a force for
change

central government intervention
in failing local government services

audit commission

The Audit Commission promotes the best use of public money by ensuring the proper stewardship of public finances and by helping those responsible for public services to achieve economy, efficiency and effectiveness.

The Commission was established in 1983 to appoint and regulate the external auditors of local authorities in England and Wales. In 1990 its role was extended to include the NHS. In April 2000, the Commission was given additional responsibility for carrying out best value inspections of certain local government services and functions. Today its remit covers more than 13,000 bodies which between them spend nearly £100 billion of public money annually. The Commission operates independently and derives most of its income from the fees charged to audited bodies.

Auditors are appointed from District Audit and private accountancy firms to monitor public expenditure. Auditors were first appointed in the 1840s to inspect the accounts of authorities administering the Poor Law. Audits ensured that safeguards were in place against fraud and corruption and that local rates were being used for the purposes intended. These founding principles remain as relevant today as they were 150 years ago.

Public funds need to be used wisely as well as in accordance with the law, so today's auditors have to assess expenditure not just for probity and regularity, but also for value for money. The Commission's value-for-money studies examine public services objectively, often from the users' perspective. Its findings and recommendations are communicated through a wide range of publications and events.

For more information on the work of the Commission, please contact:
Sir Andrew Foster, Controller, **The Audit Commission,**
1 Vincent Square, London SW1P 2PN, Tel: 020 7828 1212
Website: www.audit-commission.gov.uk

a force for
change

Contents

Introduction

Context

1. The current Government has made the improvement of public services one of its key objectives, and has committed itself to stepping in to 'intervene' in failing services at a local level. The December 2001 Local Government White Paper repeated this commitment.

'The Government will not tolerate poor performance or failing councils and services. They let down the people councils represent and serve. They damage the reputation of the rest of local government...Where a council or service is poor or failing we will expect councils to act to put things right and where necessary we will take decisive and tough action.' (Ref.1).

2. This 'decisive and tough action' has taken a number of forms, ranging from gaining a council's commitment to an improvement programme in social services, to the outsourcing of almost all the functions of a local education authority (LEA).

3. Academic commentators refer to a 'ladder of sanctions' (Ref.2), with relatively mild interventions at the bottom, running through to more severe interventions at the top. In this study the Commission is focusing its attention towards the top of the intervention ladder, and is taking the following as its definition of intervention:

'cases where Government departments and/or ministers have taken action that they would not otherwise have taken as a result of a critical inspection report or other external evidence of service failure.'

4. It is important to note that this is simply the definition that the Commission has adopted for the purposes of this study. There are other examples of intervention that do not involve a critical inspection report (auditors' reports in the public interest, for example), and interventions that do not involve Government departments (visits by the Improvement and Development Agency's 'Peer Review' teams, for example, which are voluntary visits by an external agency). These interventions are not the focus of this study.

5. Using the definition above, between 1997 and 2001 in England there were 20 interventions in council education departments, and 21 interventions in social services departments[1]. In addition, one intervention took place following a referral to ministers by the Audit Commission. These 42 interventions took place in 38 councils (25 per cent of the total number of 'top tier' councils – those with responsibility for social services and education.

---

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

6. The number of interventions in social services and education departments peaked in 1999 and 2000, and declined in 2001 **[EXHIBIT 1]**. While the total number of interventions may have peaked, the Government's commitment to intervening in failing local services seems likely to be extended beyond local government in the near future. At the time of writing, the Government has announced plans to extend its current powers of intervention. The Police Reform Bill, the Education Bill and the National Health Service Reform and Health Care Professions Bill currently before Parliament all propose new powers of intervention (Refs. 3, 4 and 5). For example, the National Health Service Reform and Health Care Professions Bill would give the Commission for Health Improvement (CHI) the power to recommend to the Secretary of State that he take 'special measures', where a health body (such as a National Health Service (NHS) trust) is providing services of an unacceptably poor quality.

EXHIBIT 1

The total number of interventions each year, from 1997 to 2001

The number of interventions peaked in 1999 and 2000 and declined in 2001.

Number of interventions
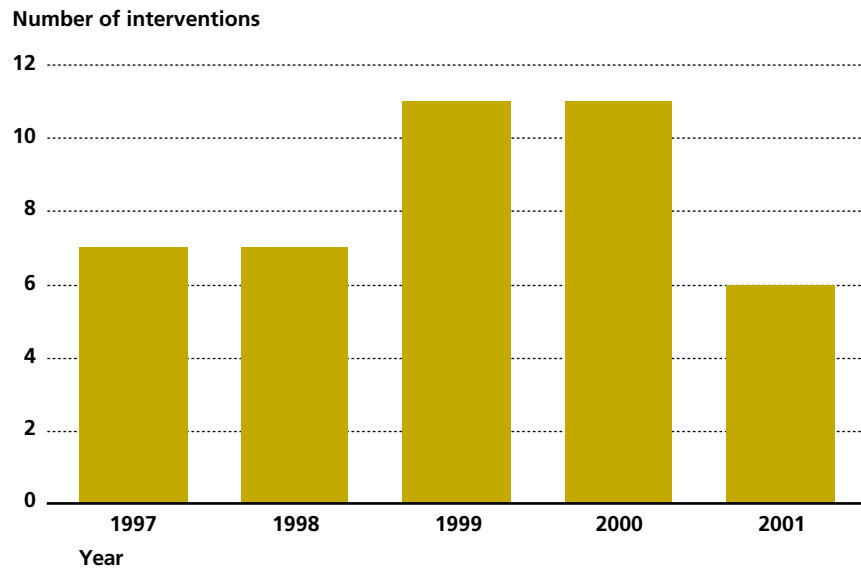
Source: Audit Commission analysis of Social Services Inspectorate (SSI) annual reports and data from the Department for Education and Skills (DfES)

Why does intervention matter?

7. Intervention matters because the service failures which lead to intervention can be serious enough to affect the life chances of some of the most vulnerable people in society. In one council put on 'special measures', for example, inspectors found that there were at least 47 children on the child protection register who did not have a social worker allocated to them and that children were not visited unless a crisis arose. Ninety-three per cent of foster care placements in this council were made in an emergency. SSI stated that 'children in the public care and on the child protection register of [the council] cannot be considered by any measure to be adequately safeguarded.'

8. In another council, an Ofsted inspection found that schools were being left to fend for themselves in the face of inadequate support for improvement, and that valuable resources were being wasted because of a failure to streamline school places.

9. It is also important to look at intervention because it involves one tier of democratically-elected government intervening in the affairs of another tier, which raises difficult questions of democratic legitimacy and accountability. These questions arise because the electoral process has proved slow to produce change, even where councils have provided poor services for many years. The evidence from election results is that a catastrophic service failure that attracts significant public attention can be enough to bring about a change in political control if it occurs shortly before an election, but that long-term poor quality services by themselves lead only slowly to electoral change.

10. Central Government argues that its national mandate gives it a legitimate role in addressing failures in priority services. Where turnout in national elections is significantly higher than in local elections this argument is strongest. There is also evidence that the public shares the Government's assumptions. Research carried out by the Public Management Foundation found that the public assumes that the running of all public services will be subject to regulation and control, with Government being expected to step in to resolve problems when things go wrong. In a survey of the general public commissioned by the Foundation, 60 per cent of respondents thought 'Government should do more to control organisations that provide public services', and only 9 per cent thought that Government should exert less control (Ref. 6).

11. Ultimately, Parliament has given ministers intervention powers in a number of different pieces of legislation [**BOX A**].

BOX A

Legal powers of intervention apply both to specific services, and in relation to councils' best value duties

- The Secretary of State for Health can issue directions to social services authorities under the *Local Authority Social Services Act 1970*, and the Secretary of State for Education has powers to issue directions to LEAs under the *Education Act 1996* (which includes powers to transfer an LEA's functions to another provider) (Refs. 7 and 8).

- The best value legislation (the *Local Government Act 1999*) has given the Secretary of State wide-ranging powers that potentially extend to all the services provided by a local authority (Ref. 9). If the Secretary of State is satisfied that a council is failing to comply with any of its best value duties, he or she may direct such an authority to take 'any action which he considers necessary or expedient to secure its compliance with [its best value duties]'. This includes powers for the Secretary of State to take over the running of specific council services. The Government has agreed a protocol with the Local Government Association setting out principles governing the use of these powers.

Source: Audit Commission research

Who does what in intervention?

12. There are differences in the way that interventions have been carried out in education and social services.

Education

13. LEAs have four core functions in relation to schools, for which they receive central funding – securing access, special educational needs and pupil welfare, school improvement and the strategic management needed to underpin these functions. The Government expects LEAs to delegate the maximum amount of education funding to schools, who can then choose where they buy the services they need. LEAs are expected to help schools to be 'informed purchasers', and they are responsible and accountable for the quality of education services, without necessarily providing them directly.

14. The legislation covering LEA interventions details a number of events that can trigger an intervention, but, to date, the trigger has always been a critical report from an Ofsted/Audit Commission LEA inspection. When Ofsted presents its report, civil servants and ministers in the DfES then decide whether any further action is required (Ofsted has no formal power to 'refer' a council to the DfES).

15. In almost all cases where further action has been taken, the DfES has first commissioned a consultant's report. The reports have recommended a range of different options to address the service failure identified by Ofsted, including the appointment of consultants to advise on structural and cultural change, close monitoring and support by the DfES, partnership with a good LEA, and outsourcing of some or all of the LEA's services [**EXHIBITS 2 and 3**].

EXHIBIT 2

Who does what in intervention in education

Following critical Ofsted inspection reports, the DfES has almost always commissioned reports from consultants; these reports have made recommendations for further action.

Ofsted report → Department for Education and Skills → Consultant's report → Recommendations: Partnership board; Close DfES monitoring and support; Outsourcing; Partnership with good LEA
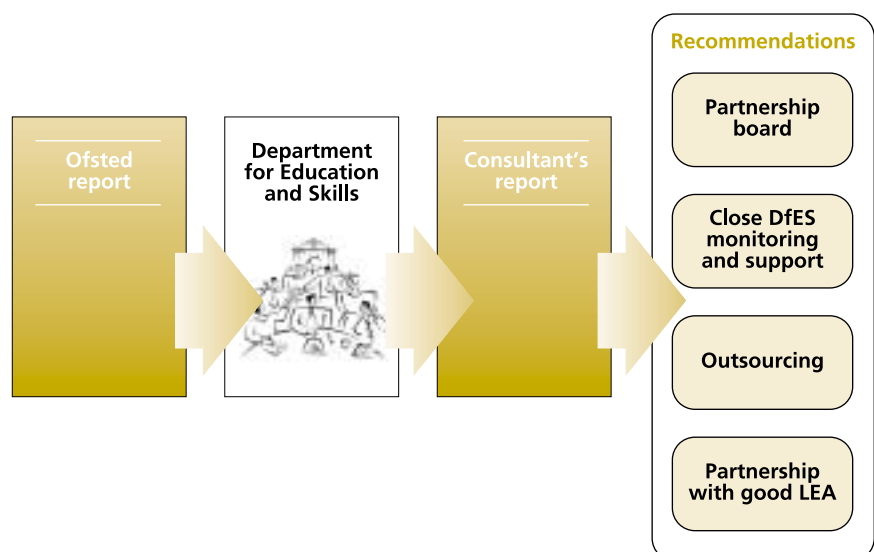
Source: Audit Commission research

EXHIBIT 3

The range of options recommended by consultants' reports in education

Consultants' reports have recommended a range of options, from outsourcing of LEA functions to close DfES monitoring and support of the council.
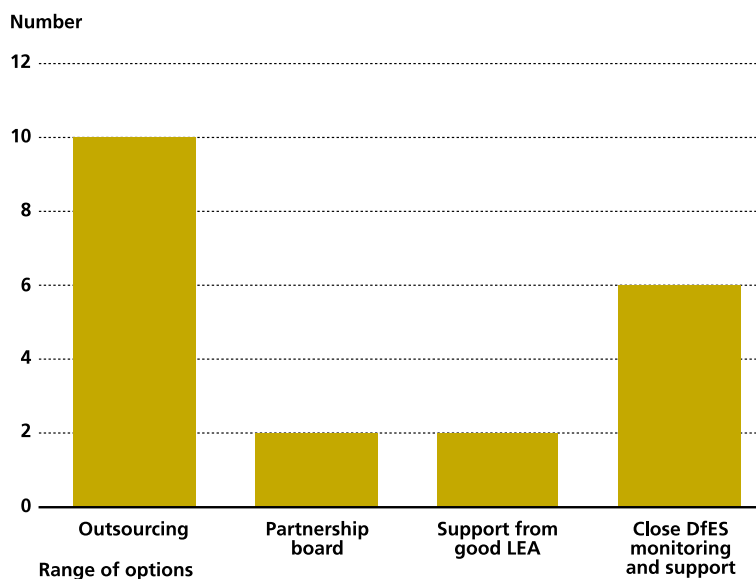
Source: Audit Commission analysis of DfES data

Number

Range of options

Outsourcing	10
Partnership board	2
Support from good LEA	2
Close DfES monitoring and support	6

Social services

16. Social services departments are responsible for protecting people at risk, and for providing and commissioning services for these people, who include vulnerable children, older people and adults with mental health problems or disabilities.

17. As in education, some social services interventions have followed a critical inspection report, either from SSI, or from an Audit Commission/SSI Joint Review. But other SSI interventions have followed issues of public concern or public enquiries.

18. Unlike Ofsted inspectors, SSI inspectors are an integral part of their Government department, the Department of Health (DH). As well as those members of SSI who carry out inspections, there are others who manage the Department's links with local social services departments, providing them with information and advice and monitoring their performance.

19. In response to failing services, DH ministers, acting on the advice of SSI, have placed a number of councils on special measures, and in two cases have taken the additional step of issuing a 'ministerial direction' requiring a council to comply with its legal duties **[EXHIBIT 4, overleaf]**[I]. A key part of this process is a high-level meeting between senior local politicians and top council officers, and the minister or chief inspector, to gain the council's political and corporate commitment to addressing service failings. A council on special measures must then produce an effective action plan and agree that with SSI, who then monitor the implementation of the plan. In no case has SSI recommended outsourcing social services functions as a response to service failure.

I   Note: SSI has two categories of response that are less serious than special measures: 'warning' and 'enhanced regional monitoring'. These responses are not covered by this study.

Who does what in intervention in social services

On the basis of advice from SSI, DH ministers have imposed special measures and ministerial directions on failing local social services.

Joint Review
or
SSI report
or
issue of
public concern
or
public enquiry

Department
of Health
ministers

Special measures

Special measures
plus ministerial
directions
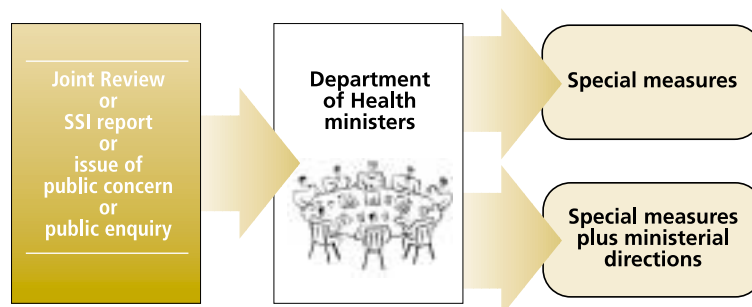
Source: Audit Commission research

20. The majority of interventions in social services departments have taken place where councils have failed to provide adequate services for children (as opposed to failings in adult services or other areas of social services responsibility).

Putting it all together: what do interventions look like?

21. An education intervention might begin with the LEA receiving a critical Ofsted report. The DfES would then appoint consultants to advise on the action that should be taken to address the problems identified. The intervention action finally recommended would depend on the circumstances of the council. If there were concerns about the capacity of the council to improve its services, then the consultants might recommend outsourcing. If corporate leadership were the issue, then consultants might recommend a partnership board which would bring together representatives of stakeholder groups to oversee and monitor improvements in the service.

22. A social services intervention might begin with the council's social services department receiving a critical SSI inspection report. SSI would then call a high-level meeting between the chief inspector and key politicians and officers within the council, including the chief executive, lead councillor and director of social services. DH ministers, acting on the advice of the chief inspector, might then place the council on special measures. The council would be required to compile an action plan to address the areas of concern identified by the inspection report, and the action plan must be agreed with SSI. The council must then send regular monitoring reports to the DH and will receive re-inspections of the service concerned. When the DH is satisfied that the department is serving local people well, usually after a satisfactory re-inspection, the council would be removed from special measures.

Why has the Commission carried out this study?

The aim of this study is to make recommendations to the Government about the future framework for intervention...

23. The Audit Commission's mission is 'to be a driving force in the improvement of public services'. The 2001 Local Government White Paper has given the Commission, in partnership with other inspectorates and Government departments, additional responsibility for identifying poor-performing councils. These councils will receive a directed approach to support and capacity building, including intervention where necessary. The aim of this study is to make recommendations to the Government about the future framework for intervention and the way in which interventions are carried out. There are also messages for the Commission itself, for the Improvement and Development Agency (IDeA), and for councils.

24. The Commission will also take forward the lessons from this local government study in its work in other areas. The learning from interventions in social services and education is timely, given the proposed extension of the Government's powers of intervention in relation to the police and to the NHS.

25. This report describes the findings and recommendations from the Commission's study and draws on the following strands of research:

- case studies of seven intervention councils (three social services interventions, three LEA interventions and one council with multiple interventions). The case studies included site visits, interviews, focus groups and document reviews;

- an independent qualitative telephone survey commissioned from NOP, who interviewed 95 chief executives, senior politicians and directors in 32 intervention councils;

- further mapping of intervention councils through structured reading of inspection reports and discussions with inspectors;

- a survey of the literature on 'turnaround' in the private sector, commissioned for this study; and

- interviews and workshops with key stakeholders, including Government departments, inspectorates, national bodies and private sector consultants and service providers.

1

Does Intervention Tackle Failure?

People in intervention councils believe that substantial progress has been made in addressing service problems, and that intervention has been helpful in bringing those improvements about. Re-inspection evidence confirms that improvements have taken place. However, interveners should do more to collect evidence on the effectiveness of their interventions.

26. The aim of intervention is to tackle serious service failure. This chapter examines two different kinds of evidence for service improvements following interventions:

• self-perception of progress by people in intervention councils; and

• evidence of service improvement from sources outside those councils.

Evidence of improvement – the views of people in intervention councils

27. People in councils where intervention has taken place think that intervention has led to improvement. When asked in the NOP survey how far their LEA or social services department had addressed the problems originally identified, 72 per cent of respondents stated that 'substantial' progress had been made and no respondent thought that 'no progress' had been made [EXHIBIT 5].

EXHIBIT 5

How much progress has your department made following the intervention?

72 per cent of survey respondents thought that substantial progress had been made in addressing the original problems.
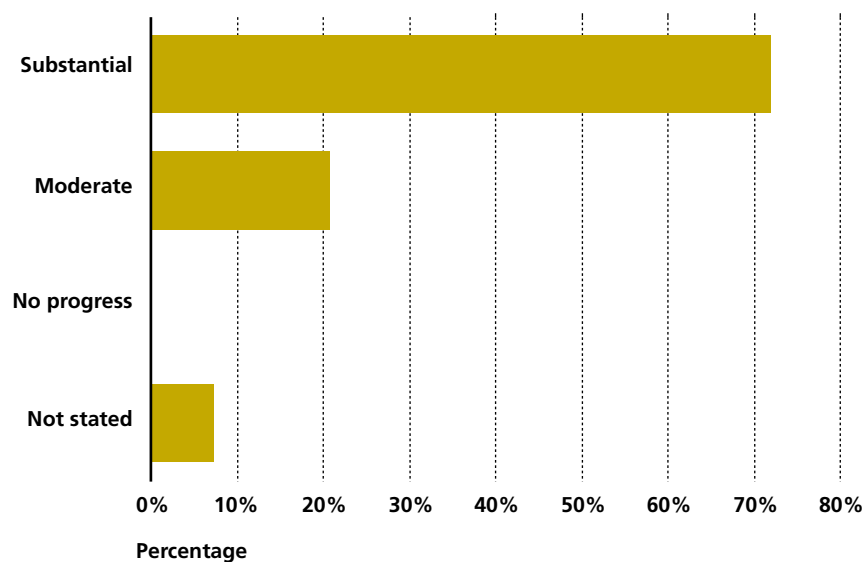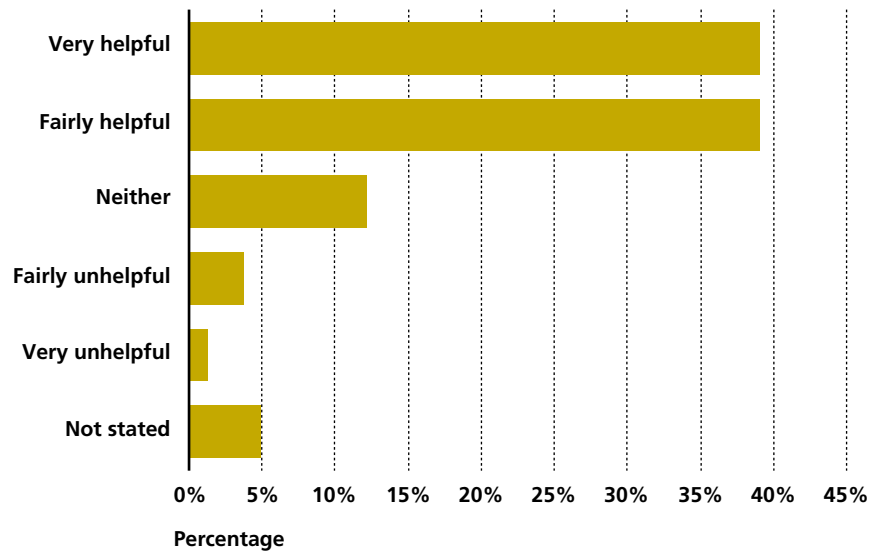

Source: NOP survey

28. But was this perceived improvement the product of the council's own efforts to improve, independent of the intervention? Over 75 per cent of survey respondents thought that the intervention itself had been either 'very' or 'fairly' helpful in overcoming the problems faced by the social services or education departments in their council [EXHIBIT 6, overleaf].

EXHIBIT 6

How helpful did councils find intervention?

Over 75 per cent of survey respondents found intervention 'very' or 'fairly' helpful.

Source: NOP survey

29. While this is a very positive view, the people responding to the NOP survey were, of course, those in place after the intervention, and not those who had left the council who might have had a different view. During fieldwork, the study team checked this finding with focus groups of staff who had been in post before, during and after the intervention. These groups were virtually unanimous in arguing that the interventions, however personally traumatic and difficult at the time, had resulted in better managed departments and had either improved service outcomes or were expected to do so in the future. Their views reinforce the findings of the NOP survey.

Evidence of improvement – sources outside the council

30. Those most directly involved in interventions viewed them as helpful and thought that progress had been made in addressing problems. Is there any evidence that this has resulted in improvements for service users?
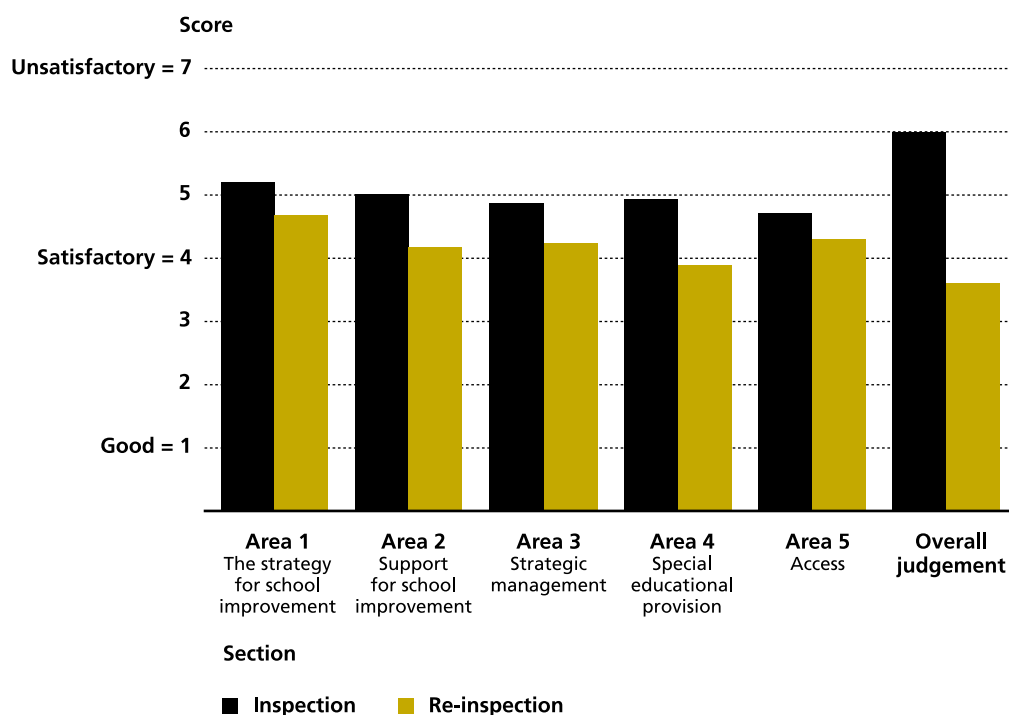
Improvements in education

31. When Ofsted carries out an LEA inspection, it scores five areas of LEA responsibility. These scores range from one for an excellent service to seven for a very poor one. Comparing the scores from the original inspection reports with the scores from subsequent re-inspections shows the changes in inspectors' judgements about intervention councils. For all five areas of LEA responsibility for which Ofsted inspectors make judgements, the scores have improved (that is, they are lower) after the intervention **[EXHIBIT 7]**.

EXHIBIT 7

Average scores before and after intervention (the lower the score, the better the inspector's rating)

Average scores for intervention LEAs improved across all five inspection areas, and overall.

Source: Audit Commission analysis of Ofsted scores

Improvements in social services

32. When the early social services interventions took place, SSI inspectors did not include scores in their inspection reports. In order to compare councils before and after intervention, the study team carried out an in-depth, structured read of inspection reports for seven councils. Of these seven councils, five had made significant progress and the remaining two had made some progress. The following case study shows how one council made big improvements in service performance after the imposition of special measures [**CASE STUDY 1**].

CASE STUDY 1

In 1997, the council's social services department was put on special measures. The size of the task facing the council was considered 'immense', requiring a significant commitment from councillors and officers to turn the service around.

The council had three times the national average of numbers of children in its care, and three times the national average of numbers of children on the child protection register. There were 58 children without an allocated social worker. A number of children were 'drifting' in the 'looked after' system without positive action to help them. Disruption in the arrangements for their care was a feature of many children's lives. SSI found that the department was not intervening early enough to keep children with their families, sometimes intervening only at crisis point. Many scheduled reviews of the circumstances of children in the care of the council were conducted late.

Two years later, the council was found in a re-inspection to have 'responded with vigour and determination' to its challenges. While the service needed to continue to improve at the same pace, and while other issues required equally rigorous attention, there were a number of specific areas of progress.

The number of children looked after by the council had reduced by 17.2 per cent, with a 46 per cent reduction in the number of children on the child protection register, and a 35 per cent decrease in the number of children living in residential care. All of the children in the council's care and on the child protection register had an allocated social worker.

Significantly, 98 per cent of the scheduled reviews of the circumstances of children in the care of the council were now being conducted on time, and new staff were being appointed to assist active planning for individual children. The service had appropriate systems and procedures, with better recording and monitoring of the care provided to children.

Source: Audit Commission analysis of SSI inspection reports

The effect of intervention beyond the failing service

33. This study concentrated on the effect that intervention has had on the services and councils most immediately affected – those where the interventions have taken place. Many of those involved in interventions (inspectors, consultants and civil servants) have argued that there has also been a positive effect on other services within the council and on other councils.

34. These effects are very difficult to quantify, but a literature review carried out for the then Department of Environment, Transport and the Regions (DETR) identified the impact that intervention in one council can have on other councils: 'unless the regulator shows a capacity to enforce its regulations they are likely to be honoured more in the breach than the observance. It is clear that on occasion where significant direct intervention does occur, this can send important messages to the wider community' (Ref. 10).

How conclusive is this evidence?

35. While there is some evidence of service improvements as a result of intervention, there are some gaps where evidence is missing. There are a number of reasons for this:

- for some of the interventions, especially for the more recent education interventions, it is too soon to expect process improvements to show up in the service outcomes that are routinely monitored by performance indicators;

- re-inspections provide valuable evidence of service improvements, but not all intervention councils have been re-inspected yet;

- the failings identified by inspections are not always those measured by national performance indicators (for example, there is no performance indicator for the number of children without allocated social workers); and

- some of the critical inspection reports did not identify failing services. In these cases the service had not yet reached the point of failure, but the inspectors had serious concerns about the fragility of the service. For these councils the success of the intervention will not be measured by identifying a sharp improvement in performance, but by the fact that performance was prevented from ever reaching the point of failure.

While there is some evidence of service improvements as a result of intervention, there are some gaps where evidence is missing.

36. To address these gaps in the evidence, interveners should do more to collect evidence on the effectiveness of their interventions. Future interventions should establish clear criteria by which their success or otherwise can be measured, and interveners should assess whether those criteria have been met in the course of each intervention.

37. Notwithstanding these gaps, the evidence that does exist indicates that interventions have been successful in putting in place the building blocks for improvement in services. Fieldwork in particular gave a striking insight into the extent to which staff at all levels accepted the need for, and value of, intervention, even where improvements in the management of the service had yet to be converted into service improvement. But how do we know that these improvements were the result of the intervention, and would not have happened anyway? The next two chapters address this question, by identifying the causes of serious and sustained service failure, and exploring how interventions have addressed these underlying causes.

2

What Causes Service Failure?

Serious and sustained service failure is also a failure of leadership by senior councillors and top managers. Poor leadership leads to poor systems and culture; collectively, these lead to serious and sustained service failure.

The causes of service failure

38. This chapter identifies and explores the most important causes of failure in the 42 cases that the Commission studied.

39. In *Changing Gear* (Ref.11), the Commission identified four 'building blocks' for effective councils [TABLE 1]. These building blocks can be grouped under the headings of 'effective leadership' and 'effective systems and culture'.

40. The councils where intervention has taken place lacked effective leadership, and effective systems and culture. Poor leadership leads to poor systems and culture; collectively, these lead to serious and sustained service failures [EXHIBIT 8].

TABLE 1

The four building blocks of effective councils

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

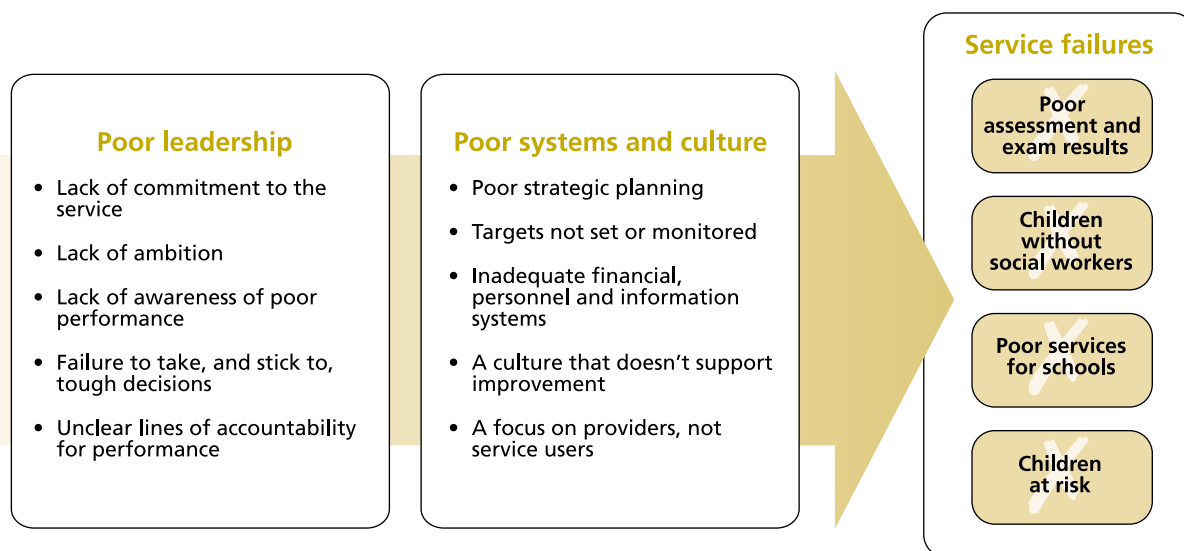*Source: Adapted from Ref. 11*

Poor leadership

41. Leadership exists at many levels in a council, from top politicians and managers through to frontline staff. But this study found that poor leadership at the top lies at the heart of serious service breakdown. The Treasury's Public Services Productivity Panel has also drawn attention to the contribution to service performance made by the top leadership in councils: 'Experience suggests an important factor in performance in particular service areas is the quality of leadership and corporate governance of the council as a whole. Responsibility for delivery lies with elected members, the chief executive, and the management team' (Ref. 12).

EXHIBIT 8

The causes of service failure

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

Poor leadership

- Lack of commitment to the service
- Lack of ambition
- Lack of awareness of poor performance
- Failure to take, and stick to, tough decisions
- Unclear lines of accountability for performance

Poor systems and culture

- Poor strategic planning
- Targets not set or monitored
- Inadequate financial, personnel and information systems
- A culture that doesn't support improvement
- A focus on providers, not service users

Service failures

- Poor assessment and exam results
- Children without social workers
- Poor services for schools
- Children at risk

Source: Audit Commission research

Corporate leadership

42. Almost by definition, a serious and sustained service failure is also a failure of corporate leadership (that of senior councillors and top managers). The corporate leadership in councils has a responsibility to identify and address failing services where the departments responsible are not already tackling that failure.

'...the reasons that took us to special measures were essentially in the political and corporate arrangements above the department. Clearly there were problems in the department but I think they couldn't be progressed because at the time there were such huge blocks at the corporate level and the political level and that was evident by the speed of change once those things were out of the way.'
Director of Social Services, Unitary Authority.

Source: NOP survey

Many of the services examined for this study were characterised by a lack of commitment from local politicians...

Departmental leadership

43. An effective director is key to preventing serious service failure. He or she provides a focus on what matters most, challenges under-performance, raises expectations and ensures a focus on the needs of service users. When asked about the reasons for the intervention in their council, one survey respondent answered:

'I think it was from the director down. If there was no management from the director and senior management, it meant that there was no management then of the second tier, third tier and right the way down.'
Lead member for Social Services, London Borough.

Source: NOP survey

44. Poor departmental leadership can reflect either the competency of individual postholders or a legacy of postholder instability caused by a succession of different directors or by a prolonged absence of any permanent postholder. One council in special measures, for example, had had five directors of social services in as many years. The effectiveness of a service director can be undermined by the failures of corporate leadership described above.

Features of poor leadership

45. Consistent features of poor leadership have characterised the majority of intervention councils. These features were common to service failure in both education and social services.

Lack of commitment to the service

46. Many of the services examined for this study were characterised by a lack of commitment from local politicians, often caused by a poor understanding of the nature and purpose of the service. The approach taken by politicians in one council before an education intervention was described as follows: 'when education becomes a big issue we will address it...now it's rubbish and roads.' Particularly in social services departments, this lack of commitment sometimes led to the isolation and neglect of the service:

'...I don't think that there was the corporate or political commitment to social services that there should have been.'
Lead member for Social Services, Unitary Authority.

Source: NOP survey

Lack of ambition

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

Lack of awareness of poor performance

48. A further element of poor leadership from senior councillors and top managers is a lack of awareness of poor service performance, or a failure to challenge such poor performance and to hold those responsible to account. In one council, politicians and top managers failed to challenge repeated social services budget overspends, against a background of poor service performance, over a period of ten years.

49. There is also evidence of occasional deliberate concealment of the extent of the service failure. In one council, for instance, the huge backlog in the provision of specialist equipment to social services clients was explained away by officers as the product of the unusual efficiency of the storeroom which had prompted more people to call on its services than would be usual. In other councils service directors were able to convince politicians of the success of the service in the absence of meaningful performance information:

'There were difficulties with the leadership within the department which, for whatever reason, were not fully known by the political scenario here…The previous director was pretty good at defending her territory and not letting people know what was going on, and the people that knew what was going on didn't know how to tackle the leadership…'
Director of Social Services, London Borough.

Source: NOP survey

Failure to take, and stick to, tough decisions

50. In intervention councils, politicians often avoided making key decisions, such as the need to close or merge schools with unfilled places in order to make best use of resources. Such tough decisions are usually unpopular in the short term and are therefore never easy to make, but effective councils make them and stick to them; councils with poor political leadership do not. Decision making often suffers where there is political instability; this can sometimes include hung councils or those subject to a succession of different administrations:

'For much of the 1990s, political instability, evidenced in successive administrations and culminating at one stage in the virtual paralysis of the decision-making process, has handicapped practical action on education.'

Source: Ofsted inspection report, Metropolitan Borough

tough decisions are usually unpopular in the short term…but effective councils make them and stick to them; councils with poor political leadership do not.

21

Unclear lines of accountability for performance

51. In intervention councils, boundaries between officers and councillors are often blurred. Councillors can be inappropriately involved in low-level operational decisions; they are then unable to hold officers to account for results, and officers are unable to bring their skills and expertise to bear on operational matters. In one council both headteachers and LEA staff stated that 'political interference' hindered decision making and created damaging perceptions among schools of inconsistency and unfairness.

52. Councillors who are occupied with operational matters do not then have the time to develop and set out a clear strategic direction for the service. This leads to frustration for both officers and councillors.

Conclusion

53. Where poor leadership is contributing to poor services, what needs to change? The exact nature of the problems associated with leadership will vary from council to council. But it is clear that if councils are to tackle any of these issues, certain key ingredients must be in place: recognition of the problems, willingness to change, and a corporate commitment to improving services **[EXHIBIT 9]**.

EXHIBIT 9

The key changes needed to council leadership in poor performing councils

Three main changes are needed to address failings in leadership.

Poor leadership

- Lack of commitment to the service
- Lack of ambition
- Lack of awareness of poor performance
- Failure to take, and stick to, tough decisions
- Unclear lines of accountability for performance

Key changes needed

Council recognises problems

Council is willing to change

Corporate commitment to improving services
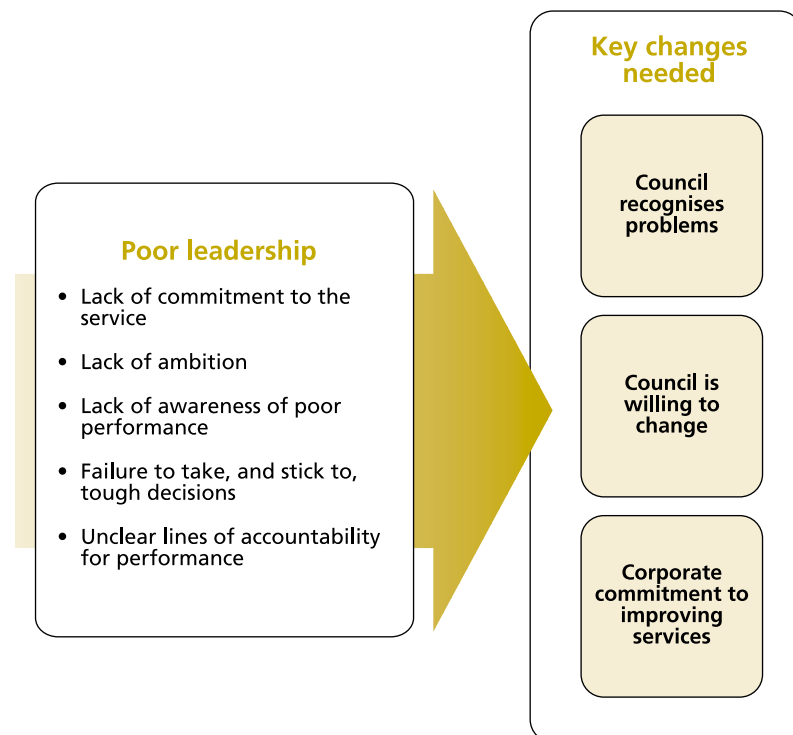
Source: Audit Commission research

Poor systems and culture

54. Intervention councils are characterised by poor systems and culture; these characteristics were common to service failure in both education and social services.

Poor strategic planning

55. Strategic planning was often weak in poorly performing services, with no clear sense of what the service needed to achieve and what the priorities should be. In LEAs, a lack of clear strategy from the director and the department's senior management team often resulted in services that were not focused on the needs and current position of schools. Ofsted inspection reports for most poor-performing LEAs cited inadequate strategic planning as a contributory factor to service failure.

Targets not set or monitored

56. In the absence of clear targets, staff are unable to focus their attention on what matters most. Failure by councillors to monitor progress against targets once set, and to challenge officers where performance falls short, means that the targets become ineffective as a way of focusing action.

Inadequate financial, personnel and information systems

57. Inadequate financial systems, often managed at a corporate level, can make it hard for services to monitor their expenditure. The absence of reliable management information for services is a recurring feature of intervention councils. One social services inspector commented of a council on special measures that 'no rigorous management information was available on either volume or quality of work'.

58. Ineffective personnel systems have also led to service problems. Bureaucratic recruitment procedures cause delays in filling vacancies; 'recruitment from within' can lead to an insular culture and result in missed opportunities to bring in fresh ideas and different ways of working.

A culture that doesn't support improvement

59. Another feature which characterises failing services is the absence of a performance culture. This means that priorities are not communicated to staff and persistent poor performance is tolerated, leading to dissatisfaction among the staff who are most committed to high-quality services. The lack of a performance culture has often been accompanied by a failure by managers to review the quality of work carried out by their staff. In social services, managers often had too little knowledge of staff workloads, leading to unsustainable caseloads for social workers and compromising the quality of work.

60. Failing services have also had histories of poor communications and poor relations with staff. Such services are often blighted by a 'blame culture', where the response to a problem is to identify scapegoats rather than to work to resolve the problem constructively in partnership with staff.

Failing services have also had histories of poor communications and poor relations with staff.

A focus on providers, not service users

61. Poorly performing services often fail to build services around the needs and expectations of users. A common feature of LEAs subject to intervention was a failure to focus on the needs of schools in the provision of services. This was often accompanied by low levels of budget delegation, since the LEA expected schools to obtain their services from the council, rather than giving them the freedom to shop around. This often led to a fundamental breakdown in trust between the LEA and schools.

Conclusion

62. Where poor systems and culture are contributing to poor services, three main changes are usually needed: a strategic action plan must be put in place and acted on, targets must be set and monitored, and systems and a culture that support high-quality services must be established **[EXHIBIT 10]**.

EXHIBIT 10

Key changes needed in systems and culture

Three main changes are needed to address failings in systems and culture.

Poor systems and culture

- Poor strategic planning
- Targets not set or monitored
- Inadequate financial, personnel and information systems
- A culture that doesn't support improvement
- A focus on providers, not service users

Key changes needed

Strategic action plan put in place and acted on

Targets set and monitored

Systems and a culture that support high-quality services
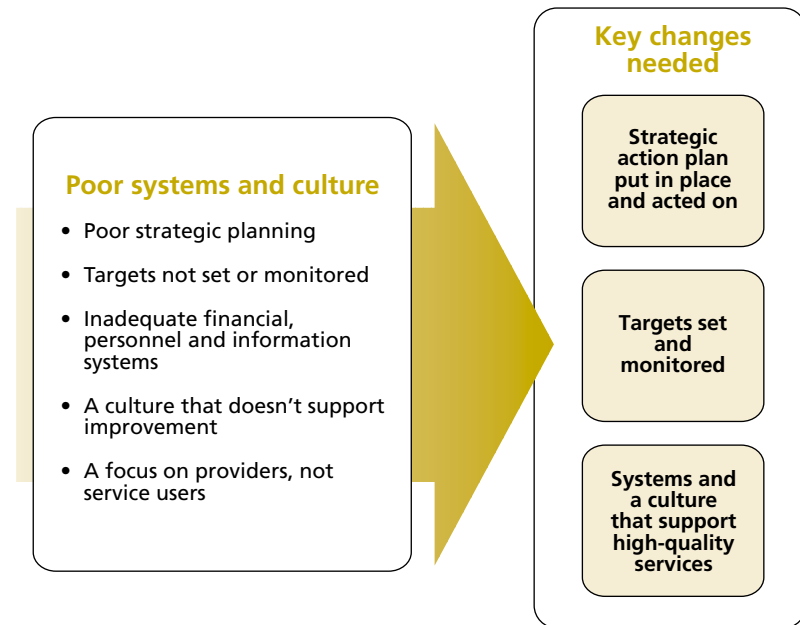
Source: Audit Commission research

63. Poor leadership in councils leads to poor systems and culture; taken together, these lead to poor services. The next chapter sets out the ways in which intervention addresses these underlying causes of failure by putting in place the essential building blocks of an effective council.

3

How Does Intervention Work?

Effective interventions divide into three broad phases: overcoming denial, taking action and exit. Interventions use a combination of challenge, persuasion, compulsion and threat to overcome councils' denial of their problems. Once denial has been overcome, the focus of interventions switches to tackling weaknesses in systems and culture. Finally, the interveners' confidence in the council is restored and the intervention ceases.

The three phases of intervention

64. Chapter 2 argued that poor political and managerial leadership leads to poor systems and culture and that, collectively, these lead to poor services. Effective interventions focus first on helping the leadership of the council to recognise the scale of its problems and commit to tackling them, before focusing on recovery action. Such interventions divide into three broad phases: overcoming denial, taking action and exit [**EXHIBIT 11**]. The duration of these phases is influenced first by the council's willingness to change and then by its capacity to deliver improvement.

EXHIBIT 11

The three phases of intervention

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

PHASE ONE	PHASE TWO	PHASE THREE
Overcoming denial	Taking action	Exit
• Challenge • Persuasion • Compulsion • Threat	• Impetus • External solutions • Setting and monitoring targets • Building capacity	• Intervener trusts council • Monitoring/special measures ceases
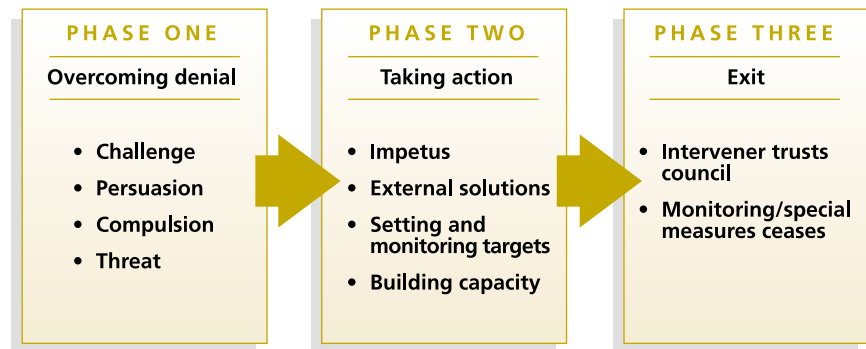
Source: Audit Commission research

65. This chapter explores what happens in each phase and describes how the relationship between the intervener and the council changes over the course of the intervention.

Phase one: Overcoming denial

66. If the council does not recognise the scale of the problems it faces, the first step in an intervention is to produce awareness and a willingness to change on the part of the council. This phase is about persuading the corporate and departmental leadership of the council to recognise the existence and seriousness of the failure and to commit to bringing about the necessary change.

67. In some councils the pattern of denial and acceptance varies between politicians, corporate officers, senior departmental staff and operational staff, with some welcoming the opportunity for change. The picture can be further complicated by the presence of pockets of excellence within the service, making it even harder for the staff that work within those pockets to accept that they are part of a failing service.

68. Overcoming denial can be the hardest part of the intervention. It is as much about politics, relationships and perceptions as it as about concrete activities. On the other hand, in councils where there is little or no denial in the first place, this phase is over relatively quickly.

69. In this phase, four key intervention activities are used to overcome council denial and produce a willingness to change: challenge, persuasion, compulsion and threat [**EXHIBIT 12**].

EXHIBIT 12

The main elements of Phase One: overcoming denial

Four main intervention activities are used in Phase One: challenge, persuasion, compulsion and threat.

Intervention activities

Challenge
- Inspection report
- Consultant's report

Persuasion
- Face-to-face meetings with ministers/inspectors and council
- Informal political/professional contacts
- Media pressure

Compulsion
- Special measures

Threat
- Loss of responsibility/outsourcing

Council

Council recognises the problems

Council is willing to act

Corporate commitment to improving services
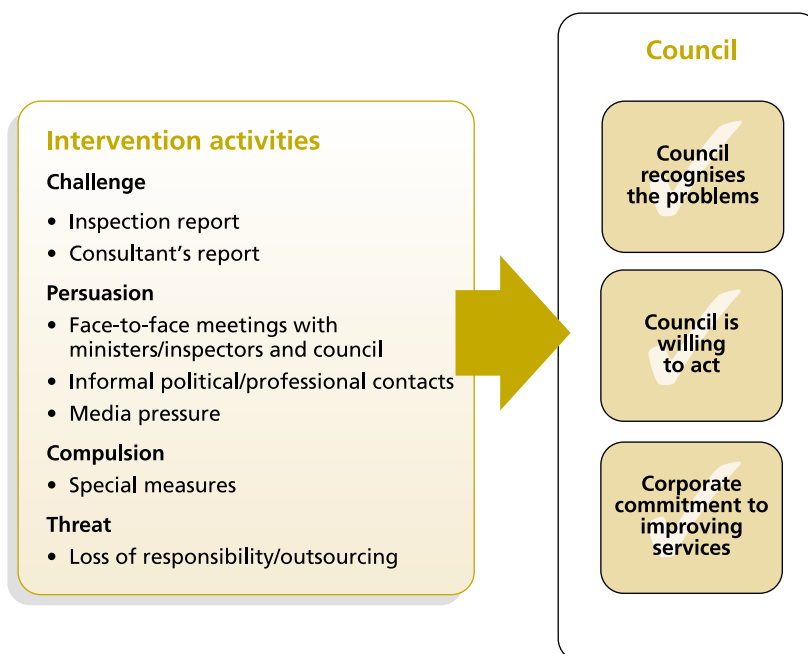
Source: Audit Commission research

Challenge

70. A well-evidenced critical inspection report was often the single most important factor in convincing the council that immediate action was needed to rectify the problems identified. The insight and challenge provided by inspectors has created an awareness of the scale of the problems that was previously lacking:

'I think if we hadn't had this critical report we would never have accepted that the department was failing. I think it just focused us. It focused people who had never given any thought to social services. It focused them in their determination.'
Lead Member for Social Services, London Borough.

Source: NOP survey

Strongly critical inspection reports often provoke a shocked and initially hostile response from staff.

'I think there was complete acceptance of the need to change, certainly on the part of the political leadership, the then leaders, and then Chair of Education; they looked at the findings of the Ofsted report and decided with alacrity that consultants should be called in and some radical change was necessary.'
Lead Member for Education, London Borough.

Source: NOP survey

71. The recommendations contained in the inspection report often provided a continuing focus for subsequent improvement.

72. Acceptance is not always immediate and may be preceded by shock and disbelief. The emotional impact of an adverse inspection report on a council should not be underestimated. Strongly critical inspection reports often provoke a shocked and initially hostile response from staff. In one case study council, the report was variously described as 'horrendous', 'horrible', 'brutal' and 'the nadir of my professional life'. The NOP survey indicated that those councils that quickly accepted the broad thrust of the criticism, and took action to address the things that mattered, moved much more quickly through this phase and had a more positive attitude towards the intervention as a whole [**CASE STUDIES 2 AND 3**].

CASE STUDY 2

After an initial reaction to the inspection report of 'disbelief and denial', a consultancy report commissioned jointly by the council and the DfES convinced the council of the need to shift from a provider-led approach, to one focused on the provision of services to schools. This recognition led to the appointment of an entirely new education senior management team and a new chief executive and leader of the council. The council now recognises education as one of its top priorities.

CASE STUDY 3

The Ofsted report was greeted with widespread denial across the council. The chief executive and leader, both fairly new in post, spearheaded a drive to look objectively at the LEA in the light of the adverse report. This approach led to a consultation exercise with headteachers and to the recognition that action was needed. Moreover, the report was a powerful lever for shifting a political administration widely perceived by both schools and officers as interfering in the operational management of the council to the detriment of transparency and clear lines of accountability for performance.

Source: Audit Commission fieldwork and analysis of inspection reports

Persuasion

73. If challenge is about holding a mirror up to the council, persuasion is about encouraging the council to accept the seriousness of service failure and to take action to address it. Persuasion can take many forms, both formal and informal:

- face-to-face meetings between the council leadership and the chief inspector/ministers;
- informal peer contacts between senior officers, local politicians and national politicians; and
- media pressure on the council to change.

74. The impact of face-to-face meetings between the council, the inspectorate and ministers was stressed repeatedly by interviewees throughout the study. For instance:

'I think intervention has concentrated minds, has laid down a clear challenge about "these are the things that need to be done". You know we had a meeting of the leader and the chief inspector and I think that has an importance and a weight to it. Whilst nothing new was said to the leader, I think that that has real relevance and power.'
Director of Social Services, Unitary Authority.

Source: NOP survey

75. Such meetings have been effective in bringing home to the council the seriousness of inspection findings. Calling in the council leader, chair of the relevant committee, chief executive and service director emphasises that the problem is a corporate one, and not just an issue for one service alone.

76. In some cases senior politicians or managers would not, or could not, be persuaded of the need for change; in others it became clear that the current incumbents were simply not matched to the needs of the situation. In such cases, chief executives, directors and senior managers have left their council's employment, as a necessary step towards gaining acceptance of the seriousness of the service failure, and a commitment to tackling it:

'The whole senior management team has changed. There has been massive and deliberate turnover.'
Chief Executive, Unitary Authority.

Source: NOP survey

77. Inspectors are concerned that service directors and senior managers have sometimes been removed from post as a knee-jerk reaction and from a wish 'to be seen to be doing something'. They have emphasised that the removal of senior officers needs to be based on a thorough assessment of their competence and capacity, which might more appropriately lead in some cases to the provision of mentoring and consultancy support rather than termination of their employment.

Calling in the council leader, chair of the relevant committee, chief executive and service director emphasises that the problem is a corporate one, and not just an issue for one service alone.

78. It is worth noting that some directors who left a council following an intervention have gone on to pursue successful careers elsewhere, and that some of the incoming directors who led service turnarounds had themselves parted company with their previous councils in unhappy circumstances. Some of the fastest service improvements have resulted from the appointment of experienced service directors who have been effective in identifying what needs to be done, and in gaining support for the necessary action from within the council.

79. Much more rarely, political groups have changed the lead member for a particular service in response to service failure. This is despite the fact that the NOP survey found that politicians were most likely to deny the need to change, whereas officers were usually more willing to recognise the support that intervention could bring.

Compulsion

80. Compulsion represents the top rung in the intervention ladder. It typically involves:

- the use of special measures in social services to gain political and corporate support for improvement, agreeing an action plan with SSI and monitoring progress against targets;

- proposing outsourcing of part or the whole of an LEA's services; or

- proposing another external solution, such as the creation of a partnership board or a partnership with a good LEA.

81. One survey respondent put it like this:

'The authority responded pragmatically, and the authority felt it was being made an offer that it couldn't refuse. And therefore the best thing to do was to get on and accept the offer and take it forward in a way which was most likely to be beneficial to the authority.'
Director of Education, Unitary Authority.

Source: NOP survey

82. Of course even 'compulsion' in relation to outsourcing usually involves a degree of negotiation between the council and the intervener and is rarely undertaken in the face of irreconcilable opposition on the part of the council. But compulsion, once accepted by the council, provides a focus for action and a way of moving on beyond the initial shock of a critical inspection report. The DETR's study concluded that 'much of the management change literature makes the point that a willingness to change often stems from a feeling that there is no other option' (Ref. 10).

Politicians...are generally very hostile to the loss of 'sovereignty' that they perceive to be associated with outsourcing.

Threat

83. Threat is the possibility of losing provision of the service if the Government department and inspectorate are not convinced that the council has the will or ability to address its problems from within. Politicians in particular are generally very hostile to the loss of 'sovereignty' that they perceive to be associated with outsourcing. The threat of outsourcing can be effective in gaining politicians' agreement to other necessary courses of action which do not involve this loss of sovereignty, but which they would not otherwise be prepared to agree to – 'the lesser of two evils'. To be credible, the outsourcing threat must be both realistic and feasible [CASE STUDY 4].

CASE STUDY 4

In one council the DfES indicated very strongly that major outsourcing was likely. But the council was given a short window of opportunity to implement a set of challenging milestones that were set by consultants. The pressure to use this opportunity to prove that the education department was capable of change without outsourcing led to swift and radical action. The education director resigned and was replaced by an interim director from another council prior to the appointment of a permanent replacement. The department made a significant 'quick win' by moving to new premises within six weeks. Around one-sixth of the original staff left and posts were filled temporarily by secondees. A great deal of operational decision making was delegated to officers and a rigorous performance monitoring system was established. During the crucial period following the consultants' report the chief executive devoted around three days a week to the service. At the end of this period the DfES concluded that the council had met most of the milestones and that large-scale outsourcing should therefore not proceed.

Staff at the council, while freely admitting that this period had been onerous and initially dispiriting, said that the impetus provided by the threat of outsourcing had been vital in pushing forward change at such a remarkable pace.

Source: Audit Commission fieldwork

Events beyond the control of the intervener can have a significant impact on the success of the intervention.

External factors

84. Events beyond the control of the intervener can have a significant impact on the success of the intervention. In one council, for instance, a prior change of ruling party had already prompted the commissioning of a peer review from the IDeA, and the subsequent appointment of a new chief executive. This pre-existing acknowledgement within the council of the need for change greatly reduced political and managerial resistance to the adverse inspection report. In another council, the inspection report came at a time when a new director was already devising a major change programme, in recognition of the serious problems faced by his department.

85. However, external factors can also make intervention less likely to succeed. In one case study council, a willingness to recognise the scale of the problem and to take radical action on the part of the leader of the council met with resistance by local MPs. This hampered the process of developing a strategy to resolve the problems of the department.

86. If phase one of the intervention is successful, the council will recognise its problems, be willing to act on them, and have a corporate commitment to addressing the failure. This is essential if the work of the next phase is to be successful. Research for the DETR emphasised the importance of securing ownership in intervention situations, and concluded that 'lasting improvements are secured where providers accept the need to change and come to own the results' (Ref. 10).

Phase two: Taking action

87. Chapter Two showed that poor systems and culture (such as a lack of target-setting, inadequate financial systems, and a focus on providers rather than service users) contribute to serious service failure. Although phase two of an intervention continues to address political and managerial leadership, the focus begins to switch to addressing these weaknesses in systems and culture.

88. In this phase, four key intervention activities have been used to change systems and culture: impetus, external solutions, setting targets and monitoring them, and building capacity [EXHIBIT 13].

EXHIBIT 13

The main elements of Phase Two: taking action

During phase two, the council starts to take action to address its problems.

Intervention activities

Impetus
- Intervention concentrates minds and accelerates progress

External solution
- Outsourcing
- Partnership board
- Strategic partnership

Setting and monitoring targets
- Government sets and monitors targets

Building capacity
- Government provides cash, staff brokerage and advice

Council

- Strategic action plan put in place and acted on
- Targets set and monitored
- Systems and a culture that support high quality services

Source: Audit Commission research

Impetus

89. A common theme emerging from fieldwork, the NOP survey and analysis of inspection reports was the importance of intervention in accelerating the pace of change. People spoke repeatedly of the 'pace', 'impetus' and 'focus' for action that intervention provided. Even where change programmes pre-dated formal intervention, staff interviewed still felt that intervention had played a valuable role in ensuring that things happened quickly:

'It provided an impetus to make some things happen faster. So, for example, collecting data on performance had not been improving very rapidly. The requirement to deliver monthly monitoring info to the Department of Health, as opposed to the annual returns you might otherwise be on, sharpened that up.'
Director of Social Services, London Borough.

Source: NOP survey

90. Experience in the private sector suggests that one of the real benefits of involving external 'turnaround specialists' in failing businesses is their focus on action, unconstrained by the existing organisational culture. 'The truth is, companies often seek harmony at the high cost of making the tougher decisions. We have to address what's in front of us. We don't have time to delay.' (Ref. 13). A similar benefit is brought by the involvement of inspectors and private sector consultants in cases of intervention.

There are risks to outsourcing failing services.

External solution

91. Ten of the twenty education interventions have led to major or partial outsourcing. Where outsourcing has taken place, the Commission found that it could be helpful in bringing in outside expertise to senior education posts. When asked why outsourcing had been necessary in his council, one former council officer said that three previous attempts to recruit high quality senior staff had been unsuccessful and that it was only the creation of a separate entity that finally drew fresh talent into the new part of the education department.

92. Outsourcing can aid service recovery by offering a wider range of skills than is currently available within the council (often including a different approach to the management of risk). A director of education working for a private sector firm found that the main flexibility he gained by transferring to the private sector was the ability to reorganise the way his staff worked much more quickly than he could when working within a council.

93. But there are risks to outsourcing failing services. Contracts work best when there is a strong client side and a strong contractor side; where a service has been failing, it is unlikely that the client side will be strong. In the absence of a strong client, contract management can become over-focused on achieving measurable targets, neglecting the more complex management of the contractor's wider contribution to the goals of the council, including cross-cutting goals such as promoting social inclusion. And both client and contractor need a shared and explicit understanding of their different roles.

94. The first time that almost all of the functions of an entire LEA were outsourced, the contract included more than 400 performance indicators which were monitored on a monthly, termly or yearly basis. Although this was an attempt to ensure that all aspects of the LEA's activities were reflected in the contract, it was simply too complex to manage and the contract failed to prioritise sufficiently (it was described by the contractor as 'more of a job description than a contract'). The number of performance indicators was eventually reduced to 60 by agreement between the contractor and the council, summarised in five key performance indicators. More widely, contractors involved in education outsourcing have felt that the early contracts were complex and legalistic, adversarial in tone with much emphasis on penalty clauses, and providing insufficient incentive for genuine partnership, innovation and improvement.

'...failing services should only normally be outsourced... when the authority is able to make a clean break and where the contractor's ability to deliver is undoubted.'

95. Where there has been a collapse of basic financial and other systems, it can be very difficult to specify the contract, so contractors will build in a risk premium to their contract price. Contractors also have a strong preference for a 'willing partner', and view intervention work as 'high risk'. Elsewhere, the Commission has concluded that 'failing services should only normally be outsourced, therefore, when the authority is able to make a clean break and where the contractor's ability to deliver is undoubted. In other circumstances it is often better to build the service back up to a reasonable level of performance before looking at any extra benefits an external provider could offer.' (Ref. 14). Rather than 'outsource a mess', outsourcing can better contribute by allowing councils to free up management capacity by outsourcing those services that are currently performing acceptably, and concentrating their capacity on the services that are failing.

96. Not all external solutions have involved outsourcing. Partnership boards have been used in some education interventions where there have been concerns about weaknesses in the political leadership. Partnership boards typically comprise representatives of key groups and independent advisers, and their role is to advise the education committee or cabinet. This ensures that stakeholders' views are properly reflected in the decisions made about education and can also show local politicians a different way of working.

97. Another variation is a strategic partnership, under which the LEA enters into an agreement with one or more private sector organisations to pool specified resources and expertise. Responsibility and decision making are shared to achieve common objectives.

Setting and monitoring targets

98. Intervention in social services includes a compulsory action plan containing targets which are then monitored by SSI. Many NOP survey respondents commented favourably on the role of these targets in promoting improvement:

'Special measures helped us to progress, they gave us more focus, independent checks, and vehicles around which to build leadership, messages, communication and a clear action plan.'
Director of Social Services.

Source: NOP survey

99. In education, targets were used in different ways: in some cases targets formed the basis of an outsourcing contract; in non-outsourcing cases the inspection recommendations constitute the targets. In the NOP survey respondents described the formulation of success criteria and targets with the DfES or consultants as a genuinely collaborative and productive experience. Again, the targets were felt to have provided focus.

Building capacity

100. Councils often need external support and guidance to build capacity. Such support usually takes the form of:

- money, for example, to finance consultants in LEAs;
- advice on developing an effective action plan from the SSI business link adviser or DfES education adviser attached to the council;
- assistance with setting relevant and workable performance measures;
- time and advice provided by civil servants; and
- staff brokerage, whereby the Government department or inspectorate helps the council to find new staff.

101. Though views on the extent and value of support and guidance provided by the intervener varied, many did speak warmly of the assistance received:

'The support from the Social Services [Inspectorate] really is about my relationship with the Business Inspector and the support and advice I get from her is considerable, there's no doubt about that. They're also able to give me advice about things like when I need to bring in staff, and where I might find the staff and what they know about people's background. That has been extremely useful to me.'
Director of Social Services, London Borough.

Source: NOP survey

'They were helpful in underlining the need for getting our strategic planning right, and they were helpful in engaging us to think about the inclusions agenda in a holistic way.'
Director for Education, Metropolitan District.

Source: NOP survey

'We couldn't have moved so far so fast without [DfES'] help and they recognise themselves how fast we've moved.'
Director of Education, Metropolitan District.

Source: NOP survey

102. In addition to civil service input and guidance, the DfES spent £6.2 million on consultants for the 20 councils in which it intervened between 1997 and 2001. The DfES also provided help with the transitional costs associated with setting up a partnership or outsourcing a service.

103. The following case study shows the impact of intervention on the systems and culture in one council [CASE STUDY 5].

The council was set a challenging set of milestones in a consultants' report. These milestones were recognised by staff as of key importance in tackling the major service problems identified in the original inspection report. The milestones had encouraged a strong focus on tasks, and the creation of project teams.

The council consulted schools extensively and offered secondments to headteachers to improve the credibility of the service. Regular structured meetings with headteachers' organisations were programmed. The service was refocused around the needs of schools instead of around a 'pyramidal command structure.' At the same time, the LEA started to challenge school performance more strongly and effectively than before.

The council completely revised the Education Development Plan and developed stringent systems for monitoring the implementation of the plan.

The staffing structure was streamlined and made less hierarchical. Staff commented that greater accountability and transparency had replaced the old 'fear and hide' culture, creating more freedom for staff lower down the structure. The old 'silo mentality' also disappeared and links with education across the council improved.

Source: Audit Commission fieldwork

104. If phase two of the intervention is successful, the council will have a strategic action plan in place and acted on, clear targets which are monitored, and it will have begun to develop systems and a culture that support high-quality services.

Phase three: Exit

105. This is less of a phase and more of a milestone, but during this relatively brief period the intervener withdraws and the council resumes full responsibility for its services.

106. This phase is characterised by a restoration of ministerial confidence in the council after it has demonstrated that it has achieved the agreed targets and milestones. The new structures and arrangements put in place during phase two will have bedded down.

The term 'exit' is easier to apply to social services interventions than to those in education...

107. The term 'exit' is easier to apply to social services interventions than to those in education, since councils can leave special measures. The end point for an education intervention should be seen as the point at which a council receives a satisfactory Ofsted report and its relationship with the DfES returns to normal.

108. Just as most interventions begin with a critical inspection report, inspections play a major role in the exit phase as well. ministers and civil servants have almost always insisted on a re-inspection of the service or council before deciding whether to remove special measures or to end an intervention. Inspections have provided the credible and objective evidence of sustainable improvements that ministers and civil servants are looking for before making such a decision.

109. National politicians and service users often have high expectations about the speed with which failing services can be turned around, preferring timescales of days and weeks rather than months and years. Audit Commission performance indicators do show that fast improvements are possible where a small amount of concentrated effort can deliver improvements quickly (for example, improvement in the time taken to produce statements of special educational need (Ref. 15)). But for other services it can take much longer for action to have an impact on service outcomes.

110. There was broad agreement among the stakeholders interviewed for this study that changes to processes can be put in place in about 6-12 months, but that it can take at least two years, and sometimes much longer, to tackle deep-rooted service problems and produce a noticeable impact on service outcomes. No social services department has emerged from special measures in less than 12 months [**EXHIBIT 14**], and re-inspection reports often comment that although substantial progress has been made, new procedures have not yet been sufficiently embedded to ensure that there is consistent good practice on the ground.

How long does it take to turn around a failing service?

...fast improvements are possible where a small amount of concentrated effort can deliver improvements quickly...

EXHIBIT 14

Time taken for councils to leave special measures

No council has left special measures in less than a year.
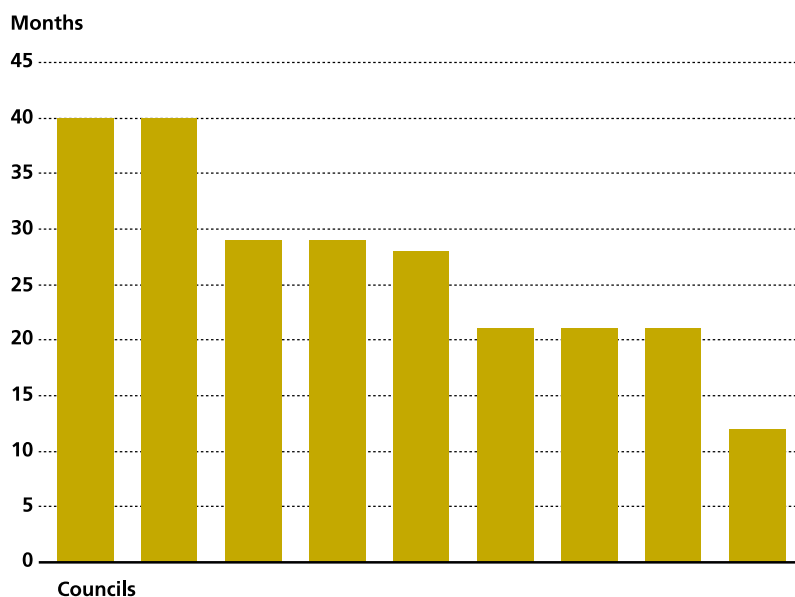
Source: Audit Commission analysis of SSI data

Months

But expectations about the pace of change must be realistic

Relationships between the council and the intervener

111. This is similar to the pattern of schools emerging from special measures following a critical Ofsted inspection report, where the current average period spent on special measures is 18 months (Ref. 16).

112. This chapter has shown that one of the benefits of intervention is that it produces sustained momentum for change. But expectations about the pace of change must be realistic and they must be aimed at producing lasting change as well as 'quick wins.'

113. A common thread has run through the previous discussion of the three phases of intervention: the importance of the relationship between the council and the intervener, and the way that this relationship changes during the course of successful interventions.

114. There is a 'life cycle' to this relationship: during phase one (overcoming denial), the intervener sets the pace and is directive and firm with the council; during phase two (taking action), the council begins to take the initiative from the intervener, and the relationship becomes more two-way and less directive; at the point of exit, the relationship between the council and the intervener has become normal again, and the intervener 'hands back' responsibility and control to the council.

115. It is a convenient shorthand to talk about 'relationships between the council and the intervener'. But, of course, organisations don't have relationships; people do. In order to build effective relationships, it is important that the people who carry out intervention work have a range of people skills: the ability to influence, persuade and negotiate, and the ability to strike up effective working relationships and identify common goals. These are aspects of the intervention process that do not always come through in the professional language used in inspection reports. Interveners need to take account of the importance of these skills when recruiting and developing their staff, and in allocating staff with these skills to intervention work.

What kinds of intervention work best, where, and why?

116. When choosing an intervention approach to tackle poor performing services, it is clearly important to know what worked best where, and why. This study has analysed how interventions to date have worked on the causes of failure, identifying key elements that are common to all types of intervention. But more work is needed to track the effectiveness of different methods of intervention, especially since many approaches, such as partnership boards and outsourcing, are relatively new. Government should carry out more systematic evaluations to identify which interventions work best and why, in order to inform future interventions.

4

How Can Interventions Be Improved?

Interventions need to take place at the right time, based on the circumstances of the council concerned. The benefits that outsourcing can bring need to be weighed against the time that it takes to put external solutions in place. Interveners and councils must both concentrate on improving services, and avoid dogmatism and denial of problems. Some interventions need to bring access to extra capacity if change is to happen fast. And Government should set out clear entry and exit criteria for interventions.

117. This study's findings suggest that intervention has been successful in addressing the causes of serious service failure. But this does not mean that all interventions have been equally successful. This chapter identifies scope for improving how interventions are carried out by making changes to the following aspects of intervention:

- the timing of interventions;

- the time taken to outsource services and set up partnership boards;

- relationships between the intervener and the council;

- capacity issues; and

- entry and exit criteria.

The timing of interventions

118. A significant minority (25 per cent) of NOP survey respondents felt that intervention had come too late in their councils. Of this minority, some felt that problems should have been identified by earlier inspections; others would have welcomed earlier intervention to reinforce their efforts to get the corporate centre to acknowledge service problems and to take those problems seriously. The timing of intervention is also a problem in the private sector: a survey of business recovery in the UK found that 'in 77 per cent of cases, help was brought in so late that there was no possible action which might have realistically averted failure' (Ref. 17).

119. For other NOP survey respondents, intervention got in the way of action that was already planned before the inspection took place. A smaller minority felt that the intervention had come too early, since their council would have welcomed more time to address service problems before being subject to intervention [CASE STUDY 6]. This was particularly true where the corporate centre of the council thought that service failings had been hidden from them by the department concerned. Once the centre had become aware of the failure, they would have liked the opportunity to address it themselves.

CASE STUDY 6

People in one council had a rather ambivalent attitude to intervention. While many staff argued that intervention had accelerated the pace of change, there was also a widespread feeling that the inspectorate and Government department did not give sufficient weight to an action plan which the new director had already been driving forward before the inspection. Some argued that the intervention actually impeded work on the pre-existing action plan and dragged the department back into a redundant analysis of the original problems. The director was able to construct the council's response to the inspection report around the original change programme, avoiding duplication of effort. But an earlier intervention might have been preferable in this case, especially as the problems were long standing.

Source: Audit Commission fieldwork

The time taken to outsource services and set up partnership boards

120. All DfES interventions involving outsourcing or partnership boards took at least a year to set up [EXHIBIT 15]. On the one hand, this time was taken up with lengthy negotiations between the DfES and the council, and on the other with the time-consuming process of tendering contracts and establishing partnership boards. Both fieldwork and survey evidence suggested stagnation, low morale, loss of good staff, difficulties in recruiting and lack of service improvement during this period – people were 'waiting for something to happen'.

EXHIBIT 15

The time taken to put external solutions in place in education interventions

All outsourcing or partnership board solutions have taken at least 12 months to set up.
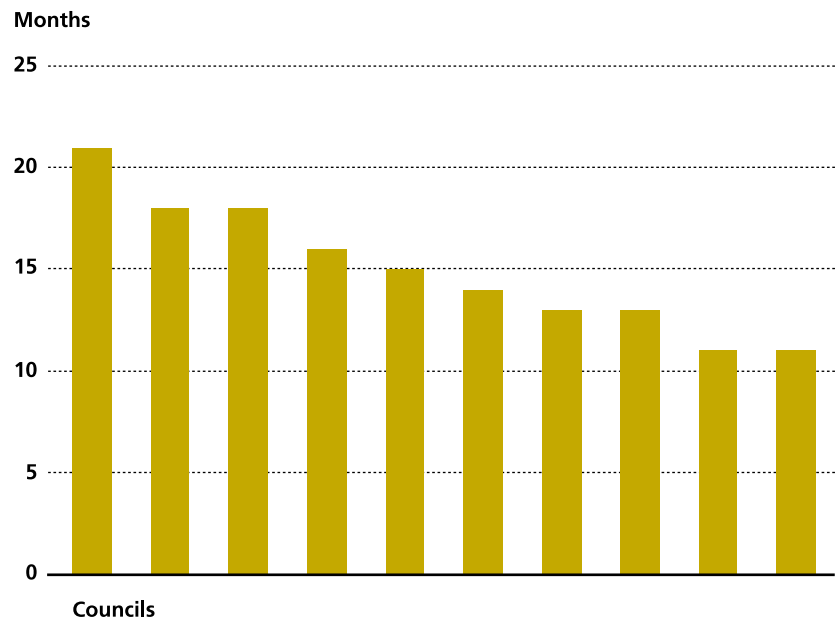
Source: Audit Commission analysis of DfES data

121. Evidence from site visits suggests a feeling of frustration with the length of time it took to set up the new arrangements, and, at the same time, a feeling that the solution was adding value. The former assistant chief executive in one council where outsourcing took a year to set up argued that although the service specification and tendering process had been lengthy, there was no obvious alternative and the process had been worthwhile.

Council officers and politicians often described the relationship established with the intervener as positive and constructive...

122. The delays caused by outsourcing suggest that the contracting process needs to be speeded up (perhaps through greater use of generic contracts that can be tailored to individual councils) or that outsourcing should only be used as a last resort. The DfES has now developed standard contract specifications for outsourcing LEA responsibilities, based on its experience of contracting out in interventions. The DfES also learnt from its early experience of delays in the outsourcing process, and encouraged intervention councils to make greater use of interim management during the period leading up to the outsourcing, in order to avoid stagnation. The Department ensured that the consultants it used in later interventions were capable of providing the interim managers themselves if the need arose.

123. Whether the value added by outsourcing outweighs the costs of the set-up time remains to be seen, as the earliest large-scale outsourcing contract was only signed in April 2000. Judgements about similar trade-offs will need to be made wherever such new arrangements are being put in place. But any steps taken to accelerate the process of outsourcing would be welcomed by the councils involved, and the impact of any likely delays should be weighed against the benefits when deciding on the best course of action.

Relationships between the intervener and the council

124. Chapter 3 identified the importance of the relationship between the intervener and the council, and the ways in which that relationship changes during the course of successful interventions.

125. Council officers and politicians often described the relationship established with the intervener as positive and constructive; this is particularly surprising given the negative emotions generated by many critical inspection reports. There were warm words from some councils for the support received from the inspectorates and civil servants:

'It's generally been very helpful and well focused; you've had clear guidance from the Social Services [Inspectorate] about the big issues. They've handled that input into the authority sensitively and with real political awareness and recognised a new political leadership and sort of helped fan the flames of recovery. But I don't think we could have been left alone…without intervention.'
Director of Social Services, Unitary Authority.

Source: NOP survey

'Thoroughly competent, very professional, and it was all done in an extremely good way.'
Director of Social Services, Metropolitan District.

Source: NOP survey

126. But the relationship is not always so successful, and the fault can lie on either side of that relationship. In some cases, councils have felt that the intervention process was unhelpfully 'punitive'.

'The sort of vilification through that very public process was not helpful. In a sense that made it appear that the report was much worse than it was.'
Director of Education, Metropolitan District.

Source: NOP survey

'I think the relationship with the Government agencies needs to be one of support. I think the authorities in difficulty need help, not bashing over the head all the time. Some good people are being driven away because they feel unloved.'
Chief Executive, London Borough.

Source: NOP survey

127. Some councils cited dogmatism on the part of the intervener as a barrier to progress during this phase, referring to an unwillingness to negotiate or explore alternative solutions. An officer in one council referred to the outsourcing solution proposed by the DfES as 'the only show in town', when the officer felt that other options were appropriate. This impasse between the council and the intervener resulted in protracted negotiations which, in turn, delayed the ultimate solution. Some survey respondents felt that civil service inflexibility towards them was politically motivated, increasing the sense of resentment.

Fieldwork identified some councils where much time was spent in the early stages debating the fine detail of the original inspection report...

128. The counterpart to dogmatism on the part of the intervener was a failure by the council's political and managerial leadership to recognise the extent of service failure and therefore the need for radical change. Fieldwork identified some councils where much time was spent in the early stages debating the fine detail of the original inspection report, or in questioning why that council in particular had been selected for intervention. In the end, this debate often proved counter-productive: the interveners did not back down or go away, and valuable time had been lost in debate rather than action.

129. Early acceptance of the headline messages was made more likely when inspection reports were underpinned by a solid evidence base, and when the opportunity was provided to meet face to face and engage with inspectors.

130. A range of factors can affect the relationship between the intervener and the council, emphasising the need for constructive debate and positive engagement on both sides [EXHIBIT 16].

Factors that can affect the relationship between the intervener and the council

Constructive debate and positive engagement are important on both sides.

Source: Audit Commission research

Intervener		Council	
Firmness in getting LA acceptance of need to change	✓	Denying the need for change in the face of robust evidence	✗
Sensitivity to local politics	✓	Refusing to negotiate constructively with the intervener	✗
Dogmatic insistence on particular solution from outset	✗	Constructive debate on the nature of the solution	✓

Capacity issues

Getting the right people

131. The pace of change can be slow where councils lack capacity. Fieldwork identified one council which took 18 months to put in place a full senior management team for the service. The director would have welcomed external assistance to help to find suitable staff. Some departments, especially social services, have been held back by difficulties in recruiting staff. The 'special measures' label can affect the ability to recruit, although some councils have managed to turn this to their advantage through creative advertising: one council's advert for social services staff included the phrase 'SSI said we're the worst. Help us to become the best.'

132. A director of social services commented:

'In a perverse way it might help you to recruit good quality people. If people want an opportunity to make their name in terms of, 'come in, it's demonstrably not how it should be, you turn it around'…because there are certain kinds of people who like to do the trouble shooting and not a maintenance job. So you attract a certain sort of person who brings with them that sort of drive.'
Director of Social Services, London Borough.

Source: NOP survey

133. Intervention councils have often made use of interim management to fill key gaps in the management structure, or to provide specialist advice and help. This is also a common approach in cases of private sector failure, and a major survey of companies has identified advantages and disadvantages to this approach (Ref. 18). The advantages of interim managers include their enthusiasm, new ideas, flexibility, and the freeing of current staff to manage the day-to-day business. Disadvantages are the cost, leaving a 'hole' when the interim managers leave, failure on the part of existing staff to own the new ways of working, and too great a focus on one issue.

134. The ability of councils to find suitable interim managers was enhanced by advice from the interveners, and from professional bodies, the Society of Local Authority Chief Executives, and the IDeA, but it also depended on an element of luck – finding the right people in the right place at the right time. To address this the IDeA is working closely with the Commission and the Local Government Association (LGA) to identify a common pool of peers who would be able to help to build capacity where it is needed. But there are a limited number of people with the skills and abilities to be interim managers during the turnaround of a failing service; many of them are already working elsewhere in the public sector (which means that they must be persuaded away from their current roles in order to work in intervention councils), or they work in private sector consultancy companies (which means they can be expensive to employ).

135. It is important to note that the additional capacity needed to tackle service failure in intervention councils did not come exclusively from outside those councils. New leadership and new ways of working often unlocked capacity from within the council itself. Able staff were promoted into leadership positions; staff were moved across departments to provide capacity; and appropriate responsibility and decision-making powers were delegated from politicians to officers, allowing decisions to be made more quickly and effectively. Again, this experience is shared by private sector companies that have undergone a turnaround: in 66 per cent of turnarounds, 'much of the know-how, insight and proven practices were locked up in current staff members' minds' (Ref. 19).

New leadership and new ways of working often unlocked capacity from within the council itself.

Shifting resources

136. Shifting resources from elsewhere in a council to a poorly performing service has sometimes been one of the factors behind the improvement of the failing service, but it can potentially create problems in the services that have 'lost out', according to a number of those interviewed for this study. Although these problems were outside the scope of the current study, the possible negative impact of intervention on other aspects of the council's work needs to be identified, and interveners need to build this in to their evaluations of interventions in future.

Local politicians

137. Intervention is less able to resolve problems with the quality or approach of local politicians than it is with that of senior officers. In many cases the challenge of the adverse inspection report, and being put on special measures or having meetings with ministers, will be enough to prompt politicians to a radical re-assessment of the importance of the service or of their commitment to it. If this is not the case, however, intervention cannot at present directly tackle member issues. Political parties and leading politicians in the LGA have played a role, in bringing pressure and support to bear from fellow politicians, but there is at present no mechanism for this to happen as a matter of course.

Entry and exit criteria

138. The absence of clear criteria for removing councils from special measures was the single most frustrating element of the whole intervention process for social services respondents to the NOP survey. Sixty-eight per cent of respondents thought that exit criteria were 'fairly' or 'very' unclear [**EXHIBIT 17**].

EXHIBIT 17

Clarity of exit criteria for special measures

Sixty-eight per cent of respondents thought that exit criteria were 'very' or 'fairly' unclear.

Percentage of respondents
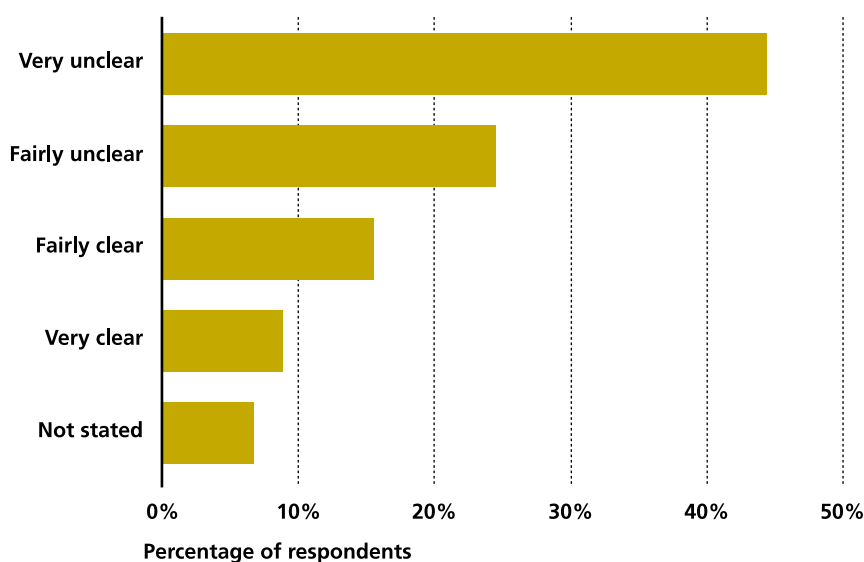
Source: NOP survey

139. This frustration with unclear exit criteria came through strongly in some of the comments from survey respondents:

'We didn't know what it would be to get off it. That was one of the things I really understood. There was no 'achieve this and you're off it', right.'
Director of Social Services, Metropolitan District.

Source: NOP survey

140. One case study council felt that the issues raised by their original Joint Review inspection report were widened by a subsequent SSI inspection report, and then became wider still during discussions with the DH on the actions to be included in their action plan. Another council commented:

'That's a grey area because I've got a feeling that the goalposts keep changing. It wasn't very clear at all… Nobody is saying if you do X, Y, and Z and achieve that by 2002 you will be off special measures.'
Lead Member for Social Services, Metropolitan District.

Source: NOP survey

141. This lack of clarity led some respondents to suspect that the ministerial decision on removal from special measures was determined by political considerations more related to the DH's relationship with that particular council than to objective performance criteria. This suspicion was by itself enough to reduce the motivation and commitment of those who felt it.

142. There was also suspicion on the part of some councils about the original decision to put their council on special measures. They felt that other councils 'just as bad as them' were not put on special measures for reasons that were not clear.

'I know that if they applied the same criteria to all, there would be 79 departments on special measures. If you were caught or if you were brave enough to come forward, then you are put on this sin list. This is a lack of fairness.'
Director of Social Services, Unitary Authority.

Source: NOP survey

143. Both NOP respondents and site visit interviewees suggesting that there was a law of diminishing returns with special measures, whereby after a certain period the sanction either became meaningless or positively damaging to morale and motivation:

'It's a bit like sitting on Death Row I suppose. If you've been sentenced to death ten years ago and you're still on Death Row, well I presume it's easier to live with than if you've been sentenced to death two weeks ago. Impact is important I think.'
Chief Executive, Unitary Authority.

Source: NOP survey

144. This suggests that clear exit criteria from interventions should be established early, and adhered to as far as possible, both to avoid the impression of bias and to ensure that their impact does not become counterproductive over time.

Conclusion

145. This chapter has identified a number of ways in which the current approach to interventions could be improved. But even if these improvements were made, interventions would still fall some way short of the 'ideal' approach. The next chapter describes what an ideal approach would look like, and makes practical recommendations for realising that ideal.

5

The Future of Intervention

The December 2001 local government White Paper set out a new performance management framework for councils. There is much in the Government's proposals that will strengthen the basis for future interventions, but more needs to be done.

146. An ideal approach to interventions would:

- focus on corporate leadership;

- base intervention decisions on clear criteria and publicly available evidence and judgements;

- ensure that corporate and service failures are swiftly picked up and acted upon;

- set out clear roles and responsibilities for action across Government; and

- build sustainable capacity for improvement across central and local government.

147. The December 2001 local government White Paper described a new performance management framework for councils. This framework will form the basis for future interventions in local government. This chapter summarises the Government's proposals, analyses the extent to which they meet the conditions for an ideal framework, and makes practical recommendations for strengthening the new framework.

The new performance management framework for councils

148. The White Paper introduced the idea of comprehensive performance assessments (CPAs). The Audit Commission, in partnership with other inspectorates and Government departments, will bring together evidence about council performance from a range of sources to compile a 'balanced scorecard'. These sources will include audit information, best value inspection reports, Ofsted, SSI and Benefit Fraud Inspectorate (BFI) reports, and Government assessments of local authority plans (for example, local transport plans). As part of the process, councils will also complete a self-assessment, and a 'corporate assessment' of each council will be carried out by teams which will include Audit Commission staff, an elected councillor and a serving chief officer.

149. Within the CPA, individual service areas will be assessed separately (education, social care, housing, environment, culture and benefits). Assessments of social care and education will be the responsibility of SSI and Ofsted respectively, drawing on the inspections that they have carried out, and the performance information available for those services. The DH has already drawn up a system of performance rating for social services departments, and this will contribute to the CPA assessment. The Audit Commission will be responsible for assessments of housing, environment and culture, while the BFI will assess benefits.

To be effective, intervention needs to tackle poor corporate leadership as well as service-specific problems.

150. The CPA will publicly identify each council as either high performing, striving, coasting or poor performing. High performing and striving councils will receive less inspection, and will have access to additional freedoms; coasting councils will be carefully monitored, and expected to improve rapidly; poor-performing councils will receive a directed approach to support and capacity-building, and some will be subject to intervention. By late 2002, all top tier councils will have received their performance assessments, and the Government will need to have a framework in place to provide both support and intervention to those councils defined as poor performing. District councils will receive their assessments by late 2003.

151. While the White Paper has implications for councils of all types, not just those assessed as coasting or poor performing, the Government views the new performance management framework as the basis on which future interventions will depend. To what extent do the Government's proposals match the description of an 'ideal' framework set out above, and what more should be done to strengthen the new framework as a basis for future interventions?

Focusing on corporate leadership

152. This study has shown that serious and sustained service failures only happen where there has been a failure of corporate leadership. To be effective, intervention needs to tackle poor corporate leadership as well as service-specific problems. How does the Government's new framework address this need?

153. The White Paper makes a clear connection between the quality of local political leadership and the quality of local services: 'High quality council services rely on strong corporate governance from their political and administrative leaders. Where individual services fail the reason often lies in political or administrative shortcomings at the heart of the organisation' (Ref. 1). For this reason the Government has made a 'corporate assessment' one part of the CPA. A corporate assessment is a review of the council as a whole, undertaken in dialogue with the council, and includes an element of peer review. The results of the corporate assessment will contribute to the council's overall balanced scorecard.

There has been no clear route through which action could be taken to address failures of leadership by senior councillors and top managers.

154. The Commission has been given responsibility for developing the methodology for CPAs, in partnership with other inspectorates and Government departments, and will ensure that the corporate assessment element focuses clearly on the corporate leadership within each council. To underline the accountability of senior councillors and top officers for their council's performance, the Commission will require the council leader (or elected mayor) and the chief executive (or council manager) to sign the self-assessment statement for their council as part of the CPA process. The Commission believes that the Government should strengthen the governance and accountability framework for councils by requiring the council leader (or elected mayor) and the chief executive (or council manager) to formally sign off an annual statement of assurance about the corporate governance arrangements of the council, and require the council leader (or elected mayor) to sign the council's annual accounts. This would demonstrate publicly that the top political and managerial leadership is taking responsibility for the governance of the council and for its statement of accounts.

Administration

155. In interventions that have taken place so far it has been more difficult for Government departments to address problems with the corporate leadership of councils than to address problems that lie within the specific services for which Government departments have a clear responsibility. There has been no clear route through which action could be taken to address failures of leadership by senior councillors and top managers. The Commission and other inspectorates are clear that corporate interventions are needed to address these problems. The White Paper describes an option of 'administration' for councils that face persistent financial difficulties; this could also apply to councils with more general corporate failure.

156. Under this model, an administrator with wide powers would be appointed to restore solvency, while maintaining essential services. Subject to the views of local people, an elected mayor and council manager might lead the council once the position stabilised.

157. Restoring financial solvency will almost certainly involve making hard choices about local spending priorities. For this model of intervention to be effective, absolute clarity about the role of the administrator is vital: are they in place to make and implement these hard decisions (in which case they would need strong and clear political backing from central Government, as well as a clear legal framework within which to operate), or is their role to keep the essential services of the council going while they prepare a plan of action for someone else to implement?

158. If the administration model is to tackle more general problems of corporate failure, it would need to encompass the wider goal of creating a new body that is capable of becoming an effective public service organisation, rather than solely establishing financial stability.

The intervention should leave in place a strong top team and access to continuing support...

159. To achieve this wider goal, existing governance arrangements would need to be replaced during the recovery period. This might involve suspending the executive function of councillors, with the council being directed to delegate executive authority to the administrator for a fixed period of time (probably between 12 and 24 months in the first instance).

160. The administrator would also need to draw up a combined action plan addressing all of the priorities for improvement for the council, including the requirements of all relevant Government departments. This would provide the new organisation with a clear agenda, measurable goals and a focus on a limited number of top priorities. The administrator would need to review the competence of existing leaders and managers, recruit new people and develop existing staff. The intervention should leave in place a strong top team and access to continuing support, coaching and organisational development where necessary. As the work of the administrator winds down, they could begin to involve the next generation of leaders and top managers in their decisions, to ensure that those taking over have ownership of the new organisation's priorities.

161. Developed in this way, the administration model could provide a solution in cases where there are intractable problems of political leadership. One of the most difficult challenges for this model of intervention would be the exit strategy – to whom would the administrator hand back control once financial stability was restored? If it is to be the original political leadership, what will have changed to ensure that there is no repeat of the previous problems? As well as overseeing a return to financial stability, the administrator would need to review the council's governance and leadership, consult stakeholders and recommend suitable new arrangements for democratic control to the Secretary of State. This may or may not include the option of an elected mayor, subject to the views of local people.

Appointment of a monitoring, supervisory or partnership board

162. This is an option that is not raised in the White Paper, but which builds on a similar approach to that taken in some of the education interventions that have happened so far. It would involve the appointment by the Audit Commission of an external supervisory board, whose role would be to monitor a council's progress against its agreed action plan. The board would be made up of nominees from a range of stakeholders, which could include the council and the intervener, as well as local interest groups. Involving the political leadership of the council in the work of the supervisory board would have the advantage of exposing them to new ways of working and decision making.

163. Where a council has agreed to take action to address failure, the role of the supervisory board would be to put additional pressure on the council's leadership to stick to its agreement. If the board judged that the council leadership was failing to implement its agreement, it would have a responsibility to report to the Audit Commission, which would then decide what further action to take, including the possibility of a referral for intervention to the DTLR.

Basing intervention decisions on clear criteria and publicly available evidence and judgements

164. This study has shown the importance of clear criteria, publicly available evidence, and transparent decision making in increasing the likelihood that top politicians and managers will accept and act on evidence of failure.

A wide range of evidence

165. The new performance management framework offers significant benefits in this area. For the first time it will bring together the views of auditors, inspectors, other external commentators (for example, IDeA peer reviews) and the council itself, to form a balanced judgement of the council in its entirety, acknowledging strengths as well as weaknesses (even poor-performing councils usually have some areas of good performance). The judgements and evidence that make up the CPA will be public. And to enhance the credibility and acceptance of the balanced scorecard, the Audit Commission and other inspectorates will need to continuously improve the consistency of their inspection judgements and the quality of the evidence on which they are based.

Making audit reports publicly available

166. It is important that CPA judgements are founded on the broadest possible evidence base. The Commission believes that the Government should lift the current restrictions on the information that auditors can make publicly available. This would involve 'reversing' the assumptions underlying section 49 of the *Audit Commission Act 1998* to reflect a presumption that all audit reports should be in the public domain, and placing responsibility for the decision not to publish with the auditor, having regard to the public interest (Ref. 20).

Even where auditors have made clear recommendations for improvements over a period of years, councils have not always responded...

167. Inclusion of a broader range of audit evidence within the CPA would also help to strengthen the impact of auditors' recommendations on councils. In the past, when cases of severe corporate or service failure have become public, commentators have quite reasonably questioned why such failures were not addressed sooner, and have particularly questioned why auditors have not done more to expose such failures. After all, every council which has experienced a severe service failure also has an appointed auditor who will have carried out an extensive programme of work at the council, usually over a period of years. This question is partly based on a misunderstanding of the role of auditors, whose work in councils is primarily focused on the council's financial statements, rather than on the quality of its services. It also overestimates the powers that auditors have to effect change in the face of resistance from a council, given that they have no executive role within councils. Even where auditors have made clear recommendations for improvements over a period of years, councils have not always responded, and auditors have had few ways of 'stepping up' their response. Because the overall assessment of 'high performing', 'striving', 'coasting' or 'poor performing' will have real implications for the council in terms of the freedoms and flexibilities available to it, auditors' recommendations will gain extra weight.

Once service failure has been reliably identified...action needs to be taken as quickly as possible to prevent further 'drift'...

Enhancing public accountability

168. The public nature of the balanced scorecard could also improve the transparency of council performance. Local scorecards have the potential to boost public accountability, depending on the way in which they are developed. The more clearly the scorecards identify the top political and managerial leaders who are accountable for the performance of their council, the more likely they are to achieve this objective. The local media will also be an important audience for these scorecards.

A clear basis for intervention decisions

169. Chapter 4 suggested that a lack of clarity about the criteria for entry to, and exit from, special measures had been a source of frustration and a cause of suspicion for intervention councils. The new performance management framework has the potential to address this concern too. The Government has committed itself to establishing 'common criteria across Government which will determine how and when action is taken to tackle failing councils and poor service performance' (Ref. 1).

170. The Government should also clarify which services are of high enough national priority to trigger interventions. For example, does the Government anticipate interventions as a result of failures in housing benefit, housing, leisure and waste services? The new performance management framework again offers a way of addressing this. The White Paper proposes a single list of priorities agreed through the Central Local Partnership (which brings together ministers with responsibility for local government, and representatives of local government). This list of priorities will inform the next Public Service Agreement for local government, which is due to be developed during the 2002 Comprehensive Spending Review. This single list of priorities should also inform future Government decisions on intervention, with intervention most likely in those services that are national priorities. The single list also needs to clarify the most important services for different tiers of council. For example, a priority service which is seen as significant for a district council may not be as significant for a unitary council which also provides other services of a higher national priority.

Ensuring that corporate and service failures are swiftly picked up and acted upon

171. A significant minority of leaders, chief executives and service directors surveyed for this study felt that intervention had come too late in their councils. Once service failure has been reliably identified and the decision to intervene has been made, action needs to be taken as quickly as possible to prevent further 'drift' and deterioration. By bringing together a wide range of views on the council, the CPA process will allow information to be added together which individually may not warrant further action, but which collectively may do so. This will allow earlier identification of major council weaknesses and will therefore allow swifter action.

172. The CPA process is not an end in itself, but is intended to lead to a tailored package of audit, inspection, support and capacity building for each council, as well as intervention where necessary. Poor-performing councils will need to agree an action plan with the Commission; that action plan must clearly identify the priorities for that council, and ensure that there is an appropriate and resourced programme of action in place to address those priorities. This will include early intervention to head off failure before it happens.

173. In addition to ensuring that a framework is in place to provide swift intervention where necessary, it is important that there is ongoing 'real time' monitoring of the action taken by the council. CPA assessments should not be seen as a 'once-a-year' exercise, but as part of an ongoing dialogue between the council and its auditors, inspectors and the Government. If that ongoing dialogue shows that elements of the package aren't effective, then they should be changed without delaying for a year until the next CPA is carried out. If evidence of failure or potential failure comes to light 'mid-year', then inspectorates, Government departments and the council should amend their plans to take account of the new information. This flexibility would build on the approach that SSI has taken to councils in special measures, where each council has an ongoing relationship with a named inspector, including regular meetings and exchanges of information.

174. Finally, the self-assessment component of CPAs gives councils themselves an opportunity to honestly review the quality of leadership that is provided by their councillors and top officers, and the strength of their systems and culture. It also offers a chance to take the initiative to address any weaknesses identified. Councils have an opportunity to act in advance of the formal process, and should draw on external help, where necessary, to make improvements.

Setting out clear roles and responsibilities for action across Government

175. Currently, the roles and responsibilities of the various Government departments and inspectorates involved in interventions are unclear. There is no effective mechanism to ensure that the actions of these different bodies 'add up' at the level of an individual council, so that the action plans and targets set by different Government departments are achievable and coherent for the council concerned. For example, one council that has been subject to multiple interventions received five separate directions from Government on the same day; the directions required the council to address fundamental problems, such as its failure to produce a balanced budget and control its expenditure. But the directions also required the council to take urgent action to meet its targets for recycling waste. Councils with severe failing services need a small set of clear priorities on which to focus their attention.

...the personal involvement and commitment of ministers has been an important factor in the success of some of the interventions...

176. If future interventions are to focus more on councils' corporate leadership, and if more corporate interventions are to take place, then this sort of 'whole council' view will be crucial. DTLR, as the sponsor department for local government in Whitehall, is best placed to take the lead on such corporate interventions.

177. The White Paper lays some of the groundwork for a more co-ordinated approach at the level of individual councils. Following each council's CPA, the Audit Commission will have a leading role in helping to develop each council's audit and inspection programme, working with the other inspectorates. The Government is also extending the remit of the Best Value Inspectorate Forum to cover the full range of local government inspection activity. These new arrangements will be reviewed after 18 months, and further changes will be made if necessary.

178. The White Paper recognises that these changes alone will not be enough, and that a more corporate approach across Government is also needed. The DTLR and the Office of Public Services Reform (OPSR) are working together to draw up suitable arrangements to support this new approach. This review will need to consider some of the following issues.

179. Ministers have taken a keen interest in the standards of services that are provided by councils in priority areas such as social services and education. Indeed, the personal involvement and commitment of ministers has been an important factor in the success of some of the interventions, particularly in convincing local politicians of the need to act. ministers have also been prepared to take risks in trusting local politicians, in some cases giving councils time to improve their own services without resort to outsourcing; this has included trusting politicians of a different political party to their own. And ministers have given clear signals that they would not 'go away' until failures have been tackled.

180. If the focus for future interventions is to be increasingly on the corporate leadership of councils, and less on specific services, the same personal commitment and involvement of ministers will be vital for success, but to a new end. By demonstrating at national level the corporate ownership and accountability that they expect of councils locally, ministers will bring to bear their influence in forging a corporate approach across Government departments.

Building sustainable capacity for improvement across central and local government

181. Many councils, not just the poor performers, need access to high-quality support; the supply of such support services is underdeveloped and for many key services it barely exists at all. The inability of councils to access support is one of the reasons that interventions have occurred in the first place. So the capacity that needs to be created is greater than that needed for intervention alone. The White Paper has signalled a review of the support available across Government for capacity-building in councils.

Building capacity in councils

182. Government and national bodies including the IDeA are in a position to encourage and develop the range of supply of the sorts of capacity-building services that will be needed in future. This will include the supply of consultancy, support and organisational development, as well as that of services that are currently provided by councils themselves. The IDeA has been active through its new Performance Support Unit in providing help to a small number of councils facing intervention, in dialogue with inspectors and Government departments. The DfES has shown that such an approach can work, and has encouraged the supply of services to and for LEAs, by clearly signalling that there would be a demand for those services. This has also encouraged new suppliers to offer their services, which has had benefits for all councils, not just those that are poor performing. The IDeA is also following this route; as well as continuing to provide support itself, the agency is developing framework contracts through which other bodies will provide support.

183. The White Paper outlines the option of 'franchising management', in which managers from a high-performing council or another public body would take on management of the council under a franchise. This option would need further development, but if successful, would have the benefit of creating a market for 'management teams' in local government. A form of franchising was introduced in the NHS early in 2002, and to date has involved the replacement of NHS Trust chief executives. This policy is still developing, but in future franchising in the NHS could be extended to the replacement of management teams by teams from other public sector health bodies, or by teams from not-for-profit bodies such as universities or charities.

184. The White Paper sets out an expectation that high-performing councils will share their expertise with other councils. This expectation needs to be accompanied by incentives for high-performing councils to do this. This could include financial recompense for the officer time and other costs incurred.

Building capacity in central Government

185. At any one time there will only be a certain amount of capacity available within Government for carrying out interventions. However, the demands placed on the capacity available now are likely to grow. There are likely to be a larger number of top tier councils identified as 'coasting' or 'poor performing' than are currently undergoing interventions. They will all need to have agreed plans, including support and capacity-building. The following year district councils will also be assessed, and will need their own agreed plans.

186. If the DTLR is to play the leading role this study recommends, it will also need greater capacity than it currently has to oversee these arrangements. This study has already shown that the people skills needed for this sort of work (those of influencing, persuasion and negotiation) are in short supply in both the private and public sectors. Capacity across Government for this sort of work has increased in recent years, but not fast enough to match the growth in demand. The limited capacity available within Government to carry out intervention work reinforces the need to prioritise the services and councils in which Government will intervene, and to send clearer signals to councils about which services matter most from a national perspective. The capacity required across Government to manage this programme of work is another issue that the DTLR/OPSR review will need to consider.

Conclusion

187. There is much in the Government's proposals that will strengthen the basis for future interventions, and this chapter has identified ways in which the new framework can be strengthened [TABLE 2, overleaf]. But the greatest benefit of the new framework may come not from finding more effective ways of tackling failure when it arises, but from preventing such failures in the first place.

TABLE 2

The benefits of the Government's new performance management framework for councils, and the ways in which it should be strengthened

An ideal framework for future intervention would…..	What does the new performance management framework offer?	How should the new framework be strengthened?
Focus on corporate leadership.	CPA includes a corporate assessment element, and the White Paper proposed an option of administration.	The detail of the administration model has yet to be developed. Accountability for the performance of the top leadership should be clarified further. Monitoring and supervisory boards are an additional option.
Base decisions to intervene on clear criteria and publicly available evidence and judgement.	The White Paper provides a framework for identifying common priorities and criteria for intervention across Government.	Government should lift restrictions on the information that auditors can make publicly available. Local report cards should identify who is accountable for council performance, and should be 'media-friendly' to enhance public accountability.
Ensure that corporate and service failures are swiftly picked up and acted upon.	CPAs bring together a wide range of views on councils, allowing failures to be identified earlier.	Councils and inspectorates should view CPA as part of an ongoing dialogue, and not as a once-a-year exercise. Councils should use the self-assessment element to honestly review themselves, and to take the initiative to address any weaknesses identified.
Set out clear roles and responsibilities for action across Government.	The Commission will have a leading role in developing each council's audit and inspection programme, working with other inspectorates. A review is also considering the arrangements needed to encourage a corporate approach across Government.	A means of resolving competing priorities across government is urgently needed. DTLR should play a lead role in corporate interventions. Ministers will need to bring to bear the personal commitment that they have shown to service-based interventions to future corporate interventions.
Build sustainable capacity for improvement across central and local government.	The White Paper proposes 'franchising', and a review of the support available across Government for capacity-building in councils.	There is a need for a significant increase in capacity within local government, and central government should act by developing the range of supply of high-quality support for councils. High-performing councils should be offered incentives to encourage them to assist poor performers. Government needs to build its own capacity to manage the new performance management framework for councils.

Source: Audit Commission research

RECOMMENDATIONS

A Force for Change

Action for the Government

The Government should:

1   Fulfil its commitment to a common approach to intervention across Government by establishing a clear and effective role within the DTLR in leading corporate interventions.

2   Find effective ways of resolving competing priorities across Government during the course of individual interventions.

3   Develop the current range of intervention approaches to include more options for addressing poor political leadership (including the option of administration).

4   Set out clearly defined priorities and performance standards within the new performance management framework, and clearly base future decisions to intervene on a failure to address those priorities and meet those standards.

5   Evaluate across Government which interventions work best and why, and set clear criteria for judging the success of interventions in future. These evaluations should look for the possible negative impact of an intervention on areas of the council that are not the subject of the intervention.

6   When recruiting and developing people for intervention work, ensure that they have the key people skills of influencing, persuasion and negotiation, and the abilities to strike up effective working relationships and identify common goals.

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

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

RECOMMENDATIONS

A Force for Change

Action for the Government and national bodies

Government and national bodies including the IDeA should:

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

Action for the Commission, other inspectorates and Government departments

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

10   Develop CPAs that make clear public judgements about the factors that lead to service failure in councils: poor leadership from senior councillors and top officers, and poor systems and culture. These judgements must be based on rigorous evidence, and should include corporate assessments and councils' own self-assessments.

11   Clarify the accountability for performance of senior councillors and top officers by requiring the council leader (or elected mayor) and the chief executive (or council manager) to sign the self-assessment statement for their council as part of the CPA process.

12   Continuously improve the consistency of its inspection judgements, and the quality of the evidence on which they are based. This will help to ensure that CPA judgements are based on sound evidence and are consistent across councils, and will increase the likelihood that councils will accept and act on key messages at an early stage.

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

RECOMMENDATIONS

A Force for Change

Action for councils

Councils should:

14 Use the self-assessment part of comprehensive performance assessments to honestly review the quality of the leadership provided by councillors and top officers, and the strength of their systems and culture, and take the initiative to address any weaknesses. They should draw on help from outside where necessary to make improvements (inspection, audit, the IDeA, consultancies, other councils and Government departments).

15 Move quickly to take action where clear evidence of poor performance is presented, and not waste time in denial.

References

1. Department of Transport, Local Government and the Regions, *Strong Local Leadership – Quality Public Services*, DTLR, December 2001.

2. Hood et al, *Regulation Inside Government*, Oxford University Press, 1999.

3. Home Office, *Police Reform Bill,* Home Office, 2002.

4. Department for Education and Skills, *Education Bill,* DFES, 2002.

5. Department of Health, *National Health Service Reform and Health Care Professions Bill,* DH, 2002.

6. Jane Steele and Paul Corrigan, *What makes a service public?*, Public Management Foundation, May 2001.

7. Her Majesty's Stationery Office, *Local Authority Social Services Act 1970,* HMSO, 1970.

8. The Stationery Office, *Education Act 1996,* TSO, 1996.

9. Department of the Environment, Transport & the Regions, *Local Government Act 1999*, DETR, 1999.

10. Department of Environment, Transport and the Regions, *Research summary: lessons learnt from intervention*, DETR, 1999.

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

12. Sir Ian Byatt and Sir Michael Lyons, *Role of External Review in Improving Performance*, Public Services Productivity Panel, 2002.

13. Sergio G Non, 'The lure of the corporate turnaround', CNET News.com, 9 March 2001.

14. Audit Commission, *Competitive Procurement*, Audit Commission, March 2002.

15. Audit Commission, *A Step in the Right Direction: Lessons from Best Value Performance Plans*, Audit Commission, October 2000.

16. Ofsted, *Lessons learned from special measures*, Ofsted, 1999.

17. $R3^2$, *Survey of business recovery in the UK*, 1 July 1998 to 30 June 1999, $R3^2$.

18. Executives Online in conjunction with the Institute of Management Consultancy, *The Sambrook report on the UK Interim Management Market*, Executives Online in conjunction with the Institute of Management Consultancy, 2000.

19. Jonathan Poe, *Turnaround CIOs: resuscitating IT organisations*, META, 2001.

20. Department of the Environment, Transport and the Regions, *Audit Commission Act 1998,* DETR, 1998.

Appendix 1

Acknowledgements

Index References are to paragraph numbers, boxes and case studies (page numbers)

The Audit Commission has produced a number of reports covering related issues.

Competitive Procurement: Learning from Audit, Inspection & Research

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

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

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

Changing Gear: Best Value Annual Statement 2001

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

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

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

Change Here! Managing Change to Improve Local Services

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

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

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

The Government has made the improvement of public services one of its key objectives and has committed itself to 'intervening' in failing council services. Between 1997 and 2001 there were 20 interventions in council education departments and 21 interventions in social services departments. In social services, councils have been placed on 'special measures', and required to develop effective action plans agreed with the Department of Health. Action taken in education interventions has ranged from appointing consultants to outsourcing most education services for which the council is responsible.

Poor political and managerial leadership leads to poor systems and culture; collectively these lead to serious and sustained service failure. Intervention has been effective in addressing these weaknesses by putting in place the building blocks for improvement. Intervention starts by persuading the council leadership to recognise the scale of its problems and to commit to tackling them. Intervention then helps councils to address weaknesses in systems and culture by providing focus and sustained impetus.

The Government's recent White Paper sets out a new performance management framework for councils, and includes proposals that will bring real benefits for future interventions. But more needs to be done, especially in tackling poor corporate leadership in councils, resolving competing priorities across Government during interventions and increasing the supply of high-quality support available to councils. This study makes recommendations to Government, national bodies, councils and to the Commission itself about how to improve the way in which interventions are carried out in the future.