



## Chapter 7

Empowerment and devolution – a new way of delivering our services

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### Summary

Since 1997, the Government has increasingly delivered services to customers through a variety of providers in the public, private and voluntary sectors. By using their skills and expertise, we have improved the quality of services, allowed more local flexibility, given individuals more control over the services they receive and achieved better outcomes.

We now want to go further by devolving more power to individual customers, local partnerships and providers to improve the quality and effectiveness of services.

This chapter sets out how we will carry out this triple devolution by:

- bringing together Government programmes to improve and unify services;
- giving customers increased power to choose who provides their services;
- allowing providers greater freedom to innovate and deliver services through a new 'Right to Bid' process; and
- handing a bigger role to local partnerships in developing, monitoring and even letting contracts for services.

We will be trialling new approaches and putting learning into practice as we go. Working collaboratively across Government, with local partnerships and with providers, we will set the pace of change to deliver reform as soon as possible.

- 7.1 For too long any debate about how we deliver public services has been overshadowed by divisions over the involvement of the private sector. But to continue improving services to the public, we must harness the best of all sectors, whether it is the world-leading Jobcentre Plus, skills agencies, innovative local authorities or private and voluntary organisations. We must focus on what works best and make the most of the strengths and skills of all the sectors, working in partnership.

- 7.2 In February 2008, we published our Commissioning Strategy, which set out our vision for modernising and strengthening the welfare-to-work market. It opens the way for larger, longer contracts which providers are rewarded largely for helping more people into sustained work; where customers expect and receive a more personalised and flexible service; and where delivery of employment provision is integrated into local services.
- 7.3 The strategy picked up the challenge that David Freud laid out in his report, *Reducing dependency, increasing opportunity*<sup>32</sup> and created a firm foundation on which to build. We want to go further to involve customers, providers and local partnerships more in the decisions about delivery. We expect that this approach will allow us to draw on the investment and innovation of private and voluntary sector partners across the country.

## Empowering individuals

- 7.4 Individual responsibility is at the heart of these reforms. For people to exercise this responsibility, we need to increase choice. People know what works best for them but we need to give them the ability to act on that knowledge. Where possible we should allow our customers the choice over which services they access and which providers they use.
- 7.5 We are already testing this concept of choice between providers in three of our Pathways districts, allowing individuals to choose the best provider for them. We will test it again in the Flexible New Deal after contracts have been running for a year and we have built up a body of information that will inform customer choice.
- 7.6 This will help drive up standards. But it also means that all our customers are able to choose the help that best suits their individual needs, increasing the chance of them finding sustainable and rewarding employment. This requires the right help and information to be provided so people can make the best choices.

## Employability and skills

- 7.7 Our customers should – and do – aspire to more than low-skilled, low-paid jobs. More and more opportunities are available in higher skill sectors so we are reforming the system to make it easier for people to access and benefit from skills development.

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<sup>32</sup> Freud D, 2007, *Reducing dependency, increasing opportunity: options for the future of welfare to work*, Corporate Document Services

- 7.8 In the past, the support that we offer has been confusing. Too often, customers have had to find their own way through a disjointed system and been forced to make either/or decisions about what they do. We have separate systems for employability and for training support, with different entry points and procedures. We have made progress in the last ten years. However, there are still some providers who expect to be rewarded for keeping people on training courses when they would be better off learning in the workplace. Other providers are paid for getting people into work and, increasingly, to help them stay in work. But there are no incentives for helping people get the skills they might need to enhance their long-term prospects.
- 7.9 We are committed to creating a system that rewards effective support. In *Work Skills*, we announced a number of trials to simplify and improve the commissioning system.<sup>33</sup> These trials will not only test joint commissioning approaches which bring together the Learning and Skills Council's (LSC's) resources (in England), the Department for Work and Pensions' Flexible New Deal and local authority resources, including discretionary funding, but will also test joined-up delivery systems on the ground.
- 7.10 Integrated commissioning will demand a common set of objectives and targets in contracts which will be based on helping more people find sustained work with continuing skill development and progression. This will also mean that we have to develop new ways of managing and improving contractors' performance.

## Freedom for providers to deliver

- 7.11 Jobcentre Plus has won international acclaim for its success in delivering cutting-edge services to thousands of customers every week. The core service, based on regular contact with customers, is extremely effective.
- 7.12 Jobcentre Plus' personal advisers have a unique knowledge of their customers, of the labour market and of the different services on offer. It is important that we look for further opportunities to use their skills and expertise. In pilot schemes in Derbyshire and South West Wales, we will give personal advisers more flexibility in the support that they provide. This will allow them to focus support where it can have maximum impact and allow them to provide a more personalised service.
- 7.13 We will match this by giving new freedoms to those providing services. We intend to do this through a 'black box' approach – where we set out the outcomes required but don't prescribe the method, where there is both a framework of accountability and freedom for the frontline.

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<sup>33</sup> Department for Work and Pensions and the Department for Innovation, Universities and Skills, 2008, *Work Skills*, Cm 7415

- 7.14 We have embarked already on the commissioning of the Flexible New Deal for Phase 1 areas which start in October 2009, based on our commissioning strategy published in February this year. Looking further ahead, we are interested in the potential benefits, particularly around economies of scale, in asking providers to deliver a single employment programme for both ESA and JSA customers. Designing a single conditionality regime for these two groups for use in the single programme, with sufficient safeguards to ensure that appropriate resources are allocated to tackling both unemployment and economic inactivity, would be very challenging but we are keen to run a pilot project to gauge its advantages.

## The 'Right to Bid' – providers driving innovation

- 7.15 We are already giving our providers, working in particular areas and with particular groups of people, increased responsibilities for designing the best means of support. But we do not want delivery providers to see themselves unreasonably constrained by the scope of particular contracts in bringing forward innovative approaches to improving our services. The time has come to look again at using our current contracting strategies for all situations. Rather than identifying a need and inviting suppliers to fill it, we are proposing a more radical approach. The strength of our provider organisations is their potential to develop new solutions. Many providers are coming up with ideas about how our services could be improved, about how they could do more to help particular customer groups – such as how we can communicate better with a more diverse range of customers.
- 7.16 Where providers identify services they think they can improve to help more people back into work, we want to hear their proposals. We are ready to consider directly funding ideas that seem to offer a real prospect of greater success. To this end, we propose to build new contracting arrangements – putting in place a 'Right to Bid' process. Our supplier networks, our internet site and other channels for contacting us will be key. We will increasingly look to use our commercial relationships to build flexibility into contracts so that we can harness expertise across the delivery chain and create capacity for market innovation.
- 7.17 We cannot guarantee that every idea will be taken up and we will have to work within our legal obligations to fair and open competition, but this should not prevent us being able to support specific initiatives on a one-off basis. We will test these ideas alongside existing provision. We will be open to more radical ideas on how to improve our services. Not every proposal will be funded but every serious idea will be evaluated and reasons will be given if we do not proceed. As we develop these proposals, through consultation, we will publish a document this autumn, setting out in more detail the way that the process will operate.

**Question 26: What information would providers need to make the Right to Bid effective? How would the evaluation process need to work to give providers confidence that their ideas would be evaluated fairly and effectively? How do we get the balance right between rewarding those who come up with new ideas and the obligation to tender projects?**

## Devolving power to deliver local flexibility

- 7.18 We have to go further in making employment provision more responsive to the needs of our customers. This approach is already central to the success of Jobcentre Plus – recognised as one of the best back-to-work agencies in the world. Its staff have unrivalled knowledge of their customers and their needs; and have a record which is second to none in delivering core back-to-work support. We will support Jobcentre Plus in continuing to drive up its effectiveness still further, not least by giving its advisers greater flexibility to tailor their support to the individual needs of their customers.
- 7.19 But no one believes that any single organisation can possibly deliver all of the support needed by workless people – in particular, the hardest to help. They face multiple barriers preventing them returning to work and need other Government-funded support. Too often, the services which should provide support don't work together effectively to provide the quality of help needed.
- 7.20 For example, the current employment rate gap between the overall GB employment rate and the ethnic minority employment rate is 14.1 percentage points. Despite efforts over the last ten years, this employment gap has only reduced slightly. We want to see a more joined-up approach in local communities making a bigger impact.
- 7.21 We know that ethnic minorities live disproportionately in the most deprived areas and that location can be a barrier to anyone, regardless of ethnicity. Devolution is the most effective way to meet the needs of these deprived neighbourhoods and to ensure services work well together.
- 7.22 Through the City Strategy, we have brought together public sector bodies, employers and others to identify shared priorities and to unify budgets so they can best increase employment. We have asked all City Strategy Pathfinders with a major ethnic minority population to set explicit targets for this group. We will also work with local strategic partnerships in areas that receive the new £1.5 billion Working Neighbourhoods Fund – which covers over half of all workless ethnic minority people in England – to consider how they can extend support and deliver improved outcomes for their ethnic minority residents. This is of a different order of magnitude to the small-scale outreach pilots which it replaces and it is a more efficient way to spend public money.

- 7.23 Bringing Government departments and agencies together in this way is a major step. We need to learn what works best. The joint commissioning trials announced between the Department for Work and Pensions, the Department for Innovation, Universities and Skills (DIUS) and the LSC will explore innovative co-commissioning, with a focus on the effective delivery of services which lead to sustained employment. We will also look at how, together, we can improve skills. But in some areas, we want to go beyond narrow employment aims and test greater joint working across health and local government services.

### Three levels of devolution to local partnerships

- 7.24 We are determined to devolve more power to the right level to improve employment and skills outcomes for individuals – in some cases, this could be at the level of an individual local authority. In others, a strategic approach that reflects the wider labour market is needed at the sub-regional level, for example through Multi-Area Agreements (MAAs). We will, therefore, be introducing a new delivery model – one in which there is a common ‘spine’ across the country so that we deliver common standards and services wherever people live. But within that framework, we want to see increased flexibility at the local and sub-regional level to meet specific needs.
- 7.25 We have already started, with the first phase of the Flexible New Deal, to implement new ways of working with local partnerships. We are involving local partners in the very early stages to help us ensure contracts are tailored to communities. We also want local input in choosing who should win contracts and in monitoring performance.
- 7.26 As with City Strategy areas, that will mean that we consult local partners on how we commission our programmes for their area. We want them not only to have a role in setting out the context in which the programme should be delivered but also in evaluating the proposals from bidders and in managing their performance. This is the first level, the core model.
- 7.27 But some areas will want to go further, either through innovative local proposals or a sub-regional approach, such as that already being adopted by the first MAAs, signed this month. We have already announced a two-year extension of our support for the City Strategy Pathfinders; and in *Work Skills* confirmed that MAAs will be a preferred route to empower local partners.<sup>34</sup> This will need to be a deal: something for something. We only want to devolve power where we believe it will get more people back into work, not for devolution’s own sake. This has been the case for those actions and outcomes we agreed with MAAs. We will continue to challenge areas to demonstrate their success in getting people back to work, and

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<sup>34</sup> Department for Work and Pensions and the Department for Innovation, Universities and Skills, 2008, *Work Skills*, Cm 7415

their ability to bring in additional resources. Where they do this, we will develop co-commissioning arrangements so that they can supplement the spine of national provision with additional wraparound services to address specific local issues. We will also increase influence for the Pathfinders over future Departmental policy development and commissioning processes.

- 7.28 This approach, for example, as described in Box 7.1, is already working well in Newcastle, where the Newcastle Strategic Partnership has created Newcastle Futures Ltd. The purpose of the company is to work with and bring together many partners to offer a service that is seamless to individuals and which, by directing them to the right provider, is personal to them. This is the second level, the wrap-around model.

#### Box 7.1: Newcastle Futures Ltd

The Newcastle Strategic Partnership, made up of partners from Newcastle City Council, Jobcentre Plus, the LSC, the local Primary Care Trust and others, identified worklessness as one of its key priorities in November 2005.

To tackle the challenge, the partnership created the not-for-profit company Newcastle Futures Ltd. Its purpose is to work with partners in the community and key stakeholders to maximise performance for the city in the employability agenda. The company has two main functions:

- A strategic coordinator of employability services across the city to encourage and alter current delivery styles and promote collaborative working. Offering a partnership delivery service from local discretionary paid partners in the community provides a wrap around service to the mainstream offer from Jobcentre Plus and the LSC.
- A delivery agent in the community, offering advice, guidance and support that adds value to mainstream offers. Caseload consultants work across the city in outreach venues such as community centres, schools, GPs' surgeries, churches, Sure Start centres and numerous providers already working with unemployed residents. The consultants continue to work with customers throughout their journey from inactivity to employment and for those customers further from the labour market, for up to 26 weeks when they entered employment.

The company's first year of operating saw almost 2,000 people registered across the city. It supported over 750 people into work, of which 70 per cent were from areas of high deprivation and 75 per cent were classified as priority customers, for example, Incapacity Benefit (IB) claimants, lone parents, people from black or ethnic minority groups, ex-offenders, homeless people or people not in employment, education or training.

- 7.29 Our intent is to work closely with City Strategy Partnerships and MAA partnerships as we develop and learn about what works in these new approaches to commissioning, funding and delivery. Many of the partnerships will be involved in the commissioning trials. We want others to use their local knowledge to drive the innovation that is essential to tackle the pockets of persistent worklessness that still exist in our cities. This will help us move further away from the one-size-fits-all model.
- 7.30 Where partnerships have demonstrated further success, we are ready to devolve power even more by giving them a role in the letting of contracts. Most radically, for the most committed areas, we want to experiment with a fully devolved model. In this third tier of autonomy, we would challenge areas to meet strict criteria – including ambitious pooling of budgets and a record of successful delivery, partnership working and clear governance arrangements.
- 7.31 Where partnerships meet those goals, we propose to give them a role in letting contracts and allocating European funding. We would be particularly interested in areas that pilot innovative approaches such as the Fit for Work service or the use of full-time activity to reduce worklessness, or which develop particularly novel approaches to joining up services for disadvantaged groups, such as people with mental health conditions. This is the third model of devolution, the joint venture model.

**Question 27: What would the processes around contributing to commissioning and performance management look like in a range of different partnership areas? How might they best be managed to achieve the desired outcomes?**

**Question 28: How could a link be made to the radical proposals for the pilots set out in Chapter 3, which seek to reward providers for outcomes out of the benefit savings they achieve?**

**Question 29: How effective are current monitoring and evaluation arrangements for City Strategies?**

## Conclusion

- 7.32 In this chapter, we have described how we will continue to evolve our working arrangements with external providers, reforming structures, devolving responsibility to collaborative partnerships and pursuing new opportunities for working more closely together at a local level.
- 7.33 We will be trialling new approaches and putting learning into practice as we go. We will work collaboratively across Government, with local partnerships and with providers and we will set the pace of change so that customers can benefit from these reforms as soon as possible.