



WorkDirections UK's response to the Interim Commissioning Strategy

**Response to the Department for Work and Pensions
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WorkDirections UK is a member of the Ingeus Group of Companies

A response from WorkDirections to the Department for Work and Pensions Interim Commissioning Strategy

WorkDirections warmly welcomes DWP's approach to its Commissioning Strategy, both in term of the interim report, and the consultation between officials and providers that have occurred alongside, and fed into this process. We have been pleased to engage with this strategic review, and will continue to work with the Department as they further develop their approach to commissioning.

In general our response is positive - many of the suggestions in the interim report are in line with recommendations published by WorkDirections during the last four years. It is very encouraging to us to see that the Department has come to similar conclusions about the best way to procure services. Our key question, and this is reflected throughout our responses, is how these changes will be implemented.

We have put together this brief paper in order to capture our responses to the specific questions raised in the interim report. There are some areas of the strategy for which we have fuller responses and these are identified in this body of this paper.

Market structure

The market structure presented in the interim report is based on a top tier of providers that sub-contracts with other, possibly smaller or more specialist providers. This is a structure we endorse on the understanding that supply chains will be commissioned where they benefit the client, rather than in an attempt to protect any existing providers or to maintain any sense of the industry status quo. Decisions about delivery need to be driven by the needs of those receiving the service, rather than the needs of those providing it.

To this end, we believe this structure will mean it is incumbent on DWP to ensure that the top tier of providers are incentivised through the contracting process to develop and support good sub contractors so that the effect is a higher quality service for clients.

We believe there is a role for DWP in supporting those organisations intending to provide sub-contracted services. One way in which this could be done is to discourage the use of exclusive contracts (with specialised sub-contractors), which could diminish the opportunities for success for those providers tied into them and would also be very anti-competitive.

1. Is there agreement that we should have a flexible approach to the geographical basis of our contracts?

Yes.

There are considerable benefits to economies of scale in terms of the procurement process as well as delivery. However, there are obvious differences in the coverage requirements of urban and rural areas and this requires a flexible approach. There is also a need for the consideration of the impact of multiple providers on contract size. We believe that the suggested minimum size of contract at around £8million per provider per year is about right but there should be scope for some to be much larger.

2. How best can we link with city regions and other local partners?

There is a clear need for better integrated services - existing local and regional bureaucracies can and should be the conduit for this. In some areas they have developed local forums which share information about existing provision in order to avoid duplication, and this best practice can be rolled out elsewhere.

3. What is the optimum size for contracts?

It is difficult and probably not desirable to be too precise about this as specific contract requirements will differ. Very large contracts will bring with them economies of scale, and encourage new providers into the marketplace. However, they will also 'create' a new middle tier of providers, some of whom have national presence, and they may make it harder for small, specialist providers to operate. As noted above, any potential issues with this can be overcome through ensuring that the commissioning process drives the top tier to search out those most able to provide a quality service.

4. How should DWP work with existing providers to help them adjust to this new pattern?

It is essential that DWP continue to share information as soon as it becomes available. We also endorse the idea of optional best practice workshops for those at every stage of the supply chain.

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?

Yes.

We think that a free flow of information is useful, although have not been convinced by attempts to help providers meet en masse at 'speed networking' type events. The value of these is questionable as competing organisations need to simultaneously share their models with potential sub-contractors and yet retain the integrity of their approach. It would be useful

if DWP were able to compile lists of those interested in becoming top tier and sub-contractors for each contracting round and circulate those along with contact details and, if possible, performance histories. This would enable providers to follow up, and would mean that less well known, or new, organisations are not overlooked.

Market development and stewardship

The full implications of TUPE in welfare-to-work are potentially far reaching and at the same time are possibly a significant barrier to performance improvement. It is also something which is very significant for DWP to state a definitive view on whether it (TUPE) should apply or not as this is always going to be something that has to be considered on an individual, case-by-case basis which is typically the way the courts approach this issue.

When a programme remains the same but is let to a new provider then there is a very high probability that TUPE should apply. Less straight forward are examples where the service changes, as will happen for example when Private Sector Led New Deal is replaced by Flexible New Deal. Applying TUPE in these circumstances will require the incoming contractors to employ staff who were contracted to deliver services that are no longer part of the delivery requirement.

This also has implications for Jobcentre Plus as they take on delivery of Gateway under Flexible New Deal in current Private Sector Led New Deal areas. Blanket application of TUPE could result in staff from private and voluntary sector providers responsible for the delivery of this part of the programme being transferred into Jobcentre Plus.

1. Are there other measures that we need to take in order to ensure against the loss of critical, local delivery capability?

Creating a sustainable market needs to sit at the heart of the DWP commissioning strategy. Without this organisations will be unwilling to invest and potential new providers will remain uninvolved. Ensuring the market is sustainable will also insure against losing quality local delivery capacity. This can be done in a number of ways and is helped by having contract periods of at least five years, with the opportunity for excellent providers to roll-over into subsequent contracting periods without re-tendering. This needs to be countered by a clear process by which contracts can be removed as a result of consistent poor performance. The assessment of tenders needs to take account of the previous performance of existing providers - perhaps Jobcentre Plus District Managers should provide references which could be considered alongside performance data.

2. How prescriptive should we be in the relationship between prime contractors and sub contractors?

As unrestrictive as possible. Better performance will be achieved through fostering innovation, and this should be encouraged not only in terms of delivery, but also in the supply chain structures managed by top tier providers. Providers need to be held to account for their performance, but over-regulation holds the possibility of decreasing efficiency and stifling creativity.

3. Should we require or advise prime contractors on how they should contract and/or fund sub-contractors or suppliers

The provision of advice and some best practice models can be helpful, although it needs to be clear that these are examples only. Best practice workshops may be useful but, at the end of the day it should be for the prime contractors to establish the most appropriate contracting arrangements. These might in some circumstances mirror the funding arrangements in the prime contract but this will not work everywhere.

The process for managing poorly performing sub-contractors needs to have clear guidelines to avoid difficulties once delivery is underway - such as whether an agreed period of support is required before contracts are terminated? If a contract with a sub-contractor is terminated, is there an expectation that that area of provision will be re-contracted rather than brought in-house?

4. How far should we expect and/or require providers to go in delivering part of the Government's wider agenda?

There is a clear need for what is purchased to align with policy objectives. In terms of meeting the wider agenda of the Government, we believe this can best be achieved through contracting for sustainable outcomes. Through doing this for people on Incapacity Benefit, Pathways to Work has required providers to deliver or sub-contract condition management, and become more aware of the broader links between health and work. This has also been the case for childcare provision as a result of working with lone parents.

There are other areas that are likely to be affected as DWP demands more from its providers in terms of sustainable outcomes. These include housing, skills and wider regeneration issues. The delivery of successful long term solutions will necessitate a better joining up of services and welfare to work provision is great opportunity to drive this.

There could also be better mechanisms for welfare-to-work providers to feed back to other Government departments on how policy/bureaucracy/delivery changes to their programmes and initiatives would have a better impact on delivering the wider agenda. As the prime contractors will play such a key role in delivery they should be part of

regular strategic meetings with their respective Jobcentre Plus District Managers.

5. What is the role of the Third Sector Compact in England and any potential equivalents in the Devolved Administrations?

The Third Sector Compact focuses on the government and third sector working together for mutual advantage and community gain. In the context of welfare-to-work delivery this can be best achieved through good contracting - with the third sector competing to deliver at all tiers, incentivised for a focus on performance.

6. What type of regulation will be necessary for the market to operate well?

There is, of course, an important role for regulation. The requirements need to be transparent and based on the quality of the service rather than the completion of arbitrary quality exercises. We have some concerns that the current system has a tendency towards box-ticking, and that there is a gap in understanding between that required by organisations such as Ofsted and the objectives of the programmes.

Provider capabilities

Our responses to this section are based on the understanding that DWP does not expect individual providers to possess every capability, but that they will all be reflected within the supply chain.

1. Is there a consensus around these capabilities?

Yes, we are sure that there will be consensus on this.

2. What do they look like in more detail?

We believe that sustainability of outcomes and quality performance need to underpin the delivery of each of these capabilities.

3. How do we engage with development strategies of other Departments?

Commissioning provides a good basis for this. As described earlier, the purchasing of long term outcomes will drive engagement with other Department's development strategies. The current partnership between DIUS and DWP on skills and work provides a good example of this.

Better mechanisms need to be found to share best practice from all departments.

4. What is the appropriate stance of DWP towards provider capacity development, including the issue of consortia building?

DWP need to provide information and opportunity, whilst remaining aware that this is not something easily undertaken in public by competing organisations. A clear brief is required within Invitations to Tender, and whilst there can easily be an objective for top tier providers to develop capacity, this can be better achieved through appropriate incentives within the contracts rather than through a directive.

We are supportive of the concept of a ‘learning contract’, which would provide opportunities - flexing points - for change or modification initiated by either side every 18 months.

Commercial strategy

We endorse the principles of the commercial strategy; the key question will be how these will be implemented in order to be effective.

There is an additional question about the objective of commissioning - whether it is to drive performance, or to save money. It is our experience that the greatest success and innovation in welfare to work has been achieved in programmes where the price has been fixed from the outset at sensible and reasonable levels and bidders have been invited to tender on quality in terms of what they would deliver for the specified price. These tendered responses are then also easier to evaluate.

1. Will this deliver a viable, sustainable market?

This provides a good framework. There needs to be considerable work done to ensure that it can be implemented and delivered.

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?

The correct balance between risk and reward is essential to drive and reward provider performance. If top tier providers are asked to assume considerable risk, they will have to pass at least some of this onto their sub-contractors. Certainly top tier providers are likely to agree different risk and reward structures with each sub-contractor depending on what is being provided.

3. How (and how quickly) can we converge with LSC funding in England in order to create an integrated approach to paying for employment skills and economic progression?

There is a definite need to review the contracting and funding of employability funding. LSC funding is not currently sufficiently work focused and this can make it difficult to link training opportunities with jobs for

individuals accessing employment programmes. The Local Employment Partnerships and Train to Gain are driving change in this area. However, we think that there is a serious gap for those people wanting to access training unrelated to the first job they go into. There is also the need to engage differently with small employers, who recruit heavily from welfare to work programmes, are not part of industry bodies and are not reflected in the make up of initiatives such as LEPs and T2G.

4. What is the best approach to counteract the pressure towards ‘cherry picking’ and ‘parking’ of customers?

We believe this can best be achieved through demanding targets. Some time ago we proposed the target accelerator which we feel is helpful to this discussion.

WorkDirections also recommends measuring sustainability for 12-18 months.

Performance management

We welcome an open and transparent comparative performance measurement system. We do, however, have a number of concerns about the proposed star ratings system as it currently exists particularly the fact that outcomes are measured in the same period as programme starts and this can generate hugely misleading results when start volumes change significantly.

1. How much data is appropriate and legal to share with providers and other partners?

Once the validity of the measurement and subsequent data are agreed, as much data as possible should be made available.

2. How should we make the best use of our Star Rating tool to build and ensure transparency?

We are disappointed with some aspects of the Star Rating tool in its current incarnation. These need to be addressed before it can really be used effectively and we have made suggestions as to how this can be improved.

3. How much performance information should we share publicly?

We are happy for all performance information to be shared as long as the methods for capture and comparison are robust.

DWP capability

1. Have we defined the capabilities we need in DWP and JCP? These are not just the contract management and procurement functions in Commercial Employment Provision, DWP.

The division of responsibilities between DWP and Jobcentre Plus needs to be clearly delineated. Jobcentre Plus is a key provider in its own right and needs to be part of a strategic delivery consortium with the top tier providers. Regular strategic meetings will lead to better operational planning and delivery. District Manager involvement is key and it is healthy that they are separate from the contract management function.

2. How should we implement the strategy in DWP and JCP?

It is vitally important that the recently established degree of separation between DWP and Jobcentre Plus is maintained. Jobcentre Plus along with the prime provider and supply chain are core elements of the end-to-end service delivery model. DWP should refrain from getting into the details of how the model is delivered but focus purely on the consideration of efficiency, quality and value for money.

Customer experience

WorkDirections will shortly be publishing a paper on choice and voice in welfare reform which considers many of these issues in more detail.

1. Should the customer have a choice about their route into work rather than the choice of provider?

We do not see this as an either/or option. Where choice is possible it is valued by clients and can increase commitment to the programme. There are real positive benefits to everyone for clients to be involved in the choice of solution and, where possible, providers for getting them back into work.

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?

This can be done through surveys - possibly a generic survey to clients of all providers, as well as focus groups. There would be value in capturing what clients would like to see in a new employment programme such as Flexible New Deal before it commences, research to date has tended to focus on client experience once programmes are underway.

3. How should we ensure that customers' views are taken into account in performance management?

This could be done through a generic customer survey. However, this would need to be undertaken in conditions that ensure validity and independence.

WorkDirections UK and the Ingeus Group

WorkDirections UK is a member of the international Ingeus Group of companies which provides effective, accountable welfare-to-work services. The Group, which has been operating since 1989, delivers services in the UK, France and Germany.

WorkDirections UK produces original research, responses to government consultations and business development activity in the countries in which we operate.

- Launched in the UK in November 2002, WorkDirections UK supports socially excluded and disadvantaged individuals to find suitable and sustainable employment.
- Our welfare-to-work operations assist people who have become long-term unemployed, as well as single parents, and those who are not working as a result of health issues.
- WorkDirections UK is delivering six three-year **Pathways to Work** programmes from December 2007 which will allow us to support over 98,000 Incapacity Benefit claimants in the London, Birmingham, Nottinghamshire and Edinburgh areas. In Birmingham, the Pathways to Work programme replaced our **New Deal for Disabled People** programme which we ran for over three years.
- We also deliver **Private Sector Led New Deal** programmes in Central and West London, and **Employment Zones** in Nottingham, Birmingham, Brent, Haringey and Southwark.

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