

Department for Work and Pensions
Report on Contracted Employment Provision

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Introduction

This report on Contracted Employment Programmes focuses mainly on the Work Programme. Much of the information contained in this Report is already available but is drawn together here in accordance with a commitment made by the Department in response to requests from the Public Accounts Committee.

Work Programme Performance: Key findings

By all Referrals from 1 June 2011 to 30 June 2013

- 1.31 million individuals have been referred to the Work Programme.
- 14.7% of all referrals who had spent sufficient time on the programme to do so, achieved a Job Outcome payment, with 168,000 payments overall.
- 960,000 and Sustainment payments were made to providers for 149,000 individual participants.
- Nearly 2/3rds of claimants, who achieved a Job Outcome payment, remained in employment, in the period covered by this release.
- To date almost 14,000 claimants have stayed in sustained employment long enough to qualify for the maximum number of Sustainment payments possible.

Bi-monthly intakes of Referrals

- More recent intakes attain a higher proportion of Job Outcome payments than earlier intakes, with the same duration of support. 13.0% of June 2012 intake achieved a Job Outcome payment within 12 months (8.5% for June 2011 intake).
- Early monthly intakes continue to attain Job Outcome payments the longer they spend on the Programme. By 24 months, 22.5% of June 2011 intake achieved a Job Outcome payment.
- Monthly intakes of Referrals have generally decreased however in recent months the rate of decrease has slowed.
- Currently the proportion of the Jobseekers Allowance (JSA) intake to the Work Programme attaining a job outcome within 12 months is 3-4 times higher than the Employment and Support Allowance (ESA) intake.

The Department publishes a comprehensive statistics quarterly on the Work Programme statistics on the GOV.UK website.¹

Fraud and Non-compliance

The Department treats any allegation of fraud by contractors very seriously. Any fraud is completely unacceptable. Where we identify, or are notified of, allegations of contractor fraud, these cases are investigated thoroughly by DWP's professionally trained and experienced investigators, to a standard required to support reference to the Police whenever evidence of criminal offences is discovered.

¹ <https://www.gov.uk/government/organisations/department-for-work-pensions/series/work-programme-statistics--2>

An analysis of the investigations undertaken between April 2006 and March 2013 is provided below:

Cases	06/07	07/08	08/09	09/10	10/11	11/12	12/13	Totals
Accepted Cases	25	34	14	14	23	16	35	161
On-Going Cases	-	-	-	-	-	-	9	9
Closed Cases	8	27	29	16	25	16	31	152
No Case to Answer	6	15	16	11	18	9	26	101
Case to Answer	2	12	13	5	7	7	5	51
Non-Compliance	2	7	6	1	3	3	2	24
False Representations	-	5	7	4	4	4	3	27
Referrals to Police ²	-	1	2	4	1	1	3	12
Prosecutions	-	-	-	1	-	-	-	1

Prior to 1 April 2012 (between 1 April 2006 and 31 March 2012), the Department undertook 126 investigations into allegations of potential fraud by Contracted Employment Provision providers. The subject of the allegations in these cases was of a similar nature, that false representations had been made to claim fees, for example, falsifying documentation in relation to client signatures, employers' verification or details of the service provided.

The implementation of the Work Programme enhanced a number of fraud prevention controls, where recognised limitations existed in legacy programmes, most notably New Deal programmes that ended in 2011. This was confirmed by the 2012 NAO review³, which concluded that the Department has significantly improved the controls and now has the infrastructure for an effective control environment.

Between 1 April 2012 and 31 March 2013, the Department received 38 referrals of alleged fraud in respect of providers and accepted 35 of these for further investigation. This increase in numbers of referrals from 2011-12 correlates with the substantial media and parliamentary scrutiny of contracted employment provision in 2012. All cases were investigated thoroughly and to a high professional standard by the Department's Internal Investigations team.

Between 1 April 2012 and 31 March 2013, the majority of cases closed (84%) provided insufficient or no evidence to support further action, however, 5 cases resulted in a case to answer and in 3 cases evidence of suspected criminal offences was identified and referred to the police. No further action resulted in these cases because proceedings were considered by the police to be unlikely to result in a conviction or were not considered to be in the public interest.

Of the five cases concluding as a case to answer, none related to the Work Programme and potential losses in all cases have been recovered in full from the providers concerned.

Complaints

The Department requires contractors to explain their complaints procedures to all claimants at their induction interview, including the escalation routes to the

² NB: Closed cases only - Data is reflected in the year cases closed, not necessarily the year the matter was referred to the police or prosecuted

³ <http://www.nao.org.uk/report/preventing-fraud-in-contracted-employment-programmes/>

Independent Case Examiner (ICE). Contractors must fully investigate all complaints themselves and record them on an auditable log. Both procedures are checked on a monthly basis at the Contract Monitoring visit and would be subject to a deep dive if an untoward trend /process was identified. A report of the monitoring visit findings will be published in December 2013.

As stated, the complainant has the same escalation route afforded to any DWP claimant. Any complaints upheld by ICE have a monetary penalty for the contractor to pay the Department on top of any redress to the complainant. The number of complaints upheld between April 13 to date, out of 91 received, is one with 4 being partially upheld.

Provider Assurance

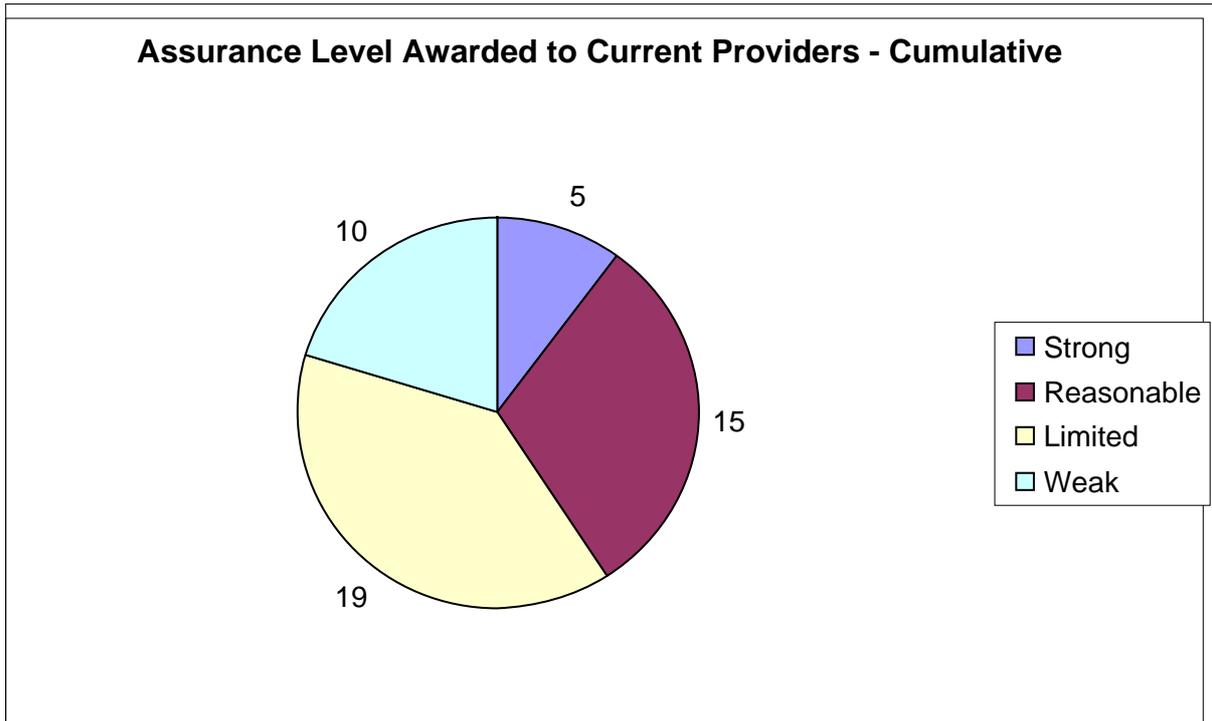
The primary purpose of the Provider Assurance Team (PAT) is to provide the Department's CCSD Delivery Director, the Operations Director and ultimately the Permanent Secretary with an assurance that payments made to DWP Contracted Employment Programme Providers are in accordance with DWP and Treasury requirements, and that public funds and DWP data are protected.

In doing so, PAT reviews the adequacy and effectiveness of the systems of internal control CEP providers have in place. This includes the arrangements they have in place for their sub-contractors.

PAT operates a 'National Plan' of rolling programme of reviews of providers. PAT prioritises reviews based on risk, producing a Report and Assurance Level for each review undertaken. The timescale for reviews of providers are determined by the assurance level awarded in the previous review. The Assurance levels awarded are:

Assurance	Definition
Strong	Governance, risk management and control arrangements operated provide strong assurance that material risks are identified and managed efficiently and effectively, although improvements may be recommended.
Reasonable	Governance, risk management and control arrangements operated provide reasonable assurance that material risks are identified and managed efficiently and effectively. Remedial action is required to improve the control environment.
Limited	Governance, risk management and control arrangements operated provide limited assurance that material risks are identified and managed efficiently and effectively. Corrective action is required to resolve control weaknesses.
Weak	Governance, risk management and control arrangements operated provide weak assurance that material risks are identified and managed effectively. Urgent and significant corrective action is required to resolve significant control weaknesses.

Since June 2011 to September 2013 PAT has awarded 49 provider assurance levels. The breakdown of levels of assurance awarded to providers during that period is:



Supply Chains

The Work Programme delivery model relies on strong partnerships between Prime providers, which hold contracts directly with government, and their specialist local supply chains.

All Primes are supported in delivering the Work Programme by diverse supply chains from across the Public; Private; and Voluntary and Community Sectors.

It is essential that Primes support and manage these chains effectively in maximising the movement of participants in sustained jobs.

The introduction of Work Programme, with the extended use of the Prime Provider approach and the introduction of Merlin, has placed a sharper focus on the importance of healthy, diverse and above all, well managed supply chains.

The Department fully understands that Work Programme supply chains will be dynamic, with scope to flex and evolve to reflect change within the labour market and participant needs. To ensure the service offered is neither compromised nor reduced by changes the Department operates, in addition to the Merlin Standard (see below), robust assessment process.

Through these processes, the Department collects information on the make up of supply chains and, in the interests of transparency, publishes⁴ details of those in supply chains delivering to prime providers as part of their tier 1 and 2 chains. This information is reviewed regularly, with the next refresh undertaken at the end of September 2013.

Sector	Organisations in the Supply Chain
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⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/208879/wp-supply-chains.xls

	March 2013	July 2012
Private	350	292
Public	124	125
VCS	357	364
Totals	831	781

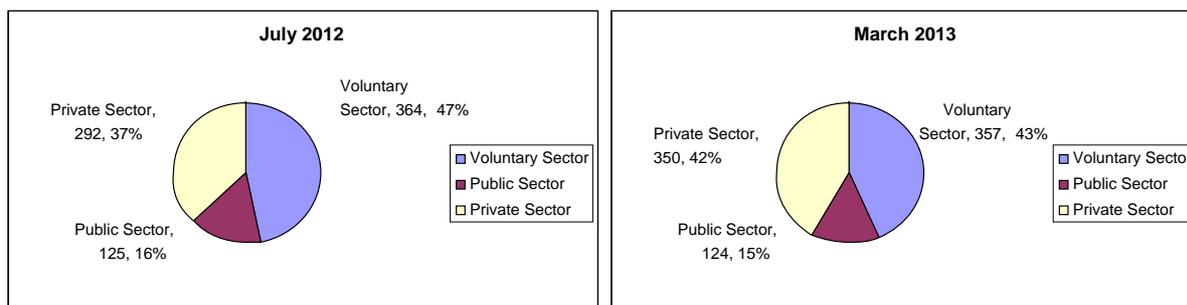
Definitions of what tiers 1 and 2 incorporate vary from prime provider to prime provider. There are additional suppliers beyond these tiers who are largely to be called on to deliver one off, unique interventions in response to the needs and circumstances of individual participants.

The number of organisations involved in Work Programme has increased since the last stock take.

Comparison of Recent Supply Chain Stocktake

831 different organisations listed against 1316 supply chain opportunities in March 2013 compared to **781** different organisations listed against 1261 supply chain opportunities in July 2012.

The make up of the supply chains are illustrated below.



These charts show an increase in private sector contractors with relatively stable overall Voluntary and Public Sector involvement.

Sub contractor tiers

- 241 organisations in tier 1 delivering end to end service of which 104 (43%) were from the Voluntary Sector in July 2012. This has fallen to 196 organisations in March, of which 83 (42%) were from the Voluntary Sector
- 591 organisations in tier 2 delivering specialist services of which 287 (49%) were from the Voluntary Sector in July 2012. While this has increased overall to 658 organisations in March, Voluntary Sector involvement showed a slight decrease to 284 (43%).
- NB Organisations can be in both tiers, which is why the tier 1 and 2 cannot simply be added to obtain the overall totals.

The Voluntary and Community Sector organisations still represent the largest share of the supply chain, with 43% of all sub contractors being from that sector.

The Department, through their Account Managers, work closely with the Primes to ensure that Supply Chains are managed effectively, and in line with the Merlin

Standard (see below). This work is driven by a Supply Chain Management Framework developed for this purpose.

The Merlin Standard

The Merlin Standard was developed by DWP working in partnership with representatives from the welfare to work industry to support Prime providers develop, recognise and promote sustainable excellence and positive partnership working within their supply chains.

All Work Programme Prime providers are contractually obliged to seek and attain Merlin accreditation. As at the end of the September 2013, the 23 providers detailed below had been assessed against the Merlin Standard.

Organisation	Assessment	Accreditation Outcome
A4e	28/05 – 31/05/12	Good
Avanta	18/06 – 21/06/12	Good
Careers Development Group	28/05 – 31/05/12	Good
EOS Works	12/06 – 15/06/12	Satisfactory
ESG Group	22/05 – 25/05/12	Satisfactory
G4S Welfare to Work	11/06 – 14/06/12	Good
Ingeus UK Ltd	18/06 – 21/06/12	Good
Interserve Working Futures	18/06 – 21/06/12	Good
JHP Group Ltd	28/05 – 31/05/12	Satisfactory
MAXIMUS Employment and Training Ltd	25/06 – 28/06/12	Satisfactory
NCG (Intraining)	25/06 – 28/06/12	Good
Pertemps People Development Group	28/05 – 31/05/12	Satisfactory
Prospects Services Ltd	11/06 – 14/06/12	Satisfactory
Reed in Partnership	18/06 – 21/06/12	Good
Rehab Jobfit	12/06 – 15/06/12	Satisfactory
Seetec	25/06 – 28/06/12	Good
Serco	30/04 – 03/05/12	Good
Working Links	21/05 – 24/05/12	Good
Skills Training UK	03/12 – 06/12/12	Excellent
Twin Training International	03/12 – 06/12/12	Satisfactory
Paragon International Concord ⁵	14/01 – 17/01/13	Unsatisfactory
ATOS	18/03 – 21/03/13	Satisfactory
Prevista Ltd ⁶	24/06 – 27/06/13	Satisfactory

More information on the Merlin Standard, its criteria, assessment process and accreditations can be found on the Merlin Standard website⁷.

⁵ Reassessed between 09 and 12/9/2013 – The outcome is not yet available but will as normal be published on the Merlin Standard website

⁶ Delivers a joint DWP/EFA initiative commissioned via EFA

⁷ <http://www.merlinstandard.co.uk/index.php>