

briefing

MARCH 2002

A Force for Change Central Government Intervention in Failing Local Government Services

The Government is committed to 'intervening' in poor-performing local council services. Between 1997 and 2001...

- 25 per cent of upper tier councils (those responsible for social services and education) were subject to intervention
- critical Ofsted inspection reports triggered 20 cases of intervention in local education authorities. Action taken has ranged from appointing consultants, to near-total outsourcing of councils' education services
- 21 social services departments were placed on 'special measures', requiring them to develop effective action plans, and submit regular monitoring reports to the Department of Health

People in councils where intervention has taken place say that it has been effective in tackling their service problems...

- 72 per cent of respondents to an NOP survey of intervention councils thought that their councils had made substantial progress
- over 75 per cent of respondents reported that they had found intervention 'very' or 'fairly' helpful
- evidence from inspections shows that services have improved following interventions



Effective interventions work by tackling the fundamental causes of service failure: poor political and managerial leadership...

- serious and sustained service failure is also a failure of leadership by senior councillors and top managers
- effective interventions focus first on helping the leadership of a council to recognise the scale of its problems and commit to tackling them, through a mixture of challenge, persuasion, threat and compulsion

...and poor systems and culture.

- effective interventions tackle weaknesses in systems and culture – absence of clear targets, poor financial systems and a focus on providers rather than service-users

The Government has set out a new performance management framework for councils that will form the basis for future interventions. But more needs to be done...

- the Government should establish a clear and effective role within the Department for Transport, Local Government and the Regions (DTLR) in leading corporate interventions, and should find effective ways of resolving competing priorities across Government during the course of individual interventions
- the Government needs to develop effective approaches for addressing problems with the top political and managerial leadership in councils
- Government and national bodies such as the Improvement and Development Agency (IDeA) should develop a much wider range of high-quality consultancy, support and organisational development services than is now available. This would benefit all councils, not just those that are performing poorly

Introduction

1. The Government has made the improvement of public services one of its key objectives, and is committed to stepping in to ‘intervene’ in failing services at

local level. This study focuses on the impact that such interventions have had, and makes recommendations to Government, national bodies, councils and to

the Commission itself about how to improve the way in which interventions are carried out in future.

What is intervention?

2. The study takes as its definition of intervention ‘cases where Government departments and/or ministers have taken action that they would not otherwise have taken as a result of a critical inspection report or other external source of evidence of service failure’. Using this definition there were 41 interventions in social services departments or local education authorities (LEAs) in England¹ between 1997 and 2001. In addition, there has been one example of an intervention following a referral to ministers by the Audit Commission. These 42 interventions took place in 38 councils (25 per cent of the total number of upper tier councils – those with responsibility for education and social services).

3. Interventions involve one tier of democratically-elected government intervening in the affairs of another tier, which raises difficult questions of democratic legitimacy and accountability. These questions arise because the electoral process has proved slow to produce change, even where councils have provided poor services for many years. Central Government argues that its national mandate gives it a

legitimate role in addressing failures in priority services. Where turnout in national elections is significantly higher than in local elections this argument is strongest. Ultimately, Parliament has given ministers a range of intervention powers.

...in education

4. LEAs have four core responsibilities in relation to schools: securing access, special educational needs and pupil welfare, school improvement and strategic management. Critical Ofsted inspection reports have triggered 20 cases of intervention in LEAs. Education interventions have taken many different forms, ranging from the appointment of consultants by the Department for Education and Skills to advise on structural and cultural change, to full-scale contracting out of most of the services for which an LEA is responsible.

...and in social services

5. Social services departments are responsible for providing and commissioning services for people at risk. In social services, intervention has taken the form of

‘special measures’ under which a council is required to draw up an effective action plan which is agreed with the Social Services Inspectorate (SSI), who then regularly monitor progress against the plan. Twenty-one social services departments were placed on special measures between 1997 and 2001.

6. The sorts of failures in education and social services that intervention has tackled have included: large numbers of children at risk with no allocated social worker, unacceptably long gaps between social worker visits for looked after children, assessment and GCSE results consistently below the national average, LEAs that have given little challenge to poor performance in schools, and which have provided costly and poor quality services to schools.

¹ The policy framework for intervention in Wales is different to that in England. While this report will be relevant to the developing policy framework in Wales, its evidence is drawn only from English councils, and its recommendations are addressed to English stakeholders.

Does intervention tackle service failure?

7. In an independent NOP telephone survey of lead councillors, chief executives and directors in intervention councils, 72 per cent of respondents said that their councils had made substantial progress in addressing the problems identified. Over 75 per cent reported that they had found intervention ‘very’ or ‘fairly’ helpful in overcoming these problems. This view was shared by focus groups of staff who had been in post in councils before, during and after the intervention.

8. Evidence from external sources reinforces these views. On average, Ofsted inspection scores for intervention councils have improved for all LEA service areas in the period between the critical inspection report being issued and a subsequent re-inspection. An in-depth structured read of SSI inspection reports for seven councils showed that five departments had made significant progress, and two had made some progress.

In an independent NOP telephone survey...over 75 per cent [of respondents] reported that they had found intervention ‘very’ or ‘fairly’ helpful...

What causes service failure?

9. In *Changing Gear*¹, the Commission identified four ‘building blocks’ of effective councils. These building blocks can be grouped under the headings of ‘effective leadership’ and ‘effective systems and culture’ [TABLE 1].

TABLE 1

The four building blocks of effective councils

1. Ownership of problems and willingness to change	Effective leadership
2. A sustained focus on what matters	
3. Capacity and systems to deliver performance and improvement	Effective systems and culture
4. Improvement integrated into the day job	

Source: Adapted from *Changing Gear*

¹ Audit Commission, *Changing Gear: Best Value Annual Statement 2001*, Audit Commission, September 2001.

10. The councils where intervention has taken place have lacked effective leadership, and effective systems and culture. Poor leadership leads to poor systems and culture; collectively, these lead to serious and sustained service failures [EXHIBIT 1].

11. Poor leadership leads to service failure in a number of ways. For example:

- **lack of commitment to the service.** Social services has been particularly vulnerable to neglect by politicians, with members showing a lack of understanding of their important role. It has often been a critical inspection report that has finally brought home to politicians the impact that their lack of commitment

to social services can have on vulnerable children.

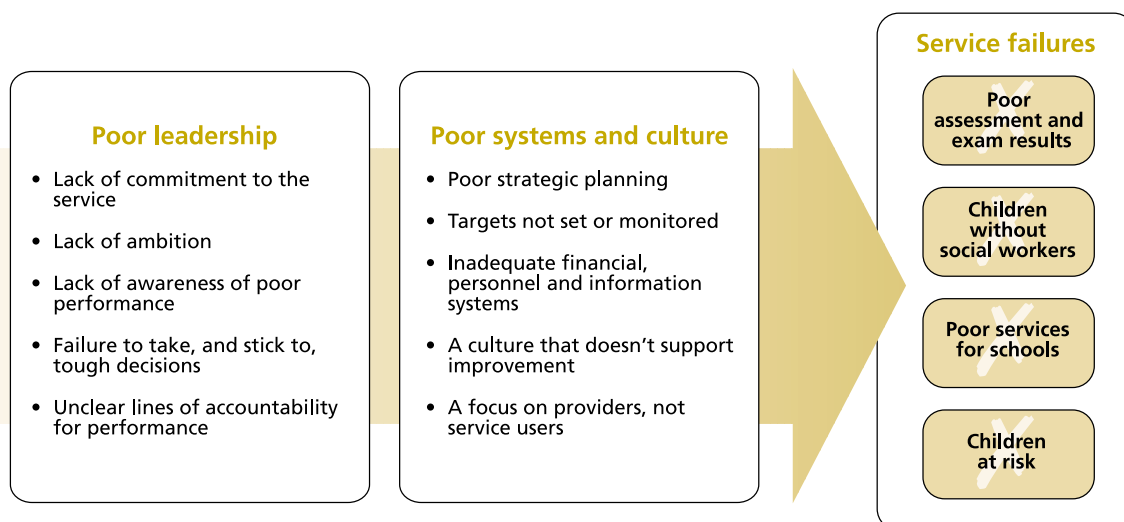
- **lack of ambition.** The corporate and service leadership in many intervention councils was content to maintain the status quo rather than set challenging but realistic improvement targets for the service. In some intervention LEAs, political and managerial leaders were content with incremental improvements in schools' examination results, even though their councils' performances were well below the national average.

- **failure to take, and stick to, tough decisions.** A failure by politicians to decide to close or merge schools with unfilled places leads to resources being spread too thinly. Such tough decisions are usually unpopular in the short term and are therefore never easy to make, but effective councils make them and stick to them; councils with poor political leadership do not.

EXHIBIT 1

The causes of service failure

Failures of political and managerial leadership lead to poor systems and culture; collectively, these lead to serious and sustained service failures.



Source: Audit Commission research

12. Poor leadership often leads to poor systems, and to a culture that does not support service improvement. These lead to service failures in a number of ways. For example:

- **poor financial, personnel and information technology systems.** Poor financial systems can make it hard for officers to monitor expenditure in their service areas. Ineffective personnel systems have been a recurring feature of intervention councils. Bureaucratic recruitment

procedures cause delays in filling vacancies; ‘recruitment from within’ can lead to an insular culture and missed opportunities to bring in fresh ideas and different ways of working. The absence of performance monitoring systems means that priorities and targets are not communicated to staff, and persistent poor performance can be tolerated, leading to dissatisfaction among the staff who are most committed to providing high-quality services.

- **a focus on providers, not service users.** Poorly performing services often are not built around the needs and expectations of service users. A common feature of LEAs subject to intervention was a failure to focus on the needs of schools in the provision of services. This was often accompanied by low levels of budget delegation, since the LEA expected schools to obtain their services from the council, rather than giving them the freedom to shop around.

How does intervention work?

13. Effective interventions divide into three broad phases: ‘overcoming denial’, ‘taking action’ and ‘exit’ [EXHIBIT 2, overleaf]. The duration of these phases is influenced first by the council’s willingness to change and then by its capacity to deliver improvement.

Phase 1: Overcoming denial

14. Serious and sustained service failures are also failures of corporate leadership (that of senior councillors and top managers). Effective interventions focus first on helping the leadership of the council to recognise the scale of its problems and commit to tackling them,

before focusing on recovery action. This involves:

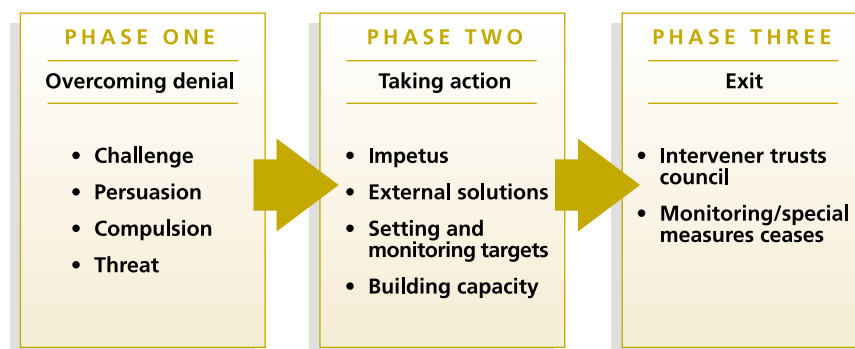
- **challenging** councillors to recognise the extent and nature of the council’s problems with a well-evidenced inspection report;
- **persuading** local politicians, the chief executive and service directors to commit to change, through formal and informal contacts at senior levels with the chief inspector, ministers and national politicians;
- **compelling** the council to focus attention on priorities by setting out ‘must-dos’ under special measures, or by proposing an external solution such as outsourcing or a partnership board; and

- **threatening** the council with outsourcing of its services. Many councillors are hostile to the loss of ‘sovereignty’ that they perceive to be associated with outsourcing. The threat of outsourcing can be an effective tool to gain councillors’ agreement to another course of action which does not involve this loss of sovereignty, but which they would not otherwise agree to.

EXHIBIT 2

The three phases of intervention

Effective interventions divide into three broad phases: overcoming denial, taking action and exit.



Source: Audit Commission research

15. A result of this phase is often the departure from post of the chief executive, director and senior managers who would not, or could not, be persuaded of the need for change, or who were simply not matched to the needs of the situation. Inspectors have expressed concern that such departures have sometimes been based on a desire to find a ‘scapegoat’, rather than being based, as they should, on a thorough assessment of officers’ competence and capacity.

16. By the end of this phase the council will be ready to take more specific action to tackle service problems.

Phase 2: Taking action

17. During phase two of the intervention the focus shifts from addressing problems of leadership to addressing weak systems and culture. The key ways in which intervention produces action are:

- **Impetus.** Sustained external focus on the council provides pace and communicates a clear expectation to the council that it is expected to take action quickly.
- **External solutions.** Outsourcing can provide outside expertise and capacity, and can bring in a wider range of skills than is currently available in the council. Partnership boards, which involve key stakeholders and independent advisors in the strategic management of services, can demonstrate new ways of working to both officers and councillors, and can involve users directly in setting priorities and in decision-making.
- **Setting and monitoring targets.** Targets can be imposed through special measures in social services or they may form the basis of an outsourcing contract or post-Ofsted action plan in education. Targets ensure that the focus is on the right areas, and monitoring reinforces the need for action.
- **Building capacity.** Interveners can bring money and advice and help the council to find suitable new staff. Some councils have also used interim management to fill key management posts or to provide specialist help and guidance. Councils have been able to free up their own resources by promoting able staff into leadership positions, moving staff across the council to provide capacity, and delegating appropriate responsibility and decision-making powers.

18. Commentators often confuse ‘intervention’ with ‘outsourcing’. Outsourcing has been a feature only in a minority of the interventions that have taken place since 1997. There have been more and less successful interventions that have involved outsourcing, just as there have been more and less successful interventions that have not involved outsourcing. The key to improving the effectiveness of intervention in future is selecting the right approach from the wide range of different interventions that are possible, tailored to the needs and circumstances of the particular council. Interveners need to learn more systematically in future ‘what works where’, to improve the decisions that they make in individual cases.

Phase 3: Exit

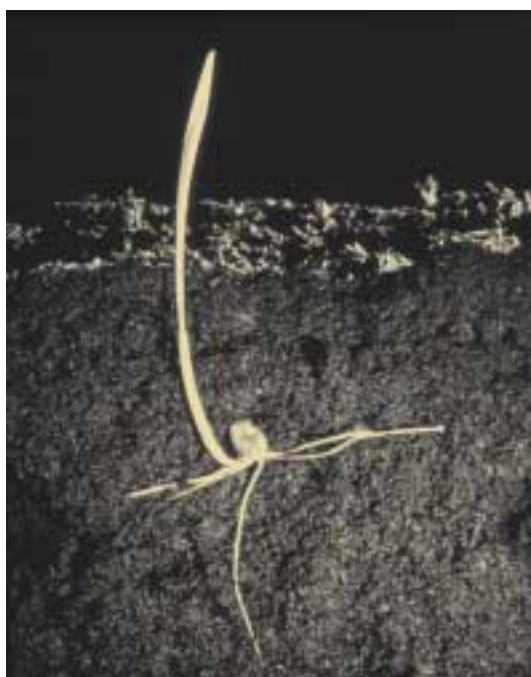
19. This is less of a phase and more of a milestone. It is the relatively brief period when the intervener withdraws and the council resumes full responsibility for its services. It can mean removal from special measures in social services or the receipt of a satisfactory inspection report in education.

What can go wrong?

20. Interventions have been successful in addressing the causes of serious service failure. But not all interventions have been equally successful. Councils and key stakeholders identified slowness as a problem in those interventions that involved large-scale outsourcing or a partnership board. Lengthy negotiations

between the council and the intervener, and the time-consuming process of tendering contracts, meant that all such interventions took at least a year to set up. This led to stagnation, low morale and lack of service improvement while people ‘waited for something to happen’.

21. Respondents to the NOP survey were often positive about the ‘constructive’ relationship formed with government departments. But some felt that the process was ‘punitive’, while others cited dogmatism on the part of the intervener as a barrier to progress during this phase, referring to an unwillingness on the part of the intervener to negotiate or explore alternative solutions.



The future of intervention

22. An ideal approach to interventions would:

- focus on corporate leadership;
- base intervention decisions on clear criteria and publicly available evidence and judgements;
- ensure that corporate and service failures are swiftly picked up and acted upon;
- set out clear roles and responsibilities for action across Government; and
- build sustainable capacity for improvement across central and local government.

23. In December 2001 the Government published a White Paper which set out a new performance management framework for councils. This framework will form the basis for future interventions in local government.

The new performance management framework for councils

24. The White Paper introduced the idea of ‘comprehensive performance assessments’ (CPAs). The Audit Commission, in partnership with other inspectorates and Government departments, will bring together performance information about all councils to compile a ‘balanced scorecard’, publicly identifying each council as high-performing, striving, coasting or poor-performing. As part of the process,

councils will also complete a self-assessment, and a ‘corporate assessment’ of each council will be carried out.

25. By late 2002, all upper tier councils will have received their performance assessments, and the Government will need to have put a framework in place to provide support to those councils defined as ‘poor-performing’, and intervention where necessary. District councils will receive their assessments by late 2003.

How does the new performance management framework compare with the ideal framework?

26. There is much in the Government’s proposals that will strengthen the basis for future interventions. CPAs take account of the key role of corporate leadership by including a corporate assessment of councils. These corporate assessments will be carried out by teams that include councillors and top local government officers.

A clear focus on the actions that matter most is vital to the success of interventions.

27. CPAs will also bring together a wide range of evidence and judgements from auditors, inspectors, other external commentators (for example, Improvement and Development Agency (IDeA) peer reviews) and the council itself. This will provide a rounded view of council performance, allowing failure, or potential failure, to be identified more quickly. This should lead to more ‘early interventions’, to head off failure before it occurs.

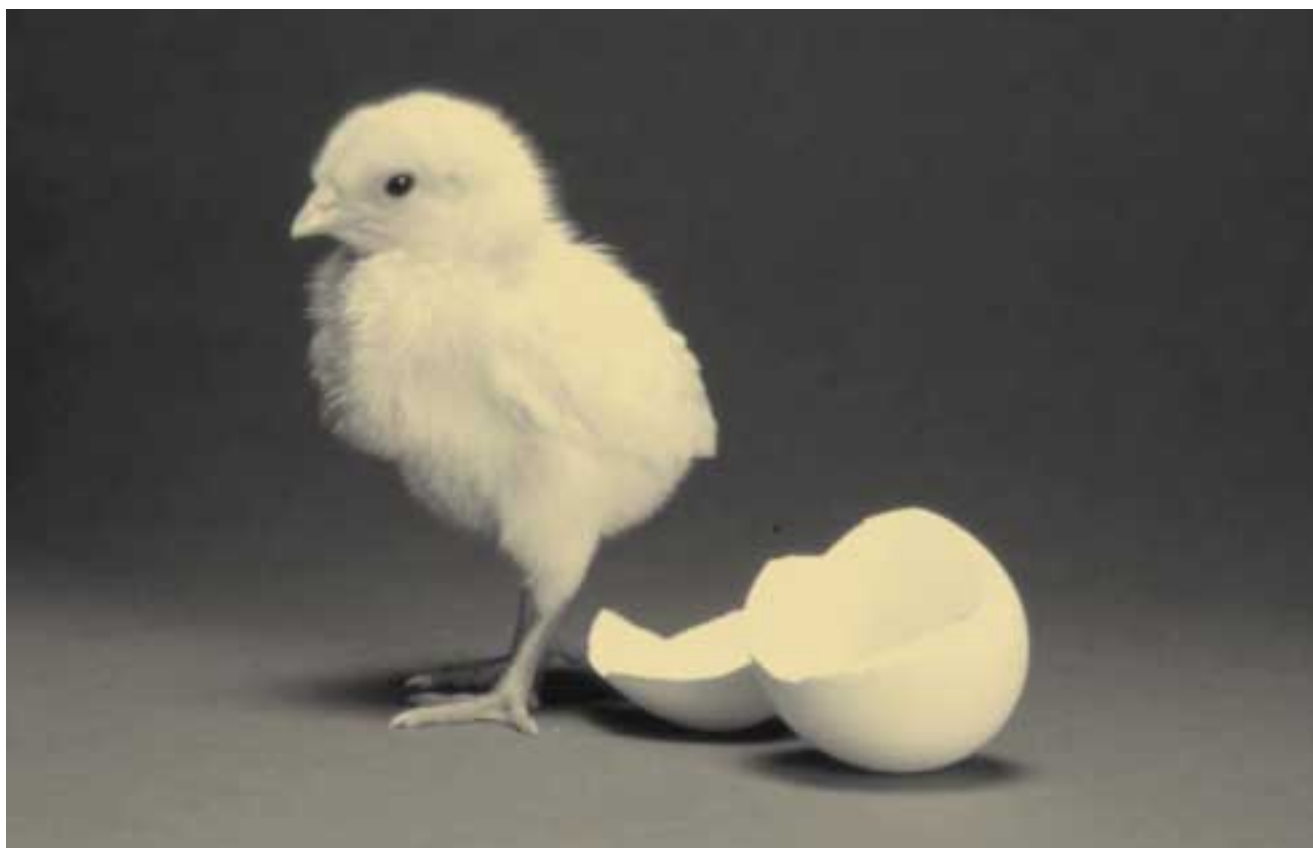
28. There are a number of ways in which the Government’s framework should be further strengthened. Poor corporate leadership lies at the heart of serious and sustained service failures. The Government therefore needs to develop more effective approaches to ‘corporate interventions’ in order to address such leadership failures.

29. A clear focus on the actions that matter most is vital to the success of interventions. To bring this clear focus to bear, the Government needs to find more effective ways of resolving competing priorities across Government during the course of individual interventions. A clear and effective role should be established within the Department for Transport, Local Government and the Regions for leading corporate interventions.

30. Intervention can only be effective if there are sufficient people with the necessary skills, both within Government and available to councils. The Government and national bodies such as the IDeA should develop the range of supply of high-quality consultancy, support and organisational development services. This will benefit all councils, not just those that are performing poorly.

Conclusion

31. This study identifies ways in which future interventions could be improved. But the greatest benefit of the new performance management framework may come not from finding more effective ways of tackling failure when it arises, but from preventing such failures in the first place.



Recommendations

Action for the Government

The Government should:

- 1 Fulfil its commitment to a common approach to intervention across Government by establishing a clear and effective role within the DTLR in leading corporate interventions.
- 2 Find effective ways of resolving competing priorities across Government during the course of individual interventions.
- 3 Develop the current range of intervention approaches to include more options for addressing poor political leadership (including the option of administration).
- 4 Set out clearly defined priorities and performance standards within the new performance management framework, and clearly base future decisions to intervene on a failure to address those priorities and meet those standards.
- 5 Evaluate across Government which interventions work best and why, and set clear criteria for judging the success of interventions in future. These evaluations should look for the possible negative impact of an intervention on areas of the council that are not the subject of the intervention.
- 6 When recruiting and developing people for intervention work, ensure that they have the key people skills of influencing, persuasion and negotiation, and the abilities to strike up effective working relationships and identify common goals.

- 7 Increase the transparency of the evidence underpinning the new performance management framework for councils, by removing the current restrictions on the powers of auditors to place information in the public domain. This would involve reversing the assumptions underlying section 49 of the *Audit Commission Act 1998* to reflect a presumption that all audit reports should be in the public domain, and placing responsibility for the decision not to publish with the auditor, having regard to the public interest.

- 8 Strengthen the governance and accountability framework for councils to require both the council leader (or elected mayor) and the chief executive (or council manager) to formally sign off an annual statement of assurance about the corporate governance arrangements of the council, and for the council leader (or elected mayor) to sign the council's annual accounts. This would demonstrate publicly that they take responsibility for the governance of the council and for its statement of accounts.

Action for the Government and national bodies

The Government and national bodies including the IDeA should:

- 9 Develop more effective ways of swiftly bringing additional capacity into poor-performing councils. This would include encouraging the supply of high-quality capacity-building services where they do not currently exist, and providing incentives and expectations for high-performing councils to provide support to poorer performers.

Action for the Commission, other inspectorates and Government departments

The Commission, in partnership with other inspectorates and Government departments, will:

- 10 Develop CPAs that make clear public judgements about the factors that lead to service failure in councils: poor leadership from senior councillors and top officers, and poor systems and culture. These judgements must be based on rigorous evidence, and should include corporate assessments and councils' own self-assessments.
- 11 Clarify the accountability for performance of senior councillors and top officers by requiring the council leader (or elected mayor) and the chief executive (or council manager) to sign the self-assessment statement for their council as part of the CPA process.
- 12 Continuously improve the consistency of its inspection judgements, and the quality of the evidence on which they are based. This will help to ensure that CPA judgements are based on sound evidence and are consistent across councils, and will increase the likelihood that councils will accept and act on key messages at an early stage.

- 13 Take prompt and appropriate action as soon as evidence of failure or potential failure is found, viewing CPAs as part of an ongoing dialogue with councils, not as a 'once-a-year snapshot' of performance.

Action for Councils

Councils should:

- 14 Use the self-assessment part of CPAs to honestly review the quality of leadership provided by councillors and top officers, and the strength of their systems and culture, and take the initiative to address any weaknesses. They should draw on help from outside where necessary to make improvements (inspection, audit, the IDeA, consultancies, other councils and Government departments).
- 15 Move quickly to take action where clear evidence of poor performance is presented, and not waste time in denial.

Other reports of interest

Competitive Procurement: Learning from Audit, Inspection & Research

This report describes the role that competition can play throughout the procurement process, and reviews current practice. It highlights the most common barriers to successfully managing competitive procurement, and suggests how these can be overcome. Case studies and self-evaluation questions throughout the paper will help authorities to learn from each other's experiences and use competitive procurement to raise the standards of their service provision.

Contents:

Introduction; The current picture; Barriers to competitive procurement; The way forward; Conclusion

ACKnowledge Report, 2002, ISBN 1862403503, £18, stock code LLI2712

Changing Gear: Best Value Annual Statement 2001

The 2001 best value statement from the Audit Commission reviews progress made by councils in implementing the new best value regime. It draws on a wide range of evidence to get below the headlines and see what is happening on the ground. It examines how councils can use their experience to build capacity to deliver further improvements, and how inspection and audit need to change to make best value work better.

Contents:

How Well are Councils Performing?; How are Councils Responding to Best Value?; How Can Councils Make Best Value Work Better?; Improving Inspection and the National Framework; Targeted to Improve; Conclusions

National Report, 2001, ISBN 1862403074, £10, stock code LNR1849

Change Here! Managing Change to Improve Local Services

Managing change is one of the greatest challenges facing public services. *Change Here!* is a guide for top managers in local government and the NHS that draws together the Audit Commission's considerable knowledge and experience of how local bodies can manage change successfully and overcome barriers to improving services. A light and interesting read for chief executives and their executive teams, this guide is illustrated with case studies which highlight some of the key lessons and show how they have been applied in practice in a variety of situations.

Contents:

Introduction; Role of the leadership team; Local ownership; Sustaining focus on the key priorities; Focus on users; Managing the change programme; Using external help; Building capacity for continuous improvement; Conclusion

Management Paper, 2001, ISBN 1862402752, £15, stock code GMP1804



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