MAKING THE MOST OF LOCAL INNOVATIONS: WHAT MAKES PLACES INNOVATIVE AND HOW LOCAL INNOVATIONS CAN BE BEST EXPLOITED

YOUNG FOUNDATION/NESTA
INTERIM REPORT

This is an interim report introducing the Young Foundation-NESTA research project about local social innovation and what makes places innovative.

The report summarises the literature on social innovation, innovation and place, and innovation in the public sector, which has influenced the model developed for this research project. It also presents four new case studies about local social innovation in the UK. Three international case studies and two UK-based mini-case studies are underway.

This report is not intended to present conclusions or make policy and practice recommendations. These will follow in the full report to be circulated in January 2008.

The case studies and literature review will be included as appendices in the final report.

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1.   Introduction

1.1   Aim of the interim report

This report investigates the factors that make certain localities innovate in meeting social needs and why some places are more socially innovative than others.

The purpose of the study is to provide insights about the conditions and processes that encourage, support and sustain local social innovation. Our aim is to identify experience and learning that can be transferred to the many practitioners and policymakers around the country who are interested in innovation as a way of tackling entrenched social problems or addressing unmet social needs.

1.2   Local social innovation

A great deal of social innovation starts off local – using local insights and initiatives to address very local problems – and in the process brings together people and ideas from community organisations, local authorities and public agencies. Examples of local public sector innovation in the UK include joined-up bereavement services in Wolverhampton, which involved the co-location of staff and electronic recoding and notification of bereavements across the Council, and a proactive, multi-agency approach to tackling the shortages of affordable housing in Basingstoke and Deane.[1]

Traditionally, the voluntary and community sector has been identified as the source of much local social innovation in the UK, especially in the delivery of specialist services for marginalised or vulnerable groups.[2] Conversely, conventional thinking suggests that bureaucracy and a lack of creativity are thought to hamper innovation in local government. However, there is growing interest in innovation in local public service delivery among local authorities and other public agencies working directly with neighbourhoods and communities, as well as those working on more strategic issues like transport. Local government is under pressure from government and its customers to improve public services, reduce costs, and to refocus delivery to better meet the needs of individual users and communities. Innovation is increasingly seen by local authorities as a way to develop more responsive and efficient services and more creative and meaningful structures for local participation. Research published by the Audit Commission in 2007 indicates that 95 percent of English local authorities report that they engage in some degree of innovation in some or all areas of activity.[3]

In many cases local social innovation in the public sector is not recognised or acknowledged as such because it is hard to capture and demonstrate. Much innovation takes place organically at the frontline of service delivery in health centres, classrooms, youth clubs or community centres, and sometimes (although evidence suggests not frequently) as a direct response to demands

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[1] *Seeing the Light, Innovation in Local Public Services,* National Audit Commission (2007).
[2] *Social Innovation: what it is, why it matters, how it can be accelerated,* Geoff Mulgan, Basington Press (2006).
[3] *Seeing the Light, Innovation in Local Public Services,* National Audit Commission (2007).

from individual residents.[4] Arguably, the language of innovation as understood by policymakers and researchers does not apply in these circumstances. Instead, innovation is understood or described as improvement or development. Often the learning from many ultra-local innovations is not captured or transferred because it remains trapped in service or team silos. However, not all local social innovation is driven from the grassroots. In many cases, as the case studies in this report illustrate, innovation is a strategic choice for public sector bodies with the emphasis on re-engineering processes or working relationships.

1.3   The government's role in fostering local social innovation

There are two distinct policy agendas driving central government interest in local social innovation. First, the desire to better meet the needs of individuals as citizens and services users, and second, growing political interest in localism and decentralisation in national and local government.

In the UK, political interest in localism and decentralisation has accelerated in recent years. There is now consensus among the three main political parties that devolution and neighbourhood empowerment are crucial to the improvement of public services and the future health of local democracy.[5]

The publication of The Local Government White Paper *Strong and Prosperous Communities* in October 2006, signalled a change in the Government's commitment to devolution.[6] The question is no longer whether power should be devolved to local government and to communities, but how much, when, and to whom? Forthcoming legislation and the Lyons Review will provide more clarity about the future relationship between local and central government.[7] Whatever the detail of this arrangement, local authorities will have a much greater role to play as strategic placeshapers in the future, with increased responsibility for the overall wellbeing of communities and residents. In principle, greater decentralisation from Whitehall should provide local government with the freedom and flexibility to come up with innovative solutions to local problems. However, in practice many conditions need to be in place for this to happen – and for good local ideas and innovations to spread throughout the public sector.

1.4   Approach and methodology

This study will supplement the current literature on social innovation in the public sector with eight new case studies about places and projects in the UK, Europe, US and Australia.

Geographical areas showing high levels of socially innovative activity in a particular field, or to meet a specific need, were investigated for this report. In order to gain a holistic understanding of local social innovation, the case studies were chosen to reflect different types of social innovation (for example, process or service innovation), and innovations in different fields and at different stages.

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[4] *Public Management Innovation in Economically Advanced and Developing Countries,* S Borins, International Review of Administrative Sciences, Vol 67 (2001).
[5] *The Governance of Britain,* Cabinet Office (2007).
[6] *Strong and Prosperous Communities: The Local Government White Paper,* Communities and Local Government (2006).
[7] *Lyons Review: Independent Review of Public Sector Relocation,* Sir Michael Lyons (2004).

The variety in our case studies has enabled us to draw parallels and identify patterns to understand what factors drive and enable local social innovation.

1.5   Hypothesis and research questions

Every neighbourhood, region and city has a different composition of actors, agents, stakeholders and networks that can drive innovation. These may include, for example, motivated and influential local leaders striving to achieve social change (such as politicians, business leaders, entrepreneurs), strong or weak networks of third sector organisations, vocal or organised activists or pressure groups, or strong connections between central and local government.

Our hypothesis is that a specific combination of these factors needs to be aligned at a particular time in order for a place to be socially innovative. Based on an analysis of existing literature (see section 5) we believe there are six factors that drive and enable local social innovation. These are underperformance, external and internal pressure for change, strong political and managerial leadership, networks linking frontline staff and central decision-makers, organisational culture that embraces change and risk taking, and access to human and financial resources.

However, a simple combination of these factors is not sufficient to make a place comprehensively innovative. A different alignment of factors is required at different stages of the innovation process from initiation through to consolidation. And we believe that for innovative ideas and approaches to reach 'critical mass' and spread throughout organisations, across neighbourhoods and cities, or from service to service, the adoption of new ways of thinking about change are demanded, along with experimentation and risk, and widespread partnerships between the public and third sectors.

This study will address the following research questions in investigating local social innovation in each case study area:

- What makes some places more socially innovative than others?
- What are the drivers and enablers of local social innovation?
- To what extent can local social innovation be deliberately accelerated and these factors replicated?
- What role can local and central government play in fostering local social innovation?

In the forthcoming final report we aim to identify the common factors that drive and enable local social innovation in different localities, and to present recommendations about how these drivers and enablers can be replicated in other areas to accelerate local social innovation.

2.   What makes some places more innovative than others: developing a model for local social innovation

2.1   What is social innovation?

The term 'social innovation' refers to new ideas, institutions or ways of working that aim to fulfil unmet social needs or tackle social problems, for example, new ways of working to reduce poverty or discrimination, or new services and organisations to care for those suffering from illness. Some examples of social innovation include the NHS (a radical new way to deliver health care at the time of its inception), the use of cognitive behavioural therapy (CBT) to treat certain mental health conditions, direct payments to disabled people so they can select their own health care or support packages, or The Big Issue organisation that produces magazines sold by homeless people.[8]

Social innovations can take the form of a new service, initiative or an organisation, or a new approach to the way services are organised and delivered. Both approaches have the potential to spread throughout a profession or sector, like education or health care, or geographically from one place to another. [9]

2.2   Why do some places innovate?

Some geographical locations appear to exhibit a flurry of socially innovative practices and behaviours, while others seem much less adept at finding creative and imaginative ways to address the same social issues or unmet needs.

Portland, Oregon, is a good example. Described as the 'poster child for regional planning, growth management and a number of innovative urban planning policies',[10] Portland is often cited as one of the most liveable cities in the United States[11] and as a model for 'smart growth'.[12] Portland has been described as a 'city of engaged citizens'[13], bucking the trend towards declining involvement in civic life in the US. Widespread consultation and community engagement has been acknowledged as an important driver of innovation in the city and has helped to foster a sense of involvement and creative experimentation in the city.[14] The Portland Future Focus Policy Committee (established by the City of Portland in the 1990s) and the Coalition for a Livable Future, are two examples of participative structures designed to involve individuals from different communities, sectors and agencies, to develop a coherent vision for the city and community. The Coalition involved an alliance of 60 activist groups working in partnership to drive policy on urban growth, focusing on areas such as urban design, economic development and affordable housing.[15]

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[8] *Social Innovation: what it is, why it matters, how it can be accelerated,* Geoff Mulgan, Basington Press (2006).
[9] Ibid.
[10] *The Portland Edge: Challenges and Successes in Growing Communities*, Connie P. Ozawa, Island Press (2004).
[11] Ibid.
[12] Ibid.
[13] *Bowling Together: The Civic Story of Portland, Oregon,* S. R. Johnson (2006).
[14] Ibid.
[15] Ibid.

Mae Sai in Thailand is another geographical locus for social innovation, successfully developing innovative projects to tackle child abuse, while other border towns in Thailand (such as Tachilek) have failed. Mae Sai, which is located on the Burmese border with Thailand, has suffered heavily in the last two decades from a growing sex industry fuelled by child prostitution. A number of socially innovative organisations have been established to tackle this through intervention, accommodation and education, including Childlife and the Development and Education Programme for Daughters and Communities Center.

Every neighbourhood, region and city has a different composition of actors, agents, stakeholders and networks that can drive innovation. These may include, for example, motivated and influential local leaders striving to achieve social change (such as politicians, business leaders, entrepreneurs), strong or weak networks of third sector organisations, vocal or organised activists or pressure groups, and strong connections between central and local government.

This pattern has also been recognised in the field of technological and business innovation. Studies such as Porter's research into the geographic concentration of interconnected companies in a particular field, labelled as 'clusters', showed that certain locations foster much greater amounts of innovation than others.[16] Synergies can be created among these stakeholders and supported by the combined effect of other factors, such as investment, human capacity and ambition, to produce an environment in which innovation can flourish.

Regional and territorial innovation theory tries to explore the reasons why some locations are more innovative than others, such as Silicon Valley in California, or Bangalore in India, both acknowledged worldwide for their success in sectoral innovation. These places seem to possess a distinctive environment that is able to cultivate high levels of innovation and creativity.[17]

This geographical locus for innovation has fascinated many researchers who have attempted to distil this behaviour to create models and theories that connect environmental factors to the innovation levels an area exhibits. There has been a great deal of research in recent years on the characteristics that make local economies innovative and the connection between innovation and place. This work dates back to Alfred Marshall's 19th century study of industrial districts, through the work of Michael Piore and Charles Sabel in the 1980s, to Michael Porter in the 1990s, Peter Hall's work on creative cities and milieux, and the more recent work of Richard Florida. This work has identified a host of interesting features of dynamic and creative economies – including the roles of intermediary bodies, incubators, universities, finance, creative industries and migrant workers – in encouraging and supporting the emergence of geographical innovation. Research by Saxenian, Porter and Enright has identified clustering and proximity as important factors in the concentration and transfer of knowledge in specific locations, such as those found in Silicon Valley, as well as their impact on creating deep pools of specialised labour.[18] Frank Moulaert has researched

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[16] *Clusters and the New Economics of Competition*, M . E. Porter , Harvard Business Review (1998).
[17] *Territorial Innovation Models: A Critical Survey* , F. Moulaert and F. Sekia, Regional Studies, Vol. 37.3, (2003).
[18] Ibid.

territorial innovation in both a private and now more social setting, in order to unravel the reasons behind why certain geographical areas innovate.[19]

2.3   Public sector innovation: drivers and enablers

There is an emerging body of research about public service innovation, including recent work by the National Audit Office and the Audit Commission about local government innovation in England, and several academic studies exploring the impact of best practice networks in spreading learning about innovation.[20]

A 2007 study of local government innovation in England by the Audit Commission indicates that 43 percent of local authorities claim to be engaged in a 'great deal' of socially innovative practices, whilst an additional 52 percent claimed to be engaged in 'some' innovation'.[21] Although it is important to bear in mind that this data is self-reported, these findings suggest an increasing awareness of social innovation in local authorities.

Unlike innovation in the private sector, which is driven primarily by competition, pressure for innovation in the public sector appears, according to existing evidence, to be driven primarily by the need to improve poor performing public services in response to changing social needs.[22] The 2007 Audit Commission data identifies poor performance as an important driver of innovation for local authorities. English local authorities have a statutory duty to undertake continuous improvement and are much more likely to do so in areas where their provision is poor. This claim is supported by Boyne et al., who argue that poor performance can encourage authorities to adopt 'best practice'[23] and Hämäläinen and Heiskala's study of social innovation, which suggests that the best performing local areas are not necessarily the most innovative.[24]

A wide range of studies (including Landry, Barton and Kleiner, Audit Commission, Hartley and Brannan) refer to the factors required to generate innovation, including social innovation, which can be summarised as:

- Political crisis or change in leadership.
- Symbolic triggers such as statements of intent, charters, or strategy documents.
- Ambition at the executive level, which must then percolate through the whole organisation.
- Joined-up working which allows staff to share information and understand in more depth the way in which the organisation functions.
- Supporting staff to be inventive and allowing space for creative thinking.

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[19] *Towards Alternative Models of Local Innovation,* F. Moulaert, F. Martinelli, E. Swyngedouw and S. Gonzalez, Urban Studies, Vol 42 (2004).
[20] *Innovation and Improvement in Local Government,* J. Hartley (2006).
[21] *Seeing the Light, Innovation in local public services,* National Audit Commission (2007).
[22] *Ready or not? Taking Innovation in the Public Sector Seriously,* G Mulgan, NESTA Provocation 03 (2007).
[23] *Assessing Best Practice as a Means of Innovation,* T. Brannan, C. Durose, P. John and H. Wolman (2007).
[24] *Social Innovations, Institutional Change and Economic Performance,*T. Hämäläinen and R. Heiskala (eds.), Draft publication (2006-07).

- Strong relationships with councillors, other partner organisations and external agencies.
- Local activists or campaign groups, some likely to be mavericks.
- Good links to users and residents to engage their experiences and opinions.
- A strong awareness of ongoing policy debates in the public sector.
- Research and pilots to test local social innovations.
- Mainstreaming through a culture of determination and aspiration.
- A strategy to embed and sustain innovation.

Hartley described a specific role for politicians in catalysing public sector innovation.[25] This is reinforced by Audit Commission data which identify the important role that political pressure plays in driving innovation. Almost half of authorities surveyed by the Audit Commission reported that they regularly experience this type of internal pressure.[26] Councils that report that they are innovating a 'great deal' are considerably more likely to experience pressure from members than those engaged in 'some' innovation.[27] This data appears to suggest that internal pressures are more influential than external pressures for improvement from central government or regulatory bodies. However, this type of external pressure should not be discounted. It appears to often act as an underlying trigger for innovation and change, which requires internal pressure to act as a catalyst to initiate change.

Other forms of external pressure, such as competition between peers or between local authorities, are also important underlying drivers of innovation. This pressure takes the form of best practice or awards for innovation, which encourage improvement and adoption of ideas from other authorities.

A full discussion of this literature is included in section 5.

2.4   A model for local social innovation

Based on insights from these different bodies of academic and practical work, we have identified a number of factors that have the potential to drive and enable local social innovation.

Some of these factors reflect the conditions and triggers needed for innovation in other sectors, such as strong leadership, ambition and a clear vision for change that is embraced at all levels in an organisation, willingness to take risks, and development of an organisational culture that provides a safe space for all staff to generate ideas and experiment.

However, others factors reflect differences between social innovation in the public sector and innovation in other sectors. For example, underperformance appears to be an important driver of local social innovation in local authorities, with many innovating in response to failing services. Strategically, this is an important difference. In the past, the presumption of many government programmes has

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[25] *Innovation and Improvement in Local Government*, J. Hartley (2006).
[26] *Seeing the Light, Innovation in local public services*, National Audit Commission (2007).
[27] Ibid.

been that additional resources for innovation should be directed towards the best performing local authorities.[28]

In technology or business innovation, bottom-up or user demand for new products or services is often an important driver.[29] However, experience in the public sector suggests that end users of services, such as residents, patients, or school children, have a less direct role to play in exerting pressure on agencies to improve services. Instead, local politicians and officials can act as powerful intermediaries in channelling local interests and needs and creating internal pressure for service improvements within local authorities or agencies. One explanation could be that local government and public agencies often struggle to engage widely with communities, residents or individuals, therefore opportunities for bottom-up demand to be expressed are relatively limited. This could also be due to the lack of competition found in the public sector resulting in many users being unable to opt out of the services on offer.

However, the lack of widespread local innovation suggests that the extent of local politicians' influence varies from place to place. There is a significant body of evidence that identifies the obstacles to backbench councillors having greater influence over decisions made by local authorities and local strategic partnerships (Cox, 2007; Taylor and Wheeler, 2003; James and Cox, 2007; Foot and Newman, 2006; LGiU, 2007). These include the scope of councillors' personal networks and connections to executive members, individual skills and capacity (in terms of time and specialist knowledge), the emphasis individual councils place on the role of backbench councillors, and local decision-making structures.

Central government has a clear role to play in encouraging innovation and creating effective demand for new services or ideas. In terms of barriers at an institutional level, central government targets, hierarchical structures and risk averse culture, could be seen as hampering innovation in the public sector.

We have identified six factors that appear to be essential conditions, in some combination, for local social innovation to occur. Our hypothesis is that a combination of these factors needs to be aligned at a particular time in order for a place to be socially innovative. It is not sufficient for only one or two of these factors to be present.

It is also our belief that these factors can act as both drivers (triggering change) and enablers (supporting and sustaining the process) of social innovation, depending on the circumstances in each locality. Our aim is to test each of these factors in the chosen case study areas to identify common patterns, which will enable us to identify the combination of factors that must be in alignment, and the role that each factor plays in driving and/or enabling social innovation.

In this way we aim to identify the factors that can be replicated in other areas through spreading learning and good practice, creating a supportive policy framework, and identifying the resources that are needed at different stages in the innovation process.

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[28] *Beacon Council Scheme Round One: Where to Go, What to See*, ODPM (2005).
[29] *Think, Play, Do: Markets, Technology and Organization,* M. Dodgson, D. Gann, and A. Salter, Oxford University Press (2005).

The six factors are:

1. **Recognition of underperformance** in one or more services, which acts as a driver for change and innovation.
2. **Combination of internal and external pressures,** internally from local politicians and senior officials, and externally in the form of government policy or interventions from regulating bodies, which act as a catalyst for innovation.
3. **Strong leadership** in the form of supportive political leaders and a small group of charismatic leaders in senior management posts, often brought in from outside an organisation, in order to initiate radical change.
4. **Creation of a responsive organisational culture** where change is embraced by senior management and frontline staff, and risk taking is encouraged and supported both individually and institutionally.
5. **Formal or informal networks** at a variety of levels are necessary to gain support, ensure collaboration and facilitate innovation.
6. **Resources** are available to support innovation, in the form of staff to support and implement new ideas.

We believe that a combination of these factors must be aligned to support social innovation in one service or sector in a locality. However, in order for a local authority, city or neighbourhood to become comprehensively innovative, as in the case of Portland, Oregon, these factors need to be both consolidated (i.e. an innovative way of thinking needs to be embedded in strategic planning, working practices and organisational culture) and scaled up (so these practices can transfer from service to service, agency to agency, or neighbourhood to neighbourhood) so that they begin to exert force across a range of institutions within a locality.

Crucial to this process is the transfer of implicit knowledge about the process of social innovation from one service, department, or place to another. This relies heavily on retaining the people who have been involved in the process of innovation (both frontline workers and senior managers) and transmitting their learning and leadership style to a much wider group of people. Conventional thinking about innovation focuses on the importance of charismatic leadership and entrepreneurial individuals to drive forward change, and existing literature about social innovation appears to reinforce the important role these figures play. However, we believe that creating an authority- or city-wide culture that fosters innovation across a wide range of sectors, needs more than charismatic leaders – it also requires a degree of institutional stability to enable learning to be consolidated and transferred. There is a delicate balance to be struck between the creativity and experimentation, some would say chaos, that is crucial to innovation, and the need for institutional support and learning to make innovations grow and spread.

Local social innovation in the public sector is an extremely challenging process and subject to a variety of political and practical obstacles that are likely to prevent it from occurring – not least fear of change, lack of resources, and short-term policy goals.

3.   Case studies

In order to identify and understand the factors that drive and support local innovation, we have identified four case study areas in the UK. These are local authorities that have exhibited high levels of socially innovative activity in a particular sector, and in most cases in partnership with other public agencies and the third sector.

The evidence used to determine whether localities were socially innovative included an analysis of performance and innovation based on existing literature and examples of good practice. This included interviews with the Improvement and Development Agency (IDeA), Audit Commission and national third sector organisations with an interest in social enterprise and innovation, and a review of good practice schemes and awards designed to recognise innovation such as Beacon and Local Government Chronicle schemes.

Figure 1: Table showing evidence of social innovation in case study locations

Case Study	Evidence of social innovation
Highlands	The Council has been recognised by the IDeA as having '*built a sound reputation as an innovative and campaigning council*'.[30] The IDeA describes the Highland Council as a '*leading Scottish council*' that '*is repeatedly at the forefront of national developments and has demonstrated its willingness to be involved in numerous pilot or pathfinder initiatives*'.[31] The Highland Council was also awarded a Convention of Scottish Local Authorities (COSLA) Excellence Award for the Advancing of Community Wellbeing in 2007.
South Tyneside	The Council was rated '*excellent*' as part of the Comprehensive Performance Assessment (CPA) in 2004. It is the only unitary council in CPA history to move directly from 'fair' to 'excellent'.[32] It has also been awarded a Beacon Award for its work in neighbourhoods and tackling debt in 2007.
Knowsley	The Council has won over 250 different awards across the entire spectrum of its service delivery, including six Beacon Awards for Accessible Services and Regeneration through Culture, Sport and Tourism, Fostering Business Growth, Social Inclusion through ICT, Transforming Secondary Education and for Removing Barriers to Work. Two of these Beacon Awards won in 2003 and 2005 were connected to the Council's innovation in education.
Tower Hamlets	The Council has been acknowledged for its innovative improvements in youth and community services by bodies such as the Audit Commission and IDeA.[33] It has received Beacon Awards in 2005 and 2006 for early intervention of children at risk, and in 2007 won a School Innovation Award and a Local Strategic Partnership Award for community involvement. The Annual Performance Assessment by OFSTED in 2006 also described the Borough's Youth Services as '*outstanding*'.

Source: Young Foundation, 2007.

As evidence seems to indicate that localities innovate in response to specific needs, rather than across all sectors or fields, the chosen unit of analysis for the case studies was social innovation within a specific service in a local authority area, for example education or youth services. After the initial literature review further research was undertaken to ensure that the case studies selected would reflect the different parts of the model and that in combination they were able to cover all the factors identified.

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[30] *Local Government Improvement Programme: Visit to Highland Council Report*, IDeA (2002).
[31] Ibid.
[32] *Councillor Neighbourhood Champions*, South Tyneside Council (2007).
[33] *Tower Hamlets Journey to Improvement*, IDeA (2006).

The four national case studies selected for further investigation are:

- Children's Services in the Highlands.
- Social exclusion in South Tyneside.
- Secondary education in Knowsley.
- Youth Services in Tower Hamlets.

These case studies were selected because they meet a number of criteria including different types of social innovation – such as service innovation in Knowsley, and process innovation in South Tyneside – and different degrees of innovation, as illustrated in the diagram and table below.

The following diagram (adapted from Tidd, Bessant and Pavitt) shows the types of innovation represented by our chosen case studies. The diagram maps innovations according to their type, including product innovation which refers to the creation and development of a new physical product, service innovation (which as the name suggests, describes changes to services), and process innovation (which refers to a novel change in organisational or production processes).

The diagram also maps innovations according to the extent and degree of their impact. This varies from incremental innovation (continuing improvements that are cumulatively very important, such as the work in South Tyneside), to radical innovation consisting of discontinuous changes (such as the changes to education and youth services in Knowsley and Tower Hamlets), and system innovation, which describes changes to technological, managerial and organisational systems.[34]

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[34] *Managing Innovation: Integrating Technological, Market and Organisational Change* (3rd ed.)
J. Tidd, J. Bessant, and K. Pavitt, John Wiley & Sons (2005).

Figure 2: Extent and types of innovation of the selected case study

Case study area	Type of innovation	Extent of innovation
Highlands	Process	Incremental
Knowsley	Service and Process	Radical
South Tyneside	Service	Incremental
Tower Hamlets	Service and Process	Radical

Source: Young Foundation, 2007, adapted from Tidd et al. 2005.

We suspect that different factors will have a dominant role at different stages of the innovation process and hence have selected case studies in different phases of the innovation cycle, as shown below on the Utterback and Abernathy process innovation life cycle in Figure 3.

This dynamic model provides insight into the changing nature of innovation over time. The y axis 'rate of innovation' indicates the relative amount of innovation occurring at a certain point of the life cycle with respect to time. The x axis of this model represents the three different stages of the innovation cycle: Fluid stage; Transitional stage; and Specific stage. These stages are not connected to actual amounts of time, but are relative to the innovation that is being followed. For example, despite the innovation in Knowsley having continued for longer than some of our other case studies, it still remains in the first phase of innovation. The model illustrates how in the first Fluid stage phase of innovation, there is a relatively low amount of process innovation. This begins to increase during the Transitional stage but the amount of process innovation decreases in the final stage of innovation.

The Fluid phase of the innovation life cycle is one of uncertainty and experimentation. At this early stage, which includes the creation of new ideas, certain factors and conditions will encourage social innovation. With respect to process innovation this stage is described as flexible and inefficient. Of our case studies Knowsley is within this early stage of innovation, still not having put into practice many aspects of their planned innovation, and with a greater focus on experimentation than efficiency.

South Tyneside and the Highlands are further along in their innovation life cycle, now moving into a stage of consolidation, and are positioned in the Transitional stage of innovation which involves much less experimentation. It is in this stage that a dominant design or strategy emerges and processes become more rigid. In this phase of consolidation different factors and conditions will emerge as being more significant as the focus of the innovation and its nature will have changed.

Tower Hamlets' innovative commissioning model could arguably be described as mature, and is positioned in the final Specific stage of innovation. This final phase of innovation is one that consists of standardisation and a great focus of efficiency and a streamlining of the processes involved.

Figure 3: Stage in innovation cycle of selected case studies
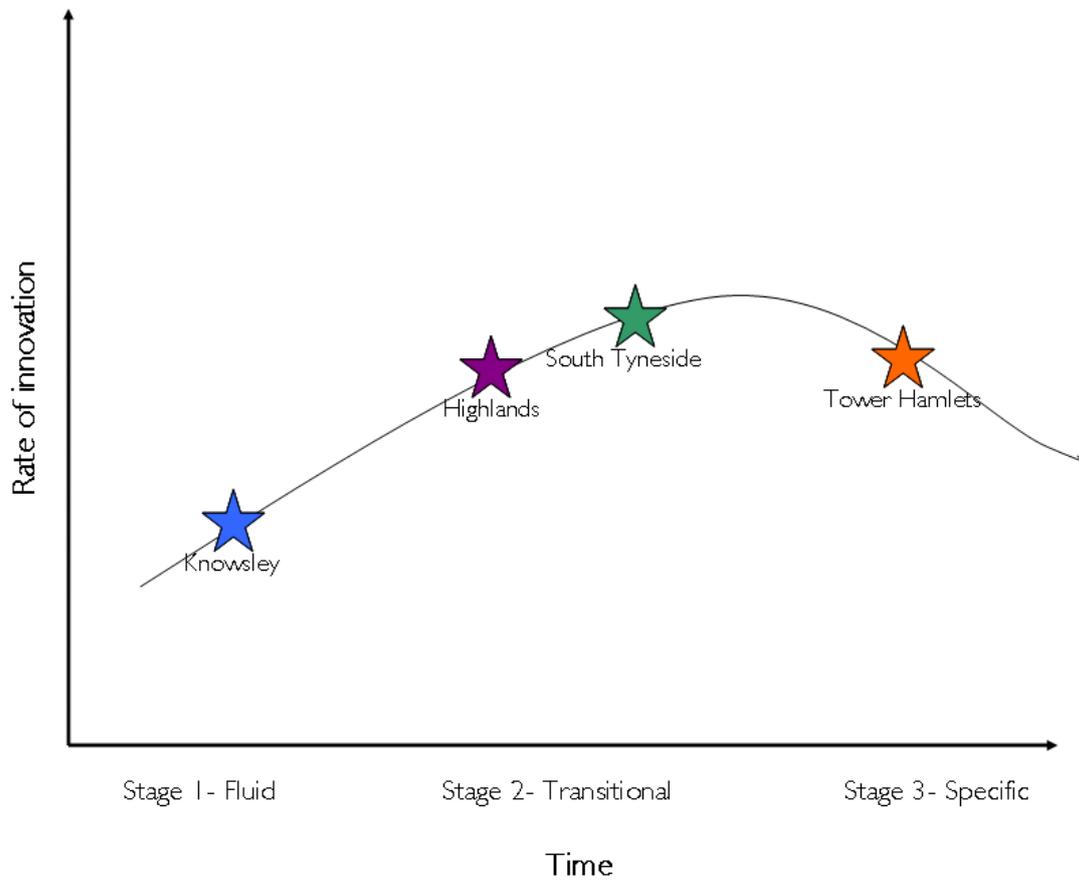
Source: Young Foundation, 2007, adapted from Utterback and Abernathy,1975.

Case study 1: Innovation in Children's Services in the Highlands, Scotland

Since 1999, the Highland Council has radically reorganised the way Children's Services are delivered in the area, creating an effective joint working initiative involving a number of key agencies.

The integrated service has been praised by Audit Scotland and has enabled the Council to make significant service improvements in a short period of time. In 2006 the success of the integrated Children's Services was recognised by the Scottish Government, which selected the Highlands as a Pathfinder for the rest of Scotland.

These innovations were driven by four main factors:

- **Underlying demographic trends, specifically, a rapidly declining youth population, which was identified by the Council as a threat to future economic performance in the Highlands.**
- **An external assessment revealing the poor performance of Children's Services in the region.**
- **Resulting pressure for change from senior figures and politicians within the Council.**
- **These drivers were accelerated by the impact of a challenge to the service after the murder of five year old Danielle Reid.**

Highlands background data

Geography:
- The Highlands has a total land area of 26,484 square kilometres, covering a third of mainland Scotland and 11.4 percent of Great Britain. It is the largest council area in the UK.

Population:
- The population of the Highlands in 2004 was 211,340. It is highly dispersed, with a population density of just under eight people per square kilometre.
- The population of the Highlands grew by 2.6 percent between 1995-2005, compared to the rest of Scotland, which saw a population decline.
- The age demographic of the region is increasingly elderly. In mid-2006, it was estimated that 18.3 percent of the population were aged under 16; 64.0 percent were aged 16-64 and 17.7 percent were aged 65 and over.

Labour market:
- Of those employed, 31.5 percent work in public administration, education and health, and 27.2 percent work in distribution, hotels and catering.
- The unemployment rate in the Highlands is 2.1 percent having decreased significantly in the past ten years from 6.5 percent in 1996. This is lower than the rest of Scotland (2.8 percent) and the UK (2.6 percent).

Council:

- The Highland Council consists of 80 elected members most of whom are independent, although this number has dropped significantly from 53 independent councillors in 2003 to 35 in the 2007 local election. Other significant parties represented are the Liberal Democrats, Scottish National Party and Labour.

1.   Summary: context and need

In the late 1990s senior officials and elected members in the Highland Council recognised that an increasingly elderly population and lack of young families and children could have serious implications for the region's future.

The percentage of young people in the Highlands was beginning to fall due to declining birth rates and many young people leaving to pursue further education and failing to return. The Council recognised that if this trend were to continue the future workforce would be diminished, reducing productivity and impacting negatively on the region's industry and economy.

Some senior figures in the Council viewed the improvement of Children's Services as a way to attract young families to the region. In 1997, the *Looking Ahead in the Highlands* policy paper published by the Council stated: "The vital role of young people in our communities continues to be the single *most important determinant of the future success of this region*".[35]

This report indicates the growing pressure on the Highland Council to improve Children's Services at that time in order to attract more young families to the area. However, the Council and its partners did not begin to make changes until the late 1990s, when an external report commissioned by the Chief Executive and conducted by an independent consultancy described Children's Services as poor and failing the area's children and young people. The report identified a lack of strategy and coherence in the Highland's Children's Services, and the area suffered from a fragmented and uncoordinated approach where good practice was isolated.

The report acted as a catalyst for innovation, prompting the Council to assess the way Children's Services were organised and delivered, and to review existing structures, processes and systems. As a result the Council recognised the need to make widespread changes to improve the Service.

2.   Innovation strategy

The Council's objectives for service improvement were to place the child at the centre of service provision, while also creating sustainable services that would strengthen families and value children.[36]

The Highland Council identified an integrated Children's Services with a single vision and strategy as the way to improve service delivery. This was based on the

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[35] *Looking Ahead in the Highlands* Policy Paper, Highland Council (1997).
[36] *For Highland's Children 2 Integrated Children's Plan*, Highland Council (2005).

belief that a unified approach, with less bureaucracy and duplication in service delivery, would provide greater freedom for agencies to meet children's needs.

Due to the significant challenges of service delivery in such a vast and sparsely populated region, the Council was unable to identify a model from elsewhere in Scotland that could be successfully adapted to conditions in the Highlands, so began to develop and pioneer its own strategy of radical reorganisation.

The Council developed a structure that would bring together the education and social care departments within the authority and other agencies such as the NHS, Police within the Highland Wellbeing Alliance, which consisted of voluntary and private organisations, and Highlands and Islands Enterprise.

3. Innovation Process

3.1 Leadership: creating innovation champions

The change process began with the employment of experienced individuals from outside the Council to senior roles within key agencies, with the brief to initiate change and to champion innovation. These appointments included a new Head of Integrated Children's Services, recruited in 2000 and funded by Education, Social Work and Health, as well as a new Director of Social Work. Many of these individuals were employed by dual organisations, such as the education and social care departments within the Council, and the NHS.

With the absence of a history or culture of strong partnerships and collaboration between agencies in the Highlands, the new leadership team put in place a structure for an integrated, multi-agency Children's Service. The emphasis was on creating a structure that was joined up at all levels in the Council and other agencies, and would engage more effectively with the voluntary sector, something that had not previously been a priority. An important aim of the new integrated structure was to ensure strong, collective leadership, encourage a genuine commitment to joint working, and break down barriers and encourage communication between the various agencies. Dual employment of staff posts was viewed as an important first step in establishing direct connections at a senior level between the main bodies in the Highlands.

The new structure incorporated two new bodies with strategic responsibilities: the Joint Committee for Children and Young People (JCCYP), and Chief Officers' Group. These were supported by operational structures created to implement the new strategy, manage service delivery at the frontline, and to communicate consistent messages throughout different agencies.

In 2001 the planning document *For Highland's Children* was published by the Council, setting out priorities for service development and delivery between 2001 and 2004, alongside the national document *For Scotland's Children*, which involved a national review of Scotland's Children's Services.

3.2 Integration and joint working

The JCCYP was established as a strategic body with oversight of all services for children, with the remit to review, develop and implement the Children's Services

Plan *For Highland's Children*. The JCCYP included representatives of community planning partners, elected members and officials from the Highland Council, executive and non-executive representatives from NHS Highland, Northern Constabulary, voluntary sector representatives, and the Scottish Reporters Administration.

The Chief Officers' Group was comprised of Directors of all lead services, with the remit to develop and coordinate strategy, and ensured the implementation of policy and best practice models as directors were supported by middle managers.

Operational structures were created to ensure joint working at the frontline and to take forward policy and practice at a local level. The Area's Children's Services Forum (ACSF) and Liaison and Youth Offender Groups were led by managers from each area, with responsibility for local delivery against strategic priorities, such as healthy eating and living initiatives for young people. These three sets of groups were also responsible for bringing together individuals from various bodies and groups from other services, public bodies and the voluntary and community sector, locally to improve information sharing and create opportunities for frontline staff to generate new ideas.

Liaison Groups were comprised of operational professionals, formed around school boundaries to tackle the needs of children who required multi-agency involvement. Their activities include addressing youth offending behaviour, advances in the provision of respite, coordinated projects to address substance abuse, as well as advances made concerning vocational education in the Highlands.

In order to create a more integrated structure, certain staff from different agencies and groups were co-located at the Council headquarters in Inverness. This placed a greater emphasis on the role of these individuals in the overall service, rather than the specific department and organisation they worked for, helping to embed the principles of joint working. This movement away from a hierarchical structure with clear boundaries to a more fluid decentralised body has driven innovation and change throughout the Service.

Alongside the new strategic and operational structures, funding for Children's Services was pooled by all bodies involved in the partnership. The lead agencies (NHS Highland, and Highland Council's Social Work and Education, Culture and Sport Services) spend in excess of £190 million each year on Children's Services, equating to more than £4,000 for every under-18 year old, every year.[37]

In 2002, the murder of five year old Danielle Reid in Inverness led to an independent investigation of the Highland's Children's Services with a particular focus on child protection, and a review of joint working in the area. The review indicated "serious gaps in service provision to the vulnerable and at risk child",[38] though it also concluded that the death could not have been prevented by individuals employed by Highland's child protection agencies.

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[37] *For Highland's Children 2 Integrated Children's Plan*, Highland Council, (2005).
[38] *Danielle Reid: Independent Review into the Circumstances Surrounding Her Death*, J. Herbison, (2006).

This high profile incident accelerated the innovation that had already begun in the Highland's Children's Services, motivating frontline staff to assist and engage with the changes taking place.

3.3   Embedding innovation

Interviewees reported that these structural changes have engaged and empowered frontline staff. Many respondents felt that the formation of bodies such as the JCCYP and Chief Officers' groups have enabled the visions and goals of senior managers and leaders to be articulated to frontline staff more clearly. Interviews revealed that frontline staff are enthused by a greater understanding of their role in the overall service. ACSFs and Liaison Groups have enabled them to operate more effectively on the frontline. Collaborating more with other frontline workers has increased their capacity and resources to do the job. This can make a great difference in the Highlands where frontline workers suffer from lack of resources and challenging geography.

Feedback from frontline staff, middle managers and senior officers show that the improved communication has helped create a more effective integrated service. One interviewee stated that: "[partnerships] played a big part, it helped raise awareness of what other practitioners deal with, what structures they work within … I think that's been a trigger in helping people assess their practice and change it."

Communication between agencies at the senior level has also greatly improved with this new structure with one senior manager commenting that: "we've got very good working relationships at most senior levels across the agencies and there's a real openness to engage with change."

The success of the communication of this vision from senior officials to frontline staff was an important achievement for the Highland's Children's Services, given the scale of the area that staff must cover and the isolated nature of many communities and workers.

In 2001, the Scottish Government published its report *For Scotland's Children*, which proposed a national review of Scotland's Children's Services. This led to the initiation and development of *Getting it Right for Every Child* (GIRFEC) in 2004, a national approach to reforming Children's Services in Scotland. GIRFEC goals included:

- Practice change: including shared tools, guidance and a shared approach.
- Removing barriers: identifying and removing obstacles to collaboration between agencies, children and families.
- Legislation: making agencies responsible for collaboration with each other and sharing information as appropriate. Ensuring that professionals are alert to the needs of children and that they take action to meet them.

The Highlands was identified by the Scottish Government as a suitable place to pilot the GIRFEC initiative, based on its pioneering work towards integrated service provision. The Highland Pathfinder launched in September 2006, and is a regional programme to test the GIRFEC principles. This pilot began with changes to the way services were organised, firstly in the area of newborn children in May 2006, moving on through early years and school transitions. This brought in

significant funding to the Highland's Children's Services, further accelerating innovation.

The first phase of the GIRFEC Pathfinder ended with a consultation on the Children's Services Bill in 2007, which is presently being analysed. As the GIRFEC project is rolled out and established in other Scottish authorities, the Highland Council is now moving to the next phase of its innovation cycle, with the emphasis on consolidating change, embedding new ways of working, and ensuring that the culture of innovation is sustainable in the long-term.

4.   Outcomes

A number of performance targets were established by the partnership at the start of the integration and innovation process as benchmarks of success. These included reducing rates of teenage pregnancy among 13 to 15 year olds, increasing access to Early Years Services, increasing respite services for young people with complex disabilities, and reducing the number of persistent young offenders.[39]

Since 2001, the Highland Council has reported a steady improvement in performance against these targets. Improvements have been reported in educational and health outcomes, through heightened planning and assessment, including a steady increase in the educational achievement of the lowest attaining 20 percent of students, and in groups such as the attainment of looked-after children.[40]

A 2007 inspection of Child Protection Services in the Highlands by HM Inspectorate of Education (HMIe) highlighted a number of strengths in the Service, including: the effectiveness of early intervention services, good communications, professional commitment, voluntary sector service quality and clarity of vision. When compared to the weaknesses in the overall strategy identified in earlier inspections, this suggests a significant improvement in the Service.

However, the Council has acknowledged that changes of this magnitude require time before the effects become widely apparent. An evaluation commissioned by the Highland Council to evaluate the effect of integration has found that the 'change in practice has been spectacular in some areas of Children's Services, and slower to emerge in others'.[41] These evaluations have also stated that 'sea change will only take place once there is clear evidence of positive outcomes for the child, the family and those professionals in universal services who work with them on a day-to-day basis'.[42]

However, there are some tensions that remain problematic between the participating agencies in the new integrated service. Bringing together different organisational cultures has created challenges about different working practices and raised practical issues about employees working together in comparable

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[39] *Delivering Integrated Services For Children In Highland: An Overview of Challenges, Developments and Outcomes,* B. Stradling and M. MacNeil (2007).
[40] Ibid.
[41] Ibid.
[42] Ibid.

roles being remunerated according to different pay scales. This has been a particular issue for social workers and some agencies have reported the loss of frontline social workers as a result.

5. Analysis: drivers and enablers of innovation in the Highlands

5.1 Drivers: underperformance

The underperformance of the Highland's Children's Services revealed by the negative report published in 1999 spurred the Highland Council to take practical steps to improve the Service, appointing new senior leaders, developing a new strategy and creating new structures.

5.2 Drivers: leadership

Strong leadership was a driving force for innovation in the Highlands. However, leadership was not restricted to one charismatic individual but involved several people from different agencies, each playing different roles and at different times from initiation to implementation of changes.

Interviews have identified Councillor Margaret Davidson as an important catalyst for change. Councillor Davidson was central in raising the subject of inadequate Children's Services and advocating for the need to take risks to revitalise the service before 1999. She was able to gain support from other elected members, ensuring Children's Services remained a priority on the Council agenda. Described as a 'woman of great passion for Children's Services' by one senior manager, Margaret became the chair for the Children's Committee in 1999, a position she still holds after eight years.

This political leadership was essential in initiating changes by creating a strong internal pressure which catalysed activity and innovation in the Council. Councillor Davidson has since played a principal role in implementing changes by acting as the Children's Champion on the JCCYP and working closely with officials within the Council's other bodies, using her networks and relationships to gain support for a more integrated system of working.

The leadership team appointed to implement the changes to Children's Services included a new Head of Children's Services, Director of Social Work, and Director of Education. These senior leaders were responsible for transforming the culture of Children's Services, creating an environment that encouraged staff at all levels to work towards a shared vision, increasing organisational ambition, and encouraging measured risk taking and experimentation. Interviews with a variety of frontline staff and managers identified that the individual charisma, passion, drive and vision of the individuals on the leadership team were crucial to the success of innovation in the Service. Most of these individuals remain in post today.

Over three quarters of the people interviewed for this project identified the Head of Children's Services, appointed in January 2000, as one of the most crucial elements in the success of the integration strategy. Interviewees described the Head of Children's Services as: driving forward the strategy to place children at the centre of service provision; acting as a pioneer and champion for innovation;

communicating a clear vision regarding Children's Services; and creating a positive momentum in the area.

One interviewee from the voluntary sector described the Head of Children's Services as having: "been fundamental in driving change…he has created the vision and strategy".

Another interviewee said: "I might agree with Bill on some things and not on others but without a doubt he is very gifted at driving forward the agenda".

However, frontline staff interviewed for this project also voiced fears about over-reliance on individual leaders and the risks this may pose to continuing innovation and improvements in the Highlands should these individuals leave. The responsibility for innovation in Children's Services is currently concentrated in a relatively small number of individuals, who own and drive the innovation process. This point reinforces the importance of embedding a culture of innovation and building the capacity for continuous change and learning, in order to make innovation sustainable in the long term.

5.3   Drivers: capacity restraints

Capacity restraints in the form of limited human resources to cover a wide geographical area, and difficulties in retaining qualified and experienced staff, encouraged the Council and other agencies to be innovative. Integrated services and partnership working were believed to increase effectiveness, reducing duplication, making agencies more efficient. This acted as a driving factor for the organisations involved in the integrated Children's Services and subsequent GIRFEC Pathfinder. Strong partnerships between the Council, public bodies such as social care, NHS and Police as well as the Highlands active voluntary sector, have increased the capacity of individual organisations with many central bodies pooling their funding for Children's Services in order to maximise impact using the resources available.

The lack of skilled individuals and difficulties of retaining qualified workers in certain aspects of Children's Services has also encouraged the Service to come up with creative approaches to tackle skills shortages. The creation of posts such as Children's Services Workers has been a particularly innovative approach to handling the lack of qualified social workers in the area. One senior manager described: "the creation of certain posts that aren't social workers, aren't teachers, aren't health visitors, but are Children's Services workers, has been innovative." However this has not solved the Highlands' great problem of retaining and attracting frontline staff in some areas.

The Highland Council has also been recognised as being particularly adept at identifying funding opportunities and placing bids for resources, and keen to be involved in new pilot or pathfinder initiatives. This strategy of being at the forefront of national developments in order to gain substantial resources has driven the Highlands to innovate. The Council shows great ability in attracting external resources through participation in these high profile projects.

5.4 Enabler: organisational culture

Once the new leadership team and structures were in place, good internal communication played an important role in establishing a shared vision for all the agencies involved in the new integrated Children's Services from a very early stage.

Communication and consultation among staff were widespread before changes were introduced to Children's Services. This assisted staff in engaging with the innovation process and making them aware of the overall vision for the future of the Highland's Children's Services. The message that dramatic structural changes and organisational innovations were necessary to improve children's lives has been successfully communicated. Interviews identified that staff feel that the drive for innovation was driven by a genuine desire to improve services, despite the fact that some staff may not agree with aspects of the integration strategy.

To embed the culture of joint working and collaboration, senior managers have instigated greater consultations between different agencies. Alongside this they have brought together individuals from different backgrounds, with a variety of expertise and skills. All staff are actively encouraged to share information and ideas through structures such as the JCCYP and ACSFs and to think about innovation in relation to their day-to-day job.

The Highland Council places great importance on the role of continuous learning and evaluating the innovation that has taken place over the last eight years. A variety of research projects have been commissioned from external bodies such as universities and the Council has benefited from working closely with researchers investigating their practices to assess and provide feedback about their practices. This enables the Council to learn whilst carrying out changes and implementing innovation, changing their strategy and direction when needed. The Council's emphasis on learning has helped to adjust activities and processes, which has been translated into a culture of organisational learning, also driving innovation as senior managers are able to reflect and assess Children's Services performance and direction. However this process of reflection and assessment is not as apparent on the frontline.

Over the last eight years, the Highland Council has developed a reputation for being an innovative, campaigning and leading Scottish council. Council leaders are extremely vocal in their awareness of social innovation, communicating their knowledge and understanding of social innovation and its terminology to different agencies and departments. At all levels within the organisation, staff are acutely aware of the external recognition and praise from the Scottish Government concerning innovation in Children's Services, as well as awards for improvements and outcomes connected to this innovation. This has helped to increase organisational and individual ambitions around improvements in Children's Services, especially among frontline staff. Interviews revealed that many staff now feel the Highlands has a 'culture of continual change' focused on improving and innovating all the time.

5.5   Enablers: networks and informal relationships

Geographically isolated from the rest of Scotland, the Highland's Children's Services has weak connections to agencies and bodies outside the region, with the exception of the Scottish Government

Due to its unique geographical circumstances there is also the feeling that it is hard to identify lessons and good practice from other councils than can be imported and adapted to the Highlands. As a result, many Highland agencies involved in Children's Services have difficulties interacting or engaging with equivalent agencies outside the region.

However, the region has very strong informal networks and good communication links operating between different agencies, despite the fact that staff are working across an enormous area and are often based in offices that are miles apart. These strong informal relationships between frontline and senior staff in different organisations across the region have played a vital part in encouraging and supporting innovation and change. For example, strong personal relationships between members of the leadership team and external agencies and bodies played an important part in enabling the innovation process and demonstrating the importance of informal relationships to the process and success of local social innovation.

As many frontline staff and middle managers have lived and worked in the Highlands for a substantial period of time, sometimes even generations, and migration of staff between agencies is quite common, there are strong informal personal relationships between these individuals and the communities they serve. In addition, strong informal communication between senior officials and elected members within the Council and other agencies during the start of the innovation had already created a degree of collaboration and integration which was further developed through the new structures and bodies introduced. This ensured senior 'buy in' and commitment to the process of integrating Children's Services early on in the innovation process.

The leadership team was able to draw on strong networks that gave Highland's Children's Services connections upwards to the Scottish Government, and downwards to the frontline. This enabled the leadership team to raise awareness at a national level of innovation in the Highlands and access advice and resources, such as the GIRFEC Pathfinder, and also to communicate the vision for change successfully, motivating frontline staff.

5.6   Enablers: connections to central government

The Scottish Government has been heavily involved in supporting innovation in Highland's Children's Services. This is due to a number of factors, foremost the strong informal links between the two bodies, supported further by the migration of senior personnel from the Highland agencies to the Scottish Government.

The Highland's role as Pathfinder for the *Getting it Right for Every Child* initiative has enabled the Council and its partners to consult closely with the Scottish Government, evaluating the progress in the Highlands and informing national policy about Children's Services. Early involvement in the GIRFEC project has enabled the Council to access substantial amounts of additional funding. While

the Scottish Government has made clear its expectations and goals for initiatives such as GIRFEC, the Highland Council has also benefited from the space and flexibility to be creative in how it meets these targets and implements innovations.

Traditionally a risk averse Council, the Highland Council has taken great pride in the support and recognition it has received from the Scottish Government, which has encouraged the Council to innovate and reduced the risks associated with restructuring.

6.   Summary conclusions

A clear picture has emerged about the factors that triggered and enabled innovation in Children's Services in the Highlands. The Council's recognition of its underperformance in Children's Services in the late 1990s, combined with concerns about a declining young population and the long-term implications for the region's economy, acted as a spur for innovation. Strong political and managerial leadership were crucial to driving forward changes and supporting the creation of an organisational culture that was conducive to change, risk taking and experimentation. Consultation and strong communication played a key role in encouraging agencies to collaborate, and the lack of human and financial resources accelerated this collaboration by pressing agencies to work together to overcome capacity restraints.
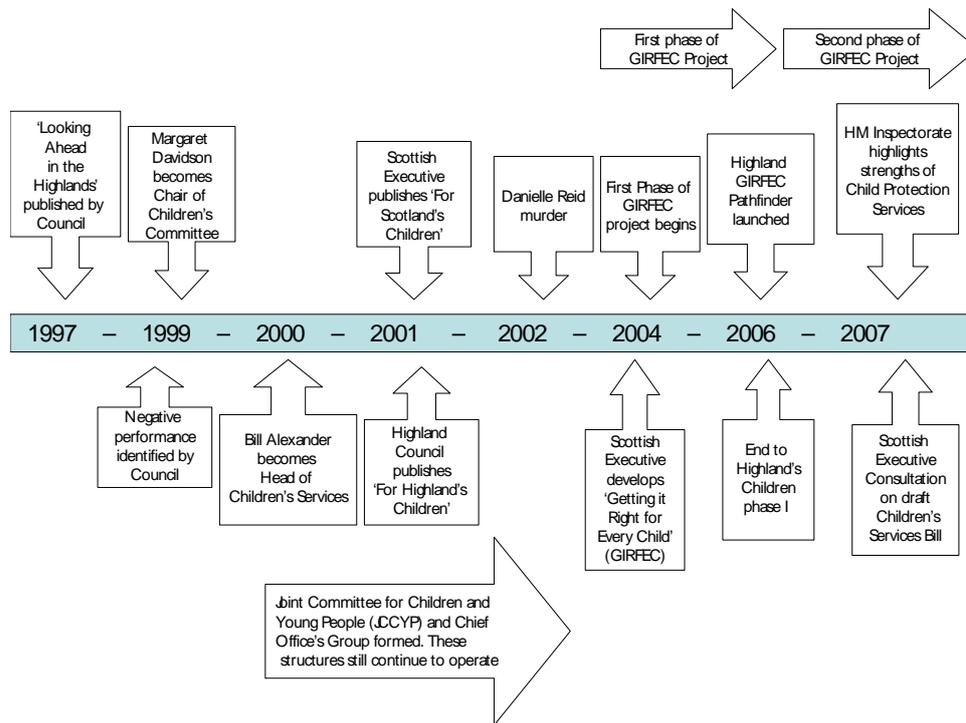
The Highland Council pioneered an approach to integrating Children's Services in Scotland that was ahead of national strategy and practice in this field but was in tune with the direction of national policy priorities. This enabled the Council to work closely with the Scottish Government, to gain support for the changes to benefit from financial resources and national recognition through the GIRFEC Pathfinder. Strong informal networks between the individual leaders of Children's Services, agencies in the Highlands, the Council and the Scottish Government, helped to strengthen this relationship.

The Highland Council's development of an integrated, multi-agency Children's Service can be described as a radical innovation in the context of local and national approaches to service delivery. The changes resulted in the development of a new philosophy and the fundamental re-organisation of the way services are planned and delivered. The Council has reported steady improvements against certain health and education targets in Children's Services, which suggest that integration was a valuable innovation.[43] This includes a steady increase in the educational achievement of the lowest attaining 20 percent of students, and in groups such as the attainment of looked-after children.[44] However, many changes are still underway and it is too early to claim that innovation in Children's Services has led to widespread innovation across other services in the Highlands. Fieldwork suggests that a strong culture of innovation has been established successfully in Children's Services, both at the centre and at the frontline. Interviewees feel empowered and supported to experiment and take risks. If the lessons from Children's Services can be transferred to other services then it is possible that ideas about local social innovation can spread to other services and agencies in the Highlands.

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[43] *Delivering Integrated Services For Children In Highland: An Overview of Challenges, Developments and Outcomes,* B. Stradling and M. MacNeil (2007).
[44] Ibid.

7.   Timeline of innovation in Highland Council's Children's Services

| | First phase of GIRFEC Project | Second phase of GIRFEC Project |

'Looking Ahead in the Highlands' published by Council

Margaret Davidson becomes Chair of Children's Committee

Scottish Executive publishes 'For Scotland's Children'

Danielle Reid murder

First Phase of GIRFEC project begins

Highland GIRFEC Pathfinder launched

HM Inspectorate highlights strengths of Child Protection Services

1997 — 1999 — 2000 — 2001 — 2002 — 2004 — 2006 — 2007

Negative performance identified by Council

Bill Alexander becomes Head of Children's Services

Highland Council publishes 'For Highland's Children'

Scottish Executive develops 'Getting it Right for Every Child' (GIRFEC)

End to Highland's Children phase I

Scottish Executive Consultation on draft Children's Services Bill

Joint Committee for Children and Young People (JCCYP) and Chief Office's Group formed. These structures still continue to operate

Case Study 2: Innovation to address social exclusion in South Tyneside, England

South Tyneside has developed a number of innovative projects to address social exclusion, including the Council-led Neighbourhood Appraisal and Action Planning project, as well as the Beacon-awarded financial inclusion scheme pioneered by leaders in the local voluntary sector. South Tyneside has successfully pioneered new projects as well as replicating and adapting other socially innovative projects.

The innovation to address social exclusion was driven by the following factors:

- **Poor performance assessed by inspections and a realisation that the Council was not actively challenging the decline in the area.**
- **Deprivation, population decline and multiple interrelated needs in the area.**
- **Strong leadership from the new Chief Executive and other senior officials, who have since established a culture of innovation in South Tyneside.**

South Tyneside background data

Geography
- With an area of 64km^2 South Tyneside is England's smallest metropolitan borough. Situated in North East England the Borough is sandwiched between the North Sea to the east, the River Tyne to the north and an area of green belt to the south and south-west.

Population
- The total population of South Tyneside is in decline, having fallen by 2 percent between 1998 and 2005.
- It is a highly deprived area with 74.5 percent of social sector housing classified as non-decent. This is one of the highest levels in England.
- 19.4 percent of the Super Output Areas in South Tyneside are ranked in the top ten percent most deprived in the England
- It is a predominantly white area (97.29 percent) with a small Asian, mainly Bangladeshi, community (1.58 percent) and Arab community.

Labour market
- Unemployment is high at 6.25 percent compared to the UK average of 5.4 percent due to the decline of industry.
- The main industrial and economic sectors are retail, hotels and restaurants, health and social work, and manufacturing. These sectors employ 23 percent, 17.1 percent and 13.8 percent of the local population respectively.

Council
- Consists of 54 elected members of which 34 are Labour, seven Independents, six Progressives, four Liberal Democrats and three Conservative.

1.   Summary: context and need

South Tyneside is a small metropolitan borough in North East England, bordering Newcastle and Gateshead. The Borough consists of three distinct towns – Jarrow, South Shields and Hebburn. With a history of heavy industry, South Tyneside was once responsible for building a quarter of the world's ships, as well as having extensive coal mining and chemical industries. During the latter half of the 20th century these industries declined, resulting in high unemployment, population loss and deprivation. South Tyneside contains 19 of the UK's most deprived neighbourhoods according to the Index of Multiple Deprivation.[45]

In the 1990s South Tyneside Council received national recognition for its performance. However, in 2000 an OFSTED Inspection and two Best Value reports from the Audit Commission revealed that South Tyneside was underperforming and while services were doing well in isolation, they were not effectively working together to meet complex social needs in the Borough.

This evaluation has been described by the current Chief Executive, Irene Lucas, as coming as *"a real shock to the Council … [and] acting as a catalyst for change in the authority".*[46] This was followed in 2004 by an IDeA report that identified South Tyneside as having poor levels of health and educational achievement, as well as high levels of social exclusion and reported crime. These interrelated needs are one of the underlying pressures driving innovation in the area, with social and financial exclusion closely linked to the area's deprivation.

After the Council's acknowledgement of the need for change, the international urban policy consultancy COMEDIA, was commissioned in 2002 by the Local Strategic Partnership (LSP) to evaluate the Council's performance and service delivery.

This report was seen by the Council as the first milestone in South Tyneside's decision to innovate and its subsequent transformation. The report contained an array of suggestions to support transformation, acting as an embryonic action plan for future change, and setting out recommendations for the LSP. The report highlighted the untapped potential for change in South Tyneside, above all stating the need for a change of culture within the LSP.[47]

2.   Innovation strategy

Creating and retaining wealth was a core element of South Tyneside Council's corporate strategy for tackling social exclusion. Consultations with communities identified poverty and financial exclusion as primary concerns for residents. Tackling financial exclusion and over-indebtedness were identified as key elements of the Council's 'closing the gap' approach to regeneration and transformation.

South Tyneside recognised that social exclusion in the Borough was connected to, and impacted by, all the Council's services. As a cross-cutting issue rather than a service function, the Council acknowledged that in order to successfully

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[45] *Journey to improvement: South Tyneside,* IDeA (2006).
[46] *Chief Executive, South Tyneside Council,* Guardian (2003).
[47] *From Ordinary to Extraordinary, Transforming South Tyneside's Future,* COMEDIA report (2002).

tackle social exclusion it had to be seen as 'everyone's problem' as one senior official described it.

The core objective of the Council and LSP was to overcome the 'silo mentality' within services and to bring departments together behind a coherent vision for innovation in order to better serve the needs of the Borough's communities and residents. Assessments showed the Borough was 'drowning under a plethora of unrelated plans'[48] and there was a need to establish a clear framework for change, whilst working against the 'that's how we do it here' attitude and culture prevalent in the Council at that time.

Following the COMEDIA report in 2002, a new Chief Executive, Irene Lucas, was employed to bring about improvement, change and integration across the Council and its services. With a new executive team she began the process of transformational change to modernise the Council.

At this point the Council decided to pursue a localisation strategy, reorganising both strategy and operations around neighbourhoods, in order to create a structure that was better able to focus on the very local problems and issues connected to social exclusion.

Neighbourhood working was seen by the leadership as a tool to assist this process and to improve the coordination of services. A localised structure was also envisaged as a way to devolve decision making, and make better use of the skills and expertise of individuals on the frontline. The aim was to create a Council structure that was more attuned to the varying needs of different neighbourhoods and more effective in addressing social exclusion. It was also felt that structural changes would reduce duplication and facilitate the pooling of resources. This strategy enabled the most deprived neighbourhoods with the highest levels of social exclusion to be tackled differently from the rest of the Borough, allowing for flexibility in the Council's approach to service delivery.

South Tyneside's corporate plan *Performing Together*, published in 2003, provided a framework for change. The report stated four specific objectives agreed by the LSP to address and tackle social exclusion:

- Stimulating people to become involved in their community.
- Helping people to get involved.
- Celebrating the diversity of our communities.
- Tackling deprivation in the community.[49]

National policy has particular relevance to innovation in South Tyneside. The strategy adopted by the Council to transform the Borough by tackling social exclusion through neighbourhood-based renewal and regeneration was very much in tune with central government's National Strategy for Neighbourhood Renewal.[50] This meant that their decisions to localise engagement and service delivery at neighbourhood level could be supported and recognised within the policy and performance frameworks at the time, in particular by Neighbourhood

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[48] *Local Government Improvement Programme, Visit to South Tyneside Council,* IDeA report (2004).
[49] *Performing Together 2003-2006,* South Tyneside Council (2003).
[50] *A New Commitment to Neighbourhood Renewal: National Strategy Action Plan report,* Social Exclusion Unit (2001).

Renewal Funding, Government Office interventions and the Audit Commission's Comprehensive Performance Assessment.

3. Innovation process

3.1 Localisation and a 'one team' approach

In 2003, the Council identified a total of 71 natural neighbourhoods and created a Forum structure of six community areas comprising of two or three political wards each. The Council collated information around these neighbourhoods to provide a base from which to address social exclusion issues. The new structure made frontline staff much more aware of the issues and needs of specific communities. This localised approach to strategy is felt by many frontline staff to be the main driver of innovation in South Tyneside, enabling ideas from communities to be successfully communicated and taken further by the Council.

The new structures enabled the Council to address issues on an area and neighbourhood basis, facilitating partnership working within the separate neighbourhood areas. These improvements have led to other bodies in the area such as the Police reorganising operations according to these identified neighbourhoods. One senior manager described: "following the success of our work, our partners such as the Police have reorganised their area inspectors on the same geographical boundaries and have neighbourhood managers that are now aligned." This process also enabled South Tyneside to target the 19 most deprived neighbourhoods with specific social exclusion initiatives and to pilot new ideas.

In 2003, the Council established an area coordination team to develop its approach to area and neighbourhood working. This team brought together external funding opportunities, resources and social regeneration initiatives. The team suggested piloting the Participatory Appraisal Approach to neighbourhood working, a community-based consultation technique that is widely used by development agencies and NGOs in the southern hemisphere.

The method was piloted in three of South Tyneside's most deprived neighbourhoods (Horsley Hill, Biddick Hall and Lukes Lane) in 2004, using Neighbourhood Renewal Funding, and in partnership with Northumbria University and the Borough's Community Empowerment Network. The pilots involved training local people to carry out their own research using their local knowledge to engage local people. A community development approach was taken to build relationships between residents and community groups and service providers, whilst also helping residents to identify their own solutions to the issues that they faced as a community. This helped communities to become actively involved in the planning and delivery of these services.

There were two reasons for trialling the Participatory Appraisal technique:

- An increasingly diverse range of needs within communities and recognition that individual citizens are more aware of their needs than others.

- Positive outcomes depended on individuals within a community as well as the quality of public services, so there was a need to empower individuals on a local level

The considerable structural changes and movement towards neighbourhood working has resulted in many innovative projects such as 'Blitz It', an area-based street maintenance initiative that encourages local communities to take collective action to visibly improve the local environment, whilst also raising awareness of general environmental issues through education and publicity. Through the use of improved communication structures within South Tyneside, this project engages with local residents in a more positive and proactive way, empowering them to address and vocalise their concerns with their local environment. Other innovative projects include initiatives for engaging the community in health scrutiny being piloted with the 'Alcohol Harm Reduction Project'. Initiatives such as the Pride of South Tyneside awards and *'We asked …. You said …. We did'* also raised awareness of local activity and how the Council and its partners were addressing community needs.[51]

The Chief Executive also initiated a 'one team' approach, where all departments and services would work in collaboration to engage with South Tyneside's communities in neighbourhoods, with the vision of departments working together and innovating to better meet the needs of South Tyneside's communities.

3.2   Leadership: creating innovation champions

Strong leadership from managers and officers was seen by senior officials and elected members as crucial in bringing about change in the Council. To support this, a number of schemes were launched to train senior managers with an emphasis on improving management skills, and focusing on motivating and ensuring commitment from staff in order to create a culture of working together across departments. This supported the Council in embedding the 'one team' approach and creating a more positive mentality supportive of innovation.

This process included significant changes to the political, directorate and management structures of South Tyneside. This included clarifying members' performance management roles, as well as using community views and perceptions to measure and improve service performance. These changes empowered frontline staff, as agencies became more receptive to their ideas and expertise. The changes established a transformation in South Tyneside's culture, creating a more responsive organisational culture where innovation was able to flourish.

3.3   Recognising and supporting innovation

Creating and retaining wealth was a core element of South Tyneside Council's corporate strategy, and financial exclusion and tackling over-indebtedness were seen as important issues in the process of regeneration and transformation.

The Council was quick to recognise and support projects that originated in the voluntary sector to tackle these issues. One such project was the 'Enterprise in Disadvantaged Communities' project (EDC), a multi-activity Neighbourhood

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[51] *South Tyneside community engagement*, IDeA (2006).

Renewal Fund Project with the goal of reducing hardship. The project ran in South Tyneside from 2004 to 2006. According to those within the voluntary sector who were involved in the project, the Council became a central body in this project's partnership, providing resources and support without dominating and taking over the project, realising and valuing the skills, expertise and experience of the other partners involved.

The EDC project was driven by the same pressures driving the Council's strategy to tackle poverty in the area. Doug Scott, the head of the Tyneside Economic Development Company Ltd (TEDCO), realised that in order to more effectively address these needs, organisations had to work effectively in partnership.

Using his own personal networks and informal relationships, he was able to form an anti-poverty partnership consisting of TEDCO, South Tyneside Credit Union, South Tyneside MBC, South Tyneside Resources for Initiating Development of the Economy, and the South Tyneside Citizens Advice Bureau. This partnership combined forces, realising they served the same client group, and taking a collaborative approach to analysing need and developing customised services. Partners worked together to tackle disadvantage on different levels by offering a range of different services including: activities maximising benefit/tax credits, improving financial awareness, growing South Tyneside Credit Union, and delivering high-cost loan replacement, business support and microfinance to promote enterprise in disadvantaged areas with the aim of stimulating a vibrant and mixed economy.

4.   Outcomes

Innovation to address social exclusion and neighbourhood working in South Tyneside has led to an overall improvement in the Borough's performance. In both 2002 and 2003 the Council was judged as 'fair' by the Audit Commission during its Comprehensive Performance Assessment (CPA). However in 2004, South Tyneside achieved an 'excellent' status becoming the only unitary council in CPA history to move directly from 'fair' to 'excellent'.[52] The Council was acknowledged as having addressed challenges from past Corporate Assessments and was judged as a '4 Star, improving strongly council' amongst the top ten in the country.[53]

The Borough's Beacon Assessment in 2007 also identified that:

> "In a number of successful initiatives and programmes they are effectively delivering quality services for local people and devolving power to communities to improve their environment and quality of life."[54]

Innovation around social exclusion has also been recognised by the Audit Commission, with the body reporting in 2007:

> "[the] Council continues to take significant action to improve its engagement with local people and their overall satisfaction with the Council has improved significantly."[55]

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[52] *Councillor Neighbourhood Champions*, South Tyneside Council (2007).
[53] Ibid.
[54] Ibid.
[55] *Annual Audit and Inspection Letter: South Tyneside Council,* Audit Commission (2007).

The positive impacts of the Borough's Participatory Appraisal Method have also been documented. For example the 'Horsley Hill Estate Community Appraisal' describing the work done through the Participatory Appraisal Method between 2005 and 2006, showed that the project in the neighbourhood of Horsley Hill involved 1,300 voluntary hours, speaking to over 600 people and collating 1,400 responses. One of the residents involved commented "we have always been the experts about what is wrong with the area. Now someone has asked us and we have the confidence to explain."[56]

The Council has been very vocal in communicating the positive impact on operations and development of the Participatory Appraisal Method:

> "'Our unique neighbourhood appraisal and action-planning process has further developed service standards."*[57]*

> "Our Area and Neighbourhood Working Strategy sets the pace nationally on delivering area and neighbourhood working, detailing how action planning and governance arrangements are to be developed at area and neighbourhood levels."[58]

A survey conducted by Ipsos MORI in 2006, identifies that South Tyneside's residents think that the Council's performance is improving.[59] In 2002, 20 percent of residents agreed or strongly agreed that the Council's performance had improved in the last five years. In 2006, that figure rose to 39 percent. In 2006, 41 percent of residents were recorded as feeling that the Council asks for the views of local people, an increase from a figure of 29 percent recorded in 2002. Public attendance at South Tyneside's Community Area Forums has also increased by 33.7 percent from 2002-03 to 2005-06.[60]

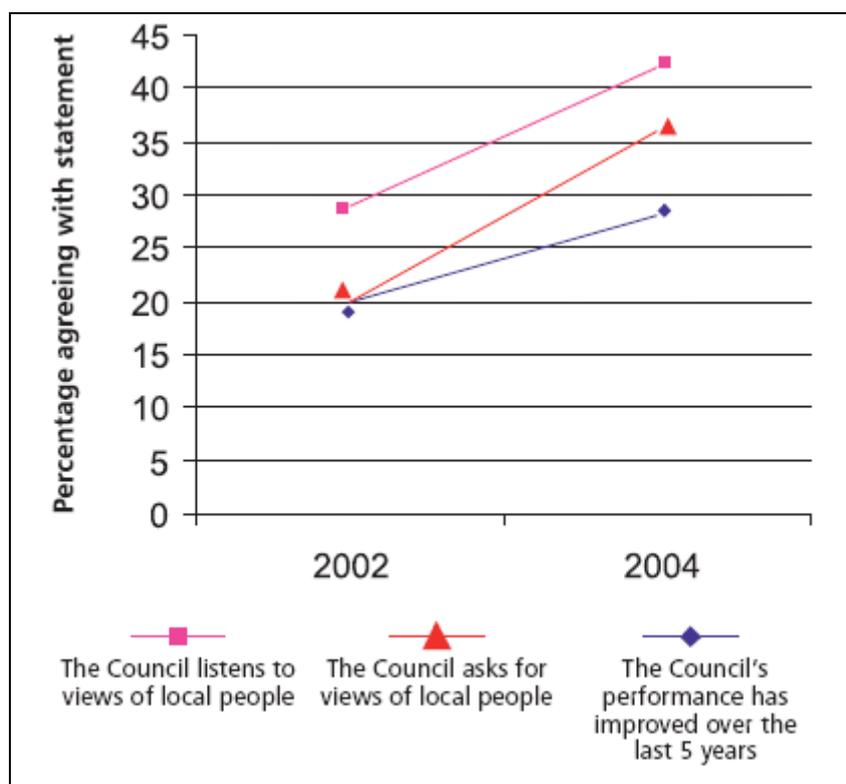[56] *Councillor Neighbourhood Champions*, South Tyneside Council (2007).
[57] Ibid.
[58] Ibid.
[59] Ibid.
[60] Ibid.

Figure 4: Perceptions of the quality of South Tyneside Council's communication with its communities

Source: South Tyneside Council, 2007.

South Tyneside's innovation concerning financial exclusion has also been nationally recognised, with the Borough being awarded a Beacon Award in 2007 for Promoting Financial Inclusion and Tackling Indebtedness. The authority was praised for:

> "a measurable increase in the number of individuals with access to appropriate banking, affordable credit and free face-to-face money advice amongst groups most likely to suffer from financial inclusion."[61]

5.   Analysis: drivers and enablers of innovation in South Tyneside

5.1   Driver: need and underperformance

South Tyneside's widespread deprivation and high levels of social and financial exclusion were the underlying pressures for change. However, several reports revealing the Council's poor performance in 2000 triggered innovation by acting as an external shock to catalyse change.

The LSP was acutely aware of the area's high levels of deprivation, in particular, poor health, high crime and high unemployment and was pressured to innovate in

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[61] Ibid.

order to address them. Twelve of South Tyneside's 21 wards are in the worst ten percent for deprivation nationally. This resulted in South Tyneside receiving £15.6 million of Neighbourhood Renewal Funding to tackle poverty in the area between 2006 and 2008.[62]

The new structure of dividing the borough into six community area forums and 71 neighbourhoods enabled service providers and the LSP to better gauge the needs of different communities, and assisted in directing the actions of the Council and other agencies. This was further supported by involvement and collaboration with the Borough's voluntary and community sector.

Lord Layard of Highgate stated in 2006 that "through engaging with their customers and communities, South Tyneside Council are establishing what needs are unmet and with partners, particularly Voluntary and Community Sector partners, devising and implementing solutions to address the needs of those most disadvantaged."

The innovation around financial exclusion has also been driven out of need, with the partnership working closely with communities to develop a range of services to address their hardship. In its Beacon Bid in 2003 for Financial Inclusion the document produced by the Council stated: "Financial inclusion and tackling over indebtedness is on the agenda, because the community told us it was important."

5.2   Drivers: leadership

The appointment of Irene Lucas as the new Chief Executive in 2002 acted as a stimulus for change. Many interviewees associated the changes in organisational culture and new vision with her arrival in South Tyneside, and she, in effect, acted as a champion for the change and innovation. Her charismatic leadership and passion enthused senior managers and frontline workers and she has been consistently referred to by staff as driving the innovation in South Tyneside. One interviewee commented that: "the Chief Executive has been the champion really …helping to transfer a transparent approach."

The Chief Executive's 'one team' strategy looked to overcome departmental and 'silo' mentality with services and sectors working together. This was further communicated to services and agencies external to the council through her motto "one of us is not more clever than all of us."

Her role in working more effectively with partners was also identified by the voluntary and community sector, with one interviewee commenting: "that was the catalyst, that Irene was not only willing to play the partnership game, but she was very active in promoting it and visible in supporting it."

The Area Coordination team created by the Chief Executive, through their activities, analyses and proposals, were also able to drive innovation in South Tyneside. This new core of individuals used their position to find innovative approaches to tackle social exclusion in neighbourhoods with high levels of deprivation and social and financial exclusion. With support from senior officials within the Council, the team were given the freedom and space to be creative in

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[62] *Regeneration and Resources Scrutiny Committee Scrutiny Commission on External Funding*, South Tyneside Council (2007).

the way in which they proposed to tackle problems in South Tyneside's communities.

Strong leadership was also essential outside the Council. Doug Scott, the Head of the Tyneside Economic Development Company Ltd (TEDCO), had a personal vision of an effective partnership that was driven using his own personal links and informal relationships. The organisations involved in the antipoverty partnership had no prior history of collaboration and many were unsure of how they could effectively work together to alleviate poverty, concerned more with their differences. Doug Scott's charismatic leadership and strong vision brought these organisations together as he pioneered the project using his informal networks and social capital. One interviewee involved in the partnership commented: "I would say the fundamental difference is probably an individual …. Doug Scott, he was the one who had the vision of pulling all these different aspects together."

Both within the Council and in the voluntary sector, charismatic individual leadership, in combination with effective team working, was crucial in driving forward innovation to address both social and financial exclusion.

5.3   Drivers: organisational culture

Changing organisational culture is acknowledged to be a long and complex process. However, South Tyneside was able to establish a change in mentality and culture relatively quickly, a fact acknowledged by the Audit Commission in its 2004 report.

Since the appointment of the new Chief Executive, the Council has made rapid changes to move away from its 'silo mentality', and to create an environment that focuses on partnership working and integration on the ground. Planning documents such as South Tyneside's corporate plan *Performing Together*, as well as the *A Spirit of Change*, a joint community and neighbourhood renewal strategy, published by the Local Strategic Partnership, have set out a coherent plan for the Council and agencies to work together to tackle social exclusion in South Tyneside.

The Council actively promotes innovation, encouraging staff to suggest and try creative methods by which to tackle social exclusion. The leadership team believes that frontline staff and communities often hold the solutions to effectively meeting social problems and have tried to capture ideas by devolving authority and decision making to neighbourhood level. The Council encourages staff to experiment and put forward new ideas for development. Many interviewees commented on the Council's receptiveness to their suggestions and the space and freedom they have to be creative. The Council has also taken steps to create a 'no blame culture', acknowledging that failure is a part of innovation to encouraging greater risk taking among staff.

5.4   Enabler: political support

Political support within the Council from councillors and local MPs, and their recognition of innovative projects and initiatives, has enabled innovation and supported the growth and diffusion of existing innovation.

Councillors and local MPs have helped bring recognition to good examples of local work and validate projects addressing social exclusion. The MP for South Shields, David Miliband, has been very vocal in his support for projects such as the EDC Financial Exclusion Scheme and the effects of the Neighbourhood Participatory Appraisal, as well as smaller schemes such as a project pioneered by the Citizens Advice Bureau tackling the financial exclusion of ethnic minority groups.

5.5   Enabler: finance

In July 2005, the Government announced funding allocations to local authorities which it considered needed extra help to work with partners to tackle crime, education, housing, liveability, health inequalities and worklessness. South Tyneside was allocated £15.6 million through the Neighbourhood Renewal Fund – £8.3 million for 2006-07 and £7.3 million for 2007-08. This has been used to pilot and fund new innovations and projects. This funding enabled the Neighbourhood Participatory Appraisal pilot and Financial Inclusion Scheme to be supported and scaled up. Without this funding it may have been more difficult to allocate resources to these innovative high risk initiatives.

5.6   Enabler: Partnerships

The partnerships and collaboration in South Tyneside have been fundamental in enabling and supporting the transformation of the culture of agencies and the way in which they approach innovation in a more cohesive and integrated way. The importance of partnership working was acknowledged by all the agencies involved in South Tyneside's LSP at an early stage, and set out in key documents such as the Council *Performing Together* corporate plan and the LSP's *Spirit of South Tyneside* document.

6.   Summary conclusions

The Council's recognition of its underperformance and problems associated with 'silo' working were brought to light through external evaluations and an internal report in 2000. These events, which could be described as 'external shocks', combined with high levels of deprivation in the area, stimulated the Council to develop a strategy for innovation to address both social and financial exclusion issues.

As in the Highlands, strong leadership and partnership played an important role in initiating and driving change in South Tyneside. A new Chief Executive and leadership team, supported by political leaders and the voluntary and community sector, were champions for innovation. The LSP played an important role in setting out a vision for collaboration and partnership working, which helped to break down silos within the Council and to tackle the broad theme of social exclusion by working across a number of services.

The Council's decision to develop a neighbourhood working strategy with localised planning, decision-making and service delivery, enabled it to target resources to the most deprived neighbourhoods and to develop focused social and financial exclusion initiatives.

Arguably this decision aligned South Tyneside's innovative strategy with national policy priorities, in particular the National Strategy for Neighbourhood Renewal. This enabled the Council to secure Neighbourhood Renewal Funding to support local innovation. Perhaps more interestingly, this alignment with national policy has enabled South Tyneside to quickly gain significant recognition for its achievements within the local government community and from national government. When compared to other local authorities (for example, Tower Hamlets or Knowsley) where innovation can genuinely be described as radical or systematic, innovation in South Tyneside has been highly effective but incremental. This seems to suggest that alignment of local social innovation with national policy priorities enables localities to capitalise on central government's awareness and interest in particular services at particular times, irrespective of the true extent of that innovation.

7. Timeline of innovation in South Tyneside to address social exclusion
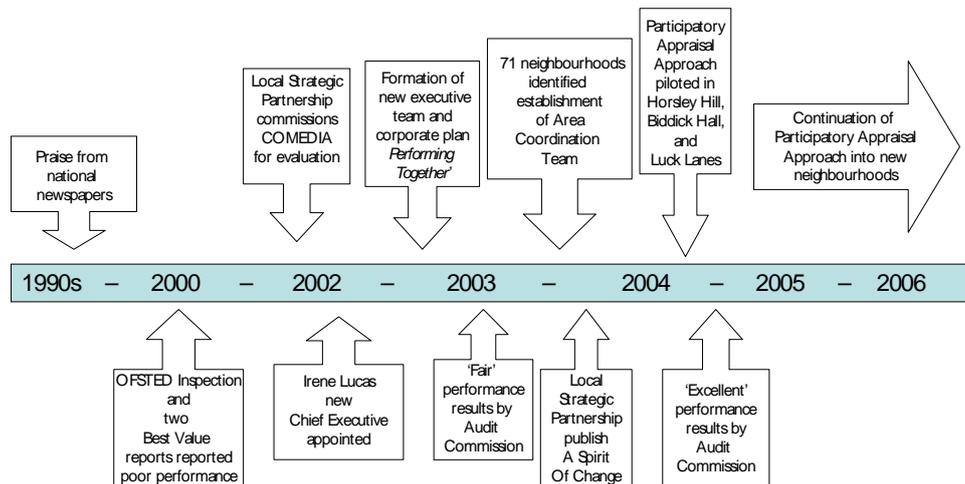
NOTE: A REVISED VERSION OF THIS CASE STUDY WILL APPEAR IN THE FINAL LOCAL SOCIAL INNOVATION REPORT TO BE PUBLISHED IN 2008.

Case Study 3: Innovation within Secondary Education in Knowsley, England

Knowsley Metropolitan Borough Council has put in place a number of radical changes to the Borough's secondary school system through its 'Secondary Transformation Scheme'. This includes the development of seven new learning centres, which will replace all of the Borough's secondary schools as they open in 2009.

Innovation in Knowsley was driven by the following factors:

- **A history of poor performance in education, in particular poor examination results which placed Knowsley at the bottom of national league tables.**
- **A challenge to Knowsley's schooling system, caused by students transferring to schools in neighbouring boroughs, which resulted in the closure of schools and comparatively high levels of secondary pupil absenteeism.**
- **Pressure within the Council to ensure school leavers had the right skills to create an adequate workforce for the future linked to lower than average entry levels into Further and Higher Education and persistent high levels of unemployment in the 16-24 year old age group.**
- **Strong leadership from the new Director of Education and other senior officials who put in place a vision for change and developed partnerships between agencies in Knowsley to implement the Secondary Transformation Scheme.**

Knowsley background data

Geography:
- Knowsley is a small metropolitan borough in Merseyside which covers an area of 86 km.

Population:
- The Borough has a population of around 150,000 people.
- Between 1981 and 2005, the population of Knowsley fell by around 24,200 people (approximately 1,000 per annum) from 173,600 to 149,400, a decline of 13.9 percent overall. The main reduction in population occurred up until 1988, after which the decline in population has been more gradual.
- The number and percentage of children has declined and is declining, whilst the number of elderly is growing.

Labour Market:
- Unemployment in Knowsley is higher at 4.3 percent than the national average of 3.4 percent. In 2001 it stood at 5.9 percent.

- By the mid-1970s almost 50 percent of all employed persons worked in manufacturing; by the 2001 census, this had fallen to just over 15 percent. By contrast, the percentage of persons employed in the service industry increased from around 40 percent to over 70 percent.

Deprivation:
- Knowsley is an area of significant deprivation, placed as the sixth most deprived borough nationally in the Department of Environment, Transport and the Regions Index of Deprivation in 2000.

Council:
- Knowsley is historically a stable Labour constituency.
- Knowsley Council is currently dominated by Labour councillors (50), with a modest but significant number of Liberal Democrat councillors (13).

1. Summary: context and need

The Metropolitan Borough of Knowsley is situated in Merseyside in the heart of the North West region. Knowsley was identified as the eighth most deprived borough nationally in the Office of the Deputy Prime Minister Index of Deprivation in 2004, with high levels of social and economic disadvantage in comparison to the national average. Eighteen of the Borough's 22 wards fall within the most deprived ten percent in England. One in three households in Knowsley is in receipt of Council Tax Benefit, and unemployment in the Borough is 4.3 percent, in comparison to the national average of 3.4 percent.

In 1999, an area-wide inspection by OFSTED caused the Council to take action in order to address the Borough's record of poor performance in education. In 1997, only 51 percent of pupils aged 16 were in full-time education, compared to 67 percent nationally, and a growing number of pupils were choosing to attend schools in neighbouring boroughs. In 1999, there was a net loss of over 14 percent of pupils to secondary schools outside the Borough,[63] resulting in school closures. Knowsley was ranked consistently at the bottom of national league tables for GCSE results since their introduction in the 1980s.

Surplus school places looked set to continue to grow due to a declining youth population in the Borough.

The 1999 OFSTED inspection identified that the local authority was failing to tackle and challenge the low attainment and aspirations of pupils in the Borough, in particular the needs of post-16 year olds, noting that 14 percent of all pupils achieved no grades at GCSE (in comparison with the national average of 6.1 percent) and many were failing to continue their education or to enter employment. The report also acknowledged that a: "significant culture shift was needed" in the Local Education Authority.

2. Innovation Strategy

Following the 1999 OFSTED inspection, elected members and senior officials in the Council and educational establishments recognised that the education system was in crisis and required significant improvement. The most immediate

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[63] *Inspection of Knowsley Local Education Authority*, OFTED report (1999).

challenge was the performance of those young people who were falling out of the education system and failing to get into training or employment.

A number of critical strategic decisions were made including:

- To develop and adopt a new teaching philosophy and strategy that would more effectively develop pupils' skills and enable them to take ownership of their learning. This involved moving away from a situation that centered around pupils having to remember facts and information to one that developed their thinking skills, and would encourage a culture of research in schools.
- The decision to integrate the education system, which involved reassessing the existing, traditional educational stages at ages 14-16 and post-16, and combining these into a new phase of 14-19. The 11-13 phase was still considered a separate educational stage.

This philosophy was formalised into strategy in 2001 when the Council created the 'Transformational Agenda' that brought together these different aims to increase attainment in Knowsley's primary and secondary schools. This consisted of five different programmes to initiate change in different aspects of the Borough's education systems. These were: Transforming Teaching and Learning; 14-19 Collegiate; Plus One Challenge; The Excellence Challenge; Year 5-8 Transition Project, designed specifically to improve transition from primary education to secondary education by improving the transfer of data on the child.

The Transforming Teaching and Learning Project brought about measures to develop the new teaching strategy and ensure that teaching in the Borough reflected the change in approach towards a more pupil-led system of learning. This was done using partnerships with a variety of external agencies and bodies such as the National College of School Leadership, the Centre for Education Leadership at the University of Manchester and private agencies such as Alite and more recently Microsoft, which brought expertise and knowledge to the Borough's educational establishments. These partnerships and this strand of the Transformational Agenda also centred around a variety of action research projects enabling schools to reflect on current practices and support the progressive development of the new methods of teaching and learning.

The Plus One Challenge consisted of a number of different provisions to help pupils to gain an exam result at least one grade higher than their predicted grades. This included access to websites, online virtual examinations and accessing e-mentors using the internet to support revision. It also used mobile phones to aid pupils' revision by sending text messages to students' phones with revision tips and subject quizzes.

The Excellence Challenge is a part of Excellence in Cities Initiative, the multi-strand policy initiative of the Department for Children, Schools and Families, with the aim of driving up standards in deprived urban schools and radically improving the educational outcomes and life chances of young people in the most economically disadvantaged areas of England. The Excellence Challenge aims to increase the attainment and participation rates of post-16 year olds, and was used in Knowsley as a vehicle to increase pupil awareness and understanding of Higher Education, by employing support staff to work with schools.

The five programmes making up the Transformation agenda enabled Knowsley to tackle different aspects of its education system using a variety of strategies and measures. Whilst some of these initiatives were adopted to show short-term improvement and results (such as the Plus One Challenge), others such as the 14-19 Collegiate were designed to have a more lasting effect on the educational system in the Borough.

In 2002, Knowsley appointed an independent Schools' Commission made up of four leading national experts to analyse the local school system. The Commission produced two key reports in late 2002 and early 2003 setting out 12 propositions. These included proposals on school size, the nature of buildings, extended schools, inclusion, partnership and collaboration and pupil retention. It also recommended the creation of a new type of school and the closure or amalgamation of around 25 schools in the area.

In 2003, Knowsley published its key Schools Policy document *Options for Change: Future Schooling in Knowsley: A Joint Statement of Intent* in partnership with the local Catholic Archdiocese and Anglican Diocese. While the new school proposal was not taken forward, the wider propositions remained intact.

In late 2003, the Government announced its intention to establish The Building Schools for the Future (BSF) programme to support the educational reform agenda. Based on the work undertaken during the previous two years, Knowsley was able to access significant funding to support investment in buildings and ICT. To date, Knowsley Council has been allocated approximately £250 million in connection to the BSF. Knowsley has used this initiative to support a radical programme of innovation, which will see all the Borough's secondary schools replaced by seven new learning centres. The new learning centres will open from 2009 onwards and are described by Children Services' officers as the physical manifestation of Knowsley's Transformation Agenda and pupil-centred learning philosophy. Students, residents and teachers have played an active role in the design of the new buildings. The centres will make greater use of ICT in classrooms to create an environment more conducive to personalised learning. These learning centres will be bodies integrated within Knowsley's local communities, with the delivery of many of the Council's public services from these buildings. The learning centres' facilities will also be available for use by the local community, including adult learners who will benefit from using these centres. The securing of BSF also provided a more fundamental evaluation of the wider system by allowing the authority to assess the existing system in areas such as leadership, management, and governance.

Following on from local analyses, Knowsley proposes to introduce federated governance structures for the new learning centres, which will merge governing bodies from former secondary schools and involve a variety of local stakeholders. The new governance structures are currently being developed with the support of the Innovation Unit and will come into practice when all the learning centres are opened in 2010. The aim is to involve external partners and communities in collective decision making about the learning centres, and wider issues such as neighbourhood regeneration and public service delivery.

3.   Innovation Process

3.1   Leadership: creating innovation champions

Innovation in Knowsley was driven by a small number of leaders positioned in different educational agencies in the Borough. In 2000, a new Director of Education was appointed by the Council's new Chief Executive. The two had worked together previously at another local authority, which interviewees felt was beneficial for Knowsley:

> "The two of them had an understanding so the Director of Education actually developed the vision and the Chief Executive supported him and got the members' 'buy-in' and so on. So it was a very useful bit of leadership."

The other leaders central to the innovation process in Knowsley were the College Principal at Knowsley College, the Chief Executive of Connexions, and the Director from the local Learning and Skills Council (LSC).

These individuals instilled a vision for the future of Knowsley's educational services within different agencies. Research suggests the fact that these leaders were present in both the Council and key agencies within the education system also created a partnership between these bodies and a collaborative approach to improving the education system.

Individuals such as the Chief Executive of Connexions and the College Principal were crucial in instilling the vision and gaining support amongst frontline workers and staff in their own institutions as well as more broadly, using their wider professional networks to access government decision makers.

3.2   Organisational restructuring

The formation of the 14-19 Collegiate in 2001 was designed to integrate different educational phases in order to address low attainment and continuation onto Further Education post 16. The 14-19 Collegiate was a partnership with the aim of developing a new, more vocational curriculum for 14-19 year olds, with the goal of ensuring that each young person in Knowsley would be able to plan a coherent learning pathway with sound advice and guidance. The partnership would enable:

> "a new coherent and flexible single 14-19 phase of education that will enable young people to learn and achieve in ways best suited to their individual needs. This will support the young people of Knowsley, by addressing the challenges ahead that will contribute to raising attainment, achievement and employability, positively impacting on the economic and social development of the borough and its residents."

The 14-19 Collegiate consisted of a number of partners and representatives from a range of different agencies including the Council, secondary schools and colleges, work-based learning providers, and private organisations such as Jaguar. The partnership had the following objectives:

- To widen the choice of curriculum pathways from the age of 14 and increase progression to Further and Higher Education.
- To promote the role of innovation within education.
- To extend high-quality provision that puts individual student needs at the heart of the process.
- To maximise the use of the Vocational Skills Centre that will allow students to access learning pathways within technological environments that replicate the workplace.
- To promote the achievement of recognised vocational qualifications.
- To promote the role of enterprise and entrepreneurship within education.

This partnership also brought together funding in order to bring about change and services in a coherent manner. One interviewee described this approach:

> "The 14-19 collegiate was a partnership venture between the local authority, local connexions, schools, colleges, local learning and skills council, private sector and training provider, which brought together a mosaic of funding while presenting a sustainable curriculum offer for over 1,000 pupils outside of their host schools."

3.3   Community involvement and consultation

Community involvement and consultation have been central to the process of innovation in Knowsley. The Council felt that community consultation was fundamental given the scope of the proposed changes to secondary education in the Borough, both to reflect local needs and priorities and to gauge peoples' fears and worries.

The Council and other agencies involved in the education system have created a culture of local collaboration that is partly led by service users and communities to ensure that changes and innovation reflect their needs and requirements. At the start of the innovation process Liverpool FC's Anfield ground was hired for a 'visioning' conference bringing together council officers, heads, teachers, governors and other interested community groups to discuss the way forward. Many of those present said that this was the first time they had been asked their opinions or felt involved, and the event was felt to be a way to communicate how collaboration and consultation would be at the heart of the Transformation Agenda.

Consultation with experts was also critical to innovation in Knowsley. The four national experts that made up the independent School Commission in 2002 were able to analyse the current system and formulate a strategy for change. The work of the Schools' Commission steered debate away from the concerns of individual schools and analysed issues on a system basis. Most importantly it set out a succession of reforming principles around which the Council and its key partners could agree. The effects of this work are clearly identifiable in the BSF programme in that it is the only programme nationally to close all existing schools and replace them as institutions with a radically new concept.

The Schools' Commission process was also consultative, consisting of meetings with stakeholders to discuss their ambitions for education in the Borough as well as visiting each school in the Borough. Their recommendations were then taken out by the Council into community forums and public meetings. Responses were

actively encouraged not just to proposals for individual schools but also to the fundamental principles for wider reform.

Following on from the securing of BSF Wave 1 status, the authority also held a two-day Design festival for 150 young people from across all secondary schools. This looked deeply into the issues facing young people in schools and what they would wish for in a new learning environment.

This approach was further rolled out into the formal process of securing private sector partners for BSF. 12 focus groups were created as an ongoing panel for the BSF programme consisting of 150 pupils, teachers, governors and parents. These groups have often been central to decision making about the learning centres and played an important role in the evaluation and commissioning processes for the design and building of the learning centres. Officers articulated the value of the focus groups to the local authority and affirmed they will use this format for consultation in future projects. One interviewee describes the impact of the focus groups:

> "In terms of the consultation exercises, and the way in which we have drawn the school population into redesigning the schools, I think that in itself has been quite innovative. We have really looked, for example, at involving pupils in the design of the learning centres… we have asked the local school population what they want from their building."

4.   Outcomes

Over the last eight years the number of students in Knowsley gaining five or more A* to C GCSE grades has doubled from approximately one in four, to two in four pupils in 2007, four times the national rate of improvement over the same period.[64] In Key Stage 3 results Knowsley has shown a performance increase that exceeded the national rate in both English and Maths.[65] Knowsley has also been able to meet some Government targets early with no schools achieving below 20 percent of 5 A* to C GCSE grades.[66] Schemes such as the Excellence in Cities' Excellence Challenge programme have also showed positive impacts with pupils involved in the scheme exceeding their predicted number of GCSE good passes by an average of 1.5 in 2006.[67]

Evaluating bodies such as OFSTED and the Adult Learning Inspectorate have also identified improvements, commenting in 2005 after a joint inspection that:

> "Education and training in Knowsley are outstanding at meeting the needs of learners, employers and the community."[68]

Knowsley has also gained much national recognition for being chosen as one of the first authorities to participate in the BSF Authority initiative. The Audit Commission's Comprehensive Performance Assessment in 2005 rated the Authority as 'excellent'. Knowsley has been chosen by the Department of Skills

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[64] *Knowsley: Transforming Secondary Education,* Knowsley Council, (2004).
[65] Ibid.
[66] Ibid.
[67] Ibid.
[68] *Education and training in Knowsley are outstanding despite high levels of disadvantage in the Borough,* OFSTED (2005).

and Education Innovation Unit as a pathfinder to investigate new forms of governance and leadership, which it is currently developing in conjunction with the development of their new learning centres. The Borough was also highlighted in the Schools' White Paper in late 2005 as an example of best practice in linking the transformation of public services to investment. Knowsley's ability and desire to innovate around education has also gained international recognition and support with a secondary school being designated by Microsoft as one of its 15 Innovative Worldwide Schools.

5.   Analysis: drivers and enablers of innovation in Knowsley

5.1   Driver: crisis, need and underperformance

The consistently poor performance of Knowsley's education system against a series of performance measures had led to a sense of growing crisis in the Borough. Drastic and radical innovation was seen as the only method to bring about the improvements needed to lift Knowsley from the bottom of the national league tables.

The increase of surplus school places and the growing number of pupils leaving Knowsley's schools for other boroughs made it clear to senior officials and elected members that without change, many of the Borough's schools would be unsustainable and would have to close. As one interviewee described:

> "We identified that of the 11 original schools in the Borough at least four would have to close."

5.2   Drivers: leadership

Leadership from a combination of individuals was central to driving innovation in Knowsley. In the early stages, key figures such as the Director of Education, Principal of Knowsley College, representatives from the Learning and Skills Council (LSC), and the Chief Executive of Connexions, played an important role in initiating changes. One interviewee commented:

> "We had strong senior leadership which made it happen. And I'm talking about leadership in the college; I'm talking about leadership in the local authority. I'm talking about innovative leadership with regard to the LSC and these three key players, connections, these managers, senior managers came together and said, 'listen we need to do something different, what should we do?'"

Leadership was especially critical to the innovation process in Knowsley because of the scale and radical nature of the proposed changes, which would involve a large number of staff from multiple agencies. The leadership team worked closely with staff and were able to communicate a strong vision for change across the many institutions involved.

The initial leadership team has now moved on but a succession team that supported the original senior management team has carried forward the original vision and values for transforming education in Knowsley. Officers and frontline staff felt that this continuity was an important factor in embedding and consolidating innovation and change in Knowsley. One interviewee described

that past leaders have "been very inclusive with their own leadership teams … the baton has been passed on really." Past and current leadership has created a culture that embraces innovation and is prepared to take risks.

5.3   Drivers: organisational culture

Knowsley had previously been described as a 'depressed authority' suffering from a culture of 'low aspiration'.[69] As one interviewee described:

> "There were a lot of talented people, but also a lot of low self-esteem in the community, in schools and the department."

The leadership team recognised that in order for the proposed changes to be successfully implemented, it would be crucial to create a positive working environment and a culture that embraced change and risk taking. The first step was to communicate to all staff and agencies why there was a need to aspire towards better education provision. One senior official interviewed commented: "you have to inspire before you can aspire."

Innovation has been encouraged both formally and informally. Many frontline staff are encouraged to take time to come up with new ideas for improving the classroom environment or creative approaches to learning. In some cases, time is built into teaching schedules for researching new ideas and for networking with peers in other schools and other parts of the country. As a result, some creative approaches have been trialled and adopted to improve pupil learning. Examples include the distribution of soft music mood CDs to help relax pupils and assist in their revision and the creation of research journals by schools on pedagogy.

The innovation strategy consisted of both short- and long-term changes. This enabled the Borough to achieve some early improvements in attainment, thereby making the value of the overall innovation process clear to managers and frontline workers. These early outcomes helped to compel frontline staff in the Borough to adopt and support the changes that were taking place. This momentum has more recently been supported by recognition from national bodies and the Government, which have chosen Knowsley as a pathfinder for a number of different initiatives.

5.4   Enabler: political support and stable political environment

Innovation in Knowsley has been possible because of the stable political environment. The majority of interviewees commented on how radical change would have been difficult to introduce in a less stable political setting, where the emphasis may have been on minimising risk, and how important local political support has been to the innovation process. One interviewee said: "one particular political factor is important and that is the general stability of the political leadership."

However, there is conflicting evidence in the literature about innovation that suggests that political volatility can be equally important as a catalyst and driver of local social change. Research by the National Audit Office and Audit Commission has suggested that political crisis or a change in political leadership

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[69] *Inspection report: Knowsley Local Education Authority,*OFSTED report (2003).

can be a cause of innovation in the public sector (this is further expanded in the literature review found in section 5).

5.5   Enabler: national policy frameworks

Central government has directly and indirectly supported Knowsley's Transformation Agenda. Elements of the Borough's innovation strategy have run in parallel with many different Government policy initiatives and projects as discussed below.

Knowsley's decision to integrate 14-19 as a single educational phase has since been adopted by central government. The Government recognised that compared to other countries, the UK had a relatively low number of students continuing in education post-16 and felt that by looking at 14-19 as one stage in education they would be able to better challenge this trend. In the 2005 14-19 Education and Skills White Paper, the Government described its concerns, recognising that:

> "Many employers are not satisfied with the basic skills of school leavers going directly into jobs. Some young people drift outside education, employment or training between the ages of 16 and 19. The most able young people are not as fully stretched as they could be."

Between 2003 and 2005, the Government created the 14-19 Pathfinders programme, which developed and implemented approaches to 14-19 learning. This included 39 Pathfinders, introduced in two phases, covering a range of geographical and socio-economic circumstances. Knowsley was chosen as a Pathfinder in the first phase of this programme, with the aim of creating:

> "Through partnership, a new coherent and flexible single 14-19 phase of education that will enable young people to learn and achieve in ways best suited to their individual needs. This will support the young people of Knowsley by addressing the challenges ahead that will contribute to raising attainment, achievement and employability, positively impacting on the economic and social development of the borough and its residents."[70]

In Knowsley, the Pathfinder supported the innovative work already occurring around the 14-19 Collegiate, helping to extend its activities into new vocational areas. The Pathfinder also provided funding to create a new Vocation and Skills Centre in 2003, and included much work exploring and evaluating new models of funding that were introduced to the area.

Knowsley has also acted as a Wave One Authority for the Government's BSF programme, which consists of a substantial amount of funding to renew England's secondary schools. The BSF programme has brought together significant investment in buildings and in ICT in order to support the Government's educational reform agenda. Knowsley was chosen as one of the first local authorities for the BSF programme in 2004.

5.6   Enabler: partnerships

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[70] *Knowsley Pathfinder Description*, DFES (2005).

Prior to the Excellence in Cities programme in Knowsley there had been a limited amount of partnership working and collaboration between agencies in the Borough, with schools and colleges often working in isolation moderated by a small number of ad hoc and pragmatic partnership-based projects. The Council's strategy to bring about change within secondary education was to implement a cross borough programme – the Transformation Agenda. The common agenda and priorities encouraged agencies to work in collaboration, and formalised structures such as the 14-19 Collegiate were used to encourage and support partnerships between the Borough's schools, colleges, local authority, training services, private sector, Learning and Skills Councils and local Connexions service. One interviewee described the impact of the integrated approach:

> "In Knowsley when we started to look at partnership work, it was totally new. It was totally innovative. Areas, schools, colleges hadn't worked together."

Partnership working also enabled the Council to better understand the needs of communities and young people, and to communicate and translate the vision for the future of Knowsley's education system to those in different agencies, from senior managers to frontline staff. This was done through an emphasis on consultation and strong informal collaboration between many senior officials at different agencies and across different sectors.

Collaboration enabled the Council to gain 'buy-in' for the partnership approach from all of the schools involved. This also ensured that this ownership was reflected back in press and media messages and avoided the alienation of the educational institutes who would be most affected by the changes. Schools and colleges were also well represented on bodies such as the 14-19 Collegiate, which acted as a vehicle for them to put forward their ideas, concerns and opinions.

The Council also formed partnerships with a number of private sector organisations in the Borough, including them in the educational process and using them to support the Council's strategy of developing vocational routes. This included a partnership with Jaguar, which approached the 14-19 Collegiate because the company wanted to invest in skills development to support local regeneration.

Jaguar viewed this partnership as part of its corporate social responsibility role and was in the process of developing educational centres at all its plants. The company was able to input into the development of the 14-19 Collegiate, and its activities included informing the design of a new Engineering and Manufacturing GCSE and work experience module. Jaguar also seconded a member of staff to lead the development of the Engineering and Manufacturing GCSE course in collaboration with college staff. This subsequently developed into piloting the Government's new Student Apprenticeships.

Knowsley has also established a partnership with Microsoft in 2007 as part of its Global Innovative Schools initiative, which involves applying technological expertise to education. Bowring School was selected for the initiative. This support includes the provision of resources and technology to support teaching, as well as Microsoft sharing its experience of how to use technology in the classroom to make teaching more effective and learning more personalised.

6. Summary conclusions

Knowsley's innovation in secondary education has been driven and enabled by a combination of factors. The Council's recognition of its underperforming schools and failure to challenge the poor attainment of students was brought to light through external evaluations conducted by OFSTED in 1999. The Borough was also heading towards a state of crisis with a rising number of surplus school places and the resultant closure of some of its secondary schools, as pupils chose to join schools in neighbouring boroughs.

This stimulated the Council to develop a strategy for radical innovation with the support of their independent School Commission. This innovation has involved redesigning the entire Secondary Education system in the Borough and experimenting with new organisational structures and new approaches to learning that drew on thinking and experience from all over the world.
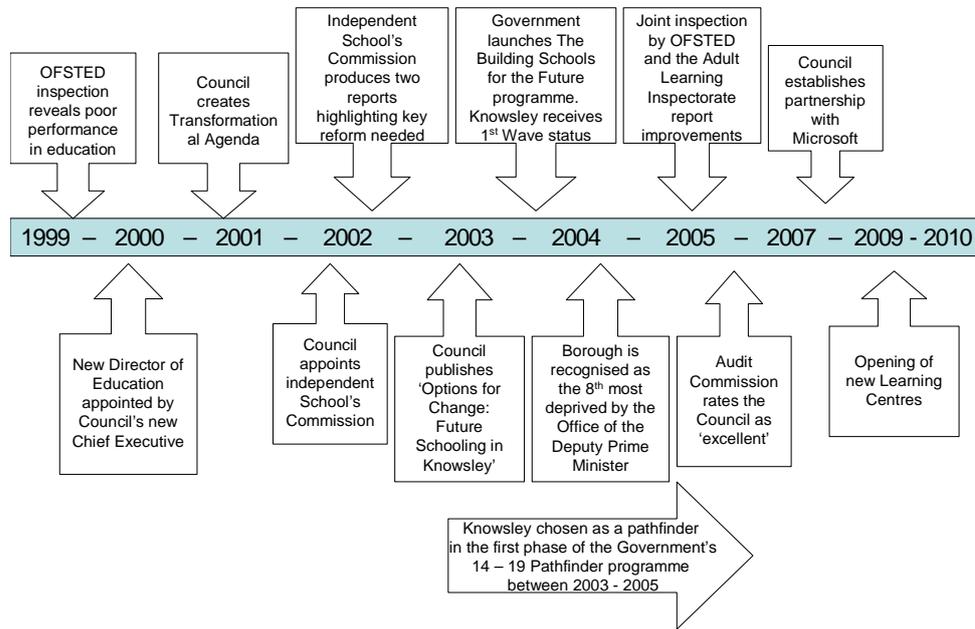
As with South Tyneside and the Highlands, political and managerial leadership and collaboration between different agencies were critical to establish a clear vision for change and to achieve 'buy-in' from the many different schools that would be affected by the Transformation Agenda.

Many respondents identified political support and a stable political environment as crucial enablers of innovation in Knowsley. It was felt that the Borough's radical programme of innovation would not have been possible without a strong political leadership that could support risk taking without concerns about undermining the stability of the majority party.

Knowsley's innovation strategy has been aligned with and has challenged central government's national policy agenda. The Borough's Secondary Transformation Agenda was aligned to government priorities for educational reform and modernisation. However, the Borough's decision to approach BSF on a system reform basis introducing innovative federated governance structures has been controversial. The Government now continues to support Knowsley's work with the innovation unit around governance, which gives the Borough the opportunity to experiment with a genuinely new and innovative structure.

Innovation in Knowsley is at a relatively early stage. However, already the Borough has developed an international reputation for its radical new models for schooling. Knowsley has recognised the need to create a culture of innovation to assist the Borough in creating a modern education system which will be able to adapt to economic and social change.

7. Timeline of Innovation in Secondary Education in Knowsley

| 1999 – 2000 – 2001 – 2002 – 2003 – 2004 – 2005 – 2007 – 2009 - 2010 |

Above the timeline:

- OFSTED inspection reveals poor performance in education
- Council creates Transformational Agenda
- Independent School's Commission produces two reports highlighting key reform needed
- Government launches The Building Schools for the Future programme. Knowsley receives 1st Wave status
- Joint inspection by OFSTED and the Adult Learning Inspectorate report improvements
- Council establishes partnership with Microsoft

Below the timeline:

- New Director of Education appointed by Council's new Chief Executive
- Council appoints independent School's Commission
- Council publishes 'Options for Change: Future Schooling in Knowsley'
- Borough is recognised as the 8th most deprived by the Office of the Deputy Prime Minister
- Audit Commission rates the Council as 'excellent'
- Opening of new Learning Centres

Knowsley chosen as a pathfinder in the first phase of the Government's 14 – 19 Pathfinder programme between 2003 - 2005

Case study 4: Innovation in Youth Services in the London Borough of Tower Hamlets, England

In 2002, the London Borough of Tower Hamlets developed a commissioning model for the delivery of its Youth Services, which involved letting a series of local and thematic contracts to voluntary and community sector organisations. Tower Hamlets was one of the first local authorities in England to develop a commissioning model for youth services, which was part of a wider decision to develop a Third Sector Strategy for the entire Borough.

These innovations were driven by four main factors:
- **Pressure from residents and from local councillors to improve and modernise services and facilities (for young people in the Borough), which were acknowledged to be failing**
- **The highly political nature of youth services in Tower Hamlets, which has a large youth population, and high levels of councillor involvement in local youth groups.**
- **Impending OFSTED inspection, which meant the long term failure of the service would be brought to light.**
- **Changes to political leadership, which created a desire for change and improvement within the Council.**

Tower Hamlets background data

Geography
- Tower Hamlets is an inner city borough located to the east of the City of London.
- In spite of regeneration starting in the 1980s, which led to economic development, particularly in Canary Wharf and Docklands, several large pockets of deprivation remain.

Population
- Tower Hamlets has a long history of in-migration, resulting in high ethnic diversity, with Bangladeshis making up one third of the population.
- Largely as a result of this migration, between 1991 and 2001 Tower Hamlets had the third highest population increase of any local authority area in England. It now has the fifth highest population density of any local authority in England and Wales and suffers severe levels of overcrowding.
- The Borough has a very young and growing population structure, with the number of dependent children and young adults significantly higher than national averages. Fifty-two percent of the population fall under the age of 30 compared to the national average of 38 percent.

Labour market
- Despite recent economic growth, Tower Hamlets has the lowest employment rate in Great Britain at 52.6 percent in 2006.
- The area is blighted by benefits dependency, with 21 percent of people of working age claiming a key benefit in 2001, one and a half times higher than the national average of 14 percent.

Council

- Originally a Labour stronghold, overall control of the Council was taken by the Liberal Democrats in 1986 and held until 1994 when it was taken back by Labour, who have controlled it since.
- The Council is currently made up of 26 Labour, 12 Respect, seven Conservative and six Liberal Democrat councillors. The council is led by a Labour councillor.

1.   Summary: context and need

The London Borough of Tower Hamlets is located east of the City of London, just north of the River Thames in East London. It is one of the smallest boroughs in London. It is an area that has historically suffered from great need and is ranked as the fourth most deprived Borough in England in terms of average deprivation.[71]

The Borough is one of great diversity, featuring the affluent finance and business centres of the Docklands alongside many of the most deprived neighbourhoods in the country. It is also one of the most densely populated areas in Britain suffering from overcrowding as its population continues to grow at a fast rate.

Despite the redevelopment of financial districts such as Canary Wharf and the Docklands, much regeneration has failed to spill over into the Borough's local communities. This deprivation has had a large impact on the Borough's youth. In 2004, 58.7 percent of all children in Tower Hamlets were living in income-deprived families.[72]

Tower Hamlets has one of the youngest populations in the UK per capita, with 52 percent of the population under the age of 30, compared to the national average of 38 percent.[73] Tower Hamlets also has one of the most ethnically diverse populations in London. At the time of the 2001 census, 58 percent of the population belonged to an ethnic group other than White British. Ethnic diversity is even more prominent in the Borough's youth population, with 78 percent of young people belonging to an ethnic group other than White British. A third of the Borough's population is of Bangladeshi origin.[74]

In the 1990s, services and facilities for young people in the Borough were recognised to be outdated and insufficient to meet the needs and demands of a modern youth population.   In the late 1980s and early 1990s, Tower Hamlets had a budget of approximately £10 million for Youth Services. A decade later this had been reduced to only £3 million (in part due to the Inner London Education Authority being abolished) and many of the Borough's youth facilities had been sold off and Youth Services staff seconded to the third sector. The Audit Commission described the Borough's services as "performing poorly in the mid-1990s".[75]

At this time the Youth Service had lost credibility within the Council among politicians, youth workers and young people. In particular, the Service was thought to suffer from a lack of structured provision, direction and coordination,

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[71] *Tower Hamlets PCT Public Health Report*, Tower Hamlets Primary Care Trust (2005).
[72] Ibid.
[73] *Tower Hamlets' Borough Statistics*, Tower Hamlets Council (2007).
[74] *Tower Hamlets PCT Public Health Report,* Tower Hamlets Primary Care Trust (2005).
[75] *Tower Hamlets Corporate Assessment*, Audit Commission (2002).

and was felt to be out of step with thinking about modern youth work practice in the sector.

Interviewees identified the political context in Tower Hamlets as an important factor influencing innovation. A significant number of ward councillors were involved directly with youth groups. This fact, combined with the high proportion of young people in the Borough, meant that youth services and young people were highly politicised. For many young people, the strong connection between local politics and youth services meant that youth work was seen as a potential route to local power and resources. This was compounded by the highly competitive nature of local politics in the Borough, which encouraged councillors to campaign for improvements to youth services, creating strong pressure within the Council for change.

In the late 1990s, OFSTED inspections had already identified a number of authorities that were failing to deliver an acceptable youth service. Interviews indicate that innovation in the Borough's Youth Service was partly driven in response to this impending inspection, and the future failure of the Borough's Youth Service was felt to be a strong possibility.

2.   Innovation strategy

In 2001, the Council agreed proposals to commission a number of third sector organisations to deliver the Borough's Youth Services. At the time this was a bold decision as third sector commissioning was not an accepted model in local or central government. At the time, Bromley in Kent was the exception having also adopted a 'commissioning model' for delivering its youth services, but this model was not felt to be working well. As a result, there was a lack of evidence or direct experience to draw on, and little chance of gaining support or interest from peers in local government.

The decision by the Council to adopt a commissioning model was driven by a number of reasons. First, Youth Services in the Borough had been restructured a number of times in the past in attempts to improve performance, but the Service continued to fail. Second, the Council identified that much of the youth work capacity and expertise in the Borough was located in third sector organisations. Tower Hamlets was felt to have a particularly vibrant third sector that was better placed than the Council to engage with hard-to-reach groups and would also have significant opportunities to lever in funding from external sources. Third, the Council's Youth Services had lost credibility with young people, youth workers, politicians and officers. It was felt that only a radical change to the Service could tackle performance improvement and rebuild confidence.

A commissioning model for Youth Services was felt to offer the most effective route to improve and modernise services for young people, and to increase the Council's collaboration with the third sector. This decision was taken alongside broader discussions within the Council about the development of a Third Sector Strategy for the entire Borough, which would enable the authority to support social enterprise in Tower Hamlets by identifying a range of public services that could be delivered by local organisations.

Research suggests that many councillors and local youth groups offered strong support for the commissioning model in the early days, when it was thought that

decentralising service delivery would create significant opportunities for local groups to control services and new sources of funding. However, as the commissioning model was developed, it became apparent that a more strategic approach to commissioning was being adopted, in which the Council would retain control over some elements of service delivery. Interviewees describe how at this point there was some opposition from backbench councillors, and that strong leadership from executive members and senior officers was required to support and drive through changes to the Service.

As commissioning was not a widely accepted model at the time, the Council appointed a group of consultants[76] to work with officers to develop the Borough's Third Sector Strategy and a strategy, model and process for commissioning out Youth Services.

3. Innovation process

3.1 Developing a commissioning model

A new senior management team was created to drive forward innovation and change in the Youth Services. This team was made up partly of outsiders in the form of new appointments, as well as existing staff in the Council, who worked closely with the Libra Consulting team to develop a strategy and model for commissioning.

The team identified a lack of commissioning guidelines within the Council, but also in local government more widely. The first task was to develop a set of principles and guidelines for the Youth Services commissioning model. A number of important strategic decisions were made in the early stages of developing the commissioning model. First, the need for the Council to retain strategic control of Youth Services in order to manage the commissioning process, manage contracts, and monitor and assess the delivery of services. This was felt to be a crucial decision and different from the model adopted in Bromley, where all aspects of Youth Services had been commissioned out. The management team and consultants felt that, without central control of the Service and opportunities for scrutiny and overview, there was a danger that the Council would not be able to guarantee the quality of the services, or address any problems with third sector delivery.

Second, the need to create a wide market for the commissioning out of services, which meant opening the commissioning process to organisations outside the Borough, and not limiting the process to only third sector bodies but to open up the bidding process to the voluntary, public and private sector organisations, both locally and nationally. However, the management team and consultants acknowledged the importance of involving local organisations in the commissioning process and so worked together to assess the scope and capacity of the market in Tower Hamlets.

The first stage of this work focused on researching the capacity of the third sector in the Borough. The consultants undertook work to identify the scale of the sector, developing databases to record and monitor the work of local organisations. Their research identified that despite the active nature and

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[76] Libra Consulting was appointed by Tower Hamlets (now part of Capital Consulting).

dynamic nature of the sector, many organisations lacked the capacity to take part in the bidding process for service delivery and to manage contracts.

The Council committed to providing initial support to these organisations to build their capacity to enable them to bid for contracts, as individual organisations or in partnerships. The Youth Services management team and consultants developed a cohort of locally-based consultants to work with the third sector to build capacity around different areas, such as human resources and the management of finances. To support this research a number of papers were also commissioned from specialists exploring the Voluntary and Community Sector further. This included research into the European standardisation of nomenclature for the sector, as well as a paper regarding the use of existing grants and money in the sector.

This was felt by the Council to be a successful process because of the high level of bids the Council received from local organisations during the initial phase of the commissioning process.

The first round of commissioning took place in 2001. Eight area contracts were let for three years with scope for a two-year extension. These aligned with Tower Hamlets Local Area Partnerships (LAPS), which divide up the Borough into eight different areas and act as local engagement and influencing structures. In addition, four curriculum contracts were established, which consisted of cross-borough programmes along different themes such as special educational needs or sport. It was felt that Local Area Partnership contracts would deliver according to local needs, whilst the cross-borough curriculum contracts were more strategic. Both dimensions would add value to the commissioning process. The total value of the contracts was £1.8 million.

A core team within Youth Services retained strategic oversight of the commissioning process and management of the contracts. Although some service providers were not in favour of this approach, the Youth Services management team and consultants were committed to having a core team, which enabled the Council to retain strong accountability for the overall service and to manage the risks of commissioning. The approach was proved to be the right one when one of the outsourced contracts failed and had to be brought back into the Council temporarily before it could be reallocated to another service provider.

A core part of the commissioning strategy was to develop 'zip' projects, which would link the outsourced services in the Borough to the work of the central team within the Council. One of these initiatives was the Rapid Response Team, a joint initiative between the Police and the Youth Service to quickly respond to serious youth gang disorder. The Team runs a street work programme to reduce anti-social behaviour, youth conflicts and youth crime.

Learnings from the first round of commissioning included the need to extend the length of contracts to allow time for new relationships to be established, to set stronger targets for service providers to ensure improved and consistent levels of delivery (for example, the number of young people to be involved, targets for the late night opening of youth projects), and to improve evaluation and management of the Service. An OFSTED inspection in 2005 also identified weaknesses in the new model, such as that: "Too much of the provision in youth clubs lacks

educational purpose…Young people are insufficiently involved in the planning and evaluation of programmes at a local level".[77]

These issues were reflected in the second round of contracts, which were let in 2006. These contracts have a value of £2.4 million and have been agreed for five years with the possibility of two year extensions. There are three new providers in this round of contracts.

The core Youth Services team at Tower Hamlets has grown considerably since the first round of contracts was let. Through the amalgamation of this team with other organisations such as Connexions, there are now approximately 30 people managing the Council's youth participation strategy, developing youth employment opportunities, and working to increase the amount of outreach now delivered – alongside management of commissioning and contracts. Four members of this team are from within the Council, whilst others are externally funded through partner organisations.

This central team has since grown rapidly and considerably, now consisting of approximately 30 people. The team has led the innovation process during these later stages, consolidating and embedding the changes introduced. Currently the team's activities include managing the youth participation strategy, developing youth employment opportunities, as well as increasing the amount of outreach now delivered.

Alongside these initiatives, the Council has used Neighbourhood Renewal Fund support to improve facilities for young people. A programme of renovation and building new premises for youth projects has improved satisfaction with services and also helped to improve staff morale.

4.   Outcomes

The radical changes to the structure and delivery of Tower Hamlets Youth Services led to some initial difficulties. Senior officials from the Council who were interviewed for this project describe how the first eighteen months of the new commissioning model were extremely challenging.

The management team encountered significant disapproval and dissatisfaction with the new system among staff, especially some long-term youth workers, and staff turnover rates were high in the first two years. However, the central Youth Services team focused on training frontline youth workers and modernising approaches and practices in the Borough. Interviewees report that this created a new sense of opportunity and opened up new career opportunities, which helped to change the atmosphere within the Service.

In 2003, the Council conducted an internal inspection of their Youth Services. This inspection brought to light certain weaknesses and factors in the new Youth Service that required addressing, such as the need to improve the quality assurance of the Borough's Youth Services, and to increase youth participation in the Service.

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[77] *Inspection report: Tower Hamlets Youth Services*, OFSTED (2005).

Since 2003, significant improvements have been made. The Council claims to have seen very direct improvement in frontline service delivery, which they believe is due to the innovation in the Borough's Youth Service.

A 2005 OFSTED inspection found that Tower Hamlets provided an adequate Youth Service and that there was good strategic leadership and management in the Service from elected members and senior managers. The inspection also highlighted that rigorous quality assurance procedures had led to significant progress and improved the quality of provision, and that successful partnerships had effectively met the needs of young people. Standards of young people's achievement and the quality of youth work practice were also found to be very high in some targeted work.[78] In Tower Hamlets' 2006 Annual Performance Assessment by OFSTED, the Borough was graded as 'outstanding' in maintaining and improving outcomes for children and young people; the Council's overall capacity to improve its services for children and young people; and the contribution of the local authority's social care services in maintaining and improving outcomes for children and young people.

Comprehensive Performance Assessments undertaken by the Audit Commission in 2005 and 2006 also evaluated Tower Hamlets Children's and Youth Services as performing strongly.[79]

Tower Hamlets is now receiving national recognition for its Youth Services and funding from central government for new initiatives such as the youth opportunity card, which will be tested in 2008. This project has received £1 million in funding from the Department for Children, Schools and Families (DCSF).

The Council has developed a borough-wide Third Sector Strategy and its pioneering status has gained Tower Hamlets national recognition as commissioning has become increasingly popular with Government.

5.   Analysis: drivers and enablers of innovation in Tower Hamlets

5.1   Drivers: underperformance

The underperformance apparent in Tower Hamlets' Youth Services and its failure in meeting the needs and requirements of the significant and growing youth population was a central driver of innovation.

The political nature of youth work and youth facilities in the Borough created strong pressures for change from local politicians, communities and residents. The Council's underlying awareness of the failing system and the lack of credibility and confidence in the Borough's Youth Services, combined with the new OFSTED regime, an imminent inspection and fears that the authority would be identified as failing, acted as a catalyst for change within the Council.

Alongside these pressing drivers, Youth Services were viewed by the Council as a powerful vehicle to support community cohesion between the different ethnic groups within the Borough. Concerns had been raised about the need to engage

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[78] Ibid.
[79] *London Borough of Tower Hamlets Comprehensive Performance Assessment (CPA) scorecard 2006*, Audit Commission (2006).

with minority groups to ensure they did not become isolated. One interviewee commented:

> "I know that what they need is facilities and support and so on but at the moment they are really angry and frustrated – they have nothing to do".

5.2   Drivers: local political pressure

Tower Hamlets has had a turbulent political history. In the 1980s the Borough became notorious for its radical programme of decentralisation under Liberal Democrat leadership. Significant power and devolved budgets were under the control of ward councillors with little accountability to the central administration, resulting in political infighting and the politicisation of ultra-local issues.

The strong connection between local politics and youth work in Tower Hamlets played an important role in pushing the issue of young people and youth services up the agenda within the Council and creating great pressure to innovate in order to address these concerns.

The local political instability in Tower Hamlets has also encouraged local politicians to drive forward innovation in the Borough, as they have been keen to be seen as addressing the issues with which local communities are most concerned and interested with the aim of retaining their seats. One interviewee said:

> "There is a selfish element to local politicians' focus on the youth agenda. With so many youth, it is an issue central to the community. That's why it gains local political attention; Tower Hamlets needs the young, they're not just some add on, these are the future voters, the community have a vested interest in their engagement."

5.3   Drivers: leadership

Many interviewees cited strong political leadership as an important factor in driving innovation. In 1994 Labour gained control of the Council and in 1999 adopted a new executive structure, which was felt by many to create a great thrust for change within the Borough. One interviewee described the new political leadership that came about in Tower Hamlets:

> "Executive members in the Borough were very supportive of the commissioning model, and through this support were able to dissipate the risk associated with this approach."

One interviewee described how both the Lead member for education and Lead member for youth played a key role in pushing through change and supporting changes to Youth Services:

> "Education, the Youth Service, all these things were given a kind of real importance, and also that kind of message about equality underpinned all that. That was a big moment I think."

Interviewees identified the then Chief Executive, Christine Gilbert, as crucial to innovation because of the role she played in instilling a new culture and enthusiasm for improvement within the Council. One interviewee described that

without the Chief Executive's leadership at that time, it would have been likely that OFSTED would have imposed special measures in the Borough:

> "When Christine Gilbert came here, she had a message … the issue is what do you need to put in place to enable young people in Tower Hamlets to compete on the national stage. So deprivation is not an excuse and that kind of message of striving, achieving, which she then carried on when she became Chief Executive. I suppose that's an event and that's a personality".

Many interviewees describe the sense of 'urgency' within the Council that new leadership created. Interviewees felt there was a change from a culture of low self esteem, where staff felt constrained and powerless to tackle the deprivation and challenging circumstances in the Borough, to an environment where striving for continuous improvement was encouraged at all levels and across all departments. Despite the fact that the political and corporate leaders who instilled this culture have now left, officers feel the attitude has since remained, becoming embedded in the Council's organisational culture.

In Youth Services, the sense of urgency and drive for improvement focused on the need to deal with 'today's cohort of children and their problems', and not just to look to developing long-term strategies. In practical terms, interviewees describe how this meant the senior management team was aspirational, wanted success and was driven, which resulted in things being seen through from idea to delivery.

National recognition of the Borough's pioneering role in developing third sector commissioning has impacted on staff, according to interviewees, who report that staff are now more motivated, and comfortable with change and risk taking. Tower Hamlets' reputation as an innovative local authority has also strongly impacted the Council's recruitment. One interviewee described that over the last three years there has been a significant change in recruitment patterns in the Council, with more highly skilled and ambitious people wanting to work in Tower Hamlets. This has created a sense of pride with the Council and helped to support and sustain the culture of innovation that has been created. One interviewee commented:

> "We have some very good staff and managers and that makes a huge difference, and we've had managers prepared to work 24/7 and you can't legislate for that element of luck. Once you have a few good people you can get more> Tower Hamlets is a borough of total change and that's exciting, a very rich borough in money and humanity; it's fun and creates an energy that attracts certain people."

In addition to this, many communities in Tower Hamlets such as the Borough's substantial Bangladeshi community have recently come of age, with a new generation of individuals from these communities joining agencies and establishments in the Borough, including the Council. These individuals have also contributed to creating a culture of innovation, enabling the Council to benefit from a better understanding of the Borough's community needs.

5.4   Enabler: history and culture

Tower Hamlets has a strong history and culture of social reform and innovation that has impacted the innovation that has occurred in the Borough's Youth Services. One interviewee commented on the unique history of the area:

> "There've been those kind of great political moments, the birth of the Labour party or its first MP in West Ham, just down the road, the Unions in the docks, the reaction against Moseley and fascism, the 70s anti-racism, you know. The Respect party locally at the moment, you know, there's just a kind of wealth of all that stuff."

Whilst it is difficult to distinguish the factors that have created this historic culture of innovation in the Borough, many of those interviewed attributed this culture of innovation to the constant change that has been associated with the Borough's long history of migrant communities moving to the area. One interviewee said:

> "I think historically, this has been one of the most innovative places in the country and you can go back centuries, but in the last sort of century to the settlements movement where many social reformers came here in this area because it was a place where exciting things happened at grass roots level, at community level and I think it's partly because of its history. It's a place that's always been quite edgy; there's been a long history of migration."

Many other interviewees feel that much of this innovation stems from the need to address the great poverty and deprivation of the area. One interviewee said:

> "In the last 20 or so years there's been a lot of work at the community level. A lot of grass roots activism which has been matched with community-based organisations; and in the 80s there were, because of the high levels of unemployment, huge social inequalities."

This sense of innovation and opportunity has helped to create a strong and vibrant third sector, and has encouraged much innovation around youth engagement at grassroots level as well as within the Council, as one respondent described:

> "Been a rich history, which I guess sometimes we kind of forget. We somehow think that all of these things that we do are bright modern ideas, but they come from a culture of a place."

5.5   Enabler: capacity of the third sector

The established and active third sector has also enabled the innovation that has occurred in the Borough.

Although many local organisations required initial support to build specific capabilities around service management, tendering, financial planning and human resources, initial capacity of the sector was crucial in enabling the Council to envisage the possibility of commissioning out their Youth Services.

5.6   Enabler: funding

The availability of flexible funding to support the very early stages of the commissioning strategy was identified as a crucial enabler for innovation. Although investment was relatively small (approximately £150,000), it was sufficient to support the new management team and consultants to research and develop the commissioning model.

Further funding was levered in when improvements to the service became apparent. This enabled the management team to develop a series of growth bids and to receive Neighbourhood Renewal Funding, which supported training programmes, a renovation and new build programme, and creation of the Rapid Response Team.

Now the Council has received national recognition for its Youth Services it has attracted funding for new pilots and initiatives.

6.   Summary conclusions

Tower Hamlets' pioneering approach to third sector commissioning can be described as a radical innovation. The Council has adopted a new organisational model, changed its patterns of service delivery, developed new services and initiatives, and created an innovative culture within Youth Services and more broadly across other service functions.
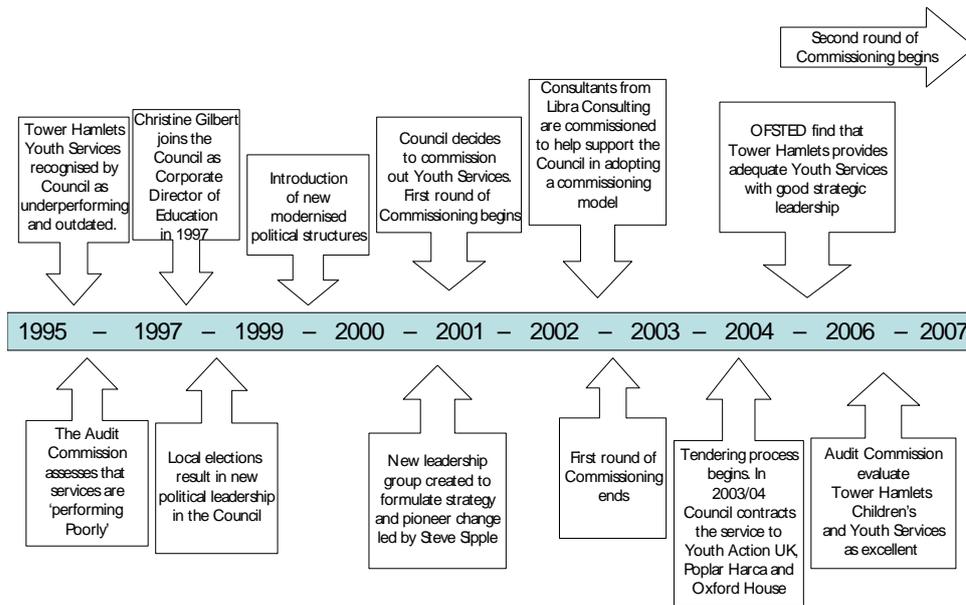
Arguably, of the four case studies, Tower Hamlets is the only authority than can be said to be comprehensively innovative with significant changes being made in education, Children's Services, initiatives to promote social enterprise and the adoption of a borough-wide Third Sector Strategy.

A unique set of political, socio-economic, cultural and historical factors have exerted pressure on Tower Hamlets to innovate. Political change and the strong relationship between local politics and the growing youth population in Tower Hamlets created pressure for change. The Council's recognition of its underperforming Youth Services in the late 1990s, combined with concerns that an OFSTED inspection would identify the service as failing, acted as a catalyst for change. The scale of the problems in the Youth Service prompted the Council to develop a radical solution.

The Borough's dynamic third sector acted as an important enabler for innovation. The strength of the third sector was a crucial element in the Council's decision to adopt a commissioning strategy, despite recognition that it would have to support a programme of capacity building around certain key skills.

Interviewees felt that Tower Hamlets' history of experimentation and social innovation, and its proximity to Whitehall, have all enabled the Borough to gain a high profile in central government and among local government peers.

7. Timeline of innovation in Tower Hamlets to address Youth Services

Second round of Commissioning begins

Tower Hamlets Youth Services recognised by Council as underperforming and outdated.

Christine Gilbert joins the Council as Corporate Director of Education in 1997

Introduction of new modernised political structures

Council decides to commission out Youth Services. First round of Commissioning begins

Consultants from Libra Consulting are commissioned to help support the Council in adopting a commissioning model

OFSTED find that Tower Hamlets provides adequate Youth Services with good strategic leadership

1995 – 1997 – 1999 – 2000 – 2001 – 2002 – 2003 – 2004 – 2006 – 2007

The Audit Commission assesses that services are 'performing Poorly'

Local elections result in new political leadership in the Council

New leadership group created to formulate strategy and pioneer change led by Steve Sipple

First round of Commissioning ends

Tendering process begins. In 2003/04 Council contracts the service to Youth Action UK, Poplar Harca and Oxford House

Audit Commission evaluate Tower Hamlets Children's and Youth Services as excellent

4.   Early findings

Earlier in the report we identified six factors that appear to drive local social innovation, including: recognition of underperformance; a combination of internal and external pressures from local politicians or regulating bodies; strong leadership;a responsive organisational culture;formal or informal networks to drive collaboration; and the availability of human or financial resources to support innovation.

Our hypothesis is that a specific combination of these factors needs to be aligned at a particular time in order for a place to be socially innovative. These factors include, among others, external shocks to trigger innovation, and a combination of strong leadership, networks linking the frontline and centre, organisational culture that embraces change and risk taking to drive and support innovation. However, a simple combination of these factors is not sufficient to make a place comprehensively innovative. A different alignment of factors is required at different stages of the innovation process from initiation through to consolidation. And we believe, that for innovative ideas and approaches to reach 'critical mass' and spread throughout organisations, across neighbourhoods and cities, or from service to service, it demands the adoption of new ways of thinking about change, experimentation and risk, and widespread partnerships between the public and third sectors.

A pattern is emerging from these case studies that suggests a clear relationship between certain drivers and enablers at certain times in the process of local social innovation.

In each case study, an underperforming or failing service was the primary driver of local social innovation. An external intervention, either in the form of a negative performance assessment or the prospect of one, acted as a catalyst for change, building on pre-existing local political pressure for improvement.

However, political awareness of underperformance is not in itself a sufficiently powerful factor to drive innovation. In each case study, underperformance in a particular service (or cross-cutting theme in the case of South Tyneside) had been acknowledged internally and externally for a number of years. What appeared to be crucial factor in each case study was the recognition of failure and the decision by political leaders to act at a specific time. In South Tyneside, Knowsley and the Highlands, the direction of national policy priorities aligned closely with local needs, helping to create an environment that was supportive of innovation around specific themes or services at a certain time. This was not the case in Tower Hamlets, which chose a pioneering innovation strategy that was quite distinct from central and local government priorities at the time.

In each case, the innovation process followed a very similar pattern. Underperformance was recognised by political leaders and a political commitment was made to adopt a particular innovation strategy. This was followed swiftly by the creation of new senior management teams tasked with implementation. In each local authority this involved bringing in senior managers from outside the organisation to establish, or play a key role in new leadership teams to drive forward innovation.

New leadership teams focused on creating a culture of innovation at a very early stage, with the emphasis on communicating a clear vision for change and improvement to frontline staff and service managers, motivating frontline staff to take on new responsibilities, creating space for people to think about experimentation and innovation, and creating an environment in which staff felt supported to take risks. South Tyneside and Knowsley formalised innovation and risk taking to some degree, by creating specific initiatives to gather and test new ideas from frontline staff. In South Tyneside this took the form of a 'no blame' culture in the authority. In Tower Hamlets a culture of 'continuous improvement' was instilled by political and corporate leaders that influenced a wide range of services and staff at all levels, helping to improve staff morale and create a new sense of opportunity within the Council.

The fieldwork suggests that there is a strong relationship between reflective learning and creating a culture of innovation. In each case study interviewees reported a new focus on continual evaluation and experimentation at the frontline. This was not formalised assessment but instead, staff were empowered to think about improvement and to put forward and try new ideas. This appears to have important implications for the way that training and skill development are currently structured in local government, where the emphasis is on formal learning programmes and considering best practice rather than a more flexible and reflective approach.

In Knowsley, South Tyneside and the Highlands, multi-agency collaboration was a central part of innovation strategy and an important driver of change. Partnership working was seen as a way to embed a vision for change across multiple agencies, tackle problems holistically, and improve the capacity of individual agencies to respond to local needs.

As innovation strategies were adopted and performance began to improve demonstrably, additional funding could be levered in by local authorities to support more innovation and experimentation, which in turn helped to increase capacity and embed innovation in service, agency or authority culture. In Highlands and Knowsley this took the form of Pathfinders, which provided both funding and national recognition for local innovations. In Tower Hamlets new funding through the Neighbourhood Renewal Fund and other sources enabled the Council to expand its central Youth Services team and develop new initiatives.

Current thinking in local government encourages improving and learning through the adoption of best practice from other authorities (primarily in this country). However, best practice had little or no impact in each of the four case study areas. In Tower Hamlets there was little or no evidence or experience about commissioning models in local government that could be adopted and applied locally. The unique geographical and social circumstances in the Highlands prevented the authority from finding a model elsewhere in the country that could successfully be applied locally. Knowsley carried out an extensive review of new approaches to learning and education from around the world, but found little evidence in the UK that could be incorporated into its agenda for transforming secondary education. This has important implications for encouraging and accelerating local social innovation in local government. New models for thinking about learning, improvement and development may be required.

National recognition and connections to central government appear to be important factors in consolidating or embedding local social innovation. Fieldwork suggests that these factors play a key role in building a local authority's reputation for innovation, which impacts on the confidence of leadership teams and frontline staff and can even change recruitment patterns.

However, there does not seem to be a direct connection between the extent and impact of local social innovation and the amount of recognition that local authorities receive. Of the four case studies in this report, arguably Tower Hamlets is the only local authority that could be described as being comprehensively innovative. Changes to its Youth Service can be described as radical, pioneering and high risk. The Council has adopted an innovative Third Sector Strategy across the Borough, has integrated services for children and young people, and is innovating around education and social enterprise. Many of these initiatives have been concurrent, contradicting evidence that innovation tends to take place only in one service, field or sector at a time.

By comparison, innovation in South Tyneside has been very effective but has also been incremental and very much in tune with national policy priorities at the time, thereby reducing the risk associated with the changes. However, the authority has quickly gained national recognition for the changes it has implemented and is frequently described by other local authorities and bodies such as the IDeA, as being an innovative local authority. This suggests that aligning innovation with central government initiatives and policy agendas can be highly beneficial for localities, providing access to resources and opportunities for profile and marketing, as well as helping to reduce fears about risk taking.

People and ideas are the most crucial resource for local social innovation. The impact of charismatic individuals and teams of strong leaders on encouraging innovation is evident from these case studies. However, much innovation actually takes place at the frontline. Strong connections are needed between senior managers, service teams and frontline workers to ensure that a clear strategy for innovation is communicated and understood, and that the learning and knowledge from practical delivery of change is captured and transferred back to the centre, and then more widely between different agencies, institutions and communities to encourage widespread local social innovation. Without this process localities cannot move from innovating in one service or field to innovating comprehensively.

5.   Literature review

1.   What is social innovation?

The term 'social innovation' refers to new ideas, institutions or ways of working that aim to meet social needs or tackle social problems, for example, new ways of working to reduce poverty or discrimination, or new services and organisations to care for those suffering from illness. Some examples of social innovation include the NHS (a radical new way to deliver health care at the time of its inception), the use of cognitive behavioural therapy (CBT) to treat certain mental health conditions, or The Big Issue organisation that produces magazines sold by homeless people.[80]

Social innovations can take the form of a new service, initiative or an organisation, or a radical new approach to the way services are organised and delivered. Both approaches have the potential to spread throughout a profession or sector, like education or health care, or geographically from one place to another.

2.   Why do some places innovate?

Some geographical locations appear to exhibit a flurry of socially innovative practices and behaviour, while others seem much less adept at finding creative and imaginative ways to address the same social goals and needs.

Every region, city or neighbourhood possesses a different composition of actors and stakeholders who can drive innovation, such as strong individual leaders who are motivated to achieve social change (such as politicians, business leaders, entrepreneurs), strong or weak networks of third sector organisations, vocal or organised activists or pressure groups, or strong connections between central and local government.

This pattern has also been recognised in the field of technological and business innovation, and studies such as Canepa and Stoneman's investigation of technological innovation in Germany showed that certain locations foster much greater amounts of innovation than others.[81] Synergies can be created among these stakeholders and supported by the combined effect of other factors, such as investment, human capacity and ambition, to produce an environment in which innovation can flourish.

Regional and territorial innovation theory tries to explore the reasons why some locations produce large amounts of innovation compared to others, such as Silicon Valley in California, or Bangalore in India, both acknowledged worldwide for their success in sectoral innovation. These places seem to posses a distinctive environment that is able to cultivate high levels of innovation and creativity.[82]

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[80] *Social Innovation: what it is, why it matters, how it can be accelerated,* Geoff Mulgan, Basington Press (2006).
[81] *Financial Constraints to Innovation in Europe – Evidence and Policy,* A. Canepa and P. Stoneman, Warwick Business School (2004).
[82] *Territorial Innovation Models: A Critical Survey* F. Moulaert and F. Sekia, Regional Studies, Vol. 37.3 (2003).

This geographical locus for innovation has fascinated many researchers who have attempted to distil this behaviour to create models and theories that connect environmental factors to the innovation levels an area exhibits. There has been a great deal of research in recent years on the characteristics that make local economies innovative and the connection between innovation and place. This work dates back to Alfred Marshall's 19th century study of industrial districts, through the work of Michael Piore and Charles Sabel in the 1980s, to Michael Porter in the 1990s, Peter Hall's work on creative cities and milieux, and the more recent suggestions of figures like Richard Florida. This work has identified a host of interesting features of dynamic and creative economies – including the roles of intermediary bodies, incubators, universities, finance, creative industries and migrant workers, in encouraging and supporting the emergence of geographical innovation. Other research about innovation and place has identified clustering and proximity as important factors in the concentration and transfer of knowledge in specific locations, such as those found in Silicon Valley, as well as their impact on creating deep pools of specialised labour.

Innovation in a geographical area appears to occur due to a number of individual factors that combine to create an innovative environment.

2.1   Creative cities and innovation

Creative is an adjective that can only be truly applied to a few cities across the world. The concept of the 'creative city' emerged in the 1980s out of the vacuum caused by the death of industry in many Western cities. Creativity had to be embedded through 'hard' and 'soft' infrastructure, such as the built environment and transport but also education and atmosphere. Landry argues that a new approach to the development of urban space is crucial to the creation of cities in which innovative solutions to problems can be found and where human culture can thrive.[83] He outlines the following principles for good city-making:

- Every city should seek not to compete with those around it but should aim to be the best *for* the world, meaning that this development must have an ethical and moral foundation.
- Cities should reflect local cultures but also be open to new ideas from outside.
- Users should be involved in the decision-making process (ordinary people can make the extraordinary happen).
- Professionals should learn from other examples but not copy slavishly.
- Projects that make economic sense but also reinforce ethical values, therefore balancing individual and collective needs and desires, should be encouraged.
- There is a need to create an environment where thinking and imagination are present and where tenacity and courage can lead to positive change' i.e. to foster 'civic creativity' or imaginative solutions to public-good objectives.

Landry identifies the characteristics creative cities need to nurture and sustain talent, many of which can be applied to thinking about how places can develop a culture of innovation. He describes that the city must identify, nurture and sustain its talent and must take measured risks, have wide-spread leadership, a sense of

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[83] *The Art of Making Cities*, Charles Landry, Earthscan (2006).

destination, determination and have the strength to go beyond the political cycle.[84]

The idea of a creative centre has been adopted to some extent by some cities in the UK, such as Liverpool, Sheffield, Manchester and Birmingham who have attempted to focus cultural industries in the centre of their physical redevelopments. The theorist Florida identified the need to draw in people from a global skilled class to drive these new industries; he rated cities in terms of a 'gay index', or how cosmopolitan and attractive cities were to these people.

Hall claims that all cities that have enjoyed a 'golden age' have had some things in common. They have all had access to resources in the form of a tax or revenue collection system that has allowed some money to be directed towards the arts. They have also had a dominant social class that has acted as patrons. However, these conditions have not inevitably led to innovation. Hall identifies that more important than resources is a spark that arises almost through serendipity – creative people having chance conversations and ideas following from that.[85] . This is also an important consideration in thinking about the factors that need to align in order for local social innovation to occur. It is not sufficient for a place to have resources and capacity. Places also need triggers in the form of individuals and events that provide inspiration or vision.

3.   Public sector innovation: drivers and enablers

While some of these concepts can be transferred to an investigation of local social innovation, very little work has been conducted specifically about the characteristics of geographical social or public sector innovation.

This body of work demonstrates the growing interest in social innovation within the public sector. A 2007 study of local government innovation in England by the Audit Commission indicates that 43 percent of local authorities claim to be engaged in a great deal of social innovation practices, whilst an additional 52 percent claimed to be engaged in 'some' innovation[86]. These findings illustrate an increasing awareness of social innovation in local authorities as a means to meet social needs.

There is an emerging body of research about public service innovation, including recent work by the National Audit Office and the Audit Commission about local government innovation in England, and several academic studies exploring the impact of best practice networks in spreading learning about innovation.

Pressure for innovation in the public sector primarily comes from changing needs in society, not competition as in the private sector. The Audit Commission data indicates that poor performance is an important driver of innovation. English local authorities have a statutory duty to undertake continuous improvement and are much more likely to do so in areas where their provision is poor. This claim is supported by Boyne et al., who identify that poor performance can spur authorities on to adopt 'best practice,[87] and Hämäläinen and Heiskala's study of

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[84] *Lineages of the Creative*, Charles Landry (2006).
[85] *Cities in Civilisation*, Peter Hall, Weidenfeld & Nicolson (1998).
[86] *Seeing the Light, Innovation in Local Public Services*, Audit Commission (2007).
[87] *Assessing Best Practice as a Means of Innovation'*, T. Brannan, C. Durose , P. John and H. Wolman (2007).

social innovation, which suggests that the best performing local areas are not necessarily the most innovative.[88]

Aydalot identifies three kinds of innovation: in-house corporate restructuring; the reenergising of old industries by the application of new technologies; and the production of knowledge and its application. Much public sector innovation appears to fall into the latter category.

A number of studies appear to suggest that public or third sector innovation is focused, rather than being a general organisational strategy. Studies found that local authorities innovating in one field were not necessarily innovating in others. This makes sense in that it reduces overall exposure to risk and focuses resources on the most pressing needs.

This finding is reinforced by evidence from studies of innovation in other sectors. Perroux's work identifies that innovation does not happen everywhere at once but fits the pattern he called the 'growth pole', a point in historic time and space when entrepreneurial forces vigorously stimulate economic growth (either an individual firm or an industry). Barton and Kleiner's study of 55 innovative communities found that only a tiny proportion of neighbourhoods in this group were comprehensively innovative, despite the projects in question being initiated and led by organisations from different sectors – 69 percent initiated by the voluntary/community sector, 22 percent by the public sector and nine percent by the private.[89]

Hartley et al. identify that innovation processes in the public sector are unlike those in the private sector, with innovation coming from different sources and through different processes, described as:

- Policy-driven – 'top down' from central government.
- Organisation-driven – 'bottom up' meeting needs and expectations of users.
- Professional-driven – 'sideways in' comparison with other organisations.
- User-driven – groups of users developing and advocating their own innovation.

A wide range of studies by bodies such as the Audit Commission and NAO refer to the factors required to generate innovation in the public sector. These can be summarised as:

- Political crisis or change in leadership.
- Symbolic triggers such as statements of intent, charters, or strategy documents.
- Ambition at the executive level which must then percolate through the whole organisation. Strong leadership is vital to this process.
- Joined-up working which allows staff to share information and understand in more depth the way in which the organisation functions.
- Supporting staff to be inventive and allowing space for creative thinking.

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[88] *Social Innovations, Institutional Change and Economic Performance,* T. Hämäläinen and R. Heiskala (eds.) (2006-07).

[89] *Sustainable Communities: The Potential for Eco-Neighbourhoods*, H. Barton (ed.), Earthscan (2000).

- Strong relationships with councillors, other partner organisations and external agencies.
- Local activists or campaign groups, some likely to be mavericks.
- Good links to users and residents to engage their experiences and opinions.
- A strong awareness of ongoing policy debates in the public sector.
- Research and pilots to test local social innovations.
- Mainstreaming through a culture of determination and aspiration.
- A strategy to embed and sustain innovation.

Hartley et al. describe a specific role for politicians in catalysing public sector innovation. This is reinforced by the Audit Commission 2007 report investigating innovation in public services in which many local authorities described internal pressure from politicians and demands from staff as more influential than external pressures for improvement from central government or regulatory bodies. However, this type of external pressure should not be discounted. It appears to often act as an underlying trigger for innovation and change, which requires internal pressure to act as a catalyst to initiate change.

Other forms of external pressure, such as competition between peers or between local authorities, are also important underlying drivers of innovation. This pressure takes the form of best practice or awards for innovation, which encourage improvement and adoption of ideas from other authorities.

4. Leadership

There is a significant body of evidence about the catalysing effect strong leadership and charismatic individuals have on initiating innovation and change. This is reflected in the limited evidence about social and public sector innovation.

Much existing academic literature that addresses the effect of leadership on social innovation looks at the role of social entrepreneurs who act as pioneers of socially innovative ideas. An example of this is the recent Nobel Peace Prize winner Muhammad Yunus, who established the Grameen Bank, which uses the model of micro finance to alleviate deprivation in the developing world. In this case, much of Grameen's success relied on Muhammed Yunus' vision, dedication and the strong relationships he has developed with business leaders, government officials, donors, academics and poor villagers.

Strong leadership from individuals pioneering social innovations often features the building of bridges across different sets of stakeholders, facilitating and sustaining the innovation. Leadership that drives innovation is not restricted to single individuals but can also refer to top management's commitment to innovation. An innovative organisation may feature a collective of individuals who prioritise innovation and hence are receptive to ideas, willing to take on risk and embrace change. Such leadership is often able to cross organisational boundaries and stimulate innovation in other such organisations through partnerships and alliances.

A study by the Audit Commission into innovation in local government found that ambition was a key component in driving forward and encouraging innovation.[90]

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[90] *Seeing the Light, Innovation in Local Public Services,* Audit Commission (2007).

Unfortunately, it is often inefficient change management, poor implementation or inefficient risk management that stifles innovation in an area and creates inertia within an organisation.

There is conflicting evidence about the impact of political stability on a local authority's willingness to take risks. Wejnert suggests that politically unstable authorities may be more risk adverse, whereas a large majority may give a significant mandate for change. However, Walker suggests that long-standing majorities may make authorities complacent.[91]

5.   Organisational culture

Innovation is not a straightforward process and is often associated with significant risk. Establishing an innovative culture is crucial in encouraging and fostering innovation and an organisation's structure can affect innovation, by either encouraging or inhibiting the generation and spread of good ideas, as illustrated in the research undertaken by Burns and Stalker in the 1950s who classified organisations as epitomising either mechanistic or organic structures.[92]

The factors that create an innovative organisational culture depend on a delicate balance and blend of components. It is possible to identify a number of characteristics that are common to innovative organisations across the public and private sectors.

In recent years many private and public sector organisations have moved away from rigid, hierarchical, mechanistic structures with clear boundaries between departments to adopt looser, more integrated, decentralised, organic formations. Organic structures are recognised as facilitating innovation due to their greater flexibility and stronger communication. Combined with a culture that is receptive to new ideas, this style of working can be a powerful enabler of innovation. This is further supported by Rothwell and Dodgson's research on innovation and firm size, which recognised smaller firms as being much more innovative than their larger counterparts due to their organic nature, which supports a more creative climate for staff to operate in.[93]

A common characteristic of innovative organisations is an 'open' working culture where staff are supported and allowed to experiment, and where management does not universally impose decisions and choices on staff. A degree of risk-taking is an inevitable conclusion to this as developing new ideas will lead to failure in some cases.

Creative staff can be a hugely significant source of ideas and must be provided with the space for creative thinking. Without support from executive level members, good ideas can often 'run into the organisational sand'.[94]

A recent study into innovation in central government found that only limited innovation takes place in many departments. The cause of this was identified as being the hierarchical nature of the civil service, which discouraged staff from

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[91] *Assessing Best Practice as a Means of Innovation*, T. Brannan, C. Durose, P. John, H. Wolman (2007).

[92] *Managing Innovation: Integrating Technological, Market and Organisational Change* (3rd ed.), J. Tidd, J. Bessant and K. Pavitt, John Wiley & Sons (2005).

[93] *The Management of Technological Innovation*, M. Dodgson, Oxford University Press (2000).

[94] *Managing Innovation: Integrating Technological, Market and Organisational Change* (3rd ed.), J. Tidd, J. Bessant and K. Pavitt, John Wiley & Sons (2005).

experimentation, because of fears that failure could affect their careers. Recommendations to improve this situation included supporting staff to be more creative and the civil service becoming more open to risk-taking.[95]

Chesbrough's model of 'open innovation' shows innovation excels when ideas are free to flow between departments and organisations. This has also been shown in much research undertaken about firms that adopt a project-based approach to joined-up working and cross-cutting structures that allow greater flows of information and staff to see a bigger picture, facilitating innovation.

An open approach allows for promising ideas that might otherwise have been abandoned, to be picked up by others, investigated, and possibly to come to fruition. In Chesborough's model, communication with external stakeholders is also fundamental in encouraging innovation as often knowledge gained from external agencies such as competitors, academia and allies is important and hence links with them must be built and maintained.[96] Open innovation also allows intellectual property rights to be used not just to defend ideas but also to make ideas tradable to outside organisations willing to take them further, with a role for intermediaries to provide information, access and finance during this transfer of ideas and products. This model has largely been developed from experience in American hi-tech industries. It is questionable how relevant these ideas are to other types of industries, however, the idea of open innovation is transferable to public sector innovation because of the emphasis on co-production of ideas and learning through best practice.

6.   Learning and best practice

In order to prevent innovation from becoming an isolated rare event and to establish a culture of innovative behaviour, an organisation must acknowledge the importance of learning. Innovation consists of both failures and successes due to the large amounts of risk and thus it is crucial to ensure lessons from past practice are captured and not lost as a new innovation cycle begins.

Innovative organisations are characterised by strong communication and effective evaluation of projects, in order to learn from experience and consolidate what has been accomplished.

This is not restricted to learning from within an organisation. Much can be learnt from other organisations and collective learning can also greatly impact social innovation. Regional innovation system theory describes how learning in a cumulative activity occurs through interaction.

There are a variety of studies that explore how 'best practice' is used and adopted in the public sector. Brannan et al., identify 'best practice' and innovation as conceptually two different things, but 'best practice' is often a tool to disseminate innovative ideas and helps prevent local government from 'reinventing the wheel'. Using 'best practice' implies the involvement of a central body to determine relevant examples and coordinate the system. In the UK local government context, the Improvement and Development Agency for Local Government and the Local Government Association play a key role.

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[95] *Achieving Growth in Central Government Organisations,* National Audit Commission (2006).
[96] *Open Innovation: Researching a New Paradigm*, H. Chesbrough (2005).

Brannan surveyed local authorities about their adoption of 'best practice' in two policy areas, regeneration and community safety. Innovation was most likely in policy areas that had been identified as a priority area for some time. There was also a link to the level of available funding in both highly competent authorities and those with poor records, demonstrating that both a culture of excellence and the 'burning platform' of lack of success can act as drivers for innovation.

The study identified a number of problems with the use of 'best practice' to inform innovation (from most to least problematic): [97]

- Assessing the appropriateness of the example of 'best practice'.
- Judging whether it really was 'best practice'.
- Identifying what 'best practice' is.
- Evaluating it once implanted; knowing where to find 'best practice'.
- Implementing and convincing the local authority to adopt or accept 'best practice'.

In England, central government has instituted the 'Beacon Scheme' (conceived of by Hartley and Benington), which recognises and awards excellence and innovation in local authorities' service delivery, and which aims to encourage the spread of best practice. Experience is shared through National Beacon conferences, open days in each Beacon, learning opportunities such as mentoring and shadowing, and web materials. An evaluation of the outcomes of this scheme found significant improvements in service delivery and partnership working.[98]

The major finding from the research was that adaptation rather than adoption, or 'graft and grow' rather than 'cut and paste', was central to the success of best practice and that key to this was reciprocal knowledge transfer, customisation of ideas, trust and collaboration with respect for diversity, and face-to-face contact between staff of different organisations.

Two significant boundaries to knowledge sharing are:

- Organisational – individuals may hoard knowledge in competitive situations, and also government policy may inhibit knowledge sharing.
- Professional – professionals tend to interact in silos, and also struggle to share knowledge that is tacit in nature.

7. Networks and people

Collaboration and working with outsiders can be beneficial in generating innovation because it allows greater access to knowledge, capabilities and resources, but it also carries with it risks. These benefits are greatest when there is a degree of 'cognitive distance' between the organisations, that is, some level of difference in the way that the two organisations view the situation, as this can provide novel insights.[99]

[97] *Assessing Best Practice as a Means of Innovation*, T. Brannan, C. Durose, P. John, H. Wolman (2007).
[98] *Innovation and Improvement in Local Government,* J. Hartley (2006).
[99] *'Trust and Innovation' essay written for the Dutch Ministry of Economic Affairs, as background to the 2006 Innovation Lecture on Trust and Innovation,* Nooteboom (2006).

Where this distance is too great there can be a complete lack of mutual understanding. The risks associated with collaboration are situations where partners can absorb knowledge and use this to gain an advantage, a process known as 'spill-over'. However, this is less of a risk in the context of public sector innovation. Trust between organisations is important in building meaningful partnerships, but at its most extreme can lead to dependence and blindness towards other organisations or ideas.

For many industries, organisations and companies have tended to cluster in a particular geographical area, most famously the IT industry in Silicon Valley. Historically this was seen as a way to reduce the costs of transferring raw materials and finished products throughout the production process, which is of course, more relevant for industrial production rather than modern 'knowledge' industries. The presence of large companies often encouraged smaller firms that specialised in part of a process or in producing one component to spring up around them and act as satellites.

Investigation into the benefits that clustering can provide to an industry as a whole revealed that in some cases, such as the chemicals industry, it was vital, but that in others it did not provide such significant advantages. Benefits were thought to come from 'spill-over': co-operation – particularly between buyers and suppliers; the availability of a skilled local work force – and in some cases a local specialised education infrastructure and an 'innovative milieu'; and a positive 'buzz' in the local population and among policy makers.[100]

Partnership working, collaboration and joined-up working can greatly spur and facilitate local innovation. The IDeA has reported a trend towards partnership working within the public sector, both on the regional and local level in order to increase effectiveness and efficiency. Greater engagement with the voluntary and community sector has also enabled local government to gain a better understanding of local need and use the voluntary sectors' experience and expertise to meet them. This has also been seen in the growing trend of Councils commissioning certain services to the voluntary and community sector.

Network organisational structure was introduced into parts of the NHS as an alternative to market, or hierarchical systems, because it was thought that they would improve capacity for knowledge transfer.

The move was welcomed by many staff because it reflected the way that many people had been working informally. However, once formally introduced, the networks grew in a way that was managed and not organic. Research into the success of these changes in the case of cancer treatment found that networks did provide some new opportunities for knowledge transfer. However, the existence of targets and the move towards greater centralisation (and competition to become centres of excellence) resulted in knowledge management being marginal to other considerations. Networks failed to develop a shared epistemology as knowledge management theory suggested they would. However, it should be noted that government spending on knowledge sharing is much lower than that for inspection and auditing (£10 million compared to £90 million for local government in 2002). Inspection implies that best practice is

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[100] *The Dependence of Innovativeness on the Local Firm Population – An Empirical Study of German Patents in Industry and Innovation*, T. Brenner and S. Greif (2006).

known and agreed, but knowledge sharing allows for diversity, innovation and learning through failure.

Government has acknowledged the importance of learning through electronic knowledge transfer and visits, but has not expressed a theory of knowledge management, its strengths and weakness or how networks should be formed and sustained. Currently there is too much dissemination and the 'copy and paste' approach. More needs to be done to 'graft and grow'.[101]

Examples of the introduction of networks in the public sphere are:

- E-government, or electronic government, refers to the use of information technology to exchange information with its citizens and the private sector in order to improve internal efficiency, the delivery of services, and democratic participation.
- T-government, or transformational government, is an initiative propagated by the UK Government with the publication of *Transformational Government: Enabled by Technology* in November 2005.[102] This report outlines ways to transform public service deliveries and to improve the efficiency of government structures with the use of information technology designed around the citizen.
- Innovation Forum between central and local government.
- Beacon Award schemes for health, schools, local government, central government, police, transport, national parks and waste management.
- NHS collaborations.[103]

8.   Resources

In order to successfully innovate, an organisation must be able to invest resources to bring about necessary change. Innovation is often a time-consuming, labour intensive and expensive process associated with high levels of associated risk. Private sector organisations with constrained resources are often unable to justify such expenditures and investment when positive returns and improvement cannot be guaranteed. This can create a sense of inertia that prevents innovation.

Much research regarding technological innovation demonstrates there is a direct correlation between the availability of financial resources and the amount of innovation within an establishment. Rothwell and Dogson's research regarding innovation and firm size cites availability of financial investment as a key advantage to innovation in larger firms.[104] Both Walker and Rogers argue that those with greater resources in terms of finance, personnel, facilities and skills have more potential for economies of scale and greater experience in policy areas that are most responsive to innovation. Research regarding social innovation has also shown that organisations facing financial constraints are less likely to experiment or adopt new ideas and technologies.

However, a recent study by the Audit Commission is of the opinion that the availability of funding and finance to innovate is not as crucial as widely believed

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[101] '*Knowledge Management' Issue*, various, Journal of *Public Money and Management* (2006).
[102] *Transformational Government: Enabled by Technology*, HM Government, (2005).
[103] '*Knowledge Management' Issue*, Various, Journal of *Public Money and Management* (2006).
[104] *Innovation and Firm Size: A Case for Dynamic Complementarity: Or is Small Really So Beautiful?*, R. Rothwell, *Journal of General Management* (1983).

in the context of innovation in the public sector. This research has shown that many English local authorities are innovating in response to problems associated with deprivation, where there is a lack of financial resources but great social need.

In these situations, other resources are enabling innovation such as the availability of skilled staff, or access to local partnerships. Innovation is fundamentally about people and hence an organisation's capacity to innovate is limited by the type and quality of staff within the organisation. An important constraint on innovation is the lack of staff that are consciously invested into the innovation process; in practical terms, given the time and space to think creatively. Research by Saxenian, Porter and Enright has identified clustering and proximity as important factors in the concentration and transfer of knowledge in specific locations, such as those found in Silicon Valley, as well as their impact on creating deep pools of specialised labour.[105] Frank Moulaert has researched territorial innovation in both a private and now more social setting, in order to unravel the reasons behind, and ways in which geographical areas innovate.

Partnerships and alliances are an essential way to overcome capacity restraints. Through working together organisations are able to pool resources and dissipate risk. This is of particular importance in the case of social innovation where resources are limited.

However, the availability of financial or human resources does not automatically lead to innovation. Evidence suggests that constrained resources can act as a spur for organisations to think creatively, and much social innovation has been demonstrated by areas and organisations with limited funding and capacity.

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[105] *Territorial Innovation Models: A Critical Survey,* F. Moulaert, F. Sekia, Regional Studies, Vol. 37.3 (2003).

6. Acknowledgements

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