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LEADING CULTURE CHANGE

EMPLOYEE ENGAGEMENT AND PUBLIC SERVICE TRANSFORMATION

Policy into practice
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EXECUTIVE SUMMARY

Overview

Cost reduction and service delivery transformation are two sides of the same coin

Public sector leaders face significant challenges as they respond to the twin pressures of reducing spending and providing more customer-focused services. This involves looking at new ways of delivering services, for example increased commissioning of services and greater involvement of the private sector and non-profit organisations such as mutuals and co-operatives, as the role of the state is reduced and communities play a more active role. The chief executives and HR directors interviewed for this report recognise that to succeed they need to change the prevailing public service model to deliver greater value for money and more bespoke and localised service delivery.

All the organisations featured in this report have tackled spending cuts head on and are well placed to achieve the savings required of them. However, looking ahead, the chief executives and HR directors interviewed for this report are conscious that further spending cuts will be in the pipeline given the difficult economic backdrop and the UK's precarious fiscal position. In addition, the economic downturn itself is adding to the pressure on locally delivered public services as more people require a safety net or cut personal or business spending. The UK's ageing population and the increasing cost of social care for the elderly is another growing cost pressure facing local services.

The public service leaders in this report have also been considering how to redesign services and, in some instances, their organisations, both to respond to the Government's localism agenda and to find more efficient and cost-effective ways of delivering 'customer-centric' public services.

Leadership – creating a strategic narrative

Public service ethos remains key

The interviews with chief executives and HR directors underline the importance of employers being able to articulate a core purpose and strategic narrative that employees can understand and buy into. In many instances they are tapping into the public service ethos that still resonates with many staff despite job cuts, pay freezes and pension reforms.

Staff involvement underpins buy-in

Staff involvement is a strong theme, with the majority of chief executives interviewed recognising that simply 'cascading five-year plans' is no longer appropriate given the uncertain economic backdrop, constant state of change and the need for greater front-line autonomy and empowerment.

In the majority of the organisations featured, employees have been consulted as part of organisational development activities to improve alignment and understanding between the board and the front line and to support employee engagement.

The 'what' and the 'how' of communication is critical

Public service leaders are placing a huge emphasis on communication, both in terms of how the messages they want staff to hear are crafted, as well as how they are delivered. They are also clear about the need for complete honesty with their staff as a means of building trust in a difficult and changing environment and to ensure employees and unions recognise the reality of the new world public service providers have to operate in.

Integrity

Culture change needed if service transformation is to be realised

The chief executives and HR directors interviewed believe a fundamental change in organisational culture is required to deliver services in different ways, for example by commissioning more services rather than delivering them directly or through the creation of mutuals.

Organisational development and leadership development lie at the heart of the change process

The main levers to achieve culture change are organisational development in combination with leadership and management development. The two activities are regarded as mutually dependent and reinforcing.

Values are important

Almost without exception, public sector leaders have established or are establishing core organisational values as a means of underpinning culture and changes in employee behaviour.

Employee engagement is a valuable framework for values-based culture change

Employee engagement is seen as a priority across all the organisations interviewed and is interwoven into organisational development and culture change activities. It is regarded as important, both as a framework to drive culture change and as a means to evaluate the success of culture change.

Employers need to build a new psychological contract

There is widespread agreement that a new employment deal needs to be articulated that is underpinned by greater flexibility for individuals, skills and employability development opportunities, as well as good-quality people management and leadership to compensate for lower levels of reward and job security.

Engaging managers

Engaging leadership starts at the top

Improving leadership capability is a priority for all of the chief executives and HR directors interviewed for this report. There is recognition among almost all of the chief executives

interviewed that their personal behaviour is critical in role-modelling the type of leadership they want to develop and in influencing organisational culture.

Values form the foundation of leadership development

The majority of public service leaders interviewed are trying to build values-based leadership and are aligning their leadership development programmes to try to ensure that the way managers are developed fosters the types of behaviour needed to deliver customer-centred cultures.

All managers need leadership skills

There is widespread agreement that leadership skills are needed across all levels of management down to the front line to empower people delivering services on the front line and enable customer-inspired innovation.

You can't manage what you can't measure

Without exception, public sector leaders want better data on management capability from their appraisal systems and staff surveys to identify where they have strengths and weaknesses and how to design effective management development interventions.

HR's role in developing wider organisational leadership capability is critical

HR is regarded as critical to building leadership capability to ensure that policies that frame the appointment, development and progression of managers are aligned to organisations' values and purpose.

Voice

Employee voice key to service transformation

The ability of employees to feed their views back to management is crucial if employees on the front line are to be involved in developing as well as delivering innovative ways of providing public services.

Public sector leaders are using a wide range of channels open to them to communicate with employees and receive feedback including staff surveys, focus groups, briefings with groups of staff, consultation events and staff conferences.

The chief executives featured in this report value the messages they receive directly from staff, with most putting a premium on their own visibility and accessibility.

Industrial relations with unions are pragmatic

Union relations remain generally positive across the organisations featured in the report, with only isolated examples of industrial action.

The spending pressures facing councils have ensured that unions are focused on saving jobs and have in most instances been prepared to negotiate and accept changes, for example in some cases in terms and conditions.

INTRODUCTION

Public service reform is a key priority for the Coalition Government as it attempts to cut public spending and reduce the deficit. At the heart of the Government's reform agenda is the desire to decentralise power and 'ensure that public service providers are accountable to the people that use them, rather than to centralised bureaucracies' (Open Public Services, Cabinet Office 2012). The Government wants to oversee a transformation in public services so that service providers work collaboratively to deliver integrated services, and communities and individuals do more for themselves and on their own behalf.

However, local service organisations tasked with responding to this agenda also face an unprecedented people management challenge in engaging employees and maintaining their motivation against a backdrop of pay freezes, pension reform and job cuts. In meeting this challenge, they also have to deal with the fallout from frequent political and media criticism of the public sector, which portrays the workforce as part of the problem rather than part of the solution.

This report explores the views of chief executives and HR directors in a range of local service organisations to gauge how public service leaders are striving to re-engineer the way public services are delivered. What is clear is that this cannot be achieved without significant behaviour change on the part of managers at all levels and employees on the front line.

The research is a follow-up to the CIPD report *Boosting HR Performance in the Public Sector* (2010), which explored the key role of HR and people management in transforming the delivery of public services and 'doing more for less'. That report was focused on what HR needs to do to raise its game in terms of increasing HR capability and supporting front-line service delivery improvements. This report builds on the insights from the first report and explores the critical relationships between the chief executive and the HR director, and between organisational leadership, employee engagement and service delivery transformation. We have also explored the wider political context, both at a national and a local level, to try to gauge the extent this influences organisational leadership.

The current research is based on a series of interviews with the chief executive and HR director (or equivalent) in organisations responsible for locally delivered public services: ten local authorities, two police forces and one fire authority. We adopted 'employee engagement' as the framework for the interviews. This recognises that the extent to which public sector employees are involved in service transformation activities and engaged with new ways of working will decide whether sustainable change is achievable.

The questions we asked are based on the four key enablers of engagement as identified by the MacLeod report, *Engaging for Success: Enhancing performance through employee engagement*:

- Organisational purpose – do senior leaders and managers set out a clear organisational purpose through a narrative that people in the organisation can understand and buy into?
- Integrity – to what extent is there a sense of integrity underpinned by behaviour throughout an organisation that is consistent with its stated values?
- Engaging managers – do managers at all levels have the people management skills to win employees' 'hearts and minds'?
- Voice – do employees believe they can feed their views and ideas upwards to senior managers and feel that their opinions are respected?

From our interviews it is clear that these issues are very much occupying the chief executives and HR directors we spoke to. There is widespread belief that public services can only be more responsive to the needs of service users if employees on the front line are trusted to innovate and empowered to act with more autonomy. This requires a fundamental culture change away from traditional command and control models of leadership to one in which leadership is distributed across organisations. Understanding what is required is only part of the jigsaw because establishing how this change will be achieved is an even bigger challenge. This report shines a light on the people management strategies and activities that public sector leaders in a number of local service organisations are employing to try to make the culture change required a reality.

Employers across the public sector are striving to respond to the same twin challenges of austerity and service transformation. We hope that the research findings will have resonance in the different parts of the public sector and stimulate further debate about the facets and means of continuing public sector transformation in the second decade of the twenty-first century.

BACKGROUND

What is the transformation challenge?

In one sense, the challenge facing all local service organisations is essentially the same: to do 'more with less'. The latest and most urgent version of the challenge was set by the Government's Comprehensive Spending Review in October 2010, which cut £83 billion from public spending over the next four years and required local authorities to reduce current spending by 27%.

At the heart of the public service transformation agenda is the desire to decentralise and deliver bespoke, integrated local services that meet the needs of service users while increasing efficiency.

Prime Minister David Cameron, in a speech on public service reform in 2011, articulated the Government's vision of delivering service reform: *'Services that are more local, more accountable and more personal where people are the drivers, not passengers, which call on every part of society – from churches to charities, businesses to community organisations – to come in and make a difference. It really is a complete change in the way our public services are run. From top-down bureaucracy to bottom-up innovation. From closed markets to open systems. From big government to big society.'*

The 'transformation' agenda represents the sum of all of these – and other – challenges that local authority police and fire services face. While elected members are in many instances providing the catalyst for change and have overall responsibility for meeting the challenges, it is the CEO and other senior managers to whom elected members look for advice and support, and for continued improvements in service delivery.

The recession has focused many councils' minds on the local economic development agenda. In our interviews, CEOs focused largely on the internal and structural challenges facing them in order to live within tightened budgets. However, several also made clear their preoccupation with not only delivering services but addressing the wider economic challenges facing their area.

'We need 1,000 more jobs a year in York, even before rebalancing between the public and private sectors, just to meet the needs of a growing city. Economic prosperity is very much at the front of my mind and the highest priority for the council. This is not a position that we've adopted in response to the current government's economic measures: we've been working to support the city economy as our traditional employment sectors restructure for the last 10 or 15 years. But austerity means that facing up to the challenge on a daily basis is now inescapable.'

CEO, City of York Council

One major challenge is coping with growing demographics in learning disabilities, older care and children's social care. And on top of that we have got the first of the new generation of nuclear reactors coming into Somerset, which is the biggest civil engineering project in Western Europe.

CEO, Somerset County Council

Achieving financial savings

Local authorities are required to make unprecedented levels of financial savings. The scope of the further cuts that will be required of them in future years remains, of course, unknown at this stage. The Government's 2010

What is the nature of the challenge facing Leeds City Council?

In recent years the council's financial situation has got worse each year and this is expected to continue for the next two, or possibly four, years. The longer-term management challenge gets harder, in terms of both money and new policies set by central government. However, the council's response assumes that these policies can and will be delivered.

The economic and political climate dictates that the council must continue to do 'more with less'. It needs to do things differently, including a radical rethink on service delivery. Leeds has been a traditional authority and kept most of its services in-house, but this is changing. It's not clear what the council will actually be doing in four or five years' time.

Childcare services and adult social care are in the frame for significant changes in service delivery. Implementation timescales will need to take into account the aspiration to establish a social enterprise and the fact that significant TUPE transfers will be needed to support a personalised delivery model.

The council is pursuing a 'lean' agenda. It has been looking at issues of bureaucracy for some years: business processes are under constant review, with major exercises undertaken probably once a year. Organisation structures tend to lose relevance over time and need to be reviewed to make them more customer-focused. HR Director Lorraine Hallam says: *'The process will never end: it's like painting the Forth Bridge.'*

Spending Review set out deep cuts to the grants that central government provides to local governments in England for the four years 2011–12 to 2014–15. For example, funding to local government from the Department for Communities and Local Government (DCLG) was planned to be cut by 27.4% in real terms over this period. What is remarkable is the extent to which councils have so far been able to achieve the necessary savings without cutting more deeply into front-line services.

In some cases, councils have ‘front-loaded’ the cuts with the aim of reducing the pain and limiting the scale of cuts required in the longer term.

‘We’ll finish making the cuts we need two years early because we went deep and early. ... We could have chosen to make equal savings each year over the budget period but instead we took the bold and imaginative decision to make bigger savings in years one and two. This means that savings will accumulate over the later years and the total savings required are reduced.’

CEO, Cornwall Council

Responding to the localism agenda

Local service organisations are also exploring how to benefit from their new powers under the Localism Act, which Local Communities Secretary Eric Pickles heralded as ‘marking a ground-breaking shift in power to councils and communities, overturning decades of central government control and starting a new era of people power’.

For example, Kent County Council’s strategy plan, ‘Bold steps for Kent’, makes clear the council’s intention to make use of the new financial flexibility on offer from central government in order to achieve greater financial independence. It says:

‘The new government has moved to cut the apron strings, but we want to go further. Our ambition is for Kent to become the first financially self-sufficient county in the country. ... We want to work with our partners across local government to develop an innovative proposal to government whereby we would keep what we earn and use Kent money to solve Kent problems.’

Some local councils such as Somerset County Council have engaged in substantial organisation redesign to ensure that how the council is structured supports a move towards greater service-commissioning and the development of more customer-centric services (see case study on page 41).

In addition, many councils have engaged enthusiastically with the shared service agenda, with HR one of the many functions directly affected.

‘We have shared staff doing personnel and payroll plus health and safety with Malvern. Their staff have been TUPE’d across to Wychavon but are still on their existing terms and conditions. We engaged on joint procurement of an integrated HR and payroll system and this was a stepping stone to the staff transfer. I report to two separate senior management teams.’

Personnel Director, Wychavon District Council

How Wychavon District Council achieved a 25% cut in spending

Wychavon faced having to make a reduction in overall budgets of 25% over the first two years. It had earlier sought residents’ views on potential service changes and cuts. Following consultation with managers, staff and members, and in order to minimise the impact on services and staff, it adopted a five-point plan to make savings in the following areas:

- 1 efficiencies and joint working (£537,000)
- 2 increase income from our assets (£130,000)
- 3 management and staff savings (£600,000)
- 4 increase income from our services (£510,000)
- 5 service reductions (£174,000).

Wychavon have achieved efficiencies through sharing personnel and payroll services, including health and safety staff, with Malvern. Malvern staff have been TUPE’d across

to Wychavon on their existing terms and conditions. Other efficiencies have been achieved through:

- outsourcing
- business improvement (‘better not busier’)
- better procurement
- optimising the use of assets
- energy reduction.

MD Jack Hegarty says:

We had to make a 25% cut in spending over two years but we did it in one. We didn’t want it hanging over staff for two years. We’ve reduced the numbers on the senior management team from nine to five, plus we’ve taken out middle managers. We need to turn capital into revenue: we built a Waitrose supermarket that produces a return of 7.5%, and a new hospital.

Sutton Council in south London, besides having a joint head of HR with the neighbouring borough of Merton, is already sharing a number of services with neighbouring authorities, including on some environmental services, ICT and recruitment. (See case study on page 31.) Niall Bolger, Sutton Council's chief executive, believes that greater collaboration and an emphasis on building partnerships is crucial to improving both the efficiency and effectiveness of public services.

Growing demand for services

Despite their success to date in keeping their financial heads above water, local authorities also expressed concerns about the increasing costs associated with caring for an ageing population and the recession. For example, there was a perception that there was little evidence of political will to implement the Dilnot recommendations, which could provide the basis for a more durable financial settlement in this area. The chief executive of Somerset County Council, Sheila Wheeler, believes the Government needs to work with local authorities to find ways to fund the spiralling costs associated with caring for the elderly:

'It is okay to say, 'not the Dilnot review, that's too expensive', but there is no plan B and so politicians and officers at a local level are going to have to front the disenchantment of local populations as more and more of our resource goes on a smaller percentage of the population and the universal services that are beloved by everyone and are seen to be what most people see as what we are there for gets squeezed or eradicated.'

CEO, Somerset County Council (see case study on page 41)

The same issue is flagged by the chief executive of City of York Council, who also highlighted the need for more integrated working between professionals involved in the delivery of social care.

'Pressures on our social care budgets mean that a greater proportion of our resources are required to prevent vulnerable individuals from falling through our safety nets. There is a risk that social care demands will take up so much of our resource that it undermines our ability to do a lot of other things. We are working hard to integrate health and social care, and support for individuals at a community and street level. To do this, we will be moving beyond professional boundaries, which can act as a barrier between staff groups.'

CEO, City of York Council

The ongoing economic downturn is also increasing demands on local services. The chief fire officer at Derbyshire fire service, Sean Frayne, highlighted that cost-cutting by businesses and homeowners on fire safety had increased the number of accidental deaths caused by fire.

Some CEOs have inherited local authorities with particularly severe problems, not only in terms of financial constraints but also in terms of underperforming services. Cornwall Council had to cope with these problems at the same time as bringing together staff into a single unitary authority. CEO Lavery says:

'Three and a half years ago, Cornwall Council was a basket-case. All services including fire, children's, housing and adult social care were graded badly and failing; payroll and elections were also in trouble. We had to meet a number of major challenges all at once.'

1 LEADERSHIP – CREATING A STRATEGIC NARRATIVE

LEADERSHIP provides a strong strategic narrative which has widespread ownership and commitment from managers and employees at all levels. The narrative is a clearly expressed story about what the purpose of an organisation is, why it has the broad vision it has, and how an individual contributes to that purpose. Employees have a clear line of sight between their job and the narrative, and understand where their work fits in. These aims and values are reflected in a strong, transparent and explicit organisational culture and way of working. (*Engaging for success*, MacLeod and Clarke 2009)

This section explores how the chief executives and HR leaders interviewed have looked to develop a strong underpinning organisational purpose and strategic narrative which all staff understand and buy into.

Local authorities are seeking to offer a narrative that will offer staff a positive vision for the future. Among the many important responsibilities of CEOs in leading their staff, that of creating a convincing strategic narrative comes high on the list for most of those to whom we spoke. They recognise that many of the characteristics of the traditional psychological contract in local government – including job security and a final salary pension scheme – have either disappeared or are in the process of disappearing. Looking forward, local authorities anticipate continuing austerity and the loss of many familiar landmarks in the shape of organisation and services. They have embarked on implementing central government policies in relation to commissioning and localism, but the speed of change and the ultimate destination remain unclear. CEOs and HR directors are therefore increasingly focusing on offering employees employability and skills development as their side of a new employee value proposition, or implicit deal. They are also building on the public service ethos that many staff still display and that puts customer service at the heart of the employment relationship.

The chief executive at Leeds City Council believes that in light of job cuts, pay freezes and pension reform, the idea of public service has become even more important to attempts to build a core purpose and narrative that resonates with those that work in the sector:

'Why did I want to take this job on? It was because of the scale of the challenge. The council is a massive player in the city – it employs 30,000 people, has a budget of £800 million and assets of £4 billion. Michael Heseltine says that the job (CEO of a local authority) is 'better than being a permanent secretary'. I love the north of England. I believe in the public sector.'

'I would like to take the best from what our staff do and create something better. I want a focused public sector capable of reacting quickly and galvanising organisations [on a strategic level]. Linking the public service ethos and values to a greater purpose is massively powerful.'

CEO, Leeds City Council

Articulating the vision

All councils publish regular reports and plans setting out their targets and budgets, and many publish strategies for developing their workforce. But CEOs are making big efforts to ensure that staff are clear about what is happening and why, both by issuing regular updates on progress and by putting across messages in a way that makes sense to staff. They recognise that communications have to motivate staff in often very difficult circumstances, where familiar assumptions have been undermined and change is endemic. People need to understand the strategic context, the dynamic forces affecting council activities and how their council's strategy takes all of this into account. Most if not all councils focus messages on the services provided to customers, drawing on the traditional public service ethos which continues to motivate many of their staff. But a number of councils are also looking to develop their support for local economic development and this is influencing the way they want staff to behave. There is a new emphasis in some councils on working across boundaries with other local organisations, including employers and voluntary bodies:

'Our new CEO has a different vision from his predecessor and wants to change the culture so as to be more outward-focused. He is pushing to develop partnerships between the council and the voluntary and private sectors. He is looking to develop more collaborative ways of working across the city.'

HR Director, Leeds City Council

This economic focus links with the localism agenda. Localism is not just about making savings: it's also about producing more joined-up services. In Kingston, for example, 'One Council' is about bringing services together inside the council, and

'One Kingston' is about co-ordinating services with others outside the council so as to allow greater flexibility in the use of resources. For example, residential social care services will transfer from the council to Your Healthcare Community Interest Company, a clinician-led social enterprise, which formed in August 2010 when it separated from Kingston Primary Care Trust. The transfer will mean that the services that support people in and out of hospital are integrated in a way that supports them more effectively and utilises available resources more efficiently, minimising duplication and overlap.

This will require a lot of work on, for example, TUPE and pensions issues, and HR will be responsible for project management of the exercise.

Involving staff in creating the vision

The public sector leaders interviewed for this report also emphasised the importance of finding ways to involve staff in the creation of their organisation's vision and values to create a sense of buy-in and genuinely shared purpose.

In recent years many organisations have learned that they can create a vision of the future which has more credibility and force if they involve staff in creating that vision. Tony Melville, who until June 2012 was chief constable at Gloucestershire Constabulary, believes that involving staff is key if there is to be shared ownership of vision and values. He is now a director and senior consultant with Dialogix (www.dialogix.co.uk), an independent consulting company. His approach at Gloucestershire put staff involvement at the heart of the force's strategy:

'I was of the view that trying to create and then cascade the five- and ten-year plans that we had done in the past was nigh on impossible, given the current climate that we were working in. So we took an approach of really working with people across the organisation and bringing a cross-section of people together in a series of dialogues about the future. This meant that we were able to talk together about the values people wanted to be evident and the behaviours they associated with those values. We introduced a staff survey which preceded that intervention and gave us a clear indication of the base-line we were starting from. Together we developed a story-board, or a description, about what it would be like to work for the constabulary in three to five years' time. This wasn't done to people but by the people who work here. They used their understanding of the history, current context and the organisation, so in effect they created a description of the future organisation that they would be proud to belong to, notwithstanding that there will be lots of change.'

'So together we created a clear picture about the future that we wanted to move into. We established a narrative purpose for the constabulary which was about our role in keeping people safe. We also developed a clear set of guiding principles in four areas: our service, our approach to risk, our people and our resources. The framework, called 'The Gloucestershire Way', will guide decisions and choices going forward and describes the behaviours expected in the organisation to meet the new demands and environment.'

Selling a positive vision

Most CEOs are clear that in light of the current need for belt-tightening, and the fact that further, possibly still more severe, reductions in central government funding are anticipated, they need to focus on the positives while being straight with staff:

'A different leadership style is required for managing through chaos. People will not take what they took 15 years ago, quite rightly.'

CEO, Kingston Council

'[My policy is] to celebrate the good things we do but be honest and straight about problems.'

CEO, Cornwall Council

'Local government is twice as trusted as central government. Given what we do through our social services, gritting teams and emergency response, I see us as the fourth emergency service. Local authorities have never had the kind of positive image of the Fire Service or the Police, for example, but we make a difference.'

CEO, Leeds City Council

'I have to believe in what I'm asking people to do or they won't do it. I have to do horizon-scanning: where is the Norfolk community on key issues? I have to translate political policies and aspirations into tangible action. I have to get staff to want to go there. I have a duty to look after my staff in increasingly difficult circumstances where some will lose their jobs. I have to manage change. I have to show basic humanity.'

CEO, Norfolk County Council

All the chief executives and HR leaders interviewed emphasised the need to be visible with staff and to keep communicating:

'We communicate down the line. I do a weekly email and monthly video-casts, which are widely viewed and well received. I also do lots of staff visits – I've met 10,000 staff face to face. We've done employee surveys so we know what people think.'

CEO, Cornwall Council

'We work through things in an open way. We try to explain why it is we are doing what we are doing. All our people, including senior people, need reminding on a daily basis how it comes together, including the excitement and the imagery and the experience of the people who receive our services. And I think there is an acceptance by many people – not everyone but many people – that even if the outcome is difficult for them personally, they understand why we are doing it.'

CEO, Kingston Council

In Somerset, while pointing up the opportunities to adopt new ways of working, the CEO has not shied away from being completely honest with staff about the possible implications for funding of the ongoing economic downturn:

'It is very important not to dress it up so that it is not honest. Staff are desperate to hear good news messages. But if I know that – underpinning all the figures we currently have – there is an expectation of growth in the economy of 3%, but that isn't happening and the figures have been revised down, I have to communicate an honest understanding. If I think it's going to be more of the same, inevitably that means a gloomier message than people like to hear and so you become the prophet of doom and gloom. I find that very challenging personally. Some of my senior team want the message to be much more upbeat. I am saying, yes we will try and do it all in a considered, humane and transparent way, but actually it is still going to be a very challenging environment in the future.'

How are authorities dealing with localism and mutualism?

How local service organisations deliver public services is of course significantly determined by central government policy. The previous Labour Government and the current Coalition Government share a commitment to empowering the local delivery of bespoke public services. The 2011 Localism Act was designed to give local communities greater control over local decisions such as housing and planning (see box). The current government has also been promoting its Big Society agenda, which is designed to empower communities, open up public services and build a stronger civic society through greater use of the third sector, mutualism and employee-owned co-operatives.

Many authorities we saw made clear they welcome the opportunities presented by localism. Most of the local authority chief executives and HR leaders interviewed are exploring how they can redesign the delivery of services and, where appropriate, commission third parties and enter into partnerships to deliver on this agenda. But this type of radical re-engineering of public service delivery does not happen overnight. It involves changing public sector values and culture, in some cases organisational design and how people are led and managed from the boardroom to the front line.

It also involves changing public expectations and behaviour. Anne Gibson, president of the Public Sector People Managers' Association and the HR director at Norfolk County Council,

The Localism Act 2011 is designed to shift power from central government to communities. It includes measures to:

- give local authorities 'a power of competence' that enables them do 'anything apart from that which is specifically prohibited', something the Government says will let them run services 'free from Whitehall diktat' and help them 'innovate and work together with others to drive down costs'
- establish a 'community right to challenge' to help different groups run local services if they want to. Voluntary groups, social enterprises, parish councils and others will be able to express an interest in taking over council-run services – the local authority will have to consider it. It could prompt a bidding exercise in which the group could then compete. Services might include running children's centres, social care services or improving transport links
- make it easier for pubs, shops and libraries to be put up for sale to be bought by a community group. Locals will be able to place certain buildings on a 'most wanted' list and, if they are put up for sale, they would have to be given time to develop a bid and raise the money
- enable people to trigger referendums on any local issue. The results will not be binding – but local authorities will have to consider them when making decisions. The Government says it will help people make their views known and influence decisions.

points out that as more councils start utilising the benefits of technology to deliver services more effectively and economically, the public will have to get more comfortable in accessing and using services in different ways.

She said: *'Just as some of us as customers can get exasperated by the self-service checkouts in supermarkets, so too do members of the public with parallel changes in public services, but with a more adverse reaction, simply because it is a public service. At a more fundamental level, the move to providing recipients of social care provision with personal budgets to make their own decisions about their support demands a fundamental shift that is not readily accepted by all those affected. This presents a real challenge in shifting the behaviour of the professionals involved when both they and the public they serve are more comfortable with the present way of doing things.'*

The CEO at Kingston believes the national localism agenda does resonate with local authorities but cautioned that there is a gap between the expectations among national-level politicians for quick results and the reality of fundamentally changing how public services are delivered at a local level:

'Central government advocates some form of localism. Though it is centrally designed, there is a strong local appetite for doing things that fit this national agenda. There is no real understanding in Whitehall of what localism means in practice but there is merit in the idea of the Big Society and moving away from top-down targets. Cynicism would be self-fulfilling.'

Other authorities explained that they are anxious to use their discretion to explore new sources of income so they would be less dependent on central government funding. Some councils that feel relatively comfortable financially, such as Wychavon, have already invested in local infrastructure (see box on page 6). In terms of practical action to pursue a more targeted local agenda, most authorities reported they are committed to working across boundaries with a range of partners in the public, private and voluntary sectors. The move to become commissioning bodies, contracting with others to provide services, requires cross-boundary working. But the agenda goes much wider: the commitment to 'One Kingston', for example, is an example of one council's determination to embrace an agenda shared by many other local organisations. In Leeds the CEO is using the local economic development agenda as a platform for developing his staff and widening their horizons, underlining the fact that localism will require a major shift in the competencies of local government employees and in organisation culture. The scale and pace of change of implementing a localism agenda are visible in York:

'We have set up a private trading company to sell our services. We put our casual staff agency into there and have started to trade with external customers such as with schools. In the future HR and payroll services could also be sold to public sector organisations, for example smaller organisations that are cutting back on staff and can't afford their own HR services. The risk is that we lose our current business to other providers; one secondary school has already bought in HR services from someone else. York was one of the suppliers invited to pitch in a soft market exercise to all primary schools which are currently considering whether to stay with us or not. A GP consortium will share our new premises and there may be opportunities there.'

**Assistant Director Customers and Employees,
City of York Council**

We found less evidence of progress at this stage towards implementing a mutualism agenda. Councils are clearly encountering a number of practical issues when they seek to take this agenda forward. For example, setting up 'mutuals' or social enterprise bodies owned by their members of staff to deliver public services is on the county council's agenda in Norfolk, in line with government policy. There are no examples at present of social enterprises being set up to deliver council services. However, the council is committed to supporting people who leave the organisation, including those who leave for self-employment or social enterprise. HR and OD Director Anne Gibson says that *'if staff want it, we will support them'*.

Sutton Council is developing a model of community-based service commissioning which revolves around the needs of the community identified through 'proper conversations' with residents. Sutton's chief executive Niall Bolger stresses that potential service delivery models could range from outsourcing or management buy-out, through to mutualisation. *'The commissioning model we've adopted is neutral about outcome; it's very much about making sure that the product that we get is within the budget we have and is based on the need identified by residents.'* The move to community-based service commissioning at Sutton is underpinned by a major organisational development programme in recognition that success will depend on changing people's mind-sets and behaviours across the council. See case study on page 12.

CASE STUDY: London Borough of Sutton

CREATING A NEW NARRATIVE ON PUBLIC SERVICE DELIVERY

PRIDE lies at the heart of efforts to deliver high-quality public services in the London Borough of Sutton with the objective of delighting residents.

PRIDE stands for partnerships, respect, innovation, diversity and empowerment and is embedded in everything the council does, according to Chief Executive Niall Bolger.

Bolger believes that these values encapsulate the way the council operates and its culture. *'We are very focused on engaging and involving residents in determining their futures and working co-operatively and collaboratively with local people to respond to their needs.'*

'PRIDE is more than just a piece of management activity; you see it every day in terms of the way that staff members and partners work together collaboratively to deliver public value and public good for our residents,' he said.

Dean Shoesmith, Joint Executive Head of HR for Sutton and the neighbouring borough of Merton, explains how PRIDE underpins how the council operates.

Under 'partnership', he cites the example of the shared HR service which he heads between Sutton and its neighbouring council Merton and a partnership between the council and Sutton Police Authority, called Safer Sutton Police Service.

The head of ICT services is shared with neighbouring Kingston.

Sutton is also a member of the South London Waste Partnership and works in partnership with a number of neighbouring boroughs to ensure effective economies of scale are utilised. Partnership working extends to working with residents and parks associations and will, over time, lead to decision-making being passed to grass-roots level within the community.

Shoesmith believes 'respect' underpins how people do business with each other, which helps support a collegiate way of working and the absence of a blame culture.

He points out that the elements of PRIDE are inter-linked; for example, 'respect' and 'partnership' working are closely connected with 'innovation'. *'We were the first borough to have street Internet connections with the council's website that are like street information sites that people could go to,'* said Shoesmith.

'We also experiment with our procurement. Sutton leads on an initiative called the London Boroughs Recruitment Partnership. We procure a number of recruitment-related services with our partners, which saves about £1.5 million per annum across London.'

Efforts to support and embed greater diversity are reflected by initiatives such as the council's recruitment of apprenticeships and its strong track record of recruiting people with disabilities.

Finally, 'empowerment' reflects the council's desire to enable council staff and residents to have more autonomy and choice over how services are delivered.

Bolger believes the approach embodied by PRIDE means that the Liberal Democrat-run council is well placed to deliver on the objectives of the Localism Act to give local communities greater control over local decisions such as housing and planning. It is also closely aligned with the Government's Big Society agenda, which is designed to empower communities, open up public services and build a stronger civic society. Bolger points out that this type of approach is nothing new for Sutton. *'A strong argument could be made that we've been doing this for decades,'* he said.

To read the full case study go to page 31.

Local authorities are of course heavily constrained by central government policy on public spending, since a high proportion of their funding currently comes from central government. In response some authorities, including Cornwall, Wychavon and Sutton councils, are looking to develop other sources of income so as to reduce their longer-term dependency on central government.

Service transformation and local politics

Councils are led by elected members and in most cases we heard of successful joint working between members and staff. Most CEOs spoke of having positive relations with elected members.

'My relationship with elected members is interactive. We don't simply do what they say. Council staff at all levels have a responsibility to advise them. There is wide variation in individual members' attitudes and approaches. Some establish their own specialism or sphere of influence. Our current leader is more involved in daily business than his predecessor: when things go wrong, members can get nervous. But in terms of relationships we've moved on hugely.'

CEO, Birmingham City Council

'We have a cadre of hands-on politicians. I welcome the fact that elected members are now getting involved in my territory. From time to time we have to renegotiate the boundary and if one or two get overenthusiastic, I may need to make clear that's not their job. I used to work in the NHS, where managers have a much tighter mandate. In local government there is more discretion about what to do and how to do it.'

CEO, Norfolk County Council

One council featured in this report, Kent County Council, has removed the post of the CEO so as to strengthen the relationship between individual members of the senior management team and councillors (see case study on page 35). Communities Secretary Eric Pickles has argued that local government organisations should be considering sharing chief executives to reduce cost. Whatever model councils adopt, it seems clear from the interviews that there needs to be one person at the top of the organisation who takes responsibility for defending and developing organisational culture and this can only happen through how they personally lead and behave as an individual (see section 3, page 23).

CASE STUDY: Kent County Council

POLITICAL AND PROFESSIONAL LEADERSHIP PULLING TOGETHER

David Cockburn, Corporate Director Business Strategy and Support, emphasises the wide-ranging nature of the challenge facing the council: *'It means retaining fitness for purpose and alignment so the authority can be focused, agile and flexible responding to and meeting changing needs as they evolve. We have a clear policy statement in Bold Steps for Kent and a clear sense of direction and we're doing really challenging things while facing a financial situation unprecedented in recent years. It's about innovative community leadership, managing the demand for our services and redefining the role of what a local authority should be. The operating environment for local government is dynamic and rapidly changing and our role is to respond effectively to it while meeting our service users' needs. We have good engagement between members and officers and we are looking a year ahead on budgets; we want to focus our minds early so we avoid adopting a reactive approach to budgeting, which can constrain innovation and creative thinking. We're focusing our services on outcomes and getting away from a siloed approach to delivering services.'* However, there are two distinctive features of the transformation agenda in Kent. One is the unusual reporting structure, which does not include a CEO role. The other is the central role played by the HR function in supporting the transformation process.

Management structure

Kent is a member-led authority, with very close working between elected members and staff. In April 2010, the council undertook a major organisation restructure, with the aim of becoming 'one council'. As part of this restructuring, responsibility for adults and children's social care was brought together under a single director. In April 2010, there was a new emphasis on joint working, as a result of which members concluded in December 2011 there was no longer a need for a CEO.

The Corporate Management Team (CMT) is now chaired by the corporate director, business strategy and support, to whom both HR and finance directors report. Other members of the CMT – the directors of families and social care; education, learning and skills; customer and communities; and enterprise and environment – report not to a CEO but to elected members. The clear message of the restructuring for staff is that the council is not just made up of its staff and that senior CMT members will be held directly responsible for delivery.

Amanda Beer, Corporate Director Human Resources, says: *'We used to have a CMT and a separate cabinet of members, and the two would occasionally come together. Now we have a corporate board including both the seven members of the CMT and elected members. Our strategic document, Bold Steps for Kent, which was published in December 2010, has an appendix setting out design principles for the authority. One aim is for our structure to be as flat as possible in terms of the number of tiers between the CMT and the front line, with effective spans of control throughout the organisation. We took part in the Local Government Association-sponsored pilot of the DMA model of effective decision-making and we are now applying this across the authority.'*

Other local authorities have done something similar, but not in the same way. David Cockburn says:

'There are many different flavours of not having a CEO, and we have adapted a model that works for us. Here in Kent I am 'first among equals'. Corporate directors operate as a team with shared corporate responsibilities. We're a busy council and members play a very active role: most cabinet members are effectively full-time.'

To read the full case study go to page 35.

In general we didn't find evidence of local authorities experiencing major shifts in political direction due to changes in the political balance of councils. Staff were more concerned about the need to accommodate differences in personal style between one council member and another. Sheila Wheeler (CEO, Somerset County Council) drew attention to the need for managers to be able to help staff develop their interpersonal skills for this purpose:

'Managers should be coaches, but of course they can only be good coaches if they have that broad experience base themselves. One of the areas where [it matters] in local government is exposure to politicians. Of course this also features with partnership working: how you school people up to be expert at managing the human interface in difficult and challenging situations.'

However, the Police Service was evidently feeling more vulnerable to political pressures. Tony Melville, the former chief constable of Gloucestershire Constabulary, announced his resignation two days after he was interviewed for this report, citing concerns about the way police reform was being approached, including the introduction of elected police and crime commissioners.

'Big reductions in central funding for policing means local politics are starting to exert significant influence on funding that's going to be raised locally for policing. The introduction of the police and crime commissioners is already starting to have an impact, even before they have been elected. So, for example, a clear strategic choice at Gloucestershire – because it fitted with the future we had mapped out – was that there would be fewer police buildings, but more officers on the street equipped with mobile technology to operate flexibly. One police and crime commissioner candidate has already requested we stop selling the buildings and delay that decision until they were elected, because they will overturn the decision!'

Tony Melville, former Chief Constable, Gloucestershire.

Martin Richards, the chief constable of Sussex Police Force, believes that it is important that the new elected police commissioners who will replace police authorities from November are given a sophisticated understanding of what effective policing means by the supporting police panels.

Richards emphasised the increasingly important role of non-uniform staff in modern policing who are working in

call centres, directing the efficient deployment of resources, visiting crime scenes and conducting forensics analysis, as well as working in intelligence to combat organised crime and counter-terrorism:

'I actually hate the term bobby on the beat because it oversimplifies the work that 5,000-plus people do on a daily basis, some of which involves patrolling on foot and in uniform – but increasingly a lot doesn't.

Richards also believes that relentless focus on front-line police numbers by politicians and the media does not take account of the need to move to a different, more 'customer' orientated style of policing:

'Of course the numbers matter, for every crime there is a victim so I wouldn't want to give the impression that we don't care about the numbers but what we do care about in Sussex is bringing people to justice and serving the customer and that does not necessarily mean an outcome which always has a detection or a conviction attached to it. It might be an outcome which results in someone saying 'thank you so much for being there when my father died and for seeing me through an experience that was too awful to contemplate but was made slightly better by the care that you showed'.

Richards said that this type of customer-orientated service will only evolve through a fundamental change to the organisation's culture, which he is tackling through a service transformation programme titled Serving Sussex 2015 (see case study on page 43).

2 INTEGRITY – CHANGING THE CULTURE

INTEGRITY – behaviour throughout the organisation is consistent with stated values, leading to trust and a sense of integrity. (*Engaging for success*, MacLeod and Clarke 2009)

Essentially integrity is about culture: how people behave in organisations ‘when no one’s watching’, as former Barclays Chief Executive Bob Diamond so neatly described it before he was forced to resign over the Libor-fixing scandal.

The issue of culture and culture change was a common theme across all the 12 organisations participating in our research. Local authorities are trying to achieve a massive change in the way they manage their business, towards integrating their own services by focusing them on the customer experience and collaborating more effectively with other local service providers. This includes fire and police services, which are collaborating with each other, as well as with local authorities. This requires a parallel shift in the way staff see their jobs and the degree to which they are prepared to look for innovative solutions. Culture change requires a major shift in mind-sets and behaviour, far removed from the stable bureaucratic

model. The main levers available for delivering culture change are effective leadership and management, and OD support. There is no doubt that CEOs and HR directors are actively looking to use these levers to get the results they will need to transform services.

CEOs and HR directors are, however, also anxious to protect the more traditional values that have underpinned local authority employment. Without exception they are seeking to communicate with staff in an open and transparent way about the changes that are taking place. They are looking to protect staff from the worst consequences of the necessary reductions in staffing levels, for example by minimising the numbers of involuntary redundancies and by looking to develop the employability of the staff that remain. They are displaying their humanity and accepting that it is their duty to nurture and support their staff through unprecedentedly difficult times.

CASE STUDY: Norfolk County Council

CHANGING THE CULTURE

Norfolk County Council is facing major challenges. In 2010 it announced that its 26,000 workforce would shrink by more than 3,000 by 2014, mostly among the 9,500 staff not working in schools. In 2010 it conducted a Norfolk-wide ‘big conversation’ about its three-year budget plan, asking the public what the most important services are for them. From this has emerged a new ‘core role’ for the council, embracing six key areas:

- speaking up for Norfolk
- assessing and commissioning
- economic infrastructure
- safety net for the vulnerable
- signposting to services
- enabling communities.

There is a clear identification with the county underpinned by priority for ‘speaking up for Norfolk’. To support this, there is also a big emphasis on developing strong leadership, championed by the CEO and supported by the HR/OD department. This is focused on the new core role and on reshaping the organisational culture through strong engagement of staff.

The CEO is conscious of the need to engage and support staff to carry through the major transformation required, and this is reflected in ongoing efforts to encourage and respond to employee voice. Despite the scale of reductions required in spending and jobs, and the need to redesign service delivery, levels of employee engagement have held up surprisingly well.

Challenges

In common with other local authorities, the major challenges facing Norfolk County Council are to:

- meet rising customer expectations
- make financial savings
- introduce radical public policy reform.

In combination, this will mean reshaping the council. The CEO, David White, says that the critical task of rolling back the state will continue indefinitely. This will require tackling what the CEO describes as a 'dependency culture'. The council needs to make a total of £135 million of savings, including £60 million in 2011–12, £45 million in 2012–13 and a further £20 million by 2014. This means they are having to review staff terms and conditions, including pay and benefits.

2,500 staff have so far moved on, mostly into the council's new commercial arm. Of these 2,500 staff, some 450 have been made redundant and 240 redeployed. The challenge is to make people more productive and signal the intention underlying the changes, even when they may look contradictory. David White underlines the scale of the people management challenge when he says:

You have to get staff to want to deliver and you have to align staff and political expectations. Staff have to believe in how you're going about it and they have to want to do it.

The current spending cuts have taken the place of a long-standing efficiency agenda: the transformation challenge is not a new one, but there's been a 'massive acceleration' in the last couple of years.

The council is moving from a delivery model towards a commissioning and planning model. Staff are taking on a stronger commissioning role and this should in practice mean a greater voice for the council in delivering services. It's also engaged in a major initiative to improve competitiveness of the local economy, including increasing apprentice numbers and inward investment.

This change from delivery to commissioning roles will require changes in career pathways for council staff and will require commissioners to come from a range of backgrounds. The transfer of public health from the NHS from April 2013 will also mean new responsibilities for council staff; some 50 NHS staff will be TUPE'd in.

The council recently created 'Norsecare', a company wholly owned by the council, and TUPE'd across the 1,700 staff employed to run the 20-plus residential homes for the elderly. The council also currently runs day-care centres for the elderly and people with learning difficulties and is seeking to change its model of support. However, there can be a public outcry if a council seeks to close establishments in favour of a more flexible format for care services, so public opinion plays into the decision-making process.

To read the full case study go to page 38.

Several CEOs commented on the significance of culture change in supporting the transformation process, and some clearly believe that changing culture is in fact what the transformation process is basically all about. It is this recognition of the key role of culture in driving long-term change that has moved HR up the agenda. This culture change can be problematic for some staff and it is recognised that some may be unable to adapt successfully.

'OD is about culture change, employee engagement, workforce planning, talent management and organisation design. All managers are trained to use the toolkit. Typical HR areas such as employee relations and reward are still critical but it is OD that makes the big impact by helping us culturally to shift business priorities.'

HR Director, Cornwall Council

'We're changing from a bureaucratic to an entrepreneurial culture. People have to say how they demonstrate the values. People are more accepting that they have to change. Some do change their attitudes. It puts people on their toes.'

Personnel Director, Wychavon District Council

The type of culture change that is being sought was most explicitly outlined by the CEO of Somerset County Council:

'Clearly we need to skill up our workforce in very, very different ways and there is a change programme for flexible working. Our officers need to work in a very different way and be comfortable with it. Taking on responsibility and accountability, with fewer people in the chain of command, is hugely important and we are

restructuring that hierarchy of command as well as the span of control. So all of that requires a different skill set for individuals and managers. It's about taking ownership and being much more authoritative, I suppose, and empowered, which some will find scary and don't want to do of course.'

This culture change process is linked to the aspiration to develop a new style of 'engaging manager':

'They have to let people go. If people are going to flourish and grow, managers have to rely on them an awful lot more and trust them more. There's a thing about trusting the judgement of the people you are employing and if you don't [trust them], why are you employing them in the first place? And some managers, many managers who are very good and very strong, have a very strong [urge to be] control freaks. It is about letting go: people only grow and flourish and have the capacity to do more if you allow them to do it.'

CEO, Somerset County Council

A similar message about behaviour and empowerment came from Tony Melville, the former chief constable of Gloucestershire Police Force, in describing the 'customer experience', or the kind of experience that members of the public want to have when they interact with the police:

'The public said, and our officers agreed, that they wanted to be able to use their discretion much more. Officers felt very constrained by chasing and counting targets; these pressures imposed from other parts of the system to do things in a certain way, removed their discretion and they wanted it back. In order to do this, we introduced our values-based decision-making model. We used it across the whole organisation and our front-line people said this really helped them make better decisions as they dealt with a whole variety of different situations. This model helped them to consider the options based on law, values of the organisation and how their choice would inspire trust and confidence with the public. We told them, 'We trust you, we empower you. You are the person there facing the situation, work this way and know you have our support. Aim to deliver a service that your family and friends would be proud of.'

What role is HR playing?

In most cases we came across, the CEO paid tribute to the critical role of the HR director, and those responsible to them, in driving organisational transformation. There is also recognition of the strategic role of HR.

'I've always seen HR as being at the top table. HR has a central role in shaping, articulating and achieving the vision. HR is about organisation design, not just administration. Sheila [HR director] helps to form the vision and measure our performance, as well as building an approach to equalities. There is no separate strategy unit. This is unprecedented in local government – elsewhere strategic support tends to come from the CEO's department and people scattered through the operational units, producing a lack of focus. HR director is a senior role; you have to be able to adopt whatever role suits the circumstances. My preferred style is leading the development of the vision.'

CEO, Kingston Council

Communications are at the heart of changing the culture at Kingston, and HR is clearly in the lead. HR Director Sheila West's account underlines the influence this gives the function across the whole of the council's activities:

'HR/OD is part of our strategic business. We help to articulate and deliver the vision. We've had an ambitious programme of change over the last few years and we've had a lot of involvement as changes happen.... I always saw myself as the lead on internal communications: communication is critical to HR. My role has extended to include strategy and now includes also corporate communications. 'One Council' was completed a year ago and communication was key to that. We have a 'One Kingston' communications group now which manages all messages to the community and our partners. We meet every week. If you are a senior manager and want to put out a message, you come to the group so as to get consistency: there is a common expectation on all managers.'

The main support to CEOs has traditionally come from the finance department. In Kent the CEO makes clear that he now sees much greater parity between the HR and finance functions (see case study on page 13).

HR has been able to find the resource to deliver more strategic support to local authority transformation, despite the cuts required in its own staff numbers, in part by adopting the Ulrich model and separating the business partner function from process support. This is an exciting but also a demanding time for many HR directors in local government.

'This is the biggest challenge of my career. It's an exciting opportunity for HR to drive and lead business change, not just be a support service.'

HR Director, Cornwall Council

What contribution does OD make to delivering change?

CEOs emphasised that it is organisation development (OD), rather than the more traditional HR activities, that they value most.

'We have a 'one council' approach, including a big leadership development programme. I made clear my expectation that OD would be central to the change agenda, 'marshalling' the organisation.'

CEO, Norfolk County Council

'OD can be a difficult concept to pin down. Everything that HR does can affect the local authority's culture. Culture change is driven by signs and symbols: people internalise the messages. Organisations can be seen as mind-sets: we focus on the interface between management and staff.'

HR Director, Birmingham City Council

Many local authorities we talked to see HR through an OD lens, and the OD team was integrated into the HR function. Sheila West at Kingston has full responsibility for both HR and OD and she explains the distinctive contribution that the council looks to OD to make:

'HR/OD is part of our strategic business. We help to articulate and deliver the vision. What does OD do? We are the change agents. We should be open to change ourselves. We held workshops to get people's ideas. They all had to be assimilated so that HR knew the emotional side of change. There is an HR/OD presence on all departmental teams. What is the added ingredient of OD? It's vision, articulation and being a change agent. The mechanisms of internal communications and employee engagement are used to develop the organisation. We help to focus outcomes. OD for us means hearts and minds and values.'

Similarly in Somerset, CEO Sheila Wheeler makes clear the significant contribution that OD is making to helping staff adjust to new ways of working:

'Clearly we need to skill up our workforce in very different ways. The flexible working programme means our offices need to work in a very different way. They need to be comfortable with it and take on responsibility and accountability with fewer people in the chain of command. We are restructuring the hierarchy of command as well as the expanse of control and all of that requires a different skill set for individuals and managers. It's about taking ownership and being much more authoritative and empowered. Some people will find that scary of course.' (See case study on page 41.)

In other authorities, such as Wychavon, there is a clear distinction between the role of HR and that of OD, and the two departments are organisationally separate. Some CEOs prefer to take the lead on OD themselves. Kersten England thinks there can be a risk of losing integration if the relationship between HR and OD becomes an issue: she is clear that 'OD belongs in the senior leadership team' and HR needs to play a supporting role. One police chief makes clear his belief that responsibility for leadership development, for example, should sit with OD rather than HR:

'We have a senior lead around leadership development and their role is under advice and guidance from the OD advisor, the head of HR and others to understand the data and to pull together the appropriate leadership strategy. So it sits at a very senior level in the organisation and it's a very important part of what we do. HR are involved, but HR don't own and lead that.'

Chief Constable, Gloucestershire

In most councils the OD function is heavily involved in implementing major organisational change. The 'One Council' concept, generally involving substantial restructuring to eliminate duplication and give the top team stronger leverage to implement change, has been widely adopted:

'When I took over as chief executive, I inherited silos [ie departments didn't communicate with each other]. We've created a platform of corporate services to bridge the gaps. That's the way we work – it's the life blood of the organisation. The benefit of a single platform is we don't have departmental infighting over budgets.'

CEO, Norfolk County Council

Is employee engagement understood and valued across the organisation?

Employee engagement is seen as a priority across all the organisations we visited and is interwoven into organisational development and culture change activities. This might help explain why employee engagement scores have not suffered as badly as might have been expected given the pressures on budgets and jobs and the scale of organisation restructuring. However, senior leaders acknowledged the impact of spending cuts on staff morale:

'Change is not painless: it affects people's lives and careers. Managing change is hard work and involves having difficult conversations. We've seen 400 people leave the organisation and many of them didn't want to go. It helps that we acknowledge and recognise the loss of valued colleagues. Staff feel the pain as much for service users as for themselves.'

HR Director Norfolk County Council

CASE STUDY: Somerset County Council

CUSTOMER-LED SERVICE DELIVERY

'It is almost like ripping up the council and starting again.' This is the view of Somerset County Council's director of HR and organisational development, Richard Crouch, on the scale of the change programme under way to transform the delivery of local services.

Underpinning the change has been the decision by the chief executive, Sheila Wheeler, and her executive team to become a customer-led council which makes decisions about how to deliver services depending on insights from its customers and communities.

The transformation programme has been developed against the backdrop of a 28% reduction in the council grant and increasing demands on council services as a result of an ageing population, said Wheeler. To enable the major shift in culture required, the council has radically changed its structure, moving away from the old vertical directorate silos, centralising all business support, communication and marketing, and splitting commissioning from direct service delivery.

Under the new structure the council will have one commissioning function for adult, children and community infrastructure services and a separate operations function that is responsible for the direct delivery of local services. The council has also created the role of business development director, who has a remit to consider how the delivery of services, whether commissioned or delivered directly, might be improved, for example by using a shared service platform to share senior managers, or considering strategic partnerships with other local service providers.

There is also a customer and communities director, who will be informing strategy by providing customer insight through feedback from employees on the front line and their customers.

Values lie at the heart of culture change

The council's core values are also aligned to the new structure and help put flesh on the bones of the new culture required. They are: customer focus; can-do attitude; care and respect (for customers and staff); and collaboration.

Wheeler said that overall responsibility for organisational development lies across the executive team but with HR playing a central role. *'Traditionally HR did it to us but now the executive leadership team is working together on the requirements for the future.'*

A central element of the service and culture transformation programme is leadership development. Wheeler said that the leadership team had recognised that if the council is to become truly customer-led, it needs to move away from a command and control hierarchy to a model of leadership that involves managers taking more ownership of decision-making and feeling more empowered.

This has also been driven by the council's HR Policy Committee, which is a partnership between elected council members and representatives from the council's HR team.

Both the chief executive and HR director are very clear that the only way to embed the necessary behaviour change needed to ensure that customer satisfaction lies at the heart of service delivery is through a fundamental change in leadership capability.

In response, nine new behaviour sets have been developed for leaders at all levels in the council, from the executive team to the front line. All council directors have been appraised against the nine behaviours and a learning and development programme has been created to help them address any development needs.

To read the full case study go to page 41.

'You are now asking people to deconstruct everything that they have spent years constructing and look at life in a different way and people don't find that very palatable. Our staff survey told us very clearly that people feel a disconnect between why they came into the public sector and what is happening nationally and locally. They will tell you that they are fed up with the constant pillorying and hectoring of public sector staff, which, interestingly in Somerset, has impacted on people in their local communities.'

CEO, Somerset County Council

But CEOs and HR directors generally claimed that employee engagement levels are holding up quite well:

'In our last employee survey in February 2011, 48% of employees were engaged. This followed the announcement of our financial situation, so perhaps it wasn't too bad. Morale is currently patchy and inconsistent. We were recently awarded the full Investors in People standard after three years' work. Our Local Government corporate peer review [headed by the chair of the Local Government Association] said we had an incredibly positive culture and believed our employee engagement levels were high: all the 20 staff members who were spoken to said they wouldn't want to go back to working under the old structure.'

HR Director, Cornwall Council

'We were worried what a staff survey last summer would show, but we went ahead with it. We retained a high level of completion at 60%. Many people wrote

in unscripted comments, which I read. When Kingston Business School fed back the results, their report said the outcomes were overwhelmingly positive. Job satisfaction was down a bit (60% down to 53%) and job security was predictably down, but it felt real. We ran a number of focus groups, getting across the message that 'employability is the new job security'. We focused on success stories and the fact that many people got better jobs and/or promotions as a result of the changes.'

HR Director, Kingston Council

Clearly there have been significant changes in the psychological contract in local government. The expectation of stable employment is now changing and this is difficult for some staff:

'There is a greater realism around. We've had a wage freeze; performance-related pay for managers has been stopped. The demands on us have become much tougher and openness and honesty are essential. Paternalism is no longer possible.'

HR Director, Norfolk County Council

To maintain and build levels of employee engagement, most authorities are looking to articulate a new psychological contract. Inevitably this will mean playing down expectations of lifetime employment and focusing more on developing employability. Kersten England at City of York Council explains:

'We need to reset our offer to employees. It's an exciting time to work in local government, but it's less certain than it used to be. Many employees would have expected a steady

What are the components of employee engagement?

A growing body of evidence highlights the link between enhanced employee engagement and improvements in organisation performance (CIPD 2009). However, engagement levels in most organisations are typically mediocre at best. The CIPD's spring 2012 *Employee Outlook* survey employee engagement index found that 38% of employees are engaged at work, 59% have neutral engagement and 3% are disengaged. Our engagement index is based on CIPD research into the psychological contract and employee engagement over the last 15 years.

The employee engagement index comprises responses to the following questions, asking the extent to which an employee:

- takes on more work to help colleagues
- works more hours than is paid or contracted to

- feels under excessive pressure in their job
- has positive relationships with colleagues
- achieves what they feel to be the right home/work-life balance
- is satisfied with the content of their job role
- is satisfied with their job overall
- is satisfied with their relationship with their line manager or supervisor
- thinks their employer treats them fairly
- has a clear knowledge of the purpose of their organisation
- is motivated by that purpose
- feels their organisation gives them the opportunity to learn and grow
- has confidence in the directors/senior managers of their organisation
- trusts the directors/senior managers of their organisation
- is likely to recommend their organisation as an employer.

New research sponsored by the PPMA and the Local Government Association (*Developing a New Employment Deal for Local Government*, 2012) finds the current deal is perceived to be weighted in favour of councils, which is undermining the ability of people to deliver what they want. The report identifies a need for employers to engage in conversations with their workforce and their representatives about the future employment deal in the context of the service transformation narrative for individual councils. The new deal must encompass both economic and non-economic factors, recognising that a supportive work climate is critical

to organisation effectiveness. The research also suggests that local government employers should focus on the quality of conversational practice at all levels in the organisation, recognising the critical importance of conversations between managers and their direct teams. This highlights the importance of equipping managers with the necessary people management skills to engage their staff. Local government employers must also address key organisational tensions, such as 'achieving more with less' and 'job creep', associated with growing employer expectations of greater discretionary effort on the part of employees.

rise up the career ladder if they worked diligently, but that's no longer a given. We can't guarantee people that they will be able to stay with us throughout their career. What we can offer them is quality employment, opportunities to develop their skills and a high degree of employability. We can tell them that they'll be supported and equipped, and that we are going on a journey, but it will take us to places we don't yet know. We will work with employers across the city so we know where the jobs are, and engage with our employees to help them think through their options and make their own decisions. We talk about 'safe uncertainty' – making it as safe as possible for people in uncertain times through early communication and involvement in the process of change.'

Authorities have so far been noticeably successful in maintaining mainstream services and supporting employee morale through an extremely testing time. Asked how to account for this achievement, CEOs tended to point to the public sector ethos underpinning staff motivation and, in some cases, loyalty to the local area. Kersten England said:

'We have a passionate and professional workforce and they don't come to work to do a bad job. They're working with customers on a daily basis, and the immediacy of what they do means they get direct feedback. Morale and motivation are holding despite the challenges. But most of our staff live and work in York: it's their home and they are intensely proud of their city. We also do what we can to support people through career and financial planning, salary-sacrifice schemes and use of voluntary severance, retraining and redeployment opportunities.'

Similarly, the PRIDE initiative in Sutton (see case study on page 12) has articulated values of partnership, respect, innovation, diversity and empowerment as a basis for engaging both residents and employees.

In Birmingham there is a continuing drive to use employee engagement as a focus for upgrading management skills and supporting a 'lean' agenda:

'The BEST (belief, excellence, success, trust) programme was initiated by the HR and policy teams and gives control to the staff who actually deliver council services. The programme, which is now linked to the 'lean' programme, is wholly driven within individual teams. BEST workshops are held to consider progress towards the achievement of core values. Training of leaders for BEST has revealed an unsuspected wealth of talent, not all at team-leader level. Some suggestions from the workshops have been surprising – for example, that staff should say 'good morning' to each other when they first meet in the morning.'

HR Director, Birmingham City Council

HR Director Andy Albion emphasises the need to offer employees a vision of the future that will give them something to aim at (and hopefully look forward to):

'We are looking to define a 'post-Apocalypse' world for the authority in order to improve morale and reinforce employee engagement and the psychological contract. We want to use aspects of the Birmingham employment contract, including career development and training, as positives. Staff are very professional and committed to public service: they won't let their customers or clients down.'

3 ENGAGING MANAGERS

ENGAGING MANAGERS facilitate and empower rather than control or restrict their staff; they treat their staff with appreciation and respect and show commitment to developing, increasing and rewarding the capabilities of those they manage. (*Engaging for success, MacLeod and Clarke 2009*)

Without exception the chief executives and HR directors we spoke to highlighted the need to upgrade the skills of their managers to empower and engage those on the front line to work in new ways, as well as to become more comfortable in managing across organisational boundaries.

These public sector leaders are looking to embed culture change in their organisations through developing leadership skills among their managers, from the board down to the front line, that reflect their organisation's values and core purpose. In most cases they have developed or are developing a leadership capability framework which is closely aligned to the organisation's values (see box below).

These leadership skills are essentially progressive people management skills around self-awareness, listening, empathising, coaching, and knowing and understanding the individual. There was also a recognition that managers need situational leadership skills; for example, in the Police Force and Fire Service, uniform managers will need to flex between a more command and control style of management when responding to incidents and using a more participative approach to leading their people the rest of the time.

However, in most instances the leadership development activities are still at a relatively early stage. Many of the interviewees highlighted the importance of generating good-quality data from managers' performance appraisals and employee attitudes/engagement surveys to help build a clear understanding of overall leadership capability and to highlight areas of strength, weakness and development need.

Most of the CEOs and HR directors interviewed also expressed the belief that the development of such core 'leadership' skills should apply to all employees as a means of improving the quality of engagement between the front line and members of the public to improve customer service and facilitate innovation. With limited resources available for buying in external help, in most instances HR teams are themselves supporting a wide range of developmental activities, including for senior leaders. However, a couple of organisations, such as Sussex Police Force and Cornwall Council, have managed to secure budget to invest in leadership and management development.

Employee engagement workshops offer another vehicle for developing leadership capabilities. In many instances leadership development programmes are integral to organisational development activities and are regarded as mutually reinforcing:

'We had no funding for corporate leadership and development – all the money was tied up in professional and mandatory training. So we proved the value of investing in developing managers and members have given me a £1 million budget, which has enabled us to double the amount of training we do.'

HR Director, Cornwall Council

'Our values feed into the leadership behaviour we want from our managers. We run a series of activities. All managers have to go through the programme. They share the knowledge already in the organisation. It's free and

Values-based leadership

The CIPD Research Insight *Perspectives on Leadership in 2012* identified values-based leadership as an emerging strand of leadership theory which requires leaders to demonstrate honesty, integrity and strongly held ethical and moral principles. Values-based leadership models such as 'ethical leadership' suggest that leaders, by role-modelling ethical conduct, inspire others to behave and act similarly. In fact, within the academic literature, ethical leadership has been

shown to create positive outcomes in employees, including organisational commitment, willingness to exert effort, willingness to report problems, job satisfaction, organisational citizenship behaviours (going the extra mile) and trust and satisfaction in management. A study by De Hoogh and Den Hartog (2008) found that ethical leadership (measured in CEOs) was positively related to top management effectiveness and employee optimism about the future. This study also found that the key important elements of this form of leadership for CEOs are morality and fairness.

fluid – people are responsible for their own learning. The programme is cost-effective and largely dependent on internal resources. We are clear who is in a managerial role and we have a common manager profile.'

HR Director, Kingston Council

Leadership starts at the top

Almost without exception, the chief executives interviewed for this report have thought quite deeply about what is required of them as leaders and have very clear views of their own leadership style and how this sets the tone for the organisation.

Bruce McDonald at Kingston discusses different models of leadership, including Nelson Mandela and Winston Churchill, but says:

'The reality for me is more prosaic. The picture I put up at presentations on leadership is Alan Titchmarsh. It's about nurturing and sticking with things.'

McDonald also focuses on the need to give meaning to messages:

'What is leadership? I used to believe it was about strategy and some complaints-handling. Now I think I'm the organisational storyteller. No one else can do it. I need to communicate where we're going and continually make sense of what we're doing.'

David White at Norfolk reflects on the need for CEOs to develop personal resilience:

'This is my third CEO job. I become more myself the older I get and I have more strength and self-belief. Nothing fazes me.'

The model of leadership in the police and fire services is not so different from that in local authorities. It's about coaching, not telling people what to do, and developing a vision and values for the future on a collaborative basis. The old model of charismatic leadership is being set aside in favour of a model of 'distributed' leadership which focuses on supporting, developing and motivating staff. Tony Melville, the former chief constable of Gloucestershire Police Force, said:

'My personal take on leadership is that for the last 10 to 20 years policing has encouraged and rewarded what I would call a heroic leadership style.... I think that served us well, but I also think it is time to move on from that. My aspiration is that people would say of me that I had a much more collaborative style of leadership where I valued the wisdom that people's contributions can bring.'

It would be characterised as setting the direction but then really working with people about how to arrive at that destination – almost a sense of cheering people on and coaching them as much as working in a controlled and directive way.'

Similarly, the chief fire officer in Derbyshire, Sean Frayne, says:

'A lot of people still think managing people is about telling them what to do. From my experience it is about motivating, coaching them and encouraging them to be the best they can be. It's about continual professional development and enhancing personal skills. I expect crew managers to know what their watch managers are like as individuals and what their fire fighters are like. I also expect them to be approachable so that if someone has a problem they will feel comfortable raising it with their manager.'

The CEOs interviewed for this report recognise that a new model of distributed leadership is needed if service transformation is to become a reality. This principle applies across the public services and the success or failure of the Government's public service reform efforts will, to a large degree, depend on the extent to which this type of leadership can be developed and embedded.

What skills/behaviours do managers need to exhibit to support and embed public service transformation?

The change from delivery to commissioning roles will also require changes in career pathways for council staff and will require commissioners to come from a range of backgrounds. The transfer of public health from the NHS from April 2013 will also mean new responsibilities for council staff. These changes have also informed management development activities in some organisations, for example City of York Council:

'We've focused on developing project management and leadership skills. This is a key feature of our top-level leadership change programme. We are building a programme (now under way) using developmental activities, including secondments, volunteering, coaching and shadowing. We're helping people experience things through action learning and sharing problems, for example working with charity and voluntary sector organisations to bring it alive.'

**Assistant Director Customers and Employees,
City of York Council**

CASE STUDY: Sussex Police

BUILDING LEADERSHIP CAPABILITY

New model of leadership needed

The chief constable of Sussex Police believes a new approach to leadership is needed if the service is to deliver on its three key strategic priorities of keeping people safe, ensuring strong neighbourhood policing and making best use of resources against the backdrop of a 20% cut in budget over four years.

Martin Richards said the nature of modern policing means a different model of leadership is essential, across all levels of management down to the front line, if the service is to become more 'customer' focused.

'Of course every organisation has to have some element of command and control in certain circumstances. If you are first on the scene at an incident you can't sit around consulting people, but back at the station a lot of leadership is around emotional intelligence, listening, coaching and mentoring,' he said.

'Part of our fundamental role is also to get information from people – sometimes information they don't know they have and sometimes information that they can't marshal into a comprehensible state. As an officer you have to be able to empathise and create the right environment in order to encourage people to talk.'

Richard said a strong focus on building greater leadership capability across the organisation is one strand of the organisation's Future Workforce Strategy, which is feeding into a service transformation programme titled 'Serving Sussex 2015'.

Serving Sussex 2015 is underpinned by some key organisation values developed in consultation with staff. These cover a commitment to: serving the public; acting with compassion, personal responsibility and courage; justice and treating people fairly; innovation and improvement.

The drive to improve leadership across the organisation very much reflects Richards' personal views on leadership and the critical importance of this to overall organisation performance.

'If we take 20% out of the organisation and carry on doing things as before, we will be 20% less efficient. We need people at all levels and in all departments in the force to come to work not just to do a good job but with ideas – and that means inspiring a different mind-set. We need people to think: "how can I do a better job and how can I help my team do a better job?"'

Richards insists on meeting with anyone in the organisation who has been promoted on an individual basis. He believes that great leaders need what he calls the three Ps. The first is ensuring they are still focusing on delivering effective **policing** as their overall reason for wanting to be promoted; the second is a commitment to and interest in getting the best out of their **people**; and the final element is **passion**. *'I can demand the first two Ps but I can't demand passion. But it's great when you see it. People who have passion lift the games of themselves and of others around them.'*

Richards also believes leaders need to be humble and have generosity of spirit. *'You need to be able to put yourself in someone else's shoes. In my view you should be prepared to meet people more than halfway, which means going just that bit further to understand someone else's point of view or behaviour. In policing, it also means not passing on the stress of dealing with a difficult situation to someone else.'* Richards thinks that HR has a critical role in building leadership capability.

'[HR's] role is key in terms of helping to create the organisational values and the right principles, developing these through formal and informal structures, whether they be training programmes or mentoring or other interventions to ensure behaviours change over time.'

Developing leadership capability

The force's HR director, Marion Fanthorpe, said the organisation has developed a leadership capability framework which sets out clearly the sort of leaders that the force requires and is designed to help ensure that how leaders behave reflects the organisation's stated values.

To read the full case study go to page 43.

4 VOICE

VOICE – an effective and empowered employee voice – employees’ views are sought out; they are listened to and see that their opinions count and make a difference. They speak out and challenge when appropriate. A strong sense of listening and of responsiveness permeates the organisation, enabled by effective communication. (Engaging for success, MacLeod and Clarke 2009)

There is an issue for local authorities when they seek to give employees a say in developing the services they are responsible for delivering. Policies are determined largely by central government and, within that broad framework, by elected members. Consultations on policy need to take into account the views of local residents. So the influence of local authority employees on the strategic direction of the services they provide is bound to be circumscribed. The ability of trade unions to influence decisions, or even protect their members’ terms and conditions of employment, is also limited. However, we found much evidence of effort by local authorities to involve individual employees in developing services, particularly in the way in which they should be implemented. Engagement initiatives such as the BEST programme in Birmingham offer opportunities for staff at all levels to come up with creative ideas for improving services.

What arrangements are in place for listening to and considering staff views?

All councils have used surveys of employee attitudes to keep in touch with opinion – even when they were aware that responses would reflect the tough times people are going through:

‘We were worried what a staff survey last summer would show, but we went ahead with it. We retained a high level of completion at 60%. Many people wrote in unscripted comments which I read. When Kingston Business School fed back the results, their report said the outcomes were overwhelmingly positive. Job satisfaction was down a bit (60% down to 53%) and job security was predictably down, but it felt real. We ran a number of focus groups, getting across the message that ‘employability is the new job security’. We focused on success stories and the fact that many people got better jobs and/or promotions as a result of the changes’.

HR Director, Kingston Council

Employee voice is integral to the change process at the London Borough of Sutton.

Employees have been involved through the monthly Staff Sounding Board, roadshows with each of the directors and executive heads. The council has also used online forums, presentations and encouraged people to participate through team meetings. The council’s *Insight* internal communications

publication has also carried articles inviting people to give their opinions. Chief Executive Niall Bolger has also been working closely with the council’s corporate management team on honing concepts and ideas and agreeing language and then ensuring there is broad understanding among the wider management team. He said: *‘People are not struggling with the broad concepts set out by Delivering the Smarter Council; it is how we are going to do it that we have got to concentrate on over the next few months.’*

‘Engagement with staff will enable us to continue the conversation organisationally about the “how” in order that we can then produce the means of doing it, the mechanics, the instructions and the tools to be able to do it,’ said Bolger.

There is a new understanding of how communications can work effectively in organisations, including the use of social media:

‘We needed to review and reassess [how we communicated]. The previous HR strategy was an eight-page document listing many priorities: now it’s a single-page people plan with a values-based approach.’

CEO, Leeds City Council

‘We had to get away from managing the paper flows and recognise the reality underpinning the ‘Mrs Bourne ultimatum’, that is, that messages can go viral in hours. This underlines that power is illusory and not hierarchical. Organisations can be arranged around the people they serve, not their own needs. In the old model, there was a disconnect between management speak and the experience of the organisation, which led to disengaged organisations.’

CEO, Kingston Council

Sussex Police is using a range of formal and informal approaches to build employee voice and ensure people’s opinions and ideas are aired.

This has included running an employee opinion survey, which highlighted that many people in the force were not ready for the degree of change in the pipeline. To address this the organisation has roadshows and open discussions with staff, as well as an initiative which brought people from across the organisation together in the force’s conference centre to come

up with ideas for cost savings. The chief constable is also highly visible and uses a variety of ways to engage with staff personally, from leading a recent major leadership day at the local football stadium to regular station visits and informal conversations with groups of staff around a table.

There was some evidence that employee voice and involvement in change was helping to maintain employee morale and engagement:

'We were recently awarded the full Investors in People standard after three years' work. Our LG corporate peer review [headed by the chair of the LGA] said we had an incredibly positive culture and believed our employee engagement levels were high: all the 20 staff members who were spoken to said they wouldn't want to go back to working under the old structure.'

CEO, Cornwall Council

What role does the union play in engaging employees with new ways of working?

All councils recognise the role of trade unions in seeking to protect their members' interests. To bring down staff costs, most councils have reviewed terms and conditions of employment and trade unions have had to sign up to some tough deals. In a number of cases we heard of members taking industrial action. Nevertheless, relations between management and trade unions are generally said to remain quite good:

'Relations with trade unions are surprisingly good. We have gone through a lot of pain – they fought us where they had to. We had two three-day disputes affecting the local authority as a whole, one over pension reform and the other over the new contract... (but) the economic climate makes militancy difficult.'

HR Director, Birmingham City Council

'In spite of all the issues, relationships with the unions tend to be at the moment – touch wood – pretty good.'

HR and OD Director, Somerset County Council

Relations between Norfolk County Council and its trade unions are described as excellent and managers and unions have regular offline conversations. The council recently told the unions that it wouldn't cut sick pay but needed to cut sickness absence. The unions responded positively and are helping to communicate changes to the workforce. Joint web chats with the unions on single status and equal pay in 2010 resulted in an 85% vote in favour of proposed changes.

Many local authorities have substantially replicated the experience of those private sector employers who have frozen pay or reviewed reward packages to reduce the need for redundancies:

'Kevin [CEO] wanted to dismiss and re-engage staff on different terms. I said we'd alienate the trade unions and the workforce, with damaging consequences for the future. So we told the unions the scale of the problem and made clear that if we could save £10 million on the paybill we would need to make fewer job cuts. We adopted a total reward approach and put everything on the table. Council leaders told the unions that the alternative was to dismiss and re-engage staff and this would lose the opportunity for early savings. We saved 200 people from redundancy.'

HR Director, Cornwall Council

A number of councils are taking the opportunity to move away from traditional pay structures and link pay more closely to performance, which can be expected to increase productivity. In Cornwall the unions have signed up to the introduction of performance pay in place of annual increments. Several local authorities reported progress in lifting the proportion of employees who had completed the appraisal process:

'We are developing an employment contract common to all our employees, with job families allowing more flexibility in terms and conditions. Some 40 former local government grades have been replaced by 7 long scales. Progression is linked to achievement of objectives and there is 98% compliance. All staff go through the same appraisal process.'

HR Director, Birmingham City Council

CASE STUDY: Derbyshire Fire and Rescue Service

VOICE AND VALUE

At the heart of Derbyshire Fire and Rescue Service's approach to service transformation has been a huge emphasis by the strategic leadership team on effective communication, with an emphasis on 'telling it how it is' and listening.

This has been led by Chief Fire Officer/Chief Executive Sean Frayne and reflects his background as a fire fighter who has worked his way to the top of the organisation. He said: *'The culture historically in Derbyshire Fire and Rescue Service was one where things were done to people, rather than with them, which is how I think you get the best out of people. My priority on becoming a principal officer was engagement and communication in order to make this shift.'*

Sean Frayne, Deputy Chief Fire Officer Andy Waldie and Deputy Chief Executive Joy Smith invest a significant amount of time visiting all of the service's 31 stations plus the support departments to ensure that messages are not lost in translation, to listen to employees' views and concerns and to build trust. *'I make it clear that I've been there and I understand what people are saying and will do whatever I can to help them do their jobs – but if someone is wanting too much I will explain why they are wanting too much and I will lay it on the table,'* said Frayne.

He believes this approach is particularly important given the financial challenges facing the service and the scale of the changes being implemented while still delivering on its core vision of 'Making Derbyshire Safer'.

To read the full case study go to page 46.

CONCLUSIONS

Local service organisations face a massive challenge

Local service organisations face a massive challenge in achieving the cuts required of them without fatally damaging staff morale and undermining services. So far the organisations featured in this report are doing a remarkably good job. The issue is: how long can they juggle the conflicting priorities before something gives? CEOs have adopted a positive approach to meeting central government's requirements on spending. They have adopted a 'can do' philosophy and this is reflected in their communications with staff. Senior management teams are not in denial about the implications of the financial savings they are required to make, or about the scale of likely future reductions, nor are they dragging their feet in making the changes needed in structure and systems in order to respond. CEOs are aware of the need to communicate to staff a complete picture of the bleak longer-term financial situation. They are therefore looking to anchor staff attitudes in meeting the needs of service users and shifting the culture to one in which staff are capable of responding flexibly to new challenges and their expectations are broadly in line with what their organisations can meet.

Leadership is high up CEOs' agendas

We were impressed by the willingness of many CEOs to reflect on their leadership style and what is required of them as leaders. All of the CEOs we spoke to are accepting their responsibility to give a sense of direction to staff. They also recognise the long shadow they cast as leaders and the impact their behaviour has on the organisation as a whole. They firmly believe that changing the organisation culture is essential for successful delivery of the changes required in structure and services. Almost without exception they have worked with staff to develop clear organisation values to provide a framework and reference point for culture change.

They are also committed to a model that might be called 'distributed leadership', recognising that leadership qualities are needed at all levels of the organisation to make sure that values are reflected by how managers behave. Councils, police and fire services have a wide range of stakeholders and CEOs are fully alert to their responsibilities to look after relationships with local residents, businesses, voluntary bodies and trade unions, as well as elected members. They appear to be quite successful in managing these wider relationships: none complained of serious constraints imposed by stakeholders on their freedom of action to meet the challenges they face. But managing their people is clearly at or near the top of their list of priorities. The research highlights the critical need for very strong professional and values-led leadership at board level to underpin positive organisational cultures in which employee engagement, empowerment and innovation on the front line can flourish.

The wider political context

The wider political context, both at a national and a local level, is having an inevitable influence on the transformation process and on approaches to organisational leadership – and this seems to be increasing. Inevitably, local politics have a strong role to play when public acceptance and buy-in is required to proposed changes to services. The gap between the political and executive leadership of local authorities and police forces in particular is narrowing in some instances and it is important that professional knowledge and experience is not ignored by elected politicians. Moves to improve local democracy, for example the introduction of police and crime commissioners or elected mayors, must not be allowed to undermine effective organisational leadership.

This issue exposes an interesting aspect that is both a tension and an organisational development challenge. Public services embrace a number of strong professional groups and representative bodies, all of which have developed strong values and professional cultures. Yet in the digital age, where information is readily available, the public, and their representatives, are more inclined to challenge what has been previously accepted professional wisdom. This could and should be a healthy tension, but in the current climate, keeping that tension in balance will be a significant challenge for those involved.

HR is at the heart of the transformation process

The CEOs we spoke to are highly supportive of the HR function and, in many cases, more than happy to say that they look to their HR director to lead on implementing the transformation agenda. In some cases the HR function is brigaded with strategy and in others with internal communications, and in these cases their leadership role is perhaps most evident. In most cases HR is making extensive use of OD skills, either in the shape of OD specialists or through senior HR generalists, to deliver a range of services going well beyond the traditional HR service function. OD skills appear to be playing a central role in delivering culture change and helping to embed values such as openness, honesty and humanity.

All of the organisations we interviewed have reorganised their HR function and structure on the lines suggested by Dave Ulrich. This has meant putting more senior resource into supporting business change by creating business partners and cutting back on staff numbers deployed on managing HR processes by adopting a shared service model. The Ulrich model has helped the HR function to find the resources to deliver 'more with less' and shift its focus from process to strategy. Some local authorities have in effect adopted a 'supercharged' version of shared services by pushing sharing across organisation boundaries, for example two councils sharing an HR function

It should not perhaps be surprising that HR is playing a central role in delivering radical change in organisation size, structure and culture. All of these locally focused services are delivered by people and changing delivery models will require major adjustments in roles, skills, attitudes and behaviour. Who is going to ensure that these adjustments are made, if not the HR function? However, it has not always been the case that organisations faced with the need to make such major changes have looked to the HR function to lead them. It is remarkable that, in many of the organisations we saw, it seems to be axiomatic that HR should be driving change forward, with the active support and encouragement of the top team. In many cases, the HR director is a member of the senior management team. It seems that the HR function in local government, police and fire services is responding to the increased pressures and expectations placed upon it and, as a result, is enjoying increased authority and respect from colleagues.

Improving the communication process

Improving the communication process is regarded as a priority among the local authorities, police and fire services featured in the report. Former Tesco CEO Terry Leahy has drawn attention to the need for leaders to develop simple means to communicate goals to everyone in the organisation: he believes that in order to perform well, employees need to have direction, purpose and fulfilment. This is certainly the aspiration of many of the CEOs we met, and it's interesting that a number have private sector experience on which to draw. These organisations have absorbed the message that 'you can't get the things you care about to work unless you tell people why you're doing them'. Some CEOs are explicit about their role as the organisational story-teller whose job is to make sense of what is happening and explain how this influences the jobs of people on the front line of service delivery.

How far are these local public service organisations delivering genuine employee voice? Some authorities are making a major effort to encourage employees to contribute to the process of redesigning services, for example through forums and focus groups. CEOs are much more visible and accessible than before and are seeking to put across positive messages that staff will understand and believe. But employee voice is expressed directly rather than via the traditional route of collective bargaining or consultation machinery. The reduction in trade union density in the public sector, combined with the sheer scale of the spending cuts, have forced unions onto the defensive. Their role has been largely one of damage limitation, focusing on – as far as possible – protecting their members' terms and conditions.

Employee engagement levels holding up well

Employee engagement levels are holding up surprisingly well. CEOs and HR directors attribute this to a variety of factors, including a renewed focus on the needs of service users, recognition of outstanding contribution by individual employees and a continuing public service ethos. They underline employees' pride in doing a good job and loyalty to the local area. The investment in leadership and open and transparent communication appears to be paying off. We heard relatively little evidence of improved front-line managers at this stage. There is clearly a drive to improve management capability and performance management, but HR directors see this as very much a work in progress. For the future, much will depend on authorities' ability to establish a new psychological contract or 'employee value proposition'. The PPMA's research with the Local Government Association, *Developing a New Employment Deal for Local Government*, suggests that for this to happen public sector employers need to build collaborative and productive partnerships with their staff that enable high involvement and workforce participation in shaping and delivering sustainable change programmes to boost efficiency and innovation.

This study has focused on two key actors within the transformation agenda: the respective roles of the CEO and the HR function. Looking at the four drivers of employee engagement identified by the MacLeod report, two of them – (1) a compelling narrative and (2) an organisation culture based on integrity – are largely the responsibility of the CEO, while (3) employee voice and (4) engaging managers are primarily the responsibility of HR. But of course all four drivers are inter-related. So it is critical to local authorities', police and fire services' ability to deliver on their transformation agenda that both CEOs and HR directors should share a common understanding of the nature of the challenge and work closely together on shaping a response. Happily our case studies suggest that this is indeed the case. The degree of closeness and mutual confidence between CEOs and HR directors offers a basis for believing that, whatever further challenges they face, their organisations will continue to deliver on the transformation agenda. Although we are unable at this stage to draw direct comparisons with the way other parts of the public sector are managing the process of adjusting to the spending cuts, we do not believe that local authorities, police or fire services need fear such comparisons. Indeed, there are valuable lessons here for other public service organisations and for the wider public service transformation agenda.

APPENDIX – CASE STUDIES

CASE STUDY: London Borough of Sutton

CREATING A NEW NARRATIVE ON PUBLIC SERVICE DELIVERY

PRIDE lies at the heart of efforts to deliver high-quality public services in the London Borough of Sutton with the objective of delighting residents.

PRIDE stands for partnerships, respect, innovation, diversity and empowerment and is embedded in everything the council does, according to Chief Executive Niall Bolger.

Bolger believes that these values encapsulate the way the council operates and its culture. *'We are very focused on engaging and involving residents in determining their futures and working co-operatively and collaboratively with local people to respond to their needs.'*

'PRIDE is more than just a piece of management activity; you see it every day in terms of the way that staff members and partners work together collaboratively to deliver public value and public good for our residents,' he said.

Dean Shoesmith, Joint Executive Head of HR for Sutton and the neighbouring borough of Merton, explains how PRIDE underpins how the council operates.

Under 'partnership', he cites the example of the shared HR service which he heads between Sutton and its neighbouring council Merton and a partnership between the council and Sutton Police Authority, called Safer Sutton Police Service.

The head of ICT services is shared with neighbouring Kingston.

Sutton is also a member of the South London Waste Partnership and works in partnership with a number of neighbouring boroughs to ensure effective economies of scale are utilised. Partnership working extends to working with residents and parks associations and will, over time, lead to decision-making being passed to grass-roots level within the community.

Shoesmith believes 'respect' underpins how people do business with each other, which helps support a collegiate way of working and the absence of a blame culture.

He points out that the elements of PRIDE are inter-linked; for example, 'respect' and 'partnership' working are closely connected with 'innovation'. *'We were the first borough to have street Internet connections with the council's website that are like street information sites that people could go to,'* said Shoesmith.

'We also experiment with our procurement. Sutton leads on an initiative called the London Boroughs Recruitment Partnership. We procure a number of recruitment-related services with our partners, which saves about £1.5 million per annum across London.'

Efforts to support and embed greater diversity are reflected by initiatives such as the council's recruitment of apprenticeships and its strong track record of recruiting people with disabilities.

Finally, 'empowerment' reflects the council's desire to enable council staff and residents to have more autonomy and choice over how services are delivered.

Bolger believes the approach embodied by PRIDE means that the Liberal Democrat-run council is well placed to deliver on the objectives of the Localism Act to give local communities greater control over local decisions such as housing and planning. It is also closely aligned with the Government's Big Society agenda, which is designed to empower communities, open up public services and build a stronger civic society. Bolger points out that this type of approach is nothing new for Sutton. *'A strong argument could be made that we've been doing this for decades,'* he said.

Voice and change

However, Bolger points out that while PRIDE has provided a good foundation for the council, it faces a significant challenge to fundamentally change how services are delivered because of the financial backdrop and the need to reduce spending while trying to increase the quality of service provision.

In response to this challenge he has written a paper called *Delivering the Smarter Council*, which has been used as a catalyst for a conversation with staff about the challenges the council faces.

Delivering the Smarter Council has three planks.

First is the need to move towards a model of community-based service-commissioning which revolves around the needs of the community identified through 'proper conversations' with residents. Bolger stresses that potential service delivery models could range from outsourcing or management buy-out through to mutualisation. *'The commissioning model we've adopted is neutral about outcome; it's very much about making sure that the product that we get is within the budget we have and is based on the need identified by residents.'*

The second plank is based on the idea of neighbourhood planning and management, which is about putting in place the appropriate structures to ensure residents' needs and requirements are reflected in our commissioning intentions.

The final element revolves around the concept of the resilient council, which focuses on leadership and management and political governance to ensure the council is resilient for the future.

'We need to work in different ways within communities and so part of the shift is explaining to leaders and managers their roles as public sector entrepreneurs.'

'What we are expecting managers to do in the future is to lead their staff so they can look at opportunities to deliver services in different ways, which means we have got to think about different skills and different orientations in the way they are thinking about public service production.'

Integral to the change process is how staff are involved and engaged. So far about 60% of employees have been involved through the monthly Staff Sounding Board, roadshows with each of the directors and executive heads (senior managers of the council). The council has also used online forums, presentations and encouraged people to participate through team meetings. The council's *Insight* internal communications publication has also carried articles inviting people to give their opinions. Bolger has also been working closely with the council's corporate management team on honing concepts and ideas and agreeing language and then ensuring there is broad understanding among the wider management team. He said: *'People are not struggling with the broad concepts set out by Delivering the Smarter Council; it is how we are going to do it that we have got to concentrate on over the next few months.'*

'Engagement with staff will enable us to continue the conversation organisationally about the "how" in order that we can then produce the means of doing it, the mechanics, the instructions and the tools to be able to do it.'

Part of the council's drive to engage employees revolves around efforts being made by Bolger and Shoesmith to develop a new employee value proposition.

Bolger commented: *'We need to think about what are the needs of our staff overall in this new world in terms of training and development, preparation for the future, their own personal resilience and competitiveness in this changing environment. We need to make sure we have got flexible workers and flexible packages of work which move beyond 9–5 day in, day out.'*

Bolger also believes that there is a real workforce and talent planning challenge presented by the exit of experienced staff who took voluntary redundancy, middle-ranking employees with little prospect of career progression and a lack of young people coming through because of the squeeze on resources.

The chief executive thinks that a new employee proposition is also crucial to changing the negative perceptions of the public sector that are emerging. *'Why would people want to work in the public sector? – relatively low pay, public service ethos and values not respected more widely and the benefits that we offer such as pensions being eroded.'*

Bolger believes national terms and conditions, while providing a degree of parity and certainty, don't necessarily fit with a workforce that will have to be more flexible and do things differently.

Shoesmith is trying to find answers to these challenges through his contribution to an initiative called the Smarter Sutton Service Review. This has meant every single part of the organisation has been subject to a review to make sure it's relevant and is focusing on customers' needs and has also delivered significant savings to meet the council's overall financial objectives. This was driven by a programme board managed and chaired by the director of environment and leisure. There are also a number of *Smarter Council* reviews led by the corporate management team, which is an organisational development initiative looking at how services and departments work together across the council to identify better ways of working and potential cost savings. Shoesmith is closely involved in the various reviews and plays a key role in helping to identify the people management and HR implications of the change management process.

He has also written an organisational development strategy to support the overarching *Delivering the Smarter Council* strategy paper.

'This is about working smarter, not harder, to compensate for our plans to reduce our budgets by 25%.'

Attempts by the council to manage change are complicated by the short-term need to cut costs, for example 174 Sutton employees have been made redundant in the last year. Pay freezes at the council apply across the board, from the chief executive down.

Not surprisingly, the council staff engagement score has dropped. Against this backdrop Shoesmith believes involving staff in the change process becomes even more critical. *'Managers and employees have been deeply involved in shaping service reviews. We also have a chief executive who gets out there and talks to people about the challenges we face and who wants to engage our employees,'* said Shoesmith.

Looking ahead, Shoesmith is reviewing spans of management control and organisation design *'to ensure we remove the fat but not the muscle of the organisation'*.

He will also be reviewing the council's pay-modelling and rewards model. *'Like most local authorities we have a very anachronistic time-served incremental model and we want to review a contribution- and outcomes-focused approach. And we tend to focus on task in the delivery of what we do rather than behaviour – and by that I mean customer service behaviour. So we need to establish an agreed set of meaningful behaviours across the workforce to start to measure and performance-manage how our workforce engages our customers and responds to the needs of our residents.'*

Engaging managers

Bolger and Shoesmith are united in believing that this shift will require a different type of leadership capability across the council.

For Bolger, leadership is about being able to appreciate alternative views of the world, having an open demeanour and capability to look for solutions rather than obstacles, as well as seeing the bigger picture and being resilient under pressure.

Bolger said the council needs to systemise its leadership development to make sure there is a degree of core skills development *'to make sure everyone is up to speed and able to implement this new way of working'*. He said this needs to happen at all levels of management, at executive board and particularly at middle and front-line level.

'I am desperate to get to grips with the appraisal and performance management arrangements we have got in place and hone down our behavioural-based competency framework so we move towards assessing what value managers have provided.'

'This is the case from the front line to the top. If there are refuse-lifters doing this, I have to do it. I'm firmly of the view that's the way we have to develop our leadership capacity for the future.'

'At the moment we have a behavioural-based performance management system which gives us line of sight but it's not sufficiently embedded, in my opinion, nor is it supported by training and development or organisational development strategies. But the building blocks are there and the ideas are being aired.'

Shoesmith said the recently developed leadership behaviour framework is being used to assess management capability across the council using 360-degree feedback. Over time the aim is that this will encompass the council's entire management population down to the front line.

'If we can't lead in a consistent way across the council, we are going to struggle to improve and develop as an organisation. It would fundamentally undermine our organisation development activities,' he said.

CASE STUDY: Kent County Council

POLITICAL AND PROFESSIONAL LEADERSHIP PULLING TOGETHER

David Cockburn, Corporate Director Business Strategy and Support, emphasises the wide-ranging nature of the challenge facing the council: *'It means retaining fitness for purpose and alignment so the authority can be focused, agile and flexible responding to and meeting changing needs as they evolve. We have a clear policy statement in Bold Steps for Kent and a clear sense of direction and we're doing really challenging things while facing a financial situation unprecedented in recent years. It's about innovative community leadership, managing the demand for our services and redefining the role of what a local authority should be. The operating environment for local government is dynamic and rapidly changing and our role is to respond effectively to it while meeting our service users' needs. We have good engagement between members and officers and we are looking a year ahead on budgets; we want to focus our minds early so we avoid adopting a reactive approach to budgeting, which can constrain innovation and creative thinking. We're focusing our services on outcomes and getting away from a siloed approach to delivering services.'*

However, there are two distinctive features of the transformation agenda in Kent. One is the unusual reporting structure, which does not include a CEO role. The other is the central role played by the HR function in supporting the transformation process.

Management structure

Kent is a member-led authority, with very close working between elected members and staff. In April 2010, the council undertook a major organisation restructure, with the aim of becoming 'one council'. As part of this restructuring, responsibility for adults and children's social care was brought together under a single director. In April 2010, there was a new emphasis on joint working, as a result of which members concluded in December 2011 there was no longer a need for a CEO.

The Corporate Management Team (CMT) is now chaired by the corporate director, business strategy and support, to whom both HR and finance directors report. Other members of the CMT – the directors of families and social care; education, learning and skills; customer and communities; and enterprise and environment – report not to a CEO but to elected members. The clear message of the restructuring for staff is that the council is not just made up of its staff and that senior CMT members will be held directly responsible for delivery.

Amanda Beer, Corporate Director Human Resources, says: *'We used to have a CMT and a separate cabinet of members, and the two would occasionally come together. Now we have a corporate board including both the seven members of the CMT and elected members. Our strategic document, Bold Steps for Kent, which was published in December 2010, has an appendix setting out design principles for the authority. One aim is for our structure to be as flat as possible in terms of the number of tiers between the CMT and the front line, with effective spans of control throughout the organisation. We took part in the Local Government Association-sponsored pilot of the DMA model of effective decision-making and we are now applying this across the authority.'*

Other local authorities have done something similar, but not in the same way. David Cockburn says:

There are many different flavours of not having a CEO, and we have adapted a model that works for us. Here in Kent I am 'first among equals'. Corporate directors operate as a team with shared corporate responsibilities. We're a busy council and members play a very active role: most cabinet members are effectively full-time.

How far is this restructuring simply a response to the tough financial circumstances facing the authority? As senior managers at the council make clear, the budget pressure on the council is *'absolutely massive'*. Looking ahead at the overall budget, KCC needs to make over £90 million savings in 2013–14. That's on top of the £195 million saved in the last two years. Some £600,000 was taken out of the authority's budget as a result of the new senior management structure and further savings of £197,000 salary plus support costs were attributable to removing the CEO post.

However, the restructuring has aims beyond that of meeting the current financial challenge. *Bold Steps for Kent* makes clear the longer-term opportunities presented by the shift in central government's approach to local government:

So the financial challenge also provides a real opportunity to develop a new approach to public service delivery. The new government has already started to devolve powers by freeing up local government from the shackles of top-heavy performance inspection and monitoring. Their message to local government is clear: 'just get on with it'.

The new structure is proving effective. Cockburn says:

Do we have a resilient management structure able to cope with the unexpected? I would say yes. We have spent a lot of time looking at this. All corporate directors have shared corporate leadership. We have regular fortnightly meetings of the CMT, combined with weekly corporate director meetings, which I chair. I see my role as enabling leadership, to make the group work.

What impact does the absence of a CEO have on the ability of the CMT to take effective decisions? Again Cockburn is very positive:

We got going in a short time and we make decisions more quickly. It is important to have a single chair for the sake of continuity. Although the directors of services don't formally report to me, we operate as a team, with shared ownership and influence on service activities. For instance, the decision to take £80 million out of the budget was a collective decision and there is shared ownership of it. The new structure has a hard edge to it. We can hold CMT members to account.

HR contribution to restructuring

A major driver of change for HR, as for other functions, has of course been the budget, which has imposed substantial pressure on HR resources. Beer says:

We have had to take 30% out of HR. HR is not particularly hard done by and our budget is regarded as low risk – because it's relatively small and has low volatility – so we have to accept our full share of the cuts. We can manage it partly because the restructure has brought HR people together into the same directorate. This means we are now offering a better, more consistent service. But HR has had to make lots of voluntary – and a handful of involuntary – redundancies. We are having to be hugely innovative. Even if the economic climate was not what it is, I'd like to think we'd be doing it, but the budget cuts mean it's essential. KCC is also achieving more cost-efficiency through enterprise resource planning (ERP), which means we now have management information on budget-holders' desktops.

What are the implications of the restructuring for HR? OD is a big part of the transformation agenda at Kent CC. Beer says:

HR and OD are moving closer to business strategy. We have a number of senior staff posts in the council with some responsibility for strategy, including the directors of strategic commissioning; business strategy; and service improvement. All their activities need to be joined up to achieve coherence. I have a significant input to make to ensuring that the new structure works. My job description means I have to drive discussion in the CMT. My responsibility for OD means I have a major role in shaping the organisation.

Much of Beer's career has been as an HR generalist, but she has embraced an understanding of OD as part of that, believing that more traditional HR areas such as employment law and recruitment are not enough on their own to deliver effective support to the business. She accepts that there can sometimes be tensions between OD specialists and the HR function:

When the workforce development teams from service delivery were transferred into HR, initially some found it anathema. The schools workforce development team re-joined their colleagues in education since schools are managed at arms' length and OD has by definition to be an integral part of the organisation culture.

The previous CEO was an OD person: Beer suggests that CEOs may want to take a lead on OD since the senior person will determine what kind of organisation it will be. However, Cockburn believes that OD is critical to delivering the transformation agenda and that it needs to be led by the HR director:

Responsibility for OD is where it should be, with HR. Amanda is a member of the CMT and has a strong co-ordinating role on transformation matters.

How do you see the relationship between HR and finance? Cockburn says:

Financial management and accountants are critical [in any organisation]: you won't change that. Finance will always have a huge influence. We've done a lot to balance the two functions. With HR playing a crucial role alongside finance, I spend as much time with Amanda as I do with finance. There's a much closer relationship.

In parallel with its role in supporting organisation change, HR has introduced a management development programme. The 'Kent manager' programme, accredited by the UK's largest examining body Edexcel, has mapped skills against behavioural competencies from junior manager grades up to the CMT. Beer comments that:

Taking part is non-negotiable. We are gradually winning people over. People tend to think they're professionals first and managers second. We say no, you are a manager because we need you to manage resources and that's a critical part of the role.

The programme supports the council's determination that line managers should take responsibility for managing their staff. As Cockburn says:

HR helps enable business managers to do their job but we're not trying to over-protect our business managers. HR has to challenge the business to be as good as it can be. But the scale of actual personnel support that HR supplies to line managers is a function of how risk-averse we are as an organisation. It's important for the wider business transformation process that we don't have people giving back functions previously handed over to them.

CASE STUDY: Norfolk County Council

CHANGING THE CULTURE

Norfolk County Council is facing major challenges. In 2010 it announced that its 26,000 workforce would shrink by more than 3,000 by 2014, mostly among the 9,500 staff not working in schools. In 2010 it conducted a Norfolk-wide 'big conversation' about its three-year budget plan, asking the public what the most important services are for them. From this has emerged a new 'core role' for the council, embracing six key areas:

- speaking up for Norfolk
- assessing and commissioning
- economic infrastructure
- safety net for the vulnerable
- signposting to services
- enabling communities.

There is a clear identification with the county underpinned by priority for 'speaking up for Norfolk'. To support this, there is also a big emphasis on developing strong leadership, championed by the CEO and supported by the HR/OD department. This is focused on the new core role and on reshaping the organisational culture through strong engagement of staff.

The CEO is conscious of the need to engage and support staff to carry through the major transformation required, and this is reflected in ongoing efforts to encourage and respond to employee voice. Despite the scale of reductions required in spending and jobs, and the need to redesign service delivery, levels of employee engagement have held up surprisingly well.

Challenges

In common with other local authorities, the major challenges facing Norfolk County Council are to:

- meet rising customer expectations
- make financial savings
- introduce radical public policy reform.

In combination, this will mean reshaping the council. The CEO, David White, says that the critical task of rolling back the state will continue indefinitely. This will require tackling what the CEO describes as a 'dependency culture'. The council needs to make a total of £135 million of savings, including £60 million in 2011–12, £45 million in 2012–13 and a further £20 million by 2014. This means they are having to review staff terms and conditions, including pay and benefits.

2,500 staff have so far moved on, mostly into the council's new commercial arm. Of these 2,500 staff, some 450 have been made redundant and 240 redeployed. The challenge is to make people more productive and signal the intention underlying the changes, even when they may look contradictory. David White underlines the scale of the people management challenge when he says:

You have to get staff to want to deliver and you have to align staff and political expectations. Staff have to believe in how you're going about it and they have to want to do it.

The current spending cuts have taken the place of a long-standing efficiency agenda: the transformation challenge is not a new one, but there's been a 'massive acceleration' in the last couple of years.

The council is moving from a delivery model towards a commissioning and planning model. Staff are taking on a stronger commissioning role and this should in practice mean a greater voice for the council in delivering services. It's also engaged in a major initiative to improve competitiveness of the local economy, including increasing apprentice numbers and inward investment.

This change from delivery to commissioning roles will require changes in career pathways for council staff and will require commissioners to come from a range of backgrounds. The transfer of public health from the NHS from April 2013 will also mean new responsibilities for council staff; some 50 NHS staff will be TUPE'd in.

The council recently created 'Norsecare', a company wholly owned by the council, and TUPE'd across the 1,700 staff employed to run the 20-plus residential homes for the elderly. The council also currently runs day-care centres for the

elderly and people with learning difficulties and is seeking to change its model of support. However, there can be a public outcry if a council seeks to close establishments in favour of a more flexible format for care services, so public opinion plays into the decision-making process.

Leadership

The council has held a number of leadership events for senior staff, including a major series of workshops facilitated by Beverly Alimo-Metcalfe, Professor of Leadership at Bradford University School of Management, to talk about how managers across the council need to lead and what the council is looking for in exceptional managers.

CEO David White makes clear the wide range of demands on local authority leadership and the high standards he requires of himself:

The CEO has to lead. I have to believe in what I'm asking people to do or they won't do it. I have to do horizon-scanning: where is the Norfolk community on key issues? I have to translate political policies and aspirations into tangible action. I have to get staff to want to go there. I have a duty to look after my staff in increasingly difficult circumstances where some will lose their jobs. I have to manage change. I have to show basic humanity.

He also underlines the value of experience in equipping leaders to lead:

This is my third CEO job. I become more myself the older I get and I have more strength and self-belief. Nothing fazes me.

The CEO has an important responsibility for managing relationships with a range of stakeholders, including elected representatives and trade unions. By their nature, politics at local authority level is highly individualistic and sometimes judgemental. David says:

We have a cadre of hands-on politicians. I welcome the fact that elected members are now getting involved in what has traditionally been CEO territory. From time to time we have to renegotiate the boundary, but that is to be expected. I used to work in the NHS, where managers have a much tighter mandate. In local government there is more discretion about what to do and how to do it. There is a clear alignment here between Norfolk MPs and the county council.

HR's role in supporting transformation

Anne Gibson, HR Director, says: *'HR in the public sector is not for the faint-hearted. But the challenge is exciting and can be fun.'* Staffing costs in HR/OD will be reduced by some £900,000 over the next two years. This represents a reduction of about 8%, broadly in line with the reduction in staff numbers across the wider organisation. The function copes by having lots of internal conversations about the work to be done to deliver the changes required and the need to do the best they can with the resources they have.

The HR and OD team have been in the lead in developing senior leaders. The council could, if necessary, buy in operational HR services but believes that core support for developing people management skills needs to be retained in-house.

HR is not a 'territorial' lead: all the senior managers, including Anne, are corporate players and the aim is to create 'interdependencies'. The council holds an annual service-planning conference to develop common templates and this looks at the cross-cutting role of HR/OD in the same way as for the performance and policy functions.

David White says:

When I took over as chief executive, I inherited silos [that is, departments didn't communicate with each other]. We've created a platform of corporate services to bridge the gaps. That's the way we work – it's the life blood of the organisation.

The benefit of creating a single platform can be seen in the absence of traditional departmental in-fighting over budgets.

Anne Gibson says the job of HR is to 'hold a mirror up to the organisation'. The council's values statement needs to be reflected in what it does. HR can see across the organisation and offer constructive challenge. The function aims to get senior staff to think about the staffing implications of service changes.

She reflects on the new culture that HR seeks to inculcate:

We have a new value proposition, 'Fit for the future'. It's a mix of tangible and intangible rewards in return for much greater flexibility around change and a quantum shift in standards of performance management. We're building more people issues into the appraisal system. The spending cuts underline the need for high performance, and we are more oriented to assess performance.

Integrity, trust and respect are hugely important and the council needs to be open to challenge. One of its key themes is the need for staff to take personal responsibility.

Employee engagement

The council recognises that staff have discretion about how they approach their jobs, and managers need to have open and honest conversations to harness staff engagement. The council conducts staff surveys every two years and this produces extensive feedback about staff attitudes to leadership. In line with the motto 'you said: we did', the council takes action on the survey findings. For example, when people said they wanted more recognition and praise for their efforts, the council introduced 'Outstanding Contribution' awards. Under the scheme, individual staff members nominate others for service underpinning the council's core values.

Headline findings from the 2011 survey show that staff:

- remain committed
- understand they need to change
- are committed to improve performance
- understand their core role
- are motivated to make service delivery work
- feel the council could improve how change is managed and communicated
- find it difficult to foresee how the organisation will look in the future.

Anne Gibson says:

We have just completed our third employee survey. We decided to focus more on employee engagement and we got higher participation rates. We started holding 'core conversations' this month and this has led to more feedback from staff. We will do them every six to eight months across the whole organisation and we're emphasising managers' role in driving up engagement. I need to get buy-in from the top team – they need to be in the lead to get the right framework.

The council used to have a monthly core brief, containing four or five items, which was cascaded down. They now have a 'core conversation' about managing change and all managers work off the same brief. David White says:

For some years, I've been doing a weekly blog about both what I get up to in my private life and my work activities. I respond to all members of staff who comment on my blogs. Opening up my calendar helps to build trust and rapport with staff. For managers we do an online magazine, or e-zine, to which I contribute articles or handy tips. We also run the staff survey and hold focus groups.

The CEO has made clear that, when it comes to staff asking questions, there are no 'no go' areas.

CASE STUDY: Somerset County Council

CUSTOMER-LED SERVICE DELIVERY

'It is almost like ripping up the council and starting again.' This is the view of Somerset County Council's director of HR and organisational development, Richard Crouch, on the scale of the change programme under way to transform the delivery of local services.

Underpinning the change has been the decision by the chief executive, Sheila Wheeler, and her executive team to become a customer-led council which makes decisions about how to deliver services depending on insights from its customers and communities.

The transformation programme has been developed against the backdrop of a 28% reduction in the council grant and increasing demands on council services as a result of an ageing population, said Wheeler. To enable the major shift in culture required, the council has radically changed its structure, moving away from the old vertical directorate silos, centralising all business support, communication and marketing, and splitting commissioning from direct service delivery.

Under the new structure the council will have one commissioning function for adult, children and community infrastructure services and a separate operations function that is responsible for the direct delivery of local services. The council has also created the role of business development director, who has a remit to consider how the delivery of services, whether commissioned or delivered directly, might be improved, for example by using a shared service platform to share senior managers, or considering strategic partnerships with other local service providers.

There is also a customer and communities director, who will be informing strategy by providing customer insight through feedback from employees on the front line and their customers.

Values lie at the heart of culture change

The council's core values are also aligned to the new structure and help put flesh on the bones of the new culture required. They are: customer focus; can-do attitude; care and respect (for customers and staff); and collaboration.

Wheeler said that overall responsibility for organisational development lies across the executive team but with HR playing a central role. *'Traditionally HR did it to us but now the executive leadership team is working together on the requirements for the future.'*

A central element of the service and culture transformation programme is leadership development. Wheeler said that the leadership team had recognised that if the council is to become truly customer-led, it needs to move away from a command and control hierarchy to a model of leadership that involves managers taking more ownership of decision-making and feeling more empowered.

This has also been driven by the council's HR Policy Committee, which is a partnership between elected council members and representatives from the council's HR team.

Both the chief executive and HR director are very clear that the only way to embed the necessary behaviour change needed to ensure that customer satisfaction lies at the heart of service delivery is through a fundamental change in leadership capability.

In response, nine new behaviour sets have been developed for leaders at all levels in the council, from the executive team to the front line. All council directors have been appraised against the nine behaviours and a learning and development programme has been created to help them address any development needs.

Wheeler said this process would be gradually rolled out across the council and to all levels of management down to the front line. She said: *'We are restructuring the hierarchy of command as well as the expanse of control and all of that requires a different skill set for individuals and managers. It's about taking ownership and being much more authoritative and empowered. Some people will find that scary of course. How we worked in the past can't deliver what we need for the future. We require managers to have a different skill set that will enable the organisation to thrive in the future. We have a strong evidence base of the different levels of management capability in the organisation, where the skills gaps are and*

where we are strong, so we have strengths in some areas and very little capability in others. We are developing an up-skilling programme which will be targeted at the areas where we have skills deficits.'

Core leadership behaviours apply to all employees – not just managers

Elected members are equally convinced of the need to improve leadership capability across the council. *'The council members have been very keen to say "we like these behaviours and we don't just think they are leadership behaviours for senior managers; we want these behaviours to run through every single employee in the organisation, because whoever you are, you have a leadership role in supporting our citizens",'* said Crouch.

The council is restructuring how it deploys its 250 middle managers in line with its new operating model, while appraising them against the nine leadership behaviours using an assessment centre. It has used a consultancy to ensure managers have appropriate spans of control in the new structure.

Being straight with staff

'It is not a straightforward de-layering exercise but a far more sophisticated form of reducing management headcount while increasing management capacity, delivered by following fairly prescriptive new and fit-for-purpose organisational design principles,' said Crouch.

The leadership development programme is part of the council's employee engagement strategy, which also encompasses its approach to communicating with staff. The council leadership has been very open and honest about the current and future challenges facing the council, including reference to the global economic environment as well as the national economy. The chief executive believes that it is important to be absolutely straight with people, and that extends to talking about the potential impact of the sovereign debt crisis in the eurozone on future public sector funding in the UK.

'If I know that, underpinning all the figures we currently have, there is an expectation of growth in the economy of 3%, but that isn't happening and the figures have been revised down, I have to communicate an honest understanding. If I think it's going to be more of the same, inevitably that means a gloomier message than people like to hear and so you become the prophet of doom and gloom. I find that very challenging personally. Some of my senior team want the message to be much more upbeat. I am saying, yes we will try and do it all in a considered, humane and transparent way, but actually it is still going to be a very challenging environment in the future,' said Wheeler.

The council uses a range of approaches for its messages, including briefings for managers, newsletters, email and the intranet as well as a 'huge amount' of direct communication between senior managers and different groups of staff.

Employee relations remain positive

Crouch said that despite reducing the workforce headcount by 10% over the last 18 months, employment relations within the council remained quite positive. He believes the council's approach to being completely straight about the scale of the challenges facing the council has meant employees and unions have responded with pragmatism when faced with change. The council has taken the decision to generally preserve terms and conditions which were agreed under a single-status deal eight years ago. *'We took the view that the deal was generally a fair one and there was not a lot we wanted to change irrespective of the austerity measures [cuts to public spending].'*

There has been an industrial dispute over pay protection, which the council has reduced from three years to one year, but this has not damaged overall relations with the unions.

Crouch has made significant changes to how HR is delivered in the council to ensure the function is able to support the service transformation programme. This has included a decision to renegotiate its 2007 partnership agreement with IBM to outsource large parts of HR to a joint venture company.

Crouch said the council's HR function, which is based on a business partner model, has now been brought back in-house, with the exception of payroll and recruitment. *'Given the scale of the change agenda, I wanted more direct control of resources. If you have direct control you can direct those resources in a far more expedient way than having to go through a strategic partner,'* he said.

CASE STUDY: Sussex Police

BUILDING LEADERSHIP CAPABILITY

New model of leadership needed

The chief constable of Sussex Police believes a new approach to leadership is needed if the service is to deliver on its three key strategic priorities of keeping people safe, ensuring strong neighbourhood policing and making best use of resources against the backdrop of a 20% cut in budget over four years.

Martin Richards said the nature of modern policing means a different model of leadership is essential, across all levels of management down to the front line, if the service is to become more 'customer' focused.

'Of course every organisation has to have some element of command and control in certain circumstances. If you are first on the scene at an incident you can't sit around consulting people, but back at the station a lot of leadership is around emotional intelligence, listening, coaching and mentoring,' he said.

'Part of our fundamental role is also to get information from people – sometimes information they don't know they have and sometimes information that they can't marshal into a comprehensible state. As an officer you have to be able to empathise and create the right environment in order to encourage people to talk.'

Richards said a strong focus on building greater leadership capability across the organisation is one strand of the organisation's Future Workforce Strategy, which is feeding into a service transformation programme titled 'Serving Sussex 2015'.

Serving Sussex 2015 is underpinned by some key organisation values developed in consultation with staff. These cover a commitment to: serving the public; acting with compassion, personal responsibility and courage; justice and treating people fairly; innovation and improvement.

The drive to improve leadership across the organisation very much reflects Richards' personal views on leadership and the critical importance of this to overall organisation performance.

'If we take 20% out of the organisation and carry on doing things as before, we will be 20% less efficient. We need people at all levels and in all departments in the force to come to work not just to do a good job but with ideas – and that means inspiring a different mind-set. We need people to think: "how can I do a better job and how can I help my team do a better job?"'

Richards insists on meeting with anyone in the organisation who has been promoted on an individual basis. He believes that great leaders need what he calls the three Ps. The first is ensuring they are still focusing on delivering effective **policing** as their overall reason for wanting to be promoted; the second is a commitment to and interest in getting the best out of their **people**; and the final element is **passion**. *'I can demand the first two Ps but I can't demand passion. But it's great when you see it. People who have passion lift the games of themselves and of others around them.'*

Richards also believes leaders need to be humble and have generosity of spirit. *'You need to be able to put yourself in someone else's shoes. In my view you should be prepared to meet people more than halfway, which means going just that bit further to understand someone else's point of view or behaviour. In policing, it also means not passing on the stress of dealing with a difficult situation to someone else.'* Richards thinks that HR has a critical role in building leadership capability.

'[HR's] role is key in terms of helping to create the organisational values and the right principles, developing these through formal and informal structures, whether they be training programmes or mentoring or other interventions to ensure behaviours change over time.'

Developing leadership capability

The force's HR director, Marion Fanthorpe, said the organisation has developed a leadership capability framework which sets out clearly the sort of leaders that the force requires and is designed to help ensure that how leaders behave reflects the organisation's stated values.

'It has headings like "moving from checker to coach", "putting me before me", "standing in the shoes of the public" to clarify and articulate clearly what we mean by leadership in this force,' she said.

A new leadership development programme based on this capability framework is being rolled out to leaders at all levels in the organisation. The training is being run for both officers and their police staff equivalents.

Fanthorpe said that it will take time to change the leadership culture of the organisation as many officers still expect HR to 'do the people management bit' for them. *'Too many sergeants and inspectors and even some chief inspectors still seem to think they are one of the team; they don't really accept they are managers except in the sense that they will send people out on jobs and tell them what to do.'*

Fanthorpe said the next step will be to ensure that the new leadership capability framework informs how staff are recruited into management positions and how they are appraised and developed. However, she said that performance management and appraisals is typically poorly understood or used in the police service, an issue that had been picked by Tom Winsor in his review of the wider police service. *'We are going back to basics coaching senior managers on objective setting and making appropriate assessments of performance as our approach has tended to be too mechanistic and bureaucratic in the past.'*

The chief constable has also asked Fanthorpe to bring the professional standards department, which oversees police officer conduct and deals with complaints, under her portfolio to work alongside HR. Fanthorpe explained: *'We have to work to police regulations and statute, on the one hand, for police officers, and employment law for police staff, but what lies underneath are our overall standards as an organisation in terms of what we expect from all staff. We are trying to make the two as comparable as possible and ensure consistency when we have issues with performance or behaviour.'*

The efforts being made to transform the leadership and management culture of the organisation is part of a drive to increase overall staff engagement, which has been reflected in how the organisation has approached change management.

'We took the view in setting out the programme that we needed to take people with us and work with and through people,' said Fanthorpe.

Employee voice is central to the change process

The police force is using a range of formal and informal approaches to build employee voice and ensure people's opinions and ideas are aired.

This has included running an employee opinion survey, which, according to Fanthorpe, highlighted that many people in the force are not ready for the degree of change in the pipeline. To address this the organisation has also run a lot of roadshows and open discussions with staff, as well as an initiative which brought people from across the organisation together in the force's conference centre to come up with ideas for cost savings. The chief constable is also highly visible and uses a variety of ways to engage with staff personally, from leading a recent major leadership day to regular station visits and informal conversations with groups of staff around a table.

HR has been at the heart of the change process while also undergoing two restructures to build capability and increase efficiency, the first of which saw the function move to a business partner model and the second of which reduced headcount in HR by 30%. In total across HR and learning and development, there have been savings of £2.5 million to date against a target of £4 million over four years. The service has outsourced its employee assistance programme and its occupational health service and is planning to outsource its HR service centre over the next 12 months.

HR has also been driving the move to developing a smaller and more flexible workforce overall – a process which began in autumn 2009. In terms of actual job losses, the initial estimate was for a reduction of 500 officer posts and 550 staff posts over four years. These figures have now been revised to 400 and 450, respectively, as a result of cost savings elsewhere in the service.

To achieve these reductions in staff numbers there has been a targeted voluntary severance scheme, which has meant there have only had to be about a dozen compulsory redundancies. *'The scheme was designed to help reduce the size of police staff with choice and dignity. The scheme had some financial incentives and we targeted the areas where we needed to become leaner. It was generally well received,'* said Fanthorpe.

In addition, Fanthorpe said the organisation used Police Regulation A19, which allows compulsory retirement of officers after 30 years' service, to reduce officer numbers in some instances.

Fanthorpe said that the job losses were only part of the Future Workforce Strategy strand, titled *Right People in the Right Place at the Right Time*. This also includes plans to achieve a more diverse workforce through improved recruitment practices and capability of line managers to select the best people. It also includes a focus on providing more flexibility for staff through improved time management, duties and resource planning systems, processes and, crucially, management practices.

The workforce change process has been complicated because of the wider reviews of police pay and conditions conducted by Tom Winsor. His recommendations, which have been widely criticised by the Police Federation of England and Wales, include linking pay to performance rather than time in service, payment for the acquisition and use of accredited professional policing skills, and the creation of a power to enable police forces to make police officers redundant even if they have not yet attained full pensionable service. Other recommendations include requiring higher educational qualifications for recruits, fast-track promotion to inspector rank for the most promising internal and external candidates, and direct entry at superintendent rank for individuals of exceptional achievement in other sectors.

Changing the psychological contract

Fanthorpe said that the Winsor recommendations will fundamentally change the whole psychological contract underpinning the Police Service, which was based on the whole concept of 'you do your 30 years and then you get your pension'. *'This will have major implications for the structure, profile and expectations of the whole workforce. Behind these changes there is a positive drive to try to start to professionalise the Police Service. We need people who can use their discretion and problem-solve and to develop roles that have more breadth and complexity in some aspects of policing,'* she said. *'We are policing in a different environment today with a huge range of challenges, from major organised crime to counter-terrorism and cyber terrorism, and the Police Service needs to adapt.'* Fanthorpe emphasised the importance of managing the national changes to pay and conditions as they are implemented carefully in consultation with the local staff associations. This will include a focus on very effective communication and the provision of support for staff who find it hard to cope financially with changes in their circumstances.

Despite the controversy over the Winsor recommendations, Fanthorpe remains optimistic that it will be possible to rebuild a new psychological contract. *'We are aiming to sell a positive vision of what the new Police Service will look like which is based on increased discretion and autonomy, improved innovation and, at the heart of it, public service. We want to connect with people's energies, as well as be sympathetic to the fact that there is a lot of change. I think we need to build on the increased development opportunities and career opportunities that there will be within the force,'* she said.

HR is a key service transformation partner

In terms of HR's overall role in managing change and organisational development, Richards and Fanthorpe agree that HR is a key partner, alongside finance, operations and corporate communications. Richards said he sees HR as a support function but one that has a responsibility to lead in terms of helping to enhance the organisation as a whole.

Fanthorpe said: *'It is fair to say that it has been quite a struggle to get people, even some of my senior colleagues, to recognise that I am not just here to run a traditional personnel function and that HR is key to helping achieve the organisation's strategic objectives. The Future Workforce Strategy has helped in that because it makes clear why HR and people management is so crucial.'*

Fanthorpe said that working hand in glove with corporate communications is crucial to the success of HR to ensure that messages are effectively crafted and marketed in different ways so they land with the workforce.

She does not make a big distinction between organisational development and strategic HR. *'People don't know what [organisational development] means – I am just getting on and doing it. HR is working much more holistically with the various change programmes, including bringing more to the table about organisational design.'*

Fanthorpe and Richards agree that the biggest challenge in achieving sustainable change is to win hearts and minds across the service in support of new ways of working and changes to how police services are delivered.

The force's Future Workforce Strategy neatly sums this up, stating: *'We know that employee engagement is much more than good employment relations and comes from an emotional connection to our core purpose and to our values.'*

CASE STUDY: Derbyshire Fire and Rescue Service

VOICE AND VALUE

At the heart of Derbyshire Fire and Rescue Service's approach to service transformation has been a huge emphasis by the strategic leadership team on effective communication, with an emphasis on 'telling it how it is' and listening.

This has been led by Chief Fire Officer/Chief Executive Sean Frayne and reflects his background as a fire fighter who has worked his way to the top of the organisation. He said: *'The culture historically in Derbyshire Fire and Rescue Service was one where things were done to people, rather than with them, which is how I think you get the best out of people. My priority on becoming a principal officer was engagement and communication in order to make this shift.'*

Sean Frayne, Deputy Chief Fire Officer Andy Waldie and Deputy Chief Executive Joy Smith invest a significant amount of time visiting all of the service's 31 stations plus the support departments to ensure that messages are not lost in translation, to listen to employees' views and concerns and to build trust. *'I make it clear that I've been there and I understand what people are saying and will do whatever I can to help them do their jobs – but if someone is wanting too much I will explain why they are wanting too much and I will lay it on the table,'* said Frayne.

He believes this approach is particularly important given the financial challenges facing the service and the scale of the changes being implemented while still delivering on its core vision of 'Making Derbyshire Safer'.

The service has to address a 25% cut in government funding over four years, which will mean a loss of about 150 posts, with approximately a 75:25 split between operational and support staff. It is also dealing with the impacts of the ongoing financial downturn. This is in terms of the level of investment and resources businesses consider reasonable for fire safety activities. Also, there is a social impact which affects community fire safety due to a rise in 'risky' behaviour, such as drinking at home. Accidental deaths as a result of fire have increased significantly, with 15 fire deaths in Derbyshire between 1 April 2011 and 30 June 2012.

In response to these challenges, Frayne has been leading a major internal restructuring programme to ensure that the service is fit for purpose under new budget constraints. As part of this process, the strategic leadership team spent time reflecting on their core values to inspire their leadership style and underpin the culture they wanted to develop. These values include: unity, professionalism, ambition, integrity and respect.

HR leading from the front

The corporate change process began with the HR department because *'we needed HR to lead the way and to get on and help the rest of the organisation,'* said Smith, who initially joined the service as head of HR eight years ago. The HR department lost 40% of its staff and also restructured to a business partner model to enable it to become more focused on supporting the top team in delivering wider organisational change. As part of the change, a service centre has been developed to provide transactional HR support in areas such as employee records, online recruitment tools, workforce planning data and absence management systems.

The new HR team is led by the strategic HR partner supported by two senior HR business partners, one who leads on employee relations and one who manages employee engagement and well-being. A service centre manager leads on the provision of HR management information, which helps to support the achievement of strategic priorities of the service. In addition, a number of HR business partners work within the different areas of the service to provide direct support to managers.

Building management capability

The change in HR structure has significant implications for managers across the organisation. *'They [the HR team] went from spending what I would say was the majority of their time being very transactional, almost doing the manager's job for them, to now producing toolkits, guides and support where necessary, but generally being much more hands-off,'* said Smith.

She said the move to provide greater empowerment for managers at all levels is supported by the organisation's leadership development activities. *'There has been significant investment in leadership development at all tiers of the service for many years and it's tied in with the recruitment process, appraisal process and promotion.'* However, Smith added that the organisation has also had to look at removing some of the bureaucracy to enable managers to take on more of a leadership role. *'The feedback we have received has emphasised that managers welcome the skills development, but they also sometimes feel held back by processes. We are developing more guidance for managers and trying to move away from tight procedure. We want to create the right environment where people can act on their initiative and make the most of their leadership skills,'* she said.

Frayne emphasised that leaders in the Fire and Rescue Service have to demonstrate situational leadership, for example a crew manager responding at an emergency incident will have to take control and make swift decisions and will expect employees to act on direct orders. However, back at the station, how managers manage people is critical. He said: *'Some people still think managing people is about telling them what to do. From my experience it is about motivating, coaching them and encouraging them to be the best they can be. It's about continual professional development and enhancing personal skills. I expect crew managers to know what their watch managers are like as individuals and what their fire fighters are like. I also expect them to be approachable so that if someone has a problem, they will feel comfortable raising it with them as their manager.'*

The restructure of HR and a focus on empowering and developing leaders and managers is just one strand of the Derbyshire Fire Service's organisational development activities.

Organisational development

A restructure implementation group (RIG) made up of area managers (directors of the service's different departments) was established to co-ordinate the change management programme and underpin organisational development. The strategic HR partner has been a key member of the group to ensure that the HR and people management implications of planned changes were taken account of, for example redundancies, redeployment, employee well-being and the introduction of new ways of working. Efficiency changes have also included moving some support staff out of leased buildings into fire stations by converting some areas into office accommodation. The service is also reviewing its equipment and vehicle fleet, looking at usage to see if there are opportunities to extend life in some instances.

This can at times be a lengthy process where there is a need to consult with the local community and seek Fire and Rescue Authority approval. Smith cited the example of a recommendation to take four fire appliances out of service following a detailed resource and risk analysis. This was modified to reflect concerns raised within the local communities and by employees affected. *'There is a lot of passion for our services and the safety of our fire fighters and we have to take that into account when we are making changes to how our services are delivered,'* she said.

As well as the RIG, there is a service managers group and there is also a regular meeting between the principal officers and station managers every six to eight weeks to ensure there is involvement and communication about the change process with all senior and middle managers.

In terms of wider workforce communication, as well as the regular visits from the principal officers to all stations and all support departments, the chief fire officer has introduced a chief fire officer's bulletin for important announcements affecting the workforce.

Despite the changes being made, the chief fire officer/chief executive and his deputy chief executive are upbeat about the morale within the organisation. Smith said feedback from staff indicated people remain motivated, partly because it is easier to raise ideas and be more innovative as a result of the changes. This has been verified with the confirmation following external peer challenge in May 2012 that the service meets the standard of 'excellence' as defined in the Fire and Rescue Service Equality Framework. The assessors confirmed they could not find a single employee nor partner who would say anything negative about the service and the assessors believed there is a 'special feel' about the organisation.

Looking after staff

However, she said that the financial downturn was having a major impact on people's standard of living, leading to anxiety and in some cases real financial hardship. In response, the organisation is exploring how it can use its non-pay rewards and benefits for staff, for example paying up front for the cost of weekly travel passes and through trying to enable flexible working for employees where it can help save on the cost of childcare. Additional support has been provided by the organisation proactively seeking the views of its workforce on the Government's intended future changes to pensions and providing detailed recommendations to the Government. Not only does this contribute to ensuring that pension provision remains a key tool in the retention of specialist talent, but it also acts as a further example to employees that the service is addressing these anxieties.

The Fire and Rescue Service has also outsourced its employee assistance programme to provide a wider range of advice and support services for staff on issues such as debt, addiction, bereavement and relationship breakdown, including counselling support. In addition, there is a fully equipped occupational health unit that provides a comprehensive OH service. This includes a recently appointed on-site nurse, fitness and well-being adviser and the contracted service of an occupational health physician.

The health and well-being of all employees is seen as central to organisational performance and the effective delivery of an emergency service. A recent 'Well4Work' project included the complete revision of attendance management within the service and resulted in a number of well-being campaigns, including prostate and breast cancer, alcohol awareness and positive health, being rolled out. Fitness testing and health checks are supported by individual improvement programmes and the availability of well-equipped gym facilities across the organisation.

For Frayne and Smith, changing the way the Fire and Rescue Service operates to ensure there is straight-talking and honesty in conversations at all levels across the organisation is also fundamental to individual and organisational resilience.

Building trust

Frayne said: *'One thing I have realised as a leader is that you have to be absolutely honest. You can never cover things up because whatever it is will always come out. I am happy to speak to staff about the positive things that are happening but I have also got to be just as comfortable telling them about the more negative issues but explain clearly and give people time to adjust.'*

Smith said that the change in culture is evidenced by the different types and quality of questions and issues that are raised when the principal officers conduct their regular visits with stations:

'In the early days we were getting questions about equipment not working effectively or outstanding delivery of consumable items and other minor concerns. We listened, took them back, passed these to the relevant managers and they got dealt with and that was it. Today we get questions about the state of Europe and the national economy and how that is going to impact on future funding, with the minor issues now being dealt with at the appropriate managerial level. The shift has happened because if issues were raised, no matter how minor, we would deal with them so that staff now trust the leadership team to listen and act when we say we are going to do something. Also, answers given have always been honest. This has been and continues to be a rolling communication programme.'

'In the final analysis, we believe that if people understand what is going on and are involved in this, their commitment and contribution is increased. We endeavour to ensure that all our employees feel cared for, supported and valued, which enables us to deliver an excellent service to our community in what are very challenging times,' said Frayne.

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