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**Working Paper**

## A MIOIR case study on public procurement and innovation: DWP work programme procurement - Delivering innovation for efficiencies or for claimants?

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# Working Paper Series

**A MIOIR Case Study on Public Procurement and Innovation: DWP  
Work Programme Procurement – Delivering innovation for  
efficiencies or for claimants?**

Dr Su Maddock

Manchester Business School Working Paper No 629

## Manchester Business School

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## **Abstract**

This paper is a study of the UK government's Welfare to Work Programme between 2011 and 2012 and provides a critique of the Department of Work and Pensions' commissioning and procurement process. The study draws on the views of relevant stakeholders and to the impact of two-tier procurement, business model and to the 'payment by results' system on the personalised services provided for claimants and to government practice efficiencies at a time of austerity. In particular the study assesses how far the various types of innovation that DWP has adopted for the programme and draws attention to the significance of the wider commissioning framework and role of government in creating systems to support public service innovation. A recent House of Lords Report confirmed the importance of commissioning and procurement in capturing and embedding innovation; however, it also raised doubts about innovation procurement practice and the competence of procurers. Innovation policy is rarely underpinned by empirical research and the policy debate on 'procurement' is largely based on assumptions that public service innovation uptake can be managed and taken to scale by public institutions and existing systems. The Work Programme, managed by the Department of Work and Pensions (DWP) is therefore an obvious choice for research on public procurement and innovation. This study is part of the larger MIOIR Project on Public Procurement and Innovation entitled Underpinn which is funded by the ESRC/BIS/NESTA/TSB. It is based on detailed interviews with DWP senior officials and procurement teams, local government officers, procurement consultants, and directors and board members of specialist suppliers and prime contractors.

## **Keywords**

## **JEL Classification**

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## 1. The DWP Case Study in Brief

All political parties in the UK are in agreement that the welfare benefit system continues to be in need of reform. DWP introduced Work Programme in June 2010, the latest of a series of government reforms and controversial insofar as it made an assessment of a capacity to work, mandatory, for all long-term claimants. The Work Programme is underpinned by multiple policy objectives, which include *cost-savings* through procurement *efficiencies*, *public service innovation* through the personalisation of services and the *marketization* of service provision. In addition, the government wanted the commissioning framework to transfer financial risk from the tax-payer to the prime contractors and incentivise appropriate service delivery to claimants through a ‘*payment-by-results*’ system. The Work Programme is therefore complex and can be evaluated against three key objectives

- \* A rationalisation of government procurement and efficiencies
- \* Personalised (innovative) services to move long-term claimants into work
- \* Welfare benefit cost savings for by a reducing in the number of claimants

A two-tier business model was chosen, similar to that already in place in other departments. The WP model was distinctive as it aimed to incentivise social outcomes by only paying prime contractors when claimants remained in work. Some in DWP recognized that delivering personalised services required more innovative relationships, as demonstrated by smaller, social enterprises<sup>1</sup>. The model was intended to allow local specialist sub-contractors the freedom to be flexible with ‘difficult’ claimants. The WP commissioning framework is to be reviewed every four years. Findings from this study

- \* demonstrate that the Work Programme is based on assumptions that personalised service innovation can be taken to scale through a vertical top-down, procurement process.
- \* the two-tier model favours larger companies (primes) with financial assets with a varied ability to deliver /or service innovation.
- \* all stakeholders endorsed the ‘payment by results’ model; although, delayed payments are problematic for smaller, specialist suppliers
- \* DWP is criticised for its short to delivery time and there is a tension between delivering service objectives and achieving efficiencies; which do not deliver cost-savings if they do not deliver the outcomes of reduced claimant numbers
- \* WP could be transformative if medium sized suppliers were awarded contracts to develop local, horizontal, relationships with both claimants and with employers.

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<sup>1</sup> Radical Efficiency; different, better, lower cost public services. Sarah Gillinson, Matthew Horne & peter Baeck  
NESTA research paper, June 2010

- \* The quality of supply is determined by commissioning framework and criteria for contract awards which at present value financial assets over service innovation and wider system governance.

## 2. Background to public procurement policy

Across the OECD world the **public procurement of innovation** is becoming central to **innovation policy** as the mechanism by which governments can move from direct service delivery to strategic commissioning and the outsourcing of products and services. Public procurement in the UK is regarded as advanced, although, financial austerity has stalled its momentum. To date, public procurement is now primarily focused on achieving financial savings rather than on service innovation and there is limited research on government procurement of public service innovation.

### 3. 1 Government Commissioning and Procurement Policy Context

In March 2008 the Department for Innovation, Universities and Skills (DIUS), published a White Paper on Innovation ‘*Innovation Nation*,’ that drew attention to innovation in the public sector and to the role of government in stimulating innovation through commissioning and procurement<sup>2</sup>. Public commissioners became aware that they needed to stimulate a social market of more innovative service providers and make contracting processes more flexible.<sup>1</sup> DeAnne Julius’s report (2008) for the former Department for Business, Enterprise and Regulatory Reform on the government’s commissioning of public services reports that “*public sector commissioning is often inflexible.... Which stifles innovation over the course of the contract and, in the worst cases, may jeopardise its overall success.....in addition the costs of bidding are rising within an increasingly complex commissioning process*<sup>3</sup>

Former Labour governments were aware that public commissioners should recognize and respond to the growing social market of innovative suppliers (‘*social market*’);<sup>ii</sup> many of whom complained about the rigidity of public procurement and lack of responsiveness of procurers. After the general election in May 2010, the Coalition government set up a Cabinet Office Efficiency and Reform Group and Government Procurement Services replaced OGC. Francis Maude became the Cabinet Office Minister responsible for the ‘*efficiency and reform*’ in the Cabinet Office which has two objectives to make government more efficient and radically reform public services.<sup>4</sup> The Cabinet Office website states<sup>5</sup>:-

*Step change is needed to ensure efficiencies are ensured ... to enable  
A culture change within government procurement and specific actions will be taken to renegotiate central contracts....*

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<sup>2</sup> Innovation Nation DIUS/BIS Whitehall Paper on Innovation.

<sup>3</sup> Understanding the Public Services Industry: How big, how good, where next? A review by Dr. DeAnne Julius <http://www.berr.gov.uk/files/file46965.pdf>

<sup>4</sup> It is this objective of transforming public services and shifting power from producers to the public that connects to public service innovation, although the term public innovation is never explicitly mentioned in any Coalition Cabinet Office statements, after 2011.

<sup>5</sup> [www.cabinet-office.gov.uk/efficiency](http://www.cabinet-office.gov.uk/efficiency) and reform April 2012

The coalition government emphasis is on finding efficiencies and ensuring that public procurers respond better to small business in order they have better access to government contracts through the use of Direct Awards. Both the Cabinet Office and No 10 report that they want to encourage small business (SME)<sup>iii</sup>. In addition the Comprehensive Spending Review in 2010 stated the government's commitment to incentivising those suppliers that delivered social outcomes:

*The Government will pay and tender for more services by results. The use more innovative payment mechanisms will be explored. ... This builds on payment by results in welfare to work; and the Government will look at setting proportions of appropriate services across the public sector that should be delivered by independent providers, such as the voluntary and community sectors and social and private enterprises.*

All political parties have been influenced by the growth of social innovation want to contract with those companies that have the resources and capacities to deliver personal service innovation, whether to reduce crime or the number of claimants. The problem for all government is how suppliers can deliver personal service innovations and commissioner can procure it.

### **3.2 Literature Review: Public Service Innovation – capabilities, structures and scale.**

There is a tendency in governments to imagine that 'scaling-up' innovation through existing managed processes and structural changes can work. Unfortunately, most of the evidence suggests that it is leadership and human capacities that make the difference<sup>6</sup>. John Kao has observed that within innovative firms innovation is explicitly sought<sup>7</sup> it does not just occur within established and institutional bodies.<sup>8</sup> This is unsurprising when evidence suggests that innovation flow is viral and moves between people not through highly functional systems.

The reason that many innovation intermediaries such as the Whitehall Innovation Hub<sup>9</sup>, The Design Council<sup>10</sup>, Innovation Unit<sup>11</sup> and former Cabinet Office<sup>12</sup> were concerned that government innovation public sector policy acknowledge innovation capabilities was that there was growing evidence that innovative public services depend on a dramatic change in personal relationships between citizens and staff, between people in different organisations and on management systems being flexible enough to allow for dynamic and unpredictable relationships to flourish. The NZ Advisory Group on Innovation reported that the central administration lacked the leadership skills to

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<sup>6</sup> IFG analysis of data available at:

[http://www.ogc.gov.uk/ogc\\_transforming\\_government\\_procurement\\_procurement\\_capability\\_reviews.asp](http://www.ogc.gov.uk/ogc_transforming_government_procurement_procurement_capability_reviews.asp)

<sup>7</sup> Kao, J (2001) Reinventing Innovation: a perspective from the idea factory in Leading for Innovation and Organising for results. Jossey-Bass, San Francisco

<sup>8</sup> Personal experience of working with vulnerable people with mental health problems.

<sup>9</sup> Whitehall Innovation Hub Strategy (2009)

<sup>10</sup> The Design Council

<sup>11</sup> Innovation Unit

<sup>12</sup> Capability Reviews: refreshing the model of capability Cabinet Office 2009  
[www.civil.service.gov.uk/assets/model%20report%20final-tcm6-8285](http://www.civil.service.gov.uk/assets/model%20report%20final-tcm6-8285)

support public innovation and are currently working on proposals to build leadership innovation-capability across the state services.<sup>13</sup> IFG also identified a lack of a stable, trained workforce to work in the private and voluntary sectors to deliver personal service innovation.

Geoff Mulgan suggested three dimensions matter when taking innovative responses to scale: cutting across organisational boundaries; compelling new social relationships and creating a cumulative dynamic for more innovation. He highlights the role of ‘connectors and brokers who link people and translate between cultures and ensure engagement and the take-up of ideas. They are particularly important to social enterprises that operate at the boundaries between organisations and approaches.<sup>14</sup> Smaller specialist contractors are often more effective than distant larger companies because of their local and informal connections, and longer, term relationships with other services and motivation to co-design with services users. There is growing evidence for the relationship between social innovation and flatter organisations<sup>15</sup> and smaller, agencies that is a difficult to replicate within larger companies.<sup>16</sup>

*Innovation is easier to achieve in smaller organisations that are less prone to hierarchies less often. Bureaucratic cultures and authoritarian command control management are much more prevalent in public administrations while managers working in smaller companies are more likely to describe their work cultures as participative. Fiona Patterson<sup>17</sup>*

The evidence from research on public service innovation programmes such as Sure Start and with high-risk families<sup>18</sup> that shows that holistic, personalised services are best provided by organisations that are locally connected, social-value driven, flexible, can lift people’s aspiration and collaborate across agencies<sup>19</sup>. Evidence shows<sup>20</sup> that the early stages of public service innovation involve a network of agencies and champions who forge new relationships and organisational forms in a particular place and because so location specific are extremely difficult to scale up. Personal service innovation is unlike, product innovation which can fly to market through advertising and word-of-mouth. The aspirations, values and relationships of social innovators and entrepreneurs are not easily replicated or even specified by procurers, and contracting specifications tend to be dominated by financial competence rather the competence to delivery complex personal services. Those in social

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<sup>13</sup> Dec 2011, NZ government report from The Better Public Services Advisory Group

<sup>14</sup> Mulgan 2007 NESTA

<sup>15</sup> *Everyday Innovation- How to enhance innovative working in employees and organisations.* F Patterson et al. NESTA research report Dec 2009.

<sup>16</sup> Elinor Estrom, Nobel Prize Winner presentation on systems that acknowledge complexity and scale.

<http://www.nobelprize-org/mediaplayer/index-php?id=1223>

<sup>17</sup> Fiona Patterson et al, *Everyday Innovation*, NESTA May 2009

<sup>18</sup> NESTA [www.nesta.org.uk/areas\\_of\\_work/public\\_services\\_lab/transforming\\_early\\_years](http://www.nesta.org.uk/areas_of_work/public_services_lab/transforming_early_years).

<sup>19</sup> Maddock, S *Creating the Conditions for Innovation*. (2009) [www.nsg.gov.uk/creating the conditions for innovation](http://www.nsg.gov.uk/creating_the_conditions_for_innovation).

<sup>20</sup> Geoff Mulgan (2007) *Ready or Not? Taking innovation in the public sector seriously*, NESTA Provocation

intermediaries think<sup>2122</sup> that diffusing (taking to scale) innovative personal services is more a question of creating an environment where respective relationships between service provider and citizen are commonplace and where providers and commissioners connect and are aware of changing needs within localities; this view is reinforced by the former Nobel Prize winner, Elinor Estrom.

## 4 FINDINGS

### 4.1 DWP and Welfare Reform

The Department of Work and Pensions was created when Social Security, Education, Employment and Employment Service Departments were merged in June 2000 and is one of the biggest UK government departments, employing over 100,000 people. DWP scored highly in the Office of Government Commerce (OGC) Procurement Capability Reviews (PCR 2010), that reported that the Dept's IT strategies were “*ground-breaking, innovative and efficient*” generating savings of £1.5 billion between 2005 and 2010, thereby enabling the Department to achieve its Gershon targets.<sup>iv</sup> In tune with the Coalition's focus on efficiencies and the former government's welfare reform, Iain Duncan Smith, the Secretary of State for DWP commissioned John Hutton (a former Labour Minister) to look at how to:

- (a) Support claimants to find work,
- (b) Rationalise the Welfare benefits payment system, and
- (c) Provide a broader policy framework

This resulted in the Work Programme. Jeremy Heywood, the Cabinet Secretary said

*If we could find a way of using the private sector to take more risk in the public sector for good social outcomes it would a great step forward, I would not suggest that we take large tracts of the public service would be put over to those contracts. It is for those areas that require intense intervention. The Work Programme is the biggest by far<sup>23</sup>.*

The Coalition government awarded DWP £5 billion in June 2011 to run the programme.

*The Work Programme will provide greater freedom for suppliers to give people the support they need rather than prescribing one-size-fits-all programmes..... We will also offer stronger incentives for delivery partners to work with the harder to help, paying out of the additional benefits they realised as a result of placing people into work. DWP Website, Dec 2011*

### 4.2 The Work Programme – How it works.

DWP services are delivered through a number of government agencies, the most significant being Job Centre Plus and the Pension and Disability Carers Service. Claimants are filtered through Job Centre Plus offices. Every adult over 25 who has been on JSA for longer than 12 months was to be allocated

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<sup>21</sup> See 23

<sup>23</sup> Cabinet Secretary calls for kite marks. Patrick Wintour in the Guardian. March 2012



to the Work Programme. In addition all long-term claimants on incapacity benefits (IB) are to be reassessed and allocated to one of three categories,

1. eligible for benefit (incapable of work)
2. borderline and put on support training and Employment Support Allowance
3. allocated to the Work Programme and eligible for work and or training.

The government wanted to transfer some financial risk to the primes contractors and reduce the number of suppliers- as previously DWP dealt with over 700 companies. Evidence shows that centralisation can reduce costs of transactions<sup>24</sup> however it can also undermine local engagement and service innovation. The government decided not to publish results until the programme has had 18 months to bed down when the evaluation by the *Centre for Social Inclusion* will begin.

### 4.3 The Business Model

The aim of the WP is to ease long-term claimants back to work through bespoke personal support. KPMG helped DWP work on cost structures, how to target resources, which claimant groups to target, where inefficiencies could be found and how to incentivise better outcomes. They analyzed costs, the supply market, conducted In-house modelling and created shadow bids prior to awarding contracts. The result was the *two-tier* business model of ‘prime and ‘specialist’ sub-contractors; the primes were to be incentivised by tapered ‘*payment on results*’.

*The programme allows DWP to contract with a smaller number of Prime contractors; who have the responsibility for sub-contracting at the local level. ...The Primes will be held to account for the quality and effectiveness of the sub-contractor’s work. There is a lot of flexibility for the prime contractors some are reinforcing local contractors..... others are not taking up this opportunity.*  
Adam Sharples, DG DWP Employment Programmes (until Sept 2011)

The WP Business Model assumes that if claimants move into work the government saves money that could be spent on benefit payments. DWP can claim savings to part-fund the payments made to providers. At the end of 2011 DWP will make the first attempt to draw down on that money.

*“This has never happened before and the Treasury are nervous about it”* (Bernie Mudie DWP).

Ultimately, the DWP business model is based on government finances and the Dept’s financial allocation. Currently, a government department is funded in two ways – DEL money (department expenditure limit), which is an allocation of funds that departments can manage themselves and AME (Annually Managed Expenditure), like pension payments. Government departments find it difficult to manage AME because it’s subject to external economic factors, e.g. a recession increases your AME expenditure.

### 4.3 Selection of the Prime-Contractors

DWP selected nineteen prime contractors and allocated two or three to each region or city region (See Appendix one). Most of the Primes have more than one regional contract and the maximum number

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<sup>24</sup> Elvira Uyerra, MIOIR – Opportunities for innovation through local government procurement. NESTA, May 2010

of contracts any company can bid for is seven. Selection of the Prime Contractors by DWP is based on the companies'

- Financial capability and assets
- Experience in personalised service delivery
- A willingness and ability to collaborate with DWP, Local Authorities etc.

The Primes were awarded seven year contracts to ensure that they have the time to develop new services. A SERCO director thought that they had lost WP contracts because their own applications had failed to mention their experience in delivering personal services and work with local authorities. This resulted in DWP thinking that Serco's management were risk averse; and by contrast they were impressed by A4e's '*can do*' approach<sup>25</sup>. This judgment later proved to be misguided when it emerged that A4a lacked internal controls and its managers were accused of fraud. It would appear that in the search for financial assets and capability, experience in deliver and collaboration became secondary. Medium sized providers reported that they and many others were uncut by the Winning supplies by the original bids being 8% below market cost that they could not afford.

#### **4.4 Incentives and contractual arrangements**

DWP awarded contracts for seven years to allow the primes to develop the market and to ensure personalised (innovative) services; DWP also tapered payments on the basis of how long a claimant remained in work. DWP pays the prime contractors through a series of payments and a pricing schedule that reflects the difficulty/ probability of helping long-term claimants back into work. Once a person is referred by the Job Centre to a provider, the primes contractor receives an initial payment (attachment fee) of around £300-400 per person depending on the claimant group. If that person finds a job between 3 weeks or 26 weeks, another payment is made of around £1200. Primes receive further payment for every consecutive month of employment. For example, if the claimant had been on IB and they remain in work for two years, then the supplier could receive payment for up to 2 years, which gives a total maximum payment for an ex-IB customer of £13,500. The maximum payment for returning JSA claimants into work is closer to £4500.

DWP had originally expected results after 6 to 12 months, this timescale proved were unrealistic and they extended the time for expected social outcomes to 18 months. The primes are currently negotiating for an even longer product cycle of 24 months, arguing that the current economic environment made return to work difficult for many long-term claimants and is very difficult for younger people.

Financial incentives are not passed on to the specialist suppliers, many of whom are suffering cash-flow problems. Although, primes agreed to carry the risk of non-payment for some months, small charities and social enterprise do not have financial assets to do this. This is a growing problem across the country. In Cornwall the local social enterprise network report that the programme's delay in payment is the reason why smaller charities are withdrawing as sub-contractors.

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<sup>25</sup> A4e has £480million worth of contracts from DWP (not all for WP).

#### 4.5 Operational numbers and feedback from claimants

DWP expected a rise of 83% of claimants in 2012 and a further rise of 71% in 2013<sup>26</sup>, however, the increase in joblessness in 2011 put pressure on the Work Programme and it became increasingly difficult to predict claimant numbers with unemployment rising and job vacancies contracting. DWP had originally estimated that the WP could return 40% of long-term claimants back to work, however, in February 2012 the NAO estimated that more likely the programme would support 25% of long-term claimants back into work.<sup>27</sup>

Around 3-3.5m people make a claim for job seekers allowance (JSA) every year; approximately 10% of these claimants are allocated to the Work Programme: now mandatory for all adults. Official figures<sup>28</sup> show that 370,000 long-term claimants joined the Work Programme in the first three months far more than projected. An additional pressure on the contractors is that the numbers of people allocated to sub-contractors has reduced dramatically to a trickle, because of the large number of claimants are appealing decisions and winning their cases. The assessment process has been contracted-out to a French company agency, called ATOS and has been challenged by 40% of claimants who fail their assessment: 50% of these claimants are winning their appeals according to a recent report by MIND<sup>29</sup>. As everyone has to be assessed, those with severe mental health problems under-going assessment are reported to be suffering considerable distress<sup>30</sup>

#### Work Programme Supply Chains Information Sheet at 30 January 2012

The most recent stock take by DWP shows the balance between supplier ownership and the proportion in the supply chain – however, it does not show their status in the supply chain.

Sector	Number of Organisations		Proportion of Supply Chain	
	30 Jan	12 Aug	30 Jan	12 Aug
Private	306	295*	36%	35%
Public	137	133	16%	16%
Voluntary or Community (VCS)	412	420*	48%	50%
<b>Total</b>	<b>855</b>	<b>848*</b>		

<sup>26</sup> Guardian on Feb 1<sup>st</sup> 2012

<sup>27</sup> xiii Public Accounts Committee: Support to incapacity benefits claimants through Pathways to Work <http://www.publications.parliament.uk/pa/cm201011/cmselect/cmpublic/404/40402.htm>

<sup>28</sup> Guardian 22<sup>nd</sup> 2012

<sup>29</sup> Reference

<sup>30</sup> Reports from clinicians personal communication

The same stocktake also shows:

Tier	Number of Opportunities		Number of VCS opportunities		Proportion of Supply Chain	
	30 Jan	12 Aug	30 Jan	12 Aug	30 Jan	12 Aug
1	387	375	168	170	43%	45%
2	980	990*	515	523*	53%	53%
<b>Total</b>	<b>1,367</b>	<b>1,365*</b>	<b>683</b>	<b>693</b>	<b>50%</b>	<b>51%</b>

This information was correct as at 30 January 2012. The dynamic nature of these supply chain means that this may not reflect the current situation. A further stock take is planned for July 2012 and every 6 months thereafter. Simply adding the organisations in the supply chains and tiers for each Prime contract will give a falsely inflated total. There are numerous organisations that operate across more than one supply chains and tier and the figures do not take account of the many third sector and specialist organisations used to provide ad hoc services to meet individual claimant needs.

#### 4.6 Supply Chain Issues

The DWP team are aware that they could not lose specialist suppliers if the prime contractors are insensitive to smaller, local suppliers. The procurement team do regular capacity reviews to assess how the Primes are performing. They mediate between suppliers and are encouraging openness between them. A governance and quality assurance framework called MERLIN has been piloted to encourage transparency between suppliers and commissioners and is intended to embed better practice. Merlin reports are to be published. If companies fail assessments they could suffer reputational damage and penalties, although DWP is likely to only close a contract as a last resort given the costs involved.

Interviews with stakeholders<sup>31</sup> reveal the following supply chain issues:

#### 4.7 Specialist suppliers

Most sub-contractors are small businesses, local charities or social enterprise with few assets and many are reliant on government contracts.<sup>32</sup> These sub-contractors had common complaints and some are withdrawing from the programme because:-

- \* Sub-contractors felt that they were being squeezed between prime contractor demands for fulfilling contracts on time and DWP's desire for more innovative delivery i.e. working intensively with people to develop them and their relationships with employers. Some report that they anticipated this and

<sup>31</sup> A full list of interviewees in the appendix

<sup>32</sup> Communication with Greater Manchester Centre for Voluntary Organisations, Chief officer 2011.

have been unwilling to engage with the process because they felt that their own reputation as an innovative supplier would suffer.

- \* the WP is not structured to tackle long-term unemployment in rural areas where jobs are few. In Cornwall EU Convergence money is being used to develop jobs, training, relationships and motivate vulnerable, unemployed people.<sup>33</sup> The supply chain in the County is three-tier but integrated through a social enterprise consortium.
- \* sub-contractors report that the time-frames are too short which limits their capacity to develop relationships with claimants and other local agencies (local authorities, colleges etc).
- \* Smaller contractors continue to complain that prime contractors are poor at communicating with them. Greater Manchester Centre for Voluntary Organisation GMCVO thinks that this is hampering the spread of innovation among those working with people with complex needs (ex-offenders, with mental health problems or living in families with history of unemployment).
- \* Report a lack of understanding amongst some primes (A4e) of how to work with vulnerable people, such as those with long-term mental-health problems; i.e. a tension between business model and personalisation (care) model.
- \* The chair<sup>34</sup> of one sub-contractors reported that they withdrew from initial award process to become a prime because they could not reduce their costs by the 8% as the larger companies were doing to win 'prime' contracts from DWP.
- \* Financial incentives are not passed on to subcontractors – even though they are carrying the risk of delay in payments, some for over a year, this is resulting cash-flow problems.
- \* Some specialist providers suggest that innovative services are best delivered by local providers and sustained through locality innovation strategies.

These complaints are worrying for DWP commissioners because they are voiced by many agencies around the country and because both the primes and DWP is reliant on specialist sub-contractors to deliver the personalised service innovation. Many of the social enterprise sub-contractors were the very agencies that alerted politicians to the fact that service innovation in the form of personalised serviced were a way of returning vulnerable people back to work in the first place.

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<sup>33</sup> Mid Cornwall Social Enterprise Consortium co-ordinates level one and two suppliers, such as the Eden Project, IDEAS, Fifteen and Paragon who work together to support personal development and job creation within the county. This is only possible because of EU Convergence Funds funding.

<sup>34</sup> Matthew Taylor CEO of RSA & Chair of Pinnacle. April 2012

#### 4.8 Prime Contractors.

Interviews were conducted with directors with prime contractors such as A4e, SERCO, 4GS, Paragon Consortium (2<sup>nd</sup> tier)

- \* They were finding managing the unpredictability of claimant volumes difficult; sometimes the flow of claimants is too great and sometimes patchy, unpredictability of claimant numbers has been exacerbated by the number of claimants appealing against their assessment.
- \* A4e said that they were squeezed in between DWP and smaller, specialist organisations especially given that their sub-contracting was based on expectation of a volume of work that has not materialised due to the current ESA assessment process.
- \* Some primes were said by local officers to be cutting corners to reduce costs and speed up processes The pressure to deliver, reduced claimants numbers and delayed payments<sup>35</sup> is having a negative impact on claimants and subcontractors. Some ‘Gaming’ by prime managers was evident, such as over-claiming results (A4E) and exaggerating relationship building with smaller suppliers.
- The Work Programme delivery cycle remains too short, however the more it is extended the more difficult it is for smaller agencies that cannot wait for 18mths to be paid.
- The DWP team were anxious that supply-chain knowledge exchange would be difficult given commercial sensitivities. However, prime contractors report that they already meet to discuss market fluctuations. *“When we bidding we may be competitive, the rest of the time we are very collaborative.”*
- Some Primes are sub-contracting with each other and ‘*buddying up*’, Maximus and CDG are both sub-contractors for each other in different parts of the country.
- Almost all prime contractors welcome ‘*Outcome-based commissioning*’ not least because it draws attention to the need for systems and system alignment that support social outcomes.

#### 4.9 Government commissioning practice

Most of the larger contractors said that they said the government was too focused on the supply side and not enough on their own strategic commissioning and that there is lack of inter-departmental working. They pointed to the fact that various government departments

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<sup>35</sup> Guardian report of a recent case against A4e staff who were paid by DWP for results which were not real Feb 22 2012

<sup>36</sup>were funding their companies to work with the same vulnerable people, with little communication between them.

*“We see integrated local services and relationships with local authorities as the future. DWP could support more innovative services by pooling their resources with other departments and leaving commissioning to local partnerships who are better placed to purchase integrated services. There are savings to be made from joint commissioning by government depts.- at the moment four or five depts., including DWP are funding back to work schemes and opportunities for vulnerable adults”. SERCO executive, former LA director of Education.*

The capacity of company directors to commission innovative services from sub-contractors is very varied. Those directors previously employed by local authorities were more aware of the bigger picture because they understood the relationships between government and local public services; these directors were critical of the government own lack of funding stream alignment and poor inter-departmental collaboration.

Some directors challenged the DWP belief that central government was in a better position to identify where innovation is needed and which suppliers should provide it than were locality commissioners. They thought that innovation strategies should be linked to economic strategies as well as service innovation and to central government’s own strategies.

*The Cornwall Works programme has been a national exemplar for this 'single purse' approach where the support has been tailored to the individual and aligned with local economic development, skills and labour market strategies. Indeed, the Convergence ESF programme is an example of such a strategy that is geared to a commissioning approach from local suppliers. This has proved highly successful and the Cornwall programme is acknowledged as the most successful ESF programme in the country. Head of economic development, Cornwall CC 2012*

### **DWP Senior civil servants**

DWP interviewees also commented on the lack of strategic reflection within the department and felt that ‘regulation’ of contractors was needed; as yet there is not an appetite for this but this might change when the Work Programme’s costs and impact are published. There does seem to be a lack of reflection within DWP on the business model or on the impact of the top-down, vertical model of procurement on service innovation. This is unsurprising within a period of austerity where ‘savings’ are paramount. However, it is unfortunate as it is undermining the social outcomes sought by policy-makers of enabling vulnerable long-term claimants back into work.

A consultant working with procurers reported that most procurement officers in departments and in local authorities remain risk averse and tend to prefer ‘off-the shelf contracts and are frightened by EU legislation: most have not heard of ‘direct-awards.<sup>37</sup> By contrast, the DWP Sheffield-based procurement team did appear to be open to primes and sub-contractors, had negotiated changes in time-scales and to balance social and financial outcomes. However, they were unable to have much impact on the commissioning framework and business model,

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<sup>36</sup> SERCO has contracts with the MOJ, HO, DH, BIS, and DWP and DCMS as well as many local authorities.

<sup>37</sup> Helices A SME director interview 2011

that being the responsibility of more senior DWP staff; based in Sheffield they were out-of-the strategic Whitehall loop.

The difficulty for the procurement team was that they were developing relationships with primes and sub-contractors but were not able to stimulate locality working. Primes are incentivised to by payment for speedy results and not for developing locality relationships. The mechanisms adopted by the Work Programme incentivise efficiencies but not service innovation within a locality. This is not to say that many prime contractors are not trying hard to make it work. Many of the prime directors and specialist sub-contractors viewed the top-down, vertical model of implementation unhelpful to delivering sustained relationships with the other locality agencies that help claimants develop, train and gain employment and self-employment. There is a growing consensus among many interviewed that there is a lack of commissioning strategy within government and a need for commissioning frameworks that support and integrate, economic and innovation strategies at the local level.

Departmental funding arrangements are a significant obstacle to effective procurement. Central government remains very departmental and procurement varies from department to department – their view was that where local purchasing consortia were developing, these could provide better platforms for service innovation. It is relevant that many policy makers in the EU and New Zealand recognize the value of a locality commissioning in taking service innovations such as personalisation to scale.<sup>38</sup>



## 5. Wider government policies that influence the programme

### 5.1 Marketization

The coalition government is energetically pursuing its policy of *marketization*, i.e. of outsourcing more and more public services to *private, mutual and public interest* companies. However, the capacity of companies to supply more flexible personal services is less evident than the capacity of companies to supply innovative products and operational processes. For instance, ATOS has a contract worth £100m to assess claimant capacities, their competence at assessing vulnerable people is being questioned as are the tools they are using.<sup>39</sup> What can be said is that the assessment bar for vulnerable claimants with mental health problems is too high.

The capacity in the primes to sub-contract holistic, personal services is varied. Many companies do employ former local authority directors who do have experience of public commissioning, social markets and supporting vulnerable people; many other others are less experienced. For instance, the director of 4GS has been working with welfare claimants all his life and is positive about the possibility of the having the freedom to provide what he and his team can see is appropriate for a particular person and their situation. Some companies have grown too fast such as A4e. DWP was heavily criticised by Margaret Hodge, Chair of the Public Accounts Committee<sup>40</sup> in February 2012 who said that A4e should have their contracts suspended after four former staff were found to have made fraudulent claims to DWP about returning people to work. A4e have over £200m worth of contracts with the WP. Many of the Primes have multiple contracts with DWP and other departments in excess of £200 mill and are themselves doubtful that the current contracting process is value for money- especially, when investment in stimulating jobs may be a better intervention in the current climate.

Perhaps, even more significant than uncovering ‘gaming’ and corruption is the government’s tendency to award contracts on the basis of financial assets rather than the capacity to deliver public service innovation. The combination of a lack of internal capabilities and size of prime contractors is undermining the very providers, (such as social enterprise) that government reports to want to support. The lowest bidders such as SERCO, Capita, etc. won the original contracts on the basis of price and the size of their financial assets and turnover. Even medium sized companies cannot afford to bid for the prime contracts. The contract design favours financial assets and capabilities not the capacity to sustain innovation relationships within localities where resilience and the relationships for sustaining holistic, personalised services is most needed. The assumption that taking innovation to scale by a procurement process that favours the large over medium sized companies in practice is beginning to appear flawed.<sup>41</sup>

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<sup>39</sup> Personal communication with psychologists experienced in medical assessments. in Cornwall and Devon

<sup>40</sup> Margaret Hodge, Chair of the Public Accounts Committee – 23 Feb 2012 reported in the Guardian 24/02/12

<sup>41</sup> The Guardian June 21 2012, Zoe Williams ‘Shareholders and CEOs are benefitting from outsourcing’.

## 5.2 Austerity, lack of Jobs and the labour market

The majority of prime contractors are as involved in developing of the labour market and placing claimants in work as they are in individual claimant personalised support. Most are developing their own jobs market at the local level and working closely with national companies. For instance, C-Text has experience is training claimants for the Olympics; they've harnessed an extra £1m and are managing the relationships. At the moment it is the supplier's choice as to whether and they invest in service development at the local level or nationally. Local partners are critical to creating the jobs and employment opportunities that the Primes need to place claimant in work and many have started to negotiate with businesses to develop placements, training and jobs to get claimants back to work. Ironically, initially DWP saw this as an encroachment into Job Centre Plus territory. DWP are not advocating that primes have to pool funds, but they do want to encourage it to support the development of locality partnerships with other public agencies and business.

## 5.3 Government Innovation Policy - Departmental differences

A former DWP director general recognised that centralised top-down, commissioning ran counter to the government's own *Localism* policy. He invested a Co-Design Project with Local Authorities as a way of exploring how to integrate DWP services with other local services. Pilots were located in Lewisham, Bradford, Swindon, South Tyneside and Croydon where local authorities were pleased that DWP Job Centres were becoming active locally in working with high-cost, families. Community budgets financed the pilots, at no cost to DWP. The pilots introduced Job Centre staff to inter-agency working, but created very little awareness in head office that locality engagement could help deliver social outcome, demonstrating a continuing centralism within DWP.

Those government departments viewed<sup>42</sup> as less centralist and more responsive to local stakeholders and specialist suppliers were the Dept of Culture and Minister of Justice. HMRC was viewed as being most likely to make Direct Awards to innovative suppliers. The Cabinet Office is asserting some authority over other and requiring departments to report on 'savings' and the number of contracts let to SMES through Direct Awards (monthly). The Coalition Government is using the proxy indicator of SME access to contracts to test whether procurement processes have improved. Direct Awards to SMEs do help SMEs gain access to supply chains. A cabinet officer said that this was driving behavioural change in some departments where the transformation of procurement practices was being taken more seriously. Few officials encourage Direct Awards and many think that the EU rules disallow them.

DWP has reputation as an innovative department because it has embraced new processes, but it is also highly functional and centrally controlled, choosing innovation models that drive efficiency within vertical supply chains. The Work Programme has caused unease even among its own officials that a lack of strategic commissioning, inter-

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<sup>42</sup> Interviews with officials in DWP and the Cabinet Office

departmental working or cross- government commissioning equivalent to the previous government's Total Place Programme<sup>43</sup>

## **6. DWP Innovation Strategies**

### **6.1 Type of Innovations**

The purpose of the Work Programme was to deliver on a number of fronts in order to reduce the number long-term welfare claimants through

- \* Rationalisation of the procurement process
- \* Mainstreaming personal service innovation
- \* Payment by results

The question asked here is how far the Work Programme has achieved its aim of reducing the number of claimants through its two-tier business model of procurement, and payment by results and service innovation?

### **6.2 Business Process and Financial Innovation**

A NAO report published in Jan 2012 commented that while the WP timeframes for results was unrealistic given the rise in unemployment and the reduced number of jobs, the system appeared to be working.

The two-tier business model was devised to marry the two outcomes of service innovation with efficiencies and savings. The purpose of the two tiers was that the larger primes would carry the risk of slow results and second tier of specialists would deliver more personalised services. Those experienced in service innovation with vulnerable predicted that this vertical supply chain is neat but were doubtful that the primes' had the experience and leadership to protect the 'safe, untimed space' that personal service innovation usually requires.

Much process innovation is incremental and DWP's Work Programme process innovation falls within this category. Process improvements include:-

- A reduced number of prime contractors resulting in efficiencies in the short term, however, DWP is managing the longer supply chain and relationships with the labour market.
- Repayments by the treasury to DWP of some savings to the department as an incentive to policy-makers.
- The Merlin Standard as a quality assurance scheme welcomed by contractors.

Whether the WP will prove value for money is too early to say. There are invisible costs of assessment. ATOS the French company assessing claimants is paid £100m a year by DWP and the cost of appeals is running at £50m. Added to which 46% are winning.<sup>44</sup>

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<sup>43</sup> The Total Place Programme, HM Treasury, London (2009) <http://www.localleadership.gov.uk/totalplace>

Most stakeholders endorse 'payment by results' but many say it is not often put into practice.<sup>45</sup> A major problem of 'payment by results' within the WP is that smaller specialist suppliers do not have the equity to be able to wait for over a year for payment, the current system is causing cash-flow problems for many small suppliers. There needs to be flex across services within the locality and payment mechanisms based on 'credits' as well as the transfer of risk to support smaller enterprises to deliver social outcomes, this would develop resilience in the specialist, social market; and stem the gearing within the procurement system towards larger companies that have the assets to carry risk.

Developing a dynamic market of specialist suppliers that can work on personal claimant relationships and market relationships demands much more strategic and needs dynamic commissioning and adequate finance by government. The politicians desire for the Work Programme to be implemented meant this is was rushed (less than 10 weeks from contract award to delivery) has led to self-defeating rather than sustainable framework. This appears to stem from a misunderstanding about the complexity of the market and its dependence on partner relationships.

Process innovation is limited in its scope when is it is not aligned to a wider commissioning framework, i.e. systemic innovation to support the process innovation and importantly is financed adequately. This was not a study focused on finances but at heart of many complaints from larger contractors was that it was not just risk that had been transferred to them but that many were accepting contract reductions which resulted in their being unlikely to both fulfil contract specifications of quality service and make a return.

The current public debate about how the WP and other employment programmes may lead to some regulation of the programme and a strategic reassessment of the commissioning framework in terms of inter-departmental funding and alignment with locality innovation strategies.

### **6.3 Personalised Service Innovation**

How far the Work Programme procurement process is delivering personalised (innovative) support for claimants is a little early to say. Many older claimants report that the model works better for younger people with fewer skills than it does for those over 40 who have experience and might be better advised to create their own business rather than wait for low-paid, part-time jobs to be created. In other words those who are easy to place in work are returning to work and those who are more difficult are not.

The reason why local agencies are withdrawing from the WP is that they do not see how they can work with claimants in the way that they think will lead to results within the current business model and DWP supply chain and time-frames. The Primes are equally worried by the short-term, time-frames, which given the state of the labour market make it difficult for

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<sup>44</sup> MIND Freedom of Information request 2012.

<sup>45</sup> Guardian report of a recent case against A4e staff who were paid by DWP for results which were not real Feb 22 2012

them to deliver the outcomes their contracts specify. Political expectations are overriding realities. Primes recognise that they cannot place claimants into work without having relationships with the local labour market, this leads them to concur with smaller, specialists that central government, vertical model of procurement will eventually come into conflict with personalisation innovation requirements which demand horizontal, service-integration at the local level.

The Swindon LA chief executive<sup>46</sup> who had led a major intervention of working with 100 high-cost families reports that those working with vulnerable people, including those on long-term incapacity benefits lack confidence, skills and contacts. It is the task of the specialist supplies to provide opportunities, raise aspirations and provide emotional support. Yet, while many specialists struggle to provide such support the Prime contractors are asking DWP to cut the benefits of an even greater numbers of claimants for not attending their assessments. As Daniel Boffey<sup>47</sup> says “*companies like SERCO, Working links and G4S may not be good at finding people work but they’re dab hands at punishing them- and by the time WP is finished more people will have been sanctioned by companies than employed through it.*” Capgemini referred the most cases (11,910) of which DWP cut 6,210, A4e referred the second largest number (10,120). This is worrying as the whole point of the procurement process is that companies are awarded contracts with companies that can provide personal services to claimants to help them back into training and work.

### **Capabilities and Scale**

The DWP contract design works against the grain of service personalisation in favour of efficiencies and a few, financially robust organisations in the interests of efficiencies. The gearing of procurement programme towards corporates in order to transfer risk is problematic. The two-tier vertical model is undermining the capacity of smaller, specialist to build the relationships necessary for service innovation at the local level and incentivising larger contractors to reduce number of claimants on, limiting service innovation. Government officials tend to assume that innovation can be managed through a business model developed to reduce administrative costs irrespective of the damage to service innovation relationships.

The lack of time and attention to developing connection between primes, sub-contractors with other local agencies is unsurprising given the overarching WP framework which explains why it is difficult for larger companies to replicate the way people work in smaller, flatter and more independent enterprises. Effective social agencies connect with and motivate vulnerable people can be best described as holistic models of intervention, led by socially committed people.<sup>48</sup>

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<sup>46</sup> Gavin Jones, CE Swindon LA at the Local Government Association conference Birmingham June 27<sup>th</sup> 2012

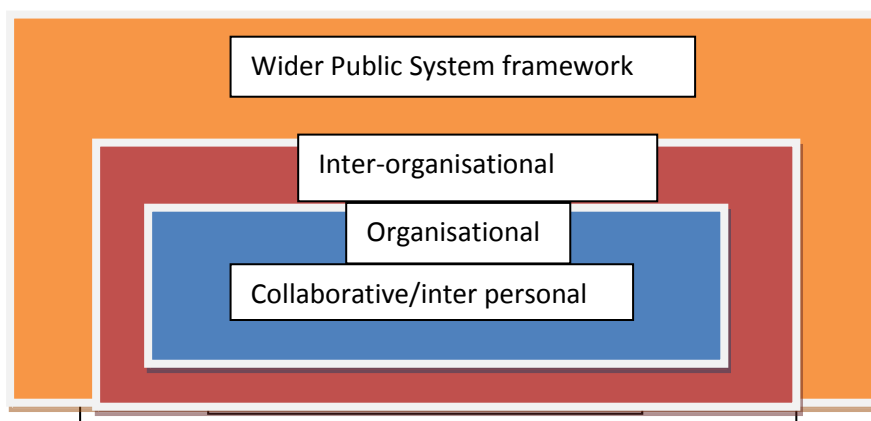
<sup>47</sup> Daniel Boffey, The Guardian 1<sup>st</sup> July 2012

<sup>48</sup> Successful social enterprise like Kirklees Women’s Centre want to expand but are concerned about how they can do this within other places where they have no connection. Participle an organisation that works with vulnerable families has modelled their way of working to carry into other places – the question for them also is how to find the people with the motivation and connections to put it into practice.

## 7.1 Locality Strategies and Public System Alignment

Experienced officials in DWP<sup>49</sup> recognise that the diffusion of innovative personal services is less a matter of central government procurement and more about developing a set of complex, relationships at the locality level. The DWP procurement team are attempting to develop relationships between contractors in the two-tier vertical chain but do not have the capacity to develop locality strategies nor to drive the necessary alignment between national funding business models and locality commissioning. Diffusing personalisation of services depend on an alignment between the vertical supply chain of national and local contractors and locality relationships (horizontal) between public services and businesses.

The DWP co-design evaluators came to similar conclusions, that getting claimants back into work depended on local relationships and responsive staff. Unfortunately, few DWP senior civil servants know anything about the co-design pilots. The pilots were an attempt to stimulate locality innovation, whereas the Work Programme was driven by government's desire to make savings and return claimants on incapacity benefits back to work.



Public Innovation System, Adapted from Andrea Westall 2007<sup>50</sup>

Similarly, a recent EU Regional Monitor report stressed that it was locality commissioning that would stimulate demand for innovation through public procurement at the local and regional levels<sup>51</sup>.

Systemic innovation and wider alignment between locality and government commissioning could underpin the relationships on which public service innovations (personalised services) depend; if only central government would shift its focus from controlling contractual relationships, devolve commissioning and use its authority to redesign its own governance for wider the public system.

<sup>49</sup> Interviews with DWP DG and senior officials

<sup>50</sup> Andrea Westall, (2007) How can innovation in social innovation be understood, encouraged and enabled? A social enterprise think-piece for the Office of the Third Sector, Cabinet Office. Available [http://www.eura.org/pdf/westall\\_news.pdf](http://www.eura.org/pdf/westall_news.pdf)

<sup>51</sup> Insert reference

### **DWP Attitudes to Devolvement**

An obstacle to any serious debate about devolved commissioning and budgets within DWP is the attitude of senior government officials to any form of devolvement. Few take devolvement seriously. One senior DWP civil servant thought officials were fearful of devolved budgets and devolution because DWP is a high-status, British department with a lot to lose from devolved budgets; their status would diminish if Scottish and Welsh devolution were to lead to increased governance in the regions. Self-preservation is at the heart of their resistance to locality innovation strategies.

There is also an avoidance of the regulation question and whether the Work Programme a costly programme needs a 'regulatory body' given its complexity and the amount of taxpayer's money involved. The Institute for Government have put forward the case for regulation but which has not as yet been seized by politicians.<sup>52</sup>

## **8. Conclusion**

Unfortunately, returning long-term claimants into work is proving much more difficult than policy-makers had anticipated. The initial enthusiasm for the Work Programme was based on a belief that it would deliver service innovation and savings. The two-tier business model was designed so that government transfer risk and talk to a smaller number of suppliers and they in turn could rely on specialist-suppliers to relate to claimants. *Marketization* or privatisations does not of itself support difficult service innovation which involves sustained personal support.

There are a number of problems with the incentives and the WP *two-tier* business model which could be made more transformative.

*Firstly*, the procurement framework that favours larger, companies over public service innovation requirements. There is a general view that 'payment by results' is a positive move but this delay in payment is disadvantaging small, charitable providers who cannot afford to wait a year for payment. Some suggest that this could be avoided if a credit system were developed to pay smaller contractors on time.

*Secondly*, the vertical two-tier model by design reinforces the relationships between corporate primes and central government when as the DWP locality pilots show it is local relationships that sustain connect personalization, inter-agency working and relationships with the labour market.

*Thirdly*, the government are ignoring the role of locality governance in creating a context for personalised services for a range of vulnerable people. This is in spite of the government's Localism and 'Big Society' policies.

*Fourthly*, the government's ideological resistance to local government is undermining the very relationships between stakeholders who are developing integrated commissioning at the local level. Devolved funding to local partnerships could better forge and sustain a closer connection between the needs of claimants and employers.

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xiv IFG analysis of data available at:

[http://www.ogc.gov.uk/ogc\\_transforming\\_government\\_procurement\\_procurement\\_capability\\_reviews.asp](http://www.ogc.gov.uk/ogc_transforming_government_procurement_procurement_capability_reviews.asp)

The political climate is changing and there is a public appetite for commissioning that supports service innovation for the vulnerable. The Public Services Bill was introduced to Parliament in June 2010 and there are the beginning of policy conversations about how to commission services that add public value. The problem of the WP is that all incentives are geared to the primes that are large, companies where the bottom-line is 'profit' not 'social outcomes'. Specialist suppliers are carrying the risk of non-payment and the responsibility of the more difficult service innovation. The primes are now reacting to WP dynamics in a context of too few jobs and too many '*difficult*' claimants by asking the Job Centres to stop the benefits of those they cannot work. It is a real departure from delivering public service innovation.

There is a view that to expect the innovation of some social enterprise to be taken to scale during a period of austerity and too few jobs is unrealistic. Government wanted to take to personalised services to scale with little interest in whether their 'black-box' approach to procurement is geared at the right level to achieve such innovation. There has been too little debate on how particular systems and financial instruments impact on the capacity to deliver social outcomes. It is not helpful to innovation is governments lurch from micromanagement to laissez faire non-interventions, when it is the governance and commissioning frameworks that determine contracting conditions and the relationships between the public and services but also between commissioners and suppliers.

In conclusion the key messages to government are:

1. Rebalance criteria for contract awards and incentives for service innovation outcomes and financial assets criteria: give medium-sized, service providers with locality connections a chance to bid for larger contracts to deliver personalised services for marginal, under-employed people.
2. Devolve budgets and support locality commissioning to incentivise inter-agency relationships, innovation across personal services and locality resilience in the jobs market in conjunction with locality partnerships, LEPS etc and creative suppliers.
3. Balance short-term and narrow financial savings from departmental efficiencies with the gains to be made from inter-departmental commissioning for vulnerable and unemployed people with devolved procurement where locality partnerships are strong.



## **Recommendations**

### **Commissioning Framework**

- Reappraisal of the model in terms of balance between vertical and horizontal stakeholder relationships and their ability to effect real change in relationships involved in returning long-term claimants into enterprise of employment
- Develop inter-departmental commissioning for social outcomes with vulnerable people, ex-offenders etc
- Devolve budgets and support locality commissioning.
- Introduce company, profit return as social investment into locality innovation systems
- Invest in inter- departmental work and alignment with local innovation strategies in Treasury, DLCG, BIS and the Cabinet Office
- Analysis on the impact of particular models and systems on social and financial outcomes from a whole system perspective

### **Public procurement practice**

- Adjust award criteria to allow medium-sized providers to bid for prime contracts for specific localities in conjunction with locality governance bodies.
- Payment credits and incentives for those suppliers delivering service innovation
- Extend good governance into financial management systems.
- Extension of time-frames for suppliers.
- Incentives for sub-contractors and credit system to compensate for payment delays.
- Share impact of existing practices and provide data on the impact of business models and commissioning frameworks on outcomes to strategic directors.
- Nurture consortia of suppliers as opposed to relying on two-tier model.
- Work with locality partners to create relationships between suppliers and jobs market and innovative services that add public value.

### **Locality Leaders and Partners**

- Connect welfare reform, enterprise and training strategies
- Work with local jobcentres and DWP procurement teams
- Stimulate local supply of social market for holistic, personal change development for vulnerable people and claimants
- Share learning on capacities and systems that support holistic and innovative services.
- incentivise locality supply chain development

## ANNEX ONE

### DWP and Local Authority Co-Design Pilots

- Swindon’s pilot was business led; involving over 500 businesses that put young people them in contact with employers. While the Swindon pilot was employer focused and resulted in business partnerships with large employers such as banks and BMW: but is also said to have a positive impact on high-cost families’ n the town.
- Birmingham, South Tyneside and Bradford aim to address inter-generational worklessness. Those involved report that *“it’s taken a lot longer to establish working relationships that policy-makers think”* Bradford for example was working with the Audit Commission to understand how the cost and benefits of pooling their resources together are actually going to deliver better results. Bradford’s pilot has been slow to advance because of LA cuts in expenditure but they have recently found £100K from other sources.

#### Impact of the pilots

- Improved relationships between local Job Centre Plus staff and DWP head office as well as with local authorities.
- Local JCP staff engaged in joint working with other local services, made possible by DWP head office endorsement of the pilots, in future Job Centres should not “wait for central government to tell them what to do.”<sup>v</sup>
- Energized staff. In Swindon, a district manager said that initially staff were scared when the rule book was taken away but they quickly responded and came up with more innovative thinking. [DWP Worklessness Co-Design Pilots 2011]

While few would claim that the pilots were a good example of co-design as they did Encourage local Job Centre Plus staff into local inter-agency working to good effect; however this was little noticed by DWP in London.

## APPENDIX TWO

## Prime Companies and regional contracts

<b>Scotland</b>	Ingeus UK Ltd	Working Links	
<b>Wales</b>	Rehab JobFit *	Working Links Wales	
<b>North East</b>	Avanta Enterprise Ltd (TNG)	Ingeus UK Ltd	
<b>North East Yorkshire &amp; Humber</b>	<b>G4S</b>	Newcastle College Group**	
<b>West Yorkshire</b>	Business Employment Training (BEST) Ltd	Ingeus UK Ltd	
<b>South Yorkshire</b>	<b>A4E Ltd</b>	<b>Serco Ltd</b>	
<b>North West (Merseyside, Cumbria and Lancashire)</b>	<b>A4E Ltd</b>	<b>Ingeus UK Ltd</b>	
<b>North West (Gtr Manchester, Cheshire &amp; Warrington)</b>	Avanta Enterprise Ltd (TNG)	G4S	Seetec
<b>East Midlands</b>	<b>A4E Ltd</b>	Ingeus UK Ltd	
<b>West Midlands (B'ham, Solihull &amp; Black Country)</b>	FourstaR Employment & Skills Ltd	Newcastle College Group**	Pertemps
<b>West Midlands (Coventry, Warwick, Staffs &amp; Marches)</b>	ESG	<b>Serco Ltd</b>	
<b>East of England</b>	Ingeus UK Ltd	Seetec	
<b>West London</b>	Ingeus UK Ltd	Maximus Employment UK Ltd	Reed in Partnership
<b>East London</b>	<b>A4E Ltd</b>	Careers Development Group (CDG) *	Seetec
<b>South East (Thames Valley, Hampshire and IOW)</b>	<b>A4E Ltd</b>	Maximus Employment UK Ltd	
<b>South East (Surrey, Sussex and Kent)</b>	Avanta Enterprise Ltd (TNG)	<b>G4S</b>	
<b>South West (Glocs, Wilts and West of England)</b>	JHP Group Ltd	Rehab JobFit *	
<b>South West (Devon, Cornwall, Dorset and Somerset)</b>	Prospects Services Ltd	Working Links	

## APPENDIX THREEE

### **Interviewed for this case study**

Adam Sharpies DWP DG responsible for the Work Programme until Sept 2011  
& Co-design Team

Shia Khan (Ex-MBS MBA) DWP Economist in Job Seekers, Disability and Work  
Programme

Alan Cave, DWP Strategic Director for the Work Programme

Derek Frost, Operational Manager for the Work Programme

Berni Mudie - DWP Head of Account Management in the Provision Management Division,

Paul Mooney - DWP Local Area Policy and Delivery in the Partnerships Division,

Rebecca Hepplestone - DWP Area Analysis and Strategy Team,

Patrick Hughes, DWP Senior Official

Paul Maude - DWP Merlin Standard Project in the Provision Performance Division

Alex Whinnom GMCVO, Third Sector Manchester CX

Sally Rowlands, Project Director, Bradford Co-Design Pilot

Jonty Oliff Cooper A4e Strategy Policy Director

Sally Collier, Executive Director for Government Procurement, GPS, Cabinet Office

Elaine Sampson Director of Children's /Personalised Services SERCO

Tom Flanagan, Head of Economic Development Cornwall CC

Dan James, Social Enterprise Lead, the Eden Project

Nigel Curry [nigel.curry@helices.co.uk] Procurement Consultant

Matthew Taylor, Chair of Pinnacle, sub-contractor

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<sup>i</sup> Good Commissioning Principles and practice – Commissioning Support Programme for children's services 2009. [www.commissioingsupport.org.uk](http://www.commissioingsupport.org.uk)

<sup>ii</sup> Innovation Nation- Government White Paper on Innovation, DIUS (2008)

<sup>iii</sup> Direct Awards are a possible mechanism for awarding contracts to smaller companies not on supplier lists, but are not often taken up by many departments.

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<sup>iv</sup> DWP 09/12/11 Procurement [www.dwp.gov.uk](http://www.dwp.gov.uk)

<sup>v</sup> DWP Worklessness Co-design – Final Report June 2011 DWP