



February 2008

# DWP Commissioning Strategy



Department for Work and Pensions

# Commissioning Strategy

Presented to Parliament by the Secretary of State for Work and Pensions by  
Command of Her Majesty  
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## Ministerial Foreword



We have made clear progress over the past decade in tackling poverty and promoting social justice in the United Kingdom (UK). But we need to do more to unlock the talents of every individual and to remove barriers to social mobility. Achieving fair life chances for all will mean opening up second chances, through opportunities to learn, develop new skills, enter employment and make progress at work.

In December 2007, we published *Ready for work; full employment in our generation*, describing the next steps in our programme of welfare reform

This strategy marks the first milestone in taking forward these reforms.

David Freud, in his report, *Reducing dependency, increasing opportunity*, described how we could harness the innovation and expertise of the private and voluntary sectors. The Commissioning Strategy picks up that challenge and provides a comprehensive and compelling vision of radical change in the way we will work with providers.

It will give us a strong platform on which we will be able to build, in the future, a more integrated approach to commissioning and delivering employability and skills support. We want this market to be here for the long-term – we are committed to this and want to help develop a critical mass of providers who will work with us in delivering the ‘something for something’ culture; who will develop personalised regimes for each individual that focus on work or work related activity for those clients who will benefit.

It takes us away from a mindset of top-down control into a world where we devolve initiative and innovation, aligning with the flexibilities we are also giving to Jobcentre Plus front-line.

It also sets out the high value we place on developing long-term relationships with partners who demonstrate that they share our commitment, including those commitments in the public sector statutory duties, to promote equality through all we do.

There is opportunity here for providers in all sectors – private, third and public – to be a part of this market. We want to work with the best. So we will be making sure that responsibilities are clearly defined and we will exploit the benefits of contestability and competition to drive quality, performance and value for money.

I have been encouraged and delighted by the practical advice and considered thinking shown by so many people and organisations during the consultation phase. I believe that there is now a real spirit of shared ambition to seize this opportunity and to change the system fundamentally in order to make a difference to the lives of many more people.

A handwritten signature in black ink, appearing to read 'JP', enclosed within a large, light grey oval shape.

**James Purnell**  
Secretary of State for Work and Pensions



## Introduction

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.

Every year, the Department for Work and Pensions (DWP) spends nearly £1 billion buying employment provision, and in England the European Social Fund (ESF) finances additional provision commissioned by DWP which adds value to domestic employment provision. We want to spend that money effectively, not only to get the best result for every customer but also to increase the number of people going into sustained work and to reduce costs. We are committed to this market being here for the long term and to looking for further opportunities where we could work with the private and third sectors and public partners. Furthermore, DWP provision is a key enabler in delivering the Government's ambition of becoming a world leader in skills and in tackling concentrations of worklessness at a local level.

Our thinking implements the radical vision of David Freud's proposals in his report *Reducing dependency, increasing opportunity* published in March 2007 and describes how we will meet its ambitions of significantly increasing the number of people who enter sustained employment. But it also embraces the ambitions of other developments such as the Leitch review of skills; the report of the National Employment Panel's Business Commission on Race Equality in the Workplace; and the joint Communities and Local Government/Department for Work and Pensions paper on area-based strategies to reduce worklessness in England. It provides a vision for new ways of working and signals a commitment to develop opportunities for joint commissioning that will contribute significantly to the development of joined up infrastructure and the achievement of national priorities.

We have consulted extensively with existing and potential providers, with other parts of government, with representative groups, employer organisations and other stakeholders as well as reviewing the responses to the consultation exercise. We have also sought to learn from best practice internationally: from the United States, Australia and the Netherlands.

The responses we received almost universally recognised the need for a change and most were broadly in favour of the approach we are taking. The single biggest concern expressed was whether medium and smaller providers (and those who offered highly specialised services) would be disadvantaged in the model we proposed. However, many of the organisations that raised this as an issue also felt that the range of support measures we proposed as part of the overall strategy would, if implemented, militate against such risks.<sup>1</sup>

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<sup>1</sup> A summary of responses to the consultation exercise on the Commissioning Strategy Interim Report is at Annex 2 on page 35.

## About the Strategy

Central to the strategy is our ambition to develop more strategic relationships with providers; to operate on the basis of shared understanding and clarity about our objectives; where there is greater flexibility in delivery and in return a substantial increase in the numbers of people who are given a second chance in the labour market and greater opportunities for progression in work.

There are seven components to the strategy and for each we lay out the underpinning principles. Between them, these principles describe a clear direction of travel. They signal the important changes that will be required of all parts of the commissioning system, within DWP as well as in the provider community, if we are to make the step change in performance that our customers require of us.

## Turning strategy into reality

This strategy describes an approach that is not specific to any particular programme and does not set out to be definitive on how we will give effect to the principles. It is a framework that will evolve as the market matures and as we learn about what works best.

In the weeks and months ahead, we will start to develop detailed plans and practical arrangements that will start to turn the principles into new ways of working. Some of these will be implemented as part of the commissioning of the flexible New Deal. Others will be developed and tested separately. We will, for example, be working closely with City Strategy Partnerships to explore how DWP, its providers and local partnerships can build the joined-up relationships and delivery arrangements that are central to success. We have also established a joint project with DIUS/LSC to start work from March to ensure that the contracting process for the flexible New Deal looks at the links with Learning and Skills Council commissioning and the integrated employment and skills agenda including the IES trial areas starting in autumn 2008.

In the longer term, as the new ways of working become the norm and the market matures, we will have the basis on which to take forward further reforms that will enable those who are currently furthest from the labour market to have the support they need.

In all cases, our commitment is to continue working with providers and stakeholders to ensure that the objectives are understood and that there is shared responsibility for making things happen.

*These changes amount to a radical shift in both the way that the DWP buys services and the way that providers are being asked to deliver. Prior to contracting, DWP needs to make very explicit the new roles and responsibilities for all parties. They also need to outline their view of the welfare to work market moving forward. A shared expectation of the future will make change easier allowing potential Prime Contractors to plan for factors such as IT, delivery infrastructure and establishing a robust supply chain. This shared expectation should also prevent providers who are expecting to deliver welfare to work in the same way that they have in the past slowing down the implementation of the proposed reform.*



## 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 commercial opportunities we shall offer will be arranged into larger, longer lasting (subject to performance achievements) contractual packages which we expect will be delivered by top-tier providers leading and managing diverse supply chains.
  - Our relationships with these providers will operate increasingly at a strategic level; we will move away from a basic contract compliance model and into an approach where we will be able to share future thinking and insights from other delivery/management experience, jointly identifying opportunities for efficiency gains or better outcomes; we will be looking to these providers to signal changes they are experiencing in customer characteristics so that we 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.
  - We will develop a set of geographic boundaries for the flexible New Deal, taking into account existing structures such as City Strategy Pathfinders and the needs of rural areas.
  - This will be the starting point for future commissioning exercises. We 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.
  - We envisage that top-tier providers will operate alongside Jobcentre Plus District Managers or Customer Service Directors as key players in local partnership arrangements.

## 10 Market structure

- 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 DWP 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.
- We will aim to do most of our business (around 80 per cent) with a stable core of reliable providers. This will leave space for new entrants to the market.
  - We 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.

- We 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.
  - We will not necessarily expect sub-contracts to reflect the terms of our engagement with the top-tier. We expect risk/reward to be fairly assigned across the supply chains in ways that allow the small and specialist providers to play their full part.
  - We will help providers improve their knowledge of other players and potential players in the market in a range of ways – we will host events during procurement exercises; we will work with other agencies locally and nationally to provide access to existing information, including signposting.

*We welcome the commitment to 'joined-up government', with departmental commissioning to engage with the Office of the Third Sector's Third Sector Action Plan, and to fit better with the Government's wider agenda by enhancing, inter alia, social cohesion, sustainability, equality and diversity.*

acevo – Association of Chief Executives of Voluntary Organisations



## Market development and stewardship

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

### Principles

- We will support the entry of new providers into the market who bring innovation and value, and wish to compete for contracts.
  - We will remove barriers to encouraging new entrants by taking successful delivery in other sectors or of other services into account when awarding contracts.
  - We will hold events to provide, up front, information about procurement exercises and give all interested parties a fuller insight into our aims and objectives.
- 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>2</sup> will be key to this.
  - We will not prescribe volumes or shares of business that should be directed at either smaller, specialist or third sector providers.
  - We 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.
  - We will seek advice from local strategic partnerships about the proposals in bids and their fit with existing local infrastructure and plans.
  - We will want assurance that providers are able to deliver a range of services to meet the complex needs of our 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.
  - We will facilitate ways in which prospective providers can build knowledge of who is in the market and the services that each can offer.

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<sup>2</sup> An explanation of our capabilities framework appears from page 17–19.

## 14 Market development and stewardship

- We are also committed to ensuring excellent sub contractual relationships between the top-tier and high performing third sector and other organisations. Our 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 our approach to the treatment of TUPE – Transfer of Undertakings (Protection of Employment) in the contracting process.
  - Our Code of Conduct<sup>3</sup> describes the principles of behaviour between providers. It takes account of the Compact<sup>4</sup> principles and we are committed to working with the Commission for the Compact on an on-going basis as the Compact undergoes review. At the same time, we will work with the Devolved Administrations to ensure that the Code is consistent with all relevant arrangements there.
  - Providers who contract with DWP will be expected to operate in accordance with the Code of Conduct.
  - We will not constrain top-tier providers by being unduly prescriptive in defining the formal delivery relationships (financial and operational) between providers. However, where we require specific arrangements to be in place, we 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 we expect top-tier providers to live up to any further commitments they make to delivery providers at the time of contract award.
  - We will facilitate good practice and will expect all our 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.
  - We 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.

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<sup>3</sup> Our Code of Conduct is in Annex 1 on page 31.

<sup>4</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.

- We will take into account evidence of effective partnership working and supply-base development at the local level in awarding business to prime contractors.
  - We 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. We will also ask them to participate in the assessment of bids.
- 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; 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.
- 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.
- We are interested to understand what the issues are for delivery providers generally. We 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 our customers.
- We will continue to develop our 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 us about their particular perspective.

*Sub-contractors that perform well should be able to expect to keep the work they are doing rather than have it taken over by their prime. This will maintain the vibrancy of the market and ensure that smaller organisations providing vital services have a secure role.*

ERSA

*St Mungo’s believe that the DWP has an important role to play in facilitating, managing and evaluating the relationships between prime contractors and sub-contractors. As per the Governments stated intentions (**An Action Plan for Third Sector Involvement**) the DWP should encourage subcontracting arrangements with third sector organisations, smaller providers and niche providers in particular. We welcome the idea of a ‘code of conduct’ to govern subcontracting.*

St Mungo’s



## Provider capabilities

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

### Principles

- The capabilities described in our 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.
- We will look to work with organisations who share our commitment to promote equality in the workplace. We will ask potential contractors about their equal opportunities policies as employers and will work with providers to raise the employment of under-represented groups, amongst other key equality outcomes. We want to contract with organisations who are prepared to work with us to make progress within their own workforce and supply chain; we believe this is an indispensable part of demonstrating the capability to deliver employment services to our customers.
- We will look for evidence in some areas predominantly at bid assessment and contract award. We will spell out the particular areas we expect to see covered and the criteria we shall be using to assess this. We shall in addition explore the scope for providing examples of the evidence we 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; and
  - local credibility and outreach capability.

## 18 Provider capabilities

- 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, 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; and
  - 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; and
  - 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. We will work with Ofsted in England and Estyn in Wales to ensure that their inspection processes remain focused and relevant. We will also review the current quality assurance arrangements in Scotland.
- We 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, we 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, we will work to similar ends. We will also, increasingly, seek to align our services with those of the new skills body, Skills Development Scotland, which is scheduled to come into being on 1 April 2008.
- In Wales, we will work closely with the Welsh Assembly Government and the new Wales Employment and Skills Board on the ongoing development of this shared agenda.
- We will work with Lifelong Learning UK<sup>5</sup> to ensure that the implementation of the Workforce Strategy for the Further Education Sector in England and our framework are aligned.
- We 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.

*In order to develop both capacity and good working practices within the welfare to work market, DWP should look to reward those providers who develop capacity within their supply chain both before bidding and during the delivery process.*  
Greater Manchester City Strategy Consortium

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<sup>5</sup> LLUK – the Sector Skills Council for Lifelong Learning.



## Commercial strategy

**We 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

- We 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 our contracting process. We will also have competition between providers within most contract areas. We will continue to evaluate the evidence on whether multiple or single provision generates better performance.
- We will take account of an organisation's previous performance when they are bidding for our contracts. This need not necessarily be in the welfare to work market. We 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 we should award to providers, we 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. We shall make it clear to providers the tests they are expected to pass.
- Our contracts will allow us 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. We 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.

- We will be basing our payment strategy increasingly on sustainable job outcomes (six months in the first instance, but as we move towards our integrated employment and skills progression model we will look to build longer-term incentives into the welfare and skills systems, perhaps for 18 months). We will continuously review the risk and reward balance to ensure that the focus remains on helping people stay in work.
- We will explore alternative reward mechanisms which give incentives for providers to encourage and support progression and the development of skills. We 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.
- We will trial different models of outcome payments. We 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.
- We will look for evidence of good case-management and good customer experience as part of our assurance processes that providers are not 'parking' the hardest to help. And we will insist that providers have robust audit and verification processes in place to ensure that we are paying for genuine outcomes for customers.
- In England, we will progressively seek to converge our funding and management of common providers with the Learning and Skills Council so that we are also rewarding skill and income growth. Together, we 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. We have established a joint project that will create the basis for joint commissioning of employment and skills provision. The project will start in March and as an early priority will look at links with flexible New Deal commissioning.
- In Scotland, we will explore these same themes in collaboration with Skills Development Scotland.
- In Wales, we will work with the Welsh Assembly Government and the new Wales Employment and Skills Board to explore how best this can be developed.
- We will strengthen the role of employers in our 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.

*'We also continue to favour...the notion of pluralist contracts (of whatever geographical size) in order to continue to stimulate innovation, competition and standards amongst prime contractors.'*

Association of Learning Providers

*We welcome the proposed trial of outcome payments in order to avoid preferential treatment of those customers closer to the labour market. It is essential that there are safeguards in place to ensure all groups are represented. We would like to see providers' performance monitored by impairment group, and to see targets related to particular impairment groups built into providers' contracts.*

Mencap



# 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 extend the principles of Supplier Relationship Management to this market and we will work closely with our providers as organisations, not just as a collection of contracts.
- Our performance model will be based on four key areas:
  - outcomes;
  - value for money;
  - quality;
  - customer experience;
- We 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.
- We 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, we 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.
- 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 and customers 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 using existing arrangements with Ofsted in England and Estyn in Wales. We will also review the current quality assurance arrangements in Scotland.

*Remploy supports the introduction of a transparent performance management system and greater sharing of information, with the greatest rewards going to those providers who best achieve the agreed objectives in the long term.*

Remploy



## 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 build on work already started to identify and meet on-going development needs of procurement specialists, of supplier relationship managers and others in the commissioning process.
  - We will work with the Office for Government Commerce, with the Improvement and Development Agency and others aligning our activities with other programmes where there are clear benefits to be had.
- We will operate with providers and their delivery partners on the basis of shared objectives and partnership working; we will create an atmosphere of trust and openness.
  - We value the role and contribution of the DWP Provision Forum and see this as one of the foundation stones of partnership working.
  - We 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.
- 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.
- We will give providers the chance to feedback to us on how we are doing in terms of adding value to performance.

*The DWP Commissioning Strategy is a welcome initiative, and we believe there is scope for the DWP to be a leading department in this area across Government.*  
Association of Chief Executives of Voluntary Organisations



## 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.
- We will promote more active customer involvement in our programmes, and their experience will be important in shaping our future programmes.
  - We 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 we will commission research to explore what customers' expectations are in relation to contracted employment provision; we 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.
- We 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, we 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, we 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. We will expect providers to work with employers to ensure that customers can stay in work and develop in the work place.
- 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.

*A key consequence of customers being able to exercise choice is that it will add competition which will drive innovation, quality and ultimately price.*

Papworth Trust



## Annex 1 – DWP Code of Conduct

This Code of Conduct spells out the key values and principles of behaviour which DWP expects of providers and which are essential for creating healthy, high performing supply chains. Providers who contract with DWP will be expected to operate in accordance with the Code of Conduct.

### Values

The Code of Conduct will be underpinned by a set of core values to be upheld by top-tier and delivery providers. They should:

- act with integrity;
- have respect for their partners (actual and potential), including the use of fair contracting and funding arrangements;
- ensure transparency, non-discrimination, equal treatment and accountability in relationships between both parties;
- ensure prompt and receptive responses to market place issues and challenges;
- encourage the sharing of good practice;
- promote equality and diversity in their own workforce and their supply chain; and
- be committed to achieving the best possible outcomes for our customers.

### Pre-awarding of contract

- Sub-contracting opportunities should be advertised as openly and widely as possible.
- Application processes at the sub-contracting level should be open and fair, as simple as possible, consistent, and in proportion to the size of contract.
- Short listed top-tier providers cannot insist that potential delivery providers negotiate only with them and not their competitors.
- There will be no “poaching” potential delivery provider staff during sub-contracting negotiations.

- Top-tier providers should ensure transparency in providing timely feedback to unsuccessful delivery providers.
- Both parties should agree the terms of delivery at the outset and with additional agreement on how risk is to be allocated.
- Top-tier providers with longer contracts will offer contracts to delivery providers of sufficient length (subject to performance) to enable long-term planning and investment.
- Funding should be on a basis that is fair to the different organisations involved and reflects relative ability to bear particular risks. All providers will need, through the contract tendering process, to offer prices and have plausible expectations of what they can deliver, so that they are in a position to recover their costs.

## Post-awarding of contract

- Top-tier providers will live up to any commitments they make to delivery providers at the time of contract award.
- Monitoring requirements and management information should not be overly bureaucratic and should be consistent, proportionate, clearly specified and agreed at the start of the contract.
- Neither top-tier nor delivery providers will engage in restrictive practices such as colluding on price.
- The development of smaller providers will be supported and encouraged.
- The top-tier provider should provide a reasonable level of extra support for new entrants into the market.
- There should be transparency between top-tier and delivery providers about decisions or referrals of customers including the level and type of support needed.
- Timing of payments should be consistent and agreed with both parties, to ensure the level of risk is minimal on the delivery provider.
- Top-tier providers should consider making payments in advance of expenditure (where appropriate and necessary) in order to achieve better value for money.
- There will be open lines of communication between providers to ensure any issues are resolved as soon as they arise as far as is practicable.

- Contracts between top-tier/delivery providers will allow a sufficient termination period, which will be agreed at the outset.
- Top-tier providers should not seek to obstruct or prevent delivery providers from presenting reasonable strategic or operational grievances to DWP.

## Equality and diversity

- All providers will have effective equality and diversity policies and will abide by DWP policy on equality and diversity where relevant and proportionate to the contract.
- Top-tier and delivery providers should promote diversity and equality in their ways of working, in relation to their own staff, their supply chain and in the delivery of services.

### **DWP will undertake to:**

- uphold these standards as a good commissioner;
- monitor and enforce the Code of Conduct consistently and fairly;
- allow a sufficient period of time for short-listed organisations to fully develop their tender proposals, including development of partnership and consortia arrangements. In the case of larger procurement exercises this will not generally be less than 12 weeks;
- act as stewards of the supply chain in its initial stages supporting providers and Contract Managers in the implementation activity from contract award through to live running;
- actively promote awareness of and adherence to the use of the Code of Conduct by top-tier providers and delivery providers;
- provide a grievance route for delivery providers who believe that the Code of Conduct is not being adhered to; and
- ensure that 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 our customers.

## TUPE

- DWP will request that all tenders that are submitted include a statement as to whether they believe TUPE applies or not. Whether or not TUPE applies in any specific set of circumstances is ultimately a matter for the courts. It would not therefore be either possible or proper for DWP to make a definitive statement on its applicability.
- DWP will facilitate where necessary the exchange of full and complete TUPE information during the tendering process and between out-going providers of the service and the incoming service provider. We shall expect the transferor and transferee to reach agreement on compliance with the information provisions of TUPE and will not be offering any warranties as to the completeness of any information where we facilitate exchange (since we have no way of assuring this).
- DWP will consider carefully the implications of contracting with a provider who is offering non-TUPE terms. Where an organisation had assumed it did not apply, we would want to explore the extent to which risks arising from that – including risk of their view being overturned in court – had been mitigated. We are prepared to disregard TUPE costs in deciding on contract award, but would not get involved in subsequent disputes between the new supplier and the old.
- Where contracts will potentially involve the transfer of staff from the public sector, the **Cabinet Office Statement of Practice** will apply.<sup>6</sup>

**DWP or providers may from time to time propose amendments or developments to this Code, which will be the subject of consultation before any changes are introduced.**

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<sup>6</sup> [http://www.civilservice.gov.uk/iam/cs\\_policy/employment/code\\_practice.asp](http://www.civilservice.gov.uk/iam/cs_policy/employment/code_practice.asp)



## Annex 2 – Summary of responses from consultation

The Interim Report published in November 2007 invited comments from stakeholders and providers and we are grateful to the many organisations and individuals who have responded. This annex captures the key issues and ideas that were raised. The strategy put forward a number of questions under seven headings to help respondents shape and prepare their responses. It does not include every point raised but we have read and considered every response in producing the final strategy.

### Market Structure

There was strong support for a flexible approach to contract geography. Some respondents argued that DWP should test a range of approaches in order to maximise manageability, effective delivery, and fair access for customers. Many commented on the need to maintain a local focus, responsive to local labour market conditions, irrespective of contract geography – and felt that this could be facilitated by involving local stakeholders in decisions around geographic coverage.

Some respondents felt that the responsibility lay with prime contractors, who should either be encouraged or required to demonstrate partnership working at the local level. Others argued that it was for DWP to involve stakeholders, giving local partners a role in the planning, commissioning and management of purchased provision.

### Market Development and Stewardship

There was support for the recognition that the strategy gave to the role of small and specialist provider but concern was expressed by several organisations – especially those in or representing the third sector – that small providers are disadvantaged by the prime contractor model. There was a lot of support for the idea of a Code of Conduct with some organisations suggesting that it should be legally binding. Others argued that there should be minimum prescription and that a Code should operate as a framework.

All respondents to the question about provider responsibilities on the wider government agenda felt it was important that providers should be aware of and able to demonstrate their ability to work in conjunction with other local priorities. Many commented that if specific action or outcomes were required, this would need additional funding.

## Provider Capabilities

There was broad agreement to the range of capabilities proposed. Some people felt that not all capabilities were appropriate to smaller providers operating at sub-contractor level. A number of respondents suggested that some of the capabilities required more clarification. Additional capabilities included the ability to develop supply chains, evidence of partnership working and the ability to deliver specialist provision where this is required.

Few respondents commented on the questions about provider capacity development and provider improvement arrangements. Some felt that DWP should intervene only where there is market failure or unsatisfactory performance by a provider. Others pointed to the *Partnerships in Public Services, the Public Services Action Plan* as a vehicle for supporting provider development; others noted that arrangements in England were different from in Scotland and Wales and that the Strategy should take account of those differences.

## Commercial Strategy

The majority of respondents felt that the overall approach would deliver a viable and sustainable market with several underlining the point that this would work only if the principles were adhered to consistently. Most welcomed the idea of longer, larger contracts. There were mixed views as to whether the risk/reward balance was right – some felt that it was too heavily weighted in favour of top-tier providers. Suggestions of rebalancing, including differentiating outcome payments for the hardest to help, requiring top-tier providers to help support cash flow needs of smaller providers in the supply chain, and ensuring additional costs of delivery for providers based in rural areas were taken into account.

Suggestions on how to avoid 'cherry picking' included introducing more sophisticated assessment processes to identify the hardest to help and then weighting payments accordingly; and setting targets for particular client groups and measuring performance of cohorts over a longer time period. Some respondents expressed concern that top-tier providers who also delivered provision might select those closest to the labour market and pass others who required more help on to sub-contractors, making outcome targets harder to achieve.

## Performance Management

Every response supported the ambition of transparency of information, many saying that it was vital at a local level. On Star Rating, most replies were in favour of a published system that demonstrated the comparative performance of providers. Some felt that it was an unnecessary duplication of existing systems of measurement and assessment. Most responses said that information should be made public, and many commented that public transparency was essential for customer choice and was a driver for innovation. There were mixed views about how much information should be made public, ranging from the simple Star Rating headlines to detailed performance information.

## DWP Capability

There were many suggestions of things that it would be important for DWP people to demonstrate – these included understanding the role of social enterprise, working better across government, understanding the role of the third sector and improving contract management capability. There were a number of comments about DWP not duplicating the role of top-tier providers but equally stressing the importance that DWP should not lose sight of local intelligence.

Some providers were keen to be involved in the implementation of improvement work; one suggested that secondments to providers would be a useful way of building the knowledge and expertise of DWP staff.

## Customer Experience

Those who made comments strongly supported the view that customers should have choice in the services they were offered. Some people felt that choice of provider was also important but others commented that it was expensive, confusing and would not improve outcomes.

On ways in which we could ensure that customers had a voice, there were several responses that recommended the use of satisfaction surveys, focus groups, roundtable discussions and mystery shopping. One response suggested having a customer representative on a Governance Committee.

Several respondents were of the view that customer feedback information should form part of the Star Rating system.



## Annex 3 – List of organisations who submitted responses to the Interim Report

Action for Blind People	Greater Manchester City Strategy Partnership
A4e	GSL Global
Association of Chief Executives of Voluntary Organisations	Government Office, Yorkshire and The Humber
Association of Learning Providers	Highland Blindcraft
British Association for Supported Employment (BASE)	Leonard Cheshire Disability
British Humanist Association	Local Government Association
BTCV	Mencap
Carter and Carter Employability	Mental Health Providers Forum
Confederation of British Industry (CBI)	National Delivery Group for Workforce Plus (Scottish Employability Framework)
Charities Evaluation Services	MIND
Commission for the Compact	National Autistic Association
Care Training East Midlands	National Housing Federation
Disability Employment Advisory Committee	Nottingham City Strategy Pathfinder
DRC Partnership	Office for Government Commerce
East and South East London City Strategy Partnership	One North East
Employers Forum on Disability	The Papworth Trust
Employment Related Services Association (ERSA)	Pertemps People Development Group
European Structural Funds Voluntary Organisations Northern (ESFVON)	The Pluss Organisation
Fife Council	Portfolio Education Ltd
Foyer Federation	Recruitment and Employment Confederation
	Remploy

RNIB

Salvation Army

Sainsbury Centre for Mental Health

Scottish Union of Supported Employment

Shaw Trust

Social Firms Scotland

Social Firms UK

St Mungo's

Third Sector European Network

W2W Solutions

West London City Strategy Partnership

Yorkshire and Humberside Regional  
Forum



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