

DISCUSSION PAPER

SMALL IS BEAUTIFUL

Innovation from the frontline
of local government

Glyn Gaskarth

LGIU is the Local Government Information Unit, an independent and influential think tank and local authority membership organisation.

This paper has been developed by LGIU to showcase thought provoking work on innovation. The views are those of the author and do not necessarily represent those of NESTA.

EXECUTIVE SUMMARY

In this pamphlet we profile ten innovative local projects led by frontline staff and service teams in local government. Each has improved services in their area and provided real benefits for local communities, from reducing offending behaviour to increasing social cohesion. It is possible to achieve much more of this type of radical improvement in local government – but only if we provide a new way to encourage and support local innovation by creating funds drawn from local discretionary spending.

Local authority expenditure amounts to one quarter of all public expenditure. The next few years are going to be very tough for local government, given that the UK Government is seeking to identify savings and efficiencies to reduce the almost £155 billion annual UK budget deficit and because local authorities are dependent on central government grants for three-quarters of their funding.

The UK coalition Government announced £6.2 billion in immediate public spending cuts in May 2010 (around 20 per cent of which directly affect local government), and up to 25 per cent reductions in ‘unprotected’ departmental spending (amounting to £61 billion by 2014-15) in the emergency Budget in June 2010. If the user and communities who rely on public services are not to be harmed, we will need to encourage and promote much more innovation in service delivery to ensure much cheaper but also much more effective services. This pamphlet outlines a way that local authorities can lead the way in developing innovation in public services led by frontline workers and local service teams.

Small is beautiful for innovation in local government

The difficulties in innovating in local government are well-known. They explain why a 'culture of innovation' is not embedded in local government. The discretionary spend of local authorities is limited, many of the drivers of private sector innovation are absent from the public sector, and an emphasis on compliance and procedure often trumps the development of new approaches.

In July 2009, the Local Government Information Unit (LGiU) in co-operation with the Museums and Libraries Association (MLA), LACORS (Local Authorities Coordinators of Regulatory Services) and the National Association of Local Councils (NALC) embarked on a project called 'Small is Beautiful'. They asked local authorities to submit examples of non-statutory projects, operated by small teams on low budgets, which were making a decisive difference to their local areas. Each project needed to save the council money, improve an existing service or deliver a new service.

By September 2009 almost two hundred projects had submitted information. These came from a variety of different local services, including museums, libraries, registration services, and sports and leisure services, and from parish councils, county, district and metropolitan authorities around England.

This pamphlet highlights ten of these examples. Each of the projects has provided real benefits for its community:

- Broadland provides a model for local authorities to tackle anti-social behaviour, and Middlesbrough has turned dangerous public spaces that were becoming a focus for arson into pleasant community-maintained areas.
- Blackburn Museum promotes social cohesion by highlighting the sacrifices shared across communities, while East Ridings' citizenship ceremonies promote a shared sense of British identity among school children.
- Lancashire has extended their service provision to a new audience, utilising the library for community events; Winchester has harnessed new social media technology to

engage with new audiences and change the way its staff work.

- Rochford has provided a forum for local small businesses to compete with major companies on price, customer service and convenience, and Warrington has developed a cheap means of contacting vulnerable groups to warn them of consumer scams.
- Devon Record Office has made their exhibits accessible to a new audience, similarly Derbyshire Cultural and Community Services has shown how public spaces can be used to increase the numbers viewing exhibits.

Many local authority chief executives want to create a 'culture of innovation' in their organisations, especially given rising demands but lower resources. But many have struggled to do so. Top-down innovation initiatives can often have the counter-productive effect of stifling staff engagement and imagination. 'Innovation' becomes something done by senior decision-makers.

Some of these projects might seem somewhat marginal compared to the challenges faced by local government as a whole, yet they hold the clue to how to develop more innovative, effective and efficient local services. Drawing on these examples, the LGiU supported by NESTA has identified some of the factors that have enabled innovation to flourish in local authorities. What stands out most of all is that these projects have managed to achieve what they have *because they are small*. They started with limited but crucial amounts of funding, with focused teams to lead them, and have been given time to develop. This suggests that a stronger culture of innovation can be developed in local government from the ground-up, project-by-project, and the benefits and experience of doing so can build over time.

Supporting more innovation in local government: Authorities should create innovation funds drawn from local discretionary spending

The types of projects highlighted in this pamphlet are especially vulnerable due to a divide at the heart of local government between statutory and non-statutory services. It is the latter that are most likely to be cut in the next few years, despite the greater potential to innovate in these areas and to save money as a result.

We recommend that each local authority create an innovation fund, composed of (some proportion of) the funding currently allocated to discretionary expenditure (libraries, museums and leisure provision, and so on). These funds would be designed to stimulate a much more entrepreneurial spirit in achieving public policy objectives and to break down the silos that often affect effective service delivery. The pamphlet provides a detailed proposal for the design and operation of these funds.

Central government should work with local authorities to ensure a successful trial of this approach. The lessons learnt could then be incorporated into guidance for other local authorities seeking to adopt this model. Local government should finance these funds, deploying personnel to support its objectives, managing fund allocations and encouraging a wide range of providers to engage with this initiative. Ordinary citizens could make use of these funds to improve their communities. This could include contributing project ideas, bidding for funding or supporting existing projects.

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PART 1: SMALL IS BEAUTIFUL FOR INNOVATION IN LOCAL GOVERNMENT

‘Innovation’ can mean very different things to different people in local government. Some might automatically think of expensive new customer relationship management systems, shared services or ‘one-stop shops’. Those involved in the Small is Beautiful projects have a more open understanding of innovation, focused less on specific technologies or types of organisation but on ‘doing something new’. Stephen Irwin, Education Officer at Blackburn Museum states that *“to innovate is to create something new – a process, procedure or doing something in a different style.”* Eloise Appleby, Head of Economic and Cultural Services at Winchester City Council says we *“call it creativity more than innovation.”*

It is this openness – and the scale at which innovation has been developed and implemented – which has been crucial to the success of the projects highlighted in this pamphlet.

This section of the pamphlet captures the common characteristics of the selected Small is Beautiful projects, while the next section provides an overview of each of the ten projects.

The barriers to innovation in local government

While these projects and many others demonstrate that it is possible to innovate in local government, they tend to be the exception rather than the rule. There are a range of reasons why, broadly, a ‘culture of innovation’ is not embedded in local government.

First, the discretionary spend of local authorities is limited. Central government specifies the services that need to be provided. In many instances it prescribes the manner in which they are delivered. Local authorities have to devote time and resources to comply with central government policies and procedures. Allowing greater local discretion over the deployment of council resources could facilitate councils diverting these resources to trial new ideas.

Second, many of the drivers of private sector innovation are absent from the public sector. Jennifer House, the Economic Development Officer at Rochford District Council, believes *“innovation is a sign of a competitive business market.”* Put simply, in the main local government does not compete to provide public service provision in its area. As a result, there is not the same competitive demand, for example, to ensure that services are targeted effectively. Further, the structure of employee pay and supplementary benefits is frequently based on tenure and compliance with established procedures. Typically, there are fewer opportunities for rapid career progression but greater job security than in the private sector. This can limit the external experience of local authority employees but also their incentive to innovate.

Third, funding for innovation is limited. Many private companies have research and development budgets (or equivalent) devoted to innovation. In contrast, funds available to local government for innovation are fragmented, often temporary and sometimes difficult to locate.

For example, East Riding has applied for funding under the Children’s Fund, but this is broken down by area. As a result, the service has had to present its ideas to every grant-making authority in its area to obtain funding. Middlesbrough has observed that improvements to back alleys reduce arson and related costs. However, there is a *“separate budget for enforcement so [they] won’t take money from that to pay for makeovers.”* Many projects likened the task of gaining funding to detective work. Innovators are not made aware of the funding sources available or guided through the process of applying for them.

Fourth, a ‘procedural culture’ often stifles innovation. Local

authorities have defined procedures to ensure data security, financial probity, equal opportunities and open, competitive procurement. Innovation can detract from employees' core work responsibilities, and so many would-be innovators divert their effort, skills and experience towards compliance.

This can make new ideas seem potentially dangerous. Objections to Rochfords' new Shop at My Local business website focused on the fact that *"if we allow residents to comment on our service they can criticise us on our own site."* Winchester Museum said they were told that *"social media is worrying [because] there are access and security issues."* Middlesbrough was required to enlist a fire officer, an environmental enforcement officer, a back alley improvement officer, an area care operative and a community liaison officer to perform the relatively simple task of clearing up back alleys. Winchester captures it this way: *"People say they want to innovate [but] find accounts, finance, insurance won't let us. If they feel the process is easier they would be more creative."* It is easy to see why these processes predominate. Councils can save *"several hundreds of thousands on reducing their insurance premiums by instituting a risk management process."* However, some of these procedural barriers need to be overcome if innovation is to be encouraged.

Fifth, innovation is easily destroyed if a workplace is cynical about new ideas. Jennifer House believes an innovative culture is *"about not penalising new ideas."* Comments such as *"you can't do this or we tried it before"* extinguish employee creativity. She regrets that in the public sector if you go in with a new idea the first question is: *"Who has done it before?"* She says *"we will never be innovative if we always ask this question."* Reorganisation of local authorities is more often than not a top-down process in which employees adjust to new structures.

Sixth, local authorities operate under intense media pressure. If projects fail it could damage the reputation of the local authority. This can encourage them to prioritise reputational damage limitation. Projects with long feedback are less likely to receive funding. Derbyshire describes how *"museums have a very long feedback process. A child visiting the museum may be inspired so much by some exhibits they decide they want to*

be (for instance) a geologist when they grow up. You will only know if they become one in 30 years. Local government looks for outcomes in three years.” Local authorities have not been able to develop a sufficiently rigorous framework for assessing individuals that innovate. This failure ensures local authority employees have little incentive to do so.

Small is beautiful

Given these familiar barriers facing innovation in local government, how did these projects manage it? In addition to the commitment and dedication of the employees involved, these projects have managed to achieve what they have *because they are small*.

Some of these projects might, in the greater scheme of the challenges facing local government and especially from the perspective of central government policymakers, seem somewhat marginal (although the local residents who have benefited from them would disagree). Yet they hold the clue to how to develop a more innovative, effective and efficient local government.

Many local authority chief executives want to create a ‘culture of innovation’ in their organisations, especially given rising demands but lower resources. But many have struggled to do so. Top-down innovation initiatives can often have the counter-productive effect of stifling staff engagement and imagination. ‘Innovation’ becomes something done by senior decision-makers.

What these projects point to is that innovation can be achieved in local government, led by frontline staff – but that starting relatively small can be a great advantage. A stronger culture of innovation can be developed from the ground-up, project-by-project, and the benefits and experience of doing so can build over time.

Look at the common features of the projects:

- All had fewer than 30 staff. The majority had fewer than ten staff (80 per cent of the projects).

- All were composed of a team of permanent council employees. Some had limited assistance from volunteers (40 per cent of projects utilised volunteers).
- The majority had a budget of less than fifty thousand pounds a year (80 per cent of projects). Only two projects exceeded this sum (Winchester and Middlesbrough). Half had budgets of less than £10,000.
- The average project had been running between three and five years. It worked with external partners to achieve its aims. Only 20 per cent of projects did not work with partners to deliver their project.

The rest of this section discusses the common features of the projects in more detail.

Scarce resources

All of the projects operated on a small budget. They were granted little sums of money for limited periods. This forced practitioners to interact with external audiences to seek funding or skills. Projects were continually required to assess their progress against the requirements of funders. They asked questions such as ‘how do we evidence success?’

This consumed considerable time. Many innovators lamented that they spent much of their own time locating funds. However as Eloise Appleby of Winchester noted: *“All [are] encouraged to innovate because funds are tight.”* Scarcity of funding ensured that *“people who are low profile have more of an incentive to prove their worth.”* In projects where funding was more secure, services detected a drop in citizen interaction and commitment. Middlesbrough observed that *“in areas where the team had received funding from other departments and then simply given the makeover to the residents [there was] less neighbourhood involvement and [the] area is now less maintained than other sites.”* Scarce resources encourage the recruitment of external partners whose involvement commits them to the success of the project.

Each obtained funding or material support (for example, staff time) to pursue the projects from their local authority. In addition the majority gained top-up funding from a variety of

different organisations. Groups funding the projects featured in this pamphlet include:

- The Children's Fund (East Riding).
- The Connecting Communities Fund (East Riding).
- Sure Start (East Riding).
- Chambers of Trade (Rochford).
- The Federation of Small Businesses (Rochford).
- Parish councils (Rochford).
- Museums, Libraries and Archives Council (Derbyshire and Winchester).
- Heritage Lottery Fund (Winchester), the Local Strategic Partnership (Broadland).
- Crime and Disorder Reduction Partnership (Broadland).
- Criminal Justice Board (Broadland), Community Safety Board (Broadland).
- Department for Communities and Local Government (Warrington).
- Their Past Your Future (Blackburn).

Each of these funding streams is reliant on central government support. This could of course be cut or eliminated in the current context (something that provokes the recommendation included in this pamphlet).

External stimulus

Projects often began because the local authority was faced with a new issue or problem and there was no established procedure to respond. An extraordinary event warranted a unique and tailored response. Practitioners then had a justification to innovate. In Blackburn, Muslim veterans came forward requesting recognition in the local newspaper. Derbyshire Museum Service was given a police collection by their local constabulary. In Winchester it was the Council's Citizens Panels Surveys that identified a need for the museum

service to do more to cater for rural residents. In Broadland, a youth facility was vandalised. This encouraged a council in an area with relatively low crime to investigate the causes of anti-social behaviour. Few projects were initiated as the result of forward planning or to adapt existing services to meet a change in consumer expectations.

Staff with external experience

The innovators frequently came from a different, non-local government sphere of work. Their innovation involved applying their old skills to this new field. In Blackburn, Stephen Irwin was a school teacher before taking a role in the Museums Service. He now coordinates his projects' relations with local schools. In East Riding a registrar who was formerly a teaching assistant was employed to coordinate relations with schools. Even in Broadland the issue of anti-social behaviour was brought to the District council because a Parish councillor that had funded the play facilities installation also sat on the District council. As Eloise Appleby of Winchester explains: *"innovation requires interaction with external audiences."* Innovators achieved this external focus by nurturing contacts established prior to entering local government.

Workplace reorganisation

Some employees had recently been subject to programmes designed to increase their productivity. Winchester Council had introduced a series of different initiatives, for example home-working, hot-desking, and peer-to-peer sharing forums. This was part of a general reorganisation of the council to, as Eloise Appleby notes, *"give more autonomy to service managers to concentrate on outcomes not process."* Council employees were also relocated to sit next to different teams. This was because the separate Museums headquarters was abolished three years ago in budget cuts. The employees were required to sit in an open plan office including the economic development and cultural services division which includes arts, conservation and sports.

Other projects were initiated by individuals because their roles straddled a series of council departments. In Blackburn, Stephen Irwin notes: *"I am in the cultural department, my*

consumers are in another [children's services], we also have the elderly as customers so my job by its nature is outward-looking." Whether by design or chance, many innovators worked in non-local government areas before; this made them externally focused.

Customer feedback

All projects were external facing in the sense they sought feedback from their customers. A number of different tools were employed including:

- An evaluation sheet (East Riding).
- Retail and leisure study (Rochford).
- Increased usage of local services, for example use of car parks (Rochford).
- Surveys of user and/or customer groups (Rochford).
- Surveys of user/non user groups (Winchester).
- Online interactive forums (Winchester).
- Customer comment cards (Winchester).
- User case studies (Broadland, Winchester).
- A questionnaire of residents (Broadland, Middlesbrough).
- Door knock of residents (Middlesbrough).
- A public event where residents could ask questions of the projects before voting on whether to fund them (Broadland).
- A decline in demand for council services, for example less anti-social behaviour complaints or incidences of arson (Broadland, Middlesbrough).
- Requests from other public services for access to the service or a tailored version of it (Derbyshire).
- Visitors book (Derbyshire).
- Bi-annual member consultation (Warrington).

- Ad hoc comments posted on site (Warrington).
- Web-tracking (Winchester).
- Comment board (Winchester).
- Focus groups (Winchester).
- Participatory budgeting, where members of the public in that neighbourhood are allowed to vote on how their money is spent (Broadland).
- Quarterly feedback to the council on progress (Broadland).

This emphasis on obtaining feedback was important to providing a justification for continued funding of the projects.

Product adaptation based on feedback

This feedback informed the development of their product. Blackburn Museum is incorporating interviews with white children into its second DVD after requests by teachers for a more racially mixed group of interviewees. East Riding began its project presenting to the children. Teachers requested that the service be made more interactive. East Riding altered the service to include maps of their local area and require the children to dress-up. Rochford altered its *Shop at My Local* posters after a consultation revealed some retailers could not display them (the posters alerted customers to the presence of vouchers, but some stores did not provide vouchers). Each practitioner altered their product according to the interests of their customers.

Willingness to risk failure

As Eloise Appleby of Winchester declares: *“If you don’t put your head above the parapet no-one will shoot at you.”* Many of the individuals involved in these projects envisaged that had they not been successful it would have damaged their career. They believed they were seen as atypical local authority employees by their peers. Their projects were often an optional adjunct to their main role.

Crucially, innovators were indulged if their projects did not interfere with the performance of their main tasks. Jennifer

House of Rochford revealed feeling that she had put her *“neck on the chopping block sometimes.”* She believed that *“if it had failed I may not have been given many more chances.”* It is noticeable that those engaging in projects that did not directly correspond to their statutory responsibilities were further advanced in their careers (whether their careers had been in local government or elsewhere). Other individuals were either complying with their statutory duties (Middlesbrough), had already completed a series of similar successful projects prior to being allowed to proceed (Rochford), or were working on micro projects with little associated risk (Devon). Individuals who have achieved the rank they are comfortable with or are soon to retire perhaps feel more confident taking the risks innovation requires.

Supportive leadership

Each of these projects occurred because managers were willing to allow their staff to divert a proportion of their time to initiating and managing them. Nancy Small cited the importance of support from the Broadland Council Leader and Chief Executive. Jennifer House stated *“I am very lucky my council [Rochford] have supported me.”* Patricia Mann noted that her council (East Riding) leader frequently attended their events in person. Stephen Irwin noted that the project meant he had to *“go into the schools each week, one or two days a week... [and spend] each weekend getting in touch with veterans.”* Without supportive leadership this commitment could not be maintained. Innovative authorities need to consider how to institutionalise the practice of managers devoting staff time to innovation.

PART 2: THE SMALL IS BEAUTIFUL PROJECTS

This section of the pamphlet provides a description of each of the ten selected projects.

Table 1: Selected Small is Beautiful projects

Organisation	Project	Officer responsible
Blackburn Museum and Art Gallery	We Also Served	Education Officer
Broadland District Council	The Stairway Out of Crime Programme	Project Officer
Devon Record Office	Sensory Box, Trade & Empire Britain & India during the 1800s	Heritage Outreach Officer
Derbyshire County Council Cultural and Community Services	The Derbyshire Police Collection - Delivering the Community Safety Message	Derbyshire Museums Officer
East Riding Registration and Celebratory Services	Citizenship in Schools	Superintendent Registrar

Organisation	Project	Officer responsible
Lancashire County Library and Information Service (LCLIS)	Get It Loud in Libraries	Cultural Youth Offer-Policy Officer
Middlesbrough Council	Back Alley Improvement Team	Principal Environmental Protection Officer
Rochford District Council	Shop at My Local	Economic Development Officer
Warrington and Halton Trading Standards	Consumer Alert Network (iCAN)	Principal Trading Standards Officer
Winchester City Council	Museums Service: Using new technology to engage with customers	Head of Economic and Cultural Services

Blackburn Museums Service: We Also Served

Muslim veterans living in Blackburn appealed to Councillor Bill Taylor that they were not getting appropriate recognition for their service in the Second World War. The Lancashire Telegraph covered the story. An Asian Youth Group approached Stephen Irwin at the Blackburn Museum service to ask for assistance in making a programme about Asians in Blackburn in the Second World War. There were very few. However, the article gave Stephen the idea to locate and interview the South Asian veterans living in the surrounding community, including those featured in the original article. Initially, five veterans were identified in Blackburn, one in Accrington and, later, two in London.

Little research has been done into the two and a half million men who had served in the British Indian Army (with the

exception of the Ghurkhas and Sikhs). India does not want to acknowledge the service of individuals that fought for the former colonial power. In contrast, Indians who volunteered to serve Japan have been granted full war pensions. Stephen Irwin believes these interviews form the only concerted attempt to record the experiences of Muslim British World War Two veterans ever made. He describes the project as one designed to cater for *“a large group of people in danger of being excluded from the historical record.”*

Blackburn is a town where a very high proportion of its population are of South Asian heritage. This would provide *“an easy hit for community cohesion as both the Muslim and indigenous communities can come together and share a common experience both hold to be important.”* Highlighting the role of Muslim servicemen in the Second World War can *“challenge far-right political groups in an entirely non-confrontational manner”* and can also *“challenge the preconceptions of Muslim young men.”*

After discussion with the Asian youth group it was decided to put on an exhibition to raise awareness of the role of Muslim servicemen amongst all of the town’s communities. Part of this was a film featuring the local veterans being interviewed by the young men from the youth group. This was done as a joint project between the youth group and the Museum.

The exhibition, especially the film, was well received but it highlighted some problems; unfortunately, Stephen Irwin did not speak Urdu or Punjabi. It also became apparent that most of the Asian young people were not proficient enough to speak to the veterans about their experiences either, and as it wasn’t taught in school, they were unaware of what these men had done.

After this the aim was to create a bank of 30 interviews with Muslim veterans and make them available to historians and programme makers. Also the Museum wanted to do something more ambitious. They submitted a bid to the Heritage Lottery Fund to hire permanent staff who spoke Urdu to identify these people, interview them and use that material to develop a teaching resource for local schools. The bid was unsuccessful but a further bid for a smaller sum has enabled the project to

proceed, focusing on the resource for schools.

A DVD was commissioned. A film-maker was chosen from the Creative Partnerships list (now called Curious Minds). This group of artists work in schools with children. Consequently all film-makers on this list are Criminal Records Bureau (CRB) checked. This DVD featured the Asian veterans who had originally identified themselves and children from two local schools. These two schools were St Bedes which is overwhelmingly white, and Beardwood which is overwhelmingly of South Asian heritage. These schools have previously swapped whole year groups for a few days to encourage racial co-operation. Teachers who saw the original film said the interviews were too Asian-focused. Interviews led by a mixed group of white and Asian children are necessary to make it relevant to all communities. Mr Irwin has incorporated this suggestion in his framework for developing the second DVD.

The project is now pushing for national publicity with *“no ambitions beyond that.”* It hopes that other veterans may be inspired to come forward. Emel, a Muslim lifestyle magazine, was approached. Its Assistant Editor had a father and uncle who served in the British Indian Army. It recently featured a piece on Muslim veterans. Two volunteers from the schools appeared on BBC Radio Manchester to discuss the project. The Asian youth group and Blackburn Museum parted company in December 2009 with *“disagreements over finance and copyright.”* The Asian Youth Group was the gate-keeper who gave access to the Asian veterans. The second film might need to be re-scripted because Muslim veterans cannot be guaranteed. The project is currently seeking external finance and veterans to sustain it.

Broadland District Council: The Stairway Out of Crime Programme

The Broadland area in Norfolk is a relatively low crime area. However, in 2003 children’s play facilities were vandalised in one of its wards. A District councillor brought this issue up in full council, leading to a discussion about who was committing crime and why. Keen to affirm their role in crime prevention, the

Council realised they needed to know what the issues were and how to best place resources to address them. Research was commissioned from the University of East Anglia.

Three years and £100,000 later the research was completed. It recommended the shifting of resources from crisis management to the adoption of early intervention programmes to divert individuals from crime. Upon receiving the research (in 2007) Broadland District Council decided to pilot a series of different projects, grounded in the research and primarily delivered by the third sector.

Over 15 projects have been piloted. Those that proved successful have been mainstreamed. The aim was to provide seed capital to initiate the projects. They would be funded once and then would need to sell their services to endure.

The projects fall under three headings which follow the three frameworks outlined in the original research:

- 1) *A one-stop shop*: to provide for young people's emotional wellbeing in a timely, flexible and non-stigmatising way. Supporting young people when issues arise can be more effective than waiting until poor emotional wellbeing manifests itself in the young person's behaviour.
 - Benjamin Foundation: The 'Time 4 You Service' has been provided in seven primary schools since November 2007. It is a counselling service to support young people to deal with issues including bullying, bereavement, family break-up, parents misusing substances, eating disorders, self harm, depression and more. Children are referred to the service by teachers, parents or by themselves at a lunchtime drop-in. They are seen on an individual basis for 30 minutes a week for as long as the child wants. An initial investment of £26,000 has led to further external funding and schools contributing, meaning that now over 500 young people have received support.
 - NSPCC Respectful Relationships Programme and Leeway Women's Aid Schools Domestic Violence Programme (a local women's group) workshop on violence towards women issues: A six-week programme in primary schools

and high schools raising awareness amongst young people, ensuring they know how to access support, equipping them with techniques to solve conflict without violence and busting myths that allow domestic abuse to flourish.

- **Matthew Project:** This project provides coaching to adolescents for whom substance misuse is causing them to disengage from education or become involved with the Criminal Justice System. Young people spend one hour per week with their coach, usually for about three months. It was started with a £9,000 grant which has allowed the gathering of evidence to support its being rolled out Norfolk-wide.

2) *Social enterprise framework:* These projects work to engage young people with education and training and use their time productively.

- **'Our House'/Carrowbreck project:** Groups of 15 young people at a time work on a dilapidated house leased by the Council. By working alongside professionals in the construction industry, young people gain valuable skills and make important contacts. They are given a chance to do NVQ level 2, to develop construction links and be tutored in literacy etc. The last six weeks are dedicated to CV production. Fourteen of fifteen finished and all but two are employed or in further training in the construction industry.
- **The Taverham Massive:** Friday night social club begun in December 2007 with support from the Parish, District, High School, Norfolk Constabulary and local businesses. Incidences of anti-social behaviour have decreased from 64 every two months to just two.

3) *Community Justice Focus:* These projects aim to enable communities to take a stronger role in crime prevention/setting targets/responding to crime in their Districts.

- **Participatory budgeting:** A steering group of local young people oversaw a process which allowed the public to

vote as to how money should be spent in their area. Local community and voluntary groups presented their project ideas at a public meeting at the local high school and the 130-strong audience cast their vote.

- Assertiveness Training, Victim Support: Over the next 12 months up to 70 bullied young people will attend a one-day training course. This will teach them assertiveness skills, relaxation skills and coping strategies to reduce the bullying they experience and minimise its impact.
- Restorative Justice: Training key individuals in the District to allow the deployment of restorative approaches.

Until 2009 there was no officer to coordinate the various Stairway Projects. It was the responsibility of many people within the council. These projects received *“very good support from [the] leader of the council and the chief executive who are right behind it.”* Their support was *“necessary to get the projects off the ground.”*

Derbyshire County Council Cultural and Museums Services: The Derbyshire Police Collection – Delivering the Community Safety Message

In 2004 Derbyshire Police decided to dispense with the 2,000 items in their police heritage collection. The County Council asked its museums service to manage it. After contemplating putting it in storage, it was decided to deploy the collection to promote the work of the police and the different roles within it.

The collection would be used in very small exhibitions that could be deployed in libraries where footfall was greater. The idea was *“to take collections into the community rather than expecting the community to come to the museum.”* All the exhibitions consist of two small display cases and a banner. They are devised at the computer alongside the objects. There are currently four touring exhibitions using the police collections focusing on community safety themes. The museums work with all 46 public libraries. This ensures that the exhibit can be seen by all communities, provided they use libraries. Under the police the collection was seen by 3,000

people a year. In some libraries elements are seen by that number each week.

Exhibitions have been designed to link in with police campaigns:

- **Truncheons and typewriters:** This exhibition explores gender issues in the police. The police want to promote the role of women in the 21st Century force. Four women police officers (retired) and serving officers were invited to help to put together a range of exhibits. It looked at what women did before and what they do now. Primary school girls were invited to the opening of this exhibition.
- **Hooked:** *“The idea of taking the drugs material out was quite scary.”* This had a large piece of paper in the shape of a cannabis leaf on which visitors recorded their feedback.
- **KopyKats:** Developed in co-operation with Derbyshire Trading Standards. This features examples of forged/cloned and imitation items.
- **Fairfield project:** In their community support role the police worked with the local Sure Start Mum’s and Toddlers group and the local museum. Children were able to see police work in context in their *“own community rather than in a giant collection.”* There was an opportunity for children to meet the police dog and have their fingerprints taken.

Ros Westwood describes how *“to be innovative you can’t do something huge. If you want people to enjoy something you can bring them to a big event and they can be overwhelmed, or you can give them a taster session.”* The average annual spend of this programme is £28,000. This provides for the following features: a part-time curator, management of the collection, exhibition development, a travelling exhibition programme with transport and staff, and promotion and marketing.

Devon Record Office: Sensory Box, Trade and Empire Britain and India during the 1800s

This is a partnership between the Devon Record Office and the West of England School to introduce those with little or

no sight to what the Record Office does. It was begun in 2009 when a Heritage Officer from Devon Record Office approached a history teacher at the West of England School. This school is one of the few for children who are partially sighted in the area. She wished to make the Record Office accessible to the disabled, publicise its work and increase visitor numbers. They agreed to undertake a joint project entitled 'Trade and Empire'. It was funded by the Museums Libraries and Archives Council (MLA) which granted £3,000 under the Pocket Learning Links scheme. The main items of expenditure included staff time and the purchase of small items for the exhibit.

Relevant items from the archives were identified. These included charts featuring voyage routes and the diary of a sea captain. They were modified to allow the disabled to engage with them. The chart 'exhibiting the passage to India and China by the Cape of Good Hope' was modified using Minolta so users could feel the contours of the route. The Diary of A.W. Davies, Captain of the ship the Oleana of Liverpool dated 1842 was transcribed into brail on parchment. Bags of items were assembled containing traded commodities to enable the children to touch and smell the exhibit. They included items such as spices, cotton, silk and calico, fruits (a pineapple and a pomegranate) and dried fish. Other touching bags included items used in the trading process, for example a replica seal, old coins and so on. A professional story-teller was hired to assist the children to create a letter describing their imaginary voyage to India.

This project is relatively new. It is still under development. The options for expansion include the recruitment of additional schools to showcase the exhibits, and the provision of advice to other authorities on how to adapt their exhibits for disabled users. Gloucester Archives has used elements of this exhibit in their programmes. The handling collection has been given to the Devon Learning Resource. This Council body distributes/exhibits handling collections to schools on request. Currently the Record Office is working with the West of England School on a project entitled 'A Sense of Place'. This compares old maps of the area (nineteenth century) surrounding the school with existing maps. It seeks to encourage students to identify with their area, develop spatial awareness, a sense of history and an

understanding of how maps can be used.

East Riding Registration and Celebratory Services: Citizenship in Schools

In June 2008 East Riding Registration Services invited local school children to attend citizenship ceremonies held in the council registration offices. Local schools were required to organise the transport and escort the children. This affected the take up. Patricia Mann had the idea to take citizenship presentations and mock ceremonies out to the schools. Head teachers in East Riding were e-mailed to ask if they would like their school to take part. Nearly all immediately replied that they would. Organising the events involved a few phone calls to the school and presenting for just over an hour. The Registration team was comprised of three to four part-time professionals

Feedback was delivered through an evaluation sheet compiled by those presenting in co-operation with the teachers. Teaching staff asked for the presentations to be made more interactive. In response, flash cards were produced depicting places of interest around East Riding. The children dressed up in costumes provided by the registrars and role-played the part of dignitaries and new citizens.

Patricia and the team are now working to produce an educational DVD on citizenship ceremonies and extend the formal ceremonies into senior schools. Currently they are compiling evidence to attempt to make permanent their government connecting community's fund grant. The existing grant requires them to target this service to areas with a large ethnic minority/migrant population. If they do not obtain further funding they will ask the schools for a contribution. They seek to cover the costs of the project which amount to £150 per ceremony in travel and prop costs plus staff time.

The civic office provides each child with a certificate for their involvement in the ceremony and the children are also given a sticker which says 'Citizenship is Cool.' The Chairman of the Council and other local dignitaries regularly attend the ceremonies. Parental permission is obtained for any photos or

films taken at the event. The project has worked with LACORS in the past to publicise information about the project on the LACORS website. They hope other authorities will emulate their work. The feedback received so far has been excellent, with many schools requesting repeat visits.

Interaction with the senior schools for the formal citizenship ceremonies is part of a wider government initiative to encourage more of a community welcome, encouraging local employers and police community support officers to engage with new citizens.

Rochford District Council: Shop at My Local

When Rochford produced its Local Development Framework it was required to compile a Retail and Leisure Study. This revealed consumer spend was leaking out of the District to neighbouring boroughs, internet outlets and out-of-town shopping centres. Central Government wanted local authorities to concentrate on reducing vacant lots, i.e. empty shop premises. Rochford viewed this as a symptom of decline not its cause. They decided to investigate why individuals did not access the town centre. They detected a difference between main spend (weekly shop) and a lot of daily top-up spend (incidentals such as milk, bread and newspapers). They believed the latter could be directed to small shops and set up the project to ensure this.

Rochford researched campaigns designed to encourage people to shop locally. Some local authorities held a public event, which increased footfall and thereby business. However, its effects were temporary. Others founded their own currency. Such schemes were expensive to operate. They had a low level of membership. Working with local traders, Rochford District Council had previously operated a parking refund. This also had problems. Retailers lost money if they refunded parking for customers who purchased something of nominal value. Thereby, Rochford decided to design a new scheme – one that provided the value of internet or outlet shopping with the unique benefits of independent retailers, such as customer service and specialist products.

A local website called Shop at My Local was set up. Any local trader can join the campaign for free by signing the Trader Pledge and use the website to gain an increased profile online and to add exclusives offers (vouchers) to entice shoppers. Users can search by area. They can also search by type of business. This enables them to make best use of the voucher scheme. The site currently features 70 vouchers. The front page features the newest.

Members are included in an online business directory and member feedback reveals that member businesses are getting increased rankings with major search engines as a result of their membership of this scheme. When members join they sign a pledge. This commits them to get involved in local initiatives, offer good customer service and maintain their areas' cleanliness. In return businesses are offered training on VAT and tax compliance, merchandising, customer service and crime prevention.

Buying groups are currently being organised to enable traders to achieve economies of scale. Three thousand Shop at My Local bags were purchased to publicise the scheme. Local enterprises were given the opportunity to buy advertising for customers or other businesses. A young entrepreneur programme was initiated. Under this scheme local school children were asked to design a product for Shop at My Local. If it is viable, the product will be designed and built in the District.

Lancashire County Council Library and Information Service: Get It Loud in Libraries

Stewart Parsons of the Lancashire Library Service was approached by Hot Chip, an English electropop band, to ask if they could perform in the local library. The band was not yet well-known. They were refused permission. However, this offer encouraged Mr Parsons, a music librarian, to rethink the role of libraries. He began to think "*libraries are about art and culture not just about books.*" Many people who love music are not accessing it through libraries. This is because new CD releases have a 90-day hold-back to boost sales. New releases cannot be found in libraries. However, there is nothing to stop bands

performing new material in libraries. This was the idea behind Get It Loud in Libraries.

This project aimed to achieve the following objectives:

- 1) To offer teenagers, hard-to-reach groups and culturally attuned people who don't habitually visit libraries a unique modern and safe experience through live performance in a traditional library setting.
- 2) To break down the perceptions that libraries are irrelevant, and confidently reposition the library in people's imaginations, making a bold statement that drives the message home that libraries are a cool alternative place to access great music, novels, information and art.
- 3) To break out of the library comfort zone, pitch a marketing drive in the High Street and online in youth communication channel websites like Facebook, Twitter and MySpace to engage, diversify and develop a new fresh audience.

Library employees research, select and book music and comedy acts. Acts such as Florence and the Machine, Bat For Lashes, Adele, The Blackout and Ellie Goulding have performed in libraries under this scheme. Fourteen young volunteer workers provide additional support (this has increased to 50 volunteers across the country as the Get It Loud in Libraries initiative has gone nationwide). The acts are performed in the library, which has a 200 person capacity. Users are charged a small sum for entry (£5-£10). Free tickets are distributed to deprived and hard-to-reach groups. This covers the event's costs which include PA hire, security, staffing and band hire. The Museums, Libraries and Archives Council and Lancashire Arts Development provide additional funding for the scheme. A toolkit has been produced to facilitate other authorities replicating this project.

Lancashire libraries have had almost 3,800 non-members visit the library under the scheme. Unfortunately the project cannot detect whether these users have begun to utilise traditional library services. However, the library service is now the biggest distributor of CDs of any UK library service. Users are being

encouraged to engage with the library in a new way. This was the aim of the project.

Middlesbrough Council: Back Alley Improvement Team

Back alleys are romanticised by Coronation Street. They are a feature of many urban centres. However, they are also prone to decay. A transient population can be created in areas where there is a high incidence of renting. With little long-term commitment to the area people have little interest in maintaining it. Fly tipping can become a problem, with mattresses and chairs abandoned. This encourages incidents of arson. Middlesbrough initially responded by putting alley gates on the back alleys of many terraced streets and providing communal bins so residents could put their rubbish out at any time. However, a more extensive solution was required.

In March 2009 senior management at Middlesbrough council decided to roll out a back alley improvement project in partnership with community protection. The Council targeted implementation on four wards subject to significant deprivation (Middlehaven, University, Gresham and North Ormesby). Suitable sites were identified by a questionnaire of residents and door-based surveys were used to identify if there was an interest.

Council employees were seconded from other teams to assemble the Back Alley Improvement Team. This includes an Environmental Enforcement Officer, a Community Liaison Officer from Cleveland Fire Brigade, a Back Alley Improvement Officer and operatives from Area Care. This team had a target of four alley makeovers in 2009-10; 15 were conducted. Makeovers were catered to the tastes of the residents to increase their sense of ownership. Funding is linked to environmental improvements and the achievement of National Indicator 196 which requires a reduction in fly tipping.

Alley makeovers have changed poorly maintained areas into attractive public spaces. Offenders were enlisted to do the initial preparation work under the community payback scheme (for example removing litter and graffiti). The author Bill Bryson was invited to officially open one specific alley. Children from

the Breckon Hill Community Centre assisted in the makeover of one alley. An official opening of an alley was catered with food made by local residents. Resident volunteers were identified in each back alley to be responsible for ongoing maintenance. The local authority aims to recruit an artist to produce a plaque or piece of art to commemorate each makeover. A 24 per cent reduction in small deliberate fires has been recorded in the four wards subject to alley makeovers, and a target of 10 per cent improvement was exceeded in a recent assessment of alley cleanliness.

Warrington and Halton Trading Standards: Consumer Alert Network (iCAN)

This service seeks to alert residents to rogue traders, consumer cons and scams and other community issues. Initially they rang 20 to 30 people to alert them to scams but this was insufficient. Equally, placing public alerts in the paper did not fulfil the need for real-time updates. A technological solution was needed.

The software developed for public neighbourhood watch systems was restrictive as to who it could access and what information it could broadcast. It was controlled by the police and community safety. The police did not have the funding to do more with it. Warrington applied for a grant from the Department for Communities and Local Government in 2002 to develop a consumer support network. A solution was purchased from a private company with a background in telephony solutions for corporations. This system could deliver automated messages via phone, email or text.

Messages delivered by the unit include brief details of the incident, advice on how to protect oneself and a contact facility if you require further advice. Alerts are put out on average once a week. Over 100,000 individual messages are delivered every year. Three thousand citizens have signed up to receive the service. Warrington has invested in the hardware and software. Voice Connect are paid to maintain it. The cost for other local authorities to build this capacity would be £30,000. East Cheshire, West Cheshire and Trafford have all asked about the possibility of purchasing the service from Warrington. Access

can be opened on a select basis to specified IP addresses. Anyone on the network can log on to it online.

Every two years a survey of members and non-members is conducted to draw comparisons. Three rounds of consultation have been conducted. Members report higher awareness of their consumer rights and less vulnerability to door-step crime. The service has allowed quicker detection of door-step scams. A damp proof scam affected hundreds of victims in 2000 prior to iCAN. However, when the perpetrators resurfaced under a new business titled Britannia Home Improvements only one victim was recorded. Residents alerted iCAN who alerted the neighbourhood. Warrington wishes to extend the service to other public services. This could be done in a tailored fashion as the system allows for users to send information out by email and text only to publicise events.

Winchester City Council: Museums Service – Using new technology to engage with customers

Winchester City Council requires its museum service to provide value for money and reach disadvantaged groups. The service set up a community history partnership, consisting of heritage groups, parish councils and others to help them provide services more effectively for rural residents of the district. Helping to meet a need identified through the Council's Citizens' Panel surveys, the partnership has for example sent re-enactors to perform at community events, and created small-scale exhibitions for community centres.

However, Winchester Museums wanted to find a solution that could reach all residents for whom access was a problem, and decided to draw on web technologies which are often free or low cost. The service commissioned students from the University of Winchester to produce YouTube videos about visiting the museums designed to appeal to young people. 360-degree virtual tours were produced to improve pre-visit information for those with disabilities, who may have been deterred from visiting by not knowing what physical obstacles they would face at the museum on arrival. Members of staff trained to record podcasts on exhibitions, providing interest

for those with visual impairments. All temporary exhibitions are archived on the web as a long-term resource for schools and learning groups.

The number of people visiting the museum sites in person last year fell slightly for the first time: however, those using the web service have increased significantly. People are interacting with the service in new ways. Winchester was one of the first District council museum services to integrate web-based and people-facing services in this way.

In addition Winchester has used its web presence to manage the input of volunteers. The Council is engaged on a programme of cultural change, which has recently seen the involvement of the Improvement and Development Agency for Local Government (IDeA) in conducting staff focus groups to gain the opinions of staff on workforce issues. As part of this change, a volunteer team has been established to support staff at museum sites. To minimise the burden of administration, a blog facility and diary was created to allow volunteers to sign up for stints on the rota and to keep abreast of the latest news in the service. When volunteers were introduced, some staff feared they would require too much supervision to be helpful. However, Eloise Appleby describes how many of her staff are *“now reliant on them.”* They have become a flexible support to the paid staff.

To provide this and the other web-based facilities, the museums service engaged the help of the Council’s IT service, and produced business cases to provide staff access to Facebook and other social media sites. At a time when government security requirements for IT management are being constantly tightened, negotiations for greater use of social media could be drawn out and require some lateral thinking to resolve. Winchester Museums is now looking at reporting mechanisms to gauge the success of its web-based activities. At present, these rely largely on outputs rather than outcomes. The museum is seeking to rectify this, for example by developing a low-cost evaluation process for the podcasts, which is likely to draw on web-based solutions such as SurveyMonkey.

PART 3:

SUPPORTING MORE INNOVATION IN LOCAL GOVERNMENT

Innovation is possible in local government. These projects prove that. However, it is also subject to severe constraints.

The types of projects highlighted here are especially vulnerable due to a divide at the heart of local government. There is a legal requirement to provide statutory services, while non-statutory services are discretionary. Statutory services include waste collection and street cleaning; planning and housing strategy; and administering housing benefits. Non-statutory services include community centres, grants to voluntary organisations, parks, open spaces and allotments, parking, public toilets, theatres, museums and art galleries. If local authorities are asked to achieve reductions in their expenditure they are likely to target services that they provide out of 'choice' rather than necessity.

If public service provision is not to decline, local authorities will need to increase their productivity. The official line is 'more for less'. This requires innovation. Non-statutory services are then a potential focus for innovation. This is because councils choose to provide them. There are no established guidelines or procedures. Councils are freer to innovate. In contrast many of the actions of local government relate to the 198 National Indicators they are required to implement. These are more prescriptive, resulting in greater barriers to innovation.

The challenge is to devise a model that will defend these pockets of innovation and help extend them across local authorities. This section outlines a model that councils could

adopt to encourage and support innovation.

Local authorities should create dedicated innovation funds from discretionary spend and other sources

Local authorities could allocate their discretionary expenditure, or a proportion of it, to create a local innovation fund. The size of the discretionary spend varies between authorities. Each council would need to assess what items of its expenditure were not required by statute. Some could choose to be radical and divert all their discretionary spend to a new local fund. Others may prefer a more incremental approach, transferring a small amount of resources to their funds to trial this approach.

Each fund could dispense loans capped at a specific level (for example £50,000) for a limited period (for example a maximum of three years) to projects which meet specified criteria. The fund could also be augmented by donations from local philanthropists, businesses and successful council grant applications to charitable or government bodies. For example, entities such as the Social Enterprise Loan Fund and the UK Innovation Investment Fund exist precisely to make awards to innovative projects.

The focus of the innovation funds would not simply be about saving councils money. In our original request for councils to submit information we stated: *“The small budget, frontline service teams most likely to be cut often provide the services with the greatest potential to build local pride, community relationships and sense of place.”* In addition to achieving cost savings to councils and allowing the reduction in councils’ annual grant to discretionary spend, these innovation funds should seek to:

- Improve council service delivery, for example more personalised, responsive services for citizens.
- Promote an outcome rather than process-oriented approach to public service delivery.
- Increase the productivity of local government to ensure greater value for money to taxpayers.

- Reduce the number of team silos that duplicate functions and waste resources.

More detail on the possible operation of these funds is provided below.

Who decides who awards loans from the fund?

Different local authorities have different structures: two-tier, unitary, mayoral and so on. Individual councils will need to determine the composition of their awards bodies to reflect their unique local circumstances. However, we would recommend two features. First, the Leader of the council (or an equivalent figure) should be present on the awards body. This is because loans should be made in line with the policy aims of the incumbent administration. They should also be subject to democratic control and oversight. Second, the Chief Executive of the council should be present to signal the councils enduring commitment to this scheme.

The administration of a loan portfolio requires considerable financial expertise and some bureaucratic capacity. A team will need to be given responsibility for managing the innovation fund. We believe this team should sit within the Chief Executive's office. This will aid coordination of loan approvals with the councils' political priorities. The required capacity of the team will vary according to the size of the authority, the quantity of funds diverted to the fund and the workload created. The workload is difficult to calculate. Until the scheme is piloted we will not know the number of projects that will be submitted for consideration. However, individuals could be seconded from a department familiar with portfolio management (for example the pensions team). They could train a sufficient number of council employees to provide appropriate oversight. This could be scaled up or down depending on the demand.

What criteria will they apply?

Finance decisions would be made under a new criterion. We suggest our preferred criteria below. Projects bidding for funding would need to demonstrate they could achieve the following:

- Cost savings across the council or a specified return on capital (an interest rate) would be applied to the loan.
- Long-term viability of the project independent of local authority sponsorship. Projects should not be dependent on long term funding by the local authority or this innovation fund. A plan should be in place to transition them to become commercially viable enterprises (social or otherwise) after a specified date (for example three years).
- Broaden the skills base of the council by giving staff an experience of work in the private or third sector. It is noticeable that innovation in this sector tended to come from individuals with external experience. This scheme would extend the number of local authority employees with such experience.
- Create a competitive market for the achievement of public policy aims. Competition is a spur for private sector innovation. Businesses need to create new or more desirable products to remain profitable. The public sector is marked by a greater preference for compliance to established procedure. Projects noted the fears of reputational damage and financial or legal risk which governed action. By establishing an automatic 'sunset clause' on each of these projects (the date at which the loan capital needs to be repaid) the public sector can replicate a positive echo of the 'creative destruction' present in the private sector.
- Involve private citizens in the development of solutions to public problems. This proposal seeks to allow councils greater freedom to draw on the skills of innovative communities to meet common problems. Innovative ideas do not necessarily have to come from the council, although an innovative council should wish to finance their gestation.

What do 'cost savings' or a 'return on capital' mean?

Cost savings to the council occur when there is a reduction in the public need for a council service, for example if a social enterprise provides low-cost activities for local youth and this reduces incidences of crime; it could reduce the expenditure required for enforcement action. They can also occur if a more

efficient means of delivering an existing service is developed. A return on capital would be achieved when a project sells its services to external sources or sells its services to the council by more efficiently providing an existing council service.

When they begin, projects wishing to obtain funding would need to evidence how they would achieve profitability or cost savings to the council after a designated period of time. At the end of this period projects would need to repay the loan plus interest, apply for a fresh grant or fold. When estimating cost savings that could be achieved the local authority would need to consider how it would recover savings made to services outside the operational control of the local authority.

Councils do not control all of the public services that operate in their area. This sometimes creates difficulties in recycling the cost savings achieved. Local authorities would need to enter into agreements with the local services that operate in their area to allow savings made to these services to be paid into the general fund. Without such agreement local authorities may seek to exclude these services and projects in their areas from consideration for innovation loans.

What interest rate will local authorities charge on their loans?

The level of interest on innovation fund loans will vary. It will be at the local authorities' discretion. In deciding what rate to apply they will need to consider a number of factors. Sufficient coverage should be provided to account for loans made to projects that fail. A return in excess of that available in deposit facilities should be made. The rate of return should also serve to build up a sufficient innovation fund to allow the number of loans made to continue to be made. By way of comparison the Social Enterprise Loan Fund charges both an arrangement fee of between 1 and 2 per cent on agreement to loan and an interest rate of between 2 and 7 per cent.

What would happen if the project was not profitable or had not achieved cost savings?

If the enterprise chooses to apply for an additional council grant it would need to evidence the cost savings achieved. If these were insufficient or non-existent further grants should be refused. This measure should limit local authorities' exposure

and commitment to failing projects. It should also reduce the existing level of waste in local authority expenditure.

How would we manage the transition to this new system?

The innovation fund will be financed out of the money currently being spent on the delivery of existing non-statutory services. Each of the schemes these resources currently fund would need to rebid to maintain their funding. Both local authority employees and external contractors could bid for these funds. This would ensure local authority compliance with the EU duty to contract out services above a specified sum (currently £156,000). There are currently 62,000 social enterprises in the UK. According to Social Enterprise Coalition, they employ around 800,000 individuals and contribute around £24 billion to the UK economy. It is likely they will compete to provide these services. Local authorities would need to decide what to do with employees that mounted unsuccessful bids for funds. They could be deployed to other departments within the council or made redundant as the circumstances and preferences of the local authority dictate.

This approach has some precedents in some of the Small is Beautiful projects. Broadland District Council operates a model entitled The Stairway Project. The capital provided is viewed as seed funding. It is small-scale. Projects can be supported in their bids to obtain third sector funding. However, additional local authority grants are not supplied. The aim is to make each of these schemes a viable commercial entity. In Rochford District Council the Shop at My Local scheme is seeking social enterprise status and National Lottery funding. Its creator is considering going part-time and the project plans to be self-sufficient within four years.

What kind of enterprises could be formed?

- Community interest companies (CIC): A CIC is a legal form created specifically for social enterprises. It has a social objective that is 'regulated' ensuring that the organisation cannot deviate from its social mission and that its assets are protected.
- Industrial and provident societies (IPS): This is the usual form for co-operatives and community benefit societies,

and is democratically controlled by their members in order to ensure their involvement in the decisions of the business.

- Limited companies: The most common legal structure for businesses and often considered to be the most flexible, particularly companies limited by shares. While they can ensure they have a social mission written into their Memorandum and Articles of Association, this is not regulated.
- Group structures or independent charities: Tax is an important consideration for some organisations where the retention of surpluses is essential, particularly if they can't take on equity.

Some discretionary services might not fit this model

There are two potential models for managing the transition – a transformational and an incremental option. The transformational option involves transferring all the discretionary spend of a local authority immediately to the innovation fund. This spend would include that designated to library and museum provision. It would necessitate a comprehensive redesign of the provision of these services to bid for projects under the specified loan limit. This 'big bang' approach may not suit all authorities.

The incremental option would require a council to cancel a number of existing discretionary projects and put the money saved into an innovation fund. Specific services could be exempted from being included in the innovation fund. They would continue to be funded in the traditional manner. Alternatively specific areas of expenditure within a budget (for example the capital expenditure in the museums budget) could be ring-fenced. These exempted funding streams would continue to be financed in the traditional manner. However, other items of expenditure within that budget (for example the staffing element of the museums budget) would need to apply for resources from the innovation fund. The incremental option recognises the unique nature of some discretionary services by allowing some whole services or parts of services to be exempted from inclusion in the innovation fund.

Both options have their merits. The weak option should not

be discounted. The value of this approach is illustrated by the experience of the Grameen Bank in Bangladesh. It proves that small capital injections can generate significant returns and create viable enterprises. Grameen is a microcredit and community development bank. Its founder Professor Muhammad Yunus, Head of the Rural Economics Program at the University of Chittagong, had launched an action research project to design a credit delivery system to provide banking services targeted at the rural poor. In 1983 this project was transformed into the Grameen Bank. It provides loans to small business people without the traditional requirement for a firm to provide collateral. Ninety eight per cent of its microcredit loans are repaid. The bank distributed around \$8 billion in assistance to the rural poor between 1983 and 2008. The existence of this bank and its success prove that a publically supported fund can achieve a profit and spur innovation.

How would innovation funds help to deliver savings in local government?

Reductions in local authorities' annual grant to the innovation fund can begin in the second year. These could be made incrementally until they reach a specified sum. The size of this sum and the speed of reduction would be a matter for local politicians to dictate in coordination with central government. It would vary between local authorities. These reductions can occur due to three factors.

Discretionary funding can be cut because the innovation fund will be managed to achieve a return on capital. Projects that become commercial enterprises can agree a loan repayment schedule and pay a rate of interest on the original loan. These payments added to cost savings achieved by other projects can be added to the innovation fund. Both these income streams should be managed with a view to moving the fund towards a sustainable footing. The fund will aim to become self-financing without the need for further capital injections.

Productivity in local authorities will be increased if projects are required to achieve profitability and/or cost savings within a specified period or fold. Allowing wasteful projects to end automatically as their funds run out will prevent resources being continually deployed to failing projects. This measure

limits the potential losses to the local authority. Furthermore, local authorities would be conditioned to emphasise achieving a return on capital. This would reduce any propensity to provide initial finance for loss-making schemes.

The divide between statutory and non-statutory services will persist. However, this innovation fund offers the potential to achieve cost savings in statutory service provision. Once evidenced this could facilitate the transfer of funds from statutory services to these projects. This could occur under councils' ill-defined and potentially all-encompassing power of general wellbeing. The innovation fund would allow public servants to operate independent of their discrete departments to break down the silos that affect delivery. Individuals would be given greater flexibility to concentrate on outcomes rather than processes.

Does local government possess the skills to make this happen?

In addition to the provision of small-scale, short-term seed capital, local authorities would need to build the skills base of their workforce. Projects would need to be supported in the following ways:

- Full management commitment to second staff to participate in these start-ups: This would include the introduction of flexible working practices where employees could devote one or two days work a week to create a social enterprise. Reduced staff hours and voluntary leave is a feature of private sector enterprises. The public sector could replicate this as an alternative to job cuts.
- Incorporation of these projects into the performance assessment process for local government employees: Employees would be free to choose not to initiate an enterprise. However, the creation of a successful entity could count towards accelerated career progression.
- Advice on how to create a social or commercial enterprise: This could be provided by the council through a mentoring programme or contracted out to an external provider. Simple matters such as where to register and how could be answered via this programme.

- Advice on how to trade-mark or franchise services:
Rochford District Council is currently considering this route, for example *“trade-marking the scheme, design, logo and selling it to other councils.”* This service could be provided for entities wishing to achieve full commercial status at a fee.

Seconding employees to work in commercial enterprises already occurs within the public sector. Senior civil servants can undertake placements in commercial enterprises. These can last for variable durations of 100 days, a year or more. Employee remuneration is provided by the host enterprise, the civil service or a split between the two organisations.

Local authorities could operate a similar arrangement. Staff could opt to go part-time to run these new commercial enterprises. This would achieve a reduction in council staffing costs. Local authorities could charge their employees' time or a proportion of it to the enterprise. This would recover staffing costs against the innovation loan provided. Alternatively local authorities could allocate their staff a designated number of days (per week or in total) to operate these enterprises. Many local authorities already operate a similar scheme offering staff time off to pursue charitable purposes.

Incorporating these programmes into the career progression path for local authorities could change the nature of local government. Many of the individuals undertaking innovative projects were older. It could be suggested that they had therefore already achieved the rank they wished to achieve. Certainly, none described their involvement in these projects as designed to achieve career advancement. Installing this option as one for all individuals within five years of completing the graduate training scheme would ensure that many future local government leaders have the opportunity to experience operating a commercial entity. Relatively junior members of staff would also be able to interact with the Chief Executive. The projects they propose would seek to fill perceived needs. This would provide the councils' leadership with valuable information about the perceptions of junior members of staff.

Individuals leading the innovative projects featured revealed the need for the provision of support services similar to

those featured above. Stephen Irwin, Blackburn Museum, said projects *“need [a] mentor or advisor to inform people how to progress a project... like any sole trader, you can’t sell products and develop them at the same time. [You] need to find money to do it. It is a full-time job.”* By creating a demand for this product, the private market is likely to create suppliers of advisory services. The Social Enterprise Coalition already provides extensive guides on the necessary steps to form these enterprises. Further, as the fund endures, past recipients of funding could begin to act as mentors to new programmes.

What are the potential threats to this approach?

The existing local government culture can operate to stifle innovation. This new fund structure attempts to provide a solution to this problem. However, some factors could undermine it. Local authorities should be mindful not to allow the following issues to occur:

- Providing insufficient start-up capital to allow the fund to achieve prominence: This fund could become a token fund for local authorities’ pet projects if it is not managed according to the criteria specified here.
- Extending the criteria for loan distribution to include multiple different factors: The criteria should be kept simple. Multiple criteria will sap the creative urge of the entrepreneurs and deplete fund resources on excessive compliance.
- Making withdrawals from the fund or use it to fund projects which do not create a rate of return or cost savings to the council.
- Applying a prohibitive interest rate on projects bidding to become social enterprises: This would deter people applying to run projects and endanger the potential profitability of the project.
- Allowing middle management to refuse flexible working or reduced hours for their skilled staff: If able council staff cannot engage in this scheme it is unlikely to succeed. This scheme should not become a means for local authorities to shift problem employees out of their workforce without

firing them.

A proportion of these social/commercial enterprises will fail. What this proportion is we cannot predict. However, this is part of the process of innovation. Imposing a specified cut-off point for financial support limits the potential losses of the local authority. Projects should focus on achieving viability. They will need to prove their worth or fail.

These innovation funds offer the opportunity to remodel local public service provision to deliver greater value for money and an improved customer experience. The projects featured in this pamphlet show what is already being achieved. However, these projects have succeeded despite of rather than because of the current system. This new model presents a unique opportunity to reward innovation and achieve a lasting impact for communities. Different local authorities will adapt the model to suit their individual arrangements and local circumstances. However, all can benefit from a system which concentrates on outcomes rather than processes and rewards innovation rather than compliance. This is the value of the innovation funds.

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NESTA

1 Plough Place London EC4A 1DE
research@nesta.org.uk

www.nesta.org.uk

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