

## Harborough District Council Operating Model; discussion paper

### 1. The Operating Model

- 1.1. An operating model is a description of how a council should function, in order to deliver its *Strategic Vision*. It allows the council to focus on its priority objectives and to have a clear *plan* to achieve them.
- 1.2. An operating model for a council sets out the *relationships* amongst its services, partners and community. It provides a set of *guidelines* for how services will be delivered and the *infrastructure* required to enable the council to develop.
- 1.3. An operating model is neither a 'strategy' nor a 'vision'; nor is it *necessarily* a detailed description of the Council's structure or processes; rather, it is a description of the principles that explain and underpin the structure and processes and thus enable the Council to achieve its vision and deliver its strategy.
- 1.4. Development of an operating model is likely to require both structural and cultural change within an organisation, as well as the development and entrenchment of new skills. It will also invariably lead to a review of key relationships and the re-design of processes.

### 2. Models for Local Authorities

- 2.1. There has been much debate in recent years about the future of local government and the models that will best enable local councils to serve their communities in the 21<sup>st</sup> Century. Several models have been proposed, including:
  - **'The Enabling Council'** which works with and through others for the benefit of the community and seeks to reduce the dependency of the community on the council.
  - **'The Catalyst Council'** which retains responsibility for providing public services without necessarily delivering all those services itself.
  - **'The Commissioning Council'** which procures services for the community from other providers. Advocacy of an extreme version of this model has been attributed to Nicholas Ridley, Conservative Environment Secretary in the late 1980s; he commended (though not, perhaps, entirely seriously) the kind of local councils that existed in the American Mid-West which "met once a year to award all the council service contracts to private firms"<sup>1</sup>. In practice, supporters of this model have come to recognise that ensuring effective performance and accountability of services delivered externally makes such a minimalist model impracticable.
  - **'The Cooperative council'** which aims to 'do things with local people instead of doing things to them'. Although advocates of the 'Cooperative council' model argue that it is characterised primarily by a commitment to working in partnership with communities, it is identified especially closely with the development of vehicles for the delivery of services that are constituted as cooperative or mutual entities. This is sometimes referred to as the 'John Lewis Council' model.
- 2.2. There are many similarities between these models and some of the distinctions between them are largely a matter of semantics. The important differences relate to the way that services are delivered and the precise nature of the relationship between the local authority and the community. However, they share one key feature which distinguishes all of them from what might be termed '**the Traditional Delivery Council**'.

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1 (attributed to Nicholas Ridley. circa 1980)

- 2.3. **'The Traditional Delivery Council'** provides services to the community directly: it employs and manages staff, makes operational (as well as strategic) decisions through the democratic process and generally acts to deliver services as a municipality rather than regarding them as, in any sense, 'businesses'.
- 2.4. The thinking behind the newer models was perhaps most importantly articulated in 1992 by David Osborne and Ted Gaebler in their work 'Reinventing Government'<sup>2</sup>. Osborne and Gaebler suggested ten principles that should underpin what became known as the 'New Public Management' approach, of which the most famous was that government should 'Steer, not row' (or as Governor Mario Cuomo put it, "it is not government's obligation to provide services, but to see that they're provided"); the approach also emphasises community empowerment; customer focus; decentralisation of authority; and a willingness to embrace markets. Whilst Osborne and Gaebler were concerned primarily with *national* government and the USA, much of their thinking is equally applicable to local government in the UK and has informed debate about the future of local authorities.<sup>3</sup>
- 2.5. It is also important to acknowledge that there is a broad consensus in favour of pragmatism in developing local government: as the authors of 'Catalyst Councils: A new future for local public service delivery' note

'Local authorities should evaluate potential service options on their merits, and avoid making decisions on future provision based on ideology'<sup>4</sup>

### 3. **Harborough District Council 'Where are we now?'**

- 3.1. Harborough District Council has changed profoundly over the last two years: it has approved its **Strategic Vision** which implies a series of changes to the way the Council currently operates:
  - 3.1.1. "That the residents of Harborough District live in safe, prosperous, sustainable, self-reliant and well informed communities, where they are happy to take decisions and empowered to take actions that shape their own lives"
  - 3.1.2. **And** "That Harborough District Council is felt to support and assist residents in a cost effective way to build the communities they choose"
- 3.2. This vision requires that the Council focuses on:
  - 3.2.1. **Demand management:** Like all local authorities, HDC is finding it increasingly difficult to meet the demands and expectations for services from its community; as a result, HDC will need to act as a Community Leader that co-ordinates different resources and different organisations to reduce and manage demand rather than simply trying to meet the demand itself. Demand management will also require more 'grown up' conversations with the community: the Council should openly discuss and debate with the public the issue of "demand"; it should enable the community to develop more realistic expectations of the Council and reduce its reliance on the Council as a provider of services; it should make it clear that subsidy of non-statutory services is not sustainable

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<sup>2</sup> 'Reinventing Government' D. Osborne & T. Gaebler, (Addison-Wesley Publ. Co., 1992)

<sup>3</sup> 'Reinventing Government Again' P. Collins and L. Byrne, Eds. ( The Social Market Foundation, 2004)

<sup>4</sup> 'Catalyst Councils: A new future for local public service delivery' D. Crowe (Localis 2012)

and adopt a policy that all service users pay for services, with the exception of groups protected as a matter of policy.

- 3.2.2. **Community Insight:** The Council must seek to understand better the needs and expectations of the various communities within the district through productive engagement. This will require different approaches and styles for different groups and also maintaining understanding of changing needs over time. This should enable the Council to deliver services that are effectively targeted rather than universal (and therefore unsustainable), where applicable.
- 3.2.3. **Operational Improvement:** The Council must continue to enhance the quality, resilience, cost and performance of the delivery of its services, through a continual programme of improvement. This will require the development and implementation of consistent, rigorous and effective approaches to commissioning and the sharing of services.
- 3.2.4. **Strong Governance:** The Council should review its decision-making in relation to shared services, outsourcing and partnership working. Accountability and the role of elected members must be robust, particularly where services are delegated to other councils and providers to deliver. The Council needs to consider management of services when several are shared with a variety of other councils.
- 3.2.5. **Relationships:** Effective relationships are critical to the Council's success: Ensuring the Council focuses resources and achieves outcomes on behalf of the community requires a robust partnership approach and the Council needs to clearly identify its key partners. The HDC Partnership Strategy, adopted in 2011 confirms its commitment to partnership working; a review of the strategy and the Council's current partnership arrangements will be undertaken this year.
- 3.2.6. **The Locality Model;** HDC is committed to build a strengthened working relationship with parish and town councils, which, particularly in a rural dispersed district, can be the eyes and ears of the community, and support the delivery of local services.
- 3.2.7. **"One council"** HDC is committed to a focus on outcomes and providing consistent customer service and performance assessment. Council services should work collaboratively and integrate delivery, sharing knowledge and experience. This requires the skills and competency reflected within the new appraisal system, senior officers modelling this behavioural approach and strong political leadership.
- 3.3. **The Transformation Programme:** The Transformation Programme was designed to make the Council a smarter and more efficient organisation informed by the community. It aimed to:
  - 3.3.1. Articulate the Council's vision for the future, its values, principles and priorities.
  - 3.3.2. Reflect changing national policy and enable the Council to respond flexibly and positively.
  - 3.3.3. Respond to the financial challenges facing the Council.
  - 3.3.4. Provide a strategy for developing the Council's model of service delivery and a structure for decision-making.
  - 3.3.5. Build on the 'mixed approach' service delivery model that has developed over time.
  - 3.3.6. Further develop shared management teams that can deliver significant service improvement and efficiency across larger service areas.

- 3.3.7. Prepare the Council for collaboration and develop its capacity to deliver new service delivery models.
- 3.4. In order to achieve its vision the Council has implemented substantial changes including redesign of the HDC management structure and cultural change as well as the Transformation Programme.
- 3.5. This change, in combination with previous decisions to outsource services, has led the Council decisively away from the 'Traditional Delivery Council' model; HDC now exhibits many of the characteristics of an Enabling Council (or a 'Catalyst Council'). However, it is above all a Commissioning Council; many of the services that the Council provides to the community are now procured from external providers and a number of important 'back office' functions are now shared with other local authorities, either through delegation or other arrangements.
- 3.6. Consideration of the Council's operating model is timely, but it is important to acknowledge that several key principles have already been established and that it has, already, been 'transformed' to a substantial degree. Its future development is likely therefore to entail a degree of consolidation and 'fine tuning', rather than wholesale, radical change. Development of the model within an agreed framework, to build on the work already undertaken is essential.
- 4. Harborough District Council 'What do we need to think about now?'**
- 4.1. **Cultural change;** Cultural change refers to changes in the ways of thinking, acting and communication within organisations and is essential to support organisational transformation. HDC has already experienced considerable cultural change, however further consolidation and development of this change will be required across the whole of the organisation.
- 4.1.1. Political leadership is central to such change and will encompass a developing role for elected members. Steve Bundred<sup>5</sup> has described the universal traits of political leaders as follows:
- Leaders set the values and priorities
  - Leaders adapt to crises
  - Leaders motivate staff
  - Leaders plan and monitor progress
  - Leaders take calculated risks
- 4.1.2. HDC has recently adopted a set of shared values that will underpin the way that staff think and act within the new context; these are that staff:
- Value & Are Valued
  - Challenge & Innovate
  - Are the Best We Can Be
  - Are Open, Honest & Accountable
- 4.1.3. However, the cultural change necessary to transform an organisation cannot be achieved only by paying attention to values and traits: changes to process and practice are also essential.
- 4.1.4. Whichever direction the Council chooses, (assuming it adopts a variant of the Catalyst/Enabling/Commissioning Council model), two kinds of activity will be crucial: **Community Engagement** and **Commissioning**. Only if HDC decided to revert to a Traditional Delivery model would this not be the case.
- 4.1.5. **Community Engagement:** at the heart of the Localism Act 2011 is the notion that local authorities should work with communities, enabling them to be heard

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<sup>5</sup> In 'Reinventing Government Again' P. Collins and L. Byrne, Eds. (The Social Market Foundation, 2004)

more clearly, to be more influential in shaping services and to do more for themselves; Oliver Letwin has emphasised that the government

‘...is committed to the transfer of power and influence over how services are delivered – away from the centre, and into the hands of those who use them’<sup>6</sup>

This will require all local authorities to build better, more responsive relationships with the communities that they serve. Effective engagement with communities may encompass work to establish new community forums, better media relations, referenda, innovative use of social media, partnership with Town and Parish Councils and the development and employment of other channels.

- 4.1.6. Whilst there is ample evidence that HDC staff already possess the skills necessary to engage successfully with communities, this is such a crucial requirement that a review of the level of competency, of the processes that support it, and, most importantly, the mechanisms for ensuring that community views shape service delivery would be timely.
- 4.1.7. It goes without saying that the democratic process is, in itself, the most important means of engagement with communities, and that elected members themselves play a crucial role in its achievement. Indeed, engaging with communities and representing their views is the essential function of the Local Councillor. This fact must be central to discussions about the way that the Council operates, and supporting members in this role is critical to the development of an effective model.
- 4.1.8. **Commissioning**; similarly, all of the models that HDC is likely to adopt or draw on in developing its own assume a central role for commissioning and, as Oliver Letwin again points out<sup>7</sup>, any consideration of the future role of local councils ‘.. highlights the need for enhanced commissioning skills in both central and local government’.
- 4.1.9. However, to be an effective ‘Commissioning Council’ requires more than a simple decision to outsource services; the reason that the type of council supposedly proposed by Nicholas Ridley has not emerged in the UK is that commissioning actually involves a range of activities and skills in undertaking them: these include procurement (tendering for contracts and purchasing), but also strategic commissioning (which comprises analysis of needs and markets and a more holistic view of individual services) and, most importantly, contract management.
- 4.1.10. An effective ‘Commissioning Council’ will not just decide to outsource delivery and then manager competitive tenders; it will plan its procurement to maximise efficiency and effectiveness within the context of its overall strategic priorities; it will develop an understanding of the markets within which it commissions and use this to secure value for money; it will draw on knowledge of the needs of the community it serves, and the priorities and aspirations of that community in shaping the services it procures; it will commission in partnership with others to maximise resources and improve services; and most importantly, it will manage the contracts it awards effectively to ensure the desired outcomes and service improvement. The Commissioning Strategy to be

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<sup>6</sup> ‘Catalyst Councils: A new future for local public service delivery’ D. Crowe (Localis 2012)

<sup>7</sup> Letwin, (Ibid.)

considered by the Council during 2013 should enshrine these objectives and embed the processes necessary to achieve them within HDC.

- 4.2. **Structural Change:** HDC has already re-designed its senior management structure to support a 'one council approach' working across teams; the Transformation programme included 'enablers' intended to help the Council towards a model that would deliver its priorities. These encompassed ICT improvements, a property and asset strategy, customer service improvements, a leadership development programme for officers, and delivery of democratic development including working with officers and effective scrutiny.
  - 4.2.1. The Council's current structure reflects its model of service delivery, which includes a mixture of external and in-house provision across a range of very diverse fields; it also reflects its arrangements for sharing a number of key functions, including services to customers, 'back office' support and senior management posts.
  - 4.2.2. There is scope for further re-structuring which could be more or less radical: for example, some councils have dispensed with the post of Chief Executive and instead employ a 'managing director'; others have explored the option of sharing whole management structures with neighbouring councils. Again, it is possible to envisage alternative structures which allocate management responsibilities in different ways across the existing Corporate and Senior Management Teams.
  - 4.2.3. Re-structuring exercises are common in Local Government; one might argue that this is because, whilst they are rarely painless and are often disruptive, they are still easier to design and implement than cultural change (which is more fundamental) or really radical reform of the way councils actually work. The risk inherent in re-structures is that the destabilisation that results impairs performance and leads to a loss of focus on strategic goals and the processes and practices that deliver them.
  - 4.2.4. Nevertheless, it is important to keep structures under review as councils develop, both to maintain efficiency and to respond to changes in circumstance or strategy. However, as HDC has re-structured fairly recently (and because structures should be shaped by strategic purposes, rather than determining them), any revision of structure should follow on from decisions about the Council's operating model and will probably need to be limited in its scope.
- 4.3. **Sharing Services: the status quo.** The Council's approach to sharing services is inevitably at the heart of any consideration of its operating model. At present, HDC shares a number of services on the basis of bilateral and multilateral partnerships that have been created at different times; these include 'customer-facing' services and 'back office' support and shared posts at senior level.
  - 4.3.1. The sharing of services has evolved incrementally, with a consequent risk of fragmentation and difficulty in achieving a coherent strategic approach. The inevitable concern would be that whilst individual shared arrangements might appear effective and efficient viewed separately, the aggregate effect of several would be detrimental to the Council.
  - 4.3.2. For example, whilst sharing a revenue and benefits service with one neighbouring council, and a customer service function with another, might appear to deliver savings if the two arrangements were considered in isolation, their combined effect might be to generate excessive costs because of the demand on a back office function (such as ICT or HR) to support both through separate lines of communication.

- 4.3.3. Similarly, whilst the current arrangements do spread (and therefore minimise) risk, there is a real concern that they may reduce the Council's resilience by creating dependency on partners.
- 4.4. It is therefore sensible to consider alternative options for sharing services in the future. These would include:
- 4.4.1. **Reducing sharing of services:** the Council could, of course, decide to move away from sharing of services as a matter of policy. However, it is clear that shared services do offer real advantages in performance and efficiency, and most if not all of the Council's current arrangements are perceived to be effective. Any such change would also be demanding of both staff resources and finance.
- 4.4.2. **Maintaining the status quo:** whilst the current arrangements are the subject of some concern as detailed above, the view may be that they are generally effective and that the risks are both acceptable and subject to mitigation. Maintenance of the status quo would, of course, still allow for 'fine tuning' and further development to both reduce the current risks and maximise the potential benefits.
- 4.4.3. **Joining a single comprehensive partnership:** some councils have established partnerships for the delivery of combinations of services (usually, but not always, management or 'back office' functions); examples include the Local Government Shared Services (LGSS) partnership established by Northamptonshire and Cambridgeshire County Councils. East Hampshire District Council and Havant Borough Council share a single management structure, Forest Heath and St Edmundsbury councils are developing a similar model and Babergh and Mid-Suffolk District Councils put a proposal that they should merge to a local referendum (which led to the rejection of the plan).
- 4.4.4. However, joining a single comprehensive partnership is probably not a realistic option for HDC at present; LGSS is the only obvious candidate as a potential partnership, and it does not deliver the sorts of customer-facing services that district councils provide because of its origins as a partnership of County councils. Moreover, HDC would be a very junior partner within LGSS (and also a latecomer) and as a consequence, its influence would probably be minimal and its interests a low priority.
- 4.4.1. **Forming a new single comprehensive partnership;** this option would involve forming a new partnership, probably on the LGSS model, and perhaps providing a more comprehensive range of services. This is also probably unrealistic as there appear to be no potential partner councils that would agree to share the same services and that share a common set of interests.
- 4.4.2. **The delivery vehicle model:** this model involves the creation of a new commercial entity that takes on delivery of services. There are two variants:
- 4.4.2.1. **The Joint Venture Company** model promoted, for example, in various parts of the country by the Norse Group and:
- 4.4.2.2. **The Local Authority Trading Company** (the model adopted by Northants County Council to externalise its social care direct services) which is similar in that it involves the creation of a new entity that takes on delivery of services.
- 4.4.3. The difference between these two models is really a matter of the involvement of a commercial partner; both maintain a degree of political accountability (the Council can retain a controlling stake in the new company), both allow the Council to benefit from greater flexibility, and both create opportunities to

generate income by seeking new business. The key advantage of the Joint Venture Company is that the external partner can bring new investment, commercial expertise and acumen to the arrangement.

4.4.4. There is no reason why either model would preclude the involvement of other councils. However, any initiative to develop along the lines of either would require further research and the key issue would be whether HDC could identify services of sufficient substance to produce a viable business; in reality, it is likely that at least one large service that is currently outsourced would have to be delivered by the new entity (though this is not likely to prove an insurmountable obstacle).

### 5. The Way Forward.

5.1. This paper is not intended to present a preferred option for the Harborough District Council operating model, but rather to inform and stimulate debate; the recommendations offered are therefore intended to help structure further discussion and to identify the actions necessary to make progress.

5.2. The Localism Act 2011 is clearly a key determinant of the Council's future model; some of its requirements will need to be addressed very specifically; however its overall objective is to allow Councils new freedom and flexibility to shift power to communities. This should underpin the development of the HDC operating model.

5.3. It is recommended that:

**5.3.1. The Council instigates a series of open and frank discussions about the key principles that should inform the operating model, preferably with facilitation to ensure focus. The principles are likely to include:**

- Commitment to partnership working (*and how this is to be achieved*).
- Understanding community needs (*and how this is to shape delivery*)
- Capitalising on the strength of the community to self- help (*and what this means in practice*).
- Recognising the Council's span of control (*and when to 'let go'*).
- Devolution of budgets and decision-making to parishes/community groups (*and how this is to be achieved*).
- Embedding service improvement within the Council's culture (*and what this means in practice*).
- Developing robust models of decision making, and democratic accountability (*and what this means in practice*).

**5.3.2. The Council reviews its Partnership Strategy as planned and considers the effectiveness of its approach to partnership working and current partnership arrangements.**

**5.3.3. The Council adopts a new Commissioning Strategy to address strategic commissioning, procurement and contract management.**

**5.3.4. The Council undertakes a review of its arrangements for Community Engagement, including the role of elected members and seeks to ensure that this is robust, consistent and imaginative.**

**5.3.5. The Council reviews its current Shared Service arrangements, both individually and as a whole and determines and articulates a strategic approach to shared services.**

**5.3.6. The Council explores the potential of establishing a delivery vehicle (whether a Joint Venture Company or a Local Authority Trading Company) as a means of ensuring accountability, effectiveness and efficiency of service delivery.**

**5.3.7. Once the Council has developed a clearer view of its preferred operating model, a review of its current structure, both organisational and democratic**



## Appendix A

**should be undertaken with a view to identifying modifications that might be necessary. The Localism Act gives the Council greater freedom to consider alternative models (such as a committee system) and a new decision-making structure may support the Council's model and priorities.**

JBW-L January 21st 2013