The word ‘leadership’ generates 173 million references in Google, reflecting, perhaps, a fascination with a quality perceived as being rare and elusive yet somehow achievable, as being desirable and admirable in individuals but essential for organizations. Leadership, however, is multi-faceted and the circumstances in which different facets need to be demonstrated are complex and hugely varied, not least in the case of large private and public sector organizations including local authorities. The range of services that local authorities provide is one that few private sector organizations would contemplate, but the services themselves are vital to the well-being of the communities they serve. This pamphlet provides a case study of leadership in one local authority, within the context of the Labour government’s modernization agenda and initiatives to improve the management and effectiveness of local government.

Since its election in May 1997, the Labour Government in the United Kingdom has prioritized the need to improve public services through modernization. In doing so, Tony Blair in particular has, over time, emphasised the need for leadership in achieving modernization and performance improvement. This report considers the issues of leadership, modernization and performance improvement in local government and, in so doing, focuses on a case study, Redcar & Cleveland Borough Council.
Leadership

In July 2006, in California, Tony Blair addressed executives of Rupert Murdoch’s News Corp at their annual conclave. In his address he said that the era of tribal political leadership was over and went on to say (see Wintour, 2006):

For a leader, don’t let your ego be carried away by the praise or your spirit diminished by the criticism and look on each with a very searching eye. But for heaven’s sake lead.

Without commenting on the extent to which Blair has taken his own advice in relation to ‘ego’ or ‘spirit’, his belief in the need for leadership is apparent. Although this raises the question of what ‘leadership’ actually is, we do not here wish to dwell on agreeing a definition of leadership or reviewing the literature on it, nor do we want to distinguish between leadership and management (Kotter, 1988)—a distinction which perhaps isn’t as clear-cut as often presented (Joyce, 2004). However, for our purposes, it is useful to highlight the conclusions of Joyce (2004; Milner and Joyce, 2005) following an evaluation of the literature and its lessons for public services (see also Alimo-Metcalfe and Alban-Metcalfe, 2001, 2002). See figure 1. After considering the literature, Joyce says (2004, p. 238):

So what emerges from these studies? Leaders, it seems, are much the same in both the public and private sectors…Leaders ensure there is a vision…They communicate the vision and inspire and empower others.

Given the specific nature of the public sector, however, and particularly local government, to the list given in figure 1 can be added the need for leaders to have skills to deal with an overtly political environment. This is, in fact, identified by Milner and Joyce (2005).

The suggestion that leaders are much the same in the public and private sectors is significant. Drawing on the literature, specifically the work of Alimo-Metcalfe and Alban-Metcalfe (2001, 2002), Joyce points out there may be differences between perceptions of leadership in the US and UK. In the US there may be a particular emphasis on vision and charisma, which seem to be rated as less important in the UK, where more emphasis appears to be given to the importance of a
leader being able to demonstrate a concern for his or her employees’ well-being and development. However, overall, the conclusion reached is that there are no real material differences between leadership in and of the public and private sectors.

This reduced emphasis on the differences between public and private sectors is also consistent with the work of Collins (2001, 2006) who believes that becoming ‘more like a business’ is not the correct way forward for the public services. He says many accepted business practices correlate with mediocrity rather than ‘greatness’ and that the real distinction is not between ‘business and social’ organizations but between ‘good and great’ ones:

**Figure 1. Recent research findings on leaders in public services.**

Leaders work through the creation and dissemination of a vision, which is a statement of a desired future state of the organization.

Leaders have to be good at listening and asking questions because the vision is not down to them alone and needs to have some resonance in their organization.

Leaders empower managers and employees.

Leaders may be seen as exemplary in their behaviour, for example by role modelling the importance of personal learning.

Leaders may raise the energy levels of managers and employees and this is important for the change process.

Leadership in big public service organizations is not confined to the top level—it needs to be supported by leadership at all organizational levels.

Leaders are committed to developing their organizations and show genuine concern for the people in the organization.

Leaders recognize and reward people who perform well.

Vision has to be embedded and sustained through strategic decision-making and through culture management.

We must reject the idea—well intentioned, but dead wrong—that the primary path to greatness in the social sectors is to become more like a business. Most businesses... fall somewhere between mediocre and good. Few are great. When you compare great companies with good ones, many widely practiced [sic] business norms turn out to correlate with mediocrity, not greatness. So, then, why would we want to import the practices of mediocrity into the social sectors? (Collins, 2006, p. 1.)

True Leadership?
Collins states (2006, p. 13): ‘True leadership only exists if people follow when they have the freedom not to’ and differentiates between two types of leadership skill: executive and legislative, the former is based on power and the latter is based on persuasion. It is legislative leadership which, he says, creates the most effective leaders, i.e. level 5 leaders. See figure 2.

Collins’s view that the social sectors should be wary of importing mediocrity is, of course, at variance with the New Right consensus that has prevailed since the mid 1970s and which has stressed, inter alia, the need for the public sector to become more like the private sector.
Local Government: The Changing Context and Modernization

For the past 30 years, a key feature of the public service environment in the UK and internationally has been the need to make the public sector more accountable and responsive to its client population. According to Gray (1998, p. 1): ‘A volcano of reform has transformed the landscape of the public sector from traditional public administration to resource management and a new managerialism of markets’ and this agenda has been particularly volcanic for local government. Nearly 10 years on, the local government landscape continues to change.

Local government has had to jettison many of the old principles (Clarke and Stewart, 1990) upon which it was structured and adopt new structures, techniques, methods of provision and attitudes. Traditionally, local government was concerned with direct provision of a substantial range of services and its structure and operation had the advantage of providing stability and continuity, but the disadvantage, according to the pro-market and anti-bureaucracy critique of the New Right, of simultaneously leading to inefficiency, inertia and unresponsiveness. In the period from 1979 to 1997, successive Conservative governments sought to reduce the size of the public sector, to expose to competition those activities that remained in it and to achieve cultural change in the provision of public services.

The measures the conservatives introduced led to the emergence of new public management (NPM) (Hood, 1991). NPM was intended not only significantly to increase efficiency in the provision of local services, by introducing private sector competition, but also to change the raison d’être of local government such that a local authority’s central role would be to enable services to be provided rather than directly provide them itself. This objective led to the introduction of compulsory competitive tendering (CCT), involving a statutory requirement to expose to external competition defined proportions of certain services that, traditionally, would have been provided by the in-house workforce free from the threat of competition.

The election of a Labour government in May 1997 saw the abolition of CCT, but Labour believed radical measures were needed to achieve political and managerial change. Within the context of a ‘modernization’ agenda (Cm 4310, 1999) for public services generally, Blair (1998) stated that localities lacked a clear sense of direction and deserved clearer vision and leadership. He believed
there was a lack of coherence and cohesion in delivering local services and the quality of local services was too variable. He was convinced there was a compelling need to modernize local government, to achieve a new democratic legitimacy and to adopt new ways of working. These views were subsequently reflected in a white paper *Modern Local Government: In Touch with the People* (DETR, 1998a) which stressed that there was a need for change:

- To strengthen the links between councils and local people.
- To deliver high standards for local people everywhere.
- To spread best practice.
- To tackle serious failure.

The white paper wanted ‘a better deal for local people’, largely to be achieved through Best Value (DETR, 1998b), and ‘a bigger say for local people’ by creating new political structures for councils. Councils needed to reform and modernize and ‘a fundamental shift of culture throughout local government’ (DETR, 1998a, p. 5) needed to be achieved.

The Local Government Act 2000 brought about a sharp distinction between the executive and representational roles of councillors and, to this end, councils had to implement new political management arrangements (involving either a directly elected mayor with a cabinet or a directly elected mayor with a council manager or a cabinet with a leader) and establish effective arrangements for the scrutiny of the executive. This concern to address public governance shortcomings was supplemented by the Best Value initiative, introduced by means of the Local Government Act 1999 and is ‘a duty to deliver services to clear standards—covering both cost and quality—by the most effective, economic and efficient means available’ (DETR, 1998a, p. 64). Best Value was accompanied by other initiatives. Martin and Bovaird (2005, p. 11) suggest ‘there are currently eleven LGMA [local government modernization agenda] policies that might reasonably be expected to have a major impact on service improvement’. See figure 3.

There has also been the somewhat overlooked Local Government Improvement Programme (LGIP) based on the concept of the ‘fully effective local authority’ and central to which is the mechanism of peer review (Jones, 2004). Most recently, a review into the functions
and funding of local government, chaired by Sir Michael Lyons, has been undertaken (Lyons, 2005, 2006, 2007) and a white paper published in October 2006 (DCLG, 2006). Of all the initiatives, of particular significance was Best Value, which for some time was presented as an important component of the government’s modernization agenda (see, for instance, ODPM, 2003). However, it now needs to be seen within the broader context of the introduction of Comprehensive Performance Assessment (CPA) (DTLR, 2001a; Audit Commission, 2002a, 2002b, 2003a, 2003b, 2003c, 2005a, 2005b, 2006, 2007), in part a response to a ‘failure to deliver the continuous improvements required by Best Value’ (ODPM, 2002, p. 9).

**Performance Measurement and Improvement: Comprehensive Performance Assessment**

The basis for the CPA process was set out in the 2001 white paper *Strong Local Leadership—Quality Public Services* (DTLR, 2001a), which reflected ‘the seriousness with which the government approached the need for performance improvement, and particularly the problem of poorly performing councils’ (Turner *et al.*, 2004, p. 217).

CPA is intended to be a rigorous and objective tool to be used by
the Audit Commission for measuring the performance of local authorities in England, and represents ‘the most ambitious attempt to measure the performance of a set of public sector organizations in the UK (and possibly anywhere)’ (Boyne and Enticott, 2004, p. 11), though whether CPA can be legitimately regarded as an appropriate and objective tool for assessing the quality of local authority performance is questionable (Broadbent, 2003; Wilson, 2004; McLean et al., 2007).

CPA, announced by the government in December 2001 (DTLR, 2001a), was intended to build on Best Value and Local Public Service Agreements (LPSAs) (DTLR, 2001b) and in so doing constitutes a ‘framework for continuous improvement in the quality of local government services’ (DTLRa, 2001, p. 23). Essentially, CPA ‘is about helping councils deliver better services to local communities’ (Audit Commission, 2002a, p. 2). Initially, the government (DTLR, 2001a) emphasised the need to develop a means of assessing overall corporate performance, in the belief that such an assessment would provide government, councils and the public with a clear performance profile which would enable a proportionate action plan to be agreed with each authority, inform negotiation of targets and freedoms (ODPM, 2002) through LPSAs and provide a robust basis for action to tackle poor performance and failure.

The original intention was to categorize each authority as high performing, striving, coasting or poor performing. After consultation, however, these categories were changed to excellent, good, fair, weak and poor (Audit Commission, 2002b) with implications in terms of ‘freedom and flexibilities’ depending on the classification (ODPM, 2002). The first set of CPA results for the 150 single tier and county councils in England (the ‘top tier’) was published in December 2002 and updated annually each December, excluding that for 2006 which was published in February 2007 (Audit Commission, 2007).

The basis for and nature of the classification changed in 2005, for the period 2005 to 2008 (Audit Commission, 2005a) such that the categories are now 4 star, 3 star, 2 star, 1 star and 0 stars. For single tier and county councils, there are four main components to the overall CPA framework:

• Direction of travel assessments.
• Annual use of resources assessments.
LEADING AND MEASURING IMPROVEMENT

• Annual service assessments.
• Periodic corporate assessments (of a council’s capacity to improve).

The periodic corporate assessments normally take place once within any given period, currently between 2005 and the end of 2008. This assessment is based on ambition; prioritization; capacity; performance management; and achievement. The assessment scores for use of resources, service assessments and corporate assessments are brought together by the Audit Commission, using a set of rules to categorize councils, now on the basis of 4 to 0 stars.

The new framework is intended to be ‘a harder and a different test’ and the ‘different elements of the assessment now place a greater emphasis on value for money, user focus and community leadership’ (Audit Commission, 2005a, p. 3), though ‘user focus’ and ‘community leadership’ are not explicitly identified in the Audit Commission’s new framework for single tier and county councils (see Audit Commission, 2005a, p. 4; Audit Commission, 2006). Nonetheless, ‘The new approach is harder, but fair. The old and new CPA categories therefore cannot be directly compared’ (Audit Commission, 2005a, p. 3). Despite this, the scores for single tier and county councils are presented in table 1. With regard to district councils, the results as published in September 2005 (see Audit Commission, 2005b) reveal that the 238 district councils were categorized as follows: 9 ‘poor’; 29 ‘weak’; 86 ‘fair’; 86 ‘good’; 28

Table 1. CPA scores for single tier and county councils.

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>%</td>
<td>No.</td>
<td>%</td>
<td>No.</td>
</tr>
<tr>
<td>Excellent</td>
<td>22</td>
<td>15</td>
<td>26</td>
<td>17</td>
<td>41</td>
</tr>
<tr>
<td>Good</td>
<td>54</td>
<td>36</td>
<td>56</td>
<td>37</td>
<td>60</td>
</tr>
<tr>
<td>Fair</td>
<td>40</td>
<td>27</td>
<td>40</td>
<td>27</td>
<td>33</td>
</tr>
<tr>
<td>Weak</td>
<td>21</td>
<td>14</td>
<td>18</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td>Poor</td>
<td>13</td>
<td>8</td>
<td>10</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100</td>
<td>150</td>
<td>100</td>
<td>150</td>
</tr>
</tbody>
</table>

* = 4 subject to review.
** = 1 subject to review and Isles of Scilly excluded.

Source: Audit Commission.
'excellent'.

The Audit Commission has no doubts as to the efficacy of CPA:

*Since its introduction in 2002, council services have improved significantly, and CPA is acknowledged to be one of the catalysts for this. CPA has also been a lever for reducing inspection and regulation in better performing councils and focusing support for others (Audit Commission, 2005, p. 3).*

There is support for this statement by considering the scores as given in table 1, notwithstanding the fact that 2005 results should not be compared with earlier years. It can be seen, for instance, that in 2002 only 51% of councils were in the top two categories (either excellent or good), but in 2006 80% were (either 4 star or 3 star). The Audit Commission’s analysis for 2006 concluded that 77% of single tier and county councils were improving strongly or improving well.

**Impact of the Local Government Modernization Agenda**

The overall view of the Audit Commission is supported by the conclusion of Martin and Bovaird (2005, p. 12) who say: ‘The evidence suggests that overall there have been significant improvements in most services since 2000–01’ and believe the LGMA policies have encouraged:

• A greater focus on improvement.
• More effective leadership by officers and executive members.
• Increased engagement with users and front-line staff.
• More effective use of performance measurement in the day-to-day running of services.
• Increased working across departments and partnership working with other agencies.

They also conclude there is some evidence that the LGMA has encouraged the use of market testing and outsourcing but this appears to be less widespread than other changes. More specifically, when considering the main drivers of improvement, they identify seven:

• Leadership by officers and executive members.
• Increased use of performance management systems.
• Partnership working.
• Market testing.
LEADING AND MEASURING IMPROVEMENT

• E-governance.
• User engagement.
• Engagement of staff.

The first driver, that of leadership, is an important theme of the government’s 10-year vision for local government (ODPM, 2005) and is a key component of CPA, as supposedly evidenced in the component parts of corporate assessment, including community leadership. The significance of leadership was also identified in a report by Hughes et al. (2004), which found that dysfunctional leadership was one of a number of causes of poor performance. Reporting on this study, Martin and Bovaird (2005, p. 65) state:

*It found evidence that ineffective political arrangements limited members’ capacity to exercise effective leadership and that overactive or weak leadership by managers both led to failures to identify or respond to performance problems in the organization. Improvements in ‘poor’ councils has [sic] often depended on the existence of recovery-oriented leaders who have mobilized the necessary resources and techniques.*

Labour’s modernization agenda has been challenged in a number of ways—for example it is an agenda ‘full of contradictions and inaccuracies’ according to Midwinter (2001, p. 312) (see also Gray and Jenkins, 1999; Leach and Wingfield, 1999; Hambleton, 2000)—but it remains one to which local authorities had to respond and the evidence would indicate that the response has been a positive one. The latest white paper (DCLG, 2006) and the publication of the Lyons Report (Lyons, 2007) demonstrate that the agenda is not losing any momentum.

However, the number of initiatives that have been pursued since 1997 by Labour, indeed over the past 30 years by successive governments, has not been accompanied by, indeed perhaps reflects the lack of, a systematic analysis as to their impact. Blair has previously stated ‘New Labour is a party of ideas and ideals but not outdated ideology. What counts is what works’ (Labour Party, 1997, p. 2). In the case of local government, however, ‘what works’ is far from clear. Because of this, there is a need to seek greater evidence as to ‘what works’, supplementing the evidence supplied through, for instance, CPA, and this can usefully be obtained through detailed case
studies and in-depth evaluation of individual success stories, one of which is Redcar & Cleveland Borough Council (see also Wilson and Morse, 2004).

**Case Study: Redcar & Cleveland Borough Council**

Redcar & Cleveland is in the Tees Valley in the north east of England, adjacent to the North Yorkshire Moors. It has areas of affluence and beautiful scenery, afforded by the North Yorkshire Moors and the coastline on the east, but, like much of the north east, it has undergone significant economic change. It has suffered from the decline of traditional industries, particularly steel, shipbuilding and chemicals, and faces considerable problems in terms of deprivation. It became a unitary authority in 1996, along with four others in the Tees Valley—Darlington, Hartlepool, Middlesbrough and Stockton-on-Tees. A profile of the authority is given in figure 4.

It is an authority committed to tackling the socio-economic problems associated with the Tees Valley and, particularly following the appointment of the chief executive, Colin Moore, at the beginning of 2000, it is committed to managerial modernization. The previous chief executive had left the council to join a larger authority, a managerial change which coincided with a significant political change in that in 1999 a large Labour majority had been reduced to a very small one and a new Labour council leader was elected committed to making changes in the way the council was led and managed.

*The Challenge Ahead*

The council’s problems were documented in an early report:

<table>
<thead>
<tr>
<th>Figure 4. Profile of Redcar &amp; Cleveland Borough Council.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population: 140,000</td>
</tr>
<tr>
<td>Area: 93 square miles</td>
</tr>
<tr>
<td>Political control: No overall control</td>
</tr>
<tr>
<td>Political composition: 59 Members; 23 Labour; 16 Liberal Democrat; 13 Conservative; 5 Independent; 2 East Cleveland Independent Party</td>
</tr>
<tr>
<td>Number of employees: 5,700</td>
</tr>
<tr>
<td>Revenue budget 2006–07: £288 million gross, £104 million net</td>
</tr>
</tbody>
</table>
• Sense of ‘victimhood’ and hopelessness.
• Extremely challenging, and unfair, financial settlement but one which the council seemed incapable of responding to in any positive way, instead retreating to a depressive state and bemoaning the unfairness of it all.
• No strategic vision or leadership.
• Absence of any sense of corporate identity and collective responsibility among senior managers.
• Weak middle managers.
• ‘Silo’ culture—between and actually within departments.

These points are not dissimilar to those reported elsewhere (Joyce, 2004; Turner et al., 2004). See table 2.

The authority’s financial position was precarious (with reserves dangerously low at less than £1 million), despite having the second highest level of council tax in the country, and as a result, services had struggled for resources since the council’s inception in 1996.

On reflection, other factors can be seen to have contributed to the difficult circumstances at the time, including a tradition of the trade unions putting pressure on the council to put the need of the workforce before any consideration of the needs of service users,

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### Table 2. Shared experiences of 10 poorly performing councils.

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Number out of 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor political leadership</td>
<td>9</td>
</tr>
<tr>
<td>Silo management</td>
<td>5</td>
</tr>
<tr>
<td>Poor senior management/lacked leadership</td>
<td>5</td>
</tr>
<tr>
<td>Lack of engagement with wider community</td>
<td>5</td>
</tr>
<tr>
<td>Change to unitary status</td>
<td>3</td>
</tr>
<tr>
<td>Insularity</td>
<td>3</td>
</tr>
<tr>
<td>Changed their chief executive</td>
<td>6</td>
</tr>
<tr>
<td>Changed senior management team</td>
<td>6</td>
</tr>
<tr>
<td>New corporate management working practices</td>
<td>6</td>
</tr>
</tbody>
</table>

*Source: Turner et al. (2004).*
and the lack of a strong performance management system.

In the first quarter of 2000, the council had to produce its first Best Value Performance Plan—a problem made difficult by the absence of any performance information. Information technology did exist in parts but was old-fashioned and disjointed. There was no system for procurement: everything was procured by hand. The in-house benefits system did not accurately calculate benefit entitlement, with the end calculation manually inputted to produce cheques and keep, inaccurate, statistics.

Despite all this, some individual services were quite good, principally libraries, primary education and child social care. However, other services were very poor, notably the key services of adult social care and keeping neighbourhoods clean and green. The fact that certain parts of the organization were ‘succeeding’ while others were ‘failing’ is a phenomenon observed elsewhere (Paton and Mordaunt, 2004).

Priorities for Turnaround

The determination to turnaround the organization perhaps had its origins in the slipstream of the New Labour government’s historic general election victory in 1997 and the fact that, as indicated above, in 1999 the ruling Labour group on the council had come very close to defeat in the local elections. The ‘Old’ Labour council recognized that the electorate perhaps perceived it as being completely out of step with the ‘New’ Labour government. In this context, a new council leader and a new chief executive were given virtual carte blanche to do whatever was necessary to turn round the organization. The relationship between elected members and officers is critical in ensuring sound leadership and management of any local authority, and this has been highlighted by the Leadership Centre for Local Government (see www.localleadership.gov.uk). However, of particular importance is the relationship between a council leader and the chief executive (Solace, 2005; Improvement and Development Agency, 2006). There can be real problems when this relationship breaks down but, conversely, changes can be achieved where there is mutual respect and a shared agenda and determination, as was the case at Redcar & Cleveland.

The new chief executive had eight priorities, as given in figure 5.
The first problem to be tackled had to be to create financial stability. Without resolving the financial problems the council could not move on and would not be able to make the investment in services and IT that was necessary for improvement. The cost structure of Redcar & Cleveland was £23 million above the average of unitary councils, with non-tax income £10 million below the average of unitary councils.

Engaging Staff
Mass meetings of staff were arranged to begin the communications, involvement and motivation strategy. This is an approach that has continued two or three times a year to ensure accessibility of staff to the chief executive and their understanding of the direction of travel.

The key messages to staff at the first mass meeting were:

- Stable finances would be created and would allow scope for investment in service improvement.
- The balance within the council would change in the direction of commissioning services rather than direct provision.
- The focus was to be on the purpose of any job rather than the process of delivery.
- Employees would have to work across departmental boundaries to focus on the needs of communities, neighbourhoods and individual services.

Figure 5. Priorities for Redcar & Cleveland’s new chief executive.

1. Placing the council’s finances on a sound footing (including reducing management costs, reviewing charging policy, better use of assets, elimination of duplication in service provision and procedures).
2. Establish standard business processes.
3. Establish a strategic partnership with the private sector.
4. Investment in coherent IT.
5. Recruiting leaders with vision and ambition.
6. Changing the culture of the organization such that staff could see that the way things had been done at Redcar & Cleveland was not the way they always had to be done.
7. Set clear goals and allow managers to manage.
8. Persuade the elected members to be externally focused.
• Everything would be done to avoid redundancies but unless the necessary improvements were achieved external factors could mean job losses.
• Many jobs would be outsourced, many staff would therefore have different managers and those that remained in employment would have to change the way they work.

The chief executive fully expected to be booed, but instead was actually greeted by enthusiastic applause.

The first move was to prioritize the financial position of the council. The council's debt was restructured from 1992 interest levels and the interest was more than halved, producing significant savings—£2.4 million in 2001 and £2.6 million in 2002—which helped the council ensure that in three consecutive years, 2001, 2002 and 2003, the council tax was not increased (this was further helped in 2003 by the Office for National Statistics accepting the council's case that its population had been underestimated, leading to a £2 million increase in grant). The level of the council tax by the end of 2003 had gone from the second highest in England to outside the top 100. Council tax is no longer an issue and has been able to bear guideline increases since 2003.

Each year since 2000 there has been investment in service improvement. Efficiency savings in management, administration and overheads have funded front-line service growth. By 2003 balances had been restored, and since maintained, at a prudent level. The council now has a medium term financial strategy tied to policy priorities in the community strategy as part of an overall performance system.

Accept Change or Leave
In turning to service improvement, the first task was to ensure a community strategy agreed with key stakeholders. The first act was to create a council-wide group meeting for all assistant directors. This provided a forum for developing ideas and sharing best practice in service delivery. Above all, it broke down the silo mentality at the operational level and required those managers who were initially resistant to realize that change was inevitable and they needed to accept it or move away. The role of the council leader was also critical in reducing the likelihood of individual members of staff lobbying
elected members in an effort to protect their position.

A new director of social services, chosen for a proven track record in turning around a failing service, brought fast improvement, modernization and financial discipline to adult social care. The direct service organizations (DSOs) were broken and a multi-disciplinary workforce created in area teams for clean, green and safety service at neighbourhood level. Local accountability was created in neighbourhoods through area committees with community involvement. A dynamic new director of area management was brought in also with a proven track record of leading modernization and improvement. An assistant chief executive was recruited from the private sector to develop a team with expertise in process re-engineering and performance management.

The council has also built strong partnerships with public service providers and the voluntary and private sectors. A strong community network has also been established. Services including leisure, housing and highway maintenance are now provided in partnership with the private and community sectors.

Public–Private Partnership

The biggest partnership the council entered into was for investment in information and communication technology (ICT) and business transformation. A £300 million contract was entered into with Liberata as a strategic partnership to deliver ICT, finance, revenues and benefits, HR (human resource), payroll, property services and general administrative support.

The logic of this decision in 2001 was that the council did not have the power to borrow to invest as necessary, nor did it have a strong management team to oversee this massive project on its own. The intention was that a strategic partner would invest in delivering the ICT and associated re-engineering in the first year and then take the savings from the services it ran to pay for it. Continuing efficiency gains and cost reductions would be shared with the council.

External Accreditation and the Importance of Reputation

The rapid transition of Redcar & Cleveland was tracked through external accreditation. CPA did not exist in 2000, but on the basis of the 1999 LGIP report the categorization would have been ‘poor’. The real CPA in 2002 showed improvement to ‘fair’, but
only by one point. Reassessment in 2004 gave progression to a solid result of ‘good’ and in 2005 the council was recognized as four star ‘excellent’. This has been both assisted by and led to a strong improvement in reputation, the importance of which is often overlooked or underestimated.

Poor reputation creates a vicious circle and makes it hard to recruit and keep good people. Employees have low expectations and aspirations. External assessors, in turn, have low expectations even before they arrive and, as a result, may perhaps have a tendency to look for what is wrong. Good reputation, however, creates a virtuous circle. Good employees want to stay and others wish to join. Ambition and expectations rise and external assessors may arrive predisposed to the organization. And so an important challenge for the new chief executive was to improve the council’s reputation. This challenge had to be met within the context of four key constraints.

Four Constraints
First, although in 2000 the council gave the new leader and chief executive virtual carte blanche to do what was necessary, a firm pledge was given to avoid redundancies. This made it difficult to deal with both the financial position and with poorly performing staff. It did not stop the improvement process but it did slow it down.

Second, the ‘no compulsory redundancy’ pledge also made more difficult the process of replacing bad managers and weak leaders, though the act of replacing them was difficult anyway given the council’s poor reputation.

Third, and ironically, one of the constraints concerned Best Value and the Best Value Inspectorate. The original Best Value review system was a laborious and time-consuming mechanism, almost inevitably producing the outcome that could have been predicted at the outset. However, it was the Best Value Inspectorate that was the most negative and malign in its influence. To adapt an aphorism of Voltaire it wasn’t best, it certainly wasn’t value and it wasn’t much of an inspectorate. Whatever hope, ambition and aspiration were put into Redcar’s employees, they were quickly drained away by negative inspectors who were perceived as being determined to ‘win a scalp’. Fortunately, all this has changed and the inspection and audit regime now is positive, insightful and supportive, but when those qualities were most needed by the council, they were not evident.
Fourth, a mutually agreed refinement to the Strategic Partnership and the emergence of a new power to borrow for investment now puts the council in direct control of its change management programme. It has a strong management team and the ability to build capacity for project delivery.

**Business Transformation**

To build on the improvements to date, a business transformation programme is now being led in-house by the chief executive with a business transformation manager. This is a series of inter-related projects. Self-service systems in HR, payroll and finance will reduce administrative costs and improve responsiveness of systems. Document management will further reduce costs and improve operational effectiveness. The workforce will be empowered through remote and offsite working, freeing staff whose main work is in the community from the need to return to office environments. Reducing administrative headcount and reducing the requirement for desk spaces will lead to further cost savings through reducing office space requirements.

The watchwords of the programme are: ‘Standardize, Consolidate, Automate’. All processes should be standardized; where processes are the same they should be consolidated into single teams across departmental boundaries. Automation will be maximized through self-service systems. All these processes are linked through customer relationship management and access arrangements. A corporate front office further breaks down departmental boundaries.

Key to this approach is avoiding the mistake so often made of bolting on new technology and a modernizing agenda to old skills and old processes. Changing the technology is meaningless unless processes are re-mapped, skills developed and people changed. Organizational development and people change management are at the forefront of the business transformation programme. New skills and new people must be at the heart of a workforce development strategy.

The council will have a single database, a single document management and workflow system and a single IT infrastructure that integrates service delivery through contact and customer relationship management. Single databases and systems will allow contact management to join-up citizens’ different needs. For example, an
inquiry about housing benefits will be linked through scripting to information on free school meals. One contact delivers service across functional boundaries.

In all of this, it is important to stress that the actual and continued transformation in Redcar & Cleveland could not and cannot happen without leadership.

**Conclusion: Leadership—Lessons from Redcar & Cleveland**

The Redcar & Cleveland experience is similar to that of other organizations, including local authorities, in that organizational underperformance, in whole or in part, temporary or ‘permanent’, may be experienced and turned around. On the basis of their research into 10 poorly performing authorities, Turner *et al*. (2004) conclude there are two ‘dominant reasons’ (p. 221) for underperformance:

- First, there is a need to consider where the authority began its ‘journey into failure’ and how it responded. Some authorities were previously regarded as very successful and fell into the ‘success trap’ (March and Olsen, 1995), perhaps through complacency.
- Second, some authorities appear always to have ‘operated in a state of failure or permanent underperformance’ (Turner *et al*., p. 221), and may be termed ‘permanently failing organizations’ (Meyer and Zucker, 1989), reflecting ‘organizational inertia’ (Shaw, 1981) (quoted in Turner *et al*., 2004).

Although Redcar & Cleveland only came into existence in 1996, the performance of its predecessor bodies, combined with its experience since 1996, perhaps meant that it could fairly be described as displaying the symptoms of ‘organizational inertia’, if not ‘underperformance’ given the good services provided by some parts of the council.

A key issue, however, is how an organization responds, and in the 10 councils evaluated by Turner *et al*., (2004, p. 222) “Two significant factors were the departure or replacement of the chief executive and/or council leader and the CPA process itself”. Of the 10, seven believed the CPA process had influenced turnaround and, as stated above, six changed their chief executive.

At Redcar & Cleveland, the change of council leader and appointment of a new chief executive were the catalysts for change,
LEADING AND MEASURING IMPROVEMENT

but the nature of the leadership demonstrated is not necessarily that which appears to be a feature of the governance arrangements defined in the local government white paper (DCLG, 2006), almost requiring a single messianic figure. Rather, it is leadership that becomes suffused through the whole organization. Unless one leader creates other leaders an organization is unlikely to succeed.

There are some important lessons for improving local government to be learned from the experience of Redcar & Cleveland:

• There must be a clear sense of direction and a consistent focus. This sense of direction, however, must be a pro-active one, informed by anticipated changes in the environment. An example given by the chief executive is that used by Bryson (1988) of an ice hockey player who goes out to play with knowledge of the game but doesn’t have a large book describing each move team mates will make. Each player anticipates where the puck will go and moves into position to receive it. That is what a leader does, and this also links to the penultimate bullet below as this anticipation is shown by all the players, illustrating the benefits of a plurality of leadership.

• A leader keeps it simple. It is a key duty of the leader to have a clear strategy and ideas as to how to achieve it, but these must be translated into simple actions and instructions.

• In order to pursue the intended direction, the right people must be put in the right roles and be able to motivate through inspiration, example and encouragement.

• Once the right people have been placed in the right roles, they must be allowed to do their job without unnecessary interference. This emphasises the importance of empowerment.

• Leaders must not try to be popular with everyone, they have hard decisions to take, but they should always be accessible to their staff and listen to their complaints and suggestions (the time to worry is not when complaints are not voiced but, rather, when there is no feedback at all).

• A leader must be adaptable, to adjust according to circumstances. In the case of Redcar & Cleveland, when the Strategic Partnership required refinement to ensure achievement of the anticipated benefits it was right to strike out in a new direction.

• In the public sector, particularly local government, a leader must be aware of the political environment and astute in operating within it.
Leaders must recognize that people are not just an organization’s greatest asset, in reality they are the only asset. People can often make a contribution outside of their job description and authority. An effective leader is blind to position and structure and will release talent where and when it is needed. As General Colin Powell remarked, ‘Organization doesn’t really accomplish anything. Theories of management don’t much matter. Endeavours succeed or fail because of the people involved. Only by attracting the best people will you accomplish great deeds’. In stressing the importance of people, Redcar & Cleveland looked for four qualities in identifying possible leaders, and the qualities are listed in reducing order of importance: intelligence; personality; attitude; skills and knowledge. The fact that skills and knowledge are placed last is that they can in some sense be acquired, through appropriate training for instance, the other three less so.

There must be humour. A key ingredient in successful transformation is to do all that can be done to remove anxiety and to make the process enjoyable.

The above list is consistent with those points identified in our figure 1 and the narrative immediately above in which the need for political skills is identified. However, whether the lessons from Redcar & Cleveland also correspond with the traits of ‘level 5’ leadership as identified in figure 2, perhaps will only really be known over time.
References


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