

Section 13 – Contract Management, Evaluation, Customer Choice, STAR Rating and Market Share

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Introduction

13.2. This section aims to firstly give you an overview of the contract management arrangements including the role of the Third Party Provision Manager (TPPM) and the Contact Manager (CM).

13.3. **Please Note:** The section does not replace or override any information and discussion you have with your contact manager.

13.4. In brief:

- the Department for Work and Pensions (DWP) contracts are monitored on the basis of risk, which will take account of key elements such as contract performance. The processes underpinning this are set out in a Standard Operating Model and in the Departments Contract Management Framework;
- contract management focuses on contract performance, quality and value for money. The aim is to enable you as a supplier, to achieve better performance through continuous improvement and quality of delivery; and,
- contract management involves maximising your performance under the terms of the contract. The CM will have overall responsibility for managing your contracts and will be the main point of contact for you.

13.5. The second function of the section is to give you a broad overview of the continuous improvement and evaluation process that you will be subjected to. The areas covered include:

- the information available regarding the external inspection of Flexible New Deal (FND) provision;
- the Star Rating System, and how it will be used in performance assessment; and
- the evaluation that will take place on FND and what you will be evaluated against.

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Third Party Provision Managers

- 13.6. TPPMs are your first point of contact for operational issues. They monitor customer referral volumes to ensure they accord with agreed profiles and that correct JCP processes and procedures are being followed. They support your performance by managing:
- referrals; and
 - referral volumes.
- 13.7. They are also responsible for the day-to-day activity between yourselves and Jobcentres.

Contract Managers

- 13.8. CMs are your first point of contact for issues relating to your contract, including issues relating to risk and quality. They operate in line with the Departments Contract Management Framework and Standard Operating Model and will discuss the specific arrangements with you as your contract is established.
- 13.9. CMs will also be responsible for checking:
- a minimum of 95% of customers who complete 52 weeks of participation with you will have completed a minimum of four continuous weeks of full-time work or work related activity;
 - that you register a FND start for at least 85% of customers, providing they continue to claim Jobseekers' Allowance (JSA), within 15 working days of being referred by JCP; and,
 - monitoring the number and quality of extension periods you award to customers ([Further information regarding extension periods can be found in: Section 11 – Customers Completing FND and Extending the Support Period](#)).

CEP Provider Assurance Team (formally FAM)

- 13.10. The primary purpose of the CEP Provider Assurance Team (PAT) is to provide the Employment Group (EG) Delivery Director with an assurance that payments made to DWP Contracted Employment Programme Providers are in accordance with DWP and Treasury requirements that public funds are protected and that value for money has been obtained. This is achieved through the operation of a national standard risk based approach to CEP Assurance work.
- 13.11. The CEP PAT will operate at a national level enabling them to present CEP suppliers operating across regions with a single view of the effectiveness of their systems, each supplier will have a nominated Senior Assurance Manager going forward and therefore a single point of contact within DWP for management of assurance related issues/concerns.
- 13.12. The work of the CEP PAT is delivered primarily by visiting you to review the systems of internal control in place to manage the risks to DWP in relation to CEP expenditure. This will include the arrangements you have in place for your sub-contractors.

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- 13.13. At the conclusion of their visit the CEP PAT will discuss their findings with you and subsequently produce a report which will include an assurance rating for the overall system and an action plan detailing areas where control could be improved if necessary.
- 13.14. CEP Assurance will feedback to contract managers and other key stakeholders any relevant issues.

Contract Maintenance

- 13.15. The CM will act as an interface between the DWP and you, as the supplier. They will then act as the initial contact point for incorporating new requirements into the contract.

Sub Contractors

- 13.16. The responsibility for managing and monitoring the performance and quality of sub-contractors will rest entirely with you (if you are the prime supplier).
- 13.17. You will be required to ensure that the terms of the contract with DWP are fully reflected in the terms of contracts with all your sub-contractors and they shall be bound by the same obligations that will apply to you. This means that you will need to ensure that they understand the objectives of the provision and their part in its delivery so that there will be no compromise in the levels of quality and performance expected of you.
- 13.18. Specifically you will need to:
- contract manage and support these sub-contractors closely;
 - ensure that they have appropriate administrative systems in place;
 - have appropriate arrangements in place to check health and safety requirements (included in the HSQ1) of sub-contractors;
 - make sure sub-contractors are aware and have a copy of this guidance; and,
 - ensure that DWP have right of access to sub-contractors.
- 13.19. In particular, as prime supplier you will be responsible for ensuring that sub-contractors meet performance, quality, Disability Discrimination Act, Disability Equality Duty, Human Rights Act, Health and Safety regulations and Data Protection Act standards and will need to take responsibility for managing issues and addressing sub-contractors' poor performance.
- 13.20. The DWP will reserve the right to exercise its discretion to veto the use of any proposed sub-contractor(s) before, during and after the award of any contract.

Managing Problems

- 13.21. All parties will be expected to implement problem management procedures including escalation procedures to ensure that any problems are recognised and then resolved quickly and effectively. These procedures should also seek to prevent problems as well as resolve them.

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13.22. The main contact point for day-to-day management of operational issues will be the TPPM who, if the issues are contractual, will escalate them to the CM for resolution.

13.23. The CM will:

- record problems as they occur, to highlight any trends and to help assess overall performance and value for money;
- notify you of the problems by the appropriate route and at the appropriate level and meet where necessary to resolve issues promptly as they occur;
- document agreed resolutions or actions to resolve issues;
- implement escalation procedures if appropriate; and,
- in extreme circumstances discuss possible exclusion processes for customers whose behaviour is consistently unacceptable ([Further information regarding customer exclusion can be found in: Section 04 – Provision, Childcare and Additional Support](#)).

Escalation procedures

13.24. In the event of a dispute between yourselves and DWP, you along with DWP will agree an escalation process. If the CM cannot resolve a dispute, it may be necessary to escalate this to the FND Implementation team leader. If the problem is still unresolved the Dispute Resolution procedure in schedule 7 of the contract would be invoked.

DWP Quality Framework

13.25. DWP is committed to raising the standards of its contracted employment provision making continuous improvement an integral part of its contract management arrangements. Suppliers are required to apply the principles set out in the DWP Quality Framework which promotes suppliers commitment to quality improvement through continuous self assessment and development planning.

13.26. Suppliers will be required to assess the quality of their provision against the relevant external inspection frameworks and submit an annual Self Assessment Report. The report should be supported by an action plan that shows how the provider will address areas for improvement and build on strengths

13.27. Further information on the Quality Framework can be found at: <http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/quality-framework/>

Star Rating

13.28. The Star Rating system is an assessment of a suppliers' performance against contractual targets, based on a range of Key Performance Indicators (KPIs).

13.29. Performance will be calculated and the results added together to form an overall Star Rating for each individual **contract package** the supplier holds and not to each supplier as a whole. An individual supplier with, for example, three FND contract packages, will receive three separate Star Ratings. Similarly in a package with two suppliers each supplier will have an individual Star Rating.

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- 13.30. For further information on how Star Rating is please visit <http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/star-rating-system/>
- 13.31. For Phase 1 of FND the first Star Rating assessment will take place in October 2010 based on performance from 1 October 2009 to 30 September 2010. The second assessment will be conducted in April 2011 for performance in the period 1 October 2010 to 31 March 2011. Assessments will then be carried out at six-monthly intervals in October and April.
- 13.32. Four KPIs will be used to assess your Star Rating:
- achievement against job outcome targets - 30% of the overall Star Rating
 - achievement against sustained job outcome targets - 40% of the overall Star Rating
 - quality - as measured against the five key questions in the Common Inspection Framework (CIF) - 20% of the overall Star Rating
 - compliance and contractor issues based on pro-activity of delivery and the FAM inspection of contractors financial processes - 10% of the overall Star Rating

Job Outcome KPI

- 13.33. This KPI comprises 30% of the overall Star Rating. Performance for each contract package you hold will be measured against the targets outlined in the individual contract. That means the actual percentage rate of starts into jobs you achieve will be compared against the target rate in the contract.
- 13.34. The assessment is calculated on a relative basis (if there were 10 contracts then the contract with the highest level of performance, as expressed by percentage of target achieved, would receive 10 points, the next 9 and so on down to 1 point for the lowest).

Sustained Job Outcome KPI

- 13.35. Performance for each contract package you hold will be measured against the targets outlined in the individual contract. That means the actual percentage rate of starts into sustained jobs you have achieved will be compared against the target rate in the contract.
- 13.36. The assessment is calculated on a relative basis (if there were 10 contracts then the contract with the highest level of performance, as expressed by percentage of target achieved would receive 10 points, the next 9 and so on down to 1 point for the lowest.) This KPI comprises 40% of the overall Star Rating.

Quality KPI

- 13.37. You will complete a Quality Assessment Questionnaire (QAQ), based on the five key questions contained in the Common Inspection Framework. The QAQ captures your view on the quality of your delivery which will be validated by the Contracted Employment Provision (CEP) supplier manager.

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13.38. The five key questions are:

- how well do learners achieve?
- how effective are teaching, training and learning?
- how well do the programmes and activities meet the needs and interests of learners?
- how well are learners guided and supported?
- how effective are leadership and management in raising achievement and supporting all learners?

13.39. The QAQ is then assessed by the contract manager and points are awarded on an absolute basis, Outstanding - 20; Good - 10; Satisfactory - 5, and Inadequate - 0.

13.40. The points are totalled and the weighting for this KPI is applied. The Quality KPI forms 20% of the overall Star Rating.

Compliance and Contractor issues KPI

13.41. Contract managers will award each supplier in a contract package a rating based upon the pro-activity of delivery. It is measured against an absolute benchmark as follows: Outstanding - 60; Good - 40; Satisfactory - 20, and Inadequate - 0.

13.42. The Financial Assessment (FAM) risk assessment of your financial procedures will be carried out by DWP. The assessment will be measured against an absolute benchmark as follows: Full Assurance - 40; Substantial Assurance - 30; Limited Assurance - 10, and Nil Assurance - 0.

13.43. The points for both the Compliance and Contractor issues and FAM risk assessment are totalled up and a weighting applied to produce the Star Rating score for this KPI. This KPI accounts for 10% of the overall Star Rating.

Scoring

13.44. Once all four KPIs have been scored and the appropriate weightings applied a total of Star Ratings points is calculated, the maximum possible score is 100. The Star Rating for the contract package is awarded as follows:

- 75 points and over 4 Stars
- 60 to 74.999 points 3 Stars
- 45 to 59.999 points 2 Stars
- Less than 45 points 1 Star

Customer Choice and Performance Reward

13.45. Where there is more than one FND supplier in a particular area, each supplier will receive a share of the business. This is called market share. For the first 18 months of FND, the market share will be divided equally between the suppliers.

13.46. After 18 months, the proportion of market share has the potential to move between suppliers for two reasons:

- **Customer choice:** customers will be empowered to make informed choices about providers which will influence the market share;

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- **Performance reward:** by moving market share from poorer performers to stronger performers.

13.47. For the first three years of FND (to 2012), market share will move to a maximum allocation of 60% and a minimum of 40%. This is called the **bandwidth**. From year four (2013) of FND, the bandwidth will be extended to a maximum of 70% and a minimum of 30%.

13.48. The introduction of customer choice in April 2011, will allow a shift in market share of up to 5% as customers choose which supplier they want to attend. From 2013 this amount will increase to 15%. In addition to the amount of market share moved by customer choice, an extra 5% can be moved as a result of supplier performance. When this 5% is coupled with customer choice it gives the bandwidths of 60-40 and 70-30 from 2013.

Applying Customer Choice

13.49. From October 2010 choice will start to operate, but for six months (i.e. until the 18- month stage) clients will still be split 50:50 between suppliers. Those making choices will be 'evened up' by referring those not making a choice to the other supplier. A Market Allocation Tool will manage this process.

13.50. From 1 April 2011, we will allow up to 5% movement of market share based on customer choice. We will provide information on supplier performance, including success in delivering sustained employment and customer experience to help customers make an informed choice.

Market share through performance reward

13.51. A three-stage process will be used to determine whether a supplier is to receive extra market share through performance reward

- **Step One** uses Star Rating (see paragraphs 13.34 to 13.48 below) to compare suppliers. If there is a gap of two stars or more we proceed to Step Two, if not, we end the process and do not move market share.
- **Step Two** compares each supplier's performance against their contracted targets. Where the higher star rated supplier meets or exceeds their contractual job and sustained job outcome targets [when calculated as a weighted average level] and the lower star rated supplier does not meet their weighted average targets then we proceed to Step Three.
- **Step Three** if the higher star rated supplier has a 5 percentage point or higher conversion ratio of starts to job and sustained job outcomes (weighted and combined as Step 2) than the lower star rated supplier then market share will be moved to the higher rated supplier.

13.52. The model will be applied after each Star Rating assessment. Market share will only ever move on performance grounds when there have been two consecutive applications of the model where the conditions in all three stages are met. A warning letter will be issued after the first period to the supplier in danger of losing share to alert them to the possibility.

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Turning off customer choice

13.53. If customers exercise choice towards the poorer performing contract we will use the Market Allocation Tool to protect the stronger performer's market share at 50%. This may mean that the stronger performing supplier might still lose its additional 5%, if customers do not choose either supplier. If the stronger performer's market share is in danger of being eroded below 50%, we will turn off customer choice.

Applying performance reward and customer choice together

13.54. The key principle is that market share is moved primarily by customer choice and will only ever move by 5% due to performance reward – regardless of the bandwidths.

- with a 60-40 bandwidth, up to 5% can move due to customer choice and another 5% through performance reward;
- with a 70-30 bandwidth, up to 15% can move due to customer choice with 5% moving through performance reward.

13.55. Within the 60-40 bandwidth, if a supplier has gained 5% of market share through performance reward, they can gain an extra 5% through customer choice. However it is entirely possible for the customers to choose the supplier who has "lost" market share. This would mean market share would move back to 50-50.

Evaluation

13.56. The service that you provide will be evaluated. You are expected to fully participate and cooperate in any evaluation exercise and be prepared to provide any evidence requested. Researchers will visit and interview both you, customers and if applicable partners involved in the provision that you offer. You will be contacted in advance of the visit and will be advised on the length of time that the evaluation will take.

13.57. You will be evaluated on measurable outcomes, such as:

- job outcomes;
- proportion of customers leaving benefit;
- health outcomes;
- earnings;
- mechanisms for engaging customers;
- processes;
- customer experience; and,
- diversity.

13.58. Findings will be disseminated to you to provide a greater understanding on how to engage successfully with Jobseeker's Allowance customers. Evaluation findings will also be published as part of the DWP research series.