

Municipal entrepreneurship

Local authority

Innovative public services ahead

NO

Bureaucracy

Inefficiency

Stick-in-the-mud attitudes

Municipal entrepreneurship



The Association for Public Service Excellence (APSE) is a not-for-profit local government body working with over 300 councils throughout the UK promoting excellence in public services. APSE is the foremost specialist in local authority frontline service providers in areas such as waste and refuse collection, parks and environmental services, leisure, school meals, cleaning, housing and building maintenance.



Local Government Research Unit (LGRU)

The Local Governance Research Unit, based at Leicester Business School (De Montfort University), is an internationally recognised centre of excellence for theoretically informed, robust and rigorous policy relevant research into British and comparative local governance. Its recent work focuses on community cohesion and local citizenship, neighbourhood governance, local democracy and local politics. The Unit is committed to providing a strong and vibrant link between academic research and the needs of the research user. It undertakes research for a wide variety of bodies.

The Unit has strong research links with other leading universities in the UK and across Europe and the USA.

The research was undertaken as part of the Knowledge Transfer Partnership (KTP) between APSE and De Montfort University.

This research report was undertaken as part of the Knowledge Transfer Partnership (KTP) between the Association of Public Service Excellence and De Montfort University

Contributors

The research team was composed of Paul O'Brien (Chief Executive, APSE), Rob Bailey, Mo Baines (Principal Officers, APSE), Adele Reynolds (KTP Research Associate) and Catherine Durose, Steven Griggs, and Melvin Wingfield (Local Governance Research Unit, DMU).

Acknowledgements

We would like to thank all the case study local authorities, officers and elected members who gave their time to collaborate in this research. Professor Helen Sullivan (Centre for Public Policy, University of Melbourne) also kindly offered the research team important insights from her work. Of course, responsibility for the final analysis rests with the contributors.

Published by APSE
August 2012

ISBN: 978-1-907388-14-9

Contents

Foreword	5
Executive summary	7
Public entrepreneurship and innovation: challenges and opportunities	11
Municipal entrepreneurship in action	17
Conclusions	28

**Business
acumen**



Foreword

A criticism aimed at the public sector by its detractors is that it is monolithic, bureaucratic and incapable of change.

This report sets out to challenge this myth by demonstrating that innovation and entrepreneurship is alive and well in local government and rather than being a rare commodity, it is flourishing in local authorities up and down the country.

Commercial skills and business acumen are not unique to any one sector and as long as the correct culture is created and environment established then there is no reason why a new generation of municipal entrepreneurs can't continue to thrive despite current fiscal constraints.

The case studies contained in this report represent some of the best examples of what is being achieved by those committed to improving public services for all by being part of the innovation industry.

Paul O'Brien

Chief Executive, APSE

Innovation



Executive summary

Local authorities as municipal entrepreneurs and innovators

There is increasing interest in the role that innovation and entrepreneurship can play in delivering high quality public services. Public entrepreneurship and innovation are increasingly portrayed as a panacea for public managers, one which can deliver the renewed demand for efficiencies and transformation in the shifting politics of austerity and public spending reductions. Indeed APSE have identified that an increasing number of local authorities are looking at how to make services more commercially viable by either reducing costs or generating additional revenue to offset budget cuts.

Local authorities have often been criticised for their failure to innovate, widely condemned as lacking the entrepreneurship that can be found in the private and voluntary sectors. This report challenges these preconceptions by demonstrating the entrepreneurship and innovative practices that are championed across local authorities. Local authorities do pursue innovative changes to service delivery; they can and do take considered risks and invest in entrepreneurial activities. Innovation does indeed flow between local government and the private, voluntary and community sectors.

The purpose of this report is to explore, in more detail, through a literature review and case studies from APSE member authorities, the drivers of entrepreneurship and innovation in local government and the positive impacts this approach can have on local government service delivery.

Municipal entrepreneurship in action

- In West Lindsey, transformation of the local authority into an 'Entrepreneurial Council' has sustained frontline services delivering efficiency savings of £2,132,000 since 2009/10.
- In Tayside, sharing services across boundaries through a local authority contracting organisation (Tayside Contracts) has led to £14.5 million being returned to the three Tayside local authorities since 1996 in the form of surpluses.
- In Wrexham, the local authority have implemented a renewable energy scheme, which will reduce the amount of CO₂ emitted by three thousand tonnes a year and generate up to £1 million a year in surplus income for the next twenty five years.
- In Shropshire, Shire Services deliver catering and cleaning services across the county and beyond, generating an annual turnover of £10.2 million across Shropshire and over £3 million outside the county in external contracts.
- In Hertsmere, Elstree Studios generate annually £1.1 million of rental income for the local authority, which is reinvested in local services.
- In Hull, Kingstown Works Limited (KWL) delivers building maintenance and repairs services across Hull and East Riding. KWL has returned over £3 million to Hull City Council since 2008 in the form of surpluses.
- In Swansea, the redesign of the local authority's parks and open spaces service has delivered savings of £155,000 per annum.

Who are the public entrepreneurs and innovators, catalysts, stewards, mediators, and deliverers?

To say that individuals matter in the processes of entrepreneurship is hard to dispute. However, understanding entrepreneurship and innovation as a set of functions to be undertaken across an organisation or set of organisations confirms that the success of public entrepreneurship rests on the roles of catalysts, stewards and mediators. Catalysts scan for new opportunities, understanding and communicating the value of innovation and entrepreneurship (fulfilling, in many ways, traditional conceptions of the role of the entrepreneur). Stewards are the convenors who ensure spaces or arenas of collaboration, facilitating interactions between stakeholders so as to enable

creative thinking and innovation. Mediators manage and resolve where possible potential conflicts in the process of innovation, arbitrating for example between different stakeholders (Ansell and Gash, 2012).

In some cases, these three roles were taken up by strategically-placed individuals, while in others they were distributed across a range of different groups of individuals at different levels of the organisation. Across the cases of municipal entrepreneurship in action, research thus identified chief executives, senior managers and operational managers working as catalysts driving forward organisational change; elected members, senior management teams, and area managers and community action officers undertaking stewardship functions; operational managers and elected members fulfilling primary roles as mediators of local conflicts; and transformational project managers and senior directors assuming all three functions of catalyst, steward and mediator.

However, this study suggests that at times the role of steward slips in practice into that of a 'deliverer' ensuring that service outcomes are met. To the role of catalysts, mediators and stewards, we might thus add a fourth role of 'deliverer'. While it is important to scan for new opportunities, facilitate collaboration between multiple stakeholders and mediate potential conflicts, it is equally important to ensure outcomes and retain commitments to improvements in service delivery (Ansell and Gash, 2008). Deliverers undertake such tasks, whether they are senior management teams ensuring a focus on the 'bottom line' at all levels, project managers or senior executives determining that financial gains lead to wider local social, economic and environmental benefits, or elected members using assets to protect and develop local industry.

Key lessons for public entrepreneurship and innovation in local government

The key lessons for public entrepreneurship which emerge from the study can be summarised as follows:

- Entrepreneurial managers can foster a commercial culture amongst staff. Taking a proactive attitude to expansion and diversification drives forward innovation.
- A commitment to valuing and developing the workforce can go hand-in-hand with public entrepreneurship.
- Focus on income generation as a means of generating investment in local services.
- Assure democratic accountability and oversight of new public organisations.
- Pre-empt and address risk within the business model for new activities.
- Explore existing legal powers as a means of catalysing entrepreneurial activities.
- Take full advantage of entrepreneurial opportunities to act as stewards of local economies and communities.

Policy guidance for local authorities

Against this background, four key factors emerge if local policymakers are to engage effectively in managing the innovation cycle and facilitating fully the spread of public entrepreneurship across local authorities:

Think collaboratively: collaboration brings in new ideas and can challenge existing practices whilst mobilising new resources. Local authorities as 'Ensuring Councils' are ideally placed to undertake and facilitate new forms of collaborative working.

Make the most of your windows of opportunity: moments of organisational crisis can be 'windows of opportunity' for introducing new programmes and solutions. In many of the cases studied here such challenging political and economic contexts played a key role in legitimising and garnering support for change.

Tap into strategically placed policy entrepreneurs or champions: local officers and elected members should look to identify individuals who might fulfil the roles of catalyst, stewards, mediators and deliverers. It is important that there are sufficient spaces or support for such individuals to emerge across organisations.

Embed innovation and change: where entrepreneurship and innovation developed over time

staff were commercially focused, working within an overall framework of income generation which was combined with a not-for-profit ethos delivering improved local services. Ensuring democratic accountability to local elected members and taking a proactive approach to pre-empting and dealing with risk also contributed to the creation of an environment in which staff had the freedom to innovate.

**Commercial
skills**



Public entrepreneurship and innovation: challenges and opportunities

Appeals to entrepreneurship and innovation have become firmly embedded in the discourse of public management, with both figuring as essential tools in the armoury of local managers and politicians (Osborne and Brown, 2011a; Pollitt and Hupe, 2009). In practice, innovation and entrepreneurship are closely entwined (Kim, 2010). While innovation requires champions to foster its cause, entrepreneurship constructs the environment necessary for innovative solutions to flourish and create additional value for citizens (Morris and Jones, cited in Zerbinati and Souitaris, 2005: 44). In many ways, entrepreneurship is thus the 'driving force of change and innovation', opening up 'innovative opportunities to achieve efficient, effective performance' (Kim, 2010: 782). Indeed, for Klein et al (2010: 3), public entrepreneurs 'marshal resources for fulfilling nominal public or social interests and [...] deploy them for better performances on public objectives.'

The particular pairing of entrepreneurship and innovation has been increasingly portrayed as a panacea for public managers, one which can deliver the solution to many of the complex pressures they have to navigate as part of their everyday practice, not least the renewed demand for efficiencies and transformation in the shifting politics of austerity and public spending reductions (Griggs and Sullivan, 2012). In a recent study of local government applications for support for innovation, Wilson and Townsend (2011) identified public sector funding cuts and efficiency demands as one of the primary drivers of innovation and transformation across local government. With this in mind, this opening section critically investigates existing understandings of the practices of innovation and entrepreneurship across local government. The complexities and interconnections of these strategic processes are such that entrepreneurship may well be regarded as one particular path towards service transformation and innovation. Here we draw out the lessons of existing studies of innovation for public entrepreneurship in local government, investigating how entrepreneurship might play a primary role in the cycle of innovation in public services. Not all public entrepreneurship can necessarily be deemed to be innovative, with NESTA, the innovation think tank, calling for the support of innovative entrepreneurs who it deems to be 'more innovative than others.' However, before investigating such debates, we first explore the current 'grip' of innovation on policy-makers. In the current political and policy context, innovation has an appeal that seems hard to argue with or contest. It combines a determination to reform and improve the delivery of public services together with a whiff of 'state of the art' business practice (Osborne and Brown, 2011: 1335).

The growth of the innovation industry

The appeal of public entrepreneurship and innovation cannot be divorced in part from the state sponsorship of what Griggs and Sullivan (2012) characterise as an innovation industry, which has advanced innovation as the new paradigm for public governance, seeking to generate an evidence base of innovative practice in the public sector (Hughes, Moore, Kataria, 2011). Over time, think tanks, public bodies and policy organisations such as the IDeA (subsequently Local Government Improvement and Development), the Young Foundation, NESTA ('an independent body with a mission to make the UK more innovative'), the Audit Commission, the Government's Innovation Unit, the Design Council and the Innovation Exchange have all been associated with initiatives to advance innovation in public services, not forgetting schemes such as the LGA Beacon Scheme, the Local Innovation Awards scheme, and the national reviews of innovation and improvement (see the work of Hartley 2006 and CLG 2008). Notably, the Department for Business, Innovation and Skills, which in addition to incorporating 'innovation' as a part of their ministerial remit, has created an Innovation Capability Team to support and develop innovative approaches in the public sector. In such contexts, innovation is defined as an 'urgent' or 'continuous need' in a world which 'is changing fast' with 'the massive impact of digitisation, demographic and climate change and shifts in the global balance of economic power.'¹ In other words, innovation is portrayed as being crucial to the economic wellbeing of the United Kingdom (see for example the aspirations of the 2008 Innovation Nation White Paper),

¹ Department for Business, Innovation and Skills, What is Innovation?, available at <http://www.bis.gov.uk/policies/public-sector-innovation/information/what-is-innovation>, accessed 17 July 2012.

advocated as the means to improve the efficiency and effectiveness of public services (Osborne and Brown, 2011a: 4).

A double-edged sword for local government

Nonetheless in the last few years, public entrepreneurship and innovation have been seen as something of a double-edged sword for local authorities, too often becoming a 'stick' with which to 'beat' local authorities. In marked contrast to private providers, and voluntary and community organisations, local government has been frequently berated for its failure to take risks and innovate. Local government is attributed a 'mixed' record on innovation, with 'a lingering sense' that the sector is something of an 'innovation-free zone' (IDeA, Young Foundation and the Innovation Unit, 2009: 3). It is dismissed as something of an 'outlier' in the public sector, when compared to the likes of health, hampered by its absence of systems to capture innovation as well as the need for a 'shift of mindset to see the potential of what can be achieved' (Gibson, 2010: 24). Innovations in local government, it follows, are said to be 'institutionally fragile' or to 'emerge by chance, or thanks to the energies and efforts of committed and visionary professionals' and 'tenacious individuals' (IDeA Young Foundation and the Innovation Unit, 2009: 3). Indeed, viewed through the lens of 'enabling', local councils are at best reduced to the role of 'incubators' who make it possible for others to innovate (Gillinson, Horne and Baeck, 2010: 3). Parker (2009: 17) even goes as far as to suggest that 'local government – indeed government at all levels – still struggles with managing risk in ways that don't kill innovative ideas before they've even been tested.'

Questioning the lack of innovation in local government

These claims all rest on the inherent assumption of the superiority of management in the private sector vis-à-vis the public sector, which is one of the underpinning conditions of New Public Management (Osborne and Brown, 2011b: 1337b). Innovation, it is argued, is best achieved through competition and markets, the outsourcing of service delivery to private and third sector providers, and the involvement of local communities in the running of public services (Osborne and Brown, 2011b). Public entrepreneurship, in comparison to the private sector is constrained by ineffective performance signals, poorly-defined objectives and collective action difficulties (Klein et al, 2010). Indeed, the figure of the risk-taking entrepreneur has been too easily juxtaposed with that of the risk-averse public bureaucrat whose public organisations 'crowd out' private innovation (Osborne and Brown, 2011a; Mulgan and Albury, 2003; Borins, 2002; Mazzucato, 2011). The recent guidance on the Decentralisation and Localism Bill (CLG 2010) embeds innovation in the diversification of local service delivery, arguing that 'restricting diversity of provision means that there is less innovation' (CLG 2010: 9). Accordingly, frontline staff and local managers, it seems, will only be innovative once the shackles of local bureaucratic systems have been thrown off as part of their transfer into employee-owned mutuals.

Yet, such claims are misplaced in practice (as the case studies in this report go on to demonstrate). In her recent study of industrial policy, Marinana Mazzucato (2011) challenges minimalist views of the public sector which underplay its role in stimulating entrepreneurial innovation. She demonstrates how the state plays a key entrepreneurial role in leading and driving forward innovations, calling for increased support for the development of an active entrepreneurial state. Typically, she argues that the public sector has made significant investments that the private sector would not have supported, suggesting that innovation and entrepreneurship is best understood as a collaborative process in which there are many different forms of contributions, including those of the public and the private sector (2011: 113). Indeed, Pollitt and Hupe (2009:16) argue that it is important to qualify the palpably false belief that only competitive markets can fuel innovation. Adding to such claims, Swilling (2011: 104) argues that it is the private sector which is most averse to innovation as the returns for investors from innovative projects are impossible to predict. While it is hardly helpful to stereotype either sector as inherently innovative (or not) what this debate does suggest is that innovative ideas, in the main, tend to flow back and forth between public and private sectors. In this context, Bommert's (2010) example of the creation of the Open University is a useful addition to the debate as it demonstrates that far from the public sector learning from the private, lessons flow between what are often portrayed as rival or unequal sectors, at least in relation to their capacity to engage in innovation and entrepreneurship.

Defining innovation and public entrepreneurship

Innovation is a contested or illusive concept (Sørensen and Torfing, 2011), which has been interpreted differently across different social, political and economic contexts (Griggs and Sullivan, 2012:1). There are also different forms of innovation, be it service innovation, policy innovation, organisational innovation or process innovation (Sørensen and Torfing, 2011). It is not however a neutral concept. Walker, Jeanes and Rowland (2002) argue that the way innovation is used to convince the wider public of its progressive and efficient mode in the public sector is both political and subjective. While the debate around a definition can exercise and stimulate in equal measures, it does little to help in the context of this report (Mulgan and Albury, 2003; Christensen and Lærgreid, 2001). Innovation can be simply and helpfully defined as 'new ideas and practices brought into implementation' (Moore and Hartley 2010: 54). In advancing the debate, Sullivan and Turner (2010: 25) thus condense the myriad definitions of innovation arguing that: 'Innovation is the collaborative development and implementation of new ideas, knowledge, products, services or ways of working.'

In fact, Pollitt and Hupe (2009:15) note that the absence of a widely accepted definition of innovation makes the operationalisation of the concept difficult. The national evaluation of collaborative innovation thus highlighted the space for interpretation which was contained within definitions of innovation and which was insisted upon by local respondents (Sullivan and Turner, 2010). In practice, the evaluation suggested, innovation as a defining concept was repeatedly stretched by respondents as they 'picked and mixed' different elements and sought to badge existing projects as innovative. Two approaches to innovation were evident: the most common was the adoption or adaptation of innovations from established good practice which aimed to generate important enhancements in service quality, reach or efficiency; the other less common approach was of innovations that were developed from emerging ideas and practices in other countries, untried in the UK and offering a distinctive break with established practice.

Alternatively, we can examine public entrepreneurship as a function performed by different individuals across a wide range of social, economic and political contexts. Seen through such a lens, public entrepreneurship requires the identification of opportunity, judgements as to the viability of investments under conditions of uncertainty, and innovation in services and processes (Klein et al, 2010). Importantly, within local government, these conditions are increasingly part and parcel of collaborative initiatives in which individuals from across organisations and sectors play key leadership roles.

Collaborative innovation, entrepreneurship and the cycle of innovation

Collaborative innovation is increasingly seen as one of the competitive advantages of public sector organisations (Sørensen and Torfing, 2011). Here local government as the local representative institution can have a key leadership role (Willis et al, 2010). The model of the Ensuring Council puts such collaborative leadership at the heart of its operational principles (APSE, 2012). Indeed, Sørensen and Torfing (2011) argue that collaborative innovation offers key advantages in the transformation of public services, adding value to each of the four stages of the innovation cycle, namely the generation of new ideas, the selection of ideas, the implementation of selected ideas and the dissemination of new practices.

Of course, collaborative innovation is not without its barriers such as the persistence of silo mentalities, risk-averse cultures, boundary wars between different stakeholders and inappropriate performance targets (see Sørensen and Torfing, 2011). Innovation as a means of overcoming such barriers has been linked to the 'windows of opportunity' generated by a particular organisational context of crisis or policy failure which destabilises or delegitimises established routines (Agger and Sørensen, 2012; Moore and Hartley, 2010; Pollitt and Hupe, 2009; Walker et al, 2002; Osborne, 1998). This is not to say that all innovation comes from some form of crisis. New ideas can also unsettle established routines across public organisations. Collaboration itself can equally provoke challenges to established ways of working, when for example politicians and officers encounter new ways of working (Agger and Sørensen, 2012). Whatever the case, however, such 'windows of opportunity' do not automatically trigger innovations. They have to be understood or 'read' as opportunities for innovation. Potential

solutions have to be identified or articulated. If collaborative innovation thus provides a significant advantage, individuals play nonetheless a key role in such contexts.

Individuals within processes of entrepreneurship and innovation

It is commonplace to argue that individuals matter in the generation of innovation, that it is the presence of entrepreneurial individuals or champions that foster innovation. Like all accepted understandings, there is an element of truth in such assertions. Individuals do matter, facilitating the development of trust between partners or scanning for new ideas and practices to bring into authorities. Innovation requires both champions who drive forward changes to services and policies, and sponsors who validate or endorse change while committing resources to the proposed programmes (Ansell and Gash, 2008). However, beyond the assertion that individuals matter, how might we best understand the leadership role of individuals in nurturing innovation? And is it always the entrepreneur who is most appropriate to lead the innovation process?

Here the work of Ansell and Gash (2012) offers us a way of characterising three roles of individuals in the innovation cycle: stewards, mediators or catalysts. At different stages of the innovation process, elements of these roles may take on more importance. An individual might perform all three roles in different measures. Yet, each role overcomes particular barriers to innovation, particularly within the collaborative setting. Firstly, stewards operate as convenors, establishing the collaborative arena and the interactions between stakeholders which enable creative thinking and innovation. Secondly, mediators or brokers manage and diffuse any potential conflicts in the process, arbitrating for example between different stakeholders. Finally, catalysts identify opportunities for innovation and transformation, realise the potential value of change (playing if anything the traditional entrepreneurial role). In successful innovations, strategically-placed individuals or groups of individuals thus exercise a variety or combination of roles, a finding which we explore in the case studies that follow.

Can innovation and public entrepreneurship fail?

What is not disputed is the normative appeal of innovation which is easy to understand as it implies some form of progress - who can be against progress? Mulgan and Albury (2003:3) thus define innovation only as those things that work. However, it is naïve and disingenuous to argue that innovative approaches always succeed and we have to guard against such understandings. Innovation can result in policy failure. Indeed, if the verb change was used to replace innovation one would have no preconceptions about the impact of change moving in only one direction. Change, if it is accepted, can result in either positive or negative outcomes whereas innovation is rarely, if ever, associated with failure.

In the private sector the cost of failed innovation is, theoretically, a risk for shareholders to consider. What of innovation failure in the public sector? This raises problematic questions of accountability and risk: Should the public sector innovate when there is a chance of failure? What of unintended consequences? This is far more problematic due to the inability of innovators to fully control the environment in which they operate. The contagion in financial markets as a consequence of innovations in risky financial products is a classic example of where the cost of failure was far greater than the perceived benefits of the innovation.

In addition, the widespread normative belief in the transformative powers of innovation rests on its perception as a positive sum game; there are no losers in innovation (Griggs and Sullivan, 2012; Osborne and Brown, 2011b; Pollitt and Hupe, 2009). However, this disregards the evidence from both the public and private sectors. Although repeated appeals are often made to anticipated user benefits in the planning of innovation, the national evaluation of collaborative innovation found little or no evidence that benefits and losses elsewhere were considered. Indeed, the positive characterisation of innovation tended to reinforce assumptions that all stakeholders benefit from innovative changes to services, mobilising out of consideration potential losers or negative impacts (Sullivan and Turner, 2010; Willis et al, 2010).

Against this background, local authorities might regard with caution top-down demands for public sector budget-holders to see innovation as a means of delivering economic savings and reductions

in budgets while also protecting levels of service provision. Take for example the rhetoric of 'Radical Efficiency', the research paper published by the Innovation Unit, the Public Service Lab and NESTA. Its appeals to 'radical efficiency' claim that innovation in service delivery offers the possibilities of 'savings between 20 per cent and 60 per cent' as well as improvements to services (Gillinson, Horne and Baeck, 2010: 2). This stands in marked contrast to the New Labour discourse of 'continuous improvement' which Osborne and Brown (2011b) argue defined innovation in opposition to 'newness' or discontinuous change and more in line with incremental change and variations of established 'everyday practice'. It also once again reinforces understandings of innovation as a positive-sum game in which no-one loses out. More importantly, such articulations of innovation in terms of cost reductions may well fail to generate buy-in from local practitioners who arguably persistently describe innovation in ways that do not make explicit reference to costs (Sullivan and Turner, 2010; Willis et al, 2010).

Conclusions

Local government has been too often portrayed as lacking innovation and entrepreneurship. It has occupied a paradoxical position, constructed as both a barrier to innovation and as an enabler of innovation. This report hopes to question such assumptions, viewing innovation and entrepreneurship as moving back and forth from sector to sector. Indeed, it posits that local authorities may well occupy a strategic position in the development of different forms of collaborative innovation, a claim which resonates with the principles of the 'Ensuring Council' (APSE, 2012: 7). At the same time, this brief review has surfaced the strategic questions that continue to remain over the definition of innovation and entrepreneurship, the role of individuals in the innovation cycle and the implications of such roles for understandings of public entrepreneurship, the significance attached to collaboration and organisational crisis as a means of unsettling established routines. It is to such questions that we now turn as we set out the case studies of municipal entrepreneurship that inform this report.

Efficiency



Municipal entrepreneurship in action

The approach

The study adopted a case study methodology. As Flybvjerg (2006: 221) asserts, a case study approach enables researchers to capture fully the practical, context-dependent knowledge of frontline public service delivery. In particular, case study semi-structured interviews gave practitioners an opportunity to draw upon their own experiences and reflect upon the challenges and opportunities faced in driving forward innovation and public entrepreneurship in local authorities. Given the aims of the study, cases of municipal entrepreneurship were identified and selected following a combination of criteria and rationales. Firstly, case studies were selected on the basis of expectations of their capacity to deliver the ‘thick’ levels of data required to analyse the complex processes and practices of entrepreneurship (what Flybvjerg (2006: 230) characterises as information orientation). Secondly, this information orientation was combined with the search for ‘critical cases’. Critical cases are those cases that have ‘strategic importance in relation to the general problem’ (Flybvjerg 2006: 229). They thus facilitate the drawing of general claims, for what is relevant for a critical case can be assumed to apply to all such cases (Flybvjerg 2006 230). In other words, the identification of critical cases facilitates the dissemination of good practice about how local authorities are pursuing initiatives or strategies of public entrepreneurship to tackle the issues they currently face.

Table 1: Overview of case studies

Local authority	Case study	Description	Type of entrepreneurship
West Lindsey District Council	The Entrepreneurial Council with a social enterprise mindset	Whole systems transformation of the local authority.	<ul style="list-style-type: none"> • Commercially focused, income generating services • Involvement of the local community in service delivery
Angus Council, Dundee City Council and Perth and Kinross Council	Tayside Contracts	Local authority contracting organisation, delivering catering, cleaning, highways, winter maintenance, construction and transport services.	<ul style="list-style-type: none"> • Shared services across boundaries • Income generation • Return of surpluses to the three councils
Wrexham County Borough Council	Solar PV renewable energy scheme	Renewable energy scheme to reduce CO2 emissions.	<ul style="list-style-type: none"> • Green income generation • Addressing fuel poverty • Stimulation of the local economy
Shropshire Council	Shire Services	In-house traded service, delivering catering and cleaning services.	<ul style="list-style-type: none"> • Commercially focused services generating income • Delivering services within and across local authority boundaries
Hertsmere Borough Council	Elstree Studios	Local authority owned film and television studios.	<ul style="list-style-type: none"> • Income generation • Stimulation of local economy • Protection of local industry
Kingston upon Hull City Council	Kingstown Works Limited	Wholly-owned company controlled by local authority, delivering building maintenance and repairs services.	<ul style="list-style-type: none"> • Income generation • Return of surpluses to Hull City Council • Stimulation of local economy • Working across boundaries
City and County of Swansea	Service redesign of Swansea’s parks and open spaces service	Identification of options for efficiencies and future service delivery models.	<ul style="list-style-type: none"> • Efficiency savings • Increased productivity

The selected cases illustrate the diversity of entrepreneurship and innovation taking place across APSE member authorities. The research thus analyses examples of whole authority transformation, the sharing or delivery of services across boundaries, income generation and service redesign to improve productivity and generate efficiencies. The case studies were carried out between November 2011 and March 2012 and were constructed from an evaluation of existing research, policy and programme documents, as well as site visits and interviews with key stakeholders. The broad topics that the case studies covered included: context, drivers of innovative practice, outcomes and transferable lessons. Importantly, drawing upon the work of Klein et al (2010: 5-7), the analysis of cases sought to examine how the different forms of public entrepreneurship and innovation established new rules, gave birth to new public organisations, led to the creative management of public resources, and if appropriate triggered spillovers from the public to the private and voluntary and community sectors (and vice versa).

This report now turns to the examination of the case study evidence, analysing the pursuit of municipal entrepreneurship across seven APSE member authorities. Each case study condenses the key lessons for practice, sets out an evaluation of the policy and organisational context in which the initiative developed, the main elements of the initiative, before identifying the savings delivered, the income generated and the improvements to service delivery.

Case studies of municipal entrepreneurship

West Lindsey: The 'Entrepreneurial Council' with a social enterprise mindset

Key lessons and features:

- Redefinition of the role of the local authority
- A Chief Executive acting as a catalyst, championing transformation
- Commercial culture amongst staff
- Valuing and developing the workforce through multi-skilling
- Developing the capacity of the local community
- Positive relationships between officers and elected members

The vision set out in West Lindsey District Council's Corporate Plan is *'to be a council less dependent on formula or regional grants, that is innovative in investments and achieving income in other forms to meet district needs.'*² The 'Entrepreneurial Council with a social enterprise mindset' is the concept that West Lindsey have developed to redefine the role of the local authority focusing on efficiencies, citizen action and diversifying sources of income. A difficult local government finance settlement and internal challenges³, combined with the arrival of a new leadership team, triggered a conversation within the organisation about how best to tackle these internal and external challenges. Since embarking upon this transformation programme, the authority have **sustained frontline services, invested in local communities and avoided redundancies.**

Priority has been given to fostering a social enterprise mindset throughout the organisation. Significant levels of finance (£400,000) have been invested in area managers and community action officers to develop the capacity of the local community. Volunteers are fully trained, their roles are clearly defined, and they work in close collaboration with council staff to add value to public service delivery where appropriate. Crucial to facilitating this new way of working has been a commitment to valuing and developing the workforce, as the Chief Executive explains: *"redundancies have been*

² West Lindsey District Council (2011) 'Corporate Plan', available at <http://www.west-lindsey.gov.uk/your-council/how-the-council-works/key-plans-policies-and-strategies/corporate-plan/105221.article?tab=downloads>, last accessed 10 May 2012.

³ In 2009, the Audit Commission intervened at West Lindsey citing corporate governance issues, available at http://committee.west-lindsey.gov.uk/comm_mins/documents/CL/Reports/CL0327R.pdf, last accessed 10 May 2012.

avoided whilst staff have been multi-skilled in order to increase their employability." This multi-skilling has involved increasing the commercial and financial skills of managers and enhancing the community development skills of all officers. These efforts have been consolidated by the development of an agreed set of values to which all staff and elected members work, brokering a new set of positive relationships between these two groups.

Employees are instilled with the importance of developing innovative approaches to service delivery, seeking out opportunities to generate income thus ensuring that the local authority provides high quality public services and continues to tackle complex social problems at a time when there is less funding available through grants. As the Chief Executive explains: *"a key pillar of our income and trading strategy is selling services where the in-house expertise exists."* Efforts to move towards a more commercial approach have been consolidated by improvements to the efficiency, productivity and effectiveness of services. To give just one example, the refuse and street cleansing service has been re-engineered, re-assigning labour requirements at different points in the collection process and rationalising recycling points, which has resulted in a net reduction in the cost of the service.

West Lindsey's track record of generating income through selling services and changing the culture of the organisation provides an excellent basis for building upon their transformation journey thus far. Critical to taking West Lindsey's concept of the 'Entrepreneurial Council' to the next stage will be moving further towards an investment approach to tackling social issues and developing a more comprehensive income and trading strategy.

Key facts and figures:

- Net savings delivered between 2009/10 and 2011/12 are £2,132,000
- Net proposed savings due to be delivered between 2009/10 and 2012/13 are £2,735,000

Tayside Contracts: Sharing services across boundaries

Key lessons and features:

- Learning from existing good practice
- Seeing re-organisation as an opportunity
- Exploiting a facilitative legal framework
- A senior management team that play the role of catalysts and stewards, driving forward entrepreneurship across the organisation and facilitating interactions between the three authorities
- Clear model of shared benefits
- Assured democratic accountability through joint committee
- Pre-empting and addressing of risk
- Ethos of social entrepreneurship amongst staff
- Effective partnering with trade unions and training and career opportunities
- Pro-active attitude to expansion and diversification

Tayside Contracts is the commercial trading arm of Angus Council, Dundee City Council and Perth and Kinross Council. The organisation employs 2500 staff who provide catering, cleaning, roads maintenance and winter maintenance throughout the Tayside area of Scotland. It provides a breadth of services:

- The catering arm of Tayside Contracts provides school meals and breakfast clubs across Tayside and welfare meals to the Dundee area.
- The cleaning arm of Tayside Contracts provides cleaning services to schools and buildings.
- The construction division of the business provides a wide range of services including roads maintenance, winter maintenance, emergency response, cyclic and routine maintenance, quarry products as well as recycling and waste minimisation.

- The transport arm of the business provides services in fleet management and vehicle maintenance.

Tayside Contracts emerged from a successful income-generating Direct Labour Organisation (DLO), a local authority in-house organisation which provided roads maintenance for the Tayside area of Scotland. At the re-organisation of Scottish local government, the Chief Executives of the three new authorities took the decision to keep Tayside Contracts together as it was successfully delivering services across all their areas. Section 56(5) of the Local Government (Scotland) Act 1973 provided the legal framework for Tayside Contracts by allowing two or more local authorities to set up a Joint Committee⁴ to deliver any of their functions. The Joint Committee ensures democratic oversight and accountability, composed as it is of eighteen elected members proportionately from the three councils, with its leadership rotated annually.

For legal reasons one of the authorities has to be deemed to be the employing authority and it was agreed that Dundee City Council would fulfil this role. However, under the terms of the minute of agreement establishing Tayside Contracts full powers have been delegated to the Joint Committee to enable it to act as though it is the sole employer of all the employees. The Managing Director of Tayside Contracts has delegated authority to appoint new employees, determine the terms and conditions of employment, which are different from any of the three authorities, and enter into contracts for work.

The percentage ownership of Tayside Contracts is calculated according to the sources of its income, which currently works out as 31% from Angus Council, 31% from Dundee City Council and 38% from Perth and Kinross Council. This is subject to re-calculation every three years. The organisational model developed by Tayside Contracts has ensured that objectives are shared across all three local authorities, as the current convenor of the Joint Committee emphasises: *“we all have a main aim: it’s for the betterment of the three councils.”*

Priority has been given to developing a cohesive ethos amongst staff, as one senior manager reasons: *“it [success] comes down to people’s attitude as much as anything: everybody knows everybody else, people work with each other very well, there’s no real kind of silos or inter-departmental friction.”* Employees are encouraged to combine effective and consistent service provision with an ethos of social entrepreneurship, focusing on generating a surplus for re-investment. Crucial in facilitating this cohesion has been the relationship between in-house support services and the UNISON, UNITE and GMB unions who together have effectively addressed the significant issue of equal pay. The Corporate Management Team have consolidated these efforts and demonstrated their commitment to the workforce through offering a range of training and career progression opportunities, as one facilities manager illustrates: *“the scope for progression within Tayside Contracts is excellent ... we promote from within. We have catering assistants that regularly become cooks in charge and cooks in charge that regularly become supervisors and area managers.”*

Tayside Contracts have worked as part of Tayside Procurement Consortium to develop innovative procurement practices aimed at encouraging local economic development. The organisation engages with small local companies, assisting them to access local markets and providing them with a platform from which to expand. As one senior manager explains: *“a few years ago we worked with a small company who didn’t know how to get into the fruit and vegetable market within Tayside. This company started out as a small family business and have gone on to supply fruit and vegetables right across Scotland with Tayside Contracts now being one of their major customers.”* Indeed, Tayside Contracts were nationally recognised for outstanding achievement at the Annual National Excellence in Public Procurement Awards 2010. The Judges commented that Tayside Procurement Consortium *“was a good example of an organisation sharing its experience to benefit others and that it showed the potential that a shared model can realise.”*

Tayside Contracts’ track-record of innovation and frontline service delivery offers an excellent model and foundation for expansion into other services (such as vehicle maintenance) and for new forms of collaboration with other public bodies. Since 1996, Tayside Contracts has returned £14.5 million to the three local authorities in the form of surpluses. As one operational manager asserted: *“there’s lots of benefits to having those types of services provided by an organisation like Tayside Contracts.”*

⁴ For details on the governance arrangements of Tayside Contracts Joint Committee, see <http://www.tayside-contracts.co.uk/jointcommittee.cfm>, last accessed 16 December 2011.

Key facts and figures:

- Employs 2500 staff
- Annual turnover of £66 million
- Catering unit provides 4.1 million meals a year to 260 catering establishments, generating over £12.4 million of turnover per annum
- Cleaning unit cleans 3.23 million square metres per week at 430 establishments, generating £10.5 million of turnover per annum
- Construction unit works out of 6 major depots, generating over £43 million of turnover per annum
- Transport services deal with 420 vehicles and 200 pieces of plant
- Provides all support services in-house, employing 75 staff
- Since 1996, Tayside Contracts has invested over £25 million back into the organisation

Wrexham Council: Solar PV renewable energy scheme

Key Lessons and Feature:

- Green income generation
- Retained housing stock
- Financial incentives through the government's feed-in tariffs scheme
- Carbon reduction prioritised corporately
- Engaging with the local community to seek their buy-in
- An enthusiastic project manager who combines the roles of catalyst, mediator and steward, ensuring that the project team have the tools they need to act as 'deliverers'
- Seeing opportunities to benefit the local economy
- Valuing and developing the workforce
- Pre-empting and addressing of risk
- 'Can-do' attitude to expanding and diversifying the scope of the project

Wrexham Council have invested **£27 million** in implementing a renewable energy scheme utilising solar panels aimed at reducing the carbon footprint of the local area and generating a guaranteed and sustainable source of surplus income for the local authority. The project involves installing solar photo voltaic technology⁵ onto three thousand council owned properties, taking advantage of the government backed feed-in tariffs scheme which pays a sum of money to the producers of renewable electricity.⁶ The project is expected to **reduce the amount of CO2 emitted by around three thousand tonnes each year and generate up to £1 million a year for the next twenty-five years**. The project will also help to alleviate fuel poverty amongst council tenants by reducing electricity bills by between £100 and £300 per property per year.

From an early stage of the project, priority has been given to gaining the buy-in of the local community. Key stakeholders working on the project were made aware of the importance of engaging with all tenants in Wrexham. Indeed, when the local authority selected a contractor to deliver the project, they were looking for a company that could evidence the importance of engaging with tenants. The contractor that they ultimately appointed actually employed a number of tenant liaison officers whose role was to talk to tenants, explain how the process of having solar PV fitted would work and alleviate any of their concerns. A strong emphasis was placed on engaging with all tenants including those who were eligible for solar PV as well as those who were not.⁷ As one manager argues: "we ran a

⁵ Solar photovoltaics capture the sun's energy using photovoltaic cells, which convert the sunlight into electricity.

⁶ DECC (2009) Feed In Tariff Payment Rate Table, available at <http://www.decc.gov.uk/assets/decc/11/meeting-energy-demand/renewable-energy/5386-government-response-to-consultation-on-comprehensi.pdf>, accessed 16 July 2012.

⁷ Eligibility for solar PV was determined through an ongoing process based on surveying each property to ensure that it was structurally suitable, liaising with Scottish Power who are responsible for managing the electrical network in Wrexham and contacting tenants to ensure that they want to have PV installed.

series of focus groups with tenants, this reinforced the importance of demonstrating that all of Wrexham's tenants will benefit from the project." As a result of these focus groups, a green doctor scheme was put in place providing green energy advice and installing energy efficiency measures to those residents whose properties were not eligible for solar PV.

Wrexham's scheme is particularly innovative because it has used renewable energy as a catalyst to build on the council's community leadership role, delivering wider benefits by stimulating employment, training, skills and local supply chains. It endorses the tangible economic and social benefits of renewable energy schemes whereby every £1 of investment in a solar energy scheme generates £2.90 in cashable benefits. The return on investment may drop to £1.50 or £1.30 following changes to feed-in tariffs but a return on investment of 4-5% still represents a reasonable return when compared to other potential alternative investment choices (APSE 2012: 5). Falling equipment costs are also likely over time to reduce the initial investment required for schemes.

As suggested above, the procurement process put in place strategic conditions for the successful delivery of the project. Part of the procurement process was the stipulation of a preference for organisations that could demonstrate a commitment to training and apprenticeships, giving priority, as one manager emphasises, to "upskilling local residents and giving work placements to local people that have recently been made redundant." The project has consolidated these efforts by offering staff employed by Wrexham Council a range of opportunities to progress their careers and develop new skill sets. One manager thus set out that: "going forward our in-house electricians are going to be responsible for the ongoing maintenance and repairs of the equipment which gives them an added area of expertise."

Wrexham's track record of investment and successful delivery of a renewable energy scheme, when combined with falling prices of equipment, puts it in a strong position to expand and deliver further green energy projects in the future. Commenting on the organisational knowledge now in place, one manager asserted: "we've got a four year framework in place, if the prices of equipment continue to come down, we could quite quickly do a project for another 1000 or 2000 properties."

Key facts and figures:

- Installation of solar PV onto 3000 council owned properties
- Reduces CO₂ emissions by 3000 tonnes a year
- Reduces electricity bills for council tenants by between £100 and £300 per property per year
- Generates an average of £1m a year of surplus income to the Council for the next 25 years
- Total cost of project: £27 million

Shire Services: Generating income through delivering catering and cleaning services across boundaries

Key lessons and features:

- Income generation
- Facilitative legal framework
- Operational managers act as catalysts, championing an entrepreneurial, commercial culture across the organisation
- Risk taken into account and addressed through the business model
- Benchmarking against the private sector
- Customer-focused commercial culture amongst staff
- Pro-active approach to attracting external business
- Operate as a welfare service with a clear not-for-profit ethos where profits are reinvested back into the service

Shire Services is an in-house catering and cleaning unit within Shropshire Council. The organisation provides catering and cleaning services to over 160 schools across Shropshire and over 50 schools

across neighbouring counties. Its vision is *'to provide quality catering and cleaning services to customers, in a safe and healthy environment.'* On an annual basis, Shire Services generates **£10.2 million of turnover across Shropshire**, whilst the **total turnover of its external services is £3 million**.

Shire Services is built on the model of a commercially-focused, income-generating, traded service operating within a local authority. The point at which schools across the border in Hereford and Worcester started to tender out their school meals service was identified by operational managers as a timely moment to expand the geographical scope of Shire Services outside of the Shropshire boundaries. Section 1(1) of the Local Authorities (Goods and Services) Act 1970 provided the legal framework for Shire Services by allowing one local authority to enter into a contractual agreement to deliver services to another local authority or public body. Agreements with smaller schools are facilitated through loose service level agreements which set out expectations and responsibilities.

Within its overall framework of income generation, Shire Services retains a not-for-profit ethos where the income generated from the more profitable parts of the business support the more expensive elements of the service such as providing primary school meals. Indeed, the average size of one of their primary schools is about one hundred pupils. It costs around 5p more to provide each meal than is actually charged and there is no additional cost picked up by the primary schools. The organisational model developed by Shire Services has ensured that surpluses are shared with the schools, as one operational manager explains: *"any profits generated get put back into the service in the form of investment."*

Priority has been given to developing a commercial culture amongst staff, which has been aided by the opportunity of income generation. In the words of one operational manager: *"that ability to generate our own income has developed a more commercial culture amongst the staff, making sure that what they do is customer based and client facing."* Throughout all levels of the organisation, employees combine the provision of a high quality catering and cleaning service with a 'business like' attitude, focusing on generating a profit for re-investment in services. Equally crucial in facilitating this culture have been entrepreneurial operational managers who take a pro-active approach to attracting external business. As one manager illustrates: *"we're now actively seeking schools looking to go out to tender, this year we took on a new school in North Wales, we're getting the work and we're keeping the work."*

These efforts are consolidated through a business model which measures success through the capacity of Shire Services to compete against the private sector for work. Performance is thus measured in terms of whether the organisation continues to win contracts against the private sector, as one manager emphasises: *"if we hadn't made efficiencies and kept improving our profitability, we wouldn't have been able to win these contracts."* Critical to creating an environment where innovation can flourish has been the development of a business model which identifies and addresses risk at an early stage, such that when Shire Services *"are looking at new business, even before we agree to tender we'll run it through our business model and if it doesn't pass the test first time then we won't tender for it, we're very careful about the types of school that we are actually bidding for."*

Shire Services competitive advantage of delivering effective, efficient services at low risk to their customers offers an excellent platform from which to expand into other areas and increase its market share, particularly in markets such as total facilities management contracts incorporating catering and cleaning. One operational manager explained that in the current climate *"there seems to be a lot of available business at the minute, clusters of schools that are looking to change catering providers, they are attracted by the stability we offer as a local authority service."*

Key facts and figures:

- Employ approximately 1500 staff
- Operate out of over 160 catering locations in Shropshire
- Operate out of over 50 schools in neighbouring counties
- Total turnover of the service within Shropshire is £10.2 million
- Total turnover of the external service is £3 million per annum

Hertsmere Council: Generating income through Elstree Studios

Key lessons and features:

- Generating income through investing in local industry
- Community driven campaign
- Facilitative legal framework
- Focus on protecting local industry
- Senior managers act as catalysts, combining an entrepreneurial attitude with a view of what is best for the local area
- Assured democratic accountability
- Clear model of benefits for the local authority
- Drawing in external skills
- Considered approach to expansion, protecting both the studios and the local authority from excessive risk

Elstree Studios are owned by Hertsmere Council who in 1996 took the decision to invest in the studios, refurbishing the site and building two new sound stages. The studios house a production village which provides facilities for making films, television programmes, commercials and rehearsals. On an annual basis, the studios generate £1.1 million of rent for Hertsmere Council which is reinvested in local services. Priority has been given to maximising the impact of the studios on the local economy, as one senior manager sets out: *"it's not just a piece of land, it generates wealth and employment in the local area, we know that in 2009/10, the studios brought £17 million into the Hertfordshire area and £34 million into the wider South East region."*

Concern of the impact of a downturn in the British film industry triggered a community-led 'Save our Studios' campaign leading to senior managers and elected members taking the decision to invest £12 million in the studios in order to protect a local industry. Section 111(1) of the Local Government Act 1972 provided the legal framework for Hertsmere Council to acquire the studios by allowing a local authority to do anything (including acquiring property) to facilitate the discharge of any of their functions. The studios are managed by a separate company - Elstree Film Studios Ltd - which is a company limited by guarantee with all the shares owned by Hertsmere Council. The Company's Board of Directors provides clear democratic accountability by being made up of five elected members appointed on a cross-party basis with support provided by Hertsmere Council's director of resources.

Senior managers combine an entrepreneurial ethos with a strong sense of public value, focusing on using the studios to generate income for re-investment in local services, as illustrated by one member of staff: *"we have a mixed property portfolio consisting of commercial assets and community assets so that we can get the rent in to support the community assets."*

One critical condition in facilitating an environment where the studios can thrive has been the input of key individuals and the expertise that they bring, particularly the managing director who has over twenty years of experience in the television and film industry. Bringing in such external expertise has had significant impacts, as one senior manager asserted, *"we've picked up as he has the right connections and contacts and is full of passion and energy for the industry."*

Critical again to the creation of an environment where innovation can flourish has been the development of a business model which protects against risk. A strong emphasis is placed on both bringing in new clients and retaining old ones, thus ensuring that the business does not become overly-dependent on delivering any one contract and retains a strong position in any commercial negotiations. The Managing Director of Elstree studios put it this way: *"when running the studios, you can get very content with regular business but that's really dangerous, so what we've tried to do is spread it so that we're not dependent on any one particular client."*

Elstree Studios has established a track record of generating significant levels of income, delivering benefits to the local economy and attracting internationally renowned films, for example The King's Speech. This provides an excellent basis for careful expansion and consolidation of their market

position. As explained by the Managing Director of the studios: “we’ve had a record year this year, in spite of the recession, we are very busy.”

Key facts and figures:

- Initial upfront investment from Hertsmere Council of £12 million
- Over 1000 people are employed at Elstree Studios with a further 1500 casual jobs created through studio events
- In 2009/10, the studios brought in £17 million into Hertfordshire and £34 million into the wider South East region
- Generates £1.1 million of income for Hertsmere Council on an annual basis

Kingstown Works Limited: A Hull City Council wholly-owned local authority company

Key lessons and features:

- Wholly-owned local authority company
- Facilitative legal framework - ‘Teckal’ exemption
- Tight financial controls
- Assured democratic accountability
- Entrepreneurial Business Leader, acting as a catalyst and symbol of change
- Supporting public service ethos
- Focus on benefiting the local economy
- Pro-active flexible approach to expansion

Kingstown Works Limited (KWL) is a local authority company delivering building maintenance and repairs works primarily to Hull City Council but they also trade with other local councils and housing associations. **Since 2008, KWL has returned over £3 million to Hull City Council in the form of surpluses.**

KWL is built on the model of a successful income generating company wholly-owned by the local authority. The subjection of Hull City Council’s repairs and maintenance service to open competition was identified as a timely moment to set up a company to provide services to the local authority. The ‘Teckal’ exemption⁸ provided the legal framework for Hull City Council by allowing them to establish a company to provide services to themselves, reserving certain works to that newly created company.

KWL is a company controlled⁹ by Hull City Council which is the sole shareholder. Democratic accountability is ensured through the Kingstown Works Limited Shareholding Committee which receives reports from the board of KWL which is itself made up of eight elected members from Hull City Council. The organisational model developed by KWL prioritises tight financial controls ensuring that the company has the freedom to innovate and bid for work as it arises within an overall framework of democratic accountability. Indeed, one important condition of its success, as recognised by its Business Leader, is that the board offers an effective challenge and scrutiny to senior management.

Employees are instilled with the importance of taking an entrepreneurial approach to service delivery combining a private sector approach with a supporting public service ethos. Recently, KWL have taken advantage of opportunities to move into the renewable energy market by developing expertise in installing and maintaining Solar PV panels on domestic properties. Crucial in facilitating the development of an entrepreneurial, innovative approach has been KWL’s buying power as one senior manager explains: “our buying power has allowed us to provide competitively priced solutions

⁸ The ‘Teckal’ exemption allows contracts to be granted without competition provided that certain tests are met. The local authority exercises over the person concerned a control which is similar to that which it exercises over its own departments. At the same time, that person carries out an essential part of its activities within the controlling authority, available at http://www.localpartnerships.org.uk/userfiles/file/Publications/Enterprising_councils.pdf, last accessed 01 April 2012.

⁹ ‘Controlled’ as defined in Section 68 of the Local Government and Housing Act 1989, which sets out the criteria for a company to be considered ‘controlled’ or ‘influenced’ by the local authority, available at <http://www.legislation.gov.uk/ukpga/1989/42/section/68>, last accessed 01 April 2012.

for clients who have contracted KWL for solar PV schemes and the financial strength of the business gives clients the confidence that the installer will be around long enough to ensure that the schemes are properly maintained well into the future."

Priority has been given to maximising the impact of KWL on the local economy, as one manager points out: "of our 300 or so staff 99% are local and 98% of staff employed by our subcontractors can also be found in the local area, we have recently employed our 50th apprentice and are keen to develop the skills of our existing workforce, completing over 3000 days of staff training in just four years." Indeed, KWL has put in place training opportunities and multi-skilling of its staff which has offered it a certain competitive advantage in the local employment market. The management team have put in place a widespread performance culture and bonus scheme which has, in the words of one frontline employee, "encouraged [us] to come up with solutions."

Since 2008 KWL have focused on generating income for reinvestment in local services and maximising the benefits that the company has on the local economy. This provides KWL with the grounding to expand existing areas of business such as the citywide repairs and maintenance service. As one manager asserted: "KWL have recently secured a new contract delivering repairs and gas maintenance services to over 1200 properties."

Key facts and figures:

- In 2008, KWL met 92.8% of its emergency repairs on target; by 2011 this had increased to 100%
- In 2008, KWL met 92.9% of its urgent repairs on target; by 2011 this had increased to 100%
- Between 2008 and 2011, KWL returned over £3 million to Hull City Council in the form of surpluses
- 99% of KWL's staff live within the local area
- 98% of staff employed by KWL's sub-contractors live within the local area
- In 2011, KWL employed their 50th apprentice
- KWL have completed over 3000 days of staff training in four years

City and County of Swansea: Service redesign

Lessons and key features:

- Innovation through service redesign
- Evidence-based, business case driven approach
- Use of robust performance and cost data (e.g. APSE Performance Networks)
- Building upwards from an operational level
- Minimisation of cost combined with a full appreciation of public value

Municipal entrepreneurship comes in many shapes and sizes. It is too often associated with the development of large-scale programmes. In practice, it can drive forward, as this initiative by the City and County of Swansea demonstrates, exercises in service redesign. APSE Solutions were commissioned by the City and County of Swansea to undertake a service redesign of their parks and open spaces service, assisting service managers to think entrepreneurially and improve the competitiveness of their in-house service.¹⁰

APSE's approach to service redesign typically involves identifying different processes within an authority and capturing any possible duplication of resources. By deploying a range of techniques, service redesign can cut dramatically the number of steps in the supply chain, make significant savings and improve the experience of public service users. A successful approach centres on the relationship between **cost, price and value** so as to reduce budgets whilst protecting vital frontline services.

¹⁰ APSE (2011) City and County of Swansea – case study, available at <http://www.apse.org.uk/consultancy/index.html>, last accessed 17 July 2012.

The objectives of the service reviews were fourfold:

- To establish whether the current in-house service provision is delivering **value for money**
- To identify the **added value** features of the services and associated costs
- To identify options for further **efficiencies**
- To undertake an **options appraisal** incorporating an assessment of alternative service delivery models to identify how the organisation can best meet future challenges and opportunities

APSE established that Swansea's in-house grounds maintenance unit provides a value for money service, benefiting from strong leadership, a motivated workforce and an effective productivity related bonus scheme. However, the recommended reprogramming of working hours to meet the seasonal variations of grounds maintenance operations should result in a reduction in demand for seasonal part-time staff with **potential cost savings in excess of £50,000 a year**. Increasing the utilisation of machinery and thereby reducing the number of units of machinery used by about 10-15 will deliver **potential cost savings of up to £100,000**. In addition, the sale of any surplus items will also generate income.

Improving productivity also formed an important part of this particular service redesign project as the performance-related pay bonus scheme that the council had in place was operating on productivity values established by time and motion studies that took place over twenty years ago. APSE recommended that the times for selective tasks be re-measured and the unproductive allowance applied to the measured times of 25% should be reassessed with a view to reducing it to 20%.

Key facts and figures:

- Potential generation of £155,000 of efficiency savings per year
- Potential productivity increase of 5%

Conclusions

Local authorities have often been criticised for their failure to innovate, widely condemned as lacking the entrepreneurship that can be found in the private and voluntary sectors. This report has sought to challenge these preconceptions by demonstrating the entrepreneurship and innovative practices that are championed across local authorities. This is not to denigrate private sector providers or the work of voluntary and community groups. Rather, it is to argue simply that understandings of innovation and entrepreneurship which confine such practices to any other sector but the public sector need to be rebalanced. In short, local authorities do pursue innovative changes to service delivery; they can and do take risks and invest in entrepreneurial activities. Innovation thus flows between private, public, voluntary and community sectors.

In capturing such innovation and entrepreneurship, the report equally sought to offer guidance on how local authorities might address the challenges of delivering high quality public services in an era of increasing financial constraints. It aimed to disseminate best practice by demonstrating through a series of case studies the ways in which APSE member authorities are innovating to make services more commercially viable by reducing costs and generating additional income. Innovative practices and projects offer local authorities the opportunity to fulfil their community leadership role delivering wider social, economic and environmental benefits. Indeed, evidence from the case studies showed that local authorities can use innovation as a way to 'steward' local economies by stimulating local industry, employment and skills – this is particularly the case in terms of the 'transition to a green economy (Monaghan, 2012).

Against this background, this conclusion reviews the key research findings from the study and reflects upon their wider implications for local government service delivery. It first sets out the lessons for local authorities in leading collaborative innovation or stimulating entrepreneurship before offering a word of caution over the prospects for innovation and entrepreneurship.

Lessons for practice: municipal entrepreneurship in action

What counts as innovation and entrepreneurship in practice is open to interpretation. It takes on different meanings in different contexts, with programmes often retrospectively named as innovative once implemented and achieving efficiencies. There are equally different forms of innovation; it does not have to be radical transformation and can revolve around incremental change or the borrowing of best practice from elsewhere. Such questions of definition reveal the politics of local transformation that surround innovative changes to service delivery. Nonetheless, the case studies examined confirm a number of lessons for those engaged in innovation and public entrepreneurship within local authorities. These key lessons can be summarised as follows:

- Entrepreneurial managers can foster a commercial culture amongst staff. Taking a pro-active attitude to expansion and diversification drives forward innovation.
- A commitment to valuing and developing the workforce can go hand-in-hand with public entrepreneurship.
- Focus on income generation as a means of triggering additional investment in local services.
- Assure democratic accountability and oversight of new public organisations.
- Pre-empt and address risk within the business model.
- Explore existing legal powers as a means of catalysing entrepreneurial activities.
- Take full advantage of entrepreneurial opportunities to act as stewards of local economies and communities.

Policy guidance for local authorities

Against this background, four key factors emerge in the processes of managing the innovation cycle and tapping fully into the entrepreneurship across local authorities:

- Think collaboratively
- Make the most of your windows of opportunity
- Tap into strategically placed policy entrepreneurs or champions

- Embed innovation and change

Here we set out what this might mean in practice:

Think collaboratively

In the context of the public sector, innovation and entrepreneurship are increasingly the outcome of collaborative endeavours. Collaboration brings with it competitive advantages. At the very least it brings in new ideas and can challenge existing practices whilst mobilising new resources. Indeed, local authorities as 'Ensuring Councils' are ideally placed to undertake and facilitate such collaborative working. Collaborative working can take on a variety of different forms, be it working across boundaries, collaborating with voluntary and community groups or engaging with frontline staff.

Make the most of your windows of opportunity

New ideas and ways of working often take hold at moments of organisational crisis, when established operating codes and routines no longer offer the quality of services that they previously did. Such moments in the running of a council can be 'windows of opportunity' for introducing new programmes and solutions. In many of the cases studied here such political and economic contexts played a critical role in legitimising and garnering support for change. In short, shifting political and economic contexts matter and can be one of the conditions of destabilising established mindsets, opening up the possibility to reframe service delivery.

Tap into strategically-placed policy entrepreneurs or champions

Of course, such 'windows' of transformation have to be grasped and made sense of by individuals. They do not automatically lead to innovation or present themselves as opening up entrepreneurial paths of action. In each of the cases studied in this report, key individuals intervened at strategically critical stages of the project in order to drive it forward. These interventions took on different roles, with individuals acting as stewards, mediators and catalysts. One of the important tasks these individuals undertook was to forge what we term the 'problem-solution' dynamic, which was to make sense of the current situation, and couple it to an innovative solution, which they might well have brought in and translated into their organisation from elsewhere. In fulfilling this task, individuals can come to symbolise the innovative and entrepreneurial culture that they look to generate.

In fact, local officers and elected members should look to identify individuals who might fulfil the roles not only of catalysts, stewards, mediators, but also of deliverers. While existing accounts stress the role of catalysts in identifying opportunities, stewards in facilitating dialogue and mediators in resolving conflicts, this study also points to the role of deliverers in assuring outcomes and service improvement in the processes of municipal entrepreneurship. Understanding public entrepreneurship as a function, senior management teams might therefore consider whether there are sufficient spaces or support for such individuals to emerge across organisations.

Embed innovation and change

Innovations have to be disseminated and embedded within local authorities and partner organisations. The case studies bring to the surface the importance of generating a culture of innovation and entrepreneurship across councils. Where innovation developed successfully, staff were commercially focused and worked within an overall framework of income generation, but this was combined with support for a not-for-profit ethos delivering improved local services. Indeed, a critical success factor for fostering innovation and gaining the buy-in of staff is to value and develop the workforce, offering them a range of training and career progression opportunities.

Certain case study authorities spread this culture to their partners in the voluntary sector. Others sought to appoint business managers from the private sector. In fact, institutional rules came into play with new forms of accountability and performance and shifting funding arrangements all generating or supporting cultural shifts in the organisation. Importantly, evidence from the case studies demonstrates that ensuring democratic accountability to local elected members and taking a proactive approach to pre-empting and dealing with risk equally contributes to the creation of an environment in which staff have the freedom to innovate.

Summary of elements of a cultural shift to municipal entrepreneurship

- Priority should be given to fostering cultural change throughout the organisation, so that innovation is prioritised corporately but also develops from the frontline.
- Working to an ethos of social entrepreneurship is important, where staff focus on generating income for re-investment in local services.
- A strong emphasis should be placed on valuing and developing the workforce, providing frontline staff and managers with the right environment and tools to drive innovation.
- Governance arrangements should ensure democratic accountability, providing clear opportunities for scrutiny.
- The public sector should use innovation as a catalyst to build on its community leadership role, delivering wider social, economic and environmental benefits.

A word of caution

Much of the current appeal of entrepreneurship and innovation lies in its promise of delivering efficiency savings without cuts to local public services. Local authorities need to be cautious when faced with such claims. Innovation and entrepreneurship can, as this report demonstrates, offer significant savings and service improvements. However, innovation is not a quick fix solution to the many complex pressures that public sector organisations face. Innovation can end in failure, which has implications for the public sector in terms of both accountability and risk. And finally there are always 'losers' in any innovation so authorities should consider the costs of innovation as well as the benefits.

But with these few words in mind, this report has demonstrated the innovative and entrepreneurial capacity of local government to transform the delivery of public services. Such initiatives deserve consideration by all, not least those who have consistently constructed other sectors as having the monopoly on entrepreneurship. ***In short, local government can be entrepreneurial and innovative too.***



**CAUTION
INNOVATION IS NOT A
QUICK-FIX SOLUTION**

References

- Agger, A. and Sørensen, E. (2012) *Enhancing Collaborative Policy Innovation: A Case Study from Denmark*, paper presented to paper presented to XVI IRSPM conference, Rome, 11-13 April.
- Ansell, C. and Gash, A. (2008) 'Collaborative Governance in Theory and Practice', *Journal of Public Administration Research and Theory*, 18(4): 543-571.
- Ansell, C. and Gash, A. (2012) 'Stewards, Mediators and Catalysts: Towards a Model of Collaborative Leadership', *The Innovation Journal – The Public Sector Innovation Journal*, 17(1), art. 7, available at http://www.innovation.cc/scholarly-style/christoffer_ansell_alison_editit_v17i1a7.pdf.
- Association for Public Service Excellence (2012) *The Ensuring Council: An Alternative Vision for the Future of Local Government*, Manchester: APSE.
- Association for Public Service Excellence (2012) *Powerful impacts: Exploring the economic and social benefits of renewable energy schemes*, Manchester: APSE
- Bommert, B. (2010) 'Collaborative Innovation in the Public Sector', *International Public Management Review*, 11 (1): 16-33.
- Borins, S. (2002) 'Leadership and innovation in the public sector', *Leadership & Organization Development Journal*, 23 (8): 467-476.
- Christensen, T. and Lægreid, P. (2001) *New Public Management: the Transformation of Ideas and Practice*, Aldershot: Ashgate.
- Department for Communities and Local Government and Local Government Association (2008) *National Improvement and Efficiency Strategy*, London: CLG.
- Department for Communities and Local Government (2010) *Decentralisation and the Localism Bill: An Essential Guide*, London: CLG.
- Department for Innovation, Universities and Skills (2008) *Innovation Nation White Paper*, Cm 7345, London: TSO.
- Flyvbjerg, B. (2006) 'Five Misunderstandings About Case-Study Research', *Qualitative Inquiry*, 12 (2): 219-245.
- Gibson, A. (2010) Local by Social. How Local Authorities Can Use Social Media to Achieve More For Less, London: NESTA.**
- Gillinson, S., Horne, M. and Baecq, P. (2010) *Radical Efficiency. Different, Better, Lower Cost Public Services*, London: NESTA.
- Griggs, S. and Sullivan, H. (2012) *The Rhetoric and Practices of Collaborative Innovation in UK Public Management – Towards a Critical Examination*, paper presented to XVI IRSPM conference, Rome, 11-13 April.
- Harris, M. and Albury, D. (2009), *The Innovation Imperative*, London: NESTA.
- Hartley, J. (2006) *Innovation and its Contribution to Improvement. A Review for Policy-makers, Policy Advisers, Managers and Researchers*, London: CLG.
- Hughes, A., Moore, K. and Kataria, N. (2011) *Innovation in Public Sector Organisations. A pilot survey for measuring innovation across the public sector*, London: NESTA.
- IDeA, Young Foundation and Innovation Unit (2009) *Supporting Innovation in Local Government. Lessons Learnt from the Innovation Catalyst*, London: IDeA, Young Foundation and Innovation Unit.
- Kim, Y. (2010) 'Stimulating Entrepreneurial Practices in the Public Sector. The Roles of Organisational Characteristics', *Administration & Society*, 42 (7): 780-814.
- Klein, P.G., Mahoney, J.T., McGahan, A.M. and Pitelis, C.N. (2010) 'Toward a Theory of Public Entrepreneurship', *European Management Review*, 7: 1-15.
- Mazzucato, M. (2011) *The Entrepreneurial State*, London: Demos.
- Monaghan, P. (2012) *The Transition to a Green Economy: The Vital Role of the Ensuring Council*, Manchester: APSE.
- Moore, M. and Hartley, J. (2010) 'Innovations in Governance. The New Public Governance?' in S. Osborne (Ed.) *Emerging Perspectives on the Theory and Practice of Public Governance*, London: Routledge, pp. 52-71.
- Mulgan, G. and Albury, D. (2003) *Innovation in the Public Sector*, ver 1.9 October, London: Strategy Unit.
- Osborne, S.P. (1998) *Voluntary Organizations and Innovation in Public Services*, London: Routledge.
- Osborne, S.P. and Brown, L. (2011a) 'Innovation in Public Services: Engaging with Risk', *Public Money & Management*, 31 (1): 4-6.
- Osborne, S.P. and Brown, L. (2011b) 'Innovation, Public Policy and Public Services Delivery in the UK: The Word that Would be King?', *Public Administration*, 89 (4): 1335-1350.
- Parker, S. (2009) 'Introduction' in S. Parker (Ed.) *More Than Good Ideas: the Power of Innovation in Local Government*, London: Beacon Scheme, IDeA and NESTA, pp. 14-22.
- Pollitt, C. and Hupe, P. (2009) 'Talking Governance: The Role of Magic Concepts', paper presented to EGPA Study Group on Performance in the Public Sector, EGPA conference, Saint Julian's Malta, September 02-05.
- Sørensen, E. and Torfing, J. (2011) 'Enhancing Collaborative Innovation in the Public Sector', *Administration & Society* 43(8): 842-868.
- Sullivan, H. and Turner, R. (2010) *Long Term Evaluation of LAAs and LSPs. Final Report of Collaboration, Innovation and Value for Money Call Down Project*, London: CLG.
- Swilling, M. (2011) 'Greening Public Value: The Sustainability Challenge', in J. Benington and M.H. Moore (Eds.) *Public Value Theory and Practice*, Basingstoke: Palgrave Macmillan, pp. 89-111.
- Walker, R.M., Jeanes, E. and Rowlands, R. (2002) 'Measuring Innovation—Applying the Literature Based Innovation Output Indicator to Public Services', *Public Administration*, 80 (1): 201-214.
- Willis, R., Cheung, J., Jeffares, S., Johnson, R., Turner, R. and Sullivan, H. (2010) *Long Term Evaluation of LAAs and LSPs, Collaboration, Innovation and Value for Money Call Down Project, Appendix 4 Case Study Reports*, London: CLG.
- Wilson, R. and Townsend, T. (2011) *Catching the Wave. The State of Local Authority Innovation in the UK and the Creative Councils Programme*, London: NESTA and Local Government Group.
- Zerbinati, S. and Souitaris, V. (2005) 'Entrepreneurship in the public sector: a framework of analysis in European local governments', *Entrepreneurship & Regional Development*, 17 (1): 43-64.

LOCAL SERVICES LOCAL SOLUTIONS

PRICE	
APSE Members	£20.00
APSE Non-members	£40.00

Association for Public Service Excellence
2nd floor Washbrook House
Talbot Road, Manchester M32 0FP

telephone: 0161 772 1810
fax: 0161 772 1811