

**REPORT TO:** Employment, Learning and Skills and  
Community PPB

**DATE:** 21<sup>st</sup> September 2015

**REPORTING OFFICER:** Strategic Director People & Economy

**PORTFOLIO:** Economic Development

**SUBJECT:** Department for Work and Pensions Work  
Programme Contract

**WARD(S)** Borough-wide

## **1.0 PURPOSE OF THE REPORT**

- 1.1 To provide members with an overview of the Department for Work & Pensions (DWP) Work Programme contract currently being delivered by Halton People into Jobs, including achievements to date, income and expenditure and future strategy.
- 1.2 To provide opportunities to members to raise any questions with regards to the DWP Work Programme.

## **2.0 RECOMMENDATION: That:**

The Board recognises the progress made to date on Halton's Work Programme contracts.

## **3.0 SUPPORTING INFORMATION**

### **3.1 Background information**

- 3.1.1 In June 2011 Halton Borough Council entered into a subcontracting arrangement with two Prime Contractors (Ingeus Deloitte and A4E) who had been tasked with delivering the Department for Work & Pensions Work Programme over the next 4/5 years. The Work Programme replaced all other welfare to work programmes at that time.
- 3.1.2 The programme is mandatory although some voluntary referrals can be made by certain 'customer' groups. There are 10 different customer groups with referrals to the programme coming from Job Centre Plus (JCP).

| Group | Customer Type  | Paid Outcome Fee Stage |
|-------|--|------------------------|
| PG1   | Aged 18-24 in receipt of Job Seekers Allowance   | 26wks in employment    |
| PG2   | Aged 25+ in receipt of Job Seekers Allowance   | 26wks in employment    |
| PG3   | JSA Not in Education, Employment or Training   | 13wks in employment    |
| PG4   | JSA claimants (Ex-Incapacity Benefit claimants)  | 13wks in employment    |
| PG5   | Employment Support Allowance (Work Related Activity Group 12MTH MANDATORY)                                   | 13wks in employment    |
| PG6a  | Employment Support Allowance (Work Related Activity Group 3/6MTH MANDATORY)                                  | 13wks in employment    |
| PG6b  | Employment Support Allowance (Work Related Activity Group 12MTH MANDATORY)                                   | 13wks in employment    |
| PG7   | Employment Support Allowance (Work Related Activity Group 12MTH MANDATORY – Ex-Incapacity Benefit claimants) | 13wks in employment    |
| PG8   | Incapacity Benefit and Income Support (Volunteers)   | 13wks in employment    |
| PG9   | Job Seekers Allowance claimants – Day 1 Prison Leavers   | 26wks in employment    |

3.1.3 The programme offers 'Payment by Results', which are received on achievement of sustained job outcomes.

3.1.4 Performance is measured against Priority Group (PG) customers as follows:

- PG1 (18-24 Job Seekers' Allowance (JSA) claimants)
- PG2 (25+ JSA claimants)
- PG6a and PG6b (Employment Support Allowance (ESA) claimants)

3.1.5 Those referred to the Work Programme have been unemployed for 9+ months (unless they are ESA volunteers or newly released from prison)

3.1.6 Two 'Prime' Contractors (Ingeus Deloitte & A4e) were awarded the Work Programme contract covering the 'Contract Package Area' of Merseyside, Lancashire and Cumbria (*Halton being part of Merseyside*). Ingeus subcontracted 100% of their Halton contract to Halton People into Jobs; whilst A4e subcontracted 50% of their Halton contract to Halton People into Jobs (*A4e delivers the other 50% of their Halton contract from their own A4e Runcorn office*). Therefore, HBC (through HPIJ) delivers a total of 75% of the Halton Work Programme contract from Runcorn and Widnes office bases.

## 3.2 Income and expenditure

- 3.2.1. Income is generated from 'attachment' (start) fees, job outcome payments (paid at 13 weeks and 26 weeks in employment) and sustained job outcome payments, whilst customers remain in sustainable employment.
- 3.2.2 It was during only years 1 to 3 of the Work Programme that attachment/start fees were paid for customers that commenced the Work Programme. This arrangement was in place to support contract implementation and delivery. Attachment/start fees ceased from year 4 onwards, which has clearly had an impact on the overall income being generated.
- 3.2.3 Income and expenditure is closely monitored, through a combination of internal and external mechanisms, to ensure that contracts are delivered efficiently.
- 3.2.4 Where possible, access to other available services and/or funding streams are maximised to support the delivery of the Work Programme contracts and their challenging targets. The Work Programme is delivered by HPIJ and the services delivered by the rest of the Employment, Learning & Skills Division within which it sits provide valuable opportunities for Work Programme clients at nil cost. Both Ingeus and A4e have commended the infrastructure arrangements in place during review meetings.

## 3.3 Lessons learned

- 3.3.1 As delivery continues in year 5 of the Work Programme contracts and uncertainty remains around what will replace the Work Programme in subsequent years, it seems timely to reflect on how HBC has managed and delivered the contracts for Halton long term unemployed residents and to consider what part HBC will wish to play in whatever programme replaces the Work Programme in future years.
- 3.3.2 It was during the initial delivery in years 1 and 2 (2011/2012 – 2012/2013) when the biggest challenges were faced by the service. These key challenges and significant issues are detailed below:
- a) The Work Programme is **mandatory** for 9+ months unemployed residents. Staff within HPIJ had to come to terms with new ways of working – previous services offered by HPIJ involved residents self-referring. Some mandatory customers were resentful of the Work Programme and it took time for staff to change their approach for this different cohort of users. Similarly, the **payment by results** model meant that even when the monthly targets were achieved, the next month's targets were upon them. During the first couple of years it was challenging for staff to have their individual

performance under constant scrutiny as previous contracts were not based on payments by results.

- b) The numbers of PG6 (ESA) customers entering employment in the first couple of years was a challenge nationally and was deemed to be a key area of focus for year 3 delivery.
- c) Effective links with the wider Employment, Learning & Skills Division, the Halton Employment Partnership and with the Economy Enterprise & Property Department as a whole demonstrated the **holistic strength of the overall Work Programme 'offer' to customers**
- d) More specifically, a comprehensive package of Skills Funding Agency provision was available within the Division to aid customer progression (this included maths, English, IT provision as well as access to a wider range of adult learning subjects).
- e) Some of the income received for the Work Programme was to support customers in overcoming barriers to employment. Whilst employment, learning and skills services offered internally were very effective, sometimes customers required additional or more specialised support. Striking the **balance between quantitative and qualitative aspects** of support to the customer took a while to master, with 'evidence of a job offer' eventually being the key to release additional/more specialised interventions to help someone into employments.
- f) During the initial years of delivery, **'In Work' support and 'Outcome' claims** became of significant importance in order to maximise sustainability and income generation.

3.3.3 By year 3 of programme delivery, staff were familiar with the expectations of the Work Programme contracts, more adept at working with more challenging customer groups and better able to navigate the bespoke management information systems used by A4e and Ingeus, at the same time as working within a local authority and adhering to internal requirements. Below highlights the key issues and challenges during years 3 and 4 (2013/2014 – 2014/2015).

- a) The **withdrawal of attachment fees** from year 4 onwards (2014/2015 to date) means that the main source of Work Programme income is from Job Outcomes and Sustained Payments that are claimed. No income is received when an individual commences the programme; income is only received when we support that individual into employment and for helping them to stay in employment.
- b) Indicative Work Programme referrals were provided to HBC and the infrastructure and resources to accommodate this number of referrals was in place. However, during years 3 and 4, there was an **unanticipated reduction in the number of referrals** against indicative profiles. This is a national issue regarding reduction in referrals, which is impacting on all Primes and Sub-Contractors. A major factor for the reduction in referrals is the number of measures JCP have put in place to reduce unemployment from day 1 and the number of JSA claimants (in particular 18-24yr olds).

- c) Years 3 & 4 saw an increased number of customers being referred that were in receipt of Employment Support Allowance and were awaiting assessment to go into the PG6 'support' group. Given their circumstances, they were not mandated to attend appointments or engage in provision that advisors felt would help them into employment. This therefore impacted on performance against contracted targets
- e) During years 3 & 4 we placed a stronger focus on **employer engagement** activity and access to **employer incentives**, such as the Youth Wage Incentive Scheme and Apprenticeships to help source suitable job vacancies.
- f) Provision became more tailored to meet the needs of customers and employers e.g. **bespoke** Halton Employment Partnership (HEP) Awards, developed and delivered in partnership with employers. Examples included Traffic Management, Warehousing and Storage.
- g) Given the number of national employer accounts held by Ingeus and A4e, HPIJ were able to support by putting forward local people for these vacancies too, when they were businesses located in the local areas.
- h) As with any new contract, staffing levels and roles are continually reviewed and between year 3 and 4, we saw the introduction of **new posts** to meet the demands of the contracts i.e. 2 x Claims Officer posts and 1 x Quality and Compliance Lead Officer post.
- i) A significant achievement for HPIJ was the outcome of an HBC internal audit completed on both Work Programme contracts. The final report published in December 2014 gave **Substantial Assurance** that there is a sound system of control in operation to manage risks effectively.
- j) In February 2015 DWP implemented a new '**basket of measures**', which changed the way in which performance was to be measured for all Prime Contractors (Ingeus/A4e) and Sub-Contractors delivering Work Programme nationally.
- k) A formal **Notice to Improve** was issued by A4e in March 2015 due to underperformance against one key payment group – PG1 (18-24yr old JSA claimants). This was as a result of HBC 'contractually' underachieving by 1 x job outcome payment in year 4 due to DWP not processing the payment within the required period.

3.3.4 The contracts are currently in year 5 and following the signed contract variations received in February 2015 to reflect the new basket of measures, DWP implemented a revised set of 'Stretch Targets' in March 2015. All Prime and Sub-Contractors will be measured against the new stretch targets in years 5 and 6. Table 1 below sets out the 4 key areas against which the contracts are now measured against.

Table 1: Work Programme Stretch Targets

| Payment Groups | Performance Improvement Plan – contractual/commercial | Accelerated Performance Regimes | Performance Action Plan - non contractual | DWP Stretch Targets - MPL's March 2015 |
|----------------|---|---------------------------------|---|--|
|                | Red   | Dark Amber                      | Light amber                               | Green                                  |
| All PG         | < 105%  | 105% - 124.9%                   | 125% - 145.9%                             | =>146%                                 |
| PG1            | < 100%  | 100% - 119.9%                   | 120% - 135.9%                             | =>136%                                 |
| PG2            | < 100%  | 100% - 129.9%                   | 130% - 158.9%                             | =>159%                                 |
| PG3            | < 175%  | 175% - 214.9%                   | 215% - 240.9%                             | =>241%                                 |
| PG4            | < 160%  | 160% - 179.9%                   | 180% - 201.9%                             | =>201%                                 |
| PG5            | < 15%   | 15% - 22.9%                     | 23% - 29.9%                               | =>30%                                  |
| PG6A           | < 100%  | 100% - 141.9%                   | 142% - 186.9%                             | =>187%                                 |
| PG6B           | < 135%  | 135% - 169.9%                   | 170% - 199.9%                             | =>200%                                 |
| PG7            | < 40%   | 40% - 54.9%                     | 55% - 72.9%                               | =>73%                                  |
| PG8            | < 85%   | 85% - 99.9%                     | 100% - 115.9%                             | =>116%                                 |
| PG9            | < 60%   | 60% - 74.9%                     | 75% - 90.9%                               | =>91%                                  |

3.35.1 Following the Notice to Improve from A4e, a contractual performance improvement plan (PIP) was put in place from March 2015 to June 2015.

### 3.5.1 Future Strategic Direction

3.5.1 In February 2015 HBC agreed to contract variations with A4e and Ingeus, signing up to a package of Contract Changes that were agreed between DWP and both Prime Contractors. The revised 'basket of measures' included:

- Enhanced performance management regime and new performance metric – minimum performance levels increased from 100% to 120% (referrals to job outcomes achieved)
- 12 month contract extensions – year 6 delivery (2016-2017)
- Sustainment extrapolation – financial claw back for sustainment payments
- Enhancements to data used to validate outcomes
- Identifying and paying for unclaimed Job Outcome payments

3.5.2 In addition, a number of DWP 'Stretch' targets were introduced for 2015/16 which set out individual performance against DWP Minimum Performance Levels. Table 3 identifies these below.

Table 2: DWP stretch targets for 15/16

| Payment Groups | DWP Stretch Targets - MPL's March 2015 | Payment Groups | DWP Stretch Targets - MPL's March 2015 |
|----------------|--|----------------|--|
| All PG         | =>146%                                 | PG6A           | =>187%                                 |
| PG1            | =>136%                                 | PG6B           | =>200%                                 |
| PG2            | =>159%                                 | PG7            | =>73%                                  |
| PG3            | =>241%                                 | PG8            | =>116%                                 |
| PG4            | =>201%                                 | PG9            | =>91%                                  |
| PG5            | =>30%                                  |                |  |

3.5.3 An extension of the contract into Year 6 is expected for 2016/17. A further review of staffing and resources will be undertaken during year 5 to further align contract delivery for year 6 and to identify any further savings for 2016/2017.

### 3.6 Key strengths – years 1 to 5

3.6.1 Halton Borough Council has learned a lot from delivering as a Work Programme Sub-contractor over the last 5 years (see 3.4) and are equally proud of the many achievements made. The key strengths of the HBC Work Programme 'offer' include:

- Ingeus' Delivery Partner Assurance Review (DPAR) in May 2015 concluded that **Halton People into Jobs** demonstrated a **strong assurance level**. This is the first time that the Compliance and Audit Manager has awarded a strong rating (see Table 3).
- **Substantial Assurance** given by HBC internal audit who reported on a sound system of control in operation to manage risks effectively.
- Most improved Sub-Contractor (Ingeus contract) in particular performance against PG6 customer groups
- Strong relationship with Halton Employment Partnership around large scale/long term recruitments e.g. Merseylink
- Access to and support for other funded contracts within the Division, including Skills Funding Agency contracts.
- Increased partnership recruitments with Ingeus/A4E via national employer accounts
- Aspects of the Work Programme delivery model adopted when implementing the Youth Employment Gateway contract in November 2014.

Table 3: DPAR results May 2015

| INGEUS DPAR RATING | DESCRIPTION   |
|--------------------|---|
| <b>STRONG</b>      | Processes, policies and practices provide strong assurance that material risks are identified and managed effectively. Minor remedial action is required. |

|                   |  |
|-------------------|--|
| <b>REASONABLE</b> | Processes, policies and practices provide reasonable assurance that material risks are identified and managed effectively. Moderate remedial action is required.         |
| <b>LIMITED</b>    | Processes, policies and practices provide limited assurance that material risks are identified and managed effectively. Immediate remedial action is required.           |
| <b>WEAK</b>       | Processes, policies and practices provide weak assurance that material risks are identified and managed effectively. Urgent and significant remedial action is required. |

### **3.7 Areas of focus – years 5 and 6**

3.7.1 The Work Programme delivery is fully embedded into the Employment, Learning & Skills Division and wish to continue the success as we complete year 5 and move into year 6 delivery. For us to do this we are clear as to our key areas of focus:

- Continue to drive performance levels to achieve DWP Stretch Targets 2015/2016
- Review staffing infrastructure to align with contract delivery/anticipated referrals in year 6 – 2016/2017
- Maximise income generation across both Work Programme contracts to ensure sustainability for year 6 – 2016/2017
- Retain Substantial Assurance risk rating given by HBC internal audit team to ensure that the sound system of control in place continues to manage risks effectively for HBC
- Further improve quality and compliance standards across both contracts
- Continue to support other funded contracts within the Division, including Skills Funding Agency contracts, by referring Work Programme customers to this provision.

### **3.8 Concluding comments**

3.8.1 Halton Borough Council has successfully delivered the Work Programme in a subcontractor capacity for nearly 5 years. Lessons have been learned along the way and improvements and changes to service delivery have been made to accommodate policy changes, amendments to priority groups and profiles and changes to targets. Overall, the contracts have generated a surplus of £800k+ for the service over a 5 year period, with the Ingeus contract being most lucrative. We have been able to demonstrate that a local authority service is best placed in Halton to deliver back to work schemes for its residents, with 1341 residents being supported into employment since June 2011 (and this does not include subsequent jobs for those Work Programme individuals that may have fallen out of work during this time).

3.8.2 We are looking forward to continuing our delivery into year 6 and hope to be delivering whatever replaces the Work Programme beyond that. As a council, we have had to overcome a number of challenges in



order to make the Work Programme a success, but excellent links to departments such as IT and legal have ensured the challenges have been overcome. The Work Programme delivery in Halton is an excellent example of effective team work, financial management and high quality support and should be commended.

#### **4.0 POLICY IMPLICATIONS**

- 4.1 The Government have not yet made any decisions on what will take the place of the DWP Work Programme. However, it is very likely that the model will be continued to a large extent and we would hope to remain a delivery at the local level.

#### **5.0 OTHER/FINANCIAL IMPLICATIONS**

None.

#### **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

- 6.1 Children & Young People in Halton  
Some Work Programme customers also engage with the Troubled Families project and the 2 projects complement each other in supporting local residents with a range of issues.

- 6.2 Employment, Learning & Skills in Halton  
The fantastic achievements that have come out of the Work Programme delivery by Halton Borough Council by getting so many people into work is a very positive outcome for the local economy. Many of the individuals that have accessed the programme have also gained vital maths, English and employability skills along the way, in addition to sector specific qualifications such as CSCS cards, SIA licences, etc.

- 6.3 A Healthy Halton  
None

- 6.4 A Safer Halton  
None

- 6.5 Halton's Urban Renewal  
none

#### **7.0 RISK ANALYSIS**

- 7.1 As can be seen in the main body of the report, the management of the Work Programme contract has been meticulous and close monitoring both internal and external ensure any risks identified are carefully mitigated, with clear action plans in place to address any underperformance, quality and compliance factors.

**8.0 EQUALITY & DIVERSITY ISSUES**

None arising from the report.

**9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

There are no background papers under the meaning of the Act.