

**DWP Commissioning  
Strategy**

**27 November  
2007**

**DWP Commissioning Strategy  
– interim report**

# Introduction

In July 2007 we published the Green Paper ‘In work, better off: next steps to full employment’, setting out our proposals to help more people into work. People are better off in work financially and in terms of their health, wellbeing and self-esteem. We want to change the support we offer and the way we deliver that support, to ensure more people get into and stay in work with all the advantages that brings them, their families and their communities.

On 26 November 2007 we published ‘Opportunity, Employment and Progression: making skills work’, outlining the next steps in our endeavour to develop an integrated approach to welfare and skills. Partnership is crucial to achieving this.

We want the best outcome for every customer and believe that the private, public and third sectors have a key role to play in delivering more specialised support. They can bring a distinctive approach to service delivery based on specialist knowledge, skills and experience. They can also offer more scope for innovation, developing new and creative ways of working with customers.

In the July 2007 Green Paper ‘In work, better off’ we set out the case that there is real value to be gained by taking a more strategic approach to the commissioning of employment programmes and by simplifying and rationalising our existing set of welfare to work contracts over time.

Since July, we have consulted extensively with existing and potential providers, with other parts of government, with representative groups and other stakeholders as well as reviewing the responses to the formal Green Paper consultation. We have also sought to learn from best practice internationally: from the United States, Australia, New Zealand, the Netherlands and elsewhere. This report sets out the emerging findings.

## Why a commissioning strategy?

Every year DWP spends nearly £1 billion buying employment provision. We want to spend that money effectively, not only to increase outcomes and to reduce costs, but also to get the best outcome for every customer. Our thinking builds on David Freud's proposals in his report, 'Reducing dependency, increasing opportunity' published earlier this year. It also goes wider, taking into account other developments such as the Leitch review of skills and the joint Communities and Local Government – Department for Work and Pensions paper on area-based strategies to reduce worklessness. Here we set out our vision for our commissioning strategy.

The strategy will describe:

- the market we want to do business with;
- how we specify what we want to buy;
- the purchasing process;
- performance management; and
- the on-going relationship we will have with providers.

It will also describe what we will need to do in order to deliver the aims of the strategy.

## About this report

In this report, we summarise our thinking so far. There are seven components to the emerging strategy and for each we lay out the principles which we propose should underpin the final strategy. Between them these principles describe a clear direction of travel for our future commissioning strategy. They signal the important changes that will be required of all parts of the commissioning system, including DWP, if we are to make the step change in performance that our customers require of us.

We intend to actively engage with stakeholders over the period ahead in order to finalise our strategy and work through the detail. We therefore set out a number of key questions to which we are seeking further feedback and input over the next three months.

We conclude by describing what we will be doing to finalise this work, and how people and organisations can continue to contribute.

## Market structure

**We want a stronger, more consistent base of top-tier providers who can work closely with regional and sub-regional partners to deliver sustainable jobs for unemployed people.**

## Principles

- The welfare to work market will be arranged into larger contractual packages delivered by top-tier providers leading and managing diverse supply chains.
- The contract structure will allow for packages based on city regions but will also ensure coverage of rural areas.
- Contracts will increasingly link with local initiatives such as Local and Multi Area Agreements (in England), the City Strategy, Local Service Agreements (in Wales) and Single Outcome Agreements (in Scotland).
- We will do most of our business (around 80%) with a stable core of reliable providers. This will leave space for new entrants to the market.
- These core providers will be capable of delivering multiple contracts across the country to a high standard on a consistent basis.
- We envisage a market where smaller providers will mainly act as sub-contractors and in which excellent sub-contractual relationships are the norm.

## Questions for further work

1. Is there agreement that we should have a flexible approach to the geographical basis of our contracts?
2. How best can we link with city regions and other local partners?
3. What is the optimum size of contracts?
4. How should DWP work with existing providers to help them adjust to this new pattern?
5. Is there a role for us in helping prime contractors and potential sub-contractors find one another? If so, how best can this be carried out?

## Market development and stewardship

**We will play an active and transparent role to ensure that smaller, local partners, who have the capabilities we need and who perform well, can flourish and develop.**

## Principles

- We will support the entry of new providers in to the market who bring innovation and value, and wish to compete for contracts.
- We will support the development of the wider market to ensure that high quality, high performing, smaller and specialist providers are involved in our contracts. Our capabilities framework<sup>1</sup> will be key to this. We are also committed to ensuring excellent sub contractual relationships with high performing third sector and other organisations.
- We will publish a code of conduct describing best practice with regard to treatment of sub-contractors and other partners or suppliers including recognition of third sector requirements. This will also cover our approach to the treatment of TUPE (Transfer of Undertaking and Protection of Employment) in the contracting process.
- We will take evidence of effective partnership working and supply-base development at the local level into account in awarding business to prime contractors.
- We will expect our providers to understand and behave in a way that recognises that they are delivering part of the government’s wider agenda – social cohesion; sustainability; equality and diversity; and joined-up government.
- Our capabilities framework will allow us to contract against a view of a healthy, high performing supply chain; we will also inspect and manage contracts against that framework and intervene to insist on changes in particular supply chains if they are inadequate in any regard.

## Questions for further work

1. Are there other measures that we need to take in order to ensure against the loss of critical, local delivery capability?
2. How prescriptive should we be in the relationship between prime contractors and sub-contractors?
3. Should we require or advise prime contractors on how they should contract with and/or fund sub-contractors or suppliers?
4. How far should we expect and/or require providers to go in delivering part of the government’s wider agenda?

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<sup>1</sup> An explanation of our capabilities framework appears on page 6.

5. What is the role of the Third Sector Compact<sup>2</sup> in England and any potential equivalent agreements in the Devolved Administrations?
6. What type of regulation will be necessary for the market to operate well?

## Provider capabilities

**We will spell out the specific capabilities and requirements that make up a high performing supply chain. We will contract, inspect, manage and intervene on the basis of these capabilities and requirements.**

### Principles

We expect our capabilities framework to include:

- financial strength/access to capital;
- ability to work effectively with other delivery partners, including those in the public sector, notably Jobcentre Plus and local authorities;
- ability to bring in expertise from other organisations/sectors;
- supply chain management;
- programme and project management;
- performance management;
- commercial acumen;
- case management to assist people, particularly disadvantaged people, into employment;
- employer engagement to provide sustained jobs;
- local labour market knowledge and identification of job opportunities;
- specialist understanding of sources of disadvantage and strategies to overcome it for all job seeker groups;
- assessment of job seeker needs and flexibility and personalisation in assisting them into employment;
- excellent customer experience; and
- local credibility and outreach capability.

### Questions for further work

1. Is there a consensus around these capabilities?
2. What do they look like in more detail?

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<sup>2</sup> The Compact on Relations between Government and the Voluntary and Community Sector in England' (Compact), first introduced in 1998, is the framework agreement for how the government and the sector should work together. It is an agreement between government and the sector to improve their relationship for mutual advantage and community gain. See [http://www.cabinetoffice.gov.uk/third\\_sector/compact.aspx](http://www.cabinetoffice.gov.uk/third_sector/compact.aspx) for more information.

3. How do we engage with development strategies of other Departments (e.g. Devolved Administrations, Department for Innovation, Universities and Skills, Quality Improvement Agency/Centre for Excellence in Leadership, Communities and Local Government, and Office of the Third Sector through the Third Sector action plan)?
4. What is the appropriate stance of DWP towards provider capacity development, including the issue of consortia building?

## Commercial strategy

**We will build a competitive market with larger and longer contracts, rewarding providers for sustained outcomes and significantly reducing costs.**

### Principles

- We will be providing larger and longer contracts (the norm will be five years plus a possible extension of two years) subject to performance.
- Competitive tendering will be a key feature of our contracting process. We also envisage competition between providers within large contract areas.
- We will take account of an organisation's previous performance when they are bidding for our contracts.
- There will be plenty of points at which contracts can be either terminated or adjusted in line with performance.
- Our contracts will allow us to integrate changes in service provision with existing suppliers as new policies or changes in requirements become necessary.
- We will be basing our payment strategy more on sustainable job outcomes (six months will be the minimum and over time we expect this to increase moving quickly to around 12-18 months).
- We will trial different models of outcome payments. We will work with providers to develop more sophisticated, differentiated models to avoid situations where customers with minimal barriers to work are given preferential treatment over those who are harder to help.
- In England, we will progressively seek to converge our funding with Learning and Skills Council funding so that we are also rewarding skill and income growth. We will jointly explore the scope joining-up processes to underpin the integration of

employment and skill services and ensure efficiency and value for money in the system.

- We will strengthen the role of employers in our system so that provision better matches their requirements.

### **Questions for further work**

1. Will this deliver a viable, sustainable market?
2. What is the right balance of risk and reward in this market place? Is there a different answer at prime contractor and sub-contractor level?
3. How (and how quickly) can we converge with Learning and Skills Council funding in England in order to create an integrated approach to paying for employment, skills and economic progression?
4. What is the best approach to counteract the pressure towards “cherry picking” and “parking” of customers?

## **Performance management**

**We will move to a single, integrated, shared and transparent approach to the measurement and management of provider performance that enables a “like to like” analysis of performance.**

### **Principles**

- We will be active in driving up – and not just measuring – performance.
- We will invest in new Management Information systems that will increasingly enable providers and DWP to share the same information, and which will reduce paper based collection and reporting. This will be done with due consideration of data protection and within a strict security regime.
- We will be transparent in our performance management processes and enable providers to see how they perform in relation to the supplier base as a whole.
- We will ensure that management information requirements are coherent across all provision – we will have single definitions and consistent evidence requirements.
- We will involve providers, as partners, in performance measurement and management processes.

- We will have an external assessment of provision against the capabilities and standards specified.
- We will extend the principles of Supplier Relationship Management to this market: we will work closely with our providers as organisations, not just as a collection of contracts.

### **Questions for further work**

1. How much data is appropriate and legal to share with providers and other partners?
2. How should we make the best use of our Star Rating tool to build and ensure transparency?
3. How much performance information should we share publicly?

## DWP capability

**We will build our own skill base so that we make a positive contribution to business partnership - doing the best job to support providers in securing sustained job outcomes for our customers.**

### **Principles**

- We will clarify roles and responsibilities of relevant DWP staff so that providers are clear who they should be working with on any given issue.
- We will invest in our skills base to ensure we can support providers in delivering sustained outcomes for our customers.
- We will operate with providers on the basis of shared objectives and partnership working; we will create an atmosphere of trust and openness.
- We will act consistently. We will be supportive and encourage providers to continuously improve, and we will be tough on providers who fail to deliver.

### **Questions for further work**

1. Have we defined the capabilities we need in DWP and Jobcentre Plus? These are not just the contract management and procurement functions in Commercial Employment Provision, DWP.
2. How should we implement the strategy in DWP and Jobcentre Plus?

## Customer experience

**Customer experience will play an important part in the commissioning of provision, how it is delivered and how it is improved.**

### Principles

- We will promote more active customer involvement in our programmes, and their experience will be important in shaping our future programmes.
- Customer experience will be one of the measures employed in assessing the performance of providers.
- We will expect prime contractors to offer customers informed choices in the opportunities and services they receive and the way they receive them.
- Jobcentre Plus will continue to own the end-to-end journey for every customer throughout the life of a benefit claim.
- Customers will experience services delivered by Jobcentre Plus and employment provision delivered by providers as a single coherent system.
- Providers will increasingly refer customers to other relevant services at a neighbourhood level.

### Questions for further work

1. Should the customer have a choice about their route into work rather than the choice of provider?
2. How should we ensure that the customer voice is heard in the development of priorities and the shaping of services at both a strategic and a delivery level?
3. How should we ensure that customers' views are taken into account in performance management?

## Next steps

During November, December 2007 and January 2008 we will work closely with a range of stakeholders to address the outstanding questions identified in the report. We will work closely with the Devolved Administrations to consider how best to take this strategy forward in Northern Ireland, Scotland and Wales, bearing in mind their

particular and varied responsibilities for employment and skills. We will also be working closely with colleagues within the Department to understand how these principles will align with the findings from the consultation on the Jobseekers Allowance and the Flexible New Deal.

We will publish the final Commissioning Strategy report in late February 2008.

We continue to welcome views from individuals and organisations on this report.

You can do this by writing to:

**Name:** The Commissioning Strategy Team

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Level 2, The Adelphi, 1-11 John Adam Street  
London, WC2N 6HT

Or by email to [commissioning.strategy@dwp.gsi.gov.uk](mailto:commissioning.strategy@dwp.gsi.gov.uk)