

Intellect Concept Viability Report

Skills Funding Agency

National Careers Service Re-Procurement Funding Model

April 2013



CONTENTS

About Intellect and Concept Viability..... 3

Introduction 4

Project Outline 4

Key Principles of the Proposed Funding Approach 4

Questions 6

The Proposed Funding Model..... 6

The Implementation of the Proposed Funding Model 12

About Intellect and Concept Viability

Intellect represents over 880 companies in the Information Technology, Telecommunications and Electronics industries in the UK. Intellect is committed to improving the environment in which our members do business, promoting their interests and providing them with high value services. Our membership spans blue chip multi-nationals through to early stage technology enterprises.

'Engaging with the market before starting the formal procurement process is best practice and helps to maximise value for money from the resulting procurement'
Cabinet Office Procurement Policy Note, May 2012

Structured industry engagement is an increasingly important part of preparing for public sector procurements. Early engagement means policies can be refined into outcome definitions before the launch of a formal competition; and carefully designed procurement strategies can be aligned to deliver the desired outcomes ensuring better overall performance and value for money. It also means potential suppliers have a real opportunity to put forward truly innovative solutions.

Intellect is committed to helping public sector customers reach out to the tech market to draw upon its incredible depth and breadth of skills, knowledge and innovation. Concept Viability allows public sector customers to have a two-way dialogue with the tech market; and provides suppliers with an opportunity to help shape and validate ideas, plans and requirements. The process takes place within a safe and neutral environment, which helps customers assess the opportunities and risks associated with specific projects before committing themselves to a particular approach. Since it was launched Concept Viability has been used on around 120 projects and programmes by central government, local government and other public bodies.

Benefits of Concept Viability for customers

- Provides a one-to-many engagement with a broad range of technology companies, including SMEs and larger more established suppliers.
- Raises the profile of the procurement opportunity to a more diverse supplier base.
- Helps customers understand how the market can help contribute to solutions, and where there are opportunities to exploit innovation.
- Provides early visibility of risks and challenges before investment has been made.
- Allows the pros and cons of different technical, commercial and delivery approaches to be explored.
- Demonstrates a mature procurement approach.

Benefits of Concept Viability for suppliers

- Provides early insight into business opportunities and the strategic drivers behind them.
- Issues or concerns can be raised without companies feeling their position in the procurement is threatened.
- Emerging technologies and associated risks can be discussed frankly, allowing suppliers to manage expectations about what the market can contribute.
- Suppliers can decide at an early stage whether to bid for work, saving significant time and financial resources.
- Allows suppliers to interact with potential supply chain or consortia partners.

Concept Viability is designed to inform, rather than replace, other proof of concept or feasibility work. The assessment proposed in this document should therefore not be viewed in isolation but as part of a wider consultation undertaken by the client.

Introduction

This paper provides the Skills Funding Agency (SFA) with a summary of the views of the market on its National Careers Service Re-procurement funding model proposals. It focuses on the most pertinent issues and has been produced following a workshop, as well as responses from the distribution of a number of key questions that were posed to participants. The workshop took place on 15th March 2013 and included representatives from SFA, Intellect member companies and other invited parties.

Intellect welcomes involvement in this procurement and the opportunity to provide feedback at an early stage.

Project Outline

The successful launch of the National Careers Service (NCS) in 2012 marked the start of a new chapter in information, advice and guidance. The Skills Funding Agency is beginning to plan for the future so that:

- more customers are able to access the right information, advice and guidance on learning and work
- there is a sharper focus on outcomes for customers, together with practical action orientated advice
- high quality information is easily available regardless of the channel customers choose to use
- professional expert advice is at the heart of the service
- digital technologies and social media broaden the reach of the service and support an ongoing engagement in personal careers management
- the service becomes more agile and better able to respond to the agenda for growth and jobs

The National Careers Service aims to adopt a more flexible approach and a new operating model for delivering careers advice, taking advantage of potential collaborative opportunities, working closely with partners and exploiting digital technologies to provide a fully integrated service.

Key Principles of the Proposed Funding Approach

A key factor in the future of the National Careers Service is the development of a funding system that encourages a focus from contractors toward supporting their customers to achieve outcomes. The key underpinning principles which are being considered for the funding system are as follows.

For area based delivery

- Funding will be for three kinds of outcome: customer satisfaction outcomes, career management outcomes, and jobs and learning outcomes
- The prices paid to contractors will vary by customer type and outcome type but not on the way they receive the service e.g. outcome payments could be greater for customers in designated priority groups but will not vary between delivery by telephone or face to face.
- There will be a maximum amount that can be earned on each type of outcome and each type of customer.
- It will facilitate a “digital by default” approach whilst ensuring that customers are offered the appropriate service to meet their needs to encourage ongoing personal career management and the efficient use of public money.
- It will focus resources on providing services to priority groups.
- Funding will be driven by outcomes with no separate identified funding for non delivery (management, training, marketing, admin etc).

For the national contact centre:

- Funding will be earned on actual calls received and made. The funding earned will be weighted by the volumes of calls so that some fixed costs are covered.
- A proportion of the funding will be earned on customer satisfaction outcomes.
- The national contact centre will be dealing mostly with information enquiries, triage and signposting and the payment per call will reflect this.
- SFA will contract with the national contact centre for proactive calling.
- SFA also wish to pay for calls that successfully result in customers engaging with the National Careers area based service.

Questions

The Proposed Funding Model

1. What are the possible unintended consequences and inappropriate behaviours and how can they be mitigated?

Respondents' views on the possible unintended consequences and inappropriate behaviours and how they can be mitigated are summarised in the following table.

Unintended consequences and inappropriate behaviours	Opportunities to mitigate against these
<p>Problems with cash flow could create an obstacle in the supply chain, particularly in terms of reaching vulnerable customers and subcontracting through third sector organisations.</p> <ul style="list-style-type: none">• The financial risks associated with a 100% payment by outcomes model could result in providers withdrawing or being discouraged from entering the market¹.• VCSE will likely qualify out of the competition (both as prime and subcontractors) if they are unable to support the required cashflow, thereby restricting the scope of delivery.• Prime contractors may not choose VCSE within supply chains if they are unable to support VCSE cashflow requirements themselves.• The consequences of delaying or disrupting cash flow to the provider network could result in a significant inflationary increase in the price of outcomes for government and low volumes of clients.• Providers may not be clear as to exactly what outcomes can be funded.• It does not encourage the provider to spend time with claimants to ensure their best outcome can be achieved.	<ul style="list-style-type: none">• The provision of working capital to the provider network to ensure the governance of the programme is secured: performance and quality management; risk management; capacity building; service development and innovation; and market development.• A model which allows a retainer payment and profiled payments or upfront and subsequent reconciliation payments, including claw-back for poor performance.• Providers will require clear guidance on how the funding framework works and what outcomes can be funded.

¹ A review of the Work Programme highlighted that: "Almost all Tier One subcontractors were paid on roughly the same outcomes-based funding model as primes or on a modified version of this model... The risk in outcome based commissioning is therefore, to a large extent, being passed down and shared by Tier One subcontractors. Although most were aware of these terms from the start, a number admitted that they were struggling to balance their finances under this model. Some were funding their provision through attachment fees and acknowledged that this was not sustainable." (Work Programme Evaluation: Procurement, supply chains and implementation of the commissioning model, 2013)

<p>Prime contractors focus on managing cash flow rather than customer outcomes</p> <ul style="list-style-type: none"> • This could result in a lower number of customers seen by the service if primes attempt to maximise the number of customers for whom they claim all three outcomes. It would also exclude many of the most vulnerable groups. • There is a high burden of administration and recordkeeping in order to demonstrate outcomes and provide evidence. This may distract from quality service delivery. 	<ul style="list-style-type: none"> • A clear quality benchmark. • Confidence in the processes adopted for measuring customer satisfaction (recognising satisfaction might be particularly difficult to measure amongst some groups e.g. offenders).
<p>The lack of a separate management and training budget could mean primes seek to retain a percentage of payment to cover the costs of managing their subcontractors (as demonstrated by the Work Programme).</p> <ul style="list-style-type: none"> • Sub contractors often rely on the professional and technical expertise of prime contractors in managing quality, training and development, IT delivery (particularly for CRM) and significant events such as preparation for and response to Ofsted inspections. 	<ul style="list-style-type: none"> • Specific guidance provided by SFA and longer term contracts will facilitate investment by organisations in staff development. • Larger contract sizes could ensure that primes are able to utilise better economies of scale and management fees are reduced to reflect this. • A multi-contract discount, where primes offer reduced prices depending on number of contracts won, as seen on recent DWP competitions, could also ensure that the authority is able to secure the best price.
<p>Potential for delivery organisations to 'cherry pick' customers likely to attract higher level funding or funding that can be accessed more quickly.</p>	<ul style="list-style-type: none"> • Payments need to accurately reflect the resource required by delivery agents to achieve the required results for each customer group. However, there should also be a certain degree of flexibility to allow providers to funnel resources on an individual needs basis. • Minimum service levels to guard against the erosion of universality. Service levels should be designed in consultation with providers, ensuring that their expertise and knowledge of the various customer groups is best reflected within the specifications. • A requirement that providers engage with a set number (as a minimum) or percentage of case load from disadvantaged/hard to reach groups.
<p>The model could provide an unintended geographical skew for allocation of funding according to priority groups and the needs of specific localities.</p>	<ul style="list-style-type: none"> • The capping of priority groups should be regularly reviewed and assessed according to local demographics, economic variations and changes. • Larger contract sizes could also simplify this issue by providing contracts which have a mix of customers and geographical challenges and benefits.

Additional suggestions

- The need for clarity around what success will look like and how it will be measured and demonstrated.
- A performance management and measurement regime this simple, limited (i.e. contained) and unambiguous, with limited KPIs and avoidance of subjective measures wherever possible.
- Taking into account the learning from the introduction of outcome-based payments for the Offenders Learning and Skills Service (OLASS)
- Developing a centrally funded digital MI infrastructure, linked to a payment mechanism, to facilitate and monitor payments², which would give:
 - providers an understanding of customers' preferred communication method and potential training requirements
 - providers an opportunity to develop local courses that bridge gaps between local business requirements and local customers' existing skills
 - customers a database of available services and providers from which they could self-serve courses
 - customers the ability to build their CV with their attainments, and allow assessors/employers to confirm that competencies have been gained
 - providers a simple means of being paid and of tracking customer progress, and customers a simple means of making payments
- Utilising the principles behind direct payments and personal budgets being developed in the health and social care sector, where the customer could spend a budget for training etc with a provider or providers they believe deliver value.
 - Customers could pay at the point the service is delivered when satisfied, which has the benefit of reducing cash flow delays for providers; providing a mechanism for tangible customer feedback; and giving an incentive to providers to win as much of the customers' lifetime training allocation as possible.
 - This would require an impartial umbrella contract e.g. a Joint Venture to manage provide customers with options and information. This could:
 - generate revenue that can be reinvested in service delivery or banked as net savings (allowing for a larger proportion of funding is driven down to frontline delivery)
 - minimise expenditure and implementation time, allowing for greater savings to be made earlier
 - provide flexibility to fold further service requirements into JV over time, e.g. NAS website, vacancy service
 - streamline services which would be easier for both customers and providers to utilise and navigate through

Respondents also cited a number of additional concerns or challenges associated with the proposed approach.

- Clarification around what the priority groups will comprise e.g. offenders either in the community or in prison
- The need for clarity around at what point the customer's status (universal or priority group) is determined for payment i.e. at point of access to the service, since status often changes between contacts.
- The tracking and evidence costs associated with outcomes is significant and needs to be reflected in the unit price.
 - In the current model the full unit costs must be offered to the providers/sub-contractors, however this would not be viable in the proposed new funding model if the high levels of quality and staff competence, plus LMI and website developments are to be locally maintained/enhanced.
- The importance of getting an appropriate balance in the model with high quality guidance and outcomes, since not all customers want to achieve an outcome at the point of intervention.

² Although it this might not be suitable for some groups e.g. offenders in custody.
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- The need for impartiality of job and learning outcomes, with some proposing a differentiation between these.
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- The service as it is envisaged will not adequately support young people.

One respondent highlighted their view that a payment by results model would not support diverse delivery and drive the best outcomes but would instead restrict the pool of potential primes and subcontractors resulting in a tendering process which is not competitive. They also queried the view that smaller contracts would provide a better model, emphasising that this can lead to fragmentation of services and inefficiency. Instead, they proposed a single integrated service provided by a single service integrator with a vested commercial interest in the quality and efficiency of NCS and proposed alternative models be explored including a commercial joint venture with a private sector partner.

2. How will the proposed outcomes and the impact on customers be demonstrated? What are the right evidence requirements to support these outcomes?

a) Customer Satisfaction

Providers' suggestions included customer satisfaction surveys completed with agreement from customers at the point of receiving the service, and measured against predefined, nationally agreed, success criteria. At the most basic level this could involve customer completion of a signed action plan with tick box confirmation of satisfaction. Quantitative and qualitative assessment of customer feedback could also encompass sampling and focus groups, again these would need to be standardised and nationally consistent. However, independent third party evaluation of customer satisfaction was thought to represent a much higher-risk for providers, whereby payments are reliant on a third party, and would increase overall costs.

Points for consideration

- The most effective way to measure satisfaction would be immediately following interaction with the service to ensure:
 - time delay does not alter perception
 - the experience is not confused with similar interactions with other services the customer may have engaged
 - higher response rates which would reduce the cost and effort associated with follow-up exercises
- Face-to-face interactions tend to be easier to record and generate a higher response rate than interactions through other channels.
 - One option might be to apply an average satisfaction score of customers who undertook the survey across the customer base, although satisfaction with different delivery channels will need to be measured and understood.
- Electronic signatures could be used in line with the Digital by Default agenda e.g. with electronic signatures recorded on tablets at face-to-face interventions and uploaded to a central data system.
 - This might not be feasible with some groups e.g. for offenders in prison where IT hardware cannot be provided.
- What procedures will be put in place by the SFA to audit and quality assure the evidence providers have to prove customer satisfaction?
- Information needs to be readily accessible to prime contractors e.g. LLA's should link with provider systems or be able to record customer progress.
- Evidence should take account of the whole customer experience.
 - Customer satisfaction can be subject to variable demographic and cultural factor and can be easier or harder to achieve with different groups.
 - A JCP mandated customer, for example, may not be as motivated and engaged as a self-referred job seeker or employee seeking to advance themselves.
 - Some people might also refuse to engage with this aspect of the service.

b) Career Management

Suggestions for demonstrating and evidencing career management outcomes included an action plan with more than one intervention, for example with customers returning or re-engaging to:

- revise or submit CVs
- access and update LLAs (although there was a question over whether LLAs would be able to incorporate adequate career management activity and whether information could be provided to subcontractors)
- attend further advice sessions
- participate in volunteering or work experience

Follow-up sessions – either face-to-face, email, telephone or web-based – could be used to confirm actions have been undertaken. An agreed process needs to be in place and could include updated action plans and/or the use of affidavits.

Providers could potentially be rewarded on the basis of continual progression, as in the example below:

- initial payment when a customer re-engages with the service – 60% of overall payment
- secondary payment once a customer has re-engaged twice – 30% of overall payment
- final payment once the customer has re-engaged 5 times – 10% of overall payment

However, some urged caution suggestion that the number of customer engagements is not necessarily a method of demonstrating that the customer is empowered to manage their own career and such a split could drive behaviours. The Careers Blueprint and the Lifelong Learning Account could be reviewed to provide insight into managing this aspect without it being overly complicated.

Points for consideration

- Ofsted and Matrix criteria should be adopted where possible to avoid duplication.
- How will soft outcomes be measured?
- Outcome achievements should not be time bound but allow providers to secure evidence of outcomes at any point after the customer has accessed the service.
- Independent follow-up and tracking of career management outcomes could be used to inform service improvements as well as triggering payments, but would need to be quality assured and collected against a consistent framework. Audit procedures are also required.
- A wide range of outcomes would be required to reflect the diversity of customers groups such as offenders in custody who will have limited access to range of opportunities engage on an ongoing basis.
- An MI system could potentially automatically monitor regularity of engagement and the length of time that has passed since previous engagement.

c) Jobs and Learning

Action plans by themselves do not provide sufficient evidence of outcomes, although career management advice and subsequent customer actions should be taken into account, including learner-centric certified qualifications. Respondents suggested any form of evidence collected by the prime contractor should be permissible, including offer letters, wage slips (although this can be contentious) and affidavits.

They proposed suitable data sharing links with JCP, colleges, probation services and other providers where possible, to reduce the overall need for customer follow-ups and the number of times individuals are asked to verify outcomes. However work needs to be done to ensure there are relevant legal gateways in place. Data sharing across government departments can also take considerable time to put into place/achieve.

Some suggested extending the function and reach of the LLA across a wider community of interest e.g. HMRC and DWP could allow providers to be automatically notified if one of their customers has a change in their benefits profile and/or gains employment. Moreover, an online learning portfolio that tracked learning might also enhance the LLA's utility for customers and

providers, although this would provide additional challenges for offenders in prison who cannot be identified.

Respondents were ambivalent about SFA's suggestion of using independent research, with a number expressing concerns due to:

- the limited sample size
- the anticipated frequency of the research cycle
- the potential for undercounting outcomes, since research companies would not be incentivised to pursue hard to reach customers to confirm outcomes
- the introduction of duplicate processes, with providers required to evidence customer progression for Ofsted and Matrix and follow-up customers for caseload management and MI purposes
- the possibility this could discourage service providers from maintaining a customer relationship into their next step – ongoing relationships should be encouraged within available resource
- learning and job progression could, where outcomes are attributed to a customer's geography, be attributed to the wrong provider, particularly where customers have moved areas - how much work does a provider need to do in order to claim the outcome if an individual moves region or to another provider?
- a threshold method which determines that a structured sample of customers have achieved an outcome will not identify what part of the supply chain led to the achievement, and outcomes aggregated at regional level could undervalue individual providers' success rates and effectively penalise them for the underperformance of other providers

Points for consideration

- Evidence of progression within the workplace should include job role changes, even where salary remains the same.
- Jobs and learning outcomes could potentially create automatic satisfaction and engagement outcomes if they were not already present.
- There is some debate about whether payments should reflect difficult labour market conditions and a sound evidence-based rationale is required.
- Secure audit procedures need to be put in place by the SFA to ensure the accuracy and validity of the evidence collected by the providers.

d) An alternative approach – blended metrics

Some respondents proposed a score card approach, as opposed to binary measurement, in order to blend hard outcome metrics such as movement into learning and work with soft outcomes such as increased customer motivation, aspirations, commitment and resilience which can be particularly important in a dynamic economy and labour market. Ultimately, the three key outcome areas go some way towards a blended approach. However, there are some considerations that need to be taken into account:

- Will it be possible to claim both a career management outcome and a jobs and learning outcome for the same individual?
- It will not be possible to attribute both career management or jobs and learning outcomes to individual subcontractors where the customer has seen more than one contractor.
- It might be possible to argue that a broadening of localities might be necessary in terms of learning and outcomes, although a prime contractor investing in this area is more likely to focus on a few, larger volume providers i.e. colleges and employers than multiple lower volume providers.
- A minimum length of contract e.g. three years with an option to extend to five years might help to offset the disincentives the new model has for potential providers.

3. Will a payment differential between priority and non-priority groups focus resources while retaining a universal service?

On the whole respondents were of the view that an outcome focussed payment model has the potential to encourage 'creaming and parking' behaviours which must be guarded against i.e. the cherry picking of customers likely to generate the most revenue for providers and avoidance of customers that are less likely to achieve outcomes that trigger payments.

Respondents suggested that to maintain a universal service the SFA should consider:

- a payment differential of significant magnitude to encourage providers to service all groups but avoiding opportunities to make significant margins
- accurately reflecting the level of resource needed for specific customers groups to get the payment balance right i.e. the differential between early and quick wins and longer term support such as to offenders in custody
- a mechanism for avoiding the sidelining of vulnerable customers which might be considered too difficult given the additional cost associated with targeted support, for example limiting the funding that can be earned from non-priority services e.g. maximum of 80% of achievable funds through non-priority customers and 20% through priority groups
- lowering the cap on non-priority groups and removing the cap on priority groups to allow providers to achieve the majority of their required funding through working closely with priority groups and adding value in their area
- demand-led payment according to the local marketplace rather than pre-defined by national or regional KPIs - given demographic variations within and between regions - implying localised agreements between the agency and providers
- payments that reflect difficult labour market conditions, although this would require a sound evidence-based rationale

Additional factors

- The existing constraints on marketing, which have frustrated the universal appeal of the service.
- How priority groups will be defined and what impact might this have on universality, for example, the extent to which universality could be compromised by prioritising the low skilled unemployed at the expense of other groups such as those aged 50 and over, unemployed graduates etc
- The extent to which the Digital by Default agenda could marginalise face-to-face service provision and exclude some groups.
- The impact of JCP customer mandation, often involving customers with higher resource needs but who present a higher risk to providers e.g. fail to attend sessions.
- The importance of Local Enterprise Partnerships (LEPs) which might create pressure for regional KPIs and cause complications if LEP areas do not map against NCS regions.

The Implementation of the Proposed Funding Model

4. How can we ensure that this model ensures continuous quality improvement, training and professional development, collection and display of LMI and other essential aspects of high quality delivery?

Some providers were of the opinion that money should be ring-fenced and paid in advance for these functions, above and beyond any outcome based payments. They suggested that a management fee would mitigate against the risk of providers cutting corners which would undermine the quality of the service. However, others felt these aspects could be incorporated into an outcome-based payment model, since continuous quality improvement, training and professional development, collection and display of LMI all have a critical role to play in the delivery of a successful service. They were of the view that the best way for providers to maximise outcome payments within the proposed funding model would be to offer such a high quality service that responds to customer needs.

Respondents suggested that the development of an appropriate funding model would need to entail:

- clear operating instructions and clarity around expectations and performance measures
- appropriate weighting during tender evaluation
- suitable incentives built into the contract
- clear monitoring arrangements
- clear audit procedures to assess and validate the payments evidence gathered by providers.

Specific suggestions included:

- developing an overarching quality framework for the service with clear audit requirements
- ensuring subcontractor management mechanisms, as well as Ofsted and Matrix measures, support these requirements
- national minimum standards regarding interventions with clarity around expectations and the monitoring of customer satisfaction reviewed on a regular basis and can be used to drive up standards
- a higher payment on customer satisfaction to enable top slicing to fund underpinning functions
- the linking of SLAs to outcome payments e.g. contractors that achieve all SLAs could achieve 100% payment on achieved outcomes, but with a step approach resulting in a lower percentage of outcome based payments where SLAs are not achieved
- provision of clarity on core requirements as opposed to additional activities which require the need for top up-funding (e.g. commitment to Level 6 qualification)
- Career Development Institute (CDI) and Register of Career Development Professionals requirements
- weekly webinars to providing common access information for advisers
- elearning programmes to support progression onto formal qualifications
- developing localised LMI strategies
- partnering with specialist suppliers for the collection and display of LMI as part of web-based careers guidance tools

Respondents also raised questions around the sustained provision of quality infrastructure would be managed in terms of a profile and cash flow and whether there would be transitional funding available to sustain the infrastructure through the change to the proposed outcome based model. They also noted the need to take into account the potential impact of any recommendations from recent Task Forces such as the Hestletine Review.

5. How can the proposed funding model be used to incentivise local leadership and encourage service providers to engage proactively in local communities?

Some felt the proposed model inherently incentivises local leadership and encourages service providers seeking to deliver a high quality service that is responsive to local needs to engage proactively in local communities e.g. through Local Enterprise Partnerships (LEPs), Chambers of Commerce and local employers. However, some expressed concerns that of the three proposed payment streams, only the jobs and training stream encourages engagement within local communities e.g. with local employers, training providers and colleges, while the other two streams focus on the individual, their views and progression which might not necessarily be in the local area. They suggested that this could incentivise a bias towards urban areas. A number of respondents were concerned about the numerous small organisations that are engaged at the local level, which they felt could be disadvantaged or not have the sufficient infrastructures in place to be able to engage by the proposed funding model.

Specific suggestions included:

- a single service integrator contract to create economies of scale so that more money is funnelled to local providers including smaller niche providers to enable them to more easily participate and ensure that geographical variations do not adversely affect provision
- a start-up and development grant or management fee specifically for local engagement
- separating Minimum Service Levels (MSLs) and Key Performance Indicators (KPIs) to encourage the right balance between a universal service and local engagement
- KPI models to demonstrate strategic leadership and local presence and engagement (including local community relationships managed at the sub contractor level)
 - strategic engagement (e.g. Service Level Agreements)
 - effective marketing to key stakeholders
 - co-location and sharing of resources
 - impact reporting to local communities
 - engaging a proportion of local businesses
 - proving coverage across a proportion of local parish councils
- avoiding a cap on outcomes, thereby encouraging providers to engage with as broad a range of local organisations as possible to achieve optimal results
- mechanisms to encourage the sharing of information between parties (actively seeking to avoid situations where sharing is effectively penalised)
- establishing a strategic steering group that reports on a regular basis e.g. quarterly
- referral fees paid to community organisation and associations for identifying local customers and facilitating their engagement that are charged back to the agency by prime contractors with a marginal handling fee or as a bonus
- mapping geographical service delivery and engagement within/to local community areas and groups through customer postcode reports
- the provision of a collaborative service offer to customers, employers and organisations to deliver added value
- creation of localised strategic partnerships between the skills, employment and careers sectors

6. How can we ensure a successful implementation of a model like this (including the cost and affordability of the proposals)?

Respondents made the following suggestions regarding successful implementation of this model.

Managing risk

- A phased approach to implementing the funding model over three years, with clarity around how this will be achieved.
- Acceptance that there may be teething problems during implementation.
- A suitable transition period for setting up and developing the new contract requirements (e.g. the last contract provided a transition period of six, rather than three, months).
- Availability of clear guidance.
- Implementation of clear audit procedures at all stages.
- A single contract (proposed by a few respondents) for the reasons below (although others were concerned about the impact of a single contract on the regional and local areas based agenda:
 - decrease money spent on implementation (driving more money to frontline and niche provision)
 - increase the time it takes to implement ensuring that savings and efficiency are realised as early as possible)
 - ensure consistency
 - make it easier for the customer to navigate through their learner journey
 - reduce the potential risk of bespoke system being created which increase the risk of data loss and inconsistent reporting

Marketing and communications

- A national marketing campaign to create and sustain customer awareness.
- Timely and clear communications between the SFA, providers and other government agencies such as DWP etc.

Incentivising providers

- A six-month transitional period and start up funding on award of contract.
- Fixed fees based on forecasted outcomes for a period of three months to allow the service to stabilise and test any assumptions in the cost modelling.
- Minimum three year contract with option to extend to five years to offset disincentives associated with new model.
- Clarity around outcome definition.
- Robust monitoring and audit systems.
- Realistic targets for priority groups.
- Profiling versus the reconciliation of actuals to support cash flow.
- A service credit/debit regime which rewards good behaviours and penalises poor performance.

Infrastructure

- Start-up costs to support digital infrastructure.
- Start-up costs for replacement CRM or MI system if required, to ensure consistent reporting mechanisms across prime contractors
- Recognition of the time and effort required to create a digital infrastructure.
- Clear specification and guidance regarding interface requirements with the national digital infrastructure.
- A digital platform that allows a wide range of stakeholders e.g. customers, providers, local and national educational establishments, businesses, NCS, JCP, HMRC, DWP) to share, validate and track information, which could potentially include:
 - an e-portfolio of courses that can be viewed and booked on-line
 - an electronic record of outcomes that could be self-certified and validated
 - a payment mechanism that allows funding to follow the customer and providers to be paid in a timely and secure manner
 - a tracking and search facility that enables providers, customers and businesses to close gaps between local skills availability, local job requirements and training opportunities.

Transition planning

- Detailed transition planning to avoid disruption to the service and customer experience
- Transfer of customer details from CRM to new systems
 - whose data needs to be transferred to which regions
 - demographics
 - contents of SAPs
- Secure distribution of login details

Culture change and staff development

- KPIs that take into account the required change of culture and approach for advisers.
- Factoring in the cost and time associated with staff development.
- SFA involvement in staff communication and recognition of training needs, including updated inductions and other relevant training.
- CDI membership and register costs
- Identification of training needs, including:
 - telephone delivery
 - web delivery
 - management of a multi-channel service (which is broader than the current three channel approach)
 - use of a new MI system that supports new requirements
 - advisers
 - reporting
 - tracking

One respondent highlighted the significant challenges associated with successful implementation and deliver for customers held in custody.

- This is a significantly different operating environment where the provider has little control over some situations i.e. in the event of a 'lock down' there may be no opportunity to deliver services.
- Outcomes from this group are very difficult if attributed to 'through the gate' activity as any information is anonymised and continuity is broken: tracking of this group proves very difficult.
- Given that many move out of locality of the prison and have neither telephone nor internet access it is often difficult to achieve, record and attribute outcomes. How can this group be tracked?
- Under these circumstances it might be better to identify outcomes which can be achieved in prison e.g. milestones set within the Action Plan such as use of the library, contact with JCP before release and resettlement activity. Delivery under NCS would need to mesh with that delivered by DWP either under the Work Programme or via other interventions.