

## ERSA briefing: Update and developments in the Dynamic Purchasing System

This briefing has been prepared based on discussions at an ERSA workshop with the Department for Work and Pensions (DWP) and employment support providers which took place on 23 March 2017. It is intended to help all ERSA members interesting in using the Dynamic Purchasing System operated by Jobcentre Plus and contains recommendations as to how the system can be improved.

### Introduction to the DPS

The Dynamic Purchasing System (DPS) was established by the Department for Work and Pensions (DWP) as a new framework through which Flexible Support Funding (FSF) can be administered across England, Scotland and Wales. The idea of the system is to allow JobCentre Plus (JCP) officials to commission services that meet their specific local needs, down to the level of individual jobcentres.

Previously FSF-funded provision has been delivered via ad-hoc procurement processes. This system suffered from long lead-in times for provision and complex processes for arranging low value provision. The DPS has been developed in response to these issues, with the aim of allowing districts to easily purchase provision directly.

The system represents a shift in the DWP towards simply identifying gaps in provision and then allowing the market to decide how to plug them. The hope is that the system will be friendlier towards SMEs and the voluntary sector while reducing the administrative burden on the DWP.

The DWP has let some contracts through the DPS. It is currently assessing its 2017/18 budget position, and the possibility of bringing in additional funding for specific claimant groups.

### Awareness and understanding of the DPS

Currently there are some issues with consistency in the rollout of the DPS across JCP districts, due to mixed understanding both at senior and local levels about the DPS and how it should be used. Frontline experiences have even highlighted that some staff remain unaware that the primary outcome of DPS-funded services should be employment.

Some districts in particular have been very engaged with the DPS and have run events with providers to explain their priorities and what services they are looking for, which has been valuable for Work Coaches, providers, services and jobseekers. The Black Country, as the DPS pilot area, was raised as a prime example of positive interaction. In the best cases, providers have a much clearer understanding of the types of services required and engagement is encouraged.

On the other hand, currently at the frontline providers in many areas find JCP staff withdrawing from engagement with providers out of fear that discussions would be commercially sensitive and represent an unfair advantage for providers. This leaves limited options for developing the best services, and as such specialists in these areas are more likely to avoid the DPS altogether or propose speculative offers which may not be fit for purpose.

At the frontline, Work Coaches are crucial to referring clients to DPS-funded provision, but there seems to be mixed levels of understanding in terms of unawareness of the opportunities it represents. This can result in low referral volumes which in turn undermines the viability of service delivery. Additionally, providers highlight a disconnect between staff at different levels within JCP, with local priorities and needs differing between individual jobcentres and district teams, for example. Some divergence might be expected, but ultimately Work Coaches need to know that they have the DPS services to hand that they can refer into.

In order to provide the intelligence and engagement necessary, the DWP is planning to release **market status reports** to provide guidance on the JCP areas of need at the district level, outlining key issues being faced by areas as well as demographic

information. The DWP hopes to begin releasing these reports for different districts as early as April 2017. ERSA and its members are keen for these reports to include examples of best practice in developing, procuring and delivering DPS contracts, so that providers and JCP staff at all levels have an understanding of how best to work together. This could be used by providers in their communications with JCP staff in order to help where there are existing blockages to engagement and ensure that clear, central messages about the DPS are understood across the system.

Providers have recommended that a central set of FAQ guidance for all sides using the DPS would contribute towards building clarity and transparency into the system.

### Navigating DPS processes – registration, procurement, feedback

Organisations have found registering on the DPS to be relatively straightforward, although the prospect might seem more daunting for smaller organisations. A more user-friendly approach to laying out registration and bidding forms, and offering some guidance at each step, could mitigate against this.

A bigger issue is the system's lack of transparency, particularly around bidding and how and why contracts are awarded. There is a huge amount of information that prospective bidders simply do not have access to, such as district budgets, key priorities and who and what they are competing against. Some of these issues should be alleviated by the upcoming market status reports, however a deeper issue remains around **transparency and feedback**.

As the DPS stands, there is no mechanism through which providers can gain feedback on their bids. If an offer is not accepted, the organisation will not know whether it met local needs, or the relevant criteria, or how it compared against other offers. This poses a challenge for providers, and makes the DPS an intimidating, faceless system, particularly for smaller and less experienced providers.

Further, providers are unsure of the kind of offer they are being expected to submit; there are

contradictory messages that offers should be generalist to cover a broad area while simultaneously accounting for the specific needs of certain cohorts. If generalisation is penalised and the current minimal information provision remains, there is a possibility of market failure across the DPS in the future.

#### Figure 1: Provider engagement

DWP figures on organisations entering into the market reflect **uncertainty in the sector**.

- To date, around **250** organisations have entered **2,000** individual offers on the DPS.
- Tellingly, there are **300** further organisations which have registered themselves on the system **but have since taken no action**.

This underscores the degree to which providers are uneasy with the risks posed by the DPS and the **uncertainty around proceeding**.

These are larger structural issues and must be addressed if the DPS is to live up to its ambitions of enabling high quality services, healthy competition and being a truly dynamic system.

### Risk reduction in the DPS

In putting forward an offer, and indeed through the service delivery, there are no guarantees in place of referrals or volumes of jobseekers from JCP, despite the contract and payment risk falling squarely on the provider. Under a PBR contract, it is difficult to accept such large forces outside the control of the provider taking the monetary risk. This might explain the 300 non-active providers seen in *Figure 1* – with no certainty of income, and assured outlay of resource in taking on a contract, this could result in no or few offers. There are two potential solutions to this:

1. Settlement agreements for termination, whereby the provider receives a cancellation fee when the JCP is at fault for non-referrals.

2. A larger element of service fee for the set up costs involved in delivery. This could differ between contracts since different cohorts may require different lead in times in terms of set up.

The DWP must look into these options urgently in order to prevent the DPS from grinding to a halt through contract failures and payment risks which deter further engagement from providers.

In terms of basic level accountability and evaluation, JCP district managers must be performance managed on their use of the DPS, both in terms of successful procurement and in referrals to provision. This would be a relatively simple addition to JCP internal reporting and should be made available to providers so that local markets can be better understood. A local champion from each district team could be responsible for the successful use of the DPS in the area and engage with staff at individual JCPs. With this level of information sharing, both the DWP and providers will be able to respond to underperforming districts.

There is also a clear need for further training for Work Coaches to increase understanding of how the DPS can support the individuals on their caseloads and to ensure they have the necessary tools to refer to provision. This is being recognised and JCP guidance will be updated accordingly, whilst the market status reports may also aid in this regard.

## Progress and improvement

The experiences gained so far provide valuable learnings for the ongoing development of the DPS and this point has been an ideal opportunity for the DWP and providers to examine these together. In the short term, the district-specific Market Status Reports could lay the foundation for much more effective partnership between JCP and the specialist provider market. The DWP's aim of continuous improvement is a very welcome part of the DPS process, which ERSA will support and can play an active role in disseminating and hosting on ERSA's website.

While the DPS has encountered immediate issues, it is important to note that providers and the DWP are optimistic about its potential to become a strong,

flexible system that delivers effective services from specialist providers to meet the needs of local areas and individuals. The DPS represents a real step-change in how services are commissioned across the UK and presents opportunities, when used to its full potential, for delivering specialised, high quality service that meet the needs of local jobseekers.

### **For further information, contact:**

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