



Department
for Work &
Pensions

Adran Gwaith
a Phensiynau

DWP Employment Category Commissioning Strategy

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Introduction

The Department for Work and Pensions (DWP) Commercial Directorate's strategic intent is to enable delivery of DWP priorities and Strategy for 2030 through innovative and digitally enabled delivery of a transparent pipeline of commercial activity.

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 strategic intent, we will focus on our four Strategic Objectives into which everyone in the DWP Commercial Directorate has a role to play.

More Agile	➤ We will work with stakeholders to put in place the enablers to be quicker and more innovative in taking procurements to market – increasing our risk appetite where tolerance allows. ➤ We will embrace and maximise the flexibilities provided by new procurement regulations – trying out new and more innovative sourcing strategies.
More Efficient	➤ We will automate repetitive / administrative tasks where we can or eliminate them where they do not add value. This does not mean removing human intervention, but rather focusing it where most needed.
More Resilient	➤ We will put in place robust business continuity plans at a directorate and contract / supplier level to ensure continued delivery, engaging business continuity and resilience experts as appropriate.
More Data Driven	➤ We will get our pipelines right because accurate pipelines support transparency and enable effective planning and prioritisation. ➤ We will ensure we are compliant, meeting our transparency obligations both because it's a legal requirement and just as importantly because the public have a right to know what we are doing.

This Employment Category Commissioning Strategy sets out how the DWP Employment Category will support those outcomes through the successful commissioning and in-life delivery of 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 four key aims: Deliver Quality Outcomes, Value for Money, Market Management, Innovation and Continuous Improvement.

This Commissioning Strategy, supported by commercial processes, a close working relationship with our Contract Management and Partnership Delivery (CMPD) colleagues, market engagement and learning from evaluation data, provides a framework to enable the 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 open and competitive flexible procedures, utilising existing contracts, and if appropriate commercial vehicles are available within DWP and across government.

The Category plays a crucial role in delivering the government's missions. Specifically, to kickstart economic growth and break down the barriers to opportunity. 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 deliver 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 and utilising the [Procurement Pathway](#) tool to guide the Category to plan, define, procure and manage through the commercial lifecycle.

The diagram below sets out the high-level considerations undertaken by the Category as part of our commissioning framework.



Figure 1: Commercial Lifecycle

A successful commissioning strategy

To inform and shape this DWP Employment Category commissioning strategy we have drawn on evidence, best practice and the perspectives of stakeholders. We have used analysis, research and results from evaluations conducted on previous employment programmes in the UK and other countries. We also draw upon 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.

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. The Category will have a flexible approach to monitor activity and adapt our commissioning strategy as appropriate, to align with changes in market environments and new technological advances.

Overarching core aims

To successfully deliver our Strategic Objectives we will follow these four core aims.

Aim 1	Deliver Quality Outcomes: The Category's overarching aim is to deliver quality outcomes 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 using data to drive decision making. 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 1 - 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 the 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.

Aim 2 - Value for Money

The Category needs to spend ethically and strategically while setting targets for procurement and contract management through the effective use of the following 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 initiatives within all our future commissions.
- Partnering and collaboration through supplier performance and relationship management.
- Implementing effective performance monitoring and transparency. This includes sharing and publishing contract performance data and working together with the market to drive high performance, quality, and continuous improvement.
- Balancing risk appropriately between DWP and the market, identifying and reducing fraudulent procurement practices through the contract lifecycle and the supply chain.

Aim 3 - Innovation and Continuous Improvement

Using lessons learnt and recommendations, the 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, supporting them to enter and progress in work through the programmes we commission.
- We develop well-defined specifications and contractual requirements which clearly sets out the supplier's responsibilities for innovation and continuous improvement to meet new and evolving challenges.
- We have appropriate and balanced procurement practices, contracts, and in-life contract management.

Aim 4 - 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 engage with the market early. We will engage regularly with the market, including their trade bodies and industry representatives, recognising the benefits to both DWP and the market. 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 quality services.
- We will encourage new entrants into the DWP 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.

How we commission commercial opportunities within the Category

For strong, agile and sustainable procurements which deliver value for money, drive high performance and quality outcomes, we will ensure that:

- 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 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.
- 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 VCSEs either directly or through the supply chain, and working at the local level with employers, stakeholders, and devolved partners.
- 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 [Procurement policy notes - GOV.UK](#) thresholds.
- We expect all current and future suppliers to adhere to the [Supplier Code of Conduct](#) at all times.
- 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 always ensure that we are working with the right partners to support the design and assess the most appropriate route to market 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.
- We will keep the market up to date with developments as and when necessary and publish a Supplier Survey on an annual basis.
- We will also test innovative solutions for delivering our specialist services to build our commissioning expertise and evidence base. To support this, we will use commercial vehicles such as the Test and Learn Dynamic Purchasing System. The appropriate commercial vehicle will allow DWP to:
 - Be flexible and responsive to new ideas from the marketplace, emerging requirements and collection of evidence.

- Build in appropriate commercial opportunities for both DWP and the market; and
 - Incentivise the marketplace to play an active role in influencing the design of future provision through a test and learn approach.
- 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 the benefits of having contracts of sufficient duration to give suppliers the security to invest, develop their delivery models and their partnerships.
 - We will structure our lots (“Contract Package Areas”) flexibly, where appropriate, for our programmes and develop contract structures that enable co-commissioning and encourage collaborative working between the Category, our suppliers and potential non-contractual partners such as other public service commissioners.

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 governance.
- **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:** Identify the key strategic and operation areas to feed into the evaluation criteria.
- **Assess the whole life cost of the project:** Use a strategic approach and service definition to identify the cost drivers for the transition, mobilisation phase, delivery and exit 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 appropriate governance boards.
- **Piloting and implementation:** 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 be tailored to the design of the requirements. 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. We believe that well-designed, outcome-focused payment models coupled with 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 the participants' individual needs are being met when achieving quality outcomes. 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 strategic objectives and core aims, 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.
- We will always embed performance monitoring and controls around the service being delivered within the design of the requirements.
- 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.
- 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.
- During the live running of the programmes, the Category will work together with our 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, 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 innovation initiatives.
- We want to see our suppliers succeed in delivering quality 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 for downstream failure, publishing our top 3 Key Performance Indicators (KPI's) and Contract Performance Notices, where applicable.
- 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 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.
- 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.

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.