

Supplementary Delivery Partner Information

Overview

1. In the *Work Programme Prospectus* of 29 June 2010, the Government set out the intended implementation timetable and fundamental principles for the *Framework for Employment Related Support Services*. As part of this we set out, in broad terms, the Work Programme contracts that we envisage letting using the Framework.
2. By next summer we are committed to introducing the Work Programme, a new integrated package of support providing personalised help for people who find themselves out of work. The competition for these Work Programme contracts is planned to commence in December 2010, and is likely to be the first call-off from the Framework.
3. We want the contracting arrangements for the Framework to reflect our aims for a strategic partnership approach between the Department and its delivery partners. It is an ambitious timetable and we will need to work together to deliver these aims.
4. The Department's ideal approach would have been to provide firm information on all aspects of the Work Programme as well as detailed data sets based on the Department's financial settlement in the period following the Spending Review.
5. However, the unique position that we are in, given the Government's robust approach to the budget deficit and the need to bring the Framework Competition to market in advance of this year's Spending Review means that we are not able to do that. All Government departments are anticipating reductions in their budgetary allocations and DWP is no exception.
6. We are committed to giving you as much information as we can, as soon as we can. As such, this document includes information for prospective Framework bidders on the Department's current assumptions for the Work Programme contracts, which will be called-off from the Framework. This information pack is published alongside the formal Framework Invitation to Tender.
7. The material in this information pack is presented in four sections:
 - Expected Framework service users
 - Framework service delivery approach
 - Pricing design principles
 - Review points and evaluation criteria
8. We are sharing this information in good faith, to enable delivery partners to begin assessing their own capacity, financing and service delivery models, with a view to bidding for Framework contracts. None of the information in this

pack should be taken as a final statement of Government requirements, which will continue to be developed over the summer and into the autumn.

9. We will continue to develop these assumptions and to build up the specification for the Work Programme until we launch the Work Programme competition, scheduled for December 2010. The final scope and contracting arrangements will be influenced by the outcome of the Government-wide Spending Review, scheduled for October 2010.

Expected Framework Service Users

10. Framework suppliers may be asked to provide support for a range of customers, including those with the most complex disadvantages, and may be asked to support more than one group simultaneously. Within any particular location suppliers may be expected to manage large flows of customers.
11. In 2009/10 there were approximately 4 million new claims to Jobseeker's Allowance (JSA). JSA is the primary working age, out of work benefit for people available for and actively seeking work. Of these, the government may seek to prioritise support for certain customers. This may include (but is not limited to) the following groups.
 - Jobseekers aged from 18 to 24. Approximately 350,000 reached six months on JSA in 2009/10 compared to approximately 190,000 who reached six months on JSA in 2008/09. In 2008/09 around 85,000 young people started New Deal for Young People Options, which begins, typically, at the 10 month point of someone's claim.¹
 - Jobseekers aged 25+ who reach twelve months on JSA. Approximately 320,000 people reached twelve months in 2009/10 compared to approximately 150,000 who reached twelve months on JSA in 2008/09.
12. Approximately 105,000 people who made new claims for Employment and Support Allowance (ESA) in the year to May 2010, were assessed as able to undertake work related activity at their initial Work Capability Assessment (WCA). ESA is the primary benefit for people who, following a WCA, are judged to have a limited capability to undertake full-time employment.
13. During the period in which the Framework is set to be in place, existing incapacity benefits claimants are expected to undergo reassessment to decide whether they are entitled to ESA. Of the estimated 1.5 million people who will be assessed using the WCA during the reassessment period, it is estimated that:
 - around a quarter will be assessed as fit for work, with as many as 200,000 potentially going on to claim JSA;
 - over half will be eligible for the ESA work related activity group; and
 - the remainder will be eligible for the ESA support group.
14. In the most recent twelve months for which figures are available, over 140,000 lone parents took advantage of additional support from a personal adviser over and above the work focused interviews that they attend as a condition of benefit receipt.

Claimant figures broken down by lot area are provided in **Annex A**.

¹ Statistics on the number of young people reaching 12 months of unemployment are affected by participation on New Deal Options, so the number of people starting New Deal for Young People Options has been used as a proxy.

15. We believe that for many of these customers work is the best route out of poverty and are therefore committed to tackling worklessness through supporting individuals to move from benefits into employment.

What this could mean for the Work Programme

16. We envisage that the Work Programme will be the principal form of employment support for many of these people at some stage of their claim for out of work benefits.

17. The Work Programme will support a wide range of customers – from Jobseeker’s Allowance recipients who have been out of work for some time, to customers who may previously have been receiving incapacity benefits for many years. Many of these customers will face complex challenges before they will be ready for employment. The level and type of support required to secure sustained employment for all customers will require an innovative and personalised approach.

18. We expect that the majority of customers who move to the Work Programme would do so based on a combination of objective referral criteria, which could include what benefit they are receiving, how long they have been receiving it, and their age.

19. There are some customers who we would not envisage being supported by the Work Programme. These would include, but may not be limited to, many JSA customers in the first year of their claim and severely disabled people – for example those who will be supported by Work Choice.

20. These criteria will mean different customers accessing the Work Programme at different points in their benefit claim. Suppliers will be expected to provide support to all relevant customer groups, and in doing so, to deliver services which maximise the employment chances for all their customers.

Framework Service Delivery Approach

21. We expect suppliers to provide work-focused support to participants, tailored to individuals' needs and consistent with local labour market requirements. Dependent on the nature of the particular employment programme called off from the Framework, differing expectations will be placed on interested suppliers.
22. Customers participating in call-off employment support programmes will be required to adhere to the relevant conditions required by legislation. For example, in the case of JSA customers, to actively seek work.

What this could mean for the Work Programme

23. The Department is committed to giving specialist suppliers the freedom to tailor support that works rather than being asked to deliver programmes developed by Whitehall. We intend to take an approach which allows maximum room for innovation, and reduces to a minimum unnecessary process costs for suppliers, to free up greater resource to invest in customers. Effective supply chain management will be expected from lead suppliers, if working through subcontractors is judged to be the best route of delivering tailored employment support.
24. To this end, we envisage the Work Programme giving delivery partners more freedom than previous programmes to provide customers with the personalised support they need, when they need it. For example, we do not expect to specify that each customer should undertake a period of prescribed work related activity.
25. We anticipate that all mandatory customers will spend a fixed period on the programme. We currently expect this period to last for two years. However different customer groups may receive different periods of support.
26. We anticipate that the majority of customers who move to the Work Programme would do so on a mandatory basis, i.e. continuing to receive their full amount of benefit would depend on them engaging with the programme. There may also be some other customers who would benefit from access to the programme on a voluntary basis.

Pricing Design Principles

27. The *Framework for Employment Related Support Services* will be used to call down a range of contracts. The value and pricing model of each set of call-off contracts will be determined by the make up of customers participating in the programmes and purpose of the support required.

What this could mean for the Work Programme

28. The principles we are developing for pricing the Work Programme contracts are that:

- payment should be exclusively or largely for delivering results and should be made after the results have been delivered;
- the Government will seek to avoid paying for customers who would have moved off benefits without help;
- the price paid for employment outcomes should be set to make it worthwhile for delivery partners to help each group of customers; and
- the price paid for job outcomes should not exceed the benefit savings that have been generated.

29. Payment should be exclusively or largely for delivering results and that payment should be made after the results have been delivered.

30. The Work Programme funding model will focus on incentivising outcomes by rewarding additional outcomes once they have been realised. This will require prospective suppliers to be able to bear the substantial working capital requirements and associated financing costs for significant periods until performance allows break even to be achieved.

31. We are keen to explore with interested suppliers methods that could be used in initial live running to ease their working capital requirements.

32. The Government will seek to avoid paying for customers who would have moved off benefits without help.

33. A key objective for the Work Programme is to maximise the length of time that customers are in employment over the rest of their working lives. However, in a dynamic labour market, there are customers who would have found employment and moved off benefits without the support of a specialist back to work provider. Paying providers for these outcomes, which would have happened anyway, does not represent good value for money for government, and does not reflect the added value of specialist back to work providers.

34. Work Programme providers will maximise the length of time customers are in employment by helping customers into work earlier and/or for longer than

would have been the case without their support, and by helping customers into work who would not have found employment without the specialist support of their provider. The Work Programme funding model will focus on incentivising providers to achieve these additional outcomes.

- 35. The price paid for employment outcomes should be set to make it worthwhile for delivery partners to help each group of customers; and the price paid for job outcomes should not exceed the benefit savings that have been generated.**
36. The additional outcome payments available will be higher the harder it is to get someone a sustained job. For example, evidence tells us that someone who has spent a long time claiming incapacity benefits is likely to be harder to help than a young jobseeker early in their claim. Payments will be driven by the amount of realisable benefit savings. Higher payments could then be realised for the harder to help as the taxpayer saves more by moving these customers into work. They may also cost more to support into sustained employment. This underlies our commitment that the Work Programme both supports the most vulnerable and is fair to the taxpayer.

Review Points

37. Changes to labour market conditions, employment policy and benefit reform may impact on Work Programme customers and influence their behaviour over the course of contracts. We expect suppliers to manage such change, within Work Programme contracts, with alterations to terms being made at periodical review points.
38. Delivery partners will be expected to build capacity for such changes into their service delivery models which will then form part of the contracts awarded under the Framework. More information will be given at the Work Programme Invitation to Tender stage on terms and conditions including details of review points and change control processes.

Evaluation Criteria

39. Delivery partners will be judged across a number of factors, during the Work Programme bid award process. Contracts will be awarded on the basis of the most economically advantageous tender in each Lot. This could be either by seeking price based bids, or by asking for performance and quality proposals at a set price.
40. For price based bids the criteria could include:
 - Delivery Strategy
 - Service Proposal
 - Human resources
 - Performance
 - Implementation
 - Price
41. For set price bids the criteria could include:
 - Delivery Strategy
 - Service Proposal
 - Human resources
 - Performance
 - Implementation
42. More Information will be given at the Work Programme Invitation to Tender stage of the contracting process.

Annex A

Table one: Claimant breakdown by Government Office Region

Government Office Region	JSA new claims April 09 to March 10 ¹	IB/SDA caseload Feb 2010 ^{1,2, 4}	NDLP starts (Mar 09 - Feb 10) ^{1,3}	ESA claimants moving onto the Work Related Activity Group from WCAs held between June 2009 and May 2010
North East	215,000	122,000	21,000	4,300
North West	510,000	323,000	22,000	17,300
Yorkshire and The Humber	390,000	190,000	15,000	10,700
East Midlands	279,000	148,000	11,000	7,900
West Midlands	405,000	194,000	11,000	9,600
East of England	320,000	147,000	4,000	9,300
London	570,000	255,000	12,000	8,700
South East	433,000	196,000	9,000	12,100
South West	272,000	159,000	8,000	10,100
Wales	203,000	155,000	8,000	8,400
Scotland	362,000	235,000	20,000	7,200
Total	3,960,000	2,136,000	141,000	105,500

¹ These figures are rounded to the nearest 1,000. Great Britain.

² Source: *Work and Pensions Longitudinal Study*, February 2010.

³ There are 2,000 unknown NDLP starts by region. Figures may not sum due to rounding.

⁴ The figures are provided to give a broad idea of scale. Not all the IB/SDA customers will be migrated and there will be some additional ESA flow customers who are moved into the WRAG on appeal.

Please see The Office for Budget Responsibility Pre-Budget Report, June 2010, for unemployment forecasts.

http://budgetresponsibility.independent.gov.uk/d/pre_budget_forecast_140610.pdf