Walsall Borough Council

Strategic Review:
Options for the Administration of the Welfare Rights Service

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MANAGEMENT SUMMARY

Working with Walsall on this assignment has been a pleasure. We have been able to observe at first hand the innovative service provision developed under the welfare rights service. This goes far beyond the basic reactive welfare advice that one commonly finds. The broader service portfolio available to the council is one of the key aspects to be considered in the formulation of future strategy. We describe current service provision in Section 2.

The core services that are within the capabilities of the team are not doubted and the welfare rights service is clearly fit for purpose. The challenge before the council is how to plan for the continued structural management of the service and how to ensure that service provision can continue, thrive and grow in line with planned for and agreed mutual outcomes.

In our view, the council must separate the operational matters from the strategic to achieve this aim. The operational questions that must be determined, and that we have expanded on in Section 6, should be answered before the council considers how the service is delivered. Before considering whether trust status represents the best way forward, the council and key stakeholders should determine what services are required from the welfare rights service; how they will be financed; what performance targets will be used to manage and monitor outcomes; and how the operation will be managed. The determination of those operational questions will place the council in a much stronger position to consider how those outcomes can be best delivered – by a trust, in-house or by a public–public partnership.

The services currently delivered by the welfare rights service, and indeed those which it has the potential to develop, demand that planned changes are, so far as possible, future proof. We expect significant change over the coming years, in terms of society, in terms of the economy, and in terms of public sector funding. The timing of the council's commissioning of this assignment could not, in some regards, be better. We explain the changing environment in which the welfare rights service operates in Section 3.

We have provided in this report a detailed analysis of the council's existing service; a description of the context for change; and a specific set of recommendations for how the council may best proceed. The work, and potential, of the welfare rights service in Walsall is beyond doubt. The challenge is to determine the appropriate changes. That will provide the necessary management architecture for the service to continue, and to grow in line with planned outcomes for the residents and customers of Walsall.

David Magor
Chief Executive, Institute of Revenues, Rating and Valuation

May 2007

1   INTRODUCTION

1.1   Background

Walsall Borough appointed consulting support to complete a review of its welfare rights service. The welfare rights service operates from its own premises, based on the Ryecroft housing estate, a few miles from the town centre and the main council offices. The service is currently managed within the corporate services directorate, under the revenues and benefits service.

The council commissioned this assignment to review the future direction of the service and to deliver:

→   increased welfare benefits take-up

→   identification and securing of additional, discretionary funding streams

→   reduced deprivation figures in Walsall and

→   increased household income for target Walsall residents.

The council identified four options for this review to consider:

→   do nothing

→   become a standalone trust

→   deliver a joint service through a consortium of local public agencies

→   deliver the service through a consortium of existing trusts.

The council's original specification for the assignment required it to be completed by 31 March 2007. As we began to complete the sitework, we identified two further options that required consideration. In view of this key change, we agreed with the council that we would complete the assignment together with a presentation of key findings to the council's scrutiny committee and use that to sample councillors' views of the amended approach that we had agreed in principle with officers.

1.2   Methodology for Assignment

The assignment has been completed by a carefully co-ordinated use of on-site evidence and off-site research. To achieve the results the council required in the time available, the research was conducted through a literature review and by selective telephone interviews with potential case studies.

To understand the Walsall perspective and current performance and aspirations, site-based evidence was gathered from senior finance staff, from key staff within the welfare rights service and from representative councillors. Finally, we agreed with the council that we would make a presentation of the emerging findings at the scrutiny committee on 12 April. This allowed us to sample, at first hand, councillors' views on the assignment in general and on the options we had identified in particular.

1.3   This Document

This document is set out under the following section headings:

Section 2 – The Welfare Rights Service

Section 3 – The External Perspective

Section 4 – Alternative Supply-side Models

Section 5 – Interim Conclusions: Models for Further Consideration

Section 6 – Modelling the Alternatives

Section 7 – Conclusions and Recommendations

2   THE WELFARE RIGHTS SERVICE

2.1   Service Overview

The welfare rights service is based in Dartmouth House, on the Ryecroft housing estate, some two miles from the town centre. The service occupies the first floor of premises shared with part of Walsall Primary Care Trust (PCT). The service has a complex history of line management with different departments and changing council priorities. It started life as two similar but different strands of activity based with the social services and housing departments respectively. In the mid 1990s the substantive style and culture of the current unit was formed within a corporate anti-poverty unit under the auspices of the chief executive's directorate. The unit is currently managed under the revenues and benefits service in the corporate services directorate.

In the following paragraphs, we describe the service and refer to the key aspects that influenced the requirements of this study. We consider both the work currently being done and the work the unit is capable of, bearing in mind the council's capacity for desired change.

2.2   Staffing

The staffing of the service is not straightforward. It may best be considered in three distinct parts:

→   permanent staff

→   temporary staff financed by specific project-based funding and

→   staff seconded to the unit under agreements with other agencies.

There are 12 **permanent staff**, comprising two senior managers, five senior officers, three welfare rights officers and two administrators. At the time of the site research, their work was supported by a series of **temporary contract staff**, whose work was funded through Neighbourhood Renewal Fund programmes and led by the welfare rights service. A total of seven staff have been funded under these contracts. Under the first phase of that project, four of their contracts were due to end on 31 March 2007, but they have been extended to September 2007. The remaining three contracts run under the second funding stream to March 2008.

Finally, there are staff whose work is done under the auspices of the welfare rights service but who are employed by other agencies the council is working in partnership with. Two are employed by the Department for Work and Pensions and work on the financial assessment and benefit team (which focuses on people over 80 years old). In addition, the council has temporarily placed some of its fairer charging team under the management of the welfare rights service.

2.3   Products and Services

A key element of this study is understanding exactly what the welfare rights service does and what developments may be possible. While some elements of the service are what one would expect, others are quite unique.

The services of the welfare rights team can be described in three distinct sets:

→ **core welfare rights services** – the reactive service which provides support with claims to individuals whose cases are referred to the centre (this is well regarded by lead members, who have seen its work at first hand)

→ **research-led welfare rights services** – services developed by the council to provide an analysis-led and intensive approach to benefits take-up and

→ **services to support older people in the community** – services developed using discretionary funding to provide support within the community.

Table 1 summarises the differences between these services and identifies possible areas of development.

Table 1: Product-set summary

Service	Customers	Possible developments
Core welfare rights services	Wide range of customers throughout the borough.	→ Improved front of house service to end over-reliance on referrals from lead members and previous customers → Take-up work in new benefit areas, and specifically in areas that the council will fund (for example housing and council tax benefit)
Research-led welfare rights services	Typically customers from areas and client groups where team has most experience	→ New work in other parts of the borough → Development of the commendable "capital rich, income poor" work → Further use of proven analytical models to develop services for new client groups and other parts of the borough → Work with young single mothers, in view of Walsall's high teenage pregnancy rate
Services to support older people in the community	Very specific client groups and areas	→ Although the most geographically and demographically targeted service, this could be the area of the most interest and benefit to residents

Core welfare rights services

These services are most clearly what one would expect from a traditional welfare rights service. They are well regarded by those who receive them and by some who refer customers. These services operate very much on the caseworker principle: once cases are allocated to particular officers, they typically maintain primary responsibility for the life of the case. High levels of input and support are typical and the team is achieving significant success with some hard to reach groups. For some groups of clients, significant funding for repeat calls and other support has achieved take-up of the full range of benefits.

Although the team can help with the whole range of welfare benefits, there is particular strength and experience in some types of benefits. Such specialisation is to be expected: the welfare state has become increasingly complex as successive governments have added new systems and rules. We return to the potential for change in the welfare state in Section 3.

The team has particular experience in attendance allowance, disability living allowance and other health-related welfare benefits. There is additionally particular experience in working with older people. The team can now think how this skill and experience can be extended into other areas.

Research-led welfare rights services

The welfare rights service takes a proactive survey-led approach to benefits take-up. This is unusual in a public sector environment and has achieved benefits take-up in hard-to-reach groups and estates.

The survey-led approach is more commonly found in other welfare rights settings, usually alongside publicity campaigns to promote take-up. While publicity campaigns will often target specific groups, rarely is the approach as co-ordinated and intensive as here.

This approach remains an interesting model and we suspect it has potential. It may be summarised as follows:

→   desk-based analysis of potential areas within the borough for surveys – the sample is typically geographically defined and has often included areas of public sector housing and high numbers of older residents

→   door-to-door interviews, with officers using their communication skills and personal experience rather than a script to explore the potential for benefits advice.

Case-based handling of potential claims and a tenacious approach to individual case follow-up and support mean that the costs of the service are high, as are the ultimate chances of success.

Clearly this service is intensive but it has consequent advantages if applied wisely to the hardest-to-reach groups. Individual cases that have entered the radar of lead members for Walsall have clearly demonstrated the advantages at a personal level of this approach. The team also has a track record of successfully completing doorstep interviews in challenging, potentially no-go estate environments. This has been achieved without threat to personal safety.

There is particular strength and experience in some areas of work above others. This is to be expected, as the welfare benefits system has become ever more complex. Particular areas of strength are:

→   working with older people

→   working in particular estates in the borough and

→   achieving particular benefits – typically health-related benefits (for example attendance allowance and disability living allowance).

The approach that has been developed is interesting, and the task at hand is to determine what the council plans to achieve within the range of welfare rights services. The linking of analysis, door-to-door services and experience in welfare benefits presents a lot of possibilities. Reaching an informed, mutually acceptable conclusion on what work should be prioritised and how outcomes should be measured and controlled will allow the service not only to show its potential but to achieve planned outcomes for the residents of Walsall.

In our view, the council should consider the following principles for the next phase of the survey-led service:

→   The service must expand beyond the estates where there has historically been success (for example Moxley and the Ryecroft).

→   The service must plan to work more with client groups where it has achieved confidence (for example older people).

→   The service must expand its record of benefits successfully won to other target benefits. Together with the council, it must consider what its role should be in relation to benefits which the council processes itself (for example council tax and housing benefits, fair charging, disabled parking and free school meals).

Having said this, the existing service remains an interesting and potentially groundbreaking approach to welfare benefits and one we are committed to helping the council reinvent it so it can achieve its full potential.

Services to support older people in the community

The service has begun to provide support to older people living in particular communities. This is funded through discretionary funding, both from government sources (the Neighbourhood Renewal and New Opportunities funds) and from local deals with council departments, tenants' groups and registered social landlords.

At one level, this element of the service's work could easily be dismissed as irrelevant to core welfare rights activity. We rather urge that the council considers:

→   whether there is a role for support for older people in the community

→   how that support should be planned and delivered

→   what role there is for developing links with the third and not-for-profit sector.

We believe that this element of the service is potentially very relevant to future council strategy and planning, given the financial framework in which public services will be operating and the service area in which this service has been developed. We return to the external factors that lead to this conclusion in Section 3.

2.4   The Welfare Rights Sector in Walsall

The welfare rights and voluntary sector in Walsall is typical of that in many larger metropolitan borough settings. There are some 30 lead organisations in the voluntary and third sector, ranging from larger national charities such as Help the Aged to truly local site or client specific interest groups. The council's plans to work with the third and not-for-profit sectors are still developing and we return to aspects of the emerging strategy later. For the moment, we shall say that it is likely

that a by-product of the council's successful work with the third and not-for-profit sectors will be that many more than 30 groups and organisations will be involved.

Welfare rights services in Walsall are provided largely by three organisations:

→   the Walsall welfare rights service

→   the Walsall Citizens Advice Bureau and

→   the Walsall Money Advice Service.

These services are separately constituted and receive funding from the council in different ways. While the welfare rights service is directly provided by the council, the Citizens Advice Bureau and Money Advice Service are funded through council grant, which can be linked to outcomes through a service level agreement.

There appears to be a reasonable understanding between the council and the agencies about the core skills and experience of each of the services. There does not seem to be significant overlap between the services. We stress that in reaching this conclusion we have not done any research with stakeholders or directly sampled customer data.

2.5 Emerging Council Strategy

Two emerging strategies are, in our view, critical to the council's desired outcomes in this service area:

→   third sector strategy and

→   anti-poverty strategy.

As the council sets its strategic approach, we suggest considering the following questions:

→   On anti-poverty strategy:

-   What does the council want to achieve?

-   What in-house and external resources are being used?

-   How much does the council spend on anti-poverty work?

-   Does the council want to rationalise or consolidate this resource?

-   How will the council measure and manage improvements?

→   On third sector strategy:

-   What relationship does the council want with the third sector?

-   Does the council want more services to be delivered by the not-for-profit sector, bearing in mind anticipated financial constraints? If so, how will the council engage with the local third sector and build its capacity?

As the strategy moves to implementation, the role of the welfare rights service should be considered. While it must be a matter for the council to determine its tactics, we would point out that the welfare rights service has the credibility and capacity to work with the third and not-for-profit sector.

2.6 Summary Propositions

We reach the following conclusions:

→ The unit has established an unusual but ultimately interesting approach to services.

→ The best way to consider the range of possible services is to consider the service in three parts.

→ We commend the three-part structure to the council to guide its decision making about the future of the service, and its answers to the following questions in particular:

- What services are desired?

- How they will be funded?

- How they will be delivered?

- Who by?

- How will performance be measured?

→ Crucially, we conclude that the council's best interests, and indeed the best interests of residents, will be served if the question of strategy (whether the unit should become a trust) is separated from the operational management matters outlined above.

→ Both the operational and strategic questions are valid and must be answered. But by separating those questions, the council will be likely to get the best results for the service and the community over the years to come.

3 THE EXTERNAL PERSPECTIVE

3.1 Introduction

This review has been done at a very interesting time for the public sector. Significant change is likely over the next few years, and that contrasts with the economic and financial stability that has characterised the last ten years.

In this section, we summarise what we consider to be the key external drivers for change. These must be considered as they relate to the strategic choices for the future of the welfare rights service.

3.2 The National Context

Financial perspective: a tightening public sector?

Two linked and important factors make the future environment for public services less certain. The first is political; the second a matter of national fiscal planning.

The political factor is that after a long period of strong political control and direction, we now find ourselves at the beginning of a new premiership. A great many political commentators have pondered the relationship between the Treasury and Number 10, while others have considered the extent to which the Treasury has influenced government departmental strategy through financial control. We do not yet know what the early strategy of the new prime minister will be.

The second factor is the extent to which public spending controls and financial settlements have hurtled up the political agenda. Whether considered from the perspective of the commissioned government reviews completed by Sir Peter Gershon or separately by David Varney, or of initiatives such as Shared Services to attempt to realise savings, or of more recent steps to control and reduce funding directly through the three-year comprehensive spending review, a common theme appears. Savings are expected to be delivered within the public sector, and services will continue within a tightening financial environment.

While the details of the future for the public sector are unclear, the headlines must surely be known: better services must be delivered more cheaply, and in some service areas, to higher numbers of users.

A particular point we want to make here pertains to discretionary funding. The welfare rights service has been successful in securing discretionary funds for local projects to be delivered under the Neighbourhood Renewal Fund. It is clearly to be commended for identifying and securing this funding. However, there is a risk that some of the funding sources that have been available over recent years will become more pressured as a result of a national tightening of public finances.

The national shared service context

The development of the national strategy at hand comes after a series of similar nationally imposed programmes of change, all of which have at their root the same basic goal – more effective use of public money. The principles are similar to those behind the Gershon review, best value, compulsory and voluntary competitive tendering, and the importing from the United States of value for money and the three Es (economy, efficiency and effectiveness) in the early 1980s.

The reasons for the current Shared Service agenda have a history of more than 25 years. What could be argued to be different this time is the desire and the need to implement real and sustainable change.

Changing government administrative systems

If the savings and improvement agenda is capable of being summarised, the shape of further potential change within the national administrative framework is less well defined. We note the high rate of change in national administration systems for welfare benefits over the last 16 years.

It has to be assumed that further change will be an essential feature of the statutory environment. The relevance of this to the development of effective service modelling is that business models must be fit for purpose: although it is not fully known what change there will be, it is known that there will be change. Business models must therefore be capable of scoping, planning, designing and implementing effective systems for change. In particular, they must be capable of demanding and applying for additional resources if required.

3.3 Demography and Service Provision

The demands of increased financial pressure on local services will be most keenly felt in areas where demand also increases. Services to older people are expected to be affected in this way, both as the population ages and as people live for longer.

This could affect the welfare rights service in two ways, both of which should be considered as the strategy is prepared. We discuss this further in the paragraphs below.

Proactive welfare rights: the work of the unit and take-up of council tax benefit

In the first instance, significant concern has been expressed by charities acting on behalf of older people about the increasing burden that council tax places on older people with fixed incomes. In response to the nationally published levels of council tax for 2007-08, Gordon Lishman, Director General of Age Concern, said:

"Yet more inflation busting increases to council tax bills will anger many pensioners already struggling to keep up with rapidly rising living costs." (The Times, 28 March 2007)

Tax increases have on average exceeded inflation, but specific welfare benefits have been provided to provide means-tested relief for payment of the tax. By definition – and with the exception of the capital rules, which may yet be amended – the structure of this welfare benefit automatically keeps pace with the costs of council tax, whether increases are below or above inflation. The system of relief to support older people on fixed incomes with their council tax is already there: but can better use of targeted welfare rights advice be shown to increase benefits paid?

In separate studies, older people have been identified as being under-represented in samples of users of welfare rights services, but in Walsall's case, this client group is large. The timing could not be better for developing survey-led services and securing benefit for people with underlying entitlement among the income poor, capital rich. This exercise should be carefully managed and monitored to ensure it achieves the outcomes planned.

Older people and community-based projects

The second way in which services being developed could assist older people is through effective support in the community. In the *Times* article referred to above, the Local Government Association blamed increases in council tax on the failure of revenue support grant to keep pace with the increasing cost of local services, particularly the costs of supporting older people. While the effective development of this support presents challenges, the need for it over the coming years could not be greater.

Two factors apply here, each pertinent to different strands of the service's activity. First, while the unit has a record of success with some groups of clients, there are other groups that have particular needs in Walsall. The welfare rights service has particular strength in working with older people.

For the greatest efficiency, the council will wish to plan how to maximise the availability of the service and make services available to all residents of the borough.

There are other potential customers in the borough that are locally known to be a social priority. Walsall has identified young teenage mothers as a priority and acknowledges very high teenage pregnancy rates. The government is also keen to tackle what in European terms are some very high teenage pregnancy rates throughout the region. The needs of this group in relation to the welfare rights service should be considered further.

The second factor relates to the core strength of the team in its successful work in a series of locations with older people. News reports issued only during April, and based on national, independent research, observed that pensioners' quality of life can be improved if benefits take-up is maximised. The same research goes on to estimate that an amount close to £4.2 billion is underclaimed nationally. Some professionals point to older people as a group that can be hard to engage with and the research appears to support this. However, we have found that the welfare rights service has clear success in engaging with older people across all its services.

The point in demographic terms is that people are living longer as health, housing and social care provision develop and improve (and as UK employment patterns move away from the heavy industrial phase that characterised the early part of the last century). While living longer is one part of the demographic challenge, the other part, we suggest, is increasing expectations of service provision: we expect better-quality services and we expect them to be delivered more quickly.

These factors combine to present a demanding and increasing requirement on the public services that are provided and planned for older people generally. As public sector funding becomes more restricted, and as demand increases both in volume and in expectations of service quality, pressures will inevitably come to bear on services to older people.

The potential role of the welfare rights service in responding to this social change is twofold. Firstly, there is a clear role for welfare rights and benefits take-up work with all older people. Secondly, the approaches developed by the unit using discretionary, project-based funding for support for older people in the community must be evaluated and integrated into council strategies for working with older people in the community.

3.4 Summary Propositions

There could not have been a better time for this assignment, as regards the external environment in which the service (and one can argue, the wider public sector) operates. After a long period of national stability in terms of politics, finances and policy, all our research now points to a period of major change. For the welfare rights service, the key conclusions are:

→ Financial settlements in the public sector are expected to become more restrictive over the coming years, with greater requirements for savings and efficiency.

→ This is likely to apply to all activity funded by taxation, including both council spending and dis-cretionary funding.

→ While the details of government policy over the coming years may be unclear, it will be broadly defined by the need to deliver better, cheaper services, potentially to greater numbers of customers.

→ Some observers identify older people as hard to engage with. The welfare rights service has a record of success with this group.

→ The combination of an older population and longer life spans places particular pressure on some areas of the service.

→ Other segments of the community must be considered in developing the welfare rights service.

→ More services are required by older people, both in terms of entitlement to benefits and in terms of expected quality of service.

→ Services that have been or could be developed by the welfare rights service should be considered in the context of the developing external environment.

4   ALTERNATIVE SUPPLY-SIDE MODELS

4.1   Overview

Within this section, we consider the supply-side alternatives that could be used to deliver effective welfare rights services.

We begin by considering the strategic level sector alternatives to service provision, before looking in the remainder of this section at general principles of effective partnership which can be applied to any model of service delivery and the specific alternatives we have examined in social enterprise and external case studies.

4.2   Sector Alternatives

Conceptually there is only a finite set of approaches to local government service delivery. A summary of alternatives by sector can enable consideration of detailed, locally desired outcomes.

→   **Public sector, no change**: This model assumes continued service delivery by the council with no major change to the remit of the welfare rights service or its strategy or operational management.

→   **Public–public**: In this model, there is a partnership with other public sector bodies, usually other local councils. Care is required, since "partnership" is now used to describe a wide range of activity from truly innovative models to little more than regular meetings.

→   **Public–private**: This involves the procurement of services under longer term contracts of say 5 to 10 years and the transfer of staff and assets. It is characterised by savings through using ICT and designing business processes, although terminology and contract terms can vary significantly. It may be described as outsourcing, as a modern partnership or as a strategic partnership.

→   **Public–private, joint procurement**: A trend we expect to continue is the development of joint procurements by council partners to achieve efficiency savings. We now have the first market example of this being done for managed services, through the Ridgeway Shared Services Partnership. However, this is an extension of joint procurements that have been led by revenues and benefits over the last six years. Such work has also led to the joint implementation of ICT and more commonly the delivery of joint training contracts.

→   **Public–third sector**: Significant potential still exists in our view for the development of effective models with the third sector, with its multitude of not-for-profit organisations.

Table 2: Summary of partnership alternatives by sector

Sector Model	Advantages	Disadvantages
Public sector, no change	This achieves service stability and continuance of current approaches.	Continuing with business as usual is un-likely to achieve service improvements or efficiency gains.
Public–public	If skills and experience can be mapped and exploited, efficiencies and economy of scale can be achieved without a private sector partner.	A lot of administrative time and energy can be invested without achieving out-comes. Clear targets and values must be agreed.
Public–private: managed service contract	This can be a more reliable route to achieving economy, if partners with sector-specific competence and track record are selected.	Procurement, negotiation, and contract management skills must be equal to ensure both parties get an acceptable deal.
Public–private: new partnership	Many examples are emerging of products to deliver the new requirements of government.	Some of the new products may be no more than marketing makeovers, while genuinely new approaches must be implemented with care.
Public–third sector	These approaches are scoring highly on sustainability and cost effectiveness.	Challenges include how to build capacity, how to manage a complex and potentially conflicting set of partners, and how to manage performance in the voluntary sector.

4.3 Service Delivery Models

A council-managed service

In some cases, the status quo option will be the right approach. However, we do not believe that this approach will serve Walsall at all well in meeting current needs or developing the service's full potential.

Our finding has not so much to do with the nature of the service or its various staff and operational management systems as with the culture and values of two distinct parts of the organisation. The culture and approach of a welfare rights service does not always exhibit synergy with the requirements of a modern revenues and benefit service.

That is not to say that effective management of the service within the council structure should be entirely ruled out: we consider it an entirely possible scenario that is worthy of further considera-tion, particularly if applied alongside an effective review of the goals of the welfare rights service.

Trust status

Trust status has advantages and disadvantages. Some of the risks within trust status have little to do with the council and are outside local control; they have more to do with the national financial perspective and national political uncertainty.

Trust status can seem an inviting proposition with the following potential advantages:

→   It may depoliticise the service.

→   Ring-fencing service budgets may clarify strategic political spending choices.

→ Trust status may allow increased discretionary funding to be achieved for the borough.

However, our research identifies the following difficulties:

→ To achieve planned outcomes, there must be a clear and agreed understanding of all business management factors, including service outcomes, financial support, governance, routine and exception reporting, and the role of the wider third and not-for-profit sector.

→ The business plan for an arm's length trust cannot safely assume increases in discretionary funding. The welfare rights service has achieved considerable success in securing funding to date. However, our research suggests potential for tightening in discretionary funding, particularly quasi governmental funding as the comprehensive spending review and other central spending reviews begin to apply.

Within the case studies section, we have identified relevant conclusions from other national projects that are relevant to Walsall's situation.

If a trust is the ultimate aspiration, the council may wish to minimise risk by first applying a period of internal consolidation and preparation for such a change. However, that is not to recommend a period of inactivity or stagnation of service development.

Public sector partnership

There is plenty to commend continued development of services within the wider public sector in Walsall, and arguably the not-for-profit sector too. Effective approaches to improved service delivery that achieve desired growth and standards of service delivery at public or not-for-profit sector rates can be preferable to private sector provision. The business case is particularly compelling if there is proof of the quality of services received and if the costs are the same or less than for the private sector alternatives.

While the principles are clear, strategic planning must be capable of delivering on such aspirations. We believe the welfare rights service could be enabled to work with the council or on behalf of the council to:

→ formulate and implement key strategies, including the council's anti-poverty and third/not-for-profit sector strategies

→ act as a conduit with parts of the third/not-for-profit sector that are likely to distrust or lack access to the council as a local decision-making body.

Outsourcing

While some of the services the welfare rights service has developed are certainly capable of outsourcing, other areas of their core work do not easily lend themselves to such an approach.

In addition to the market capacity problems that would be present for an outsourced service, we have detected no will to explore such an option. We can see little reason to explore such an option for the service in isolation: other services would be necessary to generate critical mass and the potential for economy of scale.

For these reasons, we have not considered this option further and we do not commend it as worth further consideration.

4.4 Partnership Models and the Principles of Effective Partnership

For effective partnership with other organisations, changed partnership management is likely to be essential.

Partnership is essential for efficiency gain and for new models of local government, although the exact contractual relationships that should define effective partnership are still being developed. This problem has been particularly pronounced as a result of developments on Shared Services over the last 18 months.

We can consider the elements of effective partnership with reference to elements of the previous outsourcing market. Behaviours that are likely to be associated with effective partnership include:

→ site visits to contractors and effective benchmarking to establish suppliers' qualifications

→ replacement of detailed tender documents and penalty clauses for non-compliance with outcome specifications

→ representation of suppliers in ongoing service design

→ information sharing

→ more strategic performance review

→ a shift in emphasis from cost to the seller's qualifications

→ acknowledgement that the private sector is allowed to make a profit – and that the council is entitled to a service

→ strong and equal skills on both sides of the partnership

→ flexibility in contract delivery and terms

→ shared problem solving

→ wider range of products to match services to client need and

→ greater public sector procurement competence.

Partnership will be important to achieving best practice in the future. The exact form of that partnership is to be determined, but our research suggests there are elements that must form part of any model. Partners must take responsibility not just for a single component but for the overall solution. This takes partnership away from traditional forms of contracting to a newer model where risk and reward are shared. In this approach, effective partners share responsibility for the entire system or product.

4.5 Third and Not-for-profit Sector: Alternative Models

What is a third sector organisation?

Organisations are traditionally categorised as private or public, or for-profit or not-for-profit. Organisations that are established on a not-for-profit basis, and that are not part of the public sector, are widely referred to as third sector organisations (TSOs).

This definition includes not just the voluntary and community sector, but also not-for-profit trade associations and most co-operatives and social enterprises (provided profits are retained for the benefit of the members or community served), grant-making trusts and so on.

The Treasury's 2004 report Exploring *the role of the third sector in public service delivery and reform* defines TSOs as organisations that:

→   are non-governmental

→   are value-driven – they are primarily motivated by the desire to further social, environmental and cultural objectives rather than the desire to make a profit – and

→   reinvest most of their surpluses to further their social, environmental or cultural objectives.

TSOs include a range of organisations: small local community and voluntary groups, registered charities both large and small, foundations, trusts, and the growing number of social enterprises and co-operatives. These categories are not necessarily distinct: some charities undertake income generating activities, which leads them to regard themselves as social enterprises.

Two main types of TSOs might be considered for the delivery of public services:

→   voluntary and community organisations (VCOs) with charitable status and a focus on service delivery

→   non-charitable TSOs operating as social enterprises.

Their structure and legal basis are considered below.

What is a charity?

A very wide range of organisations can be recognised as charities. Charity law in the UK has long recognised an organisation to be a charity if it:

→   has exclusively charitable objects and

→   exists for public benefit.

The objects will be stated in the governing document of the organisation. The issue of public benefit is more complex, but to be charitable an organisation must benefit a wide cross-section of the public, and those controlling the organisation (the trustees) must normally be voluntary, so that all the resources are used to support the beneficiaries.

A charity must have objects falling exclusively within four heads:

→   the relief of financial hardship

→   the advancement of education

→   the advancement of religion

→   certain other purposes for the benefit of the community.

The 2006 Charities Act updates these definitions by extending the original four heads of charity to 13 heads and by clarifying the definition of public benefit. However, the two tests of charitable objects and public benefit remain the criteria for a charity.

It is important to note that an organisation whose objects are charitable and which is established for public benefit is a charity and would be recognised as such by the courts and would be entitled to charitable tax concessions: registration with the Charity Commission, although compulsory, merely confirms that an organisation is a charity.

What funds can charities receive?

The defining feature of all charities is that funds are held on trust to advance charitable objects defined in a governing document. Often these refer to a specific class of beneficiaries (e.g. elderly people living in a particular locality) and the trustees would be committing a breach of trust if they allowed charitable funds to be applied to further purposes outside the objects or to benefit beneficiaries who fall outside the specified class.

It follows that charities can only accept funds for delivering a public service if the nature of the service and the specified beneficiaries fall within its objects.

However, a charity can accept grants or donations for a specific project or activity provided it falls within the objects: in law this constitutes a special trust and must be accounted for as a restricted fund of the charity.

Also, there is no general prohibition on trading by charities, so a charity is also free to enter into contracts to deliver services, including contracts with government, provided the trustees are satisfied that it is in the interests of the charity and its beneficiaries. This is called primary purpose trading and does not create any liability to pay corporation tax provided any profits are used to support the services provided (which will nearly always be the case, since a charity cannot distribute profits).

More complex is the situation where a charity undertakes a trading activity that falls outside its objects. This is generally permissible where the aim is to raise funds to support the charity's objects, although some charities have limits on this in their governing documents and in any case there are strict tax limits on such trading for non-charitable purposes and in some cases corporation tax is payable. (This tax liability can be averted by arranging for the trade to be undertaken by a non-charitable trading subsidiary company controlled by the charity – for more on this, see below on social enterprises.) So, trading for non-charitable purposes by the charity itself is normally limited to small-scale fundraising: it is not appropriate for a charity to deliver significant public services on this basis.

It follows that public service delivery by charities can be funded either by grants or by contracts, but in both cases the activity must fall within the charity's objects.

What are the most common legal structures for charities?

There is no single legal structure for a charity: many different types of organisations can be charitable if they meet the tests of charitable objects and public benefit. However, most modern charities use one of three legal forms.

(a) **A charitable trust** is governed by a trust deed and can be established simply by an initial donor (the settlor) declaring a trust over some property (usually a sum of money) and appointing initial trustees. The trustees can raise further funds, provided they are used for the charitable objects.

This structure is used mainly by grant-making trusts, but also by some small charities running specific projects. There is no wider membership and usually the trustees appoint their own successors, although sometimes external organisations have the right to appoint trustees.

Charitable trusts do not have a legal personality. So in law any agreements must be made with the trustees collectively and there is no limited liability.

(b) **A charitable association** is a group of members who agree to be governed by a set of rules known as a constitution. This structure is used by a very wide range of voluntary organisations. In most associations, the members elect a committee to make decisions on the use of funds. Hence the committee members are the charity trustees.

This is a flexible structure which is suitable for a wide range of small and medium voluntary organisations, including many that deliver public services. Again it is not a corporate form: agreements must be made with the trustees and there is no limited liability.

(c)   **A charitable company** is formed by establishing a company under the Companies Act 1985 with clear charitable objects in its memorandum and limitations to prevent payments to trustees etc. The structure will normally be a company limited by guarantee rather than by shares (a company with shares would normally be distributing profits to shareholders). Provided the company meets the tests of charitable status, it can be registered with the Charity Commission and its directors are also charity trustees.

Some charitable companies have a wide membership, where the members elect the directors/ trustees: in other companies the only members are the trustees themselves.

This structure is widely used by larger companies that provide services, but it has the major disadvantage of requiring dual regulation by Companies House and the Charity Commission. However, such charities have the benefit of a corporate legal form, which allows them to enter directly into contracts, and the trustees have the protection of limited liability provided they comply with company law.

(d)   A smaller number of organisations use the structure of **a charitable industrial and provident society** (IPS) – since 2003 such organisations have been described as community benefit societies. An IPS is an incorporated body with limited liability – and the name normally ends with the word 'limited' – but it is governed by the Industrial and Provident Societies Acts, rather than the Companies Acts. If an IPS has charitable objects, it can be recognised as a charity by HM Revenue and Customs and will fall within the charity tax regime.

(e)   The Charities Act 2006 introduces a new legal form: the **charitable incorporated organisation** (CIO). CIOs will be governed entirely by charity law: all CIOs will be registered charities and regulated entirely by the Charity Commission. CIOs will have corporate status and will have the benefits of limited liability.

What legal forms are used by social enterprises?

A huge range of organisations can potentially be classed as social enterprises and there is no single regulator analogous to the Charity Commission. Because these organisations are not charities, they are free to pay fees or salaries to their directors or committee members.

The main categories of non-charitable social enterprises are as follows.

(a)   **Community interest companies** (CICs) are companies incorporated under the Companies Acts, as amended by the Companies (Audit, Investigations and Community Enterprise) Act 2004. CICs are subject to the general framework of company law and are registered with Companies House, but are also subject to the Regulator of Community Interest Companies. CICs must trade for purposes which are for the benefit of the community, and are subject to restrictions on the distribution of their assets, although a small return to external investors is possible. A CIC cannot be a charity. It has only been possible to register CICs since July 2005, but it is anticipated that many social enterprises will choose to adopt this form in the future.

(b)   Companies formed on a not-for-profit basis are usually constituted as **companies limited by guarantee** (CLGs). Although these are normal companies subject to company law, they do not have shareholders. Instead the members guarantee a nominal sum towards winding-up costs.

(c)   **Companies limited by shares but owned by a body with charitable or benevolent objects** are commonly established as subsidiary companies to undertake trading activities which fall outside a charity's objects but whose aim is to make a profit to support the charity. These technically fall outside the not-for-profit definition, as they seek to make a profit for their

shareholders. Where the sole shareholder is a charity or another not-for-profit entity, however, they are generally seen as social enterprises.

(d) **Non-charitable voluntary associations** are groups that clearly fall within the broad categories of voluntary or community organisations, but have objects which are not exclusively charitable, or perhaps fall outside the definition of public benefit because of having paid committee members or because of activities that are only open to a closed membership. Such organisations would be governed by a constitution (similar to a charitable association, but without charitable status) and do not have a corporate form or limited liability. Some organisations of this kind may still be appropriate for delivery of public services, particularly at local level: tenants and residents associations often fall within this definition. However, such organisations are not subject to any statutory regulator.

(e) **Co-operatives and other non-charitable industrial and provident societies** often use the IPS structure to trade on a co-operative or other not-for-profit basis. This includes a number of trading organisations providing therapeutic work where charitable status has been eschewed in favour of a structure allowing paid workers to serve as board members. The IPS legislation also extends to friendly societies, which are normally financial institutions, although credit unions also fall within this category and are generally regarded as TSOs. These entities are regulated by the FSA.

What funds can social enterprises receive?

Where social enterprises are used to deliver public services, the funding arrangement will normally be a contract for provision of specific services, where both parties accept the obligations of contract law.

It is, however, possible to make grants to social enterprises, typically for start-up costs or purchase of specific fixed assets. In principle, a social enterprise could be grant funded to deliver particular services, but this would imply a high level of trust in the directors or committee of the entity concerned, because there would be no regulation in terms of charity law to ensure the funds were properly applied: only in the event of a clear breach of trust could action by taken by the courts.

However, unlike charities, social enterprises can frequently accept equity investments, and there could be situations where a public sector body agreed to fund a social enterprise directly through an equity stake. However, any such investment would have to fall within government accounting requirements.

4.6 Case Studies

We have examined a series of relevant case studies. In the following case study review, we first summarise the broad situation of the case studies and then set out the key conclusions we have reached.

Carmarthenshire

A new welfare rights service has been developed to help people across Carmarthenshire claim benefits. This initiative involves the county council working with the voluntary sector and other public agencies. Outreach surgeries could also be developed in a bid to provide a more accessible service to rural areas.

At the moment, the council helps fund three Citizens Advice Bureaux based in Carmarthen, Llanelli and Ammanford to provide the service. Funding of more than £80,000 is handed out to the three CABs to help about 3,500 people each year. A number of other organisations across the county also give information on claiming benefits to clients.

However, councillors decided that bringing the service under one umbrella would make it more effective and able to reach more people across Carmarthenshire who needed it. Estimates show that thousands of pounds of benefits are unclaimed across the county. If information and advice are made more accessible, it is hoped that many more residents will be able to claim benefits.

Newcastle Warm Zone

Central to the Warm Zone is the use of door-to-door assessors who go through the city ward by ward and street by street. Assessors collect basic energy efficiency and income data from households. This information is then logged on to a central database. The Warm Zone coordinates the provision of free benefits and energy efficiency advice and the implementation of energy efficiency measures (heating and cavity wall and loft insulation). It aims to provide some assistance to all households in Newcastle.

Free measures are offered to fuel poor households (whether or not they are on benefits), homes on qualifying benefits, all council-owned homes and homes in certain special funding areas. A heavily discounted Newcastle Home Energy Savers scheme is offered to the remaining households. The zone has received funding from a number of organisations (including Newcastle City Council, National Grid, Scottish Power and the European Union) to provide the coordination, assessment and benefits advice service, as well as the energy efficiency measures. The level of funding secured by the zone enables it to offer measures to the many fuel poor households not eligible for Warm Front.

The Warm Zone employs its own benefits advice staff, who are supported by the council's welfare rights service, to meet demand for advice created by the assessment team. The zone follows up all households offered help. This makes it able to monitor the impact of both the energy efficiency measures and the benefits advice on households, including their impact on fuel poverty.

The zone's work is a central element of the Newcastle Affordable Warmth Strategy, a broad-based partnership including Newcastle City Council, Your Homes Newcastle (the arm's length housing management organisation) and many other public, private and voluntary organisations.

While elements of the Newcastle Warm Zone are similar to elements of the Walsall welfare rights service, this initiative provides only some of the services available in Walsall.

Crosby Bridge partnership

Crosby Bridge was developed in consultation with local communities, to reduce health and social inequalities in Crosby, an area of disadvantage in North Lincolnshire. A shared long-term vision for health improvement, together with effective partnership working, led to a successful bid for £1 million of New Opportunities Fund money. The project encompasses five integrated themes: food and health, community safety, welfare rights, mental health, and physical activity for people, particularly men from black and minority ethnic groups (Seth Mannd – 'staying healthy' in Urdu).

The initiative is managed by a partnership combining North Lincolnshire PCT, North Lincolnshire Council, Apna Sahara, Crosby Community Association and Scunthorpe & District Mind, a combination of voluntary, community and statutory organisations. The funding is used to provide different types of health provision in a community setting. Crosby residents can access healthier eating advice, food and health programmes, stress management programmes, play opportunities and physical activity sessions, opportunities to participate in the arts, welfare rights advice, community gardening and community safety initiatives from one community hub, the Pop In Place. It is evident that the project is making a difference to attitude, skills and health-related behaviour.

Wycombe Leisure Trust

Wycombe Leisure Limited (WLL) was formed in July 1996 and started trading in January 1997 as part of an early wave of leisure trusts that now number more than 80 nationwide. Wycombe District's leisure services had been successfully run by the council's direct service operation since

1992. But the trust option gained interest because it offered various advantages over keeping the service in house: trusts could benefit from reduced VAT and business rates; they could produce savings in local authority revenue; they could seek new capital not available to local authorities to improve facilities; and they could motivate staff by involving them in running the business.

However, WLL was not handed the contract on a plate. The contract was awarded only after full tendering by competing contractors. The decision appears to have paid off. Turnover in 1997 was £2.4 million, with 468 staff. This rose to £6.4 million in 2002, with 694 staff. Approximately £1.8 million has been invested in facilities over the past six years, including gym, catering and sports facilities, and IT and telephone systems. WLL started with three sites on the Wycombe contract: Wycombe Sports Centre; Court Garden Leisure Complex, which includes conference and functions facilities; and Holywell Mead Open Air Pool. The operations now cover five leisure centres, two conference and function operations, a council staff restaurant, three open air pools and two artificial turf pitches. Another leisure centre is due to open before the end of this year.

As an independent company structured as an industrial and provident society, WLL is not driven by profit but by quality and accessibility. Any surplus is reinvested to improve the range and quality of the service rather than being paid out to shareholders. This ensures inward investment at a time when many local authorities are compelled to direct most of their financial resources to mandatory services.

WLL has greatly reduced the cost of operating the various leisure centres for Wycombe District Council, while increasing income, improving services and increasing community use of the facilities.

Like Greenwich Leisure Ltd, WLL has involved employees alongside customers and the community in its management. Membership is open to any employee aged 18 years or over and a share costs £25.

The majority group on the board of management is the staff, who number ten. They are elected at the annual general meeting. Customers are also given a say, with three customer members elected by and from the users of facilities. The board includes three local authority members to give the local government perspective.

The council, as the client, regularly inspects sites to ensure that quality of service is maintained and there are regular meetings between the officers of the leisure department and members of the management team. The council also has control over the pricing of most of the services. Together with the council, WLL operates a leisure card scheme called Freestyle and discounts are available for disadvantaged groups under this scheme.

In November 2001 WLL took over management of the leisure facilities operated by West Oxfordshire District Council, again after a successful competitive bid. In December 2002 it took on management of a new facility at Bourton on the Water for Cotswold District Council. Significantly, all three councils are Conservative controlled.

Public–public partnerships, including the work of Salford

When we made our presentation of emerging findings to the council's scrutiny committee on 12 April, we noted the recent work of Salford Borough Council as an example of successful public–public partnership. There was much interest in this type of approach.

Salford's work, nationally recognised by our own national best practice awards in 2005, has been led by the revenues and benefits unit. While the service area of this case study is not a good fit with Walsall's welfare rights service, some of the principles can be of merit.

Public–public partnerships and third sector partnerships can have the advantage of achieving efficiency gains without needing to deliver a profit.

Working with a series of partners locally, Salford have reinvented customer services; delivered major performance improvements; and made significant use of technology and homeworking to deliver service improvements.

For Walsall, improved ICT and performance management are certainly areas for further consideration. We return to make specific suggestions on performance management in Section 6. One of the essential tasks in successful public–public ventures is to identify suitable local partners who have a common interest with the council and who share its goals. One possibility in Walsall is the local PCT, perhaps with the targeting of new client groups in mind.

Conclusions from the case studies

Common themes arise from the case studies that are applicable to the council's review:

→   Core welfare rights services are sometimes delivered by councils themselves and sometimes by the not-for-profit sector.

→   There are advantages and disadvantages to each type of delivery. Council provision allows greater security of funding and greater access to policy making, while not-for-profit provision gives a perceived independence and sometimes better access to outside funding.

→   While examples of core welfare rights services in the not-for-profit sector exist, there are no examples of trusts delivering the breadth of services currently available in Walsall.

→   Some local councils have managed provision of welfare rights through external agencies (North Yorkshire, Oxfordshire and Surrey), while some have transferred all their operations to the CAB (Sheffield and Haringey). It must be remembered that in these examples, it is only the core welfare rights service that is delivered by external agencies. None of these examples involve the breadth of services currently provided by Walsall.

→   It would be false to think that charitable trust status will enable access to more sources of funding without proper planning and control. There is a risk of locking the operation into chasing money and meeting the needs of the funders. There is also the risk of creating a separate layer of bureaucracy for monitoring the arrangements, with each funder requiring different levels of scrutiny.

→   The trust model can have hidden overheads. Advice workers funded by the local authority could find themselves spending their time working on funding issues.

→   If the service is externalised, it will have weaker links with the local council.

4.7   Sources of Funding

A complex range of funding sources are available to agencies working in the third and not-for-profit sector, together with an equally complex range of systems for applying and qualifying for funding and controlling performance. Some of the more commonly found sources of funding are:

→   Legal Services Commission

→   Supporting People

→   Sure Start

→   Neighbourhood Renewal Fund

→   New Deal for Communities

→ Valuing People

→ European Social Fund

→ Primary Care Trusts

→ Department for Work and Pensions

→ a wide range of ring-fenced specific support and set-up grants.

Of course these are additional to direct support from the local council.

In our presentation to Walsall's scrutiny committee on 12 April, we reported that in the longer term more potential exists for funding in the third and not-for-profit sector. This is because of:

→ changing government attitudes to the potential and capacity of the third sector

→ an increasing need to deliver local services more economically

→ additional opportunities for councils that take advantage of opportunities to improve existing models of service delivery.

While believing this analysis to be correct, at this stage we can neither quantify the available funding, nor predict the detail of future funding arrangements.

4.8 Published Advice: Patterns of Service Provision for Welfare Rights

As part of the external, desk-based research phase, we arranged for a review of published material to be completed. We found, in particular the work of Neil Bateman, in his publication: "Practising Welfare Rights" useful.

Bateman's review of Welfare Rights suggests that no single pattern of service delivery is prevalent throughout the UK, but combinations of the voluntary and of local authority Welfare Rights service delivery platforms are common. There is some suggestion that provision of services which are characterised by larger numbers of staff are more commonly found in those settings where the local authority employ direct, whereas provision solely through the voluntary sector is more likely to be characterised by smaller numbers of employees.

Bateman specifically considers whether provision is best delivered within the Voluntary or statutory sector, and flags this question as one which occurs regularly. Bateman's discussion of this aspect may be summarised as follows:

Service sector	Characteristics
Voluntary	→ Advice can be seen as independent. → It can give rise to effective, targeted support work, based on niche and specialist interest. → Councils can use funding to achieve influence, for example to curb vigorous advocacy. → Lack of funding inhibits advocacy. → Services are accessible to those with most need, who may not know where to look for support. → The service has less ability to influence the work of the council. → Funding is often project related, with temporary staff contracts.
Statutory	→ Although independence is doubted by some potential users, experience shows advocacy can be delivered as well as in the voluntary sector. → Units within councils can influence anti-poverty work through links with education, corporate debt, and benefits sections. → Units can influence local departmental policies to deal with poverty. → Units can tackle technical rights issues, for example housing and council tax benefit issues. → There is access to economies of scale and to savings in overheads, for example insurance and payroll. → Funding is likely to be more permanent, allowing full-time, permanent employment contracts.

Bateman concludes (with some support from identified, external research) that the best approach can be a 'mixed-economy' or 'pluralist' approach. He also addresses changes over recent years that have led to a series of different funding regimes. He cites the problems this has presented for the sector in terms of its reliance on such sources:

→ Short-term, project-related funding has driven short-term contracts of employment.

→ Such employment patterns affect staff morale.

→ It is a complex task to manage so many different funds, with their different eligibility criteria, accountability arrangements etc.

→ Services that depend on discretionary funding are driven to deliver services that can secure funding, which are not necessarily the services that are most needed.

5   INTERIM CONCLUSIONS: MODELS FOR FURTHER CONSIDERATION

In this section, we begin to bring together our initial assessment of the council's situation and analysis of the external environment and identify the implications for strategic choice.

5.1   Summary: Advantages and Disadvantages

Four alternatives were initially specified for examination within this assignment. As the evidence for the assignment was gathered, we identified two other alternatives for consideration and we agreed with the council that these could be explored.

When we presented our emerging findings to the council's scrutiny committee, the committee considered three of the options worthy of further consideration:

→   public–public venture, exploring the lessons learnt from successful examples, including Salford

→   trust status and

→   reorganised in-house service.

Source	Option	Recommendation
Options within the council's initial project specification	Do nothing	Not recommended. There is little to commend this option. Rather it carries a significant risk of service degradation and failure to achieve potential.
	Trust status	Not recommended in a rush. Some advantages may accrue, but performance controls and funding guarantees will be required to secure financial support and agreed outcomes. There may be other ways to achieve the council's desired outcomes with less risk.
	Public–public venture	Not recommended in isolation from other changes. There must be a clear, agreed reason why two or more public bodies should co-operate and each partner must bring something to the party. We see only one substantive public partner in this operation, and that is Walsall Council. However, at the scrutiny committee, there was much interest in the Salford public–public partnership and we have agreed to expand within this paper lessons to be learnt from that model.
	Trust–trust partnership	Worth considering. Care is required to implement it successfully in a third sector marketplace where capacity is still developing.
New options introduced by IRRV	Reorganise under council control and Step-change approach	Both worth considering. These tie in with our suggestion that matters of operational management and planning must be disaggregated from questions of strategy.

5.2 Scenario Analysis: The Environment

Whether the welfare rights service should become a charitable trust is a strategic question, which must be answered with care. To assist the decision, we analyse a simple scenario, exploring key themes that are likely to affect the environment for service delivery over the coming years.

Scenario one: The public efficiency agenda

This scenario considers the extent to which the public sector, and indeed all sectors funded by taxation, will come under pressure over the years to come.

The first round of changes will build upon the principles already established under policy initiatives led by the Gershon and Lyons reviews and audited by the reinvented Audit Commission. As a direct response to increasing spending on health, education and defence, large efficiency savings will be demanded in other areas of public spending.

Savings are being achieved through three routes:

→ Grant awards to public sector organisations, including local councils, are being cut, through reductions in specific and non-specific grant (including revenue support grant).

→ The Audit Commission leads enforcement action for councils failing to achieve efficiency, whether that is through service inefficiency or through failing to achieve economies of scale through Shared Services.

→ As the early examples of Shared Services prove how to achieve lower impact savings through economy of scale for 'transactional' or non-core services, there is further pressure to make savings, again through a mixture of grant penalty and council tax limitation.

The key points from this scenario are:

→ The funding and performance control regimes of the last six years cannot be considered a template for the next five.

→ Funding is likely to become tighter, and enforcement for those deemed failing is likely to become stronger.

→ Demands on public services are likely to increase, both in terms of quantity of demand and in terms of the quality of service expected.

→ Councils desiring to deliver the best services for their communities must plan for and implement effective strategies for performance improvement and service innovation.

Scenario two: The true arm's length trust, some years hence

This scenario considers the development of a hyper-efficient arm's length trust, that performs well when set apart from the council. As the trust goes from strength to strength, successive awards of discretionary funding are achieved, and it becomes well recognised in the local not-for-profit sector that successful bidding for work means working with the trust. Discretionary funding coming into the Walsall area over the years is increasingly led or influenced by the trust. The key points from this scenario are:

→ Trust control and agreed outcomes must be planned for alongside core funding and independence.

→ Effective terms of reference must be agreed and the future area of operation of the trust must be planned.

→ The relationship with the rest of the local and emerging not-for-profit/third sector must be planned and managed in order to plan for and build capacity. It must not be left to chance.

5.3 Models for Consideration

When the council commissioned this assignment, a specific brief was provided to applicant consultancies. That brief explained that the review should consider four specific strategic choices for the service:

→ do nothing

→ trust status

→ public–public partnership and

→ trust–trust partnership.

Our work and analysis over February and March 2007 led us to conclude that two other options should be added to the mix. The council has allowed us to explore these within the assignment:

→ reorganisation within council control with wider, corporate brief and

→ a consolidation or step-change approach.

In our view, the do nothing, public–public partnership and trust–trust partnership approaches are not appropriate to the council's requirements. In the following section, we discuss how the trust, status, reorganisation within council control and step change approaches may be applied to the Council's requirements.

5.4 Implementation of Change

There is much for the council to do and a great deal with which to work. In the following section, we prepare a detailed assessment of the specific steps the council will wish to consider in the change process.

6   MODELLING THE ALTERNATIVES

6.1   Introduction

In this section, we examine some of the key issues the council will face in implementing each of the three options now under consideration:

→   trust status

→   reorganised in-house service with wider, corporate brief and

→   consolidation or step-change approach.
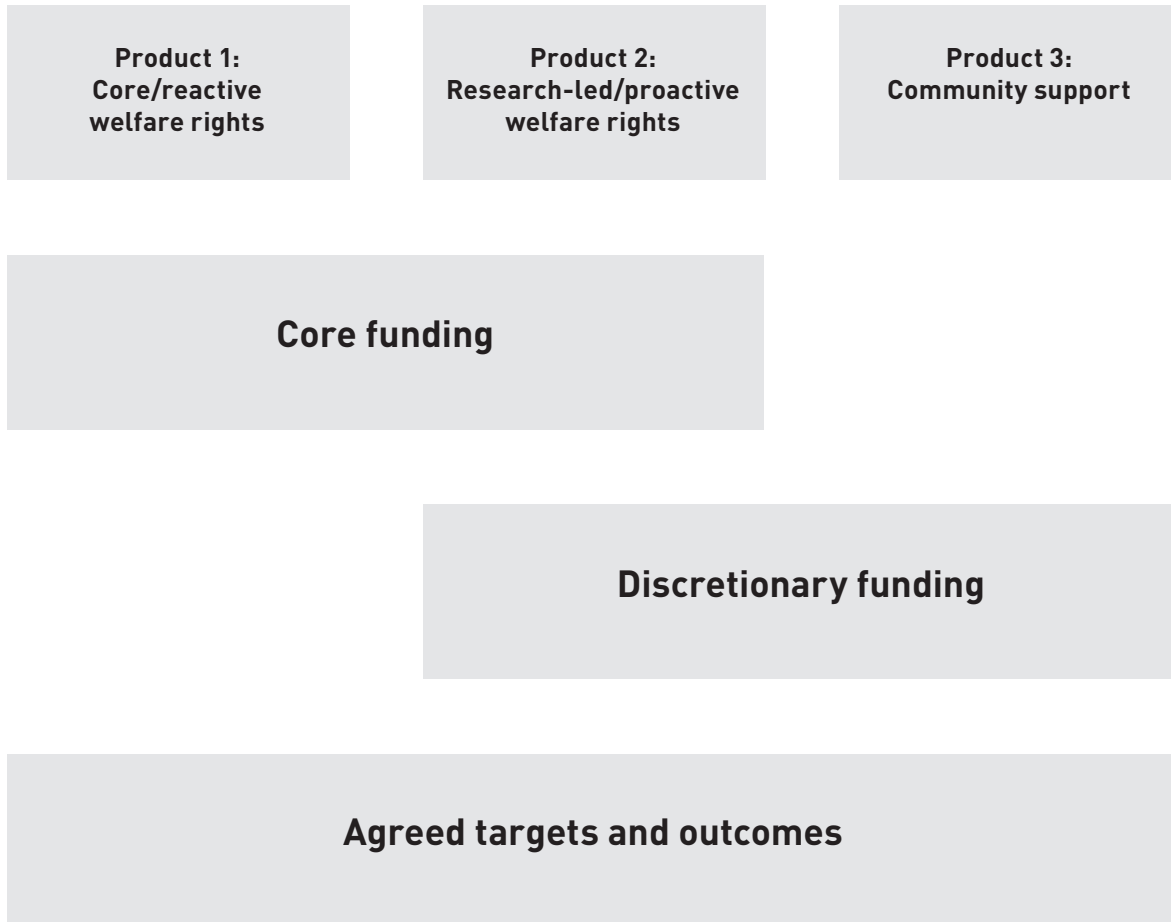
6.2   Implementation Timescales

When the council originally prepared the brief for this assignment, four options were specifically identified for exploration. However, following our initial work, the council has allowed the identification of other approaches for consideration. Whichever route the council now chooses, there are some points that we would make to prevent pitfalls in implementation. These arise from our experience, from our work with the council and from our review of similar ventures elsewhere in the UK. The points are summarised:

→   Any major change, including any desired trust strategy, must not be rushed. Rushing would lead to a poorly structured transfer of the council's assets to an arm's length organisation that might fail to meet required service levels or become so starved of funding that service delivery rapidly contracts. Neither outcome is in the council's interest.

→   Operational matters to be carefully planned for in any planned change to the strategic management of the welfare rights operation include:

  - governance

  - routine and exception reporting

  - funding

  - implementation

  - staff matters and staff rights under transfer

  - rights to occupy property

  - products and services delivered under the venture

  - target setting and control.

→   The completion of these operational tasks will ensure that the council completes the review of the welfare rights service and that and relevant stakeholders achieve:

  - what Walsall wants and is capable of

  - the services that Walsall wants for its people and

  - sustainable services that can thrive for years to come.

6.3 Funding

Whether the council chooses to maintain the welfare rights service within the council or to examine trust status, funding is a critical consideration. At the scrutiny committee on 12 April, we stressed that a trust should not be seen as a cost-cutting option. We stress that again now.

In diagrammatic form, the principles that we have considered may be summarised as follows:

Product 1: **Core/reactive** **welfare rights**	**Product 2:** **Research-led/proactive** **welfare rights**	**Product 3:** **Community support**

Core funding

Discretionary funding

Agreed targets and outcomes

It seems that one matter on which everyone is agreed is the strength of the work completed by the team and the real difference it has made to individuals' lives. We have also suggested the great potential of this unit to develop further products. Whatever the strategic status of the operation, it is critical that there is financial security for the continued delivery of planned core services. We suggest the following principles.

Principle 1: Core funding

The council must plan for a level of funding that is consistent with the ongoing delivery of agreed core services. Our review of the council's existing budgets reveals that the 2007-08 revenue budget for the service is £404,323. This is for the existing full-time staff costs and the ancillary expenses usually found. The budget excludes the costs of the temporary contract and staff associated with NOF projects. Accommodation costs are nominal. Under adopted council-wide strategy, all council departments face savings this year. The target for the whole corporate services directorate is £250,000 and 19 FTE posts.

We summarise the costs within the service below:

Item	Budget 2007-08
Salaries	278,638
Other employee costs	3,818
National Insurance	19,393
Superannuation	40,999
Training	1,395
Employee insurance	940
Internal recharges	8,533
Rates	3,684
Car allowances	35,459
Furniture and equipment	1,004
Equipment leasing	6
Materials	196
Food and drink	61
Clothing	208
Stationery	1,787
Professional fees	555
Postage	330
Telephone costs	122
Computers	379
Expenses	869
Subscriptions	61
Print and design	4,128
Capital charges	1,756
TOTAL	**404,323**

If the council implements trust status, the agreement between the council and the trust must provide for a grant that can sustain local service provision. We describe this as the core payment. At the scrutiny committee we stressed that this payment must be made for a period of time and to support the initiation of the trust. It is for the council to consider how long this payment would be guaranteed for: the view from the scrutiny committee was that a five-year period could be considered.

However long the guaranteed payment is provided, we suggest that a year on year inflationary increase is applied. Payment terms for the grant may also be agreed and should be planned to be cost neutral between both parties, committing neither the council nor the trust to unnecessary costs of borrowing to meet their respective financial obligations under the terms of the agreement.

Principle 2: Discretionary and competitive funding

The unit has proved its success in achieving discretionary, project-related funds. That activity may continue alongside core activity and can be defined under the following principles:

→   Discretionary funding may continue under the terms of reference agreed with the welfare rights service.

→   Such funds are normally project related. This is the nature of awards in this sector.

→   We therefore recommend that no further full-time staff be allocated to this funding area. Rather the unit should continue with the existing principle that staffing for the discretionary-funded work areas is on a project-by-project basis. It is likely that this will therefore continue to be based on a series of temporary contracts and the staff appropriate to the specific project at hand are retained only for the time required.

→   Dealing with the potential cost of discretionary-funded projects in this way will ensure that the council and the local taxpayer are protected from extra costs, whether bids are successful or not.

→   However, it is critical for the venture that the areas of activity which are within the remit of the unit are agreed.

Principle 3: The relationship with the developing third sector

There are two points to be considered. First, we remind the council to monitor the developing and national requirements of the third and not-for-profit sector.

While we believe that there are major opportunities for the developing third sector, we have consistently explained that this is an area in which there will be significant change over the next two years, which will shape the nature of the exact requirements. That process will define the opportunities which are available and which the council, whether as employer or as a partner with a trust, may choose to respond to.

Separately, the council will wish to build capacity in the local third, not-for-profit and possibly faith sectors, with a view to rising to the developing requirements of this service delivery model. It is essential, in our view, that the council plans to shape this sector, and in our view the welfare rights service has significant potential to guide this emerging debate.

Principle 4: Factors that will need to be determined for a trust

There are a series of matters that the council will need to address to fully understand the potential implementation and support costs of a trust. This is a matter of operational detail. Should the decision to go for trust status be taken, the matters must then be taken into account in the

construction of the business case for the unit. The council must then model, together with the core funding (see principle 1 above):

→   what the breakeven period for the trust is

→   the set-up costs for the trust, including the consultancy or specialist costs associated with:

-   the detailed and five-year business case for the unit, based on the principles that we have recommended here

-   the detailed implementation costs associated with the successful set-up of the trust. We recommend that the council considers carefully exactly what areas of work are allocated to retained consultants and specialists, to make sure that maximum benefit is gained from this spending. Specific areas of work could include drafting the terms of reference for the trust, drafting of service level agreements or contracts and drafting of regular and exception reporting protocols.

We have assumed that the baseline costs of the current core service remain an accurate basis with which to support the costs of the service under trust status. A particular risk, which the council may wish to consider further, is the potential impact of pension costs. Although pension entitlements are straightforward while the staff remain on the council's payroll, current calculations may not represent a sufficient basis to fund obligations for staff who are transferred to a trust but with ongoing rights to current levels of pension benefits.

6.4   Services Delivered

The services delivered under the welfare rights service brief must include both the core welfare rights services, which include the existing referrals service, and the developing survey-led service. Each is valued and has a role in the community and significant potential. We also advise the council to plan to achieve the full potential of the service. We discussed potential areas for service development in Section 2.

Additionally, and independently of whether trust or in-house retention are considered appropriate, the council may wish to consider what is the best approach for a series of functions that are potentially allied to the welfare rights service, including:

→   the existing relationship with DWP staff

→   the fairer charging team and

→   the community housing officers.

6.5   Performance

One of the key matters to be determined, whatever option the council determines for the future of the service, is how the performance of the service will be managed. While the possible separation of the service from the council through trust status produces a particularly strong need for clarity, it is essential clear and measurable outcomes are agreed whatever the future structure of the service.

In the past, the service has sometimes illustrated the strength of its achievements by pointing to the value of cash awards made to successful recipients of benefits and to the overall benefits to the council through potential increase in revenue support grant.

Revenue support grant is paid by the government to support the cost of providing local services partly funded through the council tax. The theory of revenue support grant is relatively simple: a grant is payable that reflects the local profile and local needs. In practice, the revenue support grant formula is notoriously complex and past calculations have exhibited some extreme variations.

The formula is under the direct, annual control of the government and has often been affected as government spending priorities have changed.

It is clearly essential that in any council a lead is taken for effective maximisation of grant awards and that role will typically be found within the finance function. The role of the welfare rights service is, we think, best applied to the core task of increasing benefit take-up by benefits type and by target group. Insofar as the successful completion of that activity assists with revenue support grant award, so much the better, but to consider the unit's performance by revenue support grant award would be an inherently risky approach.

The core measurement, we suggest, is the successful award of benefit. While profiling over time may be a useful exercise for local regeneration, target-setting and effective management, we suggest that a more simple monthly and yearly calculation would serve all parties better.

For the core area of welfare rights, this approach is likely to include a performance targeting system that plans and manages performance against the following measures:

→   increased cash amounts of welfare benefits paid per year, possibly broken down by targets for particular types of benefit and for particular target groups or areas

→   number of claimants supported per year

→   targets for the development of services for different client groups

→   targets for extending services to different parts of the borough and

→   targets that stretch the welfare rights service into other benefit areas, including those where the council has a direct financial stake such as housing and council tax benefit and school meal concessions.

The above targets have been designed to define the activity that the council and the welfare rights service can plan to achieve with agreed resource inputs. While these will enable the effective success of the core business, other development activity must also be planned that builds on the success of the service in more innovative work. We suggest that appropriate targets may be:

→   an agreed customer satisfaction measure

→   a measure that will define effective working with the local voluntary and third sector

→   targets for achieving additional, discretionary funding awards for the borough

→   targets for how such funding is used and

→   targets for the implementation and development of the council's emerging local third sector and anti-poverty strategies.

The target-setting and management framework that we have suggested here has been deliberately constructed to assist the council, and the service, whatever structure for the service is chosen, and to serve all parties well for some years to come.

6.6   Successful Implementation: Key Questions

There are, in short, a series of key operational questions that we believe must be effectively determined by the council, whether or not trust status is implemented. The relevant parts of this study can inform how these questions are considered:

→   What services are to be delivered by the welfare rights service

- in terms of the three different product sets

- in terms of target groups and target areas of the borough?

→ How they will be funded?

- What will be the period of any guaranteed council funding for the unit?

- What targets will be set for new, discretionary awards?

→ How will planned services be delivered?

- In particular, should developments in community-based services be delivered by the welfare rights service itself? Or should the welfare rights service act as an effective enabler of the wider, developing third sector?

→ What performance measures will be used to control outcomes?

7   CONCLUSIONS AND RECOMMENDATIONS

7.1   Conclusions

It is beyond doubt that the welfare rights service has established effective approaches to innovative service provision. It is equally clear that the high-input one-to-one service delivered by the service is particularly valued both by customers and by councillors who have been involved in referrals.

A key conclusion that we make is that the council separates the operational matters from the strategic. The operational questions that we have expanded on in Section 6 of this report must be determined before it is decided how the service is delivered. Before the council considers whether trust status represents the best way forward for the service, the council and key stakeholders must determine what services are required from the welfare rights service, how they will be financed, what performance targets will be used, and how the operation will be managed. The council will then be in a stronger position to consider how those outcomes can best be delivered – by a trust, in house or through a public–public partnership.

In view of the depth of detail that we believe is necessary to enable effective decision making, we have expanded on the specific steps we consider necessary in Section 6.

7.2   Recommendations

It is recommended that:

→   the council keeps the service in house for now

→   the council decides what it wants to achieve from the service and answers the key questions we have identified and expanded on in Section 6

→   the principles introduced by the Salford model are brought into consideration, possibly thinking specifically about partnerships with the PCT and focusing on new interest groups such as young single mothers

→   if the council decides a trust is appropriate, it is with the route carefully prepared, in terms of cost base, funding streams, service requirements or performance and financial control.

In making these recommendations to the council, we remind the council that they are designed to allow the council and the welfare rights service the opportunities to achieve the potential that is surely present without the risk of hastily implemented strategic change. The service has great potential and a record of innovation, both in terms of product design and in terms of bringing new funding into the borough. With the right decisions on what services are planned for the future and answers to the operational questions we have identified, the potential of the service can be realised for the benefit of the wider Walsall community.