

Withdrawn

This publication is withdrawn.
The publication is no longer current.

Section 11 – Financial Incentives

This Section pertains to referrals to Work Choice made **prior** to the current contracts' extension period in England and Wales which commenced in April 2017, and to referrals in Scotland up to 31st March 2017.

For guidance pertaining to all referrals to Work Choice in England and Wales made **during** the current extension period, specifically referrals from 25th April 2017 for contracts originally awarded in 2010, and from 7th April 2017 for Remploy, please see "Work Choice Provider Guidance: Post-April 2017" version which will be found on GOV.UK :

<https://www.gov.uk/government/collections/dwp-provider-guidance>

11.1. This Section covers:

Definition	1
Principles.....	2
Financial Incentive Exclusions.....	2
Government Departments.....	3
Supported Businesses.....	3
Local Authorities (phased approach)	3
Capped amounts	3
Funding	4
Depreciation	5

Definition

- 11.2. In this context we consider a financial incentive to mean the movement of money from a Work Choice (formerly WORKSTEP) provider to any organisation that employs, or provides a place of work (host employer) for, a Work Choice participant.
- 11.3. Including situations where a Work Choice provider employs the participant and the place where they work pays the Work Choice provider a proportion of the salary. The difference represents a financial incentive.
- 11.4. A financial incentive should only be used to address appropriate employment support needs of a participant while undertaking supported employment during Work Choice.
- 11.5. Whilst new financial incentive agreements are not prohibited within the bounds of your Work Choice contract, many current financial incentives

are a legacy from Work Choice's predecessor programme WORKSTEP, and this section deals primarily with how this is managed.

Principles

- 11.6. In October 2010, when Work Choice superseded WORKSTEP, DWP gave an undertaking that certain existing financial incentives would receive an element of protection for the duration of the Work Choice contracts.
- 11.7. This protection applied to WORKSTEP financial incentive agreements which were formalised before the 18th May 2009. WORKSTEP providers were instructed, at that time, to ensure employers understood that any support agreed after that date was time-bound and only guaranteed for the period of their contract.
- 11.8. Work Choice providers are required to continue payment of any **protected** financial incentive in payment, at the time of transfer from WORKSTEP to Work Choice for agreements made by WORKSTEP providers prior to 18th May 2009. **Protected** means a financial incentive that is not part of the exclusions detailed below. Financial incentive payments, for protected FIs, are included in your service fee.
- 11.9. Work Choice providers are not required to continue payment of any WORKSTEP financial incentive agreements which were agreed on or after the 18th May 2009.
- 11.10. From the 25th October 2010, Work Choice providers **were** expected to seek to reduce the numbers / amounts of long-term incentives and replace them with other forms of support for the participant and / or employer, if or as necessary.
- 11.11. Where a **protected** financial incentive is being paid, Work Choice providers will, however, **not** be able to impose a withdrawal or reduction of funding **without the written agreement of the employer**, as long as the participant continues in supported employment. **Work Choice providers should obtain the written agreement of the employer** for audit purposes.
- 11.12. Work Choice is not a job subsidy programme – although new financial incentives agreements are NOT prohibited within the bounds of the contract period (except for Government Departments) Work Choice providers must not commit to payment of any kind beyond the period of their contract.

Financial Incentive Exclusions

- 11.13. There are certain exclusions to the protection of financial incentives, these are where the participant:

- works, whether as a permanent civil servant or as a placement, in a Government Department or one of its agencies in a Government Department;
- is employed by or placed in a supported business; or
- is employed by or placed in a local authority. (excluded over time).

Government Departments

11.14. Work Choice providers will not continue existing or agree new financial incentive payments in respect of participants placed in, or employed by Government Departments or one of its agencies. See the link below for details of what is a Government Department for financial incentive purposes.

<http://www.civilservice.gov.uk/jobs/Departments-NDPBs-AtoL/A toF.aspx#>

Supported Businesses

11.15. Work choice providers will not be expected to pay for participants placed in or employed by a supported business, however the Work Choice provider may choose to continue payment at their own cost but will not guarantee it beyond the duration of their contact.

11.16. **Note:** this does not affect the requirement that Work Choice providers will continue to pay £4,800 to supported businesses for each protected supported business placed filled.

Local Authorities (phased approach)

11.17. Work Choice providers will support a phased approach where participants are placed in or employed by a Local Authority.

11.18. Local Authority financial incentives will not initially be excluded but will be reduced year on year and only the maximum amount (details below) will be paid in relation to the individual financial incentive agreed, regardless of the current amount of that incentive. Work Choice providers may however choose to fund the additional amount (above the capped amount, below) at their own cost but will not guarantee it beyond the duration of their contract. Should the financial incentive be less than the capped amount, only that amount will be paid.

Capped amounts

11.19. Capped amounts:

- Year one - all LA financial incentives receipts will be capped at £4,800;
- Year two - all LA financial incentives receipts will be capped at £1000;
- Year Three - all LA financial incentives receipts will be capped at £600;

- Year four and five - DWP will not protect any LA financial incentives.

11.20. The example (below), details how four (varying) amounts of LA financial incentives in payment prior to 25/10/10 will be reduced during the five years of the contract, inline with the capped amounts.

Amount(s)of LA financial incentive in payment prior to 25/10/10	£6,000	£3,800	£800	£400
Year one	£4,800	£3,800	£800	£400
Year two	£1,000	£1,000	£800	£400
Year three	£600	£600	£600	£400
Year four & five	£0	£0	£0	£0

- 11.21. **Note:** This reduction is separate to the reduction in guaranteed funding due to depreciation.
- 11.22. Employees of fire service, police service, care trusts and national health service are not LA employees and financial incentives paid in respect of participants who work in these occupations are **not** excluded from protection (e.g. any financial incentive remains payable by the Work Choice Prime Provider and will be supported by the guaranteed funding from DWP).
- 11.23. Teachers, including those employed by LA's are also **not** excluded from protection (e.g. any financial incentive remains payable by the Work Choice Prime Provider and will be supported by the guaranteed funding from DWP).
- 11.24. Any doubts you have in relation to exclusions should, in the first instance, be raised with your performance manager.

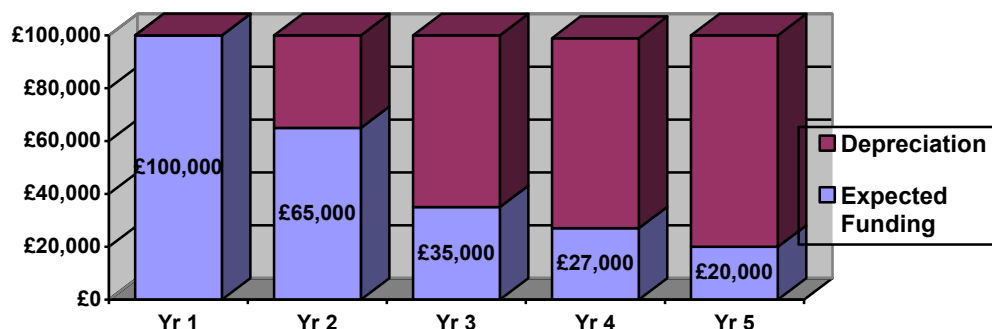
Funding

- 11.25. Funding has been set aside to cover the protection of financial incentives for the first five years of the contract. DWP will calculate the month amount (to be paid via PRaP) based on information provided by the Work Choice Prime Provider during transition.
- 11.26. For further detailed guidance, see the Work Choice Supplementary Transitional Guidance:

<http://webarchive.nationalarchives.gov.uk/20131101164207/http://dwp.gov.uk/docs/pg-part-ia.pdf>

Depreciation

- 11.27. Work Choice providers are expected to seek to reduce the numbers / amounts of long-term protected incentives. If necessary replacing them with other forms of support for the participant and / or employer, over the term of your contract.
- 11.28. Elements of natural (i.e. participant leaves programme) and expected (as described in [paragraph 11.26](#)) depreciation will be factored into the financial incentive payment included in the service fee.
- 11.29. Depreciation will be applied to:
- all protected financial incentives; and
 - phased LA financial incentives.
- 11.30. The example (below) shows how depreciation (natural and expected combined) will be applied to contract package area that inherits £100,000 of protected financial incentive payments on 25th October 2010.



- 11.31. The percentage of depreciation set at the beginning of each year was:
- Year one 0% of original amount;
 - Year two 35% of original amount;
 - Year three 65% of original amount;
 - Year four 73% of original amount; and
 - Year Five 80% of original amount.
- 11.32. Work Choice providers may negotiate with employers and host employers to withdraw or reduce any individual financial incentive, but the withdrawal or reduction **can only be effective with the written agreement of the employer or host employers**. Where the Work Choice provider secures agreement, it is not required to reimburse any part of the reduction to DWP.

11.33. Depreciation will be factored into the overall financial incentive amount agreed with DWP. The depreciation percentages should not be applied to individual financial incentive payments made to employers.

[Back to top](#)