

LEARNING FROM THE EXPERIENCE OF RECOVERY

Policy paper 2

RECOVERY IN POORLY PERFORMING DISTRICT COUNCILS

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December 2003

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INTRODUCTION

'This discussion paper is intended to stimulate debate amongst those concerned with the recovery of poorly performing councils. The views expressed in the paper are those of the people interviewed in the course of INLOGOV's work and those of the researchers based on the data gathered. The ideas in the paper, therefore, do not necessarily reflect those of ODPM, the lead officials or other government bodies'.

Background

In the autumn of 2002 INLOGOV was commissioned by ODPM to carry out a substantial programme of research on recovery in poorly performing authorities. This 'Learning from the Experience of Recovery' research project has a number of different elements, including the production of a series of policy papers. The first paper was on Good Practice in Recovery Planning (Pam Fox, September 2003) and a number of others are in commission (including papers on the use of interim appointments and the experience of political mentoring in poorly performing authorities). This particular paper deals with early learning in relation to recovery planning and improvement in poorly performing district councils.

Purpose of the paper

The purpose of this paper is:

- To document the perceived problems facing district councils, the approaches to recovery that were adopted and the outcomes they were expected to deliver.
- To identify any changes to those approaches over time, and the reasons for this.
- To make an initial assessment of the relative success of these recovery approaches, and to explain this in terms of their adequacy for addressing the problem, the way in which they were implemented, the external conditions that required change on the part of the council, etc.
- To draw lessons for the recovery of poorly performing district councils in the future.

The research process

The research on which this paper is based took the form of three in depth case studies of district councils engaged in radical improvement programmes. At the time that the research was carried out only a small number of district councils had been through the process of Comprehensive Performance Assessment (CPA). Only a few of those that had

been inspected had received their final categorisation, and none of these were “poor”. This meant that the research needed to focus on the experience of authorities that had been deemed to be failing as a result of other processes such as the Local Government Improvement Programme and Corporate Governance Inspections that were the forerunner to CPA.

The main criteria for selecting the three case study authorities were their geographical spread and the fact that they have all been engaged in improvement activities for a sufficient length of time to allow lessons to be identified. A decision was taken to anonymise the case studies so as not to draw undue attention to sensitive change processes being implemented in the three authorities.

For each of the three case studies a number of semi structured interviews were conducted with key stakeholders including:

- A leading member
- The chief executive
- Relevant interim managers
- The ODPM lead official (where relevant)
- Leading personnel from the main support agency
- Other key individuals in the development and implementation of the recovery process (e.g. the internal change manager).

The topic guide that was used to structure the interviews is attached for information at appendix one.

Relevant documents were also analysed such as:

- Inspection reports
- Improvement plans
- Project plans
- Best Value performance plans

Most of these documents were read in advance of the interviews being conducted to enable the discussion to be steered in the direction of the main issues. However, some relevant documents only came to light when mentioned spontaneously during interviews (e.g. audit reports and management letters).

Structure of the report

The first part of the report consists of detailed case studies for each of the three case study authorities. The information that the case studies contain is set out under the following headings:

- About the council
- The main characteristics of the under-performance
- The improvement process
- An assessment of progress

The second part of the paper draws out conclusions for district councils undertaking recovery and improvement from a low performance base, and including recommendations specifically for smaller district councils.

CASE STUDY OF COUNCIL A

Key dates in the improvement process

1999-2000: Management letters and BVI reports expressing concerns about the council services and the management of its affairs.

October 2000: Council adopts leader and cabinet constitution and council leader appointed.

December 2000: Council commissions IDeA Local Government Improvement Programme peer review. Report identifying scope for major improvement submitted February 2002.

June 2002: Departure of incumbent chief executive. New chief executive and other members of the management team take up their posts in August 2002.

August 2002: Production of comprehensive improvement plan.

March 2003: IDeA follow up review confirms significant progress being made.

About the council

This district council is located in the South West of England. It covers some 183 square miles, much of which has been designated an Area of Outstanding Natural Beauty and also features several Sites of Special Scientific Interest, long stretches of designated Heritage Coast and a concentration of historic industrial buildings all of which attract numerous tourists.

The district faces significant issues of deprivation, social exclusion and dereliction. Around half the resident population of 92,517 live in the northern conurbation, which is made up of three towns. This area forms much of the traditional industrial heartland of the county in which the district is situated and the decline in the traditional industrial base of the area as well as the broader downturn in primary and secondary sectors, have had a wide ranging impact. Similarly, the rural population have been substantially affected by difficulties in the farming and fishing industries.

The average annual wage in the district is less than £15,500 - just 75% of the national average, with four wards in the worst 10% on the national deprivation index. It is therefore eligible for both Neighbourhood Renewal and European Objective One

funding. Meanwhile, the area's famous scenery has created a booming market in second and retirement homes for buyers from more prosperous areas, inflating property prices at rates to compete with London and the South East. This creates a shortage in affordable housing for local residents, but also means that the area contains conspicuous pockets of affluence alongside areas of comparative poverty, and that certain rural communities have an increasingly seasonal population.

The provision of effective public services across such a geographically remote area and in the face of such conflicting extremes is challenging for the district council.

The authority has had a long history of no overall political control with power having always been finely balanced between a group of Independent members and significant Labour and Liberal Democrat group (until May this year the political make up of the authority was: Independents 20; Liberal Democrats 10; Labour 10, Conservatives 4).

The main characteristics of the under-performance

A review of relevant documentation (particularly the report of a peer review undertaken by the IDeA) and an analysis of interviews provide a clear picture of Council A before it embarked upon a programme of major change.

Council A has, until recently, been a very traditional kind of authority and saw itself as such. By the latter part of 2000, it had become a very internally focussed authority. As an authority it had little contact with local people and, according to research participants, because it was unresponsive to the needs of local people, it was deeply unpopular with them as demonstrated by the hostile reports and letters that appeared in the local press. According to interviewees, few people in the authority attempted to find out what other authorities were doing and some people in key positions were averse to the authority's activities being looked at by outside bodies.

There were very few examples of partnership working apart from the LSP jointly established with a neighbouring authority. The authority had no vision and there was little impetus for improvement. In the absence of a clear sense of direction, the authority had no basis for agreeing priorities and it therefore tried to do too much which, over time, led to serious depletion of its resources. Although the authority devoted time to developing strategies and plans they were rarely implemented.

Members generally had little sympathy with the Government's modernisation agenda. They were generally very wedded to the committee systems and heavily involved in operational detail. Many felt marginalised and disaffected by the new political management arrangements that had been introduced by the authority. As a result of many years of power being finely balanced relations between members both within and between political parties were very tense.

The authority had a very traditional officer structure organised along professional lines. Relations between members and officers were generally very poor and there was a strong blame culture. It was widely recognised (for example by the peer review team) that senior officers were providing very little managerial leadership. A staff survey carried out in March 2001 identified widespread staff dissatisfaction and very poor morale. Half of respondents felt their managers were not always responsive, 40% were not aware of the Council's main objectives, and more than a quarter claimed to have been bullied, harassed or victimised at work. Staff sickness levels were very high and staff turnover rates were far higher than would have been expected in a district with a relatively intransient population.

The Council had made little investment in training and development, which meant that neither members nor officers were fully equipped to respond to new agendas and legislation. Members were very reluctant to spend money on training and there was little understanding of the need for learning.

There were a number of indications that the authority was under performing well before it became publicly recognised. The strongest signal of poor performance was the issuing of a District Audit Public Interest Report in 1999 that expressed concern about the way in which a leisure contract had been awarded. It highlighted significant difficulties around member/officer relations. Although the authority addressed the immediate issues in the report it did not provide a stimulus for long term or far reaching change

The improvement process

The turning point for Council A was created by the Local Government Improvement Programme peer review carried out by the IDeA in December 2001. The leader of the council who, on taking up office in 2000 had become aware that the council was not operating effectively, instigated this review. Although his perceptions were strengthened by discussions that he had with colleagues in other authorities (e.g. at leadership development events), he did not have a full understanding why this was the case. He therefore felt that an external perspective was required.

The authority accepted the findings of the peer review in their entirety. Although some people found the review process and the report on its findings painful, most peoples' response was that the authority needed to change. According to interviewees many people felt relieved that the authority's difficulties were now out in the open. However, not everybody in the authority was committed to change. A number of members were very resistant to change and some officers responded with what was described by one interviewee as a "so what?" attitude".

Once the review report had been received, a working group (the "Single Issue Group") was set up to develop a response to the IDeA report. An initial improvement plan (which has become known as the council's Development Programme) was developed with the help of external support from the IDeA. The actions that it contains were prioritised by

members using a series of criteria against which the various actions were scored. The focal point for this plan was the ten key recommendations for change set out in the IDeA peer review report.

The approach that has been taken to change has been one of strong project management – the plan identified actions, resources milestones, targets and responsibilities – and the aim was to be very focused. The plan identified thirteen main change initiatives, each of which has had its own detailed project plan, the implementation of which was overseen by cross-council project teams. Some of the teams involved members where they had relevant skills and interests. The Chief Executive himself has led on a number of high-level initiatives such as developing performance management systems. Although the council leader and other leading members have maintained a keen interest in the change process and wider member involvement has consistently been encouraged, it is officers who have largely driven improvement on a day-to-day basis.

The authority sees the various change initiatives as falling into two main categories:

- *Technical change*: such as resolving the authority's budgetary difficulties.
- *Cultural change*: In particular a lot of effort has been devoted to improving member/officer relations, improving communications and staff morale and developing partnership working.

Many of the change initiatives have been developed as a result of visits to other authorities (members and officers making the visit together) or input from external advisers (e.g. Medway's help with housing matters, the IDeA's help in developing scrutiny arrangements).

As well as providing advice on change initiatives, external advisers have provided support in a number of other respects such as:

- Providing advice and mentoring for the new Chief Executive and on preparation for CPA
- Member mentoring (yet to achieve its potential)
- Signposting to sources of specialist support
- Providing external challenge.

A context for improvement has been provided by the production of a community strategy, which has provided an opportunity for the authority to decide on, and communicate, its priorities, and has become the basis for new performance and project management systems. The retirement of the incumbent chief executive prior to the commencement of the change programme provided a timely opportunity to modernise the senior management structure of the council. The new management structure consisted of two strategic directors dealing with internal and external affairs, reporting to a new chief executive and working with a team of nine Heads of Service.

An assessment of progress

The IDeA peer review report produced by the IDeA in the latter part of 2001 suggested that the authority could be on the brink of major change, a perception that has proved to be founded. There was a bit of a lull in the authority's response to the report while the outgoing Chief Executive was still *in situ*, but once a new Chief Executive and Management Team were appointed more radical change began to be introduced. A follow up IDeA review that took the form of a desk top study was carried out in the early part of 2003 and concluded that progress had been made in a number of key areas.

The council has also been regularly monitoring progress, although it has not found this easy because change has been progressing at different rates in different parts of the organisation. Projects are monitored via written updates at a monthly management team meeting devoted to their progress. They are presented by the project champions who then promote discussion about progress and blocks that need to be addressed. To assess outcomes of change, it has been doing a lot of work, with the help of an external facilitator, to obtain feedback from frontline staff. More recently, the authority has also:

- Carried out a mock self-assessment for CPA purposes that has helped to provide an indication of where improvement has taken place as well as highlighting what remains to be achieved. The outcome of this mock self-assessment was a "fair" rating with a strong likelihood of achieving good by the time of the CPA being undertaken next year.
- Conducted a follow up staff survey that showed that seven out of ten officers now feel that the authority is improving.
- Used national and local performance indicators to measure change in key areas (e.g. in housing benefits).
- Sought feedback from external bodies such as parish councils, Solace (re progress towards CPA), an external Chief Executive (progress re project management approach to prepare for CPA), the Audit Commission (managing change), private associates (Management Development), the IDeA (improving Housing Benefit service).

Overall the various assessments conclude that the main outcomes of the improvement process have been:

- Stabilising the authority's financial position. A financial recovery plan was put in place that aimed to build up the level of the council's balances over a number of years. The council has exceeded its targets contained in the plan for replenishing balances.
- A greater focus on performance that has been achieved by developing a comprehensive performance management framework. Many elements of this

framework are now in place, which allows for greater member involvement in managing and monitoring performance.

- Enhanced partnership working. Partnership working both internally and externally has been the main theme of the change process (e.g. the setting up of an Urban Regeneration Company and the efforts that are being made to improve relationships with town and parish councils).
- A greater external focus, including better customer focus (although this is yet to be translated into significant service improvements).
- Developing internal challenge. Particularly notable in this respect is the emergence of an effective overview and scrutiny function which means that non-executive members are now examining issues in detail before decisions are taken (e.g. issues relating to housing income).
- Improved staff morale (although it was suggested that this has not necessarily been achieved through the measures set out in the project plan for improving staff morale but more from communication from senior managers).
- Although there remains scope for further improvement, a better understanding between members and officers. This has largely been achieved through joint improvement project teams and joint training initiatives.
- A growing “can do” culture.

However, there has been less progress in improving frontline services. The perception is that to date change has tended to focus on internal improvements. Members are particularly concerned about lack of progress in improving services.

CASE STUDY OF COUNCIL B

Key dates in the improvement process

1999: series of District Audit and Best Value Inspection reports identifying under-performance.

February 2002: Audit Commission carries out Corporate Governance Inspection. Draft report submitted late May 2002.

Early May 2002: All-out council elections resulting from boundary review delivers new political administration.

June 2002: Council produces first version of recovery plan, which was revised in July 2002 with external support.

Early August 2002: Incumbent chief executive departs. Interim chief executive commences later that month.

Sept-December 2002: Three directors leave the authority

December 2002: Follow up CGI inspection. Report submitted January 2003 identifies progress but views improvement as still being “fragile”.

May 2003: Council elections deliver no overall political control of the council.

May 2003: New permanent management team take up posts.

August 2003: Second follow up CGI inspection identifies more significant progress.

About the council

Council B is located in the North West England. It was formed in 1974 as the result of the merger of four towns and a number of other smaller settlements. The four towns sit in a sheltered valley away from the main conurbations of the North West region and were therefore fairly inward looking, although this began to break down when the industries on which they were based disappeared leaving behind a blighted economy and scarred environment.

Each of the four main towns was previously an urban district council and each had their own civic identity and significant resources that they were reluctant to pass over to the new district council. They therefore invested in community buildings of various kinds the maintenance of which eventually became a major drain on the council's resources.

The authority covers an area of 137.6 square miles and serves a population of just over 64,000, 2.5% of which are from ethnic minority groups.

The Council was run by a Conservative administration for about thirteen years before being run by a Labour administration for a similar length of time. It then returned to Conservative control for two years, during which period the CGI was undertaken, before a Labour administration took control following all-out elections (there was a switch from 24 Conservatives and 12 Labour to 24 Labour and 12 Conservatives. There is now no overall control in the authority following the elections held in May 2003 with the balance of power being held by 1 Independent member and 1 Liberal Democrat member).

The authority has a gross revenue budget of £45 million and employs just over 500 staff deployed in five departments.

The main characteristics of the under-performance

Over the years Council B became a very inward looking authority and one cut off from its neighbouring authorities and with no presence regionally or nationally. There was very little partnership working (e.g. a local strategic partnership committee had been set up but Council B was not participating in this). The management team had all been in post for many years, but they did not meet as a team for the three years preceding the Corporate Governance Inspection (CGI) carried out in February 2002. Relationships on all fronts were generally poor (between members and officer, between members and members, between officers and officers, etc.) and there was an atmosphere of distrust and fear.

The dominant culture of the authority was that of command and control. According to interviewees, virtually all decisions were taken by members as a result of which managers were disempowered and there was limited space on the agendas for policy discussions. Although individual members had contact with their constituents, the authority had very little engagement with local people and did very little to promote its activities. Attention to customer care was poor and neglect was evident in the authority's buildings, its equipment, its systems and processes, but particularly in respect of staff (e.g. investment in staff training and development was minimal, there were few effective personnel policies and systems, most staff were not appraised and sickness absence levels were very high).

Mainly because of the council's poor reputation, it experienced major recruitment and retention problems. People joined the authority at a less senior level, but they often left because they were unhappy with the way in which the authority operated.

According to interviewees, few people in the authority knew what it was trying to achieve or what their contribution might be. The authority had no vision or priorities and very few policies and those that did exist were not clearly articulated. Very little progress had been made in implementing the Government's modernising agenda. In particular, the authority had made minimal effort to respond to the requirements of Best Value. Corporate capacity to drive change was very limited and key posts did not exist (e.g. there were no public relations or Best Value staff).

Amongst officers in particular, there was complacency about poor service performance and a defeatist culture prevailed. Although there had been a series of District Audit management letters and Best Value Inspection reports pointing to poor performance, prior to the CGI report most people in the authority did not appear to realise how poorly performing it was or that it was in any way different from other authorities. Under-performance was attributed to the lower level of central government and European financial support that the authority received compared to the resources dedicated to neighbouring councils. However, in the view of some interviewees, the authority was not actually short of resources, it was simply that they had to be used to fund excessive maintenance on assets that had been neglected and the over-provision of community facilities that had resulted from the authority's history. At the time of the Corporate Governance Inspection there was no managerial or political capacity to extract the authority from the cycle of disrepair.

As the result of a great deal of encouragement from Audit Commission, the council invited the Commission to carry out a Corporate Governance Inspection the findings of which were indisputable. The inspection was carried out in February 2002 and the final report published in September 2002. The report identified several key areas in which the authority was seen to be failing (political and management capability, communications, human resource management and organisational culture). Overall it concluded that the council provided unacceptably poor services at a high cost. Local people were dissatisfied and there was a lack of accountability both within the authority and to local people. Two service case studies carried out alongside the Corporate Governance Inspection highlighted major failings in housing and leisure services, particular housing benefits.

The improvement process

The draft CGI report was received by the authority prior to the local elections in May but formally submitted after the election when political control and leadership of the authority had changes. By this time there were a significant number of new members in the authority who did not feel implicated and were therefore prepared to accept strong messages on the need for major change. The Council's decision was therefore to welcome rather than simply accept the Audit Commission's findings.

There was a range of responses to the CGI report. Some people, mainly officers who had been with the authority for a number of years, felt dismay or disbelief on reading the report and some believed that the report did not relate to or affect them. Others decided to

leave the authority. However, according to interviewees, a significant number of people were determined to do something about the situation.

In the few months following the inspection, the council apparently came under a great deal of pressure to produce a response to its findings. Leading members in particular felt that there was a real threat of government intervention and therefore made immediate start under the auspices of the council's solicitor (a relatively new appointee who was not seen as being associated with past failure), and subsequently the interim chief executive, to producing an improvement plan assisted by the IDeA.

The initial plan produced by the authority largely focused on responding to the recommendations set out in the Corporate Governance Inspection report. However, the CGI report did not cover all aspects of the authority and the improvement plan was therefore subsequently expanded to include a number of other areas for action (in planning and in relation to health and safety issues) that came to light once an interim corporate management team (an interim chief executive, an interim head of human resources and a part time director of housing seconded from a neighbouring authority) had been recruited with the help of the IDeA following the departure of the former Chief Executive. The Treasurer and two service directors also subsequently left the authority.

The improvement process, which was led by the interim chief executive, involved making changes on a very broad front on the basis that in an authority where so much change was required attention could not just be given to the most pressing problems highlighted by the Audit Commission. The approach was to get as much moving as possible.

The improvements identified by the authority were set down in an improvement plan that identified three main stages in the recovery process:

- Stabilising the authority
- Medium term change
- Longer term changes.

The main improvement activities in the first six months following the CGI included:

- Producing a corporate plan with the help of external consultants.
- Developing personnel and performance management systems.
- Programmes of member and staff development. A particular emphasis was placed on strengthening the political and managerial leadership of the authority and developing middle managers.
- Addressing member/officer relations.
- Communication and consultation initiatives (e.g. a regular column in the local newspaper, setting up local residents' fora, etc.).
- Making major revisions to the scheme of delegation.
- A new management structure aimed at increasing corporate focus.

- Developing policy processes to align cross cutting and service strategies with the priorities of the emerging corporate plan.
- Exploring new approaches to service delivery (e.g. suspending the outsourcing contract for Leisure Services and arranging the management of a leisure centre by a neighbouring authority).
- Strengthening partnership working and assisting the LSP to produce a Community Strategy.
- Producing a risk management strategy and undertaking a risk audit.
- Improving reception facilities and telephony.
- Significantly reducing the Benefits backlog.
- Persuading the Government to include the authority in the Housing Market Renewal Pathfinder Scheme.

The initiatives that were pursued depended to a large extent on the skills available in the authority, which were not necessarily those that were most needed and less senior managers tended to be more enthusiastic about change than more senior managers. A great deal of the interim chief executive's time was spent in identifying and developing talent so that he could pass over responsibility for initiatives that he had instigated. The interim chief executive also spent a significant portion of his time working with front line staff to involve them in the change process (e.g. via quality circles) perceiving the necessity of achieving a balance between putting things right and investing for the future.

There was a great deal of member involvement in both the design and implementation of improvement initiatives. A Member Champion Scheme was set up which allocated lead members from both political parties to drive forward elements of the corporate improvement plan. The champions reported on progress to the external Improvement Board made up of members from each of the two main political parties and representatives of external organisations such as the Government Office for the region. There was also an improvement steering group in which leading members were involved, led by the interim chief executive, which oversaw improvement on a day to day basis via a series of detailed project plans and cross-council project teams.

The interim chief executive was very successful in engaging a range of external support including:

- Assistance from a number of other local authorities to help with the improvement process (e.g. training for frontline staff, a secondee to help with public relations).
- Assistance and financial support from the IDeA
- Time and advice from civil servants from the Office of the Deputy Prime Minister and the regional Government Office
- Relevant advice from the North West Employers' Organisation
- Councillor mentors from other authorities.

Since the appointment of the permanent corporate management team who took up their positions over the summer of 2003, there has been a change of emphasis in the improvement process. Now that many basic management systems are in place, more

attention is being given to addressing performance in key services such as housing repairs. There have also been shifts in:

- The way in which change has been managed: Attention is being confined to a limited number of initiatives rather than getting as much going as possible to generate an atmosphere of change. A corporate plan has been produced that sets out 8 priorities encompassing 16 key actions, progress against which is regularly reviewed by scrutiny members.
- The focus of attention: At the outset a great deal of attention was given to internal matters but the Corporate Management Team is now seeking to give the authority more of an external orientation particularly in respect of customer focus.

However, as with the interim chief executive, the permanent chief executive is still spending a great deal of his time in communicating with people and showing them how their activities fit in to the change process. A strap line has been developed, “8 X 8 X 2008” (80% of customers satisfied and 80% of services in the top quartile by 2008) to give people a clear sense of direction. He is also devoting time and effort to improving further member/officer relations (e.g. through workshops, question and answer sessions about the change process, etc.).

An assessment of progress

Since the CGI in February 2002, the Audit Commission has returned twice to Council B to assess progress. A follow up inspection carried out in December 2002 found that while progress had been made the situation was still “fragile”.

The second re-inspection carried out in July 2003 found that the authority continued to make progress although the scale of change required meant that the improvements that had taken place had yet to make significant impact particularly on frontline services. As the report pointed out, this analysis was shared by both members and officers who recognised the need to increase the pace of change and improve services for residents of the area.

To begin with progress was measured in a quite mechanical way against targets set in the improvement plan rather than assessing whether improvement was actually taking place. The authority has tended to rely more on external agencies to chart progress for a number of reasons:

- because internal systems have not been sufficiently robust
- because in the early stages of change it proved difficult to gather “hard” information on the impact of initiatives and information has largely therefore been anecdotal
- because of the difficulty of assessing change while involved in implementing a radical programme of improvement.

Notwithstanding these difficulties, key internal players involved in the improvement process have pointed to a number of areas of progress including:

- Empowering staff and demonstrating the extent of support available to those that showed that they were willing to change or to contribute ideas (e.g. by awarding honoraria).
- Putting in place a range of human resource policies.
- Stabilising the authority's financial position.
- The beginnings of cultural change.
- Dealing with the backlog of benefit claims that was important because of the impact that it had on other areas of the authority's activities (e.g. the collection of Council Tax).
- Achieving cross-party consensus on change. The leaders of both political parties meet regularly with the corporate management team to monitor progress that demonstrates a degree of cross-party collaboration that, until recently, was unheard of in the authority.
- The willingness of members to take hard decisions at the beginning of the process (notably closing facilities to fund improvement).

However, those driving change remain concerned about:

- The numbers of staff that still appear to be resisting change.
- The capacity of middle managers many of whom still lack the confidence to take advantage of the new freedoms provided by the revised scheme of delegation.
- The slow pace at which increased customer focus and a culture of performance management are developing. Many staff still find it very difficult to meet targets involving deadlines and to collect and analyse systematically performance information.
- Lack of progress in addressing the training needs of members (some training opportunities have been provided but not fully taken up by members).

Having carried out a self-assessment for the purposes of CPA, the authority has recently categorised itself as "poor". Although some people are disappointed with this outcome, it is seen as having provided a clarity and focus about the continued need to transform the council. According to interviewees, many people in the authority believe that it is now moving from a position of recovery to one of continuous improvement.

CASE STUDY OF COUNCIL C

Key dates in the improvement process

Mid 1990s onwards: Series of charges of corruption in the council

1997: Police investigation of some of the cases, continuing over a number of years.

1998: new Chief Executive and Deputy Chief Executive appointed and new political leadership of the council.

October 2001: Corporate Governance inspection carried out. Report submitted March 2002.

October 2002: District Auditor issues Public Interest Report.

April 2002: Follow up Corporate Governance Inspection. Report identified signs of improvement.

November 2002: Second follow up Corporate Governance Inspection. Report identified continuing signs of improvement.

About the council

Council C is situated in the Midlands. The nucleus of the district is a new town but there are also seven surrounding villages. Unemployment is low and there are a very small proportion of black and ethnic minority residents.

For many years the town and the authority were dominated by the steel industry that was based on labour from Scotland. Following the decline of the steel industry the local community came to depend on the authority that resulted in it becoming involved in a much larger proportion of discretionary activities than most other authorities.

Council C is part of a corridor for major housing expansion. 28,000 new homes have been identified for the district that has made it necessary for the authority to fast track its Local Plan.

The authority has had a very turbulent history. During the 1990s the authority was hit by allegations of corruption that led to a Police investigation in 1997 that continued over a number of years. Because of the repeated scandals the authority had a very poor image in the local community. Both senior officers and members were implicated in the scandals

that eventually led to the departure of the corporate management team and a change in the political leadership of the authority.

The new political and managerial leadership made great efforts to achieve improvement, but with limited success because of the prevailing political and managerial culture of the authority and the complex external and internal problems that it faced. When the steel works were closed a lot of vacant land became available for development that the authority purchased. However, as a great deal of the land was polluted it proved difficult to sell on and became a major drain on the authority's finances and capacity which limited its ability to contribute to the regeneration of the town.

Despite the push for change at the top of the authority, it appeared that many people remained unwilling to accept the need for change. In particular, many members felt that the changes that were being pursued were counter to their political philosophy. Having held control with a large majority over many years, a large proportion of the Labour group was unaware that things could (or should) be done differently and because they were often returned as members unopposed many had, according to interviewees, apparently lost sight of the need to be accountable to local people. The political leadership of the authority were therefore often unable to carry the rest of their group with them on major change initiatives.

Given the limited success of internally driven change and a series of poor Best Value Inspection and District Audit reports, after two years the political and leadership of the authority decided to invite the Audit Commission to carry out a Corporate Governance Inspection. The aim of doing so was to make it fully apparent to those members and officers who had been resisting change the scale of the problems facing the authority. The inspection was carried out in October 2001.

The main characteristics of the under performance

The Corporate Governance Inspection report pointed to a number of major difficulties. These included not only the corporate governance of the authority, but also some severe short comings in service delivery including:

- Poor member/officer relations.
- Member capacity and decision-making.
- The capacity of middle managers.
- Poor and expensive environmental and housing services.
- Very little attention being given to human resource management with a consequent impact on staff morale, sickness rates, etc.
- Limited progress on e-government.
- Poor relationships with the voluntary sector.
- Under-developed basic management policies and systems such as performance management, risk management, financial control, procurement, etc.

Despite the very negative picture painted by the CGI report, some members and officers continued to deny the need for change. However, by this time, those adamantly opposed to change were very few in number and their voices were far outweighed by the strength of commitment to change being shown by leading members who were more in tune with national Labour Party philosophy and were therefore determined to move the authority from being a direct service provider to become an enabling authority.

The improvement process

Working in close partnership with officers, members played a leading role in developing a response to the CGI report. A decision was taken not to follow the Audit Commission's recommendations to the letter and to go about the task of improvement in such a way that local people continued to support them. For example, rather than sell off community assets as recommended in the CGI report, members (having carried out extensive consultation on the options) decided to devolve facilities to local community groups.

While members took the lead in agreeing and implementing changes directly affecting the local community (e.g. the transfer of a theatre to a trust, a radical reduction in the programme of local events, etc.), officers mainly focused on internal and changes to policies and procedures. As well as the time they devoted to talking to local people to generate solutions that they would own, leading members also spent a great deal of time talking to staff (e.g. in briefing sessions) to gain their commitment to change.

The authority had very limited capacity to respond to the issues set out in the CGI report. As well as its very constrained financial position, the authority did not have the skills that it needed to make change happen. The situation was compounded by self-reinforcing recruitment and retention problems. People were leaving the authority because of its problems but, due to its poor image, few people with the requisite skills applied for vacant posts. The authority could not afford to buy in the skills that it needed and because of the immediacy of the issues to be addressed did not have the time to "home grow" organisational capacity. Sometimes what was regarded as being a brave decision was taken not to appoint people who had applied for jobs because they were not suitably skilled. It was recognised that this might reduce the pace of change but ensure that it was more sustainable.

While capacity issues were being addressed the authority did engage the IDeA to provide a major support package including:

- Helping to develop a set of corporate priorities and related performance indicators and targets.
- Member development.
- Establishing a performance management system.
- Developing service plans incorporating BVPIs and local PIs.
- Mentoring for the leader and for the chief executive.
- Support for housing in dealing with empty and abandoned properties.

- Support for street scene activities.

The improvement plan took the form of a series of project plans for each of the recommendations contained in the CGI report. The project plans, drawn up in consultation with service managers, specified the change process, the people involved and stakeholder issues. Progress against the plan was audited on a monthly basis although this was very difficult because of the resources involved in doing so.

An assessment of progress

The Audit Commission returned to the authority to monitor progress in April 2002. The view taken was that there were positive signs of progress against the recommendations set out in the CGI, but that some actions had been slower than planned and many changes remained to be embedded. Services to local people had not improved significantly and some were actually getting worse.

A second follow up inspection took place in November 2002 that was reported in January 2003. The report recognised that, by then, the authority had come a long way since the time of the first Corporate Governance Inspection and that there had been good progress against the recommendations of that inspection. The prospects for improvement were seen as being “promising”. In particular, the report noted that:

- Senior managers and members had grasped the opportunity to lead improvements.
- There was an increasing acceptance of the need to improve and a developing “can do” culture.
- The authority’s financial position had been stabilised and capacity improved amongst both members and staff.
- Corporate planning processes were in place.

However, concerns were expressed about the capacity of the authority to manage the agreed externalisation of street scene activities (demonstrating that elements of the old political culture continued) and there were still fundamental performance issues in both housing and environmental services. Although a performance management system was in place it was not yet driving improvement. Little progress had been made in reducing the dependency culture of the local community and further reductions in discretionary activities were needed.

Internal stakeholders feel that the authority has come a long way and that its confidence is increasing. As well as being positive about the fact that the main building blocks are now in place, those managing the change process are particularly satisfied that major battles about the outsourcing of services now appear to have been won. However, there is some reluctance to say too much about success because there is a realisation that a lot

remains to be addressed. Political leadership of the council changed again in May 2003 and a new chief executive has also recently been appointed. These changes have provided a fresh impetus for change but also presented challenges in maintaining continuity and in managing transitions.

MANAGING RECOVERY AND IMPROVEMENT IN DISTRICT COUNCILS

This section sets out the main conclusions of our study. It identifies general lessons for district councils who wish to undertake recovery and improvement from a low performance base. It also highlights specific recommendations for smaller district councils.

1. Recommendations on managing recovery and improvement

(1). Overall approaches to change

The three case study authorities have adopted very different approaches to managing improvement and have changed their approaches over time. For example, Council B initially adopted a very wide-ranging approach, pursuing an improvement programme that included many different initiatives, but the change process has now become more focused on a narrower range of initiatives. In Council A, the improvement process has almost been the reverse. To begin with the authority focused its attention on implementing the recommendations contained in the IDeA peer review report but subsequently widened the scope of the programme in the light of experience. The conclusion that can be drawn from this is that improvement programmes should not be regarded as being set in tablets of stone but as something more organic that will change and develop over time.

Based on their experience of leading or supporting improvement interviewees made a number of points about approaches to change:

- Authorities (and external agencies) should avoid pushing for too much change too soon. Change involves challenging norms and behaviour and people need time to understand what is required of them and its implications. Interviewees spoke of the need for organisational leaders to devote time and effort to communicating with people and empowering them to act. Visible leadership was seen as being crucial as was the need to spend time addressing issues of staff morale. In Council A, raising staff morale was an explicit and major theme of the authority's improvement programme.
- Explicit attention needs to be given to managing expectations to ensure both that initial optimism does not wane and that people do not become complacent once it become apparent that changes are beginning to occur. Celebrating success internally and externally was seen by a number of interviewees as being key to raising expectations and maintaining enthusiasm for change. For example, in Council B a weekly bulletin on progress was inserted in the local press and a weekly newsletter on progress was produced for all staff. One interviewee stated:

“Contrary to popular belief, cultural change can be achieved quite quickly simply by getting around and sending strong signals into an organisation”

- Transitions are really important (e.g. between an interim and a permanent management team). Unless such transitions are properly managed it could lead to differences in approaches to change that cause confusion and also provide those who may lack ownership of change with an excuse for inaction.
- Authorities should avoid losing sight of the local community and becoming over-immersed in internal change or just responding to regulatory agencies. It was suggested by a number of interviewees that developing a clear vision for an area and the part to be played by the authority in bringing about that vision is important for providing a context for improvement planning.
- When embarking on a programme of major change, it is important for those leading change to understand that things can get worse before they get better. For example, in Council A staff morale, as indicated by sickness absence rates, fell following the major restructuring that formed part of the improvement plan.
- Learning should be an integral part of improvement. Authorities should seek to learn from the experience of other authorities (for example, in Council A members and officers made a series of visits to other authorities to gather information to shape change initiatives) and opportunities created for those involved in change management to reflect on and learn from their experiences.
- Injecting new thinking to an authority where major change is required is a critical success factor, particularly at senior levels in the organisation. For example, although Council A had already embarked on a major programme of improvement, it appears to have gained additional impetus following the election of a tranche of new members. In Council B, the appointment of a black chief executive and a woman deputy chief executive is seen widely as having injected some very different thinking to the authority and to have sent strong signals about the seriousness of the intent underpinning the improvement programme. One interviewee commented:

“The injection of new blood was absolutely vital. You can’t make changes with all the same people still around. Especially pivotal were the new chief executive and the new members”

However, interviewees were also alert to the fact that there may be some downsides to having a lot of new faces around in an improving authority (e.g. the time that they take to become acquainted with the authority and the people in it).

Many interviewees also voiced concern about the expectations and understandings of external agencies on the timing and nature of change. All three of the case study authorities felt that once major under-performance had been identified they were placed under some pressure to commence change immediately but for many reasons this had not been possible. For example, one interviewee pointed out that the identification of under-performance is likely to lead to the departure of key personnel and there is likely therefore to be a hiatus while new people are appointed and called for greater flexibility and realism on the part of regulatory bodies.

(2).The content of improvement plans

In all three authorities it was recognised that they needed to pursue initiatives that were situationally relevant but pointed to differences in perception between themselves and external agencies on the content of improvement plans. Some interviewees suggested that although external agencies have an important role to play in identifying major under-performance, their reports are unlikely to cover all the areas where change is needed and that some areas for change are likely to become apparent only once change programmes are underway. Revised programmes might also be necessary to take advantage of opportunities as they arise (e.g. the availability of external funding) and changes in local circumstances (e.g. political changes resulting from an election). For example one interviewee commented:

“There is a risk that if an improvement programme only covers the areas identified in an inspection report, then those working in areas that are not touched on in the report will think that change does not apply to them. An improvement plan needs to be based on a whole organisation perspective.”

A number of interviewees involved in managing change also commented that while they were happy for external agencies to identify areas where change was required they preferred to have more scope than seemed to be available to decide exactly how changes were made. For example, in Council B time was devoted to working with frontline staff in quality circles. This was queried by external agencies but it was felt that it was important to the success of improvement *“to create a balance between putting things right and investing for the future.”* It was therefore suggested by interviewees that inspection and review reports should be viewed as a starting point for developing change programmes rather than being seen as a comprehensive diagnosis of the issues to be addressed.

On the content of improvement plans, three other significant points made by interviewees were:

- It is important not only to identify the change initiatives that need to be undertaken, but to prioritise them effectively to avoid the possibility of an improvement programme losing credibility because members and staff become overloaded. Prioritisation allows the effective allocation of resources and officer time.

- Political and managerial culture, particularly risk averse, blame and inward looking cultures can be a major block to improvement. For this reason, a number of interviewees said that it was important for improvement programmes explicitly to address cultural issues.
- Resistance to change often came less from a desire to protect vested interests than from lack of confidence and expertise and there is therefore a need for improvement plans to include measures designed to build confidence and raise skills levels, particularly amongst middle managers who have a pivotal role to play in bringing about improvement.

(3). Project management

Although the approaches taken to improvement planning varied between the case study authorities, in all three the change process included an element of project management and the setting up of cross authority task groups to oversee and implement change from which it may be concluded that:

- Improvement needs to be viewed as an inclusive process and one that may create opportunities for the pursuit of diversity objectives. All three authorities cited examples of how involvement in change initiatives had provided a development opportunity for staff whose talents had previously been overlooked or who would not normally have played a prominent role in change. For example, in Council B the interim chief executive formed an Improvement Team comprising those people who had volunteered ideas and others who put themselves forward who were mainly less senior managers. He ensured that they received training from another authority in continuous improvement and tasked them with identifying issues to work on (e.g. internal communication and customer focus). Support agencies may need to consider how they could provide added value to such an inclusive approach to change management (e.g. provision of relevant training for the “improvement champions”).
- Once more district councils move from preparing for CPA to improvement planning there may be a greater demand for project management training and advice, the availability of which support providers may need to plan.

(4). Monitoring arrangements

Based on the experience of the three case study authorities, it appears that in under-performing authorities it may be difficult for progress to be monitored internally to the extent that may be expected by regulatory bodies for a number of reasons, namely:

- The difficulties that change managers might have in assessing progress when they are closely involved in bringing it about.

- To begin with at least, poorly performing authorities may not have robust performance information systems to enable them to track progress.
- The types of change they are implementing do not readily lend themselves to measurement (e.g. attitudinal changes).
- Staff may lack the skill and expertise to gather and analyse information.

For these reasons, all three of the case study authorities pointed to the need for improvement programmes to be accompanied by activities designed to obtain qualitative information on progress. In particular, they stressed the importance of carrying out staff surveys to test morale, mood and commitment to change. For example:

“Staff morale is absolutely crucial in measuring progress. If morale is low then services won’t improve and the impact will be seen in customer satisfaction levels”

They also suggested that:

- To begin with, most monitoring will probably need to be carried out by external agencies.
- Authorities may need encouragement in moving away from a mechanistic approach to measuring progress to look more at assessing outcomes.
- The Audit Commission’s style of reporting and their subsequent expectations may detract from a more sophisticated approach to monitoring.

(5). Support for change managers

On a number of occasions interviewees stressed how hard those leading change had to work, particularly at the beginning of the change process. This is seen as partly resulting from the high expectations of external agencies, but also because for authorities in a recovery position there is usually so much that needs to be done and change is needed on many different fronts. To those charged with bringing about change this appeared to be something that was not always recognised. They also pointed out that feelings of being overwhelmed might often be accompanied by feelings of being isolated, either because they were new to an authority, had not had time to form allies, or because the change process had led to the departure of colleagues who might have provided them with support.

The implication of these observations is that consideration may need to be given to mechanisms that could be put in place to support those leading improvement processes. It may also need to be recognised that those who take on the role of instigating radical improvement programmes may only be able to perform that role for a limited time pointing to the need for developing a pool of experienced change managers on which authorities can draw.

(6).The role of interim managers

One of the case study authorities (Council B) has made fairly extensive use of interim managers about which interviewees made a number of points as summarised below:

- Interim managers may not be able to follow normal good practice in change management. For example, one interim manager commented:

“At the beginning of an improvement process when there is so much to be done, you may need to cut corners and miss out on getting ownership. As an interim manager you can perhaps pay less attention to ownership issues in a way that permanent managers can’t.”

And:

“I recognised quite quickly that it was going to be impossible to get the ownership of senior managers who were aware that they probably did not have a future with the authority.”

- The roles of, and relationship between, interim managers need to be made clear. They may only work together for a short time and often have to work under a great deal of pressure for change. It is therefore important that they are not distracted by tensions between them and do not have to spend time resolving misunderstandings.

(7). Member involvement and leadership

All those interviewed in relation to this research stressed the pivotal part to be played by members in bringing about improvement. All three case study authorities had made great efforts to secure the involvement of members in change management processes (e.g. member involvement in improvement planning steering groups, designating member champions for particular aspects of an improvement programme, by providing political mentors, etc.).

Interviewees also stressed the importance of securing cross-party support for designing and overseeing the implementation of improvement programmes. They suggested that this was vital:

- To ensure that political differences do not derail improvement.
- To enable difficult decisions crucial to improvement to be made (e.g. the decision in Council B to close facilities in the face of strong adverse public opinion, the outsourcing of services in Council C).
- Because improving authorities are likely to be politically volatile and subject to changes in administration. Major discontinuity may occur if a new administration

is not supportive of the direction of change. A number of interviewees commented that, in retrospect, more attention should have been devoted to engaging a wider group of members in the change process rather than recognising their lack of involvement as being a problem part way through the process.

However, all three authorities have experienced a great of political change and the aim of securing member ownership and leadership of change has therefore met with varying degrees of success. In Council B members have played a leading role in improvement planning. They have been involved in improvement in a variety of ways and there has been involvement from all political parties. On the other hand, in Council A, apart from the council leader and a few other leading members, the profile of members in the authority's improvement has been very low. In Council C member leadership of change appears to have been somewhat uneven, as enthusiasts for change have had to contend with divisions within their own political group and other political factors such as elections.

Interviewees drew attention not only to difficulties in securing the active involvement of members in change programmes, but also how their continued resistance to change can detract significantly from the success of improvement initiatives. Member resistance has apparently largely related to their discomfort with new political management arrangements (Council A) but also to political ideology (Council C). Interviewees suggested that this issue could be addressed by extending the availability of mentoring and coaching support for district councils.

(8).The role of support agencies

Interviewees, particularly those from within the case study authorities, raised a number of issues relating external support for improvement. They suggested that:

- Those providing external support need to liaise with each other to avoid tensions between them impacting on improvement and to co-ordinate their activities rather than work in competition because it is time consuming for change managers to manage a series of relationships and different sources of support need to be seen as a package or there may be gaps, duplication and inconsistencies in approach.
- A recovery process is expensive and authorities therefore need to be made aware, in advance, of what they are committing themselves to financially when they commission external support.
- Support agencies position themselves as providing the support as and when it is needed. Sometimes support is needed quite urgently (e.g. the appointment of interim managers or to avoid intervention). Interviewees commented:

“Support agencies and other bodies need to work at the same pace as the authority. They expect instant change and they should also be geared to deliver when they need to”.

And

“Because the support was not available at the right time it placed a lot of pressure on the internal capacity of the council which did not help motivation and morale”

- The availability of short-term support from other local authorities is as important as and sometime more effective than that provided by support agencies.

2. Recommendations for smaller district councils

Many of the points raised by interviewees about managing major programmes of improvement as outlined above appear to have an application across all types of authority. However, it has been possible to draw out from the case study material a number of themes and issues that relate more specifically to recovery and improvement in district councils, particularly smaller ones, with a low performance base. An awareness of these more specific issues may not only help these district councils in responding to Comprehensive Performance Assessment, but also assist support and regulatory agencies in shaping their activities and approaches to support such improvement.

(1). Organisational capacity

The case study authorities cited a wide range of blocks and barriers to progress, but the one that they stressed most was that of the lack of organisational capacity to pursue improvement. There was a strong view that it is difficult for district councils to identify and access the additional resources, in terms of both people and finance, needed to bring about change. A general perception amongst interviewees was that poorly performing district councils are often faced with what appears to be a “catch 22” situation: in order to improve they need to build their capacity, but they lack the capacity to build the capacity that they need. Some interviewees felt that this circle could only be broken by the availability of external funding to finance recovery activities in district councils. They argued that most district councils have capacity gaps, but that at the time of recovery, those capacity gaps become magnified and it is much more paramount that they be addressed. For example, one interviewee commented:

“Bodies such as the Audit Commission need to be much more realistic than they are about the capacity of small district councils to improve. They can’t do it all at once. It is very difficult for them to home grow new talent and they often need to rely on people who haven’t really got the skills to manage change. Improvement is therefore often a much more risky proposition in small distract councils. External funding is vital to these authorities.”

(2).The role of individuals

During the course of the interviews a series of issues were raised about how individuals can influence or can be influenced by recovery in district councils. The main issues were:

- Because major change in smaller authorities tends to rely on just a few individuals there is a risk that they can become too immersed in the change process and its outcomes. They may feel vulnerable when progress is being assessed and close themselves to offers of assistance and support. This may call for greater sensitivity to be exercised by external agencies in their dealings with change managers in district councils.
- Individuals have a greater impact in smaller authorities. They can make improvements very quickly or make things worse. Placing skilled change managers into a district council is therefore very important which again points to the need for creating a pool of highly skilled change managers.
- Talented and skilled people are more likely to leave poorly performing district councils because they are more likely to be affected directly by poor management or leadership. Under-performing district councils are therefore likely to need support in bolstering organisational leadership and supporting key personnel the departures of whom would have a major impact on recovery.

(3). Triggers for improvement

An inward-looking culture is a feature of many of the poorly performing “upper tier” authorities. The case studies illustrate that a lack of understanding of the need for change may be more pronounced amongst district councils. This may be due to the fact that, historically, district councils been less open to external scrutiny (e.g. via the various inspection regimes such as Ofsted and SSI inspections) than unitary, metropolitan and county councils. In all three of the case study authorities, a series of warning signs appear to have had very little impact in terms of stimulating improvement and even though there appeared to be a strong desire for change amongst leading members this was not enough to overcome organisational inertia. It was only when a report was produced by an external body pointing to the need for major change that a turnaround process was initiated.

The conclusion that can be drawn from this is that the existence of external challenge is more crucial for maintaining momentum for improvement in district councils than in other types of council. For example, an interviewee from Council B stated that although servicing the external Improvement Board has been very labour intensive, it had been essential for keeping the authority focused and preventing it from being diverted by day-to-day issues and minor crises. Consequently it will be necessary to ensure that district councils designated as “poor” or “weak” under CPA are provided with an external perspective on their activities, since a lack of internal capacity to be self-critical is unlikely to be resolved quickly and thus will hamper improvement.

APPENDIX ONE

Topic guide for interviews with district council case study authorities

1. Background: Salient points about the authority and its history

2. What were the circumstances/factors that led to problems/failure?

Prompt:

- Was there any recognition that things were going wrong and why?
- Brief chronology of events?

3. How failure was recognised

Prompt:

- What were the main features and symptoms of failure?
- By whom were they recognised and how?
- Any differing perceptions of the need for action?
- Impact on the authority of the recognition of failure?

4. What measures were taken to address failure:

Prompt:

- How was action identified and specified?
- By whom was action taken?
- What was the intended outcome of the action?

5. How was recovery implemented:

Prompt:

- Overall approach taken to recovery planning (project management versus organic)?
- Roles and responsibilities?
- Blocks and barriers to change?
- Internal and external support for recovery?
- Resource requirements?

6. Assessment of progress:

Prompt:

- What worked/didn't work and why?
- How was success /progress monitored and recognised?
- What were the critical success factors?
- Did anything change over time?
- What were the actual versus the intended outcomes?
- What would you do differently if you started all over again?