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Department
for Work &
Pensions

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a Phensiynau

DWP Employment Provision Commissioning Strategy 2023

Contents

Introduction	3
A successful commissioning strategy	4
Overarching core aims	5
Future commercial opportunities with the DWP Employment Category	7
Commissioning Process	9
Market Shaping	10
Level Playing Field.....	10
Delivery Model Assessment.....	11
Design and Procurement.....	12

Introduction

DWP's vision is to improve people's day to day lives and help them build financial resilience and a more secure and prosperous future. We will do this by helping people to move into work, and supporting those already in work to progress, with the aim of increasing overall workforce participation. DWP will help people to plan and save for later life, while providing a safety net for those who need it now. We want to deliver effective, efficient, and innovative services to the millions of customers who rely on us every day, including the most vulnerable in society, improving their experience of our services while maximising value for money for the taxpayer.

To deliver our vision, we continue to focus on our four Strategic Outcomes into which everyone in DWP has a role to play.

1.	Maximising employment, reducing economic inactivity, and supporting the progression of those in work
2.	Delivering financial support to people who are entitled to it
3.	Enabling disabled people and people with health conditions to start, stay, and succeed in work, and get financial support
4.	Supporting financial resilience in later life

This Employment Provision Commissioning Strategy sets out how the Department for Work and Pensions (DWP) Employment Category will support those outcomes through the successful commissioning and in-life delivery of Commercial Employment Programmes. This will include assessing whether services should be delivered in-house or contracted out and encourages DWP Employment Category ("the Category") and our suppliers to deliver quality outcomes.

At the heart of this is a focus on five key aims: Deliver Quality Outcomes, Value for Money, Market Management, Innovation and Continuous Improvement, and Social Value, whilst also recognising best practice in Environmental Management.

This Commissioning Strategy, supported by commercial processes, market engagement and learning from evaluation data, provides a framework to enable DWP Employment Category to commission intelligently and consistently, to achieve our objectives.

By setting out our market and provider expectations in advance, we can support efficient and effective, high-quality, high-performance delivery for our participants.

The Category will identify the best value approach to delivering these objectives. This includes whether the Department has capacity and capability to deliver additional services alongside existing services. Where appropriate, consideration can be made to contract provision externally, including utilising one of our existing category agreements such as Commercial Agreement for Employment and Health Related Services (CAEHRS), existing contracts, and if appropriate frameworks available across government. If alternate Commercial vehicles are required or more appropriate, new procurement activity will be considered.

The Category plays a crucial role in driving DWP’s agenda: Early engagement with stakeholders and use of market intelligence and insights are critical to delivering better commercial outcomes. We want to break down the barriers between services and commission, design, and develop high quality and accessible employment support to our participants.

The [Sourcing Playbook](#) sets out practical guidance to support delivery and drive improvement for key policies.

The diagram below sets out the high-level considerations undertaken by the DWP Employment Category, DWP and wider Government as part of their commissioning framework.

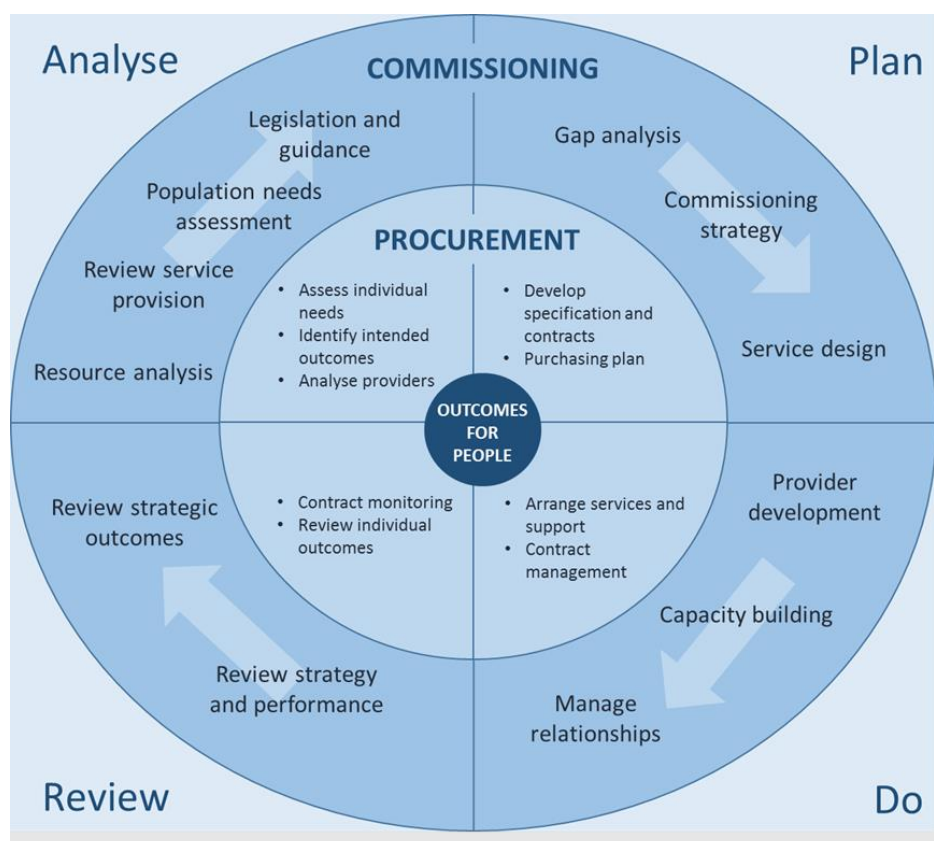


Figure 1: Representation of the various factors that play into both the Commissioning and Procurement cycles.

A successful commissioning strategy

To inform and shape this DWP Employment Provision commissioning strategy we have drawn on evidence, best practice and the perspectives of experts and stakeholders. We have used analysis, research and results from evaluations conducted on previous employment programmes in the UK and other countries; as well as drawing on our own lessons learnt and assessments and audit reports delivered or commissioned by departmental bodies such as the National Audit Office (NAO) and Cabinet Office. Subsequently, this strategy builds on the “Eight Principles of Good Commissioning” as identified by the National Audit Office¹. This strategy should also be read in conjunction with the Sourcing Playbook issued by the Cabinet Office.

¹ “Successful Commissioning Toolkit”, National Audit Office (2011): <https://www.nao.org.uk/successful-commissioning/general-principles/principles-of-good-commissioning/>

We are committed to learning from and continuously improving our commissioning processes. We will develop and adapt our approach as new information about the effectiveness of our commissioning practices becomes available.

This document is intended to indicate to the market, and to our partners, how we will approach those decisions and to set out what will matter to us and how we would like to work with the market. The Category will monitor activity in relation to commissioning and update this commissioning strategy as appropriate.

We will have a flexible approach to adapt and change our strategic approach, if necessary, to keep pace with changes in market environments, new technological advances, best practices, and natural evolution over time, to ensure the Category continues to lead the way and be a customer of choice in the Employment market.

The government's latest Sourcing Playbook was designed to improve how government works with industry to deliver better public services. It was published in May 2021 and updated in June 2023 and is embedded into our "DNA" and ways of working.

This DWP Employment Provision commissioning strategy, supported by robust commercial process and the Sourcing Playbook², provide a framework of standard considerations for each requirement to enable us to commission more intelligently and consistently.

The Sourcing Playbook guidance ensures that the government delivers projects that are robust, engaging with a diverse and healthy marketplace of companies, including small and medium sized businesses alongside charities, with appropriate contingency measures in place.

Overarching core aims

To realise our aim for a range of high quality and accessible Employment support to our participants, we will follow these five cores aims.

Aim 1	Deliver Quality Outcomes: The Category's overarching aim is to deliver quality outcomes to support delivery of DWP's core objectives by putting our participants at the heart of everything we do.
Aim 2	Value for Money: The Category is driven to spend ethically and strategically. Setting targets and Key Performance Indicators for procurement and contract management.
Aim 3	Market Management: To engage early with the market to shape how we deliver better services. Lead the way and aim to be the partner of choice for the market through effective stewardship.
Aim 4	Innovation and Continuous Improvement: To deliver better innovation and continuous improvement through our procurement activity and during contract life, modernising in terms of scope, use of technology and procedures.
Aim 5	Social Value: Ensure that Social Value is at the very core of the Category's priorities and forms part of strategic thinking and procurement activity.

² [The Sourcing Playbook – June 2023 \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)

Deliver Quality Outcomes

The Category places quality outcomes for our participants at the heart of everything we do.

- Quality outcomes are not only centred around moving participants into employment but also around providing holistic support to improve the quality of participant's lives. This could include providing provision to break down specific barriers that would enable our participants to move closer to the employment market.
- We will proactively engage with key stakeholders to understand how best to improve services by taking an evidence-based approach through the use of data to support key decisions.
- We will continuously improve what we deliver by recording lessons learnt and taking action to implement recommendations.

Value for Money

The Category needs to spend ethically and strategically while setting targets for procurement and contract management through the effective use of key areas.

- Provide consistent Category Management for all our programmes to ensure we maximise the value of spend. This includes developing innovation and continuous improvement within all our future commissions.
- Partnering and Collaboration through Supplier Relationship Management (SRM) and Performance Management.
- Implementing effective performance monitoring and transparency. This includes sharing commercial and performance data and working together to drive performance, quality, and continuous improvement.
- Integral to the Category's process is having an appropriate approach to risk management, to identify and reduce fraudulent procurement practices through the contract lifecycle and the supply chain.

Innovation and Continuous Improvement

Using lessons learnt and recommendations, the DWP Employment Category will deliver continuous improvement through our procurements, modernising in terms of scope, use of technology, and procedures by ensuring that:

- Participants are the focus of any Innovation and Continuous Improvement initiatives. We support people to enter and progress in work through the programmes we commission.
- We use clear specifications and other methods to encourage supplier innovation to meet new and evolving challenges.
- We have appropriate and balanced procurement practices, contracts, and in-life relationships.

- We expect suppliers to drive performance through investment in continuous improvement to deliver improved services.

Market Management

Healthy, competitive markets matter because they support our ability to achieve the right outcomes and value for money for taxpayers.

- Good market management is about looking beyond individual contracts and suppliers. It's about designing programmes and contracts that promote healthy markets over the short, medium, and long term.
- It is critically important to talk to the market and engage early. We will do this regularly, recognising the benefits to both DWP and suppliers. Through this process we will be able to understand the deliverability of the requirements, the feasibility of alternative options and ways to innovate that could help the delivery of better services.
- We will encourage new entrants into the employment market to allow growth and expertise and facilitate Small and Medium Enterprise (SME) and Voluntary Community and Social Enterprises (VCSE) to thrive. We will balance this against retaining existing capacity and capability to create a rich tapestry of providers at all levels.

Social Value:

Social value looks beyond the financial cost of a contract and considers how the services public sector organisations commission and procure can improve the economic, social, and environmental wellbeing of individuals, communities, and society in general. The Category will;

- Consider social value themes which promote additional value over and above that which is being delivered through our procurements, which includes creating new business, jobs, and skills, tackling workforce inequality, and closing the disability employment gap
- Use a qualitative methodology to evaluate social value in procurements.
- Monitor achievement of social value KPIs throughout the life management of the contracts.
- Continue to review the relevance, of the selected social value theme, for all in scope procurements, against the commission
- Ensure sustainability forms a key part of both current and future procurement activities.

Future commercial opportunities with the DWP Employment Category

To realise employment objectives and deliver strong and sustainable performance and quality across outcome measures and diverse participant groups, value for money, the ability to operate a sound control environment, rapid deployment to changing conditions, innovation, and flexibility will always be central to our approach.

- Social Value forms a fundamental part of our commissioning strategy. We will be clear about our Social Value expectations and how these will be assessed in our tender evaluation and throughout the contract lifecycle.
- Environmental impact and Carbon reduction will be a key requirement on all our contracts which fall in-scope of PPN thresholds.
- Transparency and honesty are behaviours we will embrace and expect at all stages of the commercial relationship including through bidding stages and during the life of contracts. We expect all current and future suppliers to, as a minimum, adhere to the DWP Employment Category Supplier code of Conduct.
- We will give an ongoing consideration to how our commissioning can support the objective of economic growth. This includes how we support and engage with SMEs and organisations orientated around social enterprise (including charities and not-for-profit organisations) either directly or through the supply chain, and working at the local level with employers, stakeholders, and devolved partners.

To achieve strong and sustainable performance and quality services we need a diverse, open, and vibrant market at all levels. The Social Value Act³ created a requirement for commissioners and contracting authorities to consider at the pre-procurement stage the relevant wider economic, environmental, and social benefits of what is proposed to be procured. This includes, but is not limited to:

- Effectiveness and efficiency through ensuring the market is competitive and resilient; and
- Commitment to ensuring there continues to be diversity in the market, with the public, private, voluntary, community and social enterprise sectors delivering.

We seek to create regular opportunities at all levels through our commissioning. This will create a range of opportunities for both larger and smaller suppliers.

- We will systematically publish the commercial pipeline, enabling interested parties to plan and build capacity, capability, alliances, and partnerships. Furthermore, it will allow time for interested parties to develop and build credible scenarios and evidence bases to support their proposals.
- Where we commission programmes at the largest scale, we believe that nationally commissioned, centrally designed, and managed programmes, with locally tailored delivery and the use of a prime contractor model, offers efficiency and effectiveness. We will look until Autumn 2025 to use the CAEHS Framework-style agreement as the primary commercial vehicle to market for these types of provision although we will always assess the most appropriate route before embarking on any procurement initiative.
- Where we commission more specialist services, particularly for those furthest from the labour market or for those with more complex barriers such as disability and health conditions, we may utilise different commissioning models. This includes the use of smaller scale, localised contracts where appropriate.

³ <https://www.gov.uk/government/publications/social-value-act-information-and-resources/social-value-act-information-and-resources>

- We will standardise the use of Common Procurement Vocabulary (CPV) code 80000000 as a base code to allow interested organisations to quickly identify our potential procurement opportunities.
- We will continue to issue an Employment Category Newsletter on a quarterly basis to current and potential suppliers and publish a Supplier Survey on an annual basis
- We will continue to collect market intelligence to inform our Future Market Strategy.
- We will also test innovative solutions to delivering our specialist services to build our commissioning expertise and evidence base. To support this, we will use a Test and Learn Dynamic Purchasing System. This Test and Learn DPS will allow DWP to:
 - Be flexible and responsive to new ideas from the marketplace and the emerging evidence needs of government.
 - Build in appropriate commercial and financial opportunities for both the Department and suppliers; and
 - Incentivise the marketplace to play an active role in the development of future provision through a test and learn approach.

This approach is consistent with the Sourcing Playbook whilst having the interests of the programme participant at the heart of all we do.

We are committed to furthering our understanding of the smaller, specialist supplier base so that we can ensure we are getting best value from this part of our market in line with our changing focus.

We will seek to ensure that the characteristics of our commercial opportunities are suitable for a variety of suppliers and aligned to the outcomes desired.

- We recognise that contracts should be of sufficient length to give suppliers the security to invest, develop their delivery models and their partnerships.
- Contract structures (“Contract Package Areas”) for larger scale programmes will rarely allow for fully aligned boundaries with all our potential partners. We will seek to develop contract structures that enable co-commissioning and encourage joint working between our suppliers and potential non-contractual partners such as other public service commissioners.

Ultimately, we will act as an advocate of the market and seek to engage, support, and manage all parties to our commercial agreements including both suppliers and the Department, acting as honest broker holding both parties to account.

Commissioning Process

The Category has identified the following key areas that we feel are important to commission services:

- Market Shaping

- Level Playing Field
- Information and Transparency
- Delivery Model Assessment
- Design and Procurement

The Category will objectively assess the key areas identified and compare them against Market standards to ensure how we commission services continues to align with our core aims: deliver quality outcomes, value for money, market management, innovation and continuous improvement, and social value.

Market Shaping

Our aim is to develop a market that delivers the Departments goals, a key component that we see supporting that is the use of co-opetition to drive collective performance. In practice this means: Competition during a procurement and cooperation in live running to deliver innovation and collaboration to maximise learning and service delivery. We also seek to encourage new suppliers into the Employment Market with the aim of the Category becoming a key customer of choice with whom the market wishes to contract and creating a market that works and provides the services required.



Level Playing Field

We believe a level playing field is important when commissioning to achieve any given set of objectives. If acting alone the smallest organisations will not have the capacity to compete with the biggest organisations for any large-scale prime contracts, so minimising barriers to market entry must be a priority.

We welcome the work of trade bodies and sector-based associations in developing resources for the industry and would encourage the setting of long-term industry wide goals of ever improving performance and support to participants. Such activities are vital to the continued development of a viable, high performing sector.

The Category will work collaboratively with trade bodies and membership organisations to support capability-building activity for any and all prospective suppliers.

For smaller organisations, we expect the focus of this activity to be on finance, risk, and bid-writing. We will seek to share relevant lessons learnt from procurements upon which the market can learn alongside systematic publication of our commercial pipeline to enable organisations opportunity to develop plans, capacity, capability, and an evidence base to support tenders.

We will also promote a level playing field through developing a more structured, standardised, and proportionate procurement process to minimise transaction costs.

Delivery Model Assessment

The delivery model assessment (previously referred to as a 'Make or Buy decision') is an analytical, evidenced based approach to assist reaching a recommendation on whether we should deliver a service, or part of a service, in-house, procure from the market or adopt a hybrid solution.

We will consider a wide variety of potential supply options other than just the use of departmental resources (in-house) or the third-party supply market. The use of the wider public sector (such as Arms' Length Bodies and Local Authorities), regulatory bodies or the use of the third sector, as well as the potential to establish joint ventures or GovCos may all be viable alternatives.

Delivery Model Assessment approach and steps

- **Frame the Challenge:** Clarify the programme objectives, timescales, and drivers of change. Identify stakeholders and set up working teams and government
- **Define the Service, Delivery Model Options and Data Inputs:** Identify the service components and the options for how they might be delivered, including how service components might be combined or disaggregated to best deliver the desired outcomes.
- **Establish Strategic and Operational Evaluation criteria:** There are many potential issues to consider in the selection of a delivery model.
- **Assess the whole life cost of the project:** Use a strategic approach and service definition to identify the cost drivers for the transition and mobilisation phase and a period of running with a Should Cost Model developed for all projects.
- **Conduct the evaluation and align the analysis:** Once strategic and operational criteria have been tailored and weighted for the individual service, we evaluate each potential delivery model and create a numerical scoring methodology for the criteria with clear descriptions of what each score means and agree this with key stakeholders.
- **Recommendation and approvals:** Develop and document recommendations and ensure approval via Project boards.

- **Piloting and implementation:** Build Commercial Strategy and identify any requirements to pilot the outcome of any assessment.

Design and Procurement

The mechanisms that drive performance and payment in our employment services will depend on the approach to service specification and design. We will use the most appropriate payment model that delivers value, appropriately balances risk, and incentivises delivery of a high-quality service.

- We expect outcome-focused payment models to be a prominent feature of our future commissioning, especially for larger programmes. We believe that well-designed, outcome-focused payment models coupled with considerable scope for suppliers to design the service delivery model can provide the incentives that drive high performance.
- As we focus on outcomes, we need assurances that quality outcomes have been delivered and we will continue to invest in research and systems to identify and measure these outcomes, supported by self-billing, to remove cost and risk from the measurement and validation process.

To achieve our objectives, we see strong and sustainable performance on future DWP-commissioned employment programmes as essential.

- Fundamental to our approach is rewarding the suppliers who deliver and dealing fairly and robustly where performance drops below what is required. This will be a key feature of the design of future programmes.

Regardless of the approach to service specification and design, we will always require monitoring and controls around the service being delivered.

- We will set service standards for future programmes so that we can be assured of the quality of delivery. These will be developed in collaboration with the market and should build on those that are readily available and accepted as industry standards, such as International (ISO) and British Standards (BS). Any standards imposed will be reasonable and proportionate to the value and/or type of contract.
- Where delivery falls below the agreed service standards contained in each contract, the Category will take robust action to remedy this in line with contractual obligations.

We will endeavour to maintain an over-arching standard Contract Package Area (CPA) structure, sub-dividing or joining two or more together dependant on an individual project procurement strategy.

All programmes and/or contracts will have a clear and distinct focus on the exit management and mechanism(s) to ensure a smooth transition to any new contracts and/or provision at the end of the contract, be that through natural cessation or early termination for any reason.

During the live running of programmes, the Category will work together with our Contract Management Partnership Delivery (CMPD) colleagues to manage suppliers' performance using outcome measures and service standards:

- The Category and CMPD will continuously review its performance management metrics to ensure they are driving delivery of the policy intent. Where perverse incentives are identified, the Category will act quickly to correct this.
- We shall continuously review our processes and contractual obligations to ensure they remain appropriate and seek to remove unnecessary costs and bureaucracy and costs, for mutual benefit.
- The ability to rapidly evolve an efficient and effective service is a key strength of using a more limited specification of the service by The Category when commissioning third party suppliers to deliver. We will ensure suppliers have a streamlined route to make changes to their delivery, where the contract allows, to enable continuous improvement and the testing of innovations.
- We want to see our suppliers succeed in delivering outcomes for participants and providing good value for taxpayers. Where a supplier falls below the standards, they have agreed to deliver we will respond quickly, fairly, and robustly. We will include early warning measures to pre-empt potential failure enabling corrective action to be taken early and decisively to mitigate the potential and extent of downstream failure and publish our top 3 Key Performance Indicators (KPI's) for our most important contracts.
- Where suppliers are unable to improve, they will be removed, replaced, or we will use step-in procedures to enable short term alternative delivery whilst issues are resolved. Our commissioning arrangements will contain a viable failure regime, which enables a new supplier to take over or step into a contract quickly and easily whilst minimising costs to the taxpayer and potential disruption to service users.
- We understand that there may be occasions where a supplier wishes to exit the market. As a proactive market steward, we will work with the market where a supplier seeks to exit.

We typically use competitive tendering and competitive tension to identify the organisation best placed to deliver our objectives.

- We recognise there will be circumstances where the grant funding approach is most appropriate. The Category will continue to develop guidance for its commissioners on this approach to ensure we can achieve value for money where it is used.
- We will develop an approach to incorporate current and past performance into the tender evaluation process within the parameters of current procurement regulations. We recognise the tensions between the recognition of past performance and enabling new entrants to the market and will seek to strike a balance here.
- We will use commercial processes to assure ourselves that bidders are not providing misleading information to secure contracts that would then fall short in live running.
- To achieve Value for Money we need suppliers who are best able to deliver the outcomes we define to the quality and level that they offer. To help us to identify these suppliers, we will shift the balance in our tender evaluation process from cost toward quality.

- Competition through procurement is strengthened where the criteria on which bids are won are carried forward into the performance management of contracts in live running. Levels of service or outcome delivery contained in successful bids will form part of the performance management for contracts. We will also expand on and implement measures that incentivise self-performing and enforcing contracts, which may include expanding the use of liquidated damages, payment by results (including accelerator models) and service credits.

We recognise the contents of this strategy are not exhaustive. We will continue to seek the views of the market and its commissioners to adapt and refine our strategic approaches. We will commit to periodically reviewing and refreshing this strategy document.