

Invest to Save Pathfinders

Supplier Briefing Event

February 2010

WELCOME

INTRODUCTION AND DOMESTICS

Who is here and why

Plan for the day

Agenda

Introduction and Domestics

Policy Intent & Design

Funding Model Overview

Q & A

The Procurement Approach

Working in Partnership

Q & A

Review of the morning

Buffet Lunch

Specialist / Expert Tables & Networking Opportunity

Policy Intent / Design

Jennifer Bradley
Izzie Pragnell
(DWP Disability and Work Division)

February 2010

Background – historical focus

- Historically unemployment benefit largely passive regime
- Strong focus on conditions for benefit rather than on the search for employment
- New Deal programmes introduced by Government in 1998 reversed this focus
- New Deal for Disabled People introduced in 2001
- By May 2009 around 400k job broker registrations had been recorded with around 250k job starts*
- But whilst current policies are helping those closer to the labour market, those further away need more help

*Jim Knight (MoS (E&W), Hansard, 16 September 2009

Background – origins of Invest to Save

- Proposal to implement ItS contracts originated in the 2007 Freud report: *Reducing dependency, increasing opportunity: options for the future of welfare to work*

Using feedback from providers, the report recommended tackling long-term benefit dependency through increasing use of private sector contractors to deliver support, funded exclusively from the net benefit savings achieved by helping claimants return to work

- ItS also incorporates proposals from the 2008 Gregg report: *Realising Potential: A vision for personalised conditionality and support*

This report recommends a single personalised conditionality and support regime, where virtually everyone claiming benefits and not in work should be looking for or engaging in activity to help them move towards employment

- Announced in **Welfare Reform Green Paper – 2008**
- Commitment re-stated in **Employment White Paper - 2009**

Key objectives of Its

- Increase the proportion of long-term incapacity benefit customers moving into sustained employment
- Understand the feasibility of paying providers through net benefit savings achieved
- Test the impact of personalised conditionality on this group of customers
- Test the impact of a relatively open specification approach to contracting
- Increase the use of private and voluntary sector contractors
- Encourage collaborative working with local partners
- Assess the potential for scalability

ItS - when, where and who?

- ItS pathfinders will commence in March 2011 and will run for 4 years
- There will be five pathfinder contract package areas (covering 8 Jobcentre Plus districts):
 - **Scotland** - Glasgow Jobcentre Plus District;
 - **East of England** - Norfolk Jobcentre Plus District;
 - **London** - Lambeth, Southwark and Wandsworth Jobcentre Plus District;
 - **West Midlands** - Birmingham & Solihull, Black Country, Coventry & Warwickshire Jobcentre Plus Districts; and
 - **North West** - Greater Manchester Central and Greater Manchester East & West Jobcentre Plus Districts
- Participants will be long-term IB customers who have been migrated onto ESA and been placed in the work related activity group

Current estimates of customer volumes (subject to change)

Forecasts by contract area

Location	Number of mandatory customers entering ItS
Glasgow	13,000
Norfolk	8,000
Lambeth, Southwark & Wandsworth	9,000
West Midlands	39,000
Greater Manchester	41,000

Note: Estimated volumes are provisional and subject to revision

A new way of financing back to work support

- Use benefit payments to fund contracts
- New ways of contracting with providers
- Providers will be paid out of the net benefit savings they generate by helping customers into sustained employment

A new way of working with providers (1)

- **No up front service fee** – greater rewards / higher risk
- **Payments to Providers will not exceed benefit savings** – providers will only be rewarded from benefit savings they deliver
- **Job outcomes will be uncapped** – the more job entries providers achieve, the greater the rewards
- Providers will **work with each customer for up to 2 yrs**
- **Providers will be paid for up to 18 months whilst the customer remains in work and off benefit** to encourage sustained job outcomes

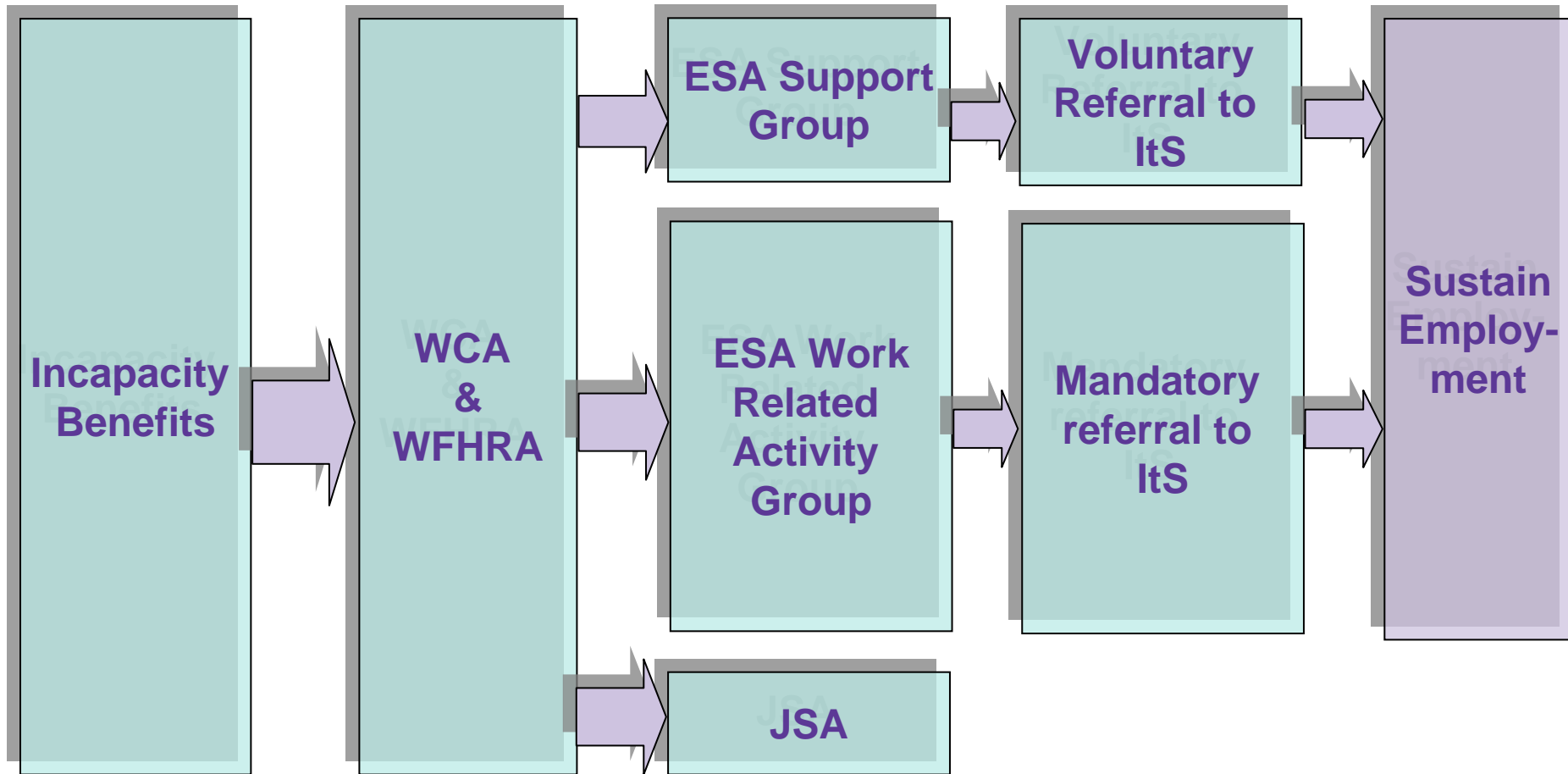
A new way of working with providers (2)

- **No job outcome payments for any customers who would naturally have found work without intervention**
- **‘Black box’ / relatively open specification approach** to contracting but with minimum levels of mandatory activity for each customer
- **Engaging with local partners** in the commissioning process throughout, encouraging:
 - Alignment of local services;
 - Involvement in the contracting process; and
 - Collaborative working with successful providers

A new way of delivering back to work support for long-term IB customers

- Working with customers who are furthest away from the job market
- A flexible version of the conditionality model recommended by Gregg
- Combining personalised support with mandatory activity and a stronger use of sanctions

Invest to Save – Customer Journey



Funding / Finance Overview

Liz Helps CPFA
(DWP Finance)

February 2010

Funding Model Overview

- Cost of programme funded by ESA benefit savings
- Direct relationship between performance and remuneration
- Total contract value is uncapped

Payment Principles

Work with suppliers through competitive dialogue to develop a payment model which respects the following principles:

- No service fee or up front payment
- Rewards only for additional benefit savings delivered
- Encourages sustainable employment
- Paid for a maximum 18months after commencement of employment
- Must be scalable/deliverable

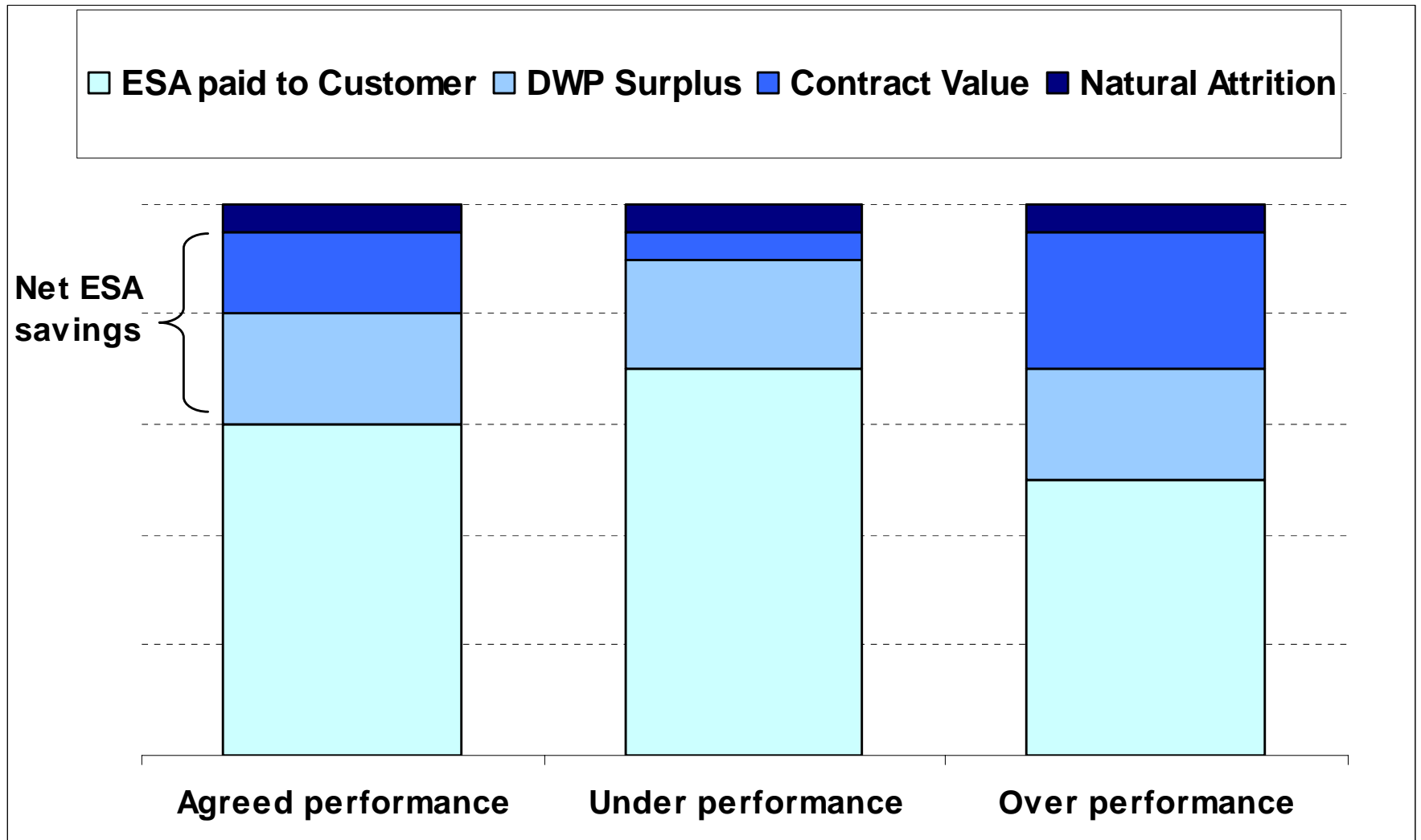
Implications for Suppliers

- Requires significant investment of own resources up front
- Greater scrutiny of financial viability prior and throughout the contract

A simplified example of a provider payment model

- Through competitive dialogue, we agree:
 - A level of outcomes to be achieved
 - A price to be paid for monthly outcomes
 - Frequency of payment
- This will allow us to determine the ESA savings realised as a result of the agreed performance (but net of assumed natural attrition), the total contract value for the a provider and the remaining surplus for DWP
- If actual performance is below the agreed level, the average monthly outcome payment is reduced to reflect the lower than anticipated ESA savings realised
- Equally, performance above the agreed level could be rewarded by adjusting upwards the unit payment to reflect higher than expected net savings realised

Distribution of available funds (simplified example)



Implications for suppliers

- Variable rate of payment dependent on performance
- Where providers perform above the agreed level, the 'unit price' is increased as the net ESA savings grow
- Where there is underperformance, the 'unit price' is decreased as the net ESA savings are reduced

Q&A Panel

Comfort Break

Procurement Approach

Glenn Finlayson
**(DWP Commercial Directorate -
Provision Sourcing Team)**

February 2010

Procurement Aims and Objectives

Overall Aim – to select the very best Suppliers to deliver an excellent service to eligible customers in the Invest to Save contract package areas, maximising sustainable outcomes and delivering VfM, through:

- A competitive process that ensures value for money ensuring propriety, probity and conformity with public procurement legislation, policy and best practice
- Awarding robust contracts
- Meeting specific requirements around equality of opportunity, security and sustainable development

Contract Packages

- 5 Contract Package Areas (CPA)
- Single contract in each of the 5 areas
- Contract service delivery period will be for 4 years

Procurement Principles

- Open and Competitive Tendering
- Comply UK Government and EU Procurement Guidelines
- Fair and Transparent
- Contract with a Legal Entity

Illustration of high level Procurement process

Pre Qualification Questionnaire

Initial Dialogue Phase

Final Dialogue Phase

Contract Award

Pre-Qualification Questionnaire content

- **Part 1 to 3:** Eligibility and Organisational details
- **Part 4:** Contracting with DWP/Compliance factors
- **Part 5:** Capability
- **Part 6:** Quality Assurance
- **Part 7:** Contract Package Areas
- **Part 8:** Declaration
- **Part 9:** Financial Risk Assessment

Objective of PQQ

To ideally select between five and seven eligible bidders for each Contract Package Area (CPA) who are judged best qualified, based on the evaluation criteria.

Parts 4 – 6 will be evaluated by Quality Assessors:

Responses scored on a scale of 0 – 2.

Weighting of 5 or 10 applied to each score according to importance.

Part 9 will be evaluated by Financial Assessors:

	Weighting
Turnover Growth	20%
Acid Test Ratio	40%
Debt Ratio	40%

- 2 Excellent Information provided demonstrates an extensive level of relevant experience/no disputes or terminations/satisfactory explanation to disputes/terminations
- 1 Good Information provided demonstrated an acceptable level of relevant experience
- 0 Poor Information provided demonstrates limited/no relevant experience/relevance is unclear/question not answered/unsatisfactory explanation for disputes/terminations

PQQ Submission requirements / tips

- Do not exceed word limit but do use allocation
- Signed hard copy and two CD ROMs in 'Doc' format
- Compliance with Instructions to Bidders
- The evaluation panel will not be aware/will not take account of previous experience, or give credit for anything not presented in the PQQ response
- Do not include supplementary information other than your organisation chart.

Question & Answer Process

- Questions and answers will be published on DWP website
- Submit questions via Invest to Save email
- Last date for questions - 5th March 2010
- Final Q & A log published - 17th March 2010

Procurement Timetable

- 19th March Return PQQ
- 10th May Bidders informed of PQQ results and long listed bidders invited to participate in dialogue
- 9th July Outline solution submitted
- 10th Sept Bidders informed of Outline Solution results and short listed bidders invited to continue dialogue
- 26th Nov Final Tender submitted
- Feb 2011 Preferred Bidders informed
- March 2011 Contract awarded
- May 2011 First Customer interviews

What is Competitive Dialogue?

Competitive Dialogue (CD) is a relatively new procedure introduced into Public Contracts Regulations with effect from 31st January 2006.

Following the CD route is not a choice. It is the procurement approach to be followed when the contracting authority cannot:

- * objectively define the technical means capable of satisfying the objectives, and/or
- * are unable to objectively specify the legal and/or financial make-up of a project.

The undefined nature of the funding model requirements of Invest to Save means DWP must offer the market the opportunity to help develop an appropriate funding model.

Overview of the Initial Dialogue Phase

Invitation to Participate in Dialogue

Launch Event

1 Day Workshop
(Delivery & Funding)



Incorporating 1:1
DWP : Supplier

Local Meetings in 5 Areas

Ongoing



Q & A



On-line
Dialogue Facility

Invitation to Participate in Dialogue

- Congratulatory Letter which invites Supplier to Participate in Dialogue
- Sets out how DWP will conduct the Dialogue
- Details the award criteria
- Set out the key topics included in the dialogues
- Include draft suite of Descriptive Documents including;
Specification,
Key Principles,
Process Methodology,
Evaluation Criteria/Questionnaire and
Instructions to Bidders

Launch Event – one day

- Launch Event – probably held in Birmingham
- Due to numbers, probably hold two events, one day after the other
- DWP presents greater details of Invest to Save background and objectives; sets out structure of Competitive Dialogue and discusses funding
- Q & A session and opportunity to speak to DWP specialist teams on specific issues

One Day Workshop

- DWP invites Bidders to one day Workshop in Birmingham
- Led by CD Sourcing with input from DWP Specialists - objective “to test general understanding and kick start innovative thinking”
- Open dialogue session on Delivery - to help develop high level delivery model for ItS.
- Open dialogue session on Funding – to help identify a high level funding model
- Opportunity for Bidders to discuss the approach to intellectual property and/or other materials that may be considered confidential and confirm their understanding of the Competitive Dialogue process.

Local Meetings

- Local meetings in each Contract Package Area
- Possibly held WC 31 May - London and Norfolk
- Possibly held WC 07 June - Birmingham, Manchester and Glasgow
- Hosted by Partnerships and chaired by CD Sourcing, with input from Project, Policy, CD Finance and JCP
- The objective is for each area to provide any local requirements, and set out issues and opportunities for that area and for all parties to engage in discussion.

Ongoing Support

Throughout the initial dialogue phase, Bidders may raise questions and/or ask for clarification. This will be done via:-

- Dedicated ItS mailbox, managed by CD Sourcing
- A formal Q & A log will be maintained throughout and published on the web site for all to access
- Bidders will be given access to a web based tool that will allow Suppliers to continue Dialogue on-line in 'real time'.

Overview of Final Dialogue Phase

Invitation to Continue Dialogue

Briefing and
Workshop



Incorporating 1:1
DWP : Supplier

Local Meetings in 5 Areas

1:2:1 between Supplier and Finance

Ongoing



Q & A



On-line
Dialogue Facility

Invitation to Continue Dialogue

- Congratulatory Letter and invitation to Continue Dialogue
- Sets out how DWP will conduct the Final Dialogue Phase
- Detail the award criteria for the remainder of the procurement process
- Set out the key topics that will be included in the final dialogues
- Include draft suite of Descriptive Documents

Briefing and Workshop

- Around W/C 20 September DWP will invite Bidders to a two day Briefing and Workshop in Birmingham
- Led by CD Sourcing with input from DWP Specialists – provide more detailed information on Specification and other Descriptive Documents
- Opportunity for Bidders to discuss and clarify understanding of funding and delivery model before submitting their Final tender
- Opportunity for Individual 1:2:1 with CD Sourcing

Local Meetings

- Local meetings in each Contract Package Area
- WC 27 September - Birmingham, Manchester and Glasgow
- WC 04 October – London and Norfolk
- Morning – Led by CD Sourcing. Opportunity for short-listed Bidders to enter Dialogue on specific local issues with DWP, Partnerships and Jobcentre Plus
- Afternoon – Led by Partnerships and is a forum for short-listed Bidders to meet with potential local sub-contractors, employers and other invited stakeholders

1:2:1 Between Supplier and Finance

- Suppliers will be invited to confidential 1:2:1 meetings with CD Finance to explore, in detail, their thoughts around the funding of ItS.
- Each meeting will last around half a day
- Meetings will be run over a couple of weeks, w/c 11 and 18 October

Ongoing Support

Throughout the final dialogue phase, Bidders may raise questions and/or ask for clarification. This will be done via:-

- Dedicated ItS mailbox, managed by CD Sourcing
- A formal Q & A log will be maintained throughout and published on the web site for all to access
- Bidders will be given access to a web based tool that will enable Dialogue to continue on-line and in 'real time'

Features of Competitive Dialogue approach

- Offers both the market, and Government, the opportunity to work together to identify innovative solutions to delivery and funding complexities
- Provides the opportunity to include up to date information, and make changes within the overall strategic aims that arise once a competition has commenced (as long as this does not fundamentally change the published requirement)
- Enables local partners to be involved in the dialogue process to ensure it effectively reflects the localisation agenda
- There is a need for real commitment from all stakeholders to devote time and resources to making the CD process work effectively

Localisation and Invest to Save

Ian Short
Sharon Cheetham
(EG Localisation Strategy)

February 2010

- **Reasons for DWP Localisation**
- **Commissioning Strategy in Feb 2008**
- **White Papers in December 2008 and 2009**
- **Recognise that communities have specific needs.**
- **Support activity to join up provision and make provision more responsive to local circumstances / Labour Markets.**
- **Reduce duplication.**
- **To improve outcomes.**

Localisation and Invest to Save

- **Working with Partnerships and Jobcentre Plus in the 5 Pathfinder areas**
 - **Birmingham City Region MAA partnership**
 - **Glasgow Works - City Strategy Pathfinder**
 - **Lambeth Southwark and Wandsworth District**
 - **Manchester City Region**
 - **Norfolk District**

Partnerships

- aim to identify and/or procure local services which complement and support Invest to Save provision
- are helping to develop the programme specification
- examples may include dedicated referral routes, complementary services, provision of information on appropriate locations

Partnerships and Jobcentre Plus

- have participated in meetings held to outline their involvement in Competitive Dialogue process
- supplied proposals/information on 'local fit'
- are invited to attend PQQ events - networking
- are invited to deliver presentations at the Bidders' Conference

- Cont.

Localisation and Competitive Dialogue

Partnerships and Jobcentre Plus

- will have involvement in the dialogues that take place to develop Outline Solutions
- will be invited to participate in the
 - Competitive Dialogue bid evaluations
 - Post tender discussions
 - Post Contract Award Briefings/Walkthroughs

Q&A Panel

THANK YOU

Next

- **Lunch**
- **Chance to network**

Specialist / Expert Tables

Specialist / Expert Tables

- **Table 1 – Policy Intent & Design**
(Jennifer Bradley / Izzie Pragnell – Disability and Work Division)
- **Table 2 – Procurement**
(Glenn Finlayson – Provision Sourcing Team)
- **Table 3 – Funding Overview**
(Liz Helps – DWP Finance)
- **Table 4 – Localisation & JCP**
(Ian Short / Sharon Cheetham – Localisation Strategy)

E-mail Questions to:

Invest.tosave@dwp.gsi.gov.uk

Last date for questions to be sent in is 5th March 2010

Responses published weekly on DWP website (last Q&A log published 17th March 2010)

<http://www.dwp.gov.uk/supplying-dwp/what-we-buy/welfare-to-work-services/>