

Local government

National report

May 2007

 **audit**  
commission



# Seeing the light

Innovation in local public services

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Photographs: Paul Dodd, Getty Images

Printed in the UK for the Audit Commission by Belmont Press, Northampton

Design and production by the Audit Commission Publishing Team

Summary	2
Recommendations	4
Checklist for chief executives	7
<b>1 Introduction</b>	<b>9</b>
<b>2 Mapping innovation</b>	<b>16</b>
<b>3 The benefits of innovation</b>	<b>24</b>
<b>4 Generating innovation</b>	<b>29</b>
<b>5 Implementing innovation</b>	<b>36</b>
<b>6 Disseminating innovation</b>	<b>45</b>
References	55
Appendix 1	56
Appendix 2	57

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First published in May 2007 by the Audit Commission for local authorities and the National Health Service in England, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

ISBN 1 86240 532 8

# Summary

## **Local authorities will have to work in new ways to achieve continual improvement and to fulfil their new place shaping role...**

- Councils are under increasing pressure to improve performance and engage in new, complex ways of working.
- Incremental change may not be sufficient to respond to the pressures; innovation is often needed.
- Improving efficiency, under internal and external pressure, is currently the strongest driver of innovation.
- Innovation is more often used to address poor performance than in service areas of relative strength.

## **...and they are already innovating extensively.**

- Innovation can raise performance in any aspect of an authority's activity.
- Recent Comprehensive Performance Assessments identify innovation in three-quarters of single tier authorities and fire authorities.
- Nearly half of all authorities report that they are involved in 'a great deal' of innovation.
- Innovation is not confined to strongly performing authorities.
- Innovative projects have allowed authorities to improve value for money, the quality of services and community engagement.

## **Authorities can organise themselves in ways that make innovation more likely...**

- Local authority staff are often the best source of creativity; partners also contribute new ideas.
- Pressure to innovate from members is experienced more in councils that innovate a lot than in less innovative councils.
- A culture that combines ambition and openness to new ideas encourages innovation.
- Cross-cutting structures encourage innovation, as does devolving responsibility to customer-facing staff.
- Few authorities create opportunities away from day-to-day pressures for staff to think creatively.

**...and need to use effective change management to implement innovative ideas successfully.**

- Innovations often founder as a result of poor implementation or ineffective risk management.
- Dedicated sources of money are not key to innovation; good ideas recognised by managers usually secure funding.
- Authorities need to deploy adequate managerial capability and engage political leaders, users and partners, but struggle to do so.

**Innovations don't spread as quickly or as widely as they might...**

- Local government as a whole can benefit if authorities share innovative practice.
- Few authorities are able to access examples of successful innovation, while many innovators lack mechanisms for sharing their experience.
- Face-to-face dissemination is the most widely used method for sharing ideas, and the most popular for learning.
- Some of the dissemination methods used do not attract those who are seeking to learn.

**...and central agencies could do more to help overcome the barriers to sharing innovative practice.**

- Most authorities evaluate their innovations, but find it hard to assess how innovative they are or whether there are potential benefits for others.
- Many are wary of publicising promising practice where benefits are not yet proven; others are wary of highlighting the lessons learned from failures.
- Face-to-face dissemination methods that are popular with learners, such as hosted visits, are burdensome for innovators.
- Support for dissemination, such as the Beacon scheme and the work of the Improvement and Development Agency (IDeA), has been helpful.
- Central agencies, including the Audit Commission, should play a greater role in identifying and disseminating innovative practice.

# Recommendations

## Local authorities should:

**R1** Identify areas where gaps between performance and aspiration are greatest as potential areas for innovation. These may be where performance is poor or aspiration high, or both.

**R2** Consider routinely the role that innovation has to play in service improvement, and be willing to countenance innovative approaches where incremental improvement may not deliver the results required.

**R3** Ensure they are in a position to assess and manage the potential costs and benefits of innovating, against the costs and benefits of other improvement strategies.

**R4** Undertake an assessment of the risks of innovating before proceeding with innovation, bearing in mind that missing an opportunity is a business risk in itself.

**R5** Ensure that elected members, local communities and stakeholders (including delivery partners) are able to drive innovation by applying pressure to change, by contributing good ideas, and by participating in the innovation process itself.

**R6** Encourage staff across all service and support areas to consider innovative ways to improve performance and, where appropriate, encourage innovation when commissioning services from providers in the private and voluntary sectors.

**R7** Establish mechanisms for scanning for good ideas elsewhere and forums for creative discussions between staff, external stakeholders and users.

**R8** Review organisational structures to ensure that departmental silos and hierarchies do not inhibit the generation or spread of innovative ideas.

**R9** Review their own organisational capacity to innovate and, in particular, the level of senior management and member commitment and expertise in change management and risk management.

**R10** Involve users in the design and development stages of innovations, wherever possible.

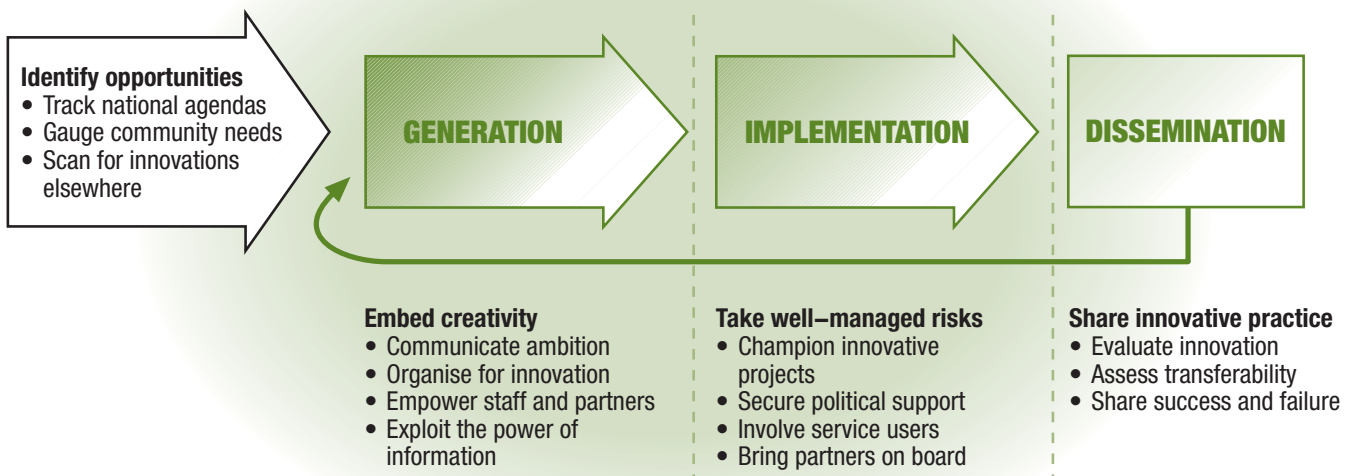
**R11** Involve members in innovative projects at an early stage to ensure their support for the change associated with implementing innovation.

**R12** Evaluate the costs and benefits of innovating, considering not only whether it has led to performance improvement or increased value for money, but also whether there is learning which is more widely transferable.

**R13** Publicise the lessons learned from both successful and unsuccessful innovation within the authority.

**R14** Work with local government bodies and central government to disseminate the lessons learned from innovative practice to help raise performance across the sector.

**Authorities need to...**



## Local government bodies and central government departments should:

**R15** Provide better support to help authorities share innovative practice, looking beyond authorities with high performance ratings in identifying innovative practice that can be replicated throughout the sector. In particular they should:

- focus on enabling face-to-face dissemination; and
- help create a safe space for authorities to share the lessons from failed innovations.

## The Audit Commission will:

**R16** Conduct audit and inspection in line with its Public Audit Forum commitment to encourage innovation.

**R17** Identify innovative practice as part of its audit and inspection work and proactively share this knowledge with other local authorities.

# Checklist for chief executives

## Drivers – does your authority feel the pressure to innovate?

- Where is your biggest performance challenge?
- How would you meet an efficiency improvement target even more stretching than one you currently face?
- When was the last time pressure from members stimulated an innovative development?
- How do you encourage local people to set you challenges and help you find innovative solutions?

## Enablers – do your authority’s organisation and culture encourage innovative ideas?

- Which of your targets cannot be achieved by incremental improvement?
- How can front line staff turn innovative ideas into reality?
- Do staff have enough opportunities to think creatively away from day-to-day pressures?
- Who analyses information for insight which can give rise to innovation?
- How do staff know that you encourage innovation? Who came up with the last idea you supported?
- How did you behave last time an innovative approach went wrong? What message did that send about your approach to failure?
- What mechanisms are in place to ensure that lessons and insights can be communicated within your authority, and with others?

## Implementation – can your authority manage innovation effectively?

- Why was your last successful project a success (and your last failure a failure)?
- How would you assess and manage the risks associated with an innovative service improvement idea?
- What innovative projects are your senior team sponsoring?
- How many managers do you have with the ability to manage an innovative change programme? Are they doing so?
- How many of your top dozen operational managers are working on innovative projects?
- What have you recently changed in response to a suggestion from an external partner?
- How were users involved in the most recent changes you made to service delivery?

## Dissemination – is your authority contributing to the spread of innovative ideas?

- Where will your authority look for good ideas for service improvement in the next three months?
- What were the costs and benefits of the last significant innovative change in your authority?
- What have you done to disseminate the success and lessons of the last innovative development?
- How will you disseminate the next one?
- Who might be interested in it? How would you know?

# 1

## Introduction

### Background

- 1 English local authorities have a statutory duty to undertake continuous improvement. The 2006 White Paper *Strong and Prosperous Communities* reaffirmed this duty (**Ref. 1**). The government called on local authorities to build on the progress they have made to date in transforming the service provided to users and citizens as taxpayers:

‘...there remain significant challenges for all of us involved in public services as society changes: citizens’ expectations are rising; stubborn policy challenges remain, particularly in major cross-cutting areas; and the complexity of the modern world means that new approaches to public policy are needed to have the greatest impact.’ (**Ref. 2**)

- 2 In the White Paper (and in the proposed legislation that followed it, the Local Government and Public Involvement in Health Bill), further challenges were set out for those delivering local public services. Specifically, local authorities will be place shapers, working in partnership with other public bodies and the private and third sectors to shape the future of their areas. At the same time, public expectations of authorities are growing, and will continue to grow. The government’s recent Policy Review paper states that ‘people who are accustomed to high standards of service in other aspects of their lives will not tolerate lower levels in public services’ (**Ref. 3**) and sets out a continuing reform agenda based on the principles of personalisation and equity. Recent research shows that public satisfaction with local authorities has not grown in line with measured improvements in their performance (**Ref. 4**).
- 3 It is also clear from government announcements on public spending that, in most areas of their activity, local authorities will be expected to deliver against rising expectations within, at most, slow-growing resources.
- 4 This combination of rising expectations and constrained resources mimics the competitive pressure of the market in the private sector, which motivates organisations to innovate.

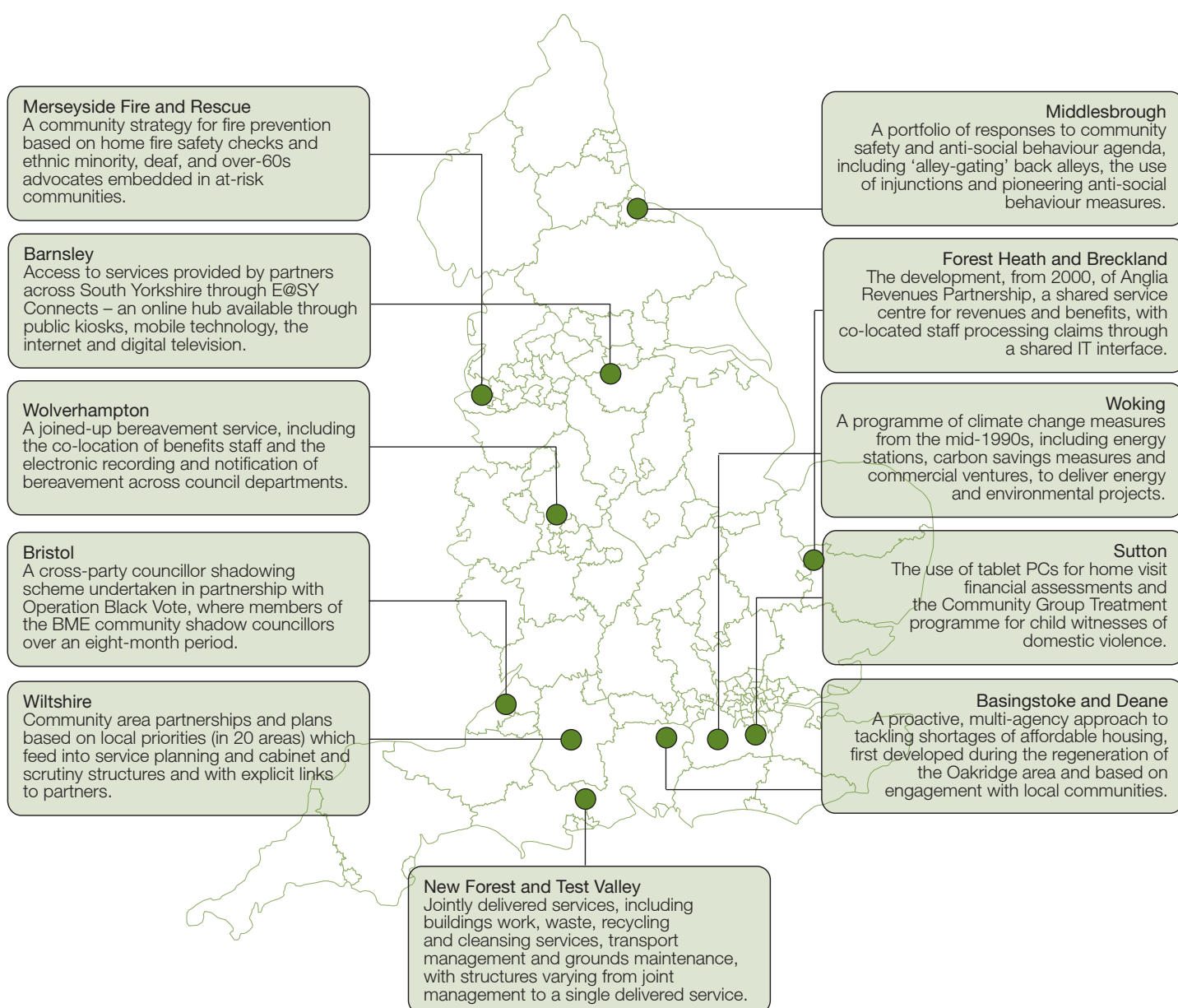
- 5 Many authorities, like their counterparts in the private sector, have found that incremental approaches to improvement – doing the same thing, but a bit better – are now yielding smaller gains in performance and efficiency than they have in the past. These improvement approaches are unlikely to be able to deliver against rising expectations. Rather than doing the same thing better, authorities will have to do things differently.
- 6 Pressures for change can emerge in any area of authorities' activity. Most authorities report that they consider innovation as an option in all or most areas of their activity. However, they are much more likely to consider innovation as an improvement strategy in areas of perceived poor performance than in areas of relative strength. In some authorities, innovation has been introduced to address declining service usage or delays in processing information, or to plug an identified gap in the services offered by authorities. In others, it is to guide an organisation out of a period of difficulty or crisis, or is a response to more long-standing problems, such as barriers to engagement with local communities.

## Purpose of this report

- 7 Although public sector organisations have a history of innovating (**Ref. 5**), local authorities have rarely been the focus of research in this area. As such, what constitutes innovation in local government, why and how it should be undertaken and the conditions that support it, is rarely explored. This lack of analysis presents a significant challenge for local authorities looking to identify opportunities to innovate.
- 8 This report is intended to encourage local authorities to consider innovation as one way of achieving sustained performance improvement. By providing practical advice and support, based on authorities' own experiences of innovating, it aims to assist in creating the conditions in which innovation is fostered, developed and managed effectively.
- 9 It will be most valuable to senior managers, elected members and officers in local councils and fire and rescue authorities, and will be of particular interest to those managing strategic business processes or those involved in overview and scrutiny arrangements. It also has relevance for other local public bodies, particularly those involved in local strategic partnerships.

- 10 **Chapter 2** of the report provides a snapshot of the extent of innovation in local authorities, the areas of activity in which innovation occurs, and the pressures that drive innovation in the sector. **Chapter 3** details some of the benefits that can be achieved where innovation has been successfully implemented.
- 11 In this report, we make a distinction between the generation of an innovation and the management of its implementation. **Chapters 4 and 5** look at these stages in turn, identifying the enablers of and barriers to successful innovation. **Chapter 6** examines the dissemination of learning from successful innovations in local authorities to other local public bodies.
- 12 The experience of authorities attempting to innovate is rarely as straightforward as the distinction between generation and implementation suggests. Instead, the innovative process may involve piloting, re-scoping and long waits for approval. Potential innovations may then be changed, mainstreamed or outsourced to others. Moreover, the road to successful innovation will often involve many small failures and dead-ends, as well as unexpected opportunities. Each of these will shape the proposed innovation such that it may emerge at the end of the process looking quite different from what was envisaged, or be used for purposes other than those originally intended.
- 13 **Ten case studies of innovative practice in local authorities form part of this report and are available on the Audit Commission website.** These cover a range of activities including: community engagement and planning; delivering shared services; e-enabled service provision; and democratic renewal. In selecting fieldwork sites, we looked for innovative ideas that had been successfully implemented and could demonstrate positive benefits for users and citizens. We identified innovations that had proved to be sustainable, rather than cutting edge practice still being implemented, to illustrate the innovation process from formulation and development to delivery. Our fieldwork sites are shown in **Figure 1 (overleaf)**.

**Figure 1**  
Fieldwork sites of innovative practice in local authorities



Source: Audit Commission

## Defining innovation

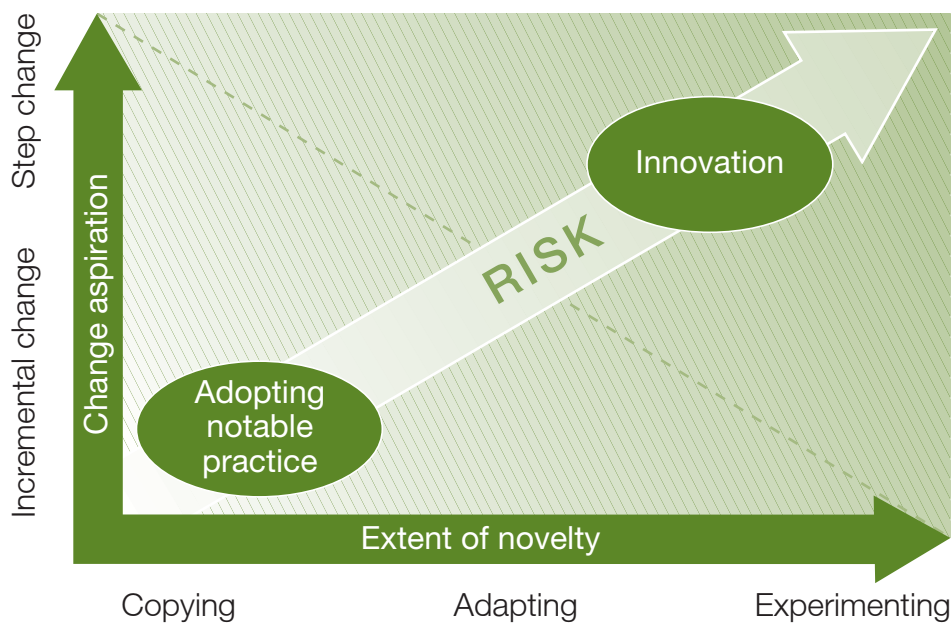
- 14 When people talk about innovation they generally mean one of two things. A new product (for example, an energy-efficient light bulb) is described as an innovation. But innovation is also the process by which organisations develop new products, services or ways of doing things (**Ref. 6**). In this report we are concerned with the latter, in the context of local government. By innovation, we mean an approach to improvement with three defining features:
- **Novelty** – innovation introduces something new to the organisation, marking a break from its established practice.
  - **Influence on change** – innovation results in an identifiable step change in the behaviour of the organisation.
  - **The goal of improvement** – organisations innovate in order to deliver a performance improvement or increased value for money.
- 15 The definition of novelty employed here recognises that innovation may involve adapting others' existing ideas to an individual authority's own circumstances. This adaptation may well require significant experimentation and step change and therefore represent an innovation for the organisation in question (**Figure 2, overleaf**). Indeed, relatively few authorities are involved in inventing entirely new practices. Innovation is therefore highly context-specific, which means that it is not something that can be prescribed or expressly mandated.
- 16 Authorities' experience of innovation illustrates this. Many authorities have broken new ground, either as the first to undertake a particular course of action or by reacting to an emerging agenda before it became mainstream, thereby helping to shape its future direction. However, some authorities have used established principles (for example the one-stop shop) in a new way, or applied them to a new area of activity. Others have adapted notable practice from outside their organisations, tailoring it to their individual needs, and in the process making a significant departure from their established ways of working. In all cases, however, the path that authorities have chosen goes well beyond simply replicating the work of their peers.

## Innovation and risk

- 17 Whether authorities invent something new, or adapt others' ideas to their particular circumstances, innovation requires authorities to embark on something that they have not done before. As such, risk is inherent in the innovation process (**Figure 2**). Innovation, like any other improvement route, can fail to deliver its intended benefits.

**Figure 2**

**Innovation involves greater risk than other improvement strategies**



**Source:** Audit Commission

- 18 The principal risk in innovating lies not in generating or identifying new ideas, but in implementing them. Both the decision to move forward to implementation or not, and the management of risk in implementation, are therefore critical. Authorities with a culture of proportionate risk taking, which does not stifle the experimentation that is inherent in innovation and with the necessary skills and commitment for the effective management of risk, will be in a strong position to deliver innovative projects.

- 19 Assessing the costs and benefits of innovation can be difficult to do in advance of its implementation. Authorities we visited found it easier to measure potential costs and benefits where their objective was improving value for money than when the desired outcome was service effectiveness or community engagement. Nevertheless, the costs of innovating, as with any major change programme, can be significant, and it is no less important that cost-benefit analysis informs an assessment of risk, and that costs and benefits are evaluated on an ongoing basis. However, this assessment should bear in mind that it may take some time for the benefits of innovating to become clear.

## Encouraging innovation

- 20 The Audit Commission recognises the role that it can play in promoting innovation in local government. The Commission's guidance to auditors requires them to support improvement in audited bodies and encourage worthwhile change and improvement by adopting a constructive and positive approach wherever possible. It refers auditors to the Public Audit Forum commitment to:
- adopt an open-minded and supportive approach to innovation (including the use of techniques tried elsewhere), examining how the innovation has worked in practice and the extent to which value for money has been achieved; and,
  - in the process, support well-thought-through risk taking and experimentation **(Ref. 7)**.
- 21 The Local Government White Paper also signalled a new performance framework including Comprehensive Area Assessment (CAA) at its heart. CAA will focus on outcomes for places rather than just the individual bodies responsible for local services. It will look across local government, housing, health, education and community safety. The new CAA framework will be in place from April 2009, covering all local public services.
- 22 The Lyons Inquiry into Local Government subsequently stressed the need for the new performance framework to 'recognise the benefits of innovating and trialling new approaches, even if (as is inevitable in a creative, risk-taking approach) not all of these deliver improved results' **(Ref. 8)**. The Audit Commission agrees with this principle. In developing CAA in partnership with other regulators, we will ensure that innovation is recognised and encouraged as an improvement route, and that the risk-based approach to audit and inspection promotes new and creative ways of working.

# 2

## Mapping innovation

### The extent and pattern of innovative practice in local authorities

- 23 Innovation is widespread in local authorities. In undertaking corporate assessments as part of Comprehensive Performance Assessment (CPA) of single tier and county councils since December 2005<sup>1</sup>, the Audit Commission found that a third were undertaking extensive innovation and a further two-fifths were able to demonstrate that some innovative projects were in place. A quarter of authorities showed no evidence of innovation. There is no current equivalent information for district councils.
- 24 The CPA of fire authorities undertaken in 2005 reveals a similar pattern, and indicates that innovation is playing an important role in the ongoing modernisation programme in the service. Over a quarter of fire authorities were involved in extensive innovation, just under half demonstrated some examples of innovation, and the remaining quarter showed no evidence of innovation.
- 25 Authorities are innovating regardless of their CPA rating. Our inspectors found examples of innovative projects in single tier and county councils and fire authorities in all CPA categories, and there is no relationship between assessed performance and the level of innovation identified.

### Authorities' perceptions of innovation

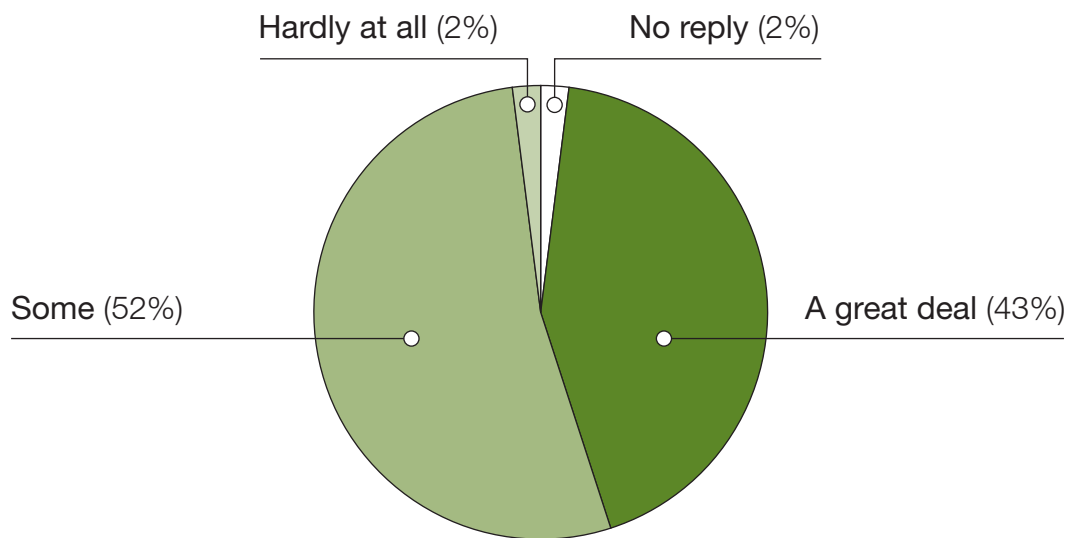
- 26 Our survey of all local councils and fire authorities, conducted in 2006, found that 43 per cent of respondents reported that 'a great deal' of innovation was taking place in their organisation, and a slightly higher proportion (52 per cent) were of the view that 'some' innovation was taking place. Only 2 per cent of respondents said that there was hardly any innovation taking place within their organisation (**Figure 3**).

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<sup>1</sup> Corporate assessment measures how effectively the council is working corporately, and with its partners, to improve services and deliver improved outcomes for local people.

**Figure 3****Nearly half of local authorities report that they are engaged in a great deal of innovation**

To what extent, if at all, is innovation taking place within your organisation?



**Source:** Audit Commission

- 27 This finding is in line with views that local authorities have expressed in previous surveys. In a study published in 2000, 67 per cent of respondents claimed to have undertaken extensive or moderate innovation in the previous two years, and 88 per cent predicted moderate or extensive innovation over the next 12 months (**Ref. 9**). Recent research looking at innovation in community safety and regeneration policies elicited similarly positive responses from authorities (**Ref. 10**).
- 28 There is no relationship between an authority's CPA rating and the level of innovation it reported in response to our survey. There is also no relationship between the reported level of innovation and the number of changes of political control a council has undergone in the past ten years.

- 29 However, there is considerable variation in the extent of innovation reported across the population of local authorities. The proportion claiming that they are innovating a great deal varies from nearly two-thirds (57 per cent among fire authorities, 63 per cent among authorities in the North West) to around a third (London authorities and those in the East Midlands and South West).

## Where authorities innovate

- 30 Authorities can innovate across the range of their activities:
- **Service design or delivery innovation** – providing a new service to users, or delivering existing services in a new way.
  - **Process or managerial innovation** – changing the processes, managerial structure, or organisational structure of an authority's back office or service delivery functions.
  - **Democratic innovation** – implementing new practices in the pursuit of renewed democratic engagement with citizens.
  - **Strategic innovation** – re-positioning the authority in line with new corporate objectives or new 'customers', including using alternative service delivery models.
- 31 Audit Commission corporate assessments of single tier and county councils conducted since December of 2005 detail examples of each of these types of innovation (**Box 1**).

## Pressures to innovate

- 32 In the private sector, organisations are primarily motivated to innovate by competitive pressures in the marketplace. In local authorities, the drivers of innovation are pressures to deliver improvements in performance for users and increased value for money for taxpayers.
- 33 Pressures for change can emerge in any area of authorities' activity, and the majority report that they consider innovation as an option in all or most areas of their activity. However, authorities are much more likely to consider innovation as an improvement strategy in areas of poor performance than in areas of relative strength. In some authorities, innovation has been introduced to address declining service usage or delays in processing information, or to plug an identified gap in the services offered by authorities. In others, it is a response to more long-standing problems such as barriers to engagement with local communities, or a way to guide an organisation out of a period of difficulty or crisis.

## Box 1

### Examples of innovation in single tier councils

Innovation type	Areas of activity	Examples of innovative projects
<b>Service design or delivery innovation</b>	<p>Behavioural change initiatives to improve take-up of council services.</p> <p>Development of electronic service delivery mechanisms.</p> <p>Intelligence-led approaches to reducing the fear of crime and predicting public health outcomes.</p>	<p>A pilot scheme offering 20,000 households personalised travel planning, undertaken in partnership with Transport for London.</p> <p>A project to improve the condition of private landlord properties by working with partners on an accreditation scheme.</p> <p>Using SMS messaging to pursue rent arrears and overdue library books.</p>
<b>Process or managerial innovation</b>	<p>Mechanisms to involve managers in strategic and policy decisions.</p> <p>Procurement practices.</p> <p>Approaches to financial and performance management.</p> <p>Policies for staff recruitment, retention and development.</p> <p>Initiatives to reduce levels of sickness absence.</p>	<p>Neighbouring authorities jointly appointing a director of transport to address congestion and other transport issues, share knowledge and secure efficiency savings.</p> <p>A 'healthy staff' initiative, including one-to-one health checks and annual flu or Hepatitis B vaccinations for those deemed at risk, that has reduced long-term sickness absence by 30 per cent.</p>
<b>Democratic innovation</b>	<p>Approaches to training councillors.</p> <p>Arrangements for scrutiny and external challenge.</p> <p>Involving users in service planning.</p> <p>Community engagement mechanisms.</p>	<p>Establishing a Performance Improvement Board with an external chair and other external representatives</p> <p>Engaging voluntary and community black and minority ethnic (BME) groups through a Health Network, and a Punjabi Expert Patient programme, to help the authority understand and address specific health inequalities in communities.</p>
<b>Strategic innovation</b>	<p>Contingency planning for national emergencies.</p> <p>Joint venture companies to deliver services.</p> <p>Jointly commissioning services in the health, housing and voluntary and community sectors.</p> <p>Sub-regional economic strategies.</p>	<p>Incorporating the local 'ecological footprint' – an assessment of the extent to which a borough consumes natural resources – as a baseline indicator in the Community Strategy, developed through the local strategic partnership.</p> <p>Developing a training hotel in partnership with the regional development agency to support the local economy.</p>

Source: Audit Commission

34 Our fieldwork with local authorities identified five drivers of innovation:

- a focus on greater efficiency within the organisation;
- pressure from central government for performance improvement;
- local political pressure for change;
- the ‘bottom-up’ demands of local communities; and,
- examples of successful innovations within other organisations.

35 These drivers do not act upon authorities in isolation. In practice, innovations emerge in response to several drivers, and it is rarely easy to establish a direct relationship between a single specific driver and a subsequent innovation.

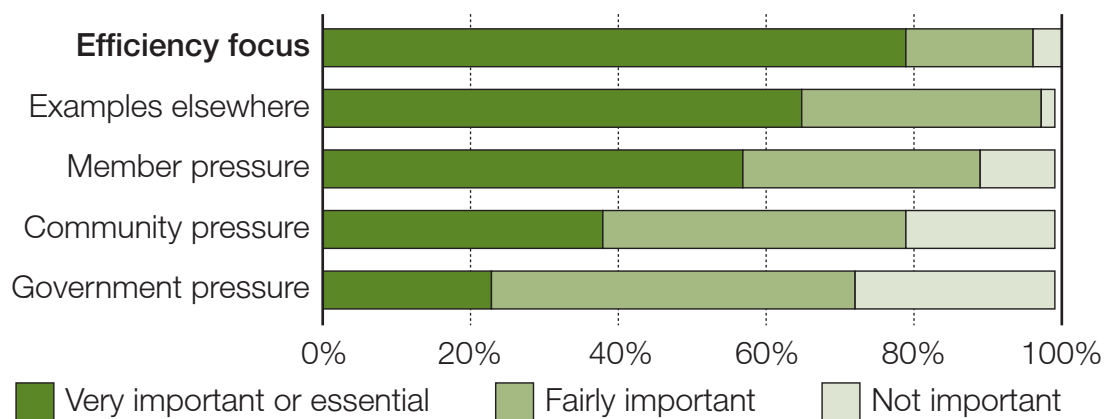
## A focus on efficiency

36 The pressure for efficiency is the strongest driver of innovation (Figure 4). Twenty-two per cent of authorities we surveyed described pressure for efficiency as essential to innovation and a further 57 per cent considered it very important. Authorities that report that they are innovating a great deal are considerably more likely to report experiencing a pressure for efficiency.

**Figure 4**

### Efficiency is the strongest driver of innovation in local authorities

Thinking about innovation generally, how important, if at all, is each of the following in supporting innovation within an organisation?



Source: Audit Commission

- 37 The Gershon Review of public sector efficiency, (**Ref. 11**) following which authorities are required to submit an annual efficiency statement to central government, has sharpened the focus on efficiency in authorities. However, this is only one aspect of the pressure to improve efficiency. Budgetary constraints are strongly influenced by central government since it provides 54 per cent of local government funding, and they impose a continuous pressure. Seventy-nine per cent of authorities report that they experience pressure to be more efficient all or most of the time, with a quarter experiencing it constantly.
- 38 Pressure to improve efficiency is only one source of pressure to innovate from central government. Two-thirds of authorities feel a strong pressure from central government to innovate. Authorities have innovated in response to various government or regulatory requirements, including legislative changes, local government reorganisation, policy initiatives or pilots, best value reviews or recommendations from auditors or inspectors.
- 39 However, only a quarter of authorities considered this government pressure to be a strong driver of innovation, and only 1 per cent regarded it as essential to innovation. Views on audit and inspection mirror those expressed about central government. There was little evidence for the view that audit and inspection act as a brake on innovation, but also little to suggest that they encourage it.
- 40 Of all the approaches central government has adopted to encourage innovation, simply maintaining continuous pressure on authorities to improve efficiency may have had the most direct influence in creating the conditions for and stimulating innovation.

## Examples of successful innovation elsewhere

- 41 Examples of successful innovation elsewhere can provide a strong impetus to innovate. Two-thirds of authorities regarded the availability of examples as important or essential for supporting innovation. One in eight described it as essential. Nearly half agree that opportunities to network with other local organisations looking to innovate are crucial for innovation, and regard awareness of the latest developments in technology as very important or essential to innovation.

- 42 There are two factors at work here. Examples in other local public bodies motivate authorities to consider adapting others' ideas, on the basis that they should provide the same offer to the public and not fall behind their peers. Secondly, successful innovative practice in other sectors shows authorities that there are different ways to conduct their business. Moreover, examples of others' experience can provide valuable insights into what works in practice and help councils avoid repeating others' mistakes.
- 43 However, authorities find it hard to navigate the wide variety of available material in the public domain and are not always aware of developments outside their own organisation. Although two-thirds of authorities think that their authority is quick to follow others' new ideas, examples can be scarce. Only a quarter of authorities report that examples are readily available and consistently fewer report the availability of up-to-date knowledge or networking opportunities than describe these factors as essential. **Chapter 6** of this report discusses the market for knowledge about innovation in local authorities in more detail.

## Local political pressure

- 44 The demand for innovation also derives from local political circumstances. This pressure can result from local councillors themselves coming up with innovative ideas and proposals – either individually, as part of their political groups or through formal council structures such as scrutiny panels. More often, however, members will articulate demanding outcomes which will require an innovative response from officers if they are to be delivered.
- 45 Our fieldwork provided evidence of political pressure giving rise to innovation. Examples included new leaders bringing a different focus or direction to an organisation, or when the strategic priorities were reviewed or changed. Members also stimulated innovation when they launched new initiatives or where a local political consensus was established around the need to respond to an emerging issue.
- 46 The majority of authorities report that they consider political pressure from within the organisation as essential or very important for innovation. Encouragingly, nearly half of authorities report that they regularly experience this pressure. Critically, councils that report they are innovating a 'great deal' are considerably more likely to experience pressure from members than those engaged in 'some' innovation.

## The expectations of local communities

- 47 For those authorities who had experienced it, pressure from local communities was a powerful stimulus to innovation. Over a third of authorities consider community pressure to be very important or essential to supporting innovation, but less than a quarter experience regular public pressure to innovate. However, although genuine bottom-up pressure to innovate from communities may not be widespread, where it does occur it has been a powerful driver of innovation. Such pressure can result from formal consultation, more informal discussions with groups such as citizens' panels, or trends in usage figures for services.
- 48 Public sector bodies are increasingly required to segment their user groups and to understand patterns of demand in order to target their services more accurately. Rather than taking a one-size-fits-all approach, councils must respond flexibly to diverse populations, whose needs and expectations are often shaped by their experience of the private sector. Increasing community engagement has placed an onus on local policymakers to respond to user demand, for which innovation is often required.

## Sensitivity to pressures for change

- 49 Together these pressures create an opportunity for the boundaries of established practice to become contested. Outward-focused authorities attuned to the subtleties of the wider environments in which they operate, are in the strongest position to respond effectively. In particular, innovative authorities are:
- developing and maintaining an awareness of new and ongoing policy debates, potential funding streams and opportunities for participating in national and regional pilot schemes;
  - proactively scanning for emerging notable practice outside the organisation, focusing on other local public bodies, but also on the experience of other organisations and countries; and
  - encouraging local communities to articulate their expectations of the authority's role. As one authority we spoke to put it: 'When you ask people what they want, you can't just walk away from it. You have to start delivering... you can't go to public meetings and sit on your hands.'

# 3

## The benefits of innovation

- 50** In the private sector, organisations innovate to develop and maintain competitive advantage in the market place. Public sector organisations, on the other hand, innovate to deliver improvements in performance for users and increased value for money for taxpayers.
- 51** There are a number of ways of achieving improvement and authorities should select the strategy that is most appropriate to their circumstances. Where incremental improvement is adequate, a cautious approach may be appropriate. However, achieving a leap in productivity or a substantial improvement in the quality of public services frequently requires a more radical approach, creating new ways of working through the introduction of new ideas.
- 52** Innovation offers potential benefits to local authorities in:
- improving value for money;
  - achieving more effective service delivery; and
  - building stronger community engagement and representation.

Examples from our case study authorities below illustrate the impact that innovation can achieve in each of these areas. Our case studies of innovative practice contain more detail that helps explain how new ideas emerged and how they were adopted and implemented successfully.

- 53** There is also evidence that the knowledge and skills gained in implementing innovative practice spreads within authorities and gives senior management and members greater confidence that they could innovate successfully again. Authorities have used the skills and knowledge gained to expand on innovative projects (for example, by bringing in new partners), to innovate in other areas of their activity, and to respond to new policy agendas as they emerged. As one authority we visited noted ‘innovation is sort of addictive in that way and once the culture and make-up of the organisation encourages and allows it, then it takes you where you never thought you’d go.’

- 54 Basingstoke and Deane District Council held three lessons learned meetings during a regeneration project in the Oakridge area of the borough. They identified resident involvement as critical to the success of this project and in a subsequent development have worked with a local housing association to send residents to design courses to train them in designing the internal layout of future homes using a web-access program.

## Improving value for money

- 55 The pressure for efficiency has driven some authorities to reconfigure their activities in innovative ways, rather than making quick savings by squeezing more from existing systems. This includes using business process re-engineering techniques to review the management structures or operational processes of front line services or back office functions. This pressure can also encourage authorities to join up or enter into partnership arrangements to achieve economies of scale, for example in corporate and transaction-based services.
- 56 The innovative use of technology by the London Borough of Sutton has improved the value for money achieved in undertaking assessments of the financial circumstances of care service users. By issuing portable tablet personal computers to staff and training them in their use, payments are now calculated and agreed on-site, reducing the time taken for assessment from six weeks to a few hours. These changes also led to a significant reduction in back office processing and allowed staff to address existing backlogs in the assessment of cases. The project realised efficiency savings of £300,000 through the reduction of revenue write-offs, more effective recovery of bad debts, and increased staff productivity. These savings were substantial, given that total charges to care services users were around £1.2 million per annum. The savings were 50 per cent greater than predicted at the outset of the project.
- 57 The introduction of shared service delivery mechanisms has been one area where authorities have innovated in recent years. In 2002 New Forest and Test Valley district councils entered into a strategic partnership for the joint management of direct labour workforces, including refuse collection and recycling, street cleansing, transport, and grounds maintenance and building works.

- 58 The partnership has delivered savings through management and procurement efficiencies. Grounds maintenance services, which ran at a deficit of 3 per cent of budget in 2002/03, achieved a surplus of 3 per cent in 2004/05. These efficiencies have allowed for the redeployment of resources to fund the employment of a dedicated horticulturalist, a position that neither council would have been able to support individually. Performance has also improved in several areas, for example the number of missed bins in Test Valley fell from 213 per 100,000 in 2003/04 to 48 in 2004/05. The councils also learn from each other. New Forest, for example, has implemented a green waste scheme based on the approach taken by Test Valley.
- 59 In 2002 Forest Heath and Breckland district councils set up the Anglia Revenues Partnership to deliver their revenues and benefits services. Both authorities recognised the need to make a step change in this area of their activity – Breckland was taking too long to process new benefits claims (119 days on average) and Forest Heath's service was very expensive. The business case was based on making savings in transactional costs and reducing management and officer staff costs.
- 60 Organisationally Anglia Revenues Partnership (ARP) sits apart from both authorities, processing payments and claims jointly within the same information technology (IT) system. The ARP management team reports to a joint committee of members, but also to the two authorities' traditional management teams. Operationally it has inherited the strongest aspects of the working practices of each authority, but has also taken the opportunity to use business process re-engineering to re-think the service, drawing in part on staff meetings and a staff suggestion book.
- 61 To date ARP has realised savings of around £400,000 per annum, as well as £100,000 capital savings in the procurement of new IT systems. This represents 10 per cent of the total revenues and benefits budget. It has also reduced average processing time for new claims to 15 days and change of circumstances claims to 6 days, as well as raising council tax collection from 96 to 98 per cent. This has been achieved despite an 11 per cent increase in caseload. East Cambridgeshire has now joined the ARP family and Forest Heath and Breckland are talking about the possibility of managing other services together.

## Service delivery improvement

- 62** Innovation can lead to improvements in the quality of authorities' interactions with users and citizens in existing service areas. In particular, authorities have innovated in recent years in moving to single points of contact for customers. Wolverhampton City Council applied this principle in developing its bereavement centre, which offers a single point of access for information and services relating to bereavement. The centre has high levels of usage and customer satisfaction. With 3,000 deaths registered in the city annually, 2,000 people visit the bereavement centre, and 97 per cent of them rate its services as 'very good'.
- 63** Similarly, changes to the London Borough of Sutton's central library, including installing machines that allow users to check out books by themselves, mean that staff spend less time stamping books. This allows staff to walk the floor, so that they are close at hand to answer public queries, and to spend more time on other services such as running computer courses. With 90 per cent of loans now self-issued, the library service has been able to extend the opening hours of another local library without incurring additional costs.
- 64** Innovation also offers authorities clear benefits in responding to new service priorities or requirements. In the late 1990s Basingstoke and Deane District Council worked innovatively in engaging local communities and other local agencies to tackle a shortfall of desirable affordable housing in the Oakridge area of the borough. In the past five years, the number of affordable homes let in Oakridge has doubled. In rolling out this multi-agency consultative approach more widely, the local partners have delivered consistently high numbers of new affordable homes – 294 in 2004/05 and 276 in 2005/06.
- 65** Innovative work to address climate change by Woking Borough Council, including the building of an energy station to generate electricity, has led to an 82 per cent reduction in CO<sub>2</sub> emissions from its own property. External review has confirmed that these measures grant Woking annual exemption from the government's climate change levy.

- 66 Innovation can also lead to entirely new and highly valued services to users and citizens. The London Borough of Sutton has successfully implemented a programme of specialist group counselling treatment for children aged 4 to 16 who have been witnesses of domestic violence. This helps them to understand their experiences of abuse. The programme has achieved high completion and satisfaction rates.

## Stronger community engagement and representation

- 67 In some authorities, innovative approaches to service planning and delivery have led to closer links with the communities they serve. Wiltshire County Council has used innovative engagement mechanisms to develop community area partnerships and plans with local citizens. Issues raised within each community area partnership are fed into service planning and cabinet and scrutiny structures. Between 2000/01 and 2003/04, when these changes were implemented, Wiltshire's customer satisfaction rose from 53 to 64 per cent at a time when there was a downward trend nationally.
- 68 Similarly, the recruitment by Merseyside Fire and Rescue Authority of community advocates, including local deaf and hard of hearing, older people and BME advocates has increased its profile with hard-to-reach groups. It also means that the Authority's staff profile is now more representative of the community it serves.
- 69 A councillor-shadowing scheme run by Bristol City Council and Operation Black Vote has provided young people from BME communities with first-hand knowledge of the way the Council works. One participant has subsequently become a school governor and stood as a councillor, and a number say they intend to stand as councillors in the next few years.

## Wider benefits to the sector

- 70 By sharing learning from innovation with their peers, local authorities play a key role in raising the performance of public services as a whole. What was once novel can quickly become established practice, if taken up and successfully implemented by other local public bodies. Disseminating innovation is discussed in **Chapter 6** of this report.

# 4

## Generating innovation

### The importance of organisational culture

- 71 The ability to build a portfolio of innovative projects reflects an organisational culture that embraces creativity and encourages novel ideas for consideration wherever improvement is required.
- 72 It is important to explore what an innovative culture means in practice. Our fieldwork with innovative authorities identified several factors that are particularly important for the formulation and development of innovative ideas. In our survey, respondents who were innovating a great deal were more likely than others to agree that each of these factors is important to innovation. Broadly, six factors are critical:
- The ambition of authorities.
  - Openness to novelty.
  - Organisational structure.
  - Empowering staff and partners.
  - The space for creative thinking.
  - Using information effectively.

### Demonstrating ambition

- 73 Ambition is a prerequisite of successful innovation. By setting an ambitious strategic direction, chief executives and leaders can foster an environment in which new ideas are considered more readily as a means of achieving improvement. Ambition can be seen in the formulation of a vision for the authority and what it can offer service users and citizens, which is translated into stretching goals for staff.
- 74 We found evidence in our fieldwork of innovation emerging where chief executives and leaders set aspirational, outcome-based targets in specific service areas while being flexible about how managers might achieve them. One authority we visited referred to this as establishing the ‘innovation gap’: ‘You have to say what you are trying to achieve and articulate the arrangements or resources you need to have in order to achieve it... Between this and where you are now, there is a gap, and that is where innovation gets created.’

## Openness to novelty

- 75** Many authorities report a high-level commitment to considering new ideas, and an awareness of the potential of innovation (**Figure 5**). In one of our case studies, the authority makes an explicit commitment to innovation as part of its corporate values. Eighty-five per cent of authorities say that they recognise and accept the risk of failure and most also report that they value learning from both success and failure. It is, however, less clear that this appetite for risk is translated into practice. Explicit statements legitimising innovation and risk taking were rare, even in innovative authorities.
- 76** Most respondents told us that new initiatives did not interfere with getting the basics right. They also reported that their authorities were positive about the potential of change to deliver benefits. However, there is a significant minority view that disagrees with these statements. This suggests that authorities still have some way to go to overcome scepticism about the benefits of innovation.

**Figure 5**

### Agreement with statements about the attitude of authorities



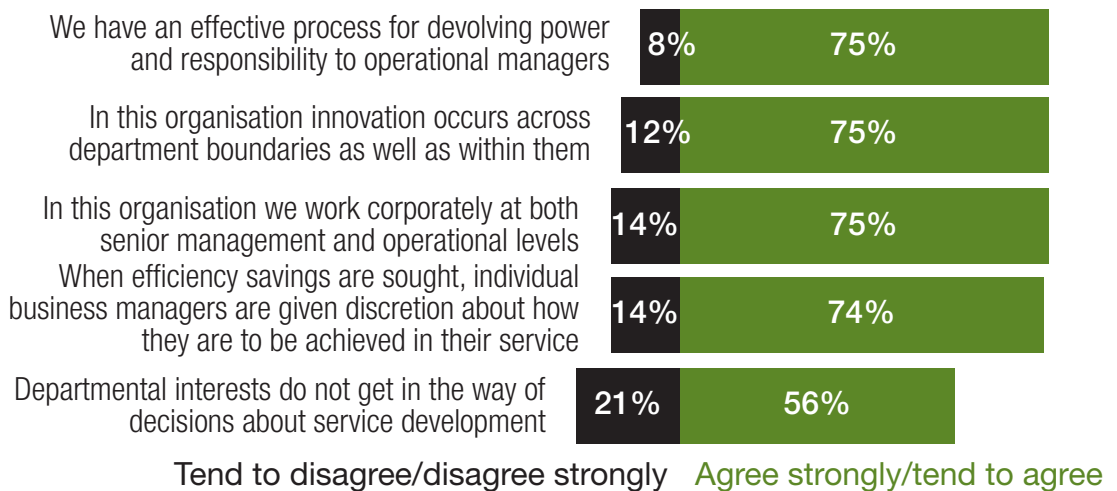
**Source:** Audit Commission

## Organising for innovation

- 77** How an authority is organised can help exploit its potential to innovate. Increasingly, policy areas demand joined-up working across traditional service boundaries. Cross-cutting structures can help encourage collective responsibility and allow access to information that might otherwise be lost in departmental silos. Staff with devolved responsibilities and more flexible portfolios can often bring fresh thinking to traditional service areas and identify potential areas for innovation. An emphasis on hierarchy and process, on the other hand, can squeeze out innovative ideas.
- 78** Evidence from our fieldwork suggests that innovative authorities are organising themselves to harness innovation in two specific ways. Chief executives are giving directors responsibility for corporate projects or a range of portfolios, and freeing them of day-to-day responsibilities for service-specific areas. Similarly, leaders are ensuring that there is, where possible, a corporate dimension to political structures by making executive members’ portfolios and scrutiny functions cross-cutting. Survey respondents report that they work corporately at both senior management and operational levels, and that innovation occurs across departmental boundaries. However, a fifth of respondents report that departmental interests can get in the way of decisions about service development (**Figure 6**).

**Figure 6**

### Agreement with statements about the organisational structure of local authorities



**Source:** Audit Commission

- 79 Many private sector companies put considerable investment into research and development (R&D) to maintain a competitive edge. But there is wide variation in the organisational models that they employ. Some expect consistent innovation from customer-facing business units. Others, especially in areas where innovation often comes from original research or technological advance, set up free standing R&D or innovation units. Both approaches have advantages and drawbacks.
- 80 We have not found many examples of specific innovation units in local government, though many have development or internal consultancy functions. This may be because most local authorities value connection to business needs more than the space to think created by separation from the business. In 2006 Kent County Council reorganised to create a structure explicitly designed to formulate, capture, and develop innovative practice. The authority's Strategic Development Unit reports directly to the Chief Executive, and is charged with generating and scanning for new ideas, as well as managing cross-cutting innovative projects. This unit is supported by the Change through Innovation team that investigates what technical tools are available for improving service delivery and business functions.
- 81 It is too early to assess the value of this approach, innovative in itself, to embedding innovation in organisational structures. Other fieldwork suggests the importance of retaining the connection between innovation processes and front line staff. Neither of the units set up by Kent is, however, designed to replace innovative capacity elsewhere in the authority.

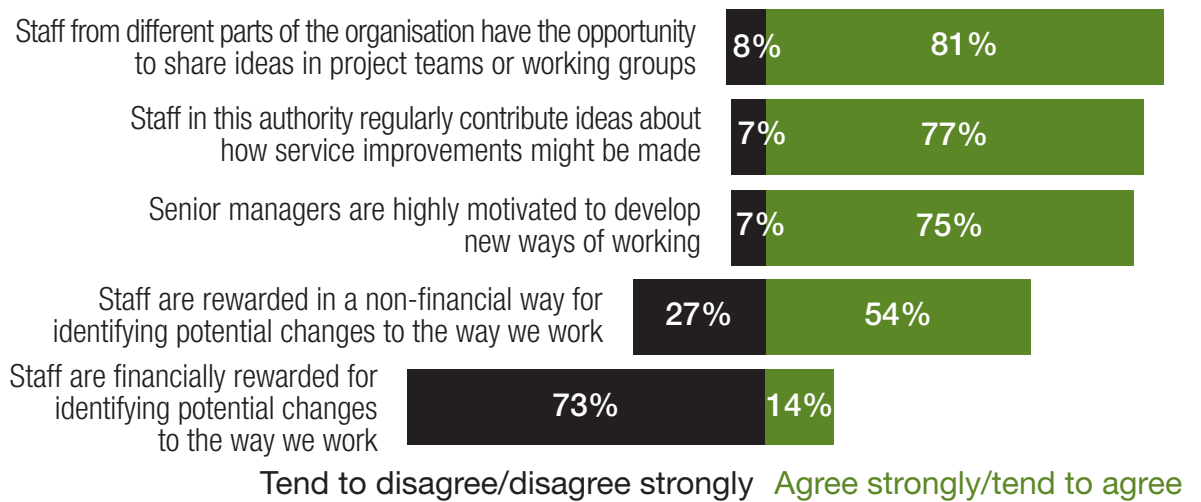
## Empowering staff and partners

- 82 Corporate ambition and flatter structures will not in themselves lead to innovation – a creative spark is needed to ignite the process. Operational staff are often the best placed to spot when something can be done better. One survey of innovation in public bodies found that half of all innovations originated with front line staff and middle managers **(Ref. 12)**. Generating innovation is often down to the quality of individuals and the extent to which authorities can engender a culture where creative individuals flourish. In particular, motivating and incentivising staff from across the organisation to contribute ideas, and being visibly receptive to suggestions for new ways of working, help to create such an environment.

83 Authorities' own perceptions of staff engagement are largely positive. High numbers claim that staff are regularly contributing and sharing new ideas, although they report that they are not always rewarded for doing so. (Figure 7).

**Figure 7**

**Agreement with statements about the role of staff**



Source: Audit Commission

84 However, of the corporate assessments of single tier and county councils conducted since December 2005 only a third cited evidence that staff are encouraged to be flexible and innovative in meeting service needs. This suggests that there is still more scope for authorities to engage with their staff to generate ideas for new ways of working.

85 Staff are not the only source of creativity. Engagement with local partners, including voluntary and community organisations and suppliers, can expose authorities to new ideas. Creative solutions can also be sourced directly by contracting with organisations in the private or voluntary and community sectors to bring innovative practice into an authority. Seventy-nine per cent have developed partnerships with business and the voluntary sector to bring about performance improvement. But authorities accept that more could be done to ensure that all stakeholders are able to contribute meaningfully to the creative process.

- 86 However, simply contracting out services to organisations in the private and voluntary sectors does not make it more likely that an innovative approach will result. Recent research has suggested that innovative capacity in the voluntary sector is variable and is contingent on the nature of the relationship established with local authorities (**Ref. 13**). Authorities must ensure that their commissioning processes and specifications encourage (or at least do not discourage) innovation by being over prescriptive or focusing on narrow definitions of quality or service performance.
- 87 The London Borough of Sutton's development of a mutually beneficial relationship with its suppliers of IT hardware (rather than a hard client/contractor split) meant that they were able to discuss potential uses for products which were still in development. This led to the piloting and eventual mainstreaming of the use of tablet personal computers for in-home financial assessments at a time where the use of such technology was novel even in the financial services sectors for which it was originally designed.

## The space for creative thinking

- 88 Creative techniques can provide the trigger for innovation, yet the evidence shows that few authorities are able to create the space for creativity. In practice this means finding the time to look for, share and discuss new ideas outside the day-to-day running of the organisation. This is a challenge for local authorities, as it is for many organisations. It is important to find the right forum for such activities, and these can take the form of away-days, brainstorming sessions, and problem solving groups.
- 89 Authorities recognise the importance of creating an environment that is conducive to fresh ideas. Sixty per cent of authorities consider the opportunity to take time out and brainstorm new ideas to be essential or very important in supporting innovation, but only a quarter indicate that they have this opportunity in their organisation.
- 90 Our fieldwork indicates that authorities are using a variety of ways to think creatively about the challenges they face. Forums include discussion groups with shared membership from strategic and operational levels of the organisation, multi-agency brainstorming events with emerging issues earmarked for priority attention, and virtual forums where staff can engage in discussions, post questions and share experiences about new or rapidly changing areas of work.

## Making full use of available information

- 91 Using information intelligently can also help generate innovation. Analysing data and management information to identify trends and anomalies can make future options clearer and spark creative thinking about how best to meet users' needs. It can also provide evidence of potential performance improvements or efficiency savings.
- 92 Middlesbrough Council overlays police crime incident data with its own information, including recorded incidents of anti-social behaviour. This has allowed it to identify hotspots for anti-social behaviour, colour coded red, amber and green, which can be viewed ward-by-ward if required. Available information includes incidence of graffiti, fly-posting and abandoned vehicles. The authority also undertakes detailed analysis of closed circuit television (CCTV) surveillance cameras by disorder category. This has assisted it to build a portfolio of innovative responses to improve community safety. These include fitting gates to city centre alleyways and targeted stop-checks of suspected fly-tippers and fly-posters. In contrast to national trends, the fear of crime has been reduced in the borough, and incidences of anti-social behaviour have fallen – for example fly posting has fallen by 90 per cent.

## Maximising creative potential

- 93 The enablers of innovative ideas are not surprising, and their importance is acknowledged by authorities. Moreover, there are many good examples of authorities who have successfully created an organisational culture that encourages innovative ideas to take root and develop. Nevertheless, too many authorities report that they do not have these enablers in place, and the opportunity to innovate continues to pass them by.

# 5

## Implementing innovation

### The challenge of delivering innovative projects

- 94 Local authorities tend not to treat innovative improvement projects any differently from other projects. Many of the processes and skills necessary for successful innovation are the same as those needed for delivering projects generally. Organisations taking the decision to implement an innovative idea must assess the risk of doing so against potential benefits, as well as maintaining an overall awareness of the pattern and extent of the risks they are committed to. Any such assessment must consider the organisational capacity to deliver innovation successfully, in particular:
- strong leadership and project management;
  - commitment to partnership working; and,
  - the ongoing involvement of members and users.

### The capacity to innovate

- 95 Authorities' experience of implementing innovation suggests that many potential benefits are lost at the implementation stage as good ideas run into organisational barriers.
- 96 **Box 2** summarises the findings of six public interest reports, published between 1999 and 2006, which relate to authorities' attempts to innovate, identifying a number of common failings. A public interest report is a report on a significant matter that has come to an appointed auditor's attention in the course of an audit. It can be issued immediately or after the conclusion of the audit and often results from investigations into objections to audited bodies' accounts or other complaints about spending. Public interest reports from March 2005 are available on the Audit Commission's website at [www.audit-commission.gov.uk/pir/](http://www.audit-commission.gov.uk/pir/).
- 97 These were all projects where a substantial amount of money was at risk. In one case an authority incurred £15 million in additional costs, largely comprising excess construction costs and an unsuccessful legal action against a contractor. Another related to the procurement of an external partner to deliver asset and facilities management over 20 years, with a value of some £1.2 billion.

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## Box 2

### The barriers to implementing innovation

#### Failures in risk assessment and risk management

- Several councils failed to evaluate the risks at the outset of the project properly or failed to review the balance of risk and reward on an ongoing basis. In one case, the council entered into an agreement that placed all financial risk on the council, while failing to specify the nature or timing of its partner's contribution in any detail.
- Elsewhere, members made key decisions with oversimplified information that did not allow proper consideration of risk.

#### Over-estimation of capacity

- Five of the six reports revealed significant demands on officer and member time during a period of change; the sixth case was a district council that had limited capacity even without other distractions.
- Concurrent demands on councils included a change to unitary status, internal reorganisation, and simultaneous major innovations. In one case, a council was running three major innovative projects at the same time.

#### Lack of effective leadership or strategic input

- The lack of top-level buy-in was a major factor in the failure of these innovations: either the council failed to provide leadership and direction for the project; its goals were ill-defined or unrealistic; or it had made an unrealistic assessment of likely benefits.
- In one case, investment was not directed in line with the evidence about demand for services, and in another there was a lack of learning from reviews of the other major projects.

#### Poor organisation and communication among senior officers

- There was poor information sharing among senior officers. In one case, communication was so poor that it undermined the fulfilment of statutory roles.
- There was also evidence of management failing to provide an effective project structure. In one case, there was no dedicated project team, insufficient officer resource, and roles and responsibilities were unclear.

**Absence of or poor quality project management**

- This was a feature of five reports, and in one case poor project management was the over-riding problem.
- In one case, the council believed that it wasn't necessary to fulfil an overarching project management role within a contractual arrangement, despite delays, misunderstandings and spiralling costs.

**Inadequate reporting to members**

- Five reports revealed inadequate reporting to members. In these cases, reporting was delayed, inadequate, missing, inaccurate, misleading or restricted to unusually small numbers of members.
- There was also evidence of a lack of challenge by members to the reporting regime and an uncritical approach to the information provided.

**Failings in the use of external advice**

- Four of the reports revealed that external advice had not been sought where it was needed, that it had been sought only after critical decisions had been taken, or that advisers had not been given sufficient information for their advice to be helpful.
- Three cases also involved an uncritical reliance on the views of other external advisers or partners, or a failure to interrogate or challenge their optimistic reports.

**Poor management of contractual partnerships**

- Complex contracting was a factor in three reports and in these cases poor contracting led to million-pound losses. There was evidence of poor practice in the appointment of contractors and in one case of solicitors, counsel and independent experts for a legal case.
- In another case, the number of separate complex agreements that needed to be reached before a contract could be signed meant that contracting became a substantial project needing management in itself.

**Poor procurement practice**

- Four of the reports revealed the poor procurement of goods and services, with one report identifying an 11 per cent overspend (some £235,000) on the capital costs of a project due to poor procurement.

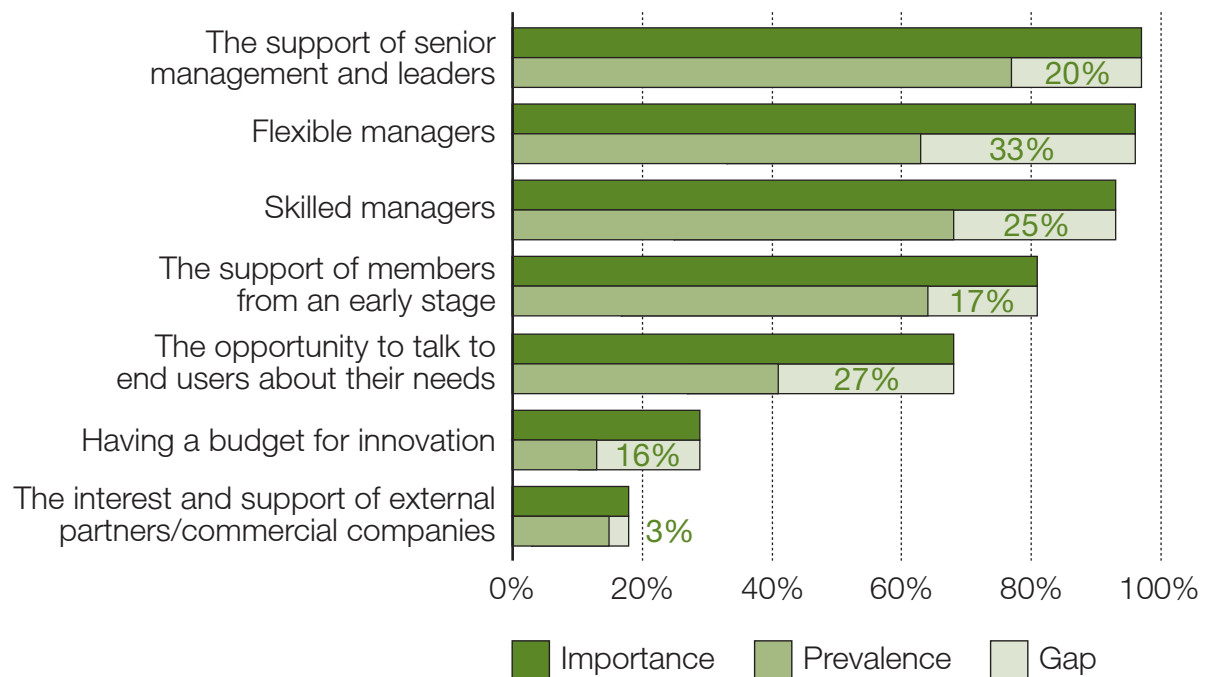
- Issues included a failure to manage the procurement process to ensure open competition and non-compliance with statutory requirements regarding tendering and project appraisals. In one case, the council’s commissioning of financial advice did not comply with European procurement regulations.

Source: Audit Commission

98 In order to overcome these challenges authorities need to have some key enabling factors in place (Figure 8). Authorities particularly value the support of senior management and leaders, effective management, and the involvement of elected members and service users. However, they consistently report that these enabling factors are not in place.

**Figure 8**  
**Authorities report that they are short of capacity to implement innovation**

Thinking about innovation generally, how important, if at all, is each of the following in supporting innovation within an organisation?



Source: Audit Commission

## Managing innovation

- 99** The success of an innovative project is dependent on high-level executive leadership and support, and advocacy and delivery by skilled and flexible managers. Without one or the other of these, the success of innovative projects will be seriously jeopardised. Inadequate ability or capacity on either front is a high barrier to implementing innovation effectively.
- 100** For authorities, the leadership of senior management is the single most important factor in ensuring the success of innovations. In particular, the willingness of chief executives to lend their support in the early stages of implementation, and help to sell ideas within the council and to external partners and stakeholders, is critical to ensuring success. Three-quarters of authorities are confident that the leadership required to deliver innovative projects is in place.
- 101** Appointing skilled, flexible managers to deliver an innovative project clearly increases the likelihood of its success. Middle managers, in particular, play a pivotal linking role in delivering innovations by securing the support of senior management and the political leadership to change, but also ensuring commitment from operational staff. However, the availability and capability of managers to lead innovative projects remains a potential barrier to their successful delivery.
- 102** Effective risk assessment is also critical to keeping innovative projects on track. The Audit Commission's use of resources judgements include a specific key line of enquiry (KLOE) relating to the management of significant business risks. The 2005 use of resources scores for both upper tier and district councils found that a majority of councils (58 per cent and 60 per cent respectively) were only performing at minimum requirements with adequate performance against this KLOE. However, in 2006 upper tier scores demonstrate improvement, with over half of these councils performing well in this area.
- 103** Research examining the development of risk management practices within local public bodies, conducted by ALARM (the National Forum for Risk Management in the Public Sector) with support from the Audit Commission, shows that councils believe that risk management is making an increasing contribution to the delivery of innovative projects. In the most recent survey, conducted in 2006, 60 per cent of authorities reported that their risk management arrangements have assisted in delivering innovative projects over the last two financial years, compared to 41 per cent in 2003.

## Delivering innovation in partnership

- 104** Partnerships are now a significant feature of the public service delivery landscape. Their growth has been driven both by national policies and legislation, and by local public bodies themselves (**Ref. 14**). One benefit of partnerships is the flexibility they can offer in addressing complex, cross-cutting issues, and as such they can be a valuable mechanism for delivering innovative improvement projects. Partnerships can comprise: closer working across tiers of local government or between local agencies; two or more authorities joining forces to deliver shared services; or authorities collaborating with external organisations.
- 105** Surprisingly, authorities that responded to our survey did not see the partnership element as pivotal. Although most authorities have developed partnerships, relatively few consider external partners' interest and support to be critical to successful innovation or report that they regularly experience the interest and support of partners when innovating.
- 106** However, our evidence demonstrates that the capacity to work with local partners is often critical to delivering innovative projects. Analysis of corporate assessments and the experience of authorities we visited shows that innovative projects are often delivered in partnership, particularly where they involve delivering new services to users. In particular, our case study authorities yielded more examples of innovative service delivery through partnership working than our survey response would suggest (**Box 3, overleaf**). This was primarily because it became clear that they needed to work closely with local public bodies, (such as the police and housing associations), private sector partners and voluntary and community groups, if they were successfully to deliver the intended benefits.
- 107** Increasingly, service delivery innovations will be difficult to implement without the cooperation and collaboration of partner organisations, particularly as local councils develop in their role as place shapers – as envisaged in the Local Government White Paper (**Ref. 1**).

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### Box 3

#### Delivering innovation in partnership

##### **With other authorities**

South Yorkshire's Easyconnects information hub provides access to public information and services provided by four authorities in the region – Barnsley, Doncaster, Rotherham, and Sheffield (**Web case study 1**).

##### **With the voluntary sector**

Bristol City Council operates a councillor shadowing scheme in partnership with Operation Black Vote to encourage political participation of residents from BME communities (**Web case study 3**).

##### **With other local public bodies**

Merseyside Fire and Rescue Authority works with local schools to tackle the root causes of arson and fire-related anti-social behaviour. Firefighters work one day a week in seven schools across Merseyside (**Web case study 4**).

##### **Across the tiers of local government**

Wiltshire County Council's approach to community planning is integrated across three tiers of local government – the county council, 4 district councils and 260 town and parish councils (**Web case study 8**).

##### **With the private sector**

Thamesway Energy Limited, a joint venture energy services company 90 per cent owned by Thamesway Limited (an energy and environmental services company wholly owned by Woking Borough Council) and 10 per cent owned by a Danish company, Xergi Limited, builds and operates Combined Heat and Power (CHP) energy stations for public and commercial customers (**Web case study 9**).

## Securing political support

- 108 Successfully implementing innovation is not just an issue for managers. A good, open relationship between members and officers, cross-party support and members acting as champions for projects are all important contributors.
- 109 By taking measures to garner cross-party support from politicians to depoliticise major change projects authorities can guard against political shifts at local level. These include involving members at an early stage, meeting regularly with the portfolio holders, and using the overview and scrutiny structures to keep non-executive members involved and up to date.

**110** In particular, authorities consider the support of members from an early stage to be critical to supporting innovation, and there is strong awareness among managers that politics can potentially block innovative projects, even where there is a strong business case. Nevertheless, survey respondents are positive about the input of members to innovative projects in their authorities; two-thirds report that they consistently have the support of members when implementing innovation.

## Involving service users

**111** A commitment to ongoing engagement with users and citizens is central to delivering service innovations. In the implementation stage, users should have the opportunity to become involved in the design and development of innovations. However, more than half of authorities report that they rarely have the opportunity to talk directly to users about their needs, implying that they have not created such opportunities, either routinely or through the innovation process.

**112** Involving users and citizens during the design and development phases of innovative projects can help ensure that they successfully deliver their intended benefits for communities, and help authorities to understand and tailor services to the needs of particular groups. Some authorities have found that going beyond established channels of public consultation to more creative forms of community engagement such as community planning events, electronic consultation and hand-held voting technology has enabled them to understand users better and to respond to the needs and expectations expressed by particular individuals or groups.

## Funding innovation

**113** The ability of authorities to secure adequate and sustainable funding for innovative projects is clearly a factor in achieving successful outcomes. However, while access to these funds from external sources can help get innovative projects off the ground, external funding is not critical to success. Innovation is just as often funded through conventional internal channels, and the absence of additional resources is not a significant barrier to innovation.

- 114** Where authorities can evidence potential wider community benefits for innovative projects they are increasingly looking to bring in local partners in order to share the costs of implementation, or to access funding available in other sectors. They are also actively scanning regional and central government initiatives, such as HM Treasury's Invest to Save budget, and the Department for Communities and Local Government's e-Innovations programme. However, many of the innovative projects we saw had no external funding at all, and it was generally felt that well thought out proposals (innovative or otherwise) would secure a financial commitment from the authority's core budget. Moreover, where designated external or matched funding was accessed and subsequently ended, authorities were able to continue innovative practice by embedding these activities in existing budgets.
- 115** Authorities report that access to funds earmarked for innovation is not critical to the capacity to innovate. Fewer than 30 per cent of authorities consider that a budgetary allowance expressly for innovation is essential or very important, and just 13 per cent report having access to such funds.

# 6

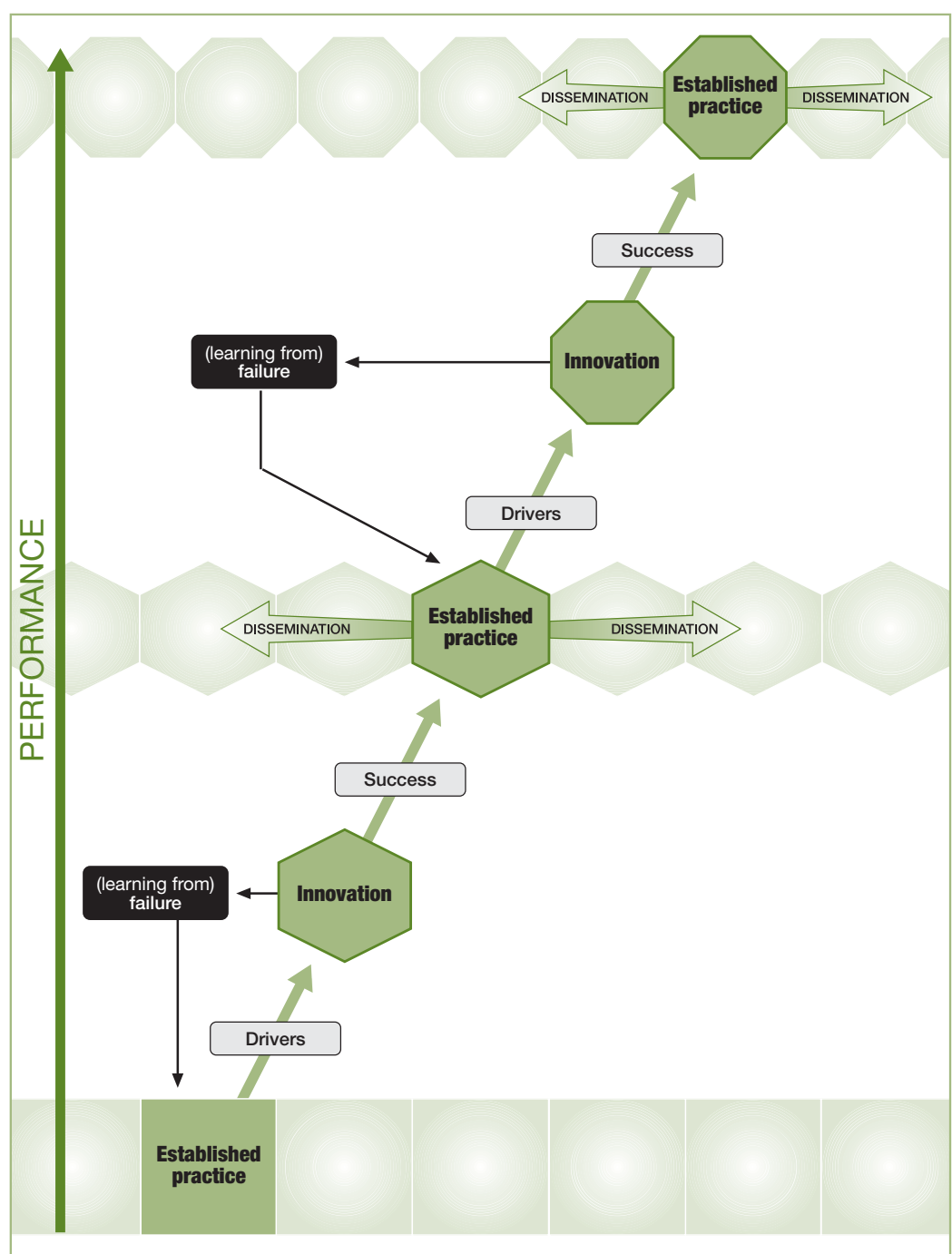
## Disseminating innovation

**116** A further key benefit of innovation is the potential for its application beyond the authority where it originates. Many local public bodies face the same challenges and can support each other in identifying opportunities, sharing ideas and highlighting potential risks. In the private sector, the need for a distinctive position in the marketplace may inhibit knowledge transfer to competitors. But in the public sector, improvement can be driven by collaboration and the transfer of knowledge between organisations.

## Promoting widespread improvement

- 117** Innovation can therefore play an important role in raising performance across local government and in partner organisations. **Figure 9, overleaf**, illustrates how successful innovation spreads and becomes established practice in the sector.
- 118** Failed innovations also provide learning for the sector. They may have been ahead of their time, have led to a successful alternative approach, or ended an ineffective line of development. Such learning can also lead to ‘second wave’ innovation, where the original innovator fails to maximise an idea’s potential, and another organisation subsequently adapts the original concept to realise the full benefits of the innovation.
- 119** As discussed in **Chapter 2** examples of innovation are highly influential. Local authorities are hungry to learn of successful innovation elsewhere, and particularly within similar organisations. However, they do not have sufficient access to examples of successful innovation. Only a quarter of authorities are able to access relevant examples when they require them.

**Figure 9**  
Disseminating innovative practice is crucial to raising performance across local public bodies

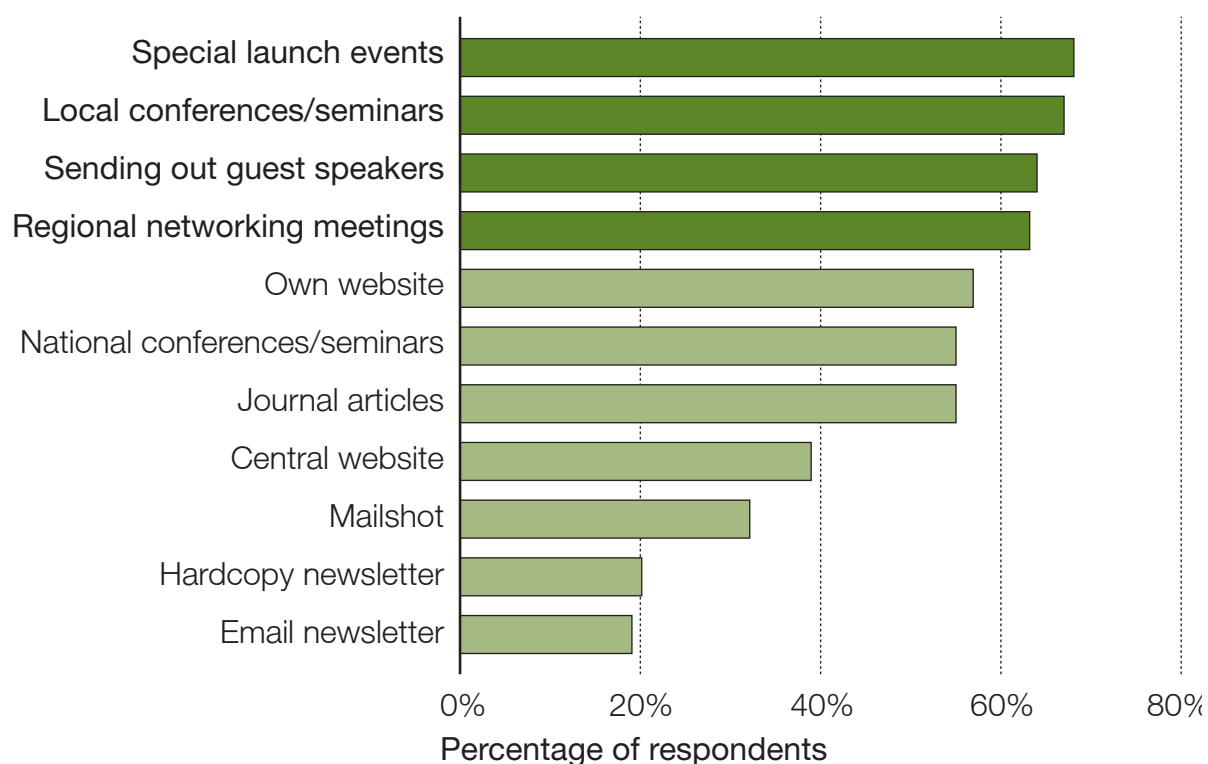


Source: Audit Commission

## Sharing innovative practice

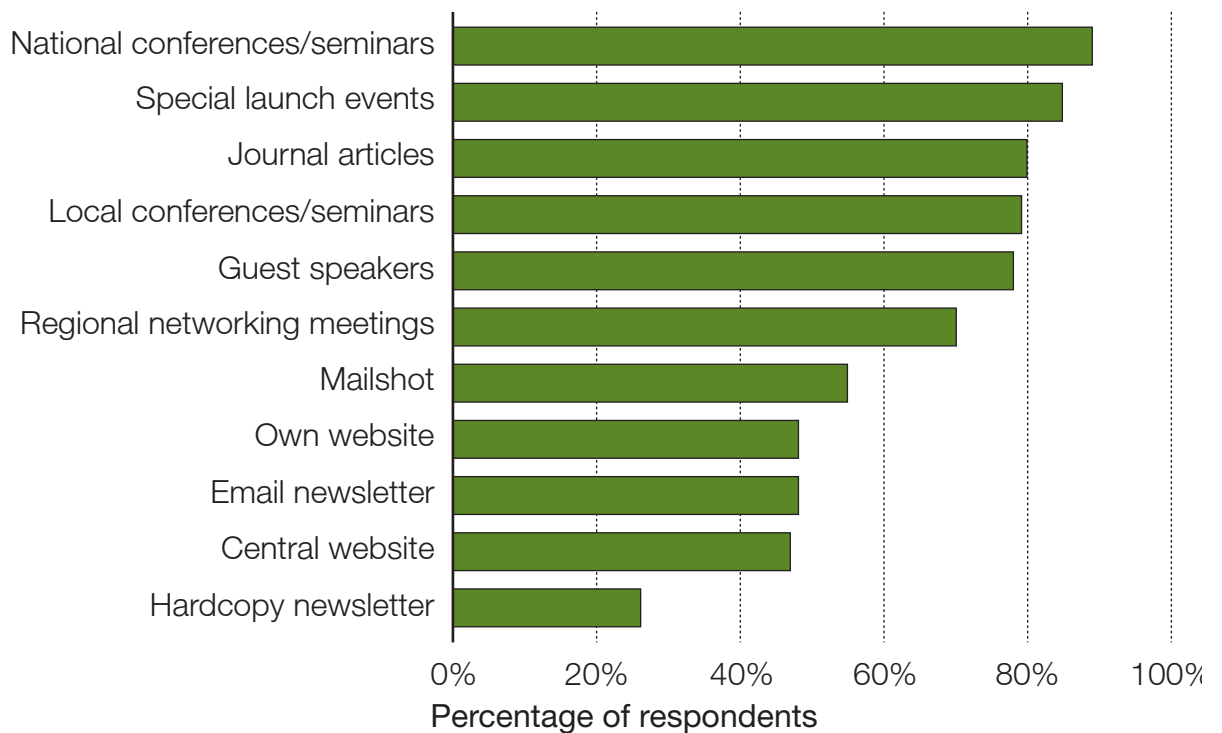
- 120 This is partly because authorities themselves are not making a sufficient contribution to the collective knowledge of the local government sector. Just 60 per cent of authorities say they have mechanisms in place to share lessons from innovation with other organisations.
- 121 Authorities that have proactively disseminated innovative practice have often done so not only to contribute to wider performance improvement, but also in the hope that their success will influence national policy. They found that publicising their work had a positive effect on the morale of the organisation, raising its profile and helping to motivate staff.
- 122 These authorities currently use a wide variety of mechanisms for telling others about their innovation (**Figure 10, overleaf**). The four most commonly used methods all involve face-to-face interaction, whereas the five least commonly used employ written text. This is consistent with recent research examining dissemination of notable practice through the Beacons scheme, indicating that both sharing and learning organisations place considerable value on approaches that are more tailored to the needs and circumstances of the recipient organisations (**Ref. 15**). The experience of innovating can be highly contextual and the knowledge of what works is often tacit, and often therefore best shared face-to-face.
- 123 In addition to seeking opportunities specifically to disseminate learning about innovation, authorities spread intelligence through peer-to-peer networks, including contact at chief executive and council leader level.

**Figure 10**  
**Authorities use a variety of dissemination methods**



**Source:** Audit Commission

**124** The methods used to disseminate learning broadly match the ways in which authorities told us they currently learn. Face-to-face contact is most common and is generally preferred to electronic communication, and electronic communication is preferred to written (**Figure 11**).

**Figure 11****Authorities use a variety of mechanisms to learn about innovations in other organisations**

**Source:** Audit Commission

**125** We also asked authorities how they would prefer to learn in the future. Special launch events are currently the most popular means of dissemination (used by two-thirds of authorities and attended by over three-quarters). However, only about two-fifths of authorities told us that they would want to attend such events in the future, half as many as do so now.

## Barriers to sharing innovative practice

- 126** There are three barriers to disseminating learning from innovation widely and effectively: the difficulty of evaluating innovation; reluctance to publicise failure; and the burden of dissemination.

### The difficulty of evaluating innovation

- 127** The authorities we visited all evaluated their project-based innovations, often as a condition of external funding or in relation to scrutiny arrangements. In some cases project groups met expressly to look at lessons learned reflecting on what worked best, and considering how best to capture and share learning. This had allowed them to assess whether the learning from the innovation was of potential value to other areas of their activity. Three-quarters of authorities report that they had such mechanisms available to share lessons learned from innovation across service areas within the authority itself.
- 128** In evaluating innovation, authorities should consider whether the desired outcomes, whether financial or more qualitative, have been achieved and also whether improvement is sustainable. It is worth noting that the benefits of innovation may take time to become clear and measurable. Evaluation should not just be an assessment of the innovative idea, as very few concepts are universally applicable, but of its development and implementation, as this learning can often be applied to new ideas and projects. We found some, but not widespread evidence of formal cost benefit analysis applied to innovation and of evaluation of the value for money delivered by innovation.
- 129** Thorough evaluation should also focus on whether the lessons learned are more widely transferable – to similar authorities, to all authorities, or to public bodies more generally. It is, however, difficult for authorities to assess the potential benefits to other organisations. Because much innovation is specific to local circumstances, many authorities are not aware they are conducting groundbreaking work until it comes to the attention of outside organisations. Authorities are often wary of labelling something as innovative, either because they believe users see it as common sense or because of the reputational risk of publicising activity before it is proven to be successful.

## Learning from failure

- 130** Authorities acknowledge that they learn as much, if not more, from failure as from success, and that sharing their experiences of failure helps prevent its repetition elsewhere. Three-quarters are of the view that they have mechanisms in place that allow them to learn from failure as well as success. However, even where ‘honourable failure’ is part of the organisational culture, staff are understandably reluctant to advertise their mistakes externally. There is a view that there is not currently a safe space where they can discuss lessons from failure with their peers in other authorities.

## The burden of dissemination

- 131** For many innovative authorities, hosting visits from other local authorities, central government bodies and international delegations has become a routine part of their work. In several cases these visits followed external recognition, such as the award of Beacon status, for which successful authorities are given funding to publicise notable practice. Authorities indicate that the benefits of such activities are two-way and that they often gain as much valuable knowledge from peers about their ways of working as they impart.
- 132** However, hosting visits and organising dissemination events has opportunity costs for authorities. The drain on resources is particularly acute for those at the forefront of new policy agendas or where the authority receives public commendation. One council hosted 73 visits from peers in one year. This burden can act as a disincentive to sharing learning. Some authorities were mitigating it by organising open days where several authorities visited together, and one of our fieldwork authorities charged visitors a fee.
- 133** Looking to the future, authorities with innovative practice to share would prefer to take less of a role in organising special launch events and hosting visits and would prefer to:
- attend conferences or seminars highlighting different innovations across several organisations, organised at a local level;
  - attend regular network meetings, arranged regionally, both for organisations who are innovating and those seeking to innovate; and
  - promote innovations through their own and centrally organised websites.

## The role of central agencies

- 134 Authorities believe that central government and agencies with an improvement remit could take greater responsibility for spreading innovation.
- 135 In particular, authorities do not feel well placed to identify organisations that need help or at whom learning could be most effectively targeted. Instead they generally rely on being approached by interested parties. Yet the organisations that would most benefit from the learning are often those that don't yet recognise the need to change.
- 136 Organisations that authorities had used and found useful for disseminating their innovative practice included the Audit Commission, Local Government Association, Improvement and Development Agency (IDeA), the New Local Government Network and London Councils. Dissemination had also taken place through political channels, with one authority presenting at a political party's local government conference, and through participation in awards run by the *Local Government Chronicle*, *Municipal Journal* and the Beacon Scheme.
- 137 Authorities that had been awarded Beacon status found this a useful dissemination route. It directly addressed the problem that, without mechanisms of this kind, the costs of dissemination of innovation for an authority may exceed the benefits it gains, so its incentive to spread good practice is limited. The award of Beacon status was also seen as very motivational for staff in the authority. Likewise, there was evidence that the support networks developed by the IDeA, such as communities of practice, that enabled electronic or face-to-face communication had been of value to some authorities.
- 138 However, authorities said that external agencies, including the Audit Commission, the IDeA and the Beacon scheme, as well as regional agencies such as government offices, regional centres of excellence and regional development agencies could still play a greater role in identifying innovation and facilitating knowledge transfer to other organisations. They also felt that central government departments needed to recognise the potential wider significance of innovations which had proved to be successful at a local level.

- 139** Several authorities we visited were members of the Innovation Forum group of councils that had achieved an excellent or 4 star CPA rating, and had found this a useful forum for discussing new approaches to challenges or issues. The remit of the Innovation Forum has, to date, been to facilitate a dialogue between better-performing councils and central government. However, the forum has been unable to maximise the potential for learning from innovative practice because it does not tap into the experience of authorities which, while generally weaker, may nonetheless have good examples of innovation to share (**see paragraph 27**).
- 140** Our fieldwork authorities had themselves identified innovation elsewhere through organisations such as the IDeA, and the Beacon scheme, but also through professional and personal contacts. They had also looked to examples in other sectors, such as the NHS, in voluntary sector organisations and in the private sector, the latter particularly for their use of new technologies. **Box 4** lists some of the online resources that authorities have used and found helpful as sources of information and examples of innovation.

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#### **Box 4**

##### **Online resources used by local authorities**

Audit Commission <http://www.audit-commission.gov.uk>

Beacons Council Schemes <http://beacons.idea.gov.uk>

E-Innovations programme <http://www.exploringinnovation.org.uk>

IDeA <http://www.idea.gov.uk>

Improvement Network <http://www.improvementnetwork.gov.uk>

Local Government Association <http://www.lga.gov.uk/>

Home Office Respect Unit <http://www.respect.gov.uk/>

NHS Institute of Innovation and Improvement <http://www.institute.nhs.uk/>

The Innovation Unit <http://www.innovation-unit.co.uk/>

**Source:** Audit Commission

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- 141 The use of international comparisons can also be a valuable asset to councils looking to expand their knowledge, and learn from the experiences of public service providers around the world. Such examples can provide insights into what works in practice, and help authorities avoid repeating others' mistakes. Professional networks, and online discussion boards and forums, such as the European Crime Prevention Network, the Local Government Association European and International Unit and the Chartered Institute of Environmental Health, can be invaluable sources of information. Policy Hub, a website, developed by the Government Social Research Unit, which aims to improve the way public policy is shaped and delivered, has created an International Comparisons toolkit, an online resource intended to assist policymakers who are interested in learning from experiences in other countries.
- 142 The Audit Commission accepts its own responsibility for helping to disseminate learning from innovative practice. The Audit Commission, (together with the IDeA, the Chartered Institute of Public Finance and Accountancy, and the Leadership Centre for Local Government), is a partner in the Improvement Network, which offers practical support for local authority managers and tools to support authorities' improvement journeys. We will ensure that the learning from innovation identified through our audit and inspection work is shared with local authorities through the Improvement Network. **As part of this report, we are publishing on the web ten detailed case studies of innovative practice drawn from our fieldwork.**

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# Appendix 1

## Methodology

This study was conducted under Section 33 of the Audit Commission Act 1998. Section 33 places a duty on the Commission to undertake studies to support recommendations for improving economy, efficiency and effectiveness in the provision of local authority services.

Following discussions with stakeholders and a review of existing literature and ongoing research, we visited 13 fieldwork authorities. Discussions with these authorities helped identify the factors which were critical to successful innovation.

These findings were then tested on the full population of councils and fire and rescue authorities in a questionnaire survey, addressed to all 388 local authority chief executives and all 47 chief fire officers. Although the initial contact was with chief officers, completion by someone else was permitted if they thought another member of staff could more appropriately answer the questions.

Between 13 June and 11 July 2006, 274 questionnaires were completed representing a response rate of 63 per cent. The profile of the sample in terms of authority type, region, political control and CPA rating closely reflected that of the total population, and there was no need to weight this data.

Alastair Evans undertook the research for this study. John Kirkpatrick was the project director. An external advisory group assisted with developing the research framework and the findings. The Commission thanks all those who were involved (listed in **Appendix 2**). However, the views expressed in this report are those of the Commission alone.

# Appendix 2

## Organisations involved in the study

### Fieldwork sites

Barnsley Metropolitan District Council  
Basingstoke and Deane Borough Council  
Breckland District Council  
Bristol City Council  
Forest Heath District Council  
Merseyside Fire and Rescue Authority  
Middlesbrough Council  
New Forest District Council  
London Borough of Sutton  
Test Valley Borough Council  
Wiltshire County Council  
Woking Borough Council  
Wolverhampton City Council

### Advisory group

Adrian Barker – Improvement and Development Agency (IDeA)  
Tony Bovaird – Institute of Local Government Studies, University of Birmingham  
Stephen Dodson – Department for Communities and Local Government  
Helen Goulden – Department for Communities and Local Government  
Jean Hartley – University of Warwick  
Peter John – Manchester University  
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