and instrumental use of processes, structures and individuals (e.g. managers). The contest for resources (money, staff, status, recognition, alignment with institutional norms) within the managerial structure has a similar impact. Groups and individuals within and outside the organisation have different views about issues and policies, contest with each other and try to protect their positions. 'Poor management', from this perspective, is not just about a lack of skill, awareness or priority on the part of the manager – it is also about the power of the individual or group not to comply (which may, for example, be because the organisation's norms are not to confront failure).

What we can say is that all these organisations experience a significant level of path dependency at their core. This is reflected in the frustration of those managers, members and the public who want change:

.... we were fed up of this. Why couldn't they recognise there were problems? Why didn't they try and tackle things in this way? And we just became very disenchanted really and a number of us started applying for jobs elsewhere, which we wouldn't have done before. (Middle manager, PW Council)

The triggers for recovery illustrate that overcoming this path dependency occurs in different ways and it is to this aspect of the recovery process that we now turn.

## CHAPTER 4: THE EARLY EXPERIENCE OF RECOVERY

In this chapter we move on from the discussion of the causes of poor performance to examine the early stages in the recovery process. We start by discussing the triggers that generated recovery in the five case study councils and then consider the impact of the various policy instruments deployed by ODPM and other national bodies.

### *Performance profiles and triggers for recovery*

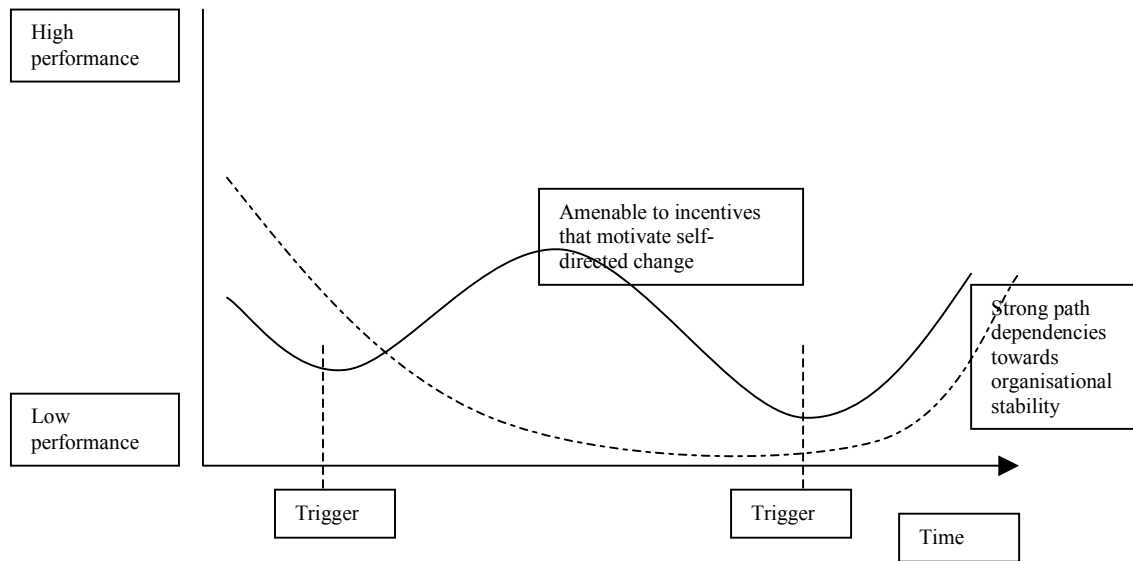
The triggers for recovery in each of the case study councils are set out in figure 8. They can be generalised into two generalised ‘performance profiles’, each with different triggers for recovery (figure 9). We explain these performance profiles in terms of the idea of path dependency and the associated notion that change only arises where incentives so to do are sufficiently strong and are recognised as significant by key actors in the organisation:

1. **Path dependency is reinforced by strong incentives, requiring the authoritative introduction of new external incentives for change.** Councils in this case exhibit powerful path dependencies that have a contributory effect on the organisation’s declining performance. The incentive structure of relevance to key decision-makers reinforces these path dependencies (e.g. the incentives for leading members in a council with no overall control may be strongly oriented towards gaining advantage over the opposition). The path dependent nature of the organisation does not necessarily directly cause poor performance. However its effect is to direct attention away from the problems of the organisation and incentives to change the situation are of little salience to key decision-makers. These are Meyer and Zucker’s ‘permanently failing organisations’. 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. **Path dependent behaviour is located in the context of plural incentives that motivate change to address performance problems.** Here, key organisational decision-makers are subject to a plurality of incentive structures that operate to motivate change to correct poor performance. Consequently path dependency is more contingent than in the case described above. The incentive structures that generate pressures for change are part of the normal operational condition of the organisation (e.g. they may arise from community politics, overview and scrutiny, performance management systems, election results, etc). Although there will be different judgements about the organisation’s performance and the signals for change, the organisation itself is able to undertake the necessary self-directed behaviour. However there may be delay (i.e. a lagged trigger for recovery) and/or a response that is not itself sufficient to motivate the changes that are necessary without additional external support.

**Figure 8: Triggers for recovery**

COUNCIL	POINT AT WHICH RECOVERY COMMENCED	TRIGGERS FOR RECOVERY, IN BROAD CHRONOLOGICAL ORDER
JI council	1998	Sequence of critical inspection reports Losses of seats by long-standing majority group Highly active community organisations and activists Financial crisis New chief executive (1) and management team Change of political control New chief executive (2) CPA result
PW council	2002	Critical Corporate Governance Inspection report Involvement of Audit Commission in overseeing response to CGI report Sustained influence by ODPM official and minister Removal of chief executive and management team Interim chief executive appointed Political mentors working with political groups
MO council	2002	New chief executive Change in political control in 2000 after long period of stability Two independent reports on council's poor community leadership, and critical Corporate Governance Inspection report Unexpectedly 'weak' in CPA
PB council	2001	Majority party win additional seats and are able to secure effective political control Opportunity for strategic partnering CPA report Support from peer council
DC council	2000	Change in political leadership arising from change in balance of majority group towards 'modernisers' and concerns about potential electoral defeats New chief executive CPA report

**Figure 9: Types of performance profile**



PW Council and MO Council provide examples of councils where the path dependencies were particularly strong and the incentives were aligned to their continuation. In the former case there was little recognition of the performance problems the council faced even after the critical CGI report was published in January 2002, and there was no real engagement with the need for recovery until sustained and intense involvement by ODPM from summer 2002. This resulted in the council agreeing to dismiss the chief executive and management team, and to appoint an interim chief executive – who maintained a forceful strategy with members. The Minister visited the council for a meeting with members at a critical point, to reinforce the commitment of the Government that substantial change should occur. Political mentors were appointed to work with members and an IDeA performance support programme was introduced. In MO Council there had been a number of independent reports critical of the council’s corporate capacity, especially in terms of its relations with the community, to which the new majority group started to respond. But it was not until the CPA report that there were significant moves to initiate a recovery process – and this too relied on external pressure from central government and the local community. A manager observed that the unexpected CPA score (3 out of 4 on services and 1 out of 4 on corporate capacity, giving ‘weak’ overall) was a significant shock:

So people were saying how can on the one hand you provide service at that level and get – and yet be a council that’s low on corporate ability, corporate assessment? There was another view that was coming out that was that okay, the way that service block scores were worked out, we were rather fortuitous and perhaps we’re not so much of a three; maybe we’re more of a two. But I think in terms of corporate ability and corporate assessment, I think the fact that we had gone through and hadn’t contributed to community cohesion, there

was a realisation that we could have done more and we need to do more on the cohesion and therefore the – the corporate assessment component part did have – have some foundation of merit. (Senior Manager 220, MO Council)

JI Council, DC Council and, to a lesser extent, PB Council are examples of councils that have some capacity to respond to the plurality of incentives and engage in self-directed change. For example, in DC Council there was a change in the balance of membership of majority group from traditional Labour to modernisers, and also a change in leadership. The group were concerned that at future elections they would lose seats and possibly overall control. This led to a desire to redirect the council's activities, resulting in a change in chief executive. This individual had already commenced a recovery and improvement process when the CPA report was published. In JI Council recovery had started under one administration, again motivated by leadership changes and concern about electoral impacts but also a financial crisis. A senior manager commented that the financial crisis led to a major awareness of the need to change:

I think it is fairly totally accepted and I'd put finance alongside support services on this, that the Council can't continue struggling along and certainly the front line services can't continue struggling along attempting to, you know, achieve good.... at least some sort of performance, and continually being held back by the problems around the support services. And there has been a recognition for some time that if you like they're drinking at the Last Chance [Saloon], and that patience is running out, and that if we can't get those services sorted in-house then we'll just go out and buy them somewhere else. Now the implications for all of that are fairly major in a whole range of other areas. So I think the outcomes are quite clear, but equally I think there are a number of people around who are absolutely clear that they need to be delivered (Senior manager E, JI Council)

The key mechanism was the recruitment of a new chief executive and management team. A councillor in JI Council, referring to the chief executive recruited by the previous administration in 1996, commented:

(The chief executive) recruited a remarkable group of directors on the basis of absolutely nothing. Why would they come here? There had been political interference for years, there had been poor performance, there had been political correctness; everything about the council was going down, down, down. And I really don't know how she did it but she did recruit some excellent people and that was the start of the process. (Leading councillor A, JI Council)

The process was continued after the CPA by the leadership of a different majority group working with another chief executive and management team.

### ***Policy instruments to stimulate and support recovery***

The primary initial goal for ODPM in working with the poorly performing councils after the CPA results were released was to secure voluntary agreement to a suitable

recovery process. However the legal resource of directions by the Secretary of State under the Local Government Act 1999 was clearly in the background and councils were made aware of this. A number of mechanisms were used in stimulating and supporting recovery, informed by some core principles: ownership of recovery by the local authority and the introduction of effective challenge.

## **Lead official**

*A Force for Change* argues that denial can be a significant factor blocking commencement of the recovery process and thus that an important first step is to ensure that the authority recognises the nature of the problems it faces. They comment:

The first step in an intervention is to produce awareness and a willingness to change on the part of a council. This phase is about persuading the corporate and departmental leadership of the council to recognise the existence and seriousness of the failure and to commit to bringing about the necessary change. (Audit Commission 2002: 26)

The lead official played a key role in this process. The lead official, as government's field officer, has an important role in persuading the local authority – if this is necessary – that it should voluntarily commit itself to responsibility for resolving the performance problems it faces. The fact that lead officials are all former senior local government officers and understand the operation of local councils and the local political process places them in a good position to know what to say, in what ways, to whom. It also enables them to position themselves as individuals who can broker the relationship with central government, although bearing in mind where their principal accountability lies. Lead officials have needed to take robust action in a small number of councils, making clear that loss of function to nominees is a real possibility in the event of a lack of co-operation and willingness to own the recovery process. Lead officials have facilitated access to recovery support but also challenging the council on its developing package of support, for example in relation to its appropriateness to meet the identified needs. There have been strategic interventions of this type that councils have recognised as very beneficial, for example:

.... we had lots of external support. [The external consultants] were very challenging and forced us to think in a completely new way. This made us feel quite uncomfortable. Instead of a central team writing the plan and consulting afterwards, people from lots of departments contributed in a true bottom-up approach. We organised an event where the main issues of the CPA were displayed on boards and all participants could have their say through post-its etc. And so about 200 people were involved in writing the plan, including staff and voluntary and private sector partners. Without this involvement, say if the CEO would have written the plan on her own, we would have missed lots of issues. The plan was then also tested by ODPM and other external agencies. (Senior manager B, JI Council)

## **External consultancy, training and development support**

The Improvement and Development Agency for local government has built up experience and expertise in working with councils experiencing performance problems. There is a Performance Support Unit within IDeA that specialises in working on these issues. IDeA is closely networked with ODPM, LGA and local authorities that are poor performers, and markets services specifically to them. Their role in supporting councils with performance problems is highlighted in *Tackling Poor Performance in Local Government*, which also clarifies their relationship to Government:

During the period of recovery authorities may wish to work with the IDeA. Its principal role for the poorest performers will centre on supporting the authority as its client, rather than acting as the Government's agent.... (ODPM 2002a: para 21, emphasis added)

There are also a number of other providers working with poorly performing councils.

## **LGA**

LGA provides advice and support to poorly performing councils in three ways. Firstly, it facilitates the Improvement Support Group that brings together representatives of the 15 poorly performing top-tier councils to share information and ideas. Secondly, it produces the Securing Improvement update bulletin that briefs councils on developments in relation to the wider performance agenda. Thirdly, it represents the views of councils to government, the Audit Commission and others and aims to ensure that the interests of local government are taken into account. A key forum for this is the Central-Local Partnership, which endorsed the *Protocol*.

## **Political mentors**

There is now a group of political mentors working with some leaders and party groups in some of the poorly performing councils. Their role is to facilitate the political process to engage fully with the need for recovery. They have proved to be particularly valuable in facilitating changes in understanding and leadership in party groups, and in bringing home the realities of ODPM's strategy. Unlike the lead official, they are able to engage with the political realities of poor performance, and of the likely responses by central government to a lack of ownership of recovery. A group leader commented that:

they have been able to [be] a mediator across the three parties in building up a relationship for the three parties to work together, which is unheard of in local government (Leading councillor A, PW Council)

## **Interim managers**

Interim managers were appointed in a number of poorly performing councils. Some took on a specific role associated with recovery (e.g. leading the change management process) while others stood in for officers who had left the council until such time as a replacement was appointed. They played a significant role in the early stages of recovery in some councils:

I spent four or five months ... being very autocratic, I suppose. Very controlling. But [then] I spent four or five months actually being very supportive.... Working with members..... I [used] the Recovery Plan Advisory Group almost as a sort of collective coaching session .... What I tried to get them to understand was that they had, the three of them had as much in common with each other as they individually had with their groups because as leaders they had issues that no one else had to deal with.... (Interim chief executive, PW Council)

Another member of the interim manager observed:

[The interim managers] were all extremely able people and so the first thing was that members suddenly found out what it was like having a proper professional working relationship with high calibre officers, which was frankly a new experience for most of them..... which included challenging members when they were wrong, in public if necessary.... (Interim chief officer, PW Council)

### **Monitoring group chaired by lead official**

The monitoring group provides a point of direct accountability for the council to report its progress in implementing the recovery plan. The *Practice Guidance* envisages regular meetings and monitoring reports from the council being provided to the group. It also recognises the lead official's role as a stimulant to recovery outside these meetings:

(Lead officials) need to play an active part outside of periodic meetings in tracking and advising the Council on its progress, and in doing so acting as a spur to the Council's recovery. (ODPM 2003: 45)

### **Improvement board**

This mechanism (also known as a Partnership Board) for external but non-Government challenge and support is intended to provide a means to encourage and enhance council's recovery. It also offers a way of overcoming the insularity that is a feature of some poorly performing councils. The improvement board would typically be composed of external experts and stakeholders who were able to be 'critical friends' to the council in the recovery process. They might include experienced members and officers from other councils, key local government figures and those with relevant specialist expertise. The distinctive features of such a function are set out in the *Practice Guidance*:

- it is an advisory body rather than a project team
- it provides challenge at the highest level
- it is not responsible for any deliverables over and above ‘sounding board’ feedback on key issues and against the council’s plans and proposals
- it is not responsible for monitoring, although it may have a significant interest in progress towards recovery.

ODPM viewed this as an important element in giving clear messages and advice to councils. A civil servant, in discussing the political issues facing one council, commented:

A working party of the great and good is exactly what you need. Government can’t say you need to change your political philosophy, but you can set up a process that assists this. (ODPM civil servant 1)

### **Capacity-building funds**

There is a strong view that councils should meet the costs of their own recovery. The *Practice Guidance* (ODPM 2003: 43) notes:

The presumption is that wherever possible, the Council should fund any support it requires from within its own resources, and should take account of this in its budget setting process.

The 2002 Spending Review made available £135m over three years for capacity building in local government. There is some provision within this for work to support poorly performing councils, but resources are limited and “will be allocated to the Council on the basis of a clearly demonstrated need set out in the recovery plan” (*ibid.*).

### **Council tax increases**

Some of the poorly performing councils face significant budget difficulties. The government has already made special provision to support Hackney’s budget. However it is unwilling to extend this to other councils. The emphasis on council’s being responsible for their own recovery therefore generated a tension between potentially large council tax increases in a small number of poorly performing councils and the government’s overall position that council tax increases should be of a limited order. Within government, therefore, agreement was necessary that poorly performing councils with large council tax increases would be treated as exceptions.

### ***Approaches to recovery within councils***

## **Recovery management structure**

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
2. there may also be 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.

PB Council provides an example of a recovery management structure (figure 10).

### **Figure 10: Illustration of recovery management structure - PB Council**

1. The Programme Board is chaired by the Council Leader and is responsible to the Executive for development and oversight of the programme. The Board provides an overall steer for the recovery programme through ensuring that organisational and resource capacity is provided for recovery. It is also responsible that policy priorities are translated into key milestones and implementation of targets. In addition to the Leader, other Executive members also sit on the Board alongside the party leaders and relevant officers.
2. The Programme Team is an officer group chaired by the Chief Executive. Their responsibility is to ensure that decisions made by the Programme Board actually implemented.
3. The Scrutiny Committee supports the Programme Board. This had provided members outside of the Executive with a role in monitoring the Board's actions and also the ability to develop policy ideas with aim of assisting recovery.
4. The Council retain overall responsibility for approval and implementation of the recovery process. Reports have been submitted and approved by members at most meetings to date including the approval of new objectives for the Council generated by the LSP.

## **Cross-party ownership of recovery**

There is a premium, from ODPM's perspective, on cross-party ownership of recovery. The *Practice Guidance* comments:

(P)oliticians from all groups must be involved in the process. The Government is seeking cross-party acceptance for the need for recovery. (ODPM 2003: 27)

This has proved easier in some councils than others. In PW Council, with its long history of party political contest and changes of political control, it proved possible eventually to broker the involvement of the three group leaders through a working group with the interim chief executive and a small number of other senior officers. The political mentors played a key part in this initiative. This process began to build a set of relationships at the top political level that were against the norm. A member involved in this process reported that “tremendous strides” had been made since early 2002, not least in cross-party working:

... we have got the three parties working across the Council on the recovery plan, not taking the politics out of it, but at least working for a stable council over the next few years and the way forward in the way we give services to people out there. (Leading member B, PW Council)

However in some councils the involvement of the opposition party in recovery is complex. The realities of local party competition mean that there are incentives for the opposition to become involved in recovery (to demonstrate that they are a valuable resource and able to govern) and also incentives to stay outside the process (so that the majority group can be criticised for its failings on the recovery agenda).

In some councils, especially those where control had changed recently, the improvement planning process is seen by the majority group as a means to deliver results required by the CPA but also their own political ambitions:

.... for us it was really important that the Improvement Plan reflected what the CPA said but also reflected some of our political priorities, because in some respects they're not totally different and I think we were always aware that it would be really easy to get knocked off the path that we thought we were on and obviously the CPA result was disappointing for us because we thought we had a good story to tell. And we'd done lots. We were all really proud of what we'd done. The electorate, you know, elected us with a huge majority back to the Council so we felt it was important not to be deviated off that course as well..... (Leading councillor C, JI Council)

The manner in which the plan was developed reflected this agenda:

.... So there was a lot of input in into that from all members and particularly a lot of the community involvement stuff and equality stuff and the reputation of the voluntary sector is... is some of the key areas that I have an input into. Our external reputation and stuff like that. We all participated in some of the.... staff days where we got staff around and we are now engaged through different boards in the monitoring process. We've also had various away days as a joint leadership and [management board], so the process is very thorough. (Leading councillor C, JI Council)

### **Leadership in the recovery process**

In a number of the case study councils new chief executives have been appointed at around the same time as the start of the recovery process and have played a key role in redirecting the organisation's energies.

### **Culture change**

This is an element in most recovery plans and is often part of a 'whole systems' approach to organisational improvement.

.... while there's been a change in terms of personnel and a change in CE, a change in administration, to a degree there is a continuous line in terms of ethos and culture and need to get away from a blame culture and a "it's nothing to do with us" and "it doesn't really matter" and "we're [JI Council], we can never get better" to "we need to deliver", "we need to deliver value for money", "we can improve", "we're going to improve", and "the tools we're going to use to improve are".... and so to a degree the people stuff in CPA is if you like a continuation extension of that. The stuff happening around recruitment and the good stuff that's happened in terms of corporate wide training schemes, if you like feed into that and take that on. (Senior manager E, JI Council)

### **Conclusion**

This chapter illustrates the way in which different triggers for recovery have come into play in the five case study councils. In some councils recovery is a matter of self-directed change in response to signals from a plurality of incentive structures, and in particular of messages from the wider political system that stimulate changes in the approach or leadership of the controlling group. We are not able to say whether these messages are directly related to the performance of the council or arise from other causes – for example, other specific local events (e.g. planning issues) or general movements in voting behaviour at the local level as a result of the changing national political agenda. Nevertheless it is evident from our case studies that in certain circumstances political groups feel impelled to make changes that have the effect of enabling improvement to take place. The link, therefore, is indirect rather than direct.

Other councils are highly path dependent and have little awareness of the performance problems they face or capacity for self-directed change. They struggle actively to stay the same – a phenomenon termed 'dynamic conservatism' (Schon 1973). In such a situation significant improvement is not something that can be generated internally, although there may be small movements where conditions permit. The trigger must, therefore, come from an external source and be of sufficient authority to motivate change internally. In the previous chapter we discussed one of the causal factors for poor performance being a lack of sufficient authority for change; the external source provides that authority. It is an intervention from a position in which threats can be made that challenge the continued viability of key internal role holders.

There are a number of external elements that support the exercise of triggers to change, and as the research develops we will report further on their impact and effectiveness. However in the next chapter we provide our overall conclusions from the first year of this long-term evaluation.

## CHAPTER 5: CONCLUSIONS

In this chapter we set out our initial conclusions from the first year of the evaluation and identify the issues the study will be examining over the next year.

### *The emergent policy and practice*

The policy and practice of tackling corporate poor performance in local government is very new. It initially emerged in 2000/1 in relation to Hackney, and has since been revised and developed in a number of important ways. In particular, there has been a move from what, in chapter 2, we called the technological approach of arm's-length work using directions, consultants and resource support to a relational approach in which civil servants (namely, the lead officials) engage directly with councils – and with both officer and members – and with other central government departments and national agencies as appropriate. This policy has been developed in practice; it has emerged out of the necessity to establish very quickly ways of working with poorly performing councils. The response to the lead official model on the part of local authorities has in general been very positive. This has in part been because they are individuals who have a local government background and therefore know their way around the system. But it is also because they ease the problem of contact with the centre. They are the centre's field-officer for that council and are able to explain central government policy, mediate with ODPM and other departments and assist in resolving problems that emerge – in addition to their role in encouraging and advising councils on their recovery process. This is a model with wider applications 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 councils have a tendency to homeostasis. It is one element of an important development from the local government community, namely peer support, that has emerged in the context of the performance improvement agenda and been championed by LGA and IDEA. The political mentors have not been successful in all situations, and their effectiveness depends on a complex mix of mentor skills and style and local political context. This will be explored in more detail in one of the policy papers being prepared by the research team.

### *Performance and politics*

At the end of chapter three we discussed the interaction of voting and performance improvement, and argued that actual or expected changes in voting behaviour has in some circumstances had an effect on party groups that leads to changes facilitative of recovery. More generally, a feature in common to several of the case study 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. For example, in JI Council:

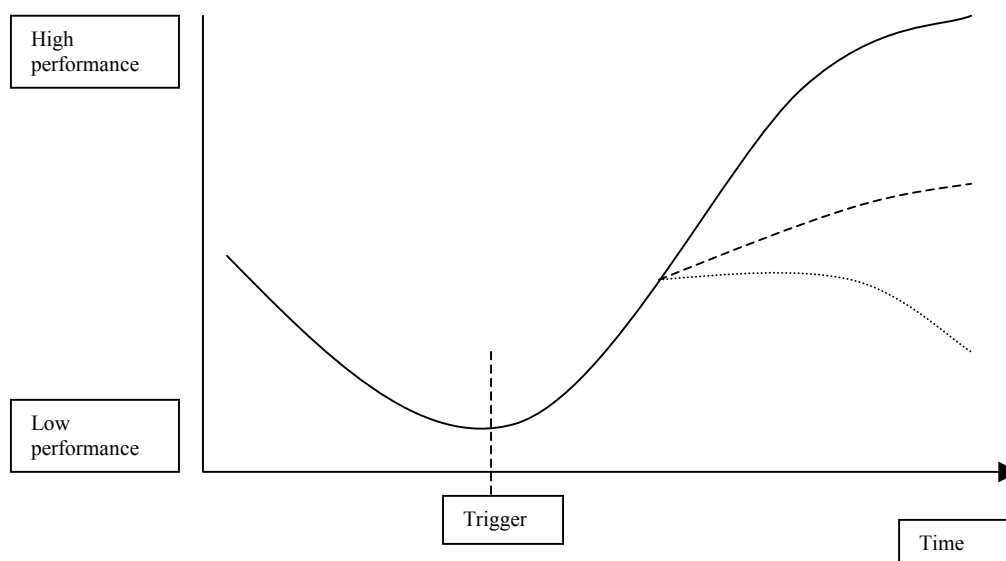
[This council] has a lot of very active community groups, very vocal and organised lobbies, so we have an extremely active pensioners' forum. Very political for a small thing, who go on national pensioners' demonstrations and have very active lobbies within the borough for causes. We have a core of voluntary sector organisations, we have the usual very diverse mix of people involved in voluntary activity. But we also have a nucleus of people who work in the voluntary sector as if it was a professional voluntary organisation if you like, who are a very political lobby group and we have a well organised federation of tenants' associations .... And so all of those groups are taking often anti-council.... at odds with the council positions either on one issue or kind of philosophically on a whole range of issues. That's very challenging. (Leading councillor B, JI Council)

In PW Council also, there were very close ties between community organisations and councillors and a developed structure through which community, member and officers met and debated local issues, and were able to allocate local budgets. In Pen Council the relationships were described as 'clientelist', with councillors co-operating to deliver benefits to particular communities. All this suggests an active and participative local political system in which citizenship rights, beyond the vote, are exercised. Yet these are councils that are also deemed to be poorly performing, and in some cases the form of local politics is seen to be an impediment because it reinforces pre-modernisation councillor roles (i.e. as an active agent for community needs rather than as a strategic decision-maker, as someone who is interested in the detail of policy implementation rather than taking a hands-off approach having set the policy). As the research develops we shall explore this issue further.

### ***Sustainability of recovery***

Our research has concentrated on the early stages of the recovery and engagement process, and in particular the twelve months since CPA results were announced in December 2002. As our research develops we will be able to track the recovery trajectory and establish the extent to which the foundations that have been laid delivery medium term sustainable recovery. This will return us to the discussion of performance profiles that we set out towards the start of chapter 3. There, we posited two models – closed system requiring external regulation (the tendency to remain the same) and open system with self-regulation (self-generated change in response to feedback from the environment). If these are 'normal' profiles of organisational performance, then the scale of the recovery process should lead to a different profile emerging. The aim of recovery and engagement is to generate a step change in performance – a move to continuous improvement. We should expect to see this reflected in the performance profile. But then the question arises of the longer-term trajectory of the organisation. Research on school performance is showing that step changes can be made, but that the performance profile then levels off (Gray *et al* 1999). In other words a typical improvement trajectory would be a series of steps rather than a continuous upward curve (figure 11).

**Figure 11: Performance profiles – illustrative recovery profiles**



### ***Challenges and choices for the medium term***

The initial shock of CPA and engagement is now past. Councils have drafted and started to implement their recovery plans and the infrastructure of external regulation and support has been set in place. Councils now move into the medium term process of recovery. This poses a number of questions that we will be exploring in our future work:

1. What is 'recovery'? Is it the achievement of the recovery plan? Or is recovery more than this? Is it 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?
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.
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.

### ***Future look***

The research will examine these issues over the next year and will further develop a theoretically informed and practically relevant understanding of the process of recovery in poor performing local authorities. Dissemination will be through a continuing series of policy papers available through the IDeA Knowledge web site 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.

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