

# getting better all the time?

an independent assessment of local  
government improvement and  
its future prospects



January 2008

Clive Grace and Steve Martin

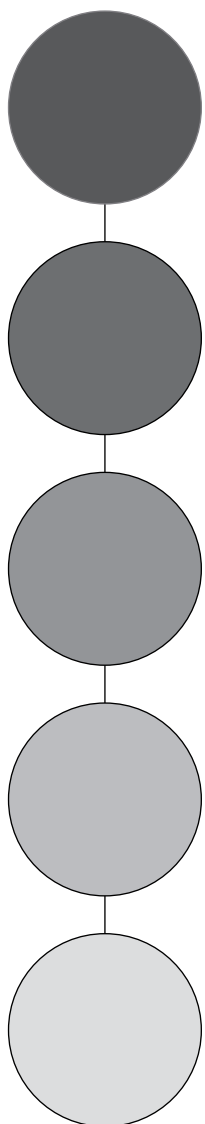
This essay was commissioned by the IDeA. It is designed to help inform and strengthen current discussions about the role which the local government sector will need to play in future as it takes greater responsibility for its own improvement and performance. To this end we have sought to provide a rigorous independent assessment of the experience and impact on performance of the improvement work that has taken place in local government in recent years and of the challenges which lie ahead.

Our thinking has been informed and enriched by discussions with a wide range of stakeholders from within the local government family and beyond.

We are particularly grateful to Lucy de Groot, Paul Roberts and Adrian Barker at the IDeA for their support and input. We also thank all of those who spoke with us and gave generously of their time and insights. A list of interviewees is given in Annex 1 of the full version of this essay available online at **[www.idea.gov.uk/gettingbetter](http://www.idea.gov.uk/gettingbetter)**.

The views expressed in this essay are of course our own and do not necessarily represent those of the IDeA or those whom we have spoken to.

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This is a shortened version of the full essay of the same title which is available on the IDeA website, and which contains extended analysis and evidence, and a list of our interviewees.

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[www.cardiff.ac.uk/carbs/research/centres\\_units/clrgr](http://www.cardiff.ac.uk/carbs/research/centres_units/clrgr)

# fundamental challenges to the approach to improvement

Lucy de Groot

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We have commissioned this essay, a considered independent view of the nature of local government improvement, based on theory and practice, because we are at a critical time of choice for the future of local government.

**'When we call for devolution, nobody should be able to say that councils aren't up to the job. So, we need to move all councils from competence to excellence because public expectations are rising as quickly as we are able to improve.'**

*Sir Simon Milton to LGA Conference, 2007*

**'Over the last 30 years, governments have learned a lot about how to be more efficient, and about how to take customers more seriously. But now they need to learn a new set of skills – how to innovate and serve the public, not only by being competent in the present, but also by being ready for the future.'**

*Geoff Mulgan, 'Ready or Not? Taking innovation in the public sector seriously' April 2007. (p 5)*

Whilst the essay confirms many of the assumptions underlying recent local government reform it also indicates that doing more of the same is not good enough.

There have been significant improvements in the performance of English local authorities, including corporate capacity (eg. good leadership, systems and culture), service delivery, partnership working and finding efficiencies.

However we are now moving to a new place with a different set of challenges:

- public satisfaction, trust and public engagement have not kept up with performance improvement
- resources will be much tighter
- the importance of tackling complex, crosscutting issues has increased
- solutions increasingly require fundamental changes in behaviour from the public as individuals and collectively
- cause and effect in public policy is both complex and contested
- to move on from technical improvement and to meet the new challenges, we need to shift the balance from improvement and incremental change to development, transformation and innovation.

There is widespread agreement amongst stakeholders in both central and local government on this basic analysis and the need for improvement to be increasingly owned and led by the sector itself.

## fundamental challenges to the approach to improvement

What the essay demonstrates is there are some fundamental challenges to the system in terms of making the next steps. Some of these challenges are made explicit in the essay, and some are natural corollaries of it. There are three key areas:

- (a) **government and regulators** are still implicitly working with an old model of improvement, largely based on top down approaches, which is not fit for the new world that local authorities and their partners find themselves in;
- (b) both **central and local government** are struggling to turn the rhetoric of reform into the realities of implementation
  - central government to let go, and
  - local government to take responsibility and move beyond compliance; and
- (c) the **improvement challenges ahead** will require not merely incremental improvement but embedded innovation

These are each now examined in turn, but it is the last area on which this foreword focuses most attention.

## the underlying models of improvement need to change

The essay identifies three ways in which government's underlying model of improvement has not kept up with changing circumstances:

- it does not recognise **'learning from within'** as part of a self improving, holistic system
- it does not provide for the new world of community leadership, place shaping and partnerships and specifically the world of networks based on **shared accountability and mutual trust**
- the role of **councils and local public services as autonomous actors** is not sufficiently recognised and they tend to be treated simply as the front line of a national driven delivery chain.

Even more fundamentally, **'improvement' is a slippery and contested concept**. When the main objective was to deal with clear underperformance or 'failure', a pragmatic assumption of a single measure of performance was adequate. When considering the impact of multiple partners on complex, contested and individual behaviour related outcomes (the famous 'wicked' issues like community safety, health inequalities, community cohesion, climate change), a single measure is not enough. Different sets of outcomes affecting different groups of interests have to be balanced against each other.

We can now **no longer assume**, even if it was ever true, that there is **single unique set of outcomes** on which there will be unanimous agreement within the community. This means there must be room for political and democratic debate, negotiation and compromise, locally and with government.

It is increasingly clear that sustainable improvement **depends on context** (economic, social, historic, cultural, political, including authority and service type), so a single, linear, uniform approach to improvement will no longer do.

There are difficult questions of how shared accountability and reliance on trust, which are implicit in true **partnership** working and **networking** relationships, can be reconciled with the desire for simple assurances on delivery and the integrated 'performance management' of complex, long term social outcomes.

There is a risk that the new chassis of CAA will be built on to the old engine of CPA and that this will not be suitable for the new terrain. The risk is that CAA will be based on the same key assumptions underlying CPA, such as the importance of corporate capacity, leadership and the external stimulus of inspection, rather than developing new, more relevant methodologies. We need an approach geared to the characteristics and drivers for effective partnership working. The role of an external stimulus for partnerships will need to be more subtle and independent challenge from high calibre peers (in the same or other sectors), acting as 'critical friends' is likely to be more effective than formal inspection. Equally, networks require very different ways of working and different relationships of trust and shared risk, from those that dominate what are often hierarchical notions of a 'delivery chain' emanating from 'the centre'.

### turning rhetoric into reality

The essay questions whether devolution to local government is moving far or fast enough or whether 'an unnecessarily over-muscular improvement force from central government' is inhibiting local authorities' improvement actions. Concerns remain about how far the reduction in reporting burdens will be manifested in practice, about the risk of national priorities dominating local ones, and how quickly the habits of managing from Whitehall can be relinquished. As long as government sees itself as providing funding (rather than being a collection mechanism that channels money from local taxpayers to local government) it will tend to require accountability to itself. Without a shift in the constitutional position of local government, it can continue to do so. Interestingly the recent Concordat between the LGA and Central Government implies that the central/local relationship does include finance.

For local government's part, it needs to clearly demonstrate that it has developed a capacity for self-improvement and how the proven power of independent peer challenge can be harnessed in the environment of partnership working.

There is an increasing role for 'agency' – in other words, of political (the defining aspect of local government) as well as managerial and community leaders taking action severally and together. This is not to ignore the power of social factors like structure, systems and culture, but it is to acknowledge the role that key individuals can make to driving improvement at particular moments. Above all it is to recognise that ownership and drive are key elements systemic change.

### local government tackling the challenges ahead

The world that local government faces of the new performance framework, with more sector-led improvement, tighter resources, high and rising public expectation, low levels of trust between the public and local politicians and the expectation of working with diverse communities to make a real difference to outcomes for local people requires:

- a bottom-up, **citizen and customer driven approach**, with serious developments in customer and user focus, public engagement and neighbourhood working
- a greater **commissioning role** – identifying needs and then identifying how to meet them in a variety of different ways, sometime in partnership with others
- greater **innovation** – not just within existing services, structures and systems, but in how to deliver better outcomes and make a real difference
- improvements in how partnership working can deliver outcomes for local people and how politicians (and their political parties) can equip themselves to reclaim the **community leadership** and **place shaping** role.

So first, the essay provides a challenge of how the rhetoric and reality of **user and citizen engagement** can be brought into closer alignment.

Councils need high quality knowledge of their locality – a 'dashboard' of information – to stimulate innovation. This is what the **customer insight protocol** commissioned by the LGA, IDeA and NCC is helping to provide. Similarly, the IDeA's work on understanding how councils, often linking with other agencies, have joined up the **'front office'** to create a single entry point for customers, service users and citizens has shown how use of information can drive service transformation. The **Transforming Neighbourhoods Project** with the Young Foundation has underlined the variety of ways councils across the country, rural and urban, are developing innovative approaches to working with and engaging more openly with diverse local communities.

Public engagement and customer focus are both equally important and interdependent. They need to be seen as part of a virtuous circle with councils and their local partners shaping services closely informed by what matters to people locally. Responding to real participative engagement with local people becomes crucial.

By shifting the perspective from service improvement to innovation and transformation, councils will need to put **commissioning for better outcomes** firmly at the heart of the approach. Using their knowledge of their communities, councils can commission - or create the potential for individuals to commission themselves - what is needed from whoever can provide the best, most appropriate services at best value. Councils become accountable not just for the performance of the services they directly provide, but, through the LSP and associated partnerships, for all the public services and independent effort of that community - the outcomes for the whole population of that community. This whole population focus is why the direct political involvement in setting priorities from commissioning is so vital.

The IDeA has been working with the US academic Mark Friedman on the change for children programme, working with over 75 councils and voluntary organisations to create **the Better Outcomes Programme**, initially for children and young people's services and now extending to adult social care.

The tale of the social care market provides us with some powerful lessons on the importance of **community leadership and strategic commissioning** in creating responsive services. Without a strategic and integrated approach that agrees outcomes for the population and factors in the contribution of parents, carers, community activity and service providers, the prospects for adult social care and housing support, for example, are bleak. It is unreasonable, too, to hold these services solely to account for the failure to improve outcomes for the whole population.

We need to learn, as individual LAs and as a sector how to move beyond competence and learn to **innovate** more and better, both for service delivery and delivering outcomes. We have learned a lot in recent years about the drivers of innovation and the conditions which support it. We understand that innovation in the public sector is about improvements in process, democracy and outcomes as well as products and services. We know what drives innovation: ambition, a focus on users and citizens and the need to thrive and survive. The conditions which support innovation include creating opportunities, within individual organisations, in partnerships and with service users and providing freedom and support to innovate. To turn ideas into reality requires good risk management, piloting of approaches and skill in scaling them up.

There is a final, critical stage, in the sharing of innovation. Local government and local public services have a great advantage over the private sector, in being in much the same business as each other, but not in competition. We don't need to hide our good ideas and prevent the competition getting hold of them. We know that a culture of giving and sharing reaps benefits for all in the long run.

However, the translation of complex and often tacit knowledge into other circumstances is not as straightforward as it may sound and our approaches to doing that is an area which itself requires further innovation. The IDeA and other improvement support bodies need to build on the success of peer review to consolidate and develop approaches that exploit real-time peer-to-peer learning and improvement.

As a sector, we can enhance the quantity and quality of innovation in several ways. We can work to improve the conditions for innovation, both nationally and locally. We can support specific work on innovation and we have plans to develop an approach to that, an **'innovation incubator'** at national level. There is scope for similar initiatives to be established more locally, regionally and sub-regionally, perhaps with smaller groups of councils working co-operatively with each other. Thirdly, working with partners, service users and citizens can release untapped stores of creativity. **User-led innovation** has the potential to draw on those with the knowledge and personal interests to power real improvement.

**Community leadership and place shaping** requires councils that develop a vision for their place based on outcomes for people. That vision needs to be rooted in a real understanding of the people and places represented by that council. It should be thoroughly rooted in reality – in the needs and expectations of people locally, and the opportunities that can be created for them. The challenge for councils is to develop that vision to tell the story of their place and describe it in the sustainable community strategy in a way that people can relate to and which can also shape public service reform. This is making **community well being** a reality.

While councils have been developing their place shaping role over recent years, there is still a challenge to engage members more and to develop skills to undertake the required role and responsibilities. The 2006 survey of LSPs found that while 88 per cent of LSPs see executive members as 'key LSP members' or 'very involved', only 23 per cent saw non-executive members in those roles. Overall, 53 per cent of LSPs thought that councillors were 'good' in terms of the skills and experience they bring to the LSP with 35 per cent 'moderate' and 11 per cent 'limited'.

The recently published **Councillors Commission** also analyses the very real challenges of credibility and trust for local democratic representatives in the 21st century. What is needed are visionary political leaders with the skills of influencing and networking. They need to understand local needs and priorities and stimulate informed debate with local people about the future of the area.

## challenges to central and local government

**This analysis generates significant challenges** to be addressed by government, improvement bodies and local authorities.

### government and regulators

- are you prepared to define the areas of local autonomy and within that let localities deal with their own problems?
- are you prepared to see local authorities as autonomous agents and not just links in a delivery chain?
- are you prepared to leave room for the messy business of local politics, allowing localities to make mistakes, and learn from them, without always assuming responsibility?
- can the regulatory regime be redesigned to provide for improvement from within and shared accountability through partnerships?
- are you prepared to release local agencies from their vertical silos, dependent on parent government departments, to enable them to engage in genuine partnerships locally?
- are you prepared to accept the challenge that there can be no escape from the centralism in this country, (extreme by international standards), without a fundamental shift from the financial and constitutionally dependent status of local government on central government and to build on the principles agreed in the **Central-Local Concordat** agreed on 12 December 2007, to make this happen?

### improvement bodies – national and sub-national

- are you fully equipped to help the sector take a greater role in shaping policy rather than responding to government?
- are you prepared to support improvement in new ways – making best use of robust peer support, setting high standards and helping the sector to help itself?

- are you able to learn from the practical experience of improvement to develop a more nuanced approach which recognises and is sensitive to the importance of different approaches in different contexts – for different services, authority types, improvement histories, social and economic conditions, etc.?
- how far are you able to **co-ordinate your support to local** partners (health, police, local government, voluntary sector, etc.) to improve your own and partners' efficiency and effectiveness?

### local authorities and the local government sector

- can local authorities, and the sector as a whole, demonstrate that authorities have developed a capacity for self-improvement and that external stimulus is no longer required?
- do you want sector control or individual authority control?
- have you the self-confidence to grasp the agenda?
- are you, the local government family, prepared to take the initiative and not wait for Whitehall to continually develop new initiatives and performance frameworks? Are you willing and able to proactively shape the terms of the debate and propose solutions grounded in evidence and analysis?
- Are you willing to focus on the needs and views of citizens, users and consumers and not remain locked into internal debates?

If all parties can rise to the challenge, the prizes are enormous. It leads to a vision where improvement comes not just from within individual authorities but from localities (local agencies and local people). Localities are not judged and held accountable for 'performance' against targets, but set themselves challenging aspirations to achieve jointly, and are **rewarded by the extent of the well-being** they are able to achieve. That is built on local political debate between partners and with the public. It leads to vibrant localities with healthier, happier, more cohesive and more sustainable communities.

These are not easy questions with simple answers. A thoughtful and intelligent debate is needed to take the thinking forward. We think this essay can spark and energise that debate. And now is the time to have it.

# getting better all the time?

## an independent assessment of local government improvement and its future prospects

Clive Grace and Steve Martin

### improvement to date

1. The last decade has seen significant improvements in the performance of English local authorities in terms of: corporate capacity; the quality and responsiveness of some key services; and the ability to work in partnership with other agencies. Local government has also delivered significant efficiency gains, and there is evidence of an increase in public satisfaction with many services.
2. These improvements have been the result of:
  - a determined effort by central government to drive change and improvement, coupled with significant increases in funding, as part of an overall strategy for public services reform;
  - a combination of support, advocacy and assessment provided by national bodies, including in particular the LGA/ IDeA, the Audit Commission and other local inspectorates;
  - an increasing willingness and capacity within individual local authorities to take responsibility for their own improvement; and,
  - a stronger focus on users' needs.
3. But local government will need to tackle major challenges in the years ahead. Whilst many services have got better, public satisfaction with councils' overall performance has declined and turnout in local elections remains dangerously low. Moreover, the context within which authorities operate is changing:
  - public expectations are rising;
  - resources are tighter; and
  - partnership working, place shaping and tackling 'cross cutting' issues are all becoming increasingly important.Meeting these challenges calls for a shift of emphasis – away from a reliance on technical improvements achieved through incremental changes and towards transformational change through innovation.
4. The underlying models of improvement that have informed policy for the last decade are not fit for these new realities. Central government will have to let go and local government must move beyond a compliance mentality. Change will mean re-thinking what is meant by 'improvement', and the development of a more sophisticated understanding of what is likely to facilitate improvement in different service settings and in authorities which are at very different points in the improvement journey.

## the new performance framework

5. There is a continuing need for external stimuli to encourage improvement, and as a safeguard against slipping back. But the government's implicit model of improvement has not kept pace with the changed circumstances and new challenges. The underlying theory of improvement of Comprehensive Area Assessment is modelled closely on the CPA, extending ideas about corporate capacity and leadership to a wider network of partners and to an area wide basis. But that is not enough. It is necessary to think through whether, and if so how, that theory of improvement can be translated into the new environment. In particular it is not clear how these concepts can be adapted to cope with the more complex and contested definitions of improvement and the much less clear cut lines of accountabilities and leadership that will exist among partnerships operating on an area basis.
6. It fails to reflect the realities of improvement in a new world which will put a premium on innovation, and where place shaping, partnerships and networks will create new challenges of shared accountability. Nor does it take sufficient account of the improvements that have been achieved to date. Local public service providers need to be seen as independent actors capable of making a bigger contribution to the new improvement equation rather than as the front end of a centrally driven 'delivery chain'. It is not yet clear whether CAA will in practice give sufficient weight to 'learning from within' as an increasingly significant part of a 'self-improving' system.
7. All aspects of 'improvement' should be genuinely driven by citizen and user needs and by local political and policy choice, supported by a willingness to commission even-handedly from the voluntary and private sectors as well as from within where appropriate. The extent to which authorities embrace this will determine the extent to which the direct 'burden' of regulation on local authorities can be lifted.
8. Local authorities need to work through the implications of being given the less 'top down' performance framework that they have argued for. In particular they will need to face up to the liabilities that come with the community leadership role. They may well for example find that the buck now stops with them for risk assessments which depend on the actions and capacity of a wide range of partners. The spectre of 'responsibility without power' may be about to raise its head to a much greater degree than hitherto. But if it is to provide community leadership local government must meet that challenge.

9. For its part the Audit Commission and its sister inspectorates need to show that they really do have a theory of improvement and the skills and capacity to judge the effectiveness of partnership working and the quality of outcomes in an area, and engage with innovation and the very different cultures and kinds of leadership which it calls for.
10. Communities and Local Government will need to unpack the combination of command and control, market mechanisms, and networks and trust set out in the 2006 Local Government White Paper to show how these provide a coherent and realistic strategy for future improvement at local level.

### improvement, innovation and peer learning

11. New approaches are now needed to encourage improvement partly because there is likely to be less of a consensus about what constitutes 'improvement'. There is a need for a much greater emphasis on innovation rather than incremental improvement. But innovation is, if anything, an even more slippery concept than improvement, and current policy is not informed by rigorous thinking about what forms of innovation are needed and what conditions are most likely to encourage it.
12. Self improvement, peer learning, and organisational development will all have a much greater role in performance improvement in future. They may even become the quintessential keys to future improvement. But at present we lack a coherent theory of improvement or innovation to underpin them.

### politicians and managers

13. Local politicians have become more involved in the improvement agenda, and place shaping should be even more natural territory for them. But it will create new challenges – many of which are of an 'adaptive' rather than technical kind. In particular elected members will increasingly need to be able to cast and communicate a clear vision and to influence and inspire partners to work towards it.
14. In principle at least, the explicit acknowledgment of local government's place shaping and community leadership role could represent local politicians' finest hour since the heyday of Victorian municipal leadership. But many local politicians are not yet equipped to make the most of this opportunity. Whether they have sufficient support and whether they enjoy sufficient autonomy, particularly over finance, effectively to shape localities remains an open question. The political parties have a critical role to play in setting the agenda and raising the standards, but the local government family as a whole also needs to provide peer support and learning.

15. The place shaping agenda also poses new challenges for senior officers. They and elected members will need to rethink their community leadership roles - both for themselves and in relation to each other. Neither will be able to rely as readily on their core, statutory responsibilities as they have in the past. Both will have to call on networking and influencing skills to a much greater degree. The professional bodies should take a lead in thinking through the issues and supporting managers in the change and development needed both for individuals and in terms of professional training.

### citizens and users

16. There is widespread agreement about the importance of customer and citizen led improvement. Many authorities have made major improvements in customer service attitudes and standards and scored real successes in engaging and empowering service users. However there is often still a gulf between the reality and the rhetoric of engagement with citizens and users. The scope for public participation and for co-production of services is indeed considerable, but it varies between services and communities.

17. Bringing the reality and rhetoric into closer alignment will require greater effort and willingness by local government to make the journey from managerial producer and sponsor of services and partnership to champion of consumers and citizens and of the

outcomes they want from whoever provides those services. It will also require councils to make a much more rigorous and realistic appraisal of where and how customers, citizens and communities can genuinely add value and of how best to engage different groups. In some services there is no obvious end user with whom to consult, and some citizens wish to be kept informed but have no desire to become involved in designing or monitoring services or formulating policies.

18. Equally, public satisfaction is an imperfect – albeit very important – measure of performance because it is a function of expectations which are often too low and usually dependant on partial information. There is a need for a much wider range of ways of judging whether services really are citizen and customer focused and are meeting local needs. These will have to take account of the varying perspectives and priorities of different communities, including for example the often contrasting perspectives of service users and tax payers including local businesses, as well as ethnic community interests and potential community fractures, and the needs of the poor and excluded.

## workforce development

19. The need for more fundamental development and innovation has important implications for the local government workforce and its development. The government has rightly emphasised the centrality of political and managerial leadership and the need to design services around needs of users rather than producers. But significant sections of the local government workforce who are operating on the 'frontline' have felt embattled and undervalued. Such staff are vital to effective service delivery. Highly motivated and skilled workforces who are passionate and engaged about optimising customer service and user benefit are a hallmark of high performing organisations. To date capacity building in terms of workforce development has barely scratched the surface. There will need to be much more investment in training and developing the local workforce if transformational changes are really to be achieved.

## the role of the local government sector

20. There is a sector wide development agenda which lies beyond 'improvement'. In recent years central government and the inspectorates have largely set the targets for local government to achieve. The role of the national capacity building agencies such as the IDeA has been to support local authorities in reaching these standards. The local government sector could take much more responsibility for setting standards and reviewing progress against them, going well beyond IDeA's ground breaking work in Peer Review through the Local Government Improvement Programme. But it needs to be clearer about how far it wants to take on this responsibility and how the risks associated with such an approach can be managed, particularly for the most vulnerable groups in society.
21. The sector and in particular the LGA, IDeA and Leadership Centre for Local Government (LCLG) also need to think through the implications of the new challenges for current models of development, learning and support. On the one hand their roles could be to assemble and disseminate knowledge. Alternatively (or maybe in addition) they could play an enhanced role in brokering relationships between authorities and between individuals who can learn from each other. In either case there is a need to work out which are the most appropriate models in different circumstances, how to resource them and how to monitor success.

22. There is also a need to determine which forms of support are best provided at what level, including what capacity is needed within localities, what support is best provided at regional level and what should be orchestrated nationally. The IDeA and others will need to develop new materials and instruments to help localities (as opposed to local authorities) to improve. This implies a need to rethink how they work with support and improvement bodies in other sectors.

### scenarios

23. The future course and character of local government improvement will depend on the extent to which the sector is willing to shape that future through its own actions and its interactions with other key actors, and how far the centre is willing to act consciously and creatively to help create the conditions for that to happen. There are multiple possible scenarios, but the extreme and contrasting scenarios seem to us to be:

### on the one hand:

- there will be a differential and self consciously greater role for the local government family/sector itself in relation to the other key actors as a major part of a 'whole system' approach...
- ...with central government actively seeking to support that greater role...
- ....maximising local government's responsibility for improvement....
- ...leading debate on key terms/ directions...
- ...addressing not only improvement but also wider matters of development and of innovation...
- ...connecting the new context (of improved authorities) with the greater need for innovation (once basic performance is assured) and the associated learning/action imperative (and its central reliance on peer and partner methods as a way to improve)...
- ...built around real issues (housing, health, economy, cohesion) important to individuals and to communities both as services and as place shapers...
- ...with a strong and differentiated focus on customer service, customer and user service design, and citizen engagement....
- ...aiming for transformational changes calling for political vision, capacity and leadership, shifting and enriching the managerial/political leadership balance as more complex and value laden issues come to the fore...

- ...and striking also the balance between internally self-actualised and externally validated and stimulated change and improvement.

**and on the other:**

- Government and regulation continue in practice to lead the improvement debate ..
- ...and set the terms and benchmarks of future improvement ...
- ...conducting debate through the policy instruments which optimise their own leverage and leadership ...
- ...giving primacy to a limited idea of improvement ...
- ...and maintaining current theories and ideas of improvement and their associated ideas about motivation and intervention, albeit applying them to an area basis into a wider group of partners ...
- ...with national priorities paramount and without the imagination and capacities at local level to give effect properly to place shaping and to service innovation and transformation ...

- ...with a continuing triumph of rhetoric over reality in matters relating to customer and citizen engagement ...
- ...and relative indifference to the potential of local political leadership to deliver against a new agenda and to help shape that agenda ...
- ... demonstrating a revealed preference for a dependent local government sector through an over reliance on external validation and judgment.

We know which we prefer.

This essay has been prepared for the IDeA. It provides an independent assessment of the recent experience of local government improvement and the issues that we believe will need to be addressed as the sector moves into the next phase of its improvement journey.

Our assessment is based on analysis of evidence from published and unpublished reports, academic research and the policy literature, plus interviews with leading members of the LGA, local authority chief executives, council leaders, local government researchers, senior representatives of the inspectorates and other opinion formers inside government and beyond.

There is clear evidence that the last decade has seen improvements in the performance of English local authorities in terms of corporate capacity; service delivery; and partnership working with other agencies. These improvements have been the result of:

- a determined effort by central government to drive change and improvement, coupled with significant increases in funding, as part of an overall strategy for public services reform;
- a combination of support, advocacy and assessment provided by national bodies, including in particular the LGA/IDeA, the Audit Commission and other local inspectorates;
- an increasing willingness and capacity within individual local authorities to take responsibility for their own improvement; and
- a stronger focus on users' needs.

But we believe that the sector has now reached a decisive moment which is heralded by a series of important developments including:

- the Lyons Review set out a vision of local authorities with greater autonomy in order to be able to play a key role in 'place shaping'.
- the 2006 Local Government White Paper has led to significant changes in the national performance framework with fewer performance targets and less centrally driven prescription and inspection.
- the CSR 2007 confirmed that over the next three years the financial climate will be much tougher for authorities.
- plans for Comprehensive Area Assessments suggest a shift away from a focus on corporate capacity at the organisational level to a much wider concern with community leadership and partnership working.
- the LGA's Prospectus potentially re-positions it (and the wider local government family) to respond to the new expectations being put on it and the new opportunities this offers.

These raise important new questions – for central government, the inspectorates, individual authorities and the local government sector as a whole:

- will local government really be able to deliver the ambitions associated with the new national performance framework?
- how can councils deliver sustained performance improvement in a less favourable financial climate?
- will they continue to need external challenge and support in order to improve, and will central government feel able to trust and to let go?
- will the proposed CAA framework provide a robust basis on which to evaluate the effectiveness with which councils are working with other agencies to deliver improved outcomes?
- is the sector now able to take greater responsibility for its own performance and continued improvement, and if so what forms should self-regulation take, what are the risks, and how will these be managed?

This essay brings together evidence about the extent of and influences on improvement and highlights the challenges which lie ahead. In the next section we set out the story so far. We briefly outline the policies through which local and central government have sought to promote improvements and the impacts that they have had. Then we explain the ideas and theories of improvement which have been behind the Government's strategy for public services reform.

In the final section we set out what we see as some of the key themes and topics that current discussions need to focus on. We highlight nine issues including the:

- meaning of improvement;
- importance of context;
- conditions for innovation;
- new performance framework;
- future of local political leadership;
- relationship between authorities and citizens, communities and service users;
- local government workforce;
- peer and partner approaches to learning; and
- development of the sector as a whole.

**the policy context** – The last decade has witnessed an unprecedented attempt to transform the politics and performance of English local government. The Government has consistently emphasised the need for improvement in local government and public services more generally and has instigated a plethora of new policies designed to produce significant changes in the governance of communities and delivery of local services.

There are a number of important strands to recent policies:

- **delivery of major services** – local government in Great Britain is responsible for major services such as education and social care which in many other countries would be delivered nationally or regionally. The result is that ministers and their departments have a legitimate and often intense interest in the performance of local authorities, and strong incentives to want to maintain high levels of surveillance. The breadth of local services delivered by councils means that there are also a multitude of national government interests with a stake in their performance and this complicates central–local relations.
- **centralism** – viewed from an international perspective, the UK (and especially England) is an extreme case of top down control of local government performance and spending. Local government is in a weaker position constitutionally than sub-national governments in many other western democracies.
- **increasing diversity within the UK** – devolution in Scotland, Northern Ireland and Wales has led to increasing divergence in local government policies particularly national performance regimes.<sup>1</sup> But although Government Offices in England have taken an increasing role in the implementation of Government policies, there is very little scope for divergence in policy formulation between English regions.

- **resources** – there have been significant injections of additional resources, but by international standards local authorities in England have very little discretion over their overall levels of spending or how they distribute resources between services.
- **policy** – local government has had to absorb and deliver a prodigious range of new policies in the last decade. Some in local government have relished the challenge but others have at times appeared punch drunk.
- **capacity building** – throughout the period there has been significant growth and development of budgets and new instruments to support capacity building in local government - both at national level and through interventions in individual authorities.
- **local politics** – the relationship between improvement and local politics has remained ambiguous. The mayoral experiment has remained just that, and with mixed outcomes. The move to political executives has sharpened accountability but the lack of a clear role for overview and scrutiny has often left non executives feeling ‘disenfranchised’. The relationship between community leadership and political leadership continues to be underdeveloped and fragmented, and in two tier areas it is often strained.

<sup>1</sup> J. Downe et al. (2007) *Comparing for Improvement: local government performance regimes in England, Scotland and Wales*, (Solace Foundation Imprint: London).

<sup>2</sup> H. Davis, J. Downe and S.J. Martin (2004) *The changing role of Audit Commission inspection of local government*, (Joseph Rowntree Foundation: York).

<sup>3</sup> H. Sullivan and G. Gillanders (2006) 'Stretched to the limit? The impact of Local Public Service Agreements on service improvement and central-local relations' in *Public Service Improvement: policies, progress and prospects*, S.J. Martin (Ed), (Routledge: Abingdon).

<sup>4</sup> ODPM (2005) *Inspection Reform: the future of local services inspection*, (ODPM: London).

The centralism which has been at the heart of many Government policies over recent years is reflected in national performance frameworks and funding regimes. Local fiscal autonomy has been constrained and the really fundamental questions about the balance of funding and forms of local taxation have been ducked, first by the ministerial review of the balance of funding and then by the Lyons Review.

For most of the last five years the Government has placed much less emphasis on choice and competition as drivers of improvement in local government than in other public services, particularly education and health. But in common with other sectors there has been a marked increase in the scale and scope of external inspection, albeit that this has begun to be scaled back.<sup>2</sup>

The Best Value performance management framework was more prescriptive than many had anticipated and the Comprehensive Performance Assessment (CPA) imposed a particular theory of improvement centred on effective leadership and performance management. In theory the introduction of Local Public Service Partnership Agreements (LPSAs) offered new opportunities for authorities to gain exemptions from central government restrictions and requirements, but in practice very few such requests were sought or granted.<sup>3</sup>

The ambiguity of the relationship between local politics and the improvement agenda is evident in a range of policies. The attempt to streamline decision making processes and enhance democratic accountability by separating executive and scrutiny functions

is often seen at local level as unconnected to the improvement agenda. And the orchestration of community strategies to address issues such as crime and disorder, regeneration, health and well being has proved difficult because they have cut across the largely 'silo' based performance regimes within which the police, primary care trusts, housing associations and other local service providers still operate.

The publication in 2005 of the Government's ten-year strategy for local government marked the opening of a new phase of reform which is seeking to address some of these difficulties and dysfunctions. It argued that there was a need for a new national performance framework in which users and neighbourhoods had greater control over services. At the same time the Audit Commission was advocating a more 'strategic' approach to regulation, and the Government issued a consultation document proposing the merger of a wide range of inspectorates into four agencies to provide a more integrated approach to external inspection of local services.<sup>4</sup>

The 2006 Local Government White paper and the 2007 Local Government and Public Involvement in Health Act have carried forward and added to these proposals. And with the support of the Government, the Audit Commission and the IDeA have worked together to develop a performance framework with less emphasis on top down inspection and a greater role for self-regulation by the sector. Many of the themes and topics for debate which we highlight in the final section relate to continuing efforts to deliver on these ambitions.

## the improvement journey to date

There is clear evidence of improvement in the performance of English local authorities in terms of their corporate capacity, service delivery and partnership working with other agencies.

Since CPA was introduced in 2002 there has been a steady increase in the numbers of councils whose performance the Audit Commission has judged to be in the top two categories. The introduction of the 'harder test' means that it is not possible to compare post-2005 scores with those for 2002 to 2004. But scores for single tier and county councils in 2005 and 2006 show that overall performance has continued to improve even when judged by the new, more exacting judgement criteria. By 2006 more than three quarters (78 per cent) of authorities achieved 3 or 4 star rating and for the first time since CPA began in 2002, no authorities were placed in the lowest CPA category. Moreover, more than three quarters were judged to be improving 'strongly' (9 per cent) or 'well' (68 per cent).<sup>5</sup>

The direction of travel among districts has also been encouraging. In 2003/04 the Audit Commission judged that there were 114 'good' or 'excellent' districts compared to just 38 whose performance was categorised as 'poor' or 'weak'. Districts have not been reassessed as frequently as upper tier and unitary authorities, but 14 of the 15 which have been reassessed since 2004 have improved their overall CPA score.

The rates of improvement have varied between different types of council. Between 2002 and

2004 county councils consistently achieved the highest scores. More than 80 per cent were judged to be 'good' or 'excellent' in 2004. Two-thirds of all unitary councils were also in the top two categories. In 2006 London boroughs achieved the highest overall ratings, closely followed by county councils. London Boroughs were also judged to be the best performers in terms of direction of travel in 2006. 90 per cent were in the top two categories. Two thirds (65 per cent) of counties were rated as 3 or 4 star, as were 62 per cent of metropolitan councils and 59 per cent of unitary authorities.

In 2005 the Audit Commission introduced annual assessments of how well councils manage and use their financial resources. Overall there were marked improvements between 2005 and 2006. Almost a third of upper tier and unitary councils achieved a higher score in 2006 than in 2005 and just two authorities were judged to be using resources less effectively than in the previous year.<sup>6</sup> Districts also made considerable improvements - 28 per cent achieved a higher score in 2006 than 2005.<sup>7</sup> The number of upper tier and unitary authorities failing to meet minimum requirements in terms of use of resources fell from 3 to zero and the number of districts decreased from 17 to 6.

The rate of improvement in CPA scores has varied between services and over time. Between 2002 and 2003 large numbers of councils improved CPA scores for benefits administration, education, social services and housing. Libraries and leisure remained more static and overall scores for environment services declined. In 2004 there were

<sup>5</sup> Audit Commission (2007) Comprehensive Performance Assessment: The Harder Test – Scores and analysis of performance in single tier and county councils 2006 (London: Audit Commission)

<sup>6</sup> Audit Commission (2007) Summary of single tier and county council use of resources scores 2006 (Audit Commission: London)

<sup>7</sup> Audit Commission (2007) Summary of district council use of resources scores 2006 (Audit Commission: London)

<sup>8</sup> The 2006/07 survey covered all 387 local authorities and gave a sample of 210,000 respondents nationally. Results are weighted by age, gender and ethnicity.

<sup>9</sup> Some of the decline is due to some councils switching from face-to-face to postal surveys which are known to produce lower levels of reported satisfaction.

<sup>10</sup> Ipsos MORI (2007) *Frontiers of performance in local government IV: place shapers or shaped by place?* (London: Ipsos MORI).

<sup>11</sup> Research on performance in the private and public sectors often uses the perceptions of senior managers because they are close to services and therefore well placed to know what has changed and why. Unlike most other surveys which rely on one respondents from each organisation (often chief executive officers), the Cardiff research draws on a large sample of senior managers – see R.M. Walker and G. Enticott (2004) 'Using Multiple Informants in Public Administration: Revisiting the Managerial Values and Actions Debate' *Journal of Public Administration Research and Theory* 14 pp. 417-434

<sup>12</sup> L. Rashman and J. Hartley (2007) *National Survey of English Local Authorities 2006 Long-term Evaluation of the Beacon Council* (CLG: London).

widespread improvements in CPA scores for all services except benefits.

Between 2005 and 2006 large numbers of single tier and county councils were judged to have improved the performance of their environment services. In 2006 84 per cent were judged to be providing 3 or 4 star services, compared to just 52 per cent in 2005. The numbers of councils judged to have 3 or 4 star children's services, adult social care and housing also increased. The numbers with top rated performance in benefits declined slightly, and there was a considerable decrease in the numbers with 3 or 4 star culture services – just 55 per cent compared to 68 per cent in 2005.

Analysis of a sample of 36 national indicators which CLG has used to track the overall performance of local government services shows an overall improvement of 21.9 per cent between 2000/01 and 2005/06. The largest improvements were in indicators relating to waste and culture services and in general upper tier authorities that were rated lowest in the CPA have improved more rapidly than those in higher CPA categories, which suggests that local government has succeeded in turning round some of the poorest performing services.

According to the BVPI General User Satisfaction Survey<sup>8</sup>, in 2006/07 54 per cent of respondents were satisfied with the overall performance of their local council.<sup>9</sup> Districts have recorded the highest levels of satisfaction with overall performance throughout the seven year period covered by the survey. Satisfaction with both districts and counties declined sharply between 2000/01 and 2003/04. Over the following

three years satisfaction with districts remained constant. Satisfaction with counties continued to decline but if those which changed survey method are excluded the levels of satisfaction remained unchanged<sup>10</sup>. As with CPA scores, there are marked variations between services and different types of authorities.

The improvement in performance indicated by inspection reports and performance indicators has not been reflected in increased public confidence in local government or in improved levels of electoral participation. Voter turnout has remained lower than in most other European countries and is particularly low among younger people.

Recent surveys of local authority officers show that they believe that their authorities and services have been improving. The results are subject to the obvious and important caveat that they reflect officers' views rather than independent judgements of performance but monitoring research suggests that their perceptions are fairly accurate<sup>11</sup>. A recent survey of senior managers found that a large majority believed that their authority's performance had improved in recent years<sup>12</sup>, although a survey of frontline staff showed that they believed that their councils were not good at seizing opportunities to innovate and improve<sup>13</sup>.

A research team at Cardiff University has undertaken comprehensive surveys of more than 1,500 senior local authority officers in 2001, 2002, 2003, 2004 and 2006<sup>14</sup>. These also show that officers believe that most services have improved, but that there has been little change in value for money and a significant decline in user satisfaction.

## drivers of improvement

Research on the determinants of the performance of local public services has highlighted the importance of the age structure, deprivation levels and ethnic diversity of the areas which authorities serve<sup>15</sup>. But there is also evidence that organisational culture, structures and processes matter. Respondents to the annual Cardiff surveys have reported improvements in many organisational attributes including the:

- effectiveness of leadership by officers and elected members;
- emphasis on improvement;
- investment of additional resources in services;
- robustness of local performance management systems;
- consultation with users and the public at large; and
- willingness to work in partnership with other agencies.

Some of these changes are seen as home grown, but central government policies, user demands, inspection and new technology have also been important factors. Surveys and in-depth case studies point to the importance of CPA in particular in encouraging authorities to tackle underperformance<sup>16</sup>.

## evidence from social care

The evidence from adult social care gives a 'rich' picture of improvement combined with published scores against a formal assessment framework. The overall trend is of consistent improvement with the number of one star councils reducing from 96 to 28 between 2002 and 2007, and corresponding increases in the number of two star councils (35 to 74) and three star councils (15 to 48). These improvements were associated with substantial, consistent increases in expenditure, but the rate of improvement slowed over the period with a substantial minority of services still unable to meet a wide range of standards. Also significantly, eligibility criteria were tightened, making the thresholds for accessing services high. In 2005/06 the threshold for care-managed services was set at 'substantial', and a number of councils were expected to raise their thresholds again in 2006/07. So the overall picture was of better services for the narrower range of people able to access them.

Adult social care provides very important evidence about the extent to which improvement in services is likely to be self sustaining, because the overall figures for improvement from 2005 to 2006 are the net result of just 25 councils improving their star rating and 16 falling in their star rating i.e. more than 10 per cent slipped back. The position was similar in the following year, with 24 improving and 15 slipping back.

Moreover, councils' capacity to improve stayed virtually the same from 2005 to 2006. Whilst 23 councils achieved a higher

<sup>13</sup> K. Morrell and J. Hartley (2007) *The Role of Frontline Staff in Service Innovation and Improvement Local Authorities and their Engagement in the Beacon Scheme* (CLG: London).

<sup>14</sup> The questionnaire was sent to the chief executives, heads of policy and performance, directors of finance and heads of democratic services and senior managers from education, social services, environment, culture, benefits, housing and planning in a stratified sample of 100 councils in England.

<sup>15</sup> R. Andrews et al. (2005) 'External constraints on local service standards: the case of Comprehensive Performance Assessment in English local government' *Public Administration*, 83 (3) pp. 639-656.

<sup>16</sup> J. Downe and S.J. Martin (2006) 'Joined up policy in practice? The coherence and impacts of the local government modernisation agenda', *Local Government Studies* 32 (4).

<sup>17</sup> CSCI (2007) Performance ratings for adult social services in England 2007 (CSCI: London).

<sup>18</sup> HC1002, (London: The Stationery Office).

<sup>19</sup> CSCI (2007) Children's services: CSCI Findings 2004 to 2007, (Commission for Social Care Inspection: London) p11.

capacity judgment in 2006, 20 received a lower judgment. The scale of these two way changes, coupled with the considerable variation in the performance standards achieved between councils - even those of similar type and with similar economic and demographic pressures, points to the importance of continued external challenge in social care and other services which have a particular impact on vulnerable people<sup>17</sup>.

The evidence from children's services points in exactly the same direction - generally good standards and continuing improvement, but significant areas of concern; a need to focus and target external assessment in order to drive up standards in many places; and with the overall improvement picture masking a combination of positive improvement in a significant number of councils and also deterioration in others. The Annual Report of Her Majesty's Chief Inspector of education, children's services and skills 2006/7<sup>18</sup> reported on 102 annual performance assessments of councils which showed that whilst 16 children's services were judged to be better than the previous year, 7 were judged to be weaker. As with adult social care services, the evidence suggests that it is possible for services to slip back.

A review by CSCI suggests that the councils that succeed exhibit the importance of effective political leadership, senior managers with a strong vision for children and young people, and effective leadership throughout the organisation. This highlights the dominance of the view that corporate capacity and leadership (in this instance within a service) is critical to high-performance<sup>19</sup>.

Debate about future policy and performance frameworks needs to be informed by an understanding of the key ideas that have informed and underpinned the approaches taken by central government and other key players over the last ten years.

These ideas (or theories of improvement) have not been set in stone. Competing theories are for example being played out in the continuing struggle of ideas about the place which markets do or should play in improving public services, and the practical implications of these debates was seen in the shift away from some of the tenets of New Public Management embodied in CCT in favour of new theories which underpinned the Best Value regime. In this section we focus on those ideas that have played a major part in shaping thinking and action about local government improvement over the last decade and in particular theories about:

- corporate capacity and leadership;
- politics and peers;
- users and professionals;
- context and diversity;
- public services policy theory and the government's current agenda for local government; and
- forces of improvement.

### corporate capacity and leadership

The last five years of local government improvement have been dominated by an emphasis on corporate leadership and capacity. This has been central to the IDeA's peer review methodology and to CPA and other inspection frameworks. The theory holds that it is highly unlikely that services can improve over the medium to long term in the absence of effective corporate leadership and capacity and, conversely, that with good corporate leadership bad services will eventually be found out and corrected. The current importance of this theory of improvement is difficult to overstate. CPA is credited with having a major impact on local government improvement by national and local politicians and managers, as well as by the Audit Commission as the steward of the method. The theory has also had a major influence on the thinking of the IDeA, as the principal national agency for giving improvement support to local authorities in England<sup>20</sup>. And it lies at the heart of Departmental Capability Reviews in central government.

The other key feature of CPA, the publication of star ratings, derives from a theory of motivation which judged that local politicians and managers would strive to improve their organisation's scores, and that scores may improve accountability to citizens through the media and even the ballot box as councils were punished or rewarded for the scores they were given. CPA is also linked to a theory of intervention, and the idea that a very low CPA score should be associated with direct involvement by government and other external agencies to bring about change.

<sup>20</sup> IDeA (2004) What makes for improvement?, (IDeALGA: London)

<sup>21</sup> R. Heifetz (1994) *Leadership without Easy Answers*, (Cambridge, Harvard).

<sup>22</sup> See for example W. Thomson (Ed) 2007 *Local leadership for global times* (Solace Foundation Imprint, London).

<sup>23</sup> S.P. Jones (2006) 'Five faults and a submission: the case for the Local Government Improvement Programme', in *Public Service Improvement: policies, progress and prospects*, S.J. Martin (Ed), (Routledge: Abingdon).

<sup>24</sup> T. Wren (2004) *Evaluation of a Multi-National Peer Review Process for Progressing Sustainability in European Cities*, (Newcastle University: Newcastle).

## politicians and peers

On the face of it local political decisions are likely to be increasingly significant as local authorities move towards 'place shaping' and take on a more explicit role as 'community leaders' which require them to orchestrate joint action by all the local public service providers in their areas as well as those of many national agencies which act at local level. The character of the external relationships and value choices that will have to be made to tackle the complex 'adaptive'<sup>21</sup> challenges which often involve potential loss or dislocation suggest that the role of political leaders will become more prominent.

Recent experience has demonstrated that improving performance is not necessarily a route to electoral success. There can be a disconnect between:

- public satisfaction about services;
- satisfaction with a council's overall performance;
- the underlying 'objective' reality of a council's performance as compared to others or to standard benchmarks; and
- behaviour at the ballot box.

The relationship between local politics and improvement is therefore at best ambiguous. But there is now a much greater sense of ownership by many local politicians of the improvement agenda than was the case even three or four years ago. And the proposed establishment by the Local Government Association political groups of improvement committees for each of the major political parties, to sit alongside the overarching Improvement Board which it leads, is an important development.

The unique character of local government and its democratic elected base makes it important that local politicians at least acquiesce in decisions to tackle poor performance and ideally sponsor and champion change and improvement. There is now a wealth of evidence that political leadership is a significant driver of improvement, and this role is explicitly recognised in the formal assessment methodology of CPA.

The IDeA's Local Government Improvement Programme was developed in partnership with the sector as a whole<sup>23</sup>. It is founded on an explicit peer review methodology which assumes both that the reviewers and the reviewed share enough of a common understanding and experience to be intelligible to each other, but also have sufficiently dissimilar experiences to be able to help each other to see things in new ways. This approach draws upon models of qualitative action research and theories which emphasise the importance of social networks and of learning between organisations and across sectors<sup>24</sup>. It relies on recognition of a need to improve, coupled with a willingness to change, and it locates understanding as a necessary but not sufficient precondition to effective improvement action. Peer methods need not necessarily involve politicians, but their involvement is one of the most significant differences between peer review approaches in local government and other forms of external scrutiny. The composition of review teams means that they are able to bring experience, expertise, credibility, insight, empathy, and contacts.

The connection between understanding and action is placed into even sharper relief where peer methods are deployed not merely in review but also in active support of the improvement process. Strategic change aimed at performance improvement is optimised through a combination of understanding existing performance, the capability to build a collective leadership for change, and capacity to make change happen<sup>25</sup>. The role of elected politicians is of great significance in the underlying theory of improvement, and the research evidence testifies to the efficacy of that theory<sup>26</sup>. Moving 'beyond competence'<sup>27</sup> entails political ambition allied to professional excellence in stepping up an improvement gear from 'merely' very good organisational performance.

### users and professionals

An important but very difficult set of ideas about service improvement focuses on the one hand on the motivations of people who work in public services and, on the other, the part which service users do (or could or should) play in controlling the services they use and changing them to meet their own needs.

Onora O'Neill explored the connection between public service professionals, accountability, and trust<sup>28</sup>. In her view, the recently strengthened accountability mechanisms for securing better public services are if anything actually damaging because the new accountability provides incentives for arbitrary and unprofessional choices. To get better public services,

professionals must be free to serve the public, rather than the law or their paymasters, or the requirements of an overly muscular audit and inspection regime.

Julian Le Grand also explores the relationship between public service professionals and service users. He does it through the captivating notion that the former may be 'knights' or 'knaves', and the latter 'pawns' or 'queens'. He concludes that most people involved with the public sector are motivated to perform altruistic ('knightish') acts because they wish to help others and because they derive some personal benefit from performing the acts that help others<sup>29</sup>. He then tries to work out what is likely to be the effect on motivation of public service approaches which are hierarchical ('command and control'), based on networks (and a concomitant emphasis on 'trust'), or a reliance on markets (and his particular interest, that of 'quasi markets'). He believes that users ought to be queens rather than pawns and advocates the use of quasi markets to optimise the advantages for the users.

Le Grand's thesis is reflected in, for example, the emphasis on empowering neighbourhoods and users of local government services, as well as the continuing attraction of market mechanisms and of choice. The role of professionals has also come to the fore with ideas of a 'new contract' with public service professionals which gives them more opportunity and incentive to innovate<sup>30</sup>.

<sup>25</sup> P. Jas and C. Skelcher (2005) 'Envisaging performance futures', Paper to the 9th International Research Symposium on Public Management, (Bocconi University: Milan)

<sup>26</sup> *ibid*

<sup>27</sup> P. Swann et al. (2005) *Beyond Competence: Driving Local Government Improvement*, Policy Paper (LGA: London).

<sup>28</sup> O. O'Neill (2002) *Question of Trust* The BBC Reith Lectures, (CUP: Cambridge)

<sup>29</sup> Le Grand (2003) *Motivation, agency & public policy: of knights and knaves, pawns & queens* (Oxford: OUP), p. 51.

<sup>30</sup> See for example D. Cameron (2007) *The Conservative approach to improving public services* [http://www.conservatives.com/tile.do?def=news.story.page&obj\\_id=134729](http://www.conservatives.com/tile.do?def=news.story.page&obj_id=134729)

<sup>31</sup> IDeA (2003) CPA and employee attitudes: the impact of motivation on organisational success, (IDeA: London); IDeA (2005) CPA and employee attitudes in district councils (IDeA: London)

<sup>32</sup> K. Day (2007) From rhetoric to reality: engaging users in public services (Future Services Network [NCC, CBI & ACEVO]: London).

<sup>33</sup> R. Simmons, J. Birchall and A. Prout (2007) Our say: user voice and public service culture (NCC: London).

<sup>34</sup> A. Hopkins (2007) Putting the public into public services – intelligent commissioning (NCC: London).

<sup>35</sup> R. Hill (2006) 'Pick the right clubs to drive service reform', in *The matter of how* (Solace Foundation Imprint: London).

Studies of the private sector have demonstrated that there is often a positive relationship between staff motivation and organisational performance. Research commissioned by the IDeA showed that this also applies to local authorities<sup>31</sup>. From a policy perspective the Future Services Network<sup>32</sup> echoes and amplifies the aspiration to strengthen users' hands. It notes that whilst political will and policy may be firmly behind consumer engagement in public services, the reality is different. It argues for a clear vision of consumer needs by providers, training and empowerment for staff so they can effect real change in the way services are delivered to users, and a changed relationship between providers and consumers. It sees such change as good for business as well as consumers, but notes that with the degree of alienation of many consumers from public services the onus is clearly on providers to find ways of engaging consumers effectively. Key to this is the role which the cultures of public service organisations play in the defining the conditions for users to exercise their voice<sup>33</sup> and the extent to which commissioners of services develop and apply insight into consumer experience to make sure services meet needs and respond to users' priorities<sup>34</sup>.

## context and tools

One might expect that:

- different improvement tools might be more appropriate for some services rather than others; and
- even for one particular service, the appropriate tools to achieve improvement may vary depending where current service quality and performance sits on the spectrum from poor to excellent.

In so far as these ideas might be thought of as a 'theory' of improvement, they might seem to be a theory of the blindingly obvious yet they have only recent currency. Robert Hill sets out the first proposition clearly and with a sense of history and context in saying that politicians, policy makers and managers have a number of levers they can deploy to effect change<sup>35</sup>. He argues that:

- different types of services call for different tools to be used;
- each tool has a variety of strengths and weaknesses; and
- it is important to use the right combination of tools to avoid them cancelling each other out, and to optimise the synergy between them.

He distinguishes between communal services (used by or for all citizens) from consumer services (used as such by individuals) and shows how it may be best to use different tools, which themselves have different strengths and weaknesses. Targets, for example, can provide a clear focus for action, coupled with measurable performance, but may also lead to 'gaming', whereas choice

can empower the consumer and make providers more responsive, but can also lead to service fragmentation as providers 'compete' for the custom of the users.

Michael Barber<sup>36</sup> builds on this and describes three paradigms for public services reform to create a differentiated approach which is tailored to the current performance and potential of different services and different service providers:

- command and control: which he argues is often essential for a service which needs to shift from 'awful to adequate';
- the creation of quasi markets: which recognise that while public services are different from businesses in that they are universal and values driven, they are similar in management terms; and,
- a combination of devolution and transparency: which involves central government contracting with or delegating delivery to a set of service providers and actively holding them to account.

### public services policy and the agenda for local government

The theory of improvement which has underpinned public services policy as a whole is set out in the Office for Public Service Reform principles which were published in 2002<sup>37</sup>. These were:

- national standards;
- devolution;
- flexibility; and
- increased choice.

More recently, the government's theory of improvement has been articulated in more detail in a four fold model involving:

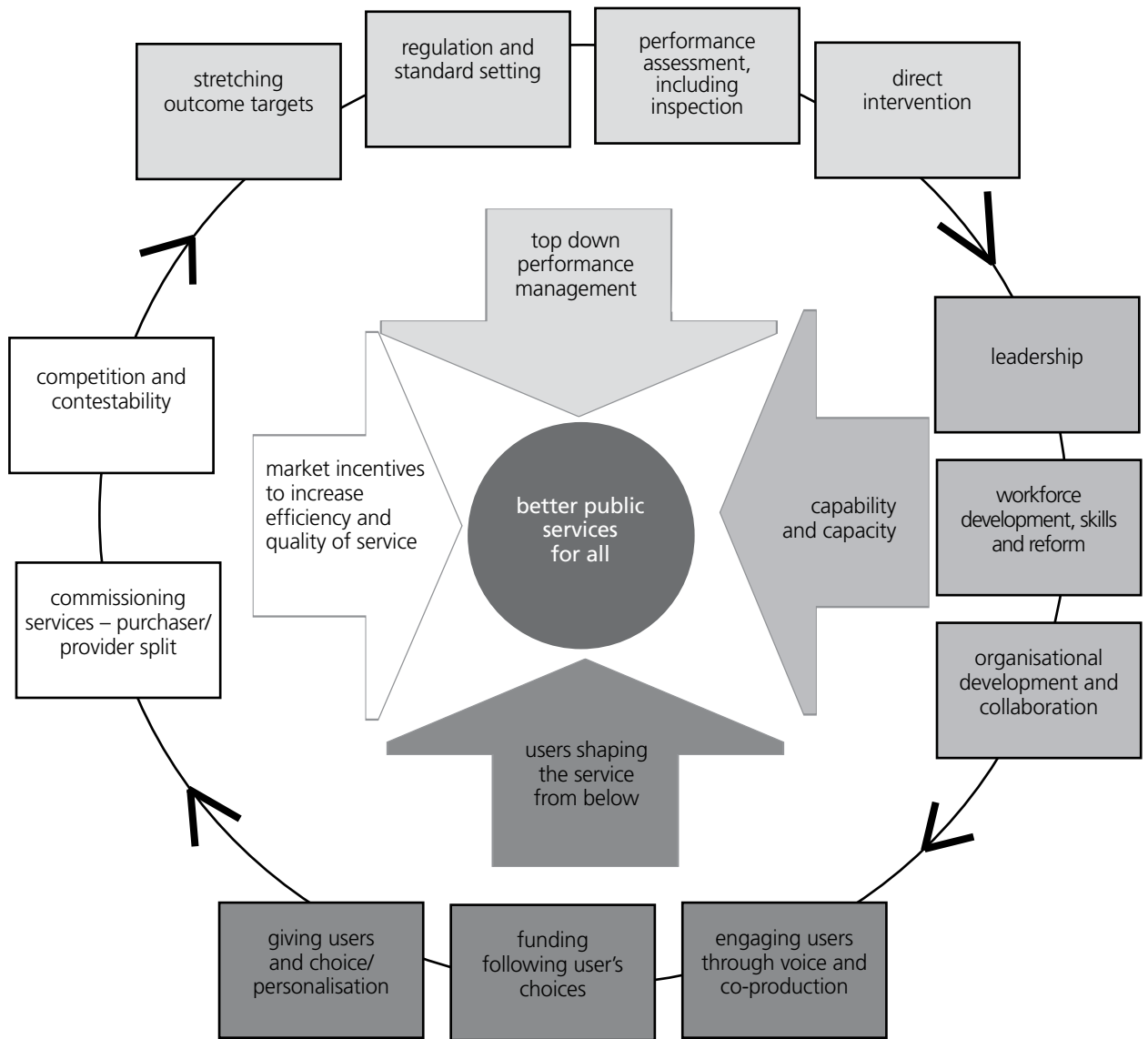
- top down pressures of 'performance management' (i.e. target setting and performance monitoring by central government and regulators);
- 'horizontal' drivers of competition and contestability;
- 'bottom up' drivers of user choice and voice; and
- measures to strengthen capability and capacity<sup>38</sup>.

<sup>36</sup> M. Barber (2006) 'Success – its all in the execution', in *The matter of how* (Solace Foundation Imprint: London).

<sup>37</sup> OPSR (2002) *Reforming our public services: principles into practice*, (London: OPSR).

<sup>38</sup> Prime Minister's Strategy Unit (2006) *The UK Government's Approach to Public Service Reform: a discussion paper* (London: Cabinet Office)

the UK government's model of public service reform – a self-improving system



The pressure of top down 'performance management' includes targets and standard setting, coupled with performance assessment and inspection, and direct intervention where it is considered necessary. The model suggests that, relatively separately, market incentives would be utilised to increase efficiency and quality of service through a mixture of competition, contestability, and commissioning. Meanwhile, from below, users will be shaping services by being given more choice and personalisation, by money following those choices, and by the engagement of users through strengthening their voice and their role in co-producing services.

Alongside these forces the capability and capacity of public services organisations support improvement through a combination of better leadership, workforce development, and organisational development and collaboration.

There are uncertainties about the validity of the model itself. In our view, it is a contingent theory and its efficacy depends on the perspectives adopted by a wide range of actors and the parts which they choose to play in the improvement 'system'. The result is a range of possible scenarios of how local government improvement will evolve.

Nevertheless, it can be related to key elements of the Local Government White Paper 2006. Top down performance monitoring remains a feature, but the approach to performance indicators and targets has been scaled back and made more negotiable (as reflected in the reduced performance indicator set and the move

to Local Area Agreements). On the other hand the emphasis on market incentives and mechanisms is enhanced and reinforced. There is also a big emphasis in the White Paper on the user and citizen role, although the mechanisms proposed arguably do not match the power of the language and the aspiration. And finally, government continues to support capacity and capability building as reflected in the Regional Improvement and Efficiency Partnerships, and in the continued direct financial support to the Local Government Leadership Centre and via top sliced Revenue Support Grant to the IDeA.

But here are three major gaps. First is the absence of organisational learning and development as an intrinsic element of a self-improving system. The second concerns the importance of place shaping and of partnership in the local government improvement prospectus, which does not really feature in other sectors and therefore in the overall public services improvement model. Yet it would pose a major challenge to the overall theory in that it would introduce the importance of networks (the area/partnership approach) into the model alongside hierarchy (top down performance monitoring) and also markets. But networks, hierarchy, and markets represent the three archetypal modes of social organisation, depending on the very different mechanisms of trust, command and control, and competition/commissioning. What needs significant further thought is whether and if so how these three modes would coexist and reinforce one another in a single improvement system.

<sup>39</sup> See for example R. Hill (2006), op. cit.

<sup>40</sup> See L. Boland (2007) 'Local government, but not as we know it' and C. Grace (2007) 'Meta-strategy and leadership', in W. Thomson (Ed) 2007 Local leadership for global times, (Solace Foundation Imprint: London).

The third gap is local government's unique democratic and elected base. This raises a particular issue about the part which local authorities and local politicians are to be understood as playing as organisational 'actors' and as key individual and party group actors having a special relationship to the citizenry. The Government's model is unclear as to the part which self improvement by these local government actors has to play. The idea that public services organisations might exercise some independent influence on the system is not easily accommodated.

### other theories

We would also highlight other theories. They include:

- those associated with local government improvement in the devolved administrations;
- theories of new localism and associated ideas such as subsidiarity in which accountability and improvement are very closely associated.
- ideas of improvement which place special emphasis on public service ethos and on the role of the workforce<sup>39</sup>.
- there are also more radical consumerist theories which give even greater primacy to markets and choice, and to payments or at least to co payments.

- an important subset of ideas concerns leadership including the universally acclaimed centrality of shared political and managerial leadership and the theory of leadership which distinguishes between 'transactional' and 'transformational' approaches, which is related to the key distinction between 'technical' challenges and the 'adaptive' challenges which are much more complex, messy, value laden and difficult<sup>40</sup>.

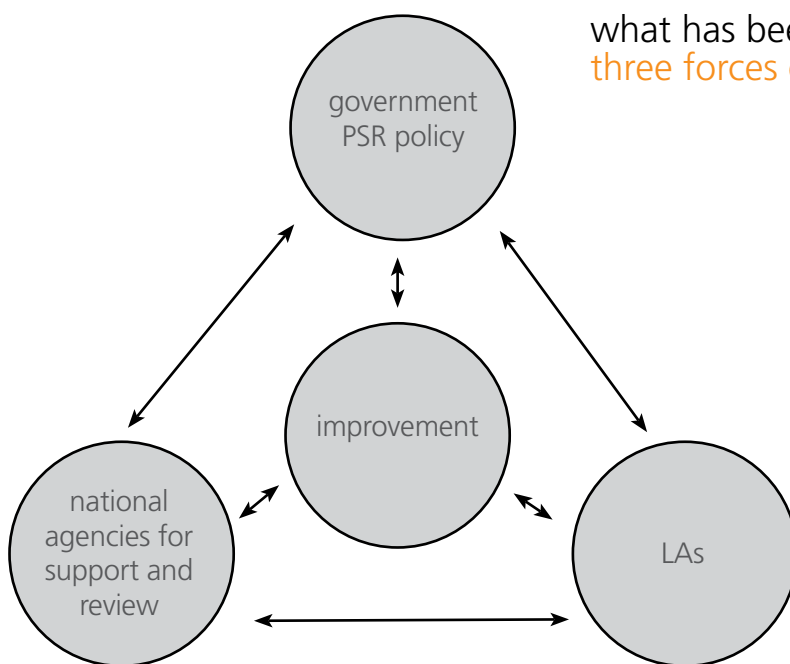
### forces of improvement

We have found it helpful to bring together ideas about the:

- improvement journeys of individual local authorities;
- improvement journey of the local government sector as a whole; and
- 'equations of change' which have driven these journeys, with the elements of the equations being those factors which have combined together to result in local authorities and their services getting better.

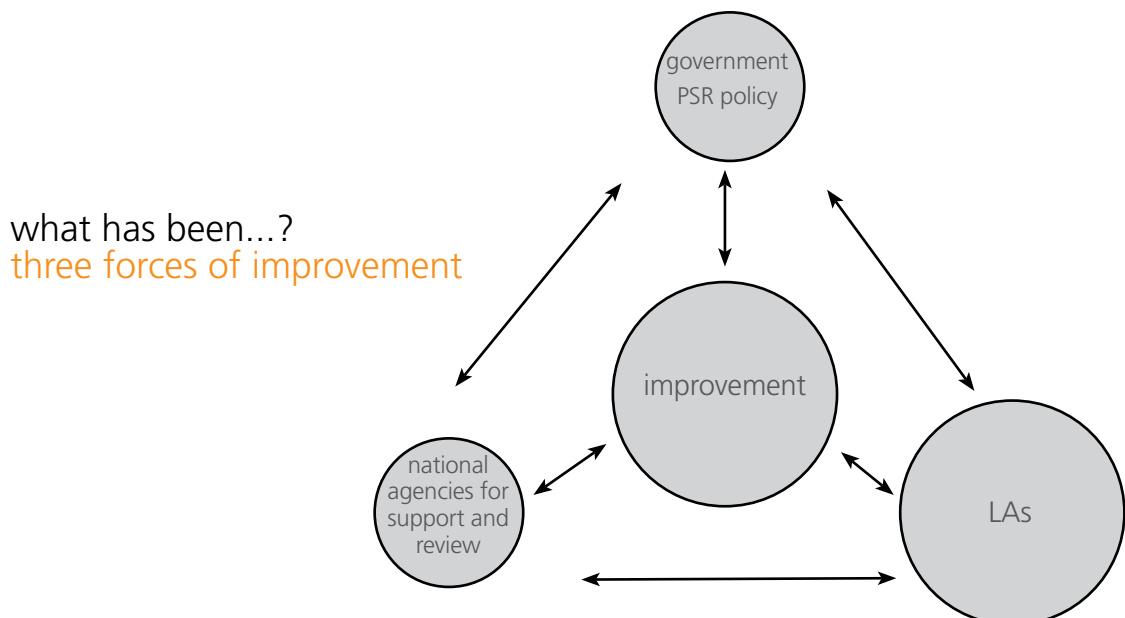
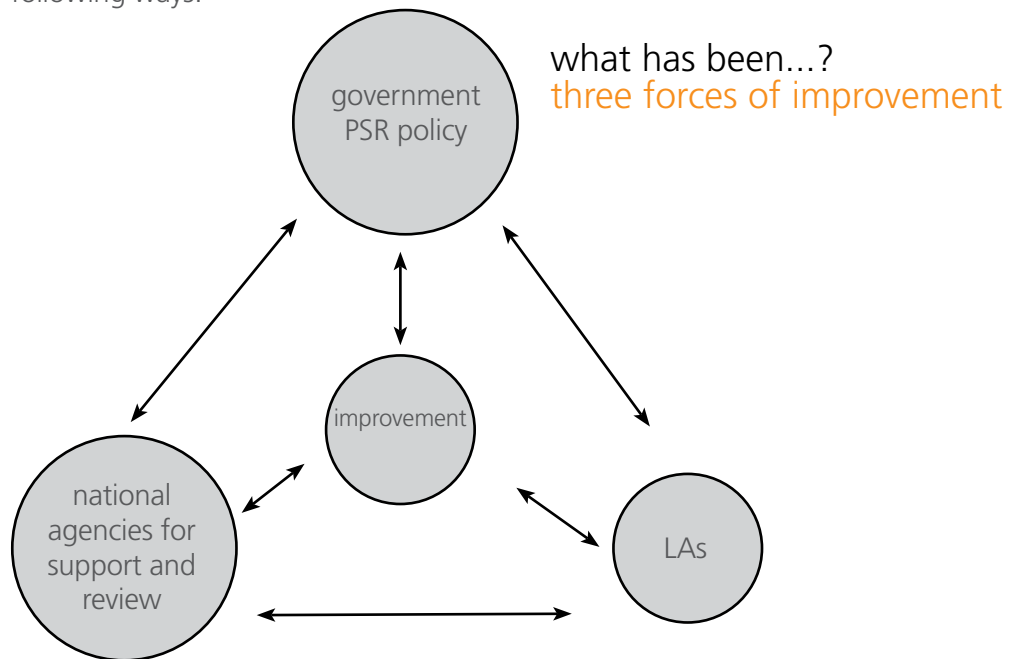
The forces that we identify as having been most influential is that reflected in the force of national government; that of national agencies including the Audit Commission and other regulators as well as the national representative and improvement agencies such as the LGA and the IDeA; and local authorities themselves. These three forces are mutually connected and the resultant interaction is what has produced improvement.

what has been?  
three forces of improvement



The diagram is descriptive only. It emphasizes the key roles which human agents play in improvement, acting through organisations, and also enables us to locate particular instruments that these actors may use and to see them for what they are. Thus government uses law, guidance, and money as levers. The national agencies use assessment frameworks such as CPA and support programmes such as the IDEa's Local Government Improvement Programme. And individual local authorities use a repertoire of improvement instruments, tools such as performance management or competitive procurement, as well as strengthening their own capacities and capabilities to use such instruments by building their political and managerial leadership.

The model can be flexed - thus, respectively for a poor and an excellent council one might capture the improvement journey in the following ways:



An important gap here is the absence of users/citizens as a 'force' for improvement. This is principally because the evidence about their role in driving improvement to date is ambiguous. It scores highly as a perceived 'external' driver of improvement and it is clear that in the right services, with the right methods of engagement, with the right kinds of groups, and with the right organizational responses to feedback, users/citizens have acted as a force for improvement. But this has often been at the level of a proxy for politicians and managers rather than as a direct force. Overall there remains a gap between the rhetoric and the reality of user engagement<sup>41</sup>.

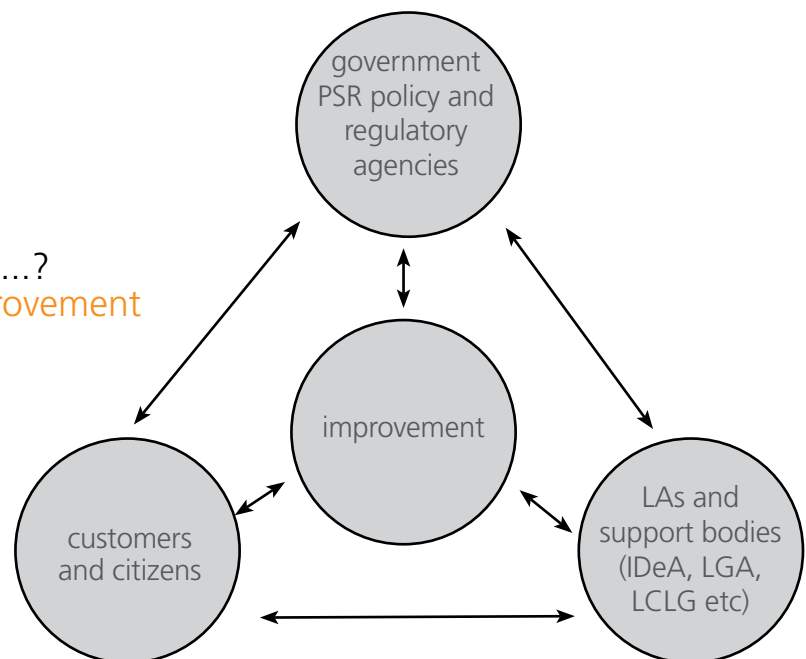
There is of course a long tradition of involving users in the design and delivery of some forms of social care, housing management and increasingly in dealing with vandalism, graffiti and tackling other environmental issues at neighbourhood level. There is also potential for users' views to act as a strong force for improvement where they are able to express dissatisfaction by taking their custom elsewhere, as is the case with leisure provision in some parts of the country. In these circumstances users can be empowered through the competition which exists between local authorities and the private sector in ways which help to keep councils on their toes and often encourage them to compare performance and process with other providers.

But in some cases there is no direct 'customer' for local authority services. In others (for example parking enforcement, child protection, environmental health) the transactions are often with 'unwilling customers'. Service users sometimes have low expectations and are satisfied with sub-standard services. There are a number of examples where high levels of public satisfaction have coincided with convincing and well evidenced objective judgments that services are actually very poor. There may also be a tension between the interests and expressed preferences of service users and their families (who want the best possible services) and those of the citizen/tax payer (for whom value for money and efficiency may be more important factors).

The role which users/citizens have played in driving improvement has depended on context. In social care for example the impact of users has been a force for improvement through lobbying and representative organisations of social carers and of elderly and disabled people. So if our model were applied to improvement in social care services, it would look much more like that below. One major outstanding question therefore is the extent to which the role of customers and citizens can be optimised within the system in other service areas.

<sup>41</sup> K. Day (2007) From rhetoric to reality: engaging users in public services (Future Services Network [NCC, CBI & ACEVO]: London).

or might have been...?  
three forces of improvement



### looking forward

In terms of the different scenarios of local government improvement which might emerge, they will depend upon how the roles of the key actors develop and how they interact with each other. Thus, at its simplest, might users/citizens and also local authorities themselves both exert a greater role in the improvement equation, and if so, how can that best be helped to happen? What might be the optimum combination of these forces for improvement, either for individual local authorities or for the local government sector as a whole? Key issues are:

- this is an overall system in which the parts affect one another significantly;
- individual actors have it in part in their own hands to play a greater and better role in producing improvement outcomes and, in particular, the local government sector has it in its hands to do so;
- we need to think about the part that both local government and its partners at local level can and should be playing, and especially within the place shaping and local strategic partnership themes;

- this in turn helps to highlight that 'improvement' itself may be a matter which is contested as to what it might actually mean in a given service or locality. This opens the question of a democratically-led and values based debate at local level, both at the level of a vision for any given community and also the different and potentially competing needs of different sections of the community; and
- it may also help us to see that 'improvement' going forward is increasingly likely to be more about innovation than it is to be merely about the better performance management of the same service; more likely to involve transformation of services rather than reform; and more likely to involve coalitions of public service providers helping to tackle complex matters of national significance such as obesity and antisocial behaviour as they are manifested locally rather than single providers or commissioners tackling particular needs through a specific service.

The key for local government to succeed in that environment will be if it can crystallise the topics and the terms of debate which will shape future local government improvement, and if it can seize the initiative and lead that debate. If in 2009 or 2010 there is to be another local government White Paper and another set of initials to replace CAA (and on past form that is highly likely), then it is local government which should aim to be writing that first draft of a future history.

We are at a decisive moment in the local government improvement journey. The evidence suggests the past decade has seen improvements in corporate capacity and the quality of many services. Local government has also delivered substantial efficiency gains, and there is some evidence to suggest that there have been improvements in partnership working.

There has been an increase in public satisfaction with many services, although not in levels of public trust or willingness to engage with local councils. And, there has been a steady improvement in central-local relations to the point where, if the second volume of the 2006 Local Government White Paper is to be believed, Government believes that local authorities have a part to play in tackling some of the 'big issues' such as climate change, community cohesion and the promotion of health and well-being.

These improvements result from a combination of the:

- determined effort by central government to drive change and improvement in local government, coupled with significant increases in funding, as part of its overall approach to public services policy and reform;
- support, advocacy and assessment provided by national bodies, including in particular the LGA/IDeA, the Audit Commission and other local inspectorates;
- increasing willingness by local authorities to take responsibility for their own improvement, and increasing capacity to do so; and,
- growing importance of user and citizen engagement in a number of key services.

But it also highlights the limitations of current approaches to improvement. In particular:

- public engagement with and confidence in local government remains dangerously low;
- top down performance frameworks have encouraged authorities to make incremental improvements but have not

on the whole produced transformational change;

- there are doubts about whether the CAA methodology will be able to recognise and reward innovation, and effective community leadership and 'place shaping'; and,
- users and citizens have so far been unable to exercise as much influence as they should.

There is a real opportunity for local government to seize the moment. The sector needs to give central government departments reasons to be confident that they can 'loosen the reins'. And it should be seeking pro-actively to shape the terms of the debate and proposing solutions which are both well thought through and grounded in evidence and analysis. In this section we outline what we see as the key topics and terms of the debate which the local government family, the Government and other stakeholders and opinion formers need to be engaged in.

### the meaning of improvement

It is critical that discussions about the future 'improvement architecture' are underpinned by a clear understanding of what kinds of improvement are being sought. To date there have been improvements in corporate capacity, leadership and service quality, but progress is less evident in other areas – for example innovation, productivity and democratic engagement.

There is some evidence that CPA scores have improved in part because authorities have become more adept at presenting themselves

in a good light<sup>42</sup>. This is not necessarily a bad thing. Local government needs to secure the trust of central government, local partners and the public, and this means that 'presentation' is important. But improvements must have real substance and be relevant to local people's needs and aspirations.

Another important consideration is that of 'whose improvement'. To take an obvious and current example, a move to fortnightly bin collection may lead to significant improvements in meeting waste management targets and in the long term make a contribution to enhancing community well being. But it is interpreted by many householders as a decline in the service, which has in turn been reflected in public satisfaction scores and, in some places, in electoral fortunes. There are of course a host of other examples - including the introduction of new parking charges, changes in social care, contentious planning decisions – where what is seen as constituting good performance will vary between stakeholders and will have important implications for performance frameworks as well as for public trust and democratic engagement.

Moreover, what matters – to the public and to Government – can change over time. For example - three or four years ago few authorities would have considered their 'carbon footprint' as an indicator of their use of resources, but this is now becoming an important issue. So it is important that priorities for improvement are kept under review and remain up to date.

## the importance of context

It is also important that current debates recognise that improvement is often context specific. There is not a one-size-fits-all solution, and beneath the picture of overall improvement lies a much more complex and more nuanced story. As we have shown in section 2, rates of improvement have varied between services, between different types of authorities and between different dimensions and measures of performance. The combination of additional funding, new technology and EU landfill targets have, for example, produced spectacular improvements in performance indicators relating to waste management, but there are other services which are more difficult to reengineer and where rates of improvement have been much slower.

Almost all of the councils that were judged as 'poor' or 'weak' a few years ago have now moved from 'awful to adequate', and some have done much better than this. But there are legitimate questions about how best to enable those councils which are now at least 'adequate' to continue to improve. The implementation of the new performance framework will need to take account of the fact that the variability of performance, capacity and commitment across local government - between authorities, between services, and between the same services in different authorities - calls for different equations of change and different paths to the improvement journey.

<sup>42</sup> I. McLean, D. Haubrich and R. Gutiérrez-Romero (2007) 'The Perils and Pitfalls of Performance Measurement: The CPA Regime for Local Authorities in England', *Public Money and Management*, 27 (2) pp. 111-118.

<sup>43</sup> G. Mulgan and D. Albury (2003) *Innovation in the Public Sector*, (The Prime Minister's Strategy Unit: London) p.2

<sup>44</sup> G. Mulgan (2007) *Ready or not? taking innovation in the public sector seriously* (National Endowment for Science, Technology and the Arts: London) p. 4

<sup>45</sup> Audit Commission (2007) *Seeing the light: innovation in public services* (London: Audit Commission)

<sup>46</sup> ODPM (2003) *The Innovation Forum Prospectus* (London: ODPM)

<sup>47</sup> PriceWaterhouseCoopers LLP (2006) *Evaluation of Freedoms and Flexibilities in Local Government: Baseline Study*, (London: CLG) and H. Davis (2006) *The Innovation Forum: A Briefing Paper Based on a Small-Scale Research Exercise* (London: Communities and Local Government and LGA)

<sup>48</sup> G. Mulgan (2007) *Ready or not? taking innovation in the public sector seriously* (London: National Endowment for Science, Technology and the Arts)

<sup>49</sup> Audit Commission (2007) *Seeing the light: innovation in public services* (London: Audit Commission)

Different kinds of services will respond to different instruments and require different combinations of drivers of improvement. The best way to improve them will vary according to current state of services and the culture and leadership of the organisations which deliver them. And the prospects for improvement will vary according to the degree to which the sector as a whole, individual authorities, and key stakeholders are actively committed to driving further change and improvement and acquire the capacity to do so.

## innovation

According to the Prime Minister's Strategy Unit innovation 'should be a core activity of the public sector: it helps public services to improve performance and increase public value; respond to the expectations of citizens and adapt to the needs of users; increase service efficiency and minimise costs'<sup>43</sup>. But the reality has often been very different. Bureaucratic structures and performance regimes can stifle creativity and there are few incentives for public servants to develop bold and imaginative new approaches. Good ideas tend to be 'frustrated, filed away or simply forgotten'<sup>44</sup>.

Local government has a relatively good track record of innovations, many of which have been translated into national policy initiatives. A recent Audit Commission study found that innovation was widespread – in both strong and weak performing councils – but that authorities often find it difficult to judge whether their innovations will be useful to other councils and are sometimes wary of publicising new approaches for

fear that claims to have succeeded may be premature<sup>45</sup>. The 'Innovation Forum' was designed to enable 'excellent' councils to develop, explore and test new ways of working<sup>46</sup>. But whilst authorities found it a useful forum for dialogue with government departments, it is seen as having had little impact on approaches to service delivery at local level<sup>47</sup>.

The emphasis in recent years has been upon national standards and top down 'drivers' of improvement rather than learning and innovation. As Mulgan notes, 'despite the rhetorical lip service' paid to it the resources committed to supporting innovation in public services is not 'remotely comparable to the armies of civil servants employed to count things, to inspect and to monitor or, for that matter, to support technological research and development'<sup>48</sup>.

A recent Audit Commission study highlights the importance of external drivers of innovation. It found that the efficiency agenda imposed by central government has been the single most important driver of innovation in recent years and that this 'combination of rising expectations and constrained resources mimics the competitive pressure of the market in the private sector, which motivates organisations to innovate'<sup>49</sup>. But it may be that much of the 'low hanging fruit' has now been picked and councils will need to adopt more radical approaches in order to improve performance in future. Progress is likely to depend less on performance management and increasingly on technological, organisational, policy, market, or workforce driven innovations.

This means that the sector will need to develop an understanding of the kinds of innovation which are needed and how to create and sustain the conditions in which they can take place and be shared between authorities. It will be important to think through:

- which services and areas offer most scope for improvement through innovation?
- who should take the lead – is it everyone’s job to be innovative or should there be specialist units within authorities or perhaps working on behalf of the sector as a whole?
- how will research and development be funded?
- what roles do politicians and managers need to play?
- what is an acceptable level of success and how will the risks associated with experimentation be managed?

Many of the answers to these questions are not straightforward because the concept of ‘innovation’ itself is not clear cut. There is a general consensus that innovation involves discontinuous or ‘step’ changes that are new to an organisation and are both large and durable enough to have an appreciable impact on its culture and/or operations<sup>50</sup>. But there are many different types of innovation - product innovations; process innovations; new ways of working across organisational boundaries; the development of new goals or purposes of the organisation; governance innovation; and even ‘rhetorical innovation’ – the use of new language or concepts<sup>51 52</sup>.

Moreover, innovations often founder because of poor implementation or risk management<sup>53</sup>. Innovation needs managing differently from incremental improvement. It is often complex, uncertain and iterative. It can be costly and it is therefore important to evaluate the potential costs and benefits in advance, particularly where vulnerable service users or community may be affected<sup>54</sup>.

Experience in other sectors suggests that only around one third of innovations translate into tangible improvements in products or services. If there is to be more innovation within local government it will therefore be important to allow sufficient slack for the ‘wasted effort’ involved in failed innovations. Even successful innovations often produce a short term dip in performance because of the need for added investment and for staff to acquire new skills and come to terms with new ways of working. Performance frameworks will therefore need to take a ‘long view’ and the Government, local politicians and senior officers will all need to encourage and incentivise innovation.

New approaches will have to be tested thoroughly and implemented effectively. ‘Frontline staff’, partners and the public will need to buy into new forms of service delivery and modes of governance. The sector will need to work out how it wishes to manage R&D, and to be clearer about the role that competitive pressures, changing user demands, external review, and fiscal pressure play in stimulating innovation.

<sup>50</sup> M.H. Moore, M. Sparrow and W. Spelman (1997) ‘Innovation in policing: from production line to jobs shops. in A. Althuler and R. Behn, R. (Eds), Innovation in American Government (Washington, D.C.: Brookings Institution) p. 276 quoted in J. Hartley (2005)

<sup>51</sup> R.M. Walker (2004) Innovation in service delivery, Unpublished policy paper to ODPM (Cardiff: Centre for Local & Regional Government Research, Cardiff University)

<sup>52</sup> J. Hartley (2005) ‘Innovation in governance and public services: past and present’, Public Money and Management 25 (1) pp. 27-34.

<sup>53</sup> Audit Commission (2007) Seeing the light: innovation in public services (London: Audit Commission)

<sup>54</sup> National School of Government (2006) Innovation and risk management: a recipe for improving performance (London: Cabinet Office).

<sup>55</sup> CLG (2006) Strong and prosperous communities: the local government white paper, (London: CLG), p. 11

<sup>56</sup> Audit Commission (2007) The transition from CPA to CAA, (London: Audit Commission) p. 4

<sup>57</sup> Martin S.J. (2007) Evaluation of the Local Government Modernisation Agenda: Progress in Service Improvement, Unpublished report to CLG.

<sup>58</sup> J. Hartley and J. Benington (2006) 'Copy and paste, or graft and transplant? Knowledge sharing through inter-organizational networks', Public Money and Management 26 (2) p 102

## the new performance framework

One of the key issues for debate is the extent to which local authorities are able to achieve self-sustaining improvement with less intense external surveillance than they have received in recent years.

The sector as a whole has certainly taken important steps to make failure unacceptable and the political parties and the LGA have taken responsibility for intervening where necessary in a way which would not have been conceivable even three or four years ago. At the same time the Government and the Audit Commission are advocating a more proportionate and targeted regime<sup>55 56</sup> and a recent survey found that more than three quarters of senior local authority officers believe that a greater emphasis on self regulation would help to encourage improvement in their councils<sup>57</sup>.

But it is important to clarify thinking about what a more 'proportionate' or 'risk based' approach might mean. In particular:

- what is meant by 'risk' and how will it be measured?
- what levels of risk are acceptable? and
- what mechanisms need to be in place to manage the risks?

The Audit Commission is currently giving a lot of thought to what 'risk' will mean in the context of CAA, but it is clear that greater self-regulation need not necessarily mean that individual local authorities will gain more control over their own destinies. It would for example be quite possible for self-regulation to be based on a standardised, top down approach generated from within the sector

and imposed on authorities.

Ultimately, decisions about whether we need national frameworks (whether they be determined by central government or the local government family) or whether individual councils should take more control over their affairs hinges in part on the extent to which local variations in service provision are acceptable (or perhaps even necessary) if local government is truly to have a meaningful 'place shaping' role. In theory the move to the new performance indicator set could pave the way for this debate, but there is also a risk that it could close it down for the foreseeable future.

If we are right and there is a need for more emphasis on innovation this is likely to require a different approach to the performance targets and league tables that have been so important in recent years<sup>58</sup>. Encouraging innovation will require a different culture, mindset and incentive structure. An approach which is tilted more towards innovation will need to recognise creativity, imagination, passion, flair and risk taking.

Local government continues to need some element of external stimuli and challenge. Arguably, as monopoly suppliers of services funded by compulsory taxation, authorities should be subject to external regulation as a matter of principle. More pragmatically, local government does not yet enjoy sufficient confidence in Whitehall or from the public at large to be left entirely to its own devices. The question is then how to strike the right balance between external challenge and self-regulation.

There are also important questions about CAA. The Audit Commission's proposals highlight what it sees as significant differences between CPA and its proposals for CAA<sup>59</sup>. CAA will be focused on areas rather than institutions. It will therefore cover all sectors (including councils, health bodies, police forces, and fire and rescue authorities) rather than simply just local government. The inspectorates will work in a more holistic fashion. CAA will assess risk to future outcomes rather than past performance. Inspection will be risk based rather than cyclical. And, although assessments of use of resources and direction of travel will be scored on a four point scale, areas and authorities will not receive an overall star rating. However, early indications are that the CAA will draw heavily on some of the same theories of improvement as CPA did. There are important questions about how concepts such as corporate capacity and effective leadership can be translated from the inspection of organisations to the assessment of areas and whether partnerships with complex and overlapping lines of accountability will respond to external challenge in the same way in which individual organisations have in the past.

A degree of continuity has obvious attractions. CPA is seen to have worked and ministers have confidence in it. Adapting rather than jettisoning the CPA methodology also has advantages for the Audit Commission and for local authorities who would know roughly what to expect rather than having to develop and then come to terms with an entirely different approach.

But there are some powerful counter-arguments. Whilst CPA may have been effective over the past five years, local government has now improved to such an extent that the theory underlying it may no longer be the best foundation for a new approach. Moreover, expectations of local authorities have changed over the last five years, as has the environment in which they are operating. In our view there is therefore a need for an open debate about the theory of improvement which will underpin CAA and how appropriate this is to future needs.

Some of the key questions include:

- what is the theory of improvement that will underpin CAA and will it be able to stimulate, energise and underpin self-sustaining improvement by local authorities and other service providers?
- what would the concept of 'corporate capacity', which has been so central to the CPA, really mean in the context of CAA where there is no single corporate entity which is responsible for 'cross-cutting' local outcomes and the legal bonds between local service providers, in the form of LSPs, LAAs and a duty to collaborate, are relatively weak compared to corporate working inside a single legal entity?
- how will individual local service providers be able to act 'corporately' when they continue to operate in different financial and performance regimes?

<sup>59</sup> Audit Commission (2007) Comprehensive Area Assessment A joint consultation by the Audit Commission, Commission for Social Care Inspection, Healthcare Commission, HM Inspectorate of Constabulary, HM Inspectorate of Prisons, HM Inspectorate of Probation and Ofsted, (London: Audit Commission)

The issues around the nature of the new performance frameworks present challenges for all of the key actors. Ideally improvement in all its forms should be genuinely driven by citizen and user needs and by local political and policy choice, and supported by a willingness to commission even handedly from the voluntary and private sectors. To the extent that this happens we believe that the direct 'burden' of regulation on local authorities can and should be lessened.

Local authorities will need to work through the implications of being granted the less 'top down' performance framework that they have long asked for. This will mean facing up to and managing some of the liabilities associated with the community leadership role. Councils may well find, for example, that the buck increasingly stops with them even though outcomes and levels of risk depend on the actions of a wide range of partners.

The Audit Commission will need to be able to demonstrate that it has a theory of improvement as well as the skills and capacity to enable it to judge the effectiveness of partnership working and the quality of outcomes in an area, and engage with innovation and the very different cultures and leadership which it calls for.

Communities and Local Government will need to ensure that other Government departments sign up to a future improvement strategy which relies less on 'levers' of command and control, as signalled in the 2006 Local Government White Paper.

## local political leadership

One of the important characteristics of local government is that local politicians influence the pace of improvement. There has been increasing recognition in recent years of the importance of political leadership and effective working between officers and members. And the evidence suggests that the introduction of political executives combined with CPA has helped to focus attention on the need for improvement.

In the past local politicians were sometimes seen as a barrier to change and 'part of the problem'. For their part many elected members saw performance management as 'something best left to officers'. This is no longer the case. Many elected members have embraced the improvement agenda and taken sometimes difficult and courageous decisions in order to tackle poor performance. Improvement is often still 'officer-led', in the sense that it is officers who see through detailed changes in service delivery, but in most councils they now operate with the explicit backing of politicians to a much greater extent than was the case in the past.

The 2006 Local Government White Paper clarified the role of local government as a 'strategic leader' in localities, and initiatives such as Sustainable Community Strategies, Local Strategic Partnerships and Local Area Agreements provide scope for more 'joined up' local governance. This should be 'natural territory' for local politicians, opening up new possibilities for them to hold other service providers to account and perhaps increasing the democratic awareness of health trusts

and other public organisations. But these potentially positive developments present new challenges and raise important questions about the capacity and capability of local politicians.

Effective community leadership will require politicians who are able to:

- articulate local needs and priorities;
- stimulate informed and meaningful discussions with citizens and other stakeholders about local priorities and choices;
- champion change where this is necessary; and
- work with the much more confused lines of accountability that come with partnership working<sup>60</sup>.

This is a big ask for many local politicians and will also require changes in the way in which partnerships operate. It calls for visionary political leaders who are able to network effectively and work collaboratively and who, as the community leaders, are able and willing to give an account to the public for the actions of all of the other local service providers, not simply the performance of the local authority. It also means that central government needs to treat local politicians as representatives not just of their council but of the local area as a whole.

All of this raises important questions about the capacities and skills which politicians will need, to take their 'rightful' place. Many councillors are very competent administrators and good ward representatives, but there are not many 'visionaries'. There may need to be more support and training to help

equip local politicians for their place shaping and community leadership roles. And it will be important for politicians and officers to be clear about their respective roles and responsibilities in terms of engaging with partners and the wider community.

### citizens, customers and service Users

Customers, citizens, and users have been at the heart of the rhetoric of local government reform and the Government continues to envisage a major role for citizens and customers through bottom up pressure in driving improvement. But much of this is still rhetoric rather than reality. Bringing the reality and rhetoric of user involvement into closer alignment will require a willingness to make the journey from being a managerial producer and sponsor of services to being a champion of consumers and citizens and of the outcomes they want from whoever provides those services.

Users and citizens should ultimately define what constitutes 'improvement', and service providers need to have a better understanding of local needs and to respond to users' satisfaction with and experience of services. But there are important questions about users' and citizens' willingness to engage and the willingness of local government to transform service cultures and approaches to enable them to do so.

Many residents want the council to do a good job and keep them informed, but have no wish to be involved in designing, delivering or monitoring services. Those who do get involved are often a vocal minority

<sup>60</sup> Audit Commission (2005) *Governing Partnerships: Bridging the accountability gap*, (Audit Commission, London).

<sup>61</sup> S. J. Martin (2003) 'Engaging with citizens and other stakeholders' in *Public Management and Governance*, Bovaird, A.G. and Loeffler, E. (eds), pp. 189-201. (Routledge: London).

<sup>62</sup> LGA, IDeA and LGE (2007) *Local government, the place to be, the place to work, delivering through people: the local government workforce strategy 2007* (LGA: London).

who do not speak for others, and the public hardly ever speaks with one voice. Moreover, local people may not attribute the same weight to longer-term implications of policy decisions. Councils frequently have to balance the interest of different groups and to make trade-offs between short and longer term costs and benefits.

For these reasons it is critical to understand the different forms of engagement and what is appropriate in different services and settings. There are important distinctions between communicating with the public, consulting and co-producing services<sup>61</sup>. And, on the whole, people care far more about services than they do about councils.

In services like social care where personalisation is important, co-production and customer engagement are vital. But public engagement in some 'back office' support functions makes little sense. And there are variations within as well as between services. For example planning issues on housing estates attract lots of attention and public engagement, whereas planning regeneration for a major part of the city often gets far less.

There is therefore a need for a more sophisticated conversation with the public. Customers and citizens need to be given much more information, and politicians and officers need to be willing to accept and act upon 'unfavourable' outcomes. In the past most of the customer focus has tended to be about testing customer perceptions. We now need to move into the territory of great expectations with empowerment being allied to well-being in the belief that self

actualisation will encourage people to feel more positive about being involved and value their role.

## the workforce

Compared to leadership, workforce issues have been given relatively little attention in recent years. There has perhaps been a tendency to overlook the importance of frontline staff in delivering improvement partly because 'producer' interests have been seen as a barrier to change.

There is of course a workforce strategy<sup>62</sup>, but there are still relatively few workforce development programmes designed to 'skill up' local government staff as a whole, and there does not at present appear to be any underlying theory of capacity building for staff below senior managerial level.

Unlike nurses, doctors and police officers, large sections of the local government workforce do not enjoy high levels of public esteem, many are lowly paid and do not feel valued by their employers. But if we are to move beyond incremental improvements, then the role of the workforce will become even more important and will need to be given much more attention. Communicating with the local authority workforce is complicated because it is highly differentiated, covering a wide range of professions and services. But without effective communication and staff involvement, improvement will be slow and is likely to feel hollow.

### a peer and partner approach

We emphasised earlier the variability of potential improvement journeys and therefore of the instruments needed to optimise them. This means that councils must be capable of self consciously and self-critically examining how they and their partners can improve, rather than simply responding to external inspection and the dictates of government departments.

If councils are able to manage their own affairs efficiently, have the will and the ability to recognise needs and spot problems, and possess the commitment and capacity to respond to them, then peer and partner methods of learning and improvement could become the quintessential (although not the sole) method for future local government improvement. This would though require both self and supported learning at all levels – the strategic level of executive politicians and senior managers, the managerial/operational level, and the front line, as well as building learning into commissioning and contracting processes.

The sector's understanding of learning and organisational development needs to move beyond managerial action and the resolution of technical challenges. It must increasingly seek to create capacity to deal with complex problems and trade-offs and to work effectively across organisational boundaries. It is also important to pay more attention to tacit knowledge which is difficult to codify and therefore to disseminate or inspect for<sup>63</sup>. This implies the development of more interactive models of learning and more 'relational' approaches to knowledge

generation, transfer and application<sup>64</sup>, which suggests the possibility of a different kind of role for agencies such as the IDEa. In future it may need to operate less as a receiver, arbiter and disseminator of skills and knowledge and more as a 'broker', identifying and matching up authorities that can learn from each other, and helping to foster new methodologies of learning, perhaps through further development of its 'Communities of Practice'.

### improvement and sector development

Our focus has been mainly at the level of authorities and their services. But it is helpful to make a distinction between 'improvement' and 'development'. Improvement is concerned with the performance of individual authorities. Development relates to improvement of the 'whole system' or of major subsystems (such as children's services). It is concerned with performance frameworks, funding regimes, relationships between central and local government and interactions with service users and other service providers.

The experience of the last five years has shown that incremental improvements can be achieved through changes at the service and corporate level. Transformational (step) change and innovation are, though, more likely to require changes in whole systems and therefore action at all levels and by all players.

<sup>63</sup> J. Hartley and J. Downe (2007) 'The Shining Lights? Public service awards as an approach to service improvement', *Public Administration* 85:2, 329-353.

<sup>64</sup> J. Hartley and J. Benington (2006) 'Copy and paste, or graft and transplant? Knowledge sharing through inter-organizational networks', *Public Money and Management* 26 (2)

<sup>65</sup> See IDeA (2007) 'Getting our house in order – better results for children and young people (IDeA: London).

<sup>66</sup> See [www.idea.gov.uk](http://www.idea.gov.uk)

<sup>67</sup> See A. Cozens, (Ed.) (2007) *Loose talk and a hard nut: commissioning for better outcomes* (Solace Foundation Imprint: London).

Put another way, until now the emphasis has been upon enabling local government to meet performance benchmarks that are set by central government. In future the sector might take more responsibility for specifying the performance benchmarks. CPA asked local government to jump through a particular hoop; 'CPA – the Harder Test' put the hoop higher and made it smaller; and the initial signs are that CAA will in effect ask a wider group of players to jump through slightly different hoops but to do so in concert. There may though be other ways of achieving improvement which are best designed by those with primary responsibility for accomplishing them.

For example, the IDeA has developed a major initiative in the area of children's services<sup>65</sup> which, informed by the work of Mark Friedman in the United States, is applying a 'results based' or 'outcomes based' approach to planning services for children, young people and families. A number of local authorities in England are now developing and applying this thinking, which directs the sector to lead improvement by achieving better outcomes for children and young people, rather than reconfiguring services or inputs in a particular way. IDeA support has included intensive training in the Friedman approach for a cadre of 50 senior people to help develop a 'critical mass' of new practice and thinking across the sector as a whole. This approach has been echoed also in an initiative undertaken jointly with the Local Government Leadership Centre to train a (different) cohort of 50 leaders, including chief executives and HR practitioners in organizational development<sup>66</sup>.

Development is therefore about helping the sector develop new ways of working, to deliver improved services or to respond to changing legislation or circumstances, so that authorities respond and change more quickly than they otherwise would have done. The development function is one which goes beyond the capacities and responsibilities even of individual large authorities and, in any event, should be resourced and conducted in a way which is geared to much wider constituencies of benefit. Much of it could be conducted at regional level through mechanisms which brought together national and local capacities and skills, possibly with development 'topics' being franchised to the various regional bodies. But some aspects of sector development, and many aspects of learning and dissemination, would benefit from a national perspective and action. A balance will be needed and arrangements will need to be flexible so that they can adjust to the continually changing improvement landscape at local, regional, and national levels.

Some of the key topics for future sector development are already clear from the familiar litany of challenges: greater efficiency; increased choice; more effective commissioning<sup>67</sup>; better use of markets and market methods effectively; place shaping; local democratic renewal; and user and citizen involvement.

The Government has set, and frequently reset, the agenda, and local government seems to be constantly playing catch-up. As local government improvement has become more visible and widely based, and also

more widely acknowledged, there is now scope for a degree of greater collaboration and meeting of minds between local and central government, and also with the Audit Commission and the other national regulators which could provide the basis for a stronger set of relationships and a move towards a more 'corporate' approach to policy making.

Such a development would move local/central relations away from a zero sum game and towards the realisation of growing mutual benefit in the cause of better services and better places. It should be a move which is debated in terms of optimising its benefits and of guarding against the dangers inherent in corporate approaches which are often strong on coordination and on joint goals, but potentially resistant to new and different thinking.

In the long-term this might be best served by a new constitutional settlement between local and central government which could strengthen and legitimate the independent voice which the local government democratic mandate entitles<sup>68</sup>. But in the meantime we believe that there is considerable scope for the local government sector to shape its own destiny.

### possible scenarios

We have emphasised the imperative of human agency and the importance of the interactions between key players and their potential to shape different futures. The potential prizes lie beyond even the quality and character of services and the capacity of local authorities to shape places and communities in ways which realise local needs and priorities but also contribute to national goals and objectives. But there is no predetermined path that local government is destined to take. There are a multitude of possible scenarios. In closing we offer two, both slightly caricatured, but both possible approaches to local government improvement.

<sup>68</sup> See G. W. Jones (2007) The future of local government: has it one? Lecture at De Montfort University, October 2007.

### on the one hand:

- there will be a differential and self consciously greater role for the local government family/sector itself in relation to the other key actors as a major part of a 'whole system' approach...
- ...with central government actively seeking to support that greater role...
- ....maximising local government's responsibility for improvement....
- ...leading debate on key terms/directions....
- ...addressing not only improvement but also wider matters of development and of innovation...
- ...connecting the new context (of improved authorities) with the greater need for innovation (once basic performance is assured) and the associated learning/ action imperative (and its central reliance on peer and partner methods as a way to improve)...
- ...built around real issues (housing, health, economy, cohesion) important to individuals and to communities both as services and as place shapers...
- ...with a strong and differentiated focus on customer service, customer and user service design, and citizen engagement....
- ...aiming for transformational changes calling for political vision, capacity and leadership, shifting and enriching the managerial/political leadership balance as more complex and value laden issues come to the fore...
- ...and striking also the balance between internally self-actualised and externally validated and stimulated change and improvement.

### and on the other:

- government and regulation continue in practice to lead the improvement debate ...
- ...and set the terms and benchmarks of future improvement ...
- ...conducting debate through the policy instruments which optimise their own leverage and leadership ...
- ...giving primacy to a limited idea of improvement ...
- ...and maintaining current theories and ideas of improvement and their associated ideas about motivation and intervention, albeit applying them to an area basis into a wider group of partners ...
- ...with national priorities paramount and without the imagination and capacities at local level to give effect properly to place shaping and to service innovation and transformation ...
- ...with a continuing triumph of rhetoric over reality in matters relating to customer and citizen engagement ...
- ...and relative indifference to the potential of local political leadership to deliver against a new agenda and to help shape that agenda ...
- ... demonstrating a revealed preference for a dependent local government sector through an over reliance on external validation and judgment.

We know which we prefer.





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Please do get in touch to discover how we can help you – call us on 020 7296 6880, email: [ihelp@idea.gov.uk](mailto:ihelp@idea.gov.uk) or contact your local regional associate directly. Find out more by visiting IDeA Knowledge at [www.idea.gov.uk](http://www.idea.gov.uk)

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### **Improvement and Development Agency for local government (IDeA)**

The IDeA works for local government improvement so councils can serve people and places better.

We use experienced councillors and senior officers, known as peers, who support and challenge councils to improve themselves.

We enable councils to share good practice through the national Beacons scheme and regional local government networks. The best ideas are put on the IDeA Knowledge website.

Our Leadership Academy programmes help councillors become better leaders so they can balance the diverse demands of people living in the same community.

The IDeA also promotes the development of local government's management and workforce. We advise councils on improving customer service and value for money. We help councils work through local partnerships to tackle local priorities such as health, children's services and economic development.

The IDeA is owned by the Local Government Association and belongs to local government. Together we lead local government improvement.

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