

DWP COMMISSIONING STRATEGY



MARKET STRUCTURE

The DWP 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 commercial opportunities the DWP shall offer will be arranged into larger, longer-lasting (subject to performance achievements) contractual packages which the DWP expect will be delivered by top-tier providers leading and managing diverse supply chains.*
- The DWP's relationships with these providers will operate increasingly at a strategic level; the DWP will move away from a basic contract compliance model and into an approach where the DWP will be able to share future thinking and insights from other delivery/management experience, jointly identifying opportunities for efficiency gains or better outcomes; the DWP will be looking to these providers to signal changes they are experiencing in customer characteristics so that the DWP can factor those changes into policy development.
- *The contract structure will allow for packages based on city regions but will also ensure effective coverage of rural areas.*
- Contracts will not be as large as English regions (or cover the whole of Scotland or Wales) but they will be larger than single Jobcentre Plus Districts.

- The DWP will develop a set of geographic boundaries for the flexible New Deal, taking into account existing structures such as City Strategy Pathfinder and the needs of rural areas.
- This will be the starting point for future commissioning exercises. The DWP may, however, move to fewer larger contracts covering an increasing range of welfare to work provision as the market matures.
- The customer demographics in each contract area will vary and therefore, in monetary terms, there will be a range of contract values.
- *Contracts will increasingly link with the appropriate local delivery infrastructure that best delivers sustained jobs.*
- The DWP envisage that top-tier providers will operate alongside Jobcentre Plus District Managers or Customer Service Directors as key players in local partnership arrangements.
- This will include Local and Multi Area Agreements, the City Strategy and Employment and Skills Boards in England. In Wales, it will include the Welsh Assembly Government, Local Service Boards, Community First Partnerships, and Wales Spatial Plan networks. In Scotland, account will be taken of Community Planning Partnerships, local employability partnerships and the introduction of Single Outcome Agreements.

- They will contribute to the development of local initiatives and, by working with and understanding the role of other partners, ensure that DWPP customers are able to benefit from shared local objectives, including integrating employment and skills to move people into sustainable employment and help them progress.
- Providers will develop their contribution as significant local partners gaining credibility and standing at a local level.
- Providers will ensure that local activities funded through the European Social Fund complement mainstream provision rather than duplicate or directly compete.
- *The DWP will aim to do most of their business (around 80 per cent) with a stable core of reliable providers. This will leave space for new entrants to the market.*
- The DWP want to encourage a dynamic market where providers who have demonstrated the capacity to deliver innovative, quality provision to high standards are able to bring fresh approaches to bear. These may be in the private, third or public sector including FE colleges.
- There will not be a requirement on top-tier providers that they have to deliver part of the provision themselves.
- *The core providers should be capable of delivering multiple contracts across the country to a high standard on a consistent basis.*
- They will be responsible for ensuring that their whole supply chain is effective and delivering to high standards; they will have sophisticated performance and quality management systems, thorough audit and verification arrangements and an infrastructure that is based on continuous improvement and self-assessment, working with existing quality inspection regimes where these exist.
- *The DWP envisage a market where smaller providers will mainly act as sub-contractors (or ‘delivery providers’) and in which excellent sub-contractual relationships are the norm.*
- Some of the contracts available at the delivery level will themselves be substantial in size and duration. Top-tier providers will want to develop similar long-term relationships with the best providers in their supply chain.
- The DWP will not necessarily expect sub-contracts to reflect the terms of their engagement with the top tier. The DWP expect risk and reward to be fairly assigned across the supply chains in ways that allow the small and specialist providers to play their full part.
- The DWP will help providers improve their knowledge of other players and potential players in the market in a range of ways – the DWP will host events during procurement exercises; the DWP will work with other agencies locally and nationally to provide access to existing information, including signposting.
- The DWP will seek advice from local strategic partnerships about the proposals in bids and their fit with existing local infrastructure and plans.
- The DWP will want assurance that providers are able to deliver a range of services to meet the complex needs of their range of different customers in all the areas where they are seeking to deliver; and will demand evidence of that delivery capability, directly or through others.
- The DWP will facilitate ways in which prospective providers can build knowledge of who is in the market and the services that each can offer.
- *The DWP are also committed to ensuring excellent sub-contractual relationships between the top tier and high-performing third sector and other organisations. The DWP Code Of Conduct describes best practice with regard to treatment of sub-contractors and other partners or suppliers, including recognition of third sector requirements. It also covers their approach to the treatment of TUPE – Transfer of Undertakings (Protection of Employment) – in the contracting process.*
- The DWP Code of Conduct describes the principles of behaviour between providers. It takes account of the Compact principles and the DWP are committed to working with the Commission for the Compact on an ongoing basis as the Compact undergoes review. At the same time, the DWP will work with the Devolved Administrations to ensure that the Code is consistent with all relevant arrangements there.
- Providers who contract with the DWP will be expected to operate in accordance with the Code of Conduct.
- The DWP will not constrain top-tier providers by being unduly prescriptive in defining the formal delivery relationships (financial and operational) between providers. However, where the DWP require specific arrangements to be in place, the DWP will make that clear in ITTs and these will be taken forward as contractual obligations.
- Management and treatment of sub-contractors will be reviewed as part of supplier management performance assessment and the DWP expect top-tier providers to live up to any further commitments they make to delivery providers at the time of contract award.
- The DWP will facilitate good practice and will expect all their providers to behave collaboratively and to play an active role in sharing examples of effective arrangements with others. Good and innovative practice identified from provision funded through the European Social Fund will also be shared with delivery providers.
- The DWP will provide a grievance route for delivery providers who believe that the Code of Conduct is not being adhered to but this will be an option of last resort.
- The DWP will take into account evidence of effective partnership working and supply base development at the local level in awarding business to prime contractors.
- The DWP will invite Jobcentre Plus, the Learning and Skills Council, local partnerships and other central and local government agencies to contribute to the development of specifications. The DWP will also ask them to participate in the assessment of bids.
- *The DWP will expect their providers to understand and behave in a way that recognises that they are delivering part of the Government’s wider agenda – social cohesion; social inclusion; sustainability; progression; equality and diversity; and joined-up government.*
- In Scotland, providers will demonstrate their understanding of both the employability framework, Workforce Plus, and the ‘More Choices More Chances’ strategy for young people, and deliver proposals that are appropriate to this context.
- In Wales, providers will demonstrate their understanding of the new ‘Skills that Work for Wales’ strategy and deliver proposals that take account of it.
- *The DWP’s capabilities framework will allow the Department to contract against a view of a healthy, high-performing supply chain; the DWP 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.*
- *The DWP are interested to understand what the issues are for delivery providers generally. The DWP will establish mechanisms by which delivery providers can have a ‘voice’ direct to DWP, not just as a vehicle for talking about common problems, but as an opportunity to share insights that are best understood by those dealing with their customers.*

MARKET DEVELOPMENT AND STEWARDSHIP

The DWP will play an active and transparent role to ensure that smaller, local providers, who have the capabilities the DWP need and who perform well, can flourish and develop.

Principles

- *The DWP will support the entry of new providers into the market who bring innovation and value, and wish to compete for contracts.*
- The DWP will remove barriers to encouraging new entrants by taking successful delivery in other sectors or of other services into account when awarding contracts.
- The DWP will hold events to provide, up front, information about procurement exercises and give all interested parties a fuller insight into their aims and objectives.
- *The DWP will support the development of the wider market to ensure that high-quality, high-performing, smaller and specialist providers are involved in their contracts. Their capabilities framework will be key to this.*
- The DWP will not prescribe volumes or shares of business that should be directed at either smaller, specialist or third sector providers.
- The DWP will seek input from local strategic partnerships during the Invitation to Tender (ITT) stage of procurement exercises to supply supporting information about local strategic priorities and relevant background information that will enable bidders to develop their delivery proposals.



- The DWP will continue to develop their relationships with provider representative organisations across Great Britain so that different sectors – private providers, smaller providers, specialist providers, colleges, third sector organisations – have opportunities to talk to the DWP about their particular perspective.

PROVIDER CAPABILITIES

The DWP will spell out the specific capabilities and requirements that make up a high-performing supply chain and an effective first-tier provider. The DWP will contract, inspect, manage and intervene on the basis of these capabilities and requirements.

Principles

- The capabilities described in the framework will, collectively, need to be demonstrated by the supply chain as a whole. Some individual capabilities will be relevant to the top-tier provider; others will more likely be best evidenced by delivery providers. Some will need to be demonstrated by everyone.
- The DWP will look to work with organisations who share their commitment to promote equality in the workplace. The DWP will ask potential contractors about their equal opportunities policies as employers and will work with providers to raise the employment of under-represented groups, among other key equality outcomes. The DWP want to contract with organisations who are prepared to work with the DWP to make progress within their own workforce and supply chain; the DWP believe this is an indispensable part of demonstrating the capability to deliver employment services to their customers.

- The DWP will look for evidence in some areas, predominantly at bid assessment and contract award. The DWP will spell out the particular areas the Department expects to see covered and the criteria it shall be using to assess this. The DWP shall in addition explore the scope for providing examples of the evidence the DWP are looking for. These will include (but not exclusively):
 - financial strength/access to capital together with an investment strategy
 - ability to bring in expertise from other organisations/sectors;
 - ability to lever in other resources to enable programme management with partners
 - effective partnership working
 - supply chain management and development
 - programme and project management commercial acumen
 - local credibility and outreach capability
- Other capabilities will be reviewed as part of supplier management. This will include:
 - ability to work effectively with other delivery partners, including those in the public sector, notably Jobcentre Plus, the Learning and Skills Council and local authorities
 - rigorous performance management
 - case management to assist people, particularly disadvantaged people, into sustained employment
 - strategic employer engagement to provide suitable and sustained jobs and a sound employer-facing infrastructure
 - local labour market knowledge and identification of skills needs and job opportunities

- specialist understanding of sources of disadvantage and strategies to overcome it for all customer groups based on evidence
- capacity and capability to respond to changing economic conditions
- *Many will also be reviewed as part of self-assessment and inspection. Some may best be evidenced by this process, such as:*
- assessment of job seeker needs, and flexibility and personalisation in assisting them into employment
- excellent customer experience
- investment by providers in the development of their own staff and their supply chains
- *External assessment will be key to assuring provider commitment to the capabilities framework. The DWP will work with Ofsted in England and Estyn in Wales to ensure that their inspection processes remain focused and relevant. The DWP will also review the current quality assurance arrangements in Scotland.*
- *The DWP expect providers to invest in and be active in their own improvement and development. DWP will be actively involved in shaping and promoting the infrastructure that supports continuous improvement.*
- In England, the DWP will work with the Department for Innovation, Universities and Skills (DIUS), the Learning and Skills Council (LSC) and the new Further Education (FE) sector improvement organisation (formed from the Quality Improvement Agency (QIA) and the Centre for Excellence in Leadership (CEL)) to develop integrated improvement strategies covering employability and skills provision and advisory services.
- In Scotland, the DWP will work to similar ends. The DWP will also, increasingly, seek to align their services with those of the new skills body, Skills Development Scotland.
- In Wales, the DWP will work closely with the Welsh Assembly Government and the new Wales Employment and Skills Board on the ongoing development of this shared agenda.
- The DWP will work with Lifelong Learning UK to ensure that the implementation of the Workforce Strategy for the FE Sector in England and their framework are aligned.
- *The DWP will work with the Office of the Third Sector and the Devolved Administrations to identify ways in which specific support can be developed that will help third sector organisations grow and flourish in the welfare to work market.*

COMMERCIAL STRATEGY

The DWP will build a competitive market with larger and longer contracts, rewarding providers for sustained outcomes and significantly reducing costs, using competition on a continuing basis as the spur to greater effectiveness.

Principles

- *The DWP will be providing larger and longer contracts – the norm will be five years or on occasion seven years – subject to performance.*
- *Competitive tendering will be a key feature of the DWP's contracting process. The Department will also have competition between providers within most contract areas. The DWP will continue to evaluate the evidence on whether multiple or single provision generates better performance.*
- *The DWP will take account of an organisation's previous performance when they are bidding for their contracts. This need not necessarily be in the welfare to work market. The DWP would also look at previous performance of constituent parts of an organisation, enabling consortia or new organisations created following mergers and acquisitions to provide the evidence needed.*
- *In deciding how much business the DWP should award to providers, the Department will make assessments of organisations' perceived ability to stretch in terms of financial, risk and management systems and capability.*
- *There will be regular points at which contracts can be either terminated or adjusted in line with performance. The DWP shall make it clear to providers the tests they are expected to pass.*
- *The contracts will allow the DWP to integrate changes in service provision with existing suppliers as lessons are learned of what delivers the most effective performance, new policies are developed or changes in requirements become necessary. The DWP may also seek to introduce changes in the funding available (balance and levels) in the light of*

demonstrated costs of delivery and evidence of what best incentivises high performance.

- *Contract performance information will be made publicly available, including to Parliament, as there is strong public interest in how government money is being spent.*
- *The DWP will be basing their payment strategy increasingly on sustainable job outcomes (six months in the first instance, but as the DWP move towards their integrated employment and skills progression model the DWP will look to build longer-term incentives into the welfare and skills systems, perhaps for 18 months). The DWP will continuously review the risk and reward balance to ensure that the focus remains on helping people stay in work.*
- *The DWP will explore alternative reward mechanisms which give incentives for providers to encourage and support progression and the development of skills. The DWP will look for opportunities to trial significantly longer outcomes as envisaged by David Freud, and to test out the impact of making payments to providers for helping people to progress in terms of skills and earnings, by creating better employability and skills packages.*
- *The DWP will trial different models of outcome payments. The DWP will work with providers to develop more sophisticated, differentiated models that recognise those customers who can be helped more quickly to find their route to a sustained job and those who will need determined action to tackle their particular barriers.*
- *The DWP will look for evidence of good case-management and good customer experience as part of their assurance processes that providers are not 'parking' the hardest to help. And the DWP will insist that providers have robust audit and verification processes in place to ensure that the DWP are paying for genuine outcomes for customers.*
- *In England, the DWP will progressively seek to converge their funding and management of common providers with the Learning and Skills Council so that the DWP are also rewarding skill and income growth. Together, the DWP will look to join up processes over the life of contracts that underpin the integration of employment and skill services and ensure efficiency and value for money in the system. The DWP have established a joint project that will create the basis for joint commissioning of employment and skills provision. The project started in March 2008 and as an early priority will look at links with flexible New Deal commissioning.*
- *In Scotland, the DWP will explore these same themes in collaboration with Skills Development Scotland.*
- *In Wales, the DWP will work with the Welsh Assembly Government and the new Wales Employment and Skills Board to explore how best this can be developed.*
- *The DWP will strengthen the role of employers in their system so that provision better matches their requirements. As employers play an increasingly demand-led role, specifying their needs through Local Employer Partnerships, on City Strategy and other local partnerships, providers will be expected to adapt and flex their provision and delivery arrangements accordingly.*

PERFORMANCE MANAGEMENT

The DWP 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

- *The DWP will extend the principles of Supplier Relationship Management to this market and will work closely with their providers as organisations, not just as a collection of contracts.*
- *The DWP's performance model will be based on four key areas:*
 - outcomes
 - value for money
 - quality
 - customer experience
- *The DWP will set clear expectations and hold providers to account for what they say they will deliver. There will be a limited number of targets based on outcomes.*

- The DWP will introduce a Star Rating system (which will include customer experience) that will inform performance management and contribute to decisions on awarding future business. In doing so, the DWP will work with DIUS to establish whether there are any common areas between the Framework for Excellence and Star Rating to minimise potential burden for providers.
- The DWP will be active in driving up – and not just measuring – performance.
- The DWP 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.
- The DWP will be transparent in their performance management processes and enable providers and customers to see how they perform in relation to the supplier base as a whole.
- The DWP will ensure that management information requirements are coherent across all provision – the DWP will have single definitions and consistent evidence requirements.
- The DWP will involve providers, as partners, in performance measurement and management processes.
- The DWP will have an external assessment of provision against the capabilities and standards specified using existing arrangements with Ofsted in England and Estyn in Wales. The DWP will also review the current quality assurance arrangements in Scotland.

DWP CAPABILITY

The DWP will build their own skill base so that the Department make a positive contribution to business partnership – doing the best job to support providers in securing sustained job outcomes for their customers.

Principles

- The DWP will clarify roles and responsibilities of relevant Department staff so that providers are clear who they should be working with on any given issue.
- The DWP will invest in their skills base to ensure the Department can support providers in delivering sustained outcomes for their customers.
- The DWP will build on work already started to identify and meet ongoing development needs of procurement specialists, of supplier relationship managers and others in the commissioning process.
- The DWP will work with the Office of Government Commerce, with the Improvement and Development Agency and others aligning their activities with other programmes where there are clear benefits to be had.
- The DWP will operate with providers and their delivery partners on the basis of shared objectives and partnership working; the DWP will create an atmosphere of trust and openness.
- The DWP value the role and contribution of the DWP Provision Forum and see this as one of the foundation stones of partnership working.
- The DWP will promote the use of sub-groups to explore specific policy and performance issues, enabling a wider group of providers (at both the top tier and delivery tier) to contribute.
- The DWP will act consistently. The DWP will be supportive and encourage providers to continuously improve, and tough on providers who fail to deliver.
- The DWP will give providers the chance to feedback to the Department on how the DWP are doing in terms of adding value to performance.

CUSTOMER EXPERIENCE

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

Principles

- Jobcentre Plus will have a central role in assuring the quality of the customer experience.
- Providers and Jobcentre Plus staff and managers locally will have regular dialogue at appropriate levels to ensure that they jointly deliver effective services to customers.

- Jobcentre Plus will continue to own the end-to-end journey for every customer throughout the life of a benefit claim.
- Providers, working closely with Jobcentre Plus managers within local strategic partnerships, will ensure that their provision integrates appropriately with other services delivered in local areas to the benefit of customers.
- The DWP will promote more active customer involvement in their programmes, and their experience will be important in shaping their future programmes.
- The DWP will work with customer representative groups and advocacy organisations to develop ways of doing this.
- Customer experience will be one of the measures employed in assessing the performance of providers.
- Clarity of expectation will be critical and the DWP will commission research to explore what customers’ expectations are in relation to contracted employment provision; the DWP will share that information with providers; it will be the basis for discussion between Jobcentre Plus managers and providers and it will inform performance measures.
- The DWP will expect prime contractors to offer customers informed choices in the opportunities and services they receive and the way they receive them.
- In multiple provider areas, the DWP will introduce choice for customers at a point when information about all relevant aspects of performance and delivery is robust and meaningful to customers.

In all contracts, the DWP expect providers to discuss with customers the range of services that are available and how it will be best for the customer to receive them.

- Providers will not only meet all the requirements under the range of diversity and equality legislation in the way services are delivered but they will recognise that customers are individuals, often with complex needs, and that services might need to be delivered in individual and imaginative ways.
- Customers will experience services delivered by Jobcentre Plus and employment provision delivered by providers as a single coherent system.
- Customer feedback will be an integral part of every provider’s performance monitoring system.
- Customers will be told the outcome of issues raised by them through complaints procedures.
- Customers can expect providers and their delivery partners to continue to support them when they make the transition into work. The DWP will expect providers to work with employers to ensure that customers can stay in work and develop in the workplace.
- Providers, through their local partnership arrangements, will increasingly enable customers to access other relevant services at a neighbourhood level to which they are entitled, reducing hand-offs and streamlining referral.

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