Date:  27th January 2017

Subject::  ESF Co-Financing Organisation – Approval of Working Well and Work & Health programme bid

Report of:  Joint report of Councillor Sean Anstee, Portfolio Lead for Work and Skills and Councillor Kieran Quinn, Portfolio Lead for Investment Strategy and Theresa Grant, Chief Executive Portfolio Lead for Work & Skills

Highlighted areas were removed from Part A report due to commercial sensitivity.

PURPOSE OF REPORT

The report contains commercial information in relation to the report at Item 13 on the agenda.

With the recent progress in devolution of the Work and Health programme and the statement by the Chancellor that EU funding contracted before the UK left the EU would be honoured, the opportunity to increase the ESF bid to £32.7m, to cover the whole of the Work & Health programme up to 2022, has been pursued, in discussion with the relevant Lead portfolio holders and as stated at the June GMCA.

RECOMMENDATION

To note the report.
CONTACT OFFICERS:

Matthew Ainsworth, Strategic Lead for Employment Initiatives, GM PSR Team
Gemma Marsh, Acting Director for Employment & Skills, New Economy

BACKGROUND PAPERS:

GMCA (29\textsuperscript{th} January 2016) - ESF Co-Financing Organisation Update
GMCA (30\textsuperscript{th} June 2016) - Co-commissioning Work & Health Programme

<table>
<thead>
<tr>
<th>TRACKING/PROCESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does this report relate to a major strategic decision, as set out in the GMCA Constitution (paragraph 14.2) or in the process (paragraph 13.1 AGMA Constitution) agreed by the AGMA Executive Board:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXEMPTION FROM CALL IN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are there any aspects in this report which means it should be considered to be exempt from call in by the AGMA Scrutiny Pool on the grounds of urgency?</td>
</tr>
</tbody>
</table>
1. **Background and Overview**

1.1 **Phase 2a – Work & Health Programme** – supporting c.18,000 individuals attached to the programme between late 2017 / early 2018 and March 2023.

1.2 For the Work & Health programme (Phase 2a), DWP match funding of £22.7m (out of a total allocation of £31.1m) has been identified. This would be subject to a full procurement process.

1.4 An ESF application for Phase 1a and Phase 1b was already being progressed, under GM’s devolved Co-Financing Organisation (CFO) powers. The Chancellor’s announcement that EU funding contracted before the UK left the EU would be secure, and the potential of devolution of the W&H programme, have led to an opportunity to increase this ESF application to £32.7m to cover the whole of Working Well (including the Work and Health Programme) up to 2022.

2. **Working Well – referral window extension until December 2017**

2.4 There is a clause included in the contracts with both Working Well Expansion providers (Ingeus and The Work Company), which allows for an extension. It is recommended that this clause is exercised and the referral window be extended until end of December 2017, which would dovetail into the launch of the Work & Health programme in February 2018. As it takes up to 2 months to attach an individual onto the programme after referral it is prudent to have a short window between the last referrals onto Working Well and starting referrals onto Work & Health. It also reduces the risk of individuals being referred onto the wrong provision.

3. **Work & Health Programme MoU – risks and mitigation**

3.5 The DWP funding allocation for GM is £31.1m to cover the period from 2017 to 2025 (as this covers two Spending Review periods only £10.5m from SR15 is formally guaranteed). GM will therefore build a break clause into provider contracts in case future SR funding is not forthcoming. Although the total programme value could be as high as £53.8m, it is anticipated that £45.4m costs will be incurred during the timescale of the current ESF programme. Therefore, GM is able to match £22.7m DWP devolved funding with £22.7m ESF up to 2022 (after this point the programme will be funded solely through DWP devolved funding unless alternative domestic funding is obtained).
3.6 The programme will commence early 2018 and one provider\(^1\) (this has been a DWP value for money condition) will be commissioned to accept referrals for up to 5 years, with a further 2 years of on-programme support once the referral window has closed. There is the option to extend the programme for a further two years, subject to performance and funding availability. The GM programme will be required to end at the same time as the national programme.

Risk 2: Cashflow

Although DWP have agreed to devolve funding to GM on an annual profile paid monthly in advance, ESF can only be drawn down quarterly in arrears based on actual expenditure. In reality there could be as much as a 6-month lag between GM payment to providers and ESF being drawn down. This lag in receiving ESF monies will cause a cashflow concern for GM, especially during the middle stages of the programme. Monthly cashflow profiling has been undertaken and the annual potential scale of the issue is shown below (the actual may turn out to be quite different as it is dependent on referral flows, provider performance and outcome payments).

<table>
<thead>
<tr>
<th></th>
<th>17/18</th>
<th>18/19</th>
<th>19/20</th>
<th>20/21</th>
<th>21/22</th>
<th>22/23</th>
<th>23/24</th>
<th>24/25</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Forecast Expenditure</strong></td>
<td>0.5</td>
<td>6.0</td>
<td>13.3</td>
<td>13.5</td>
<td>11.7</td>
<td>6.9</td>
<td>1.6</td>
<td>0.3</td>
<td>53.8</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>0.9</td>
<td>5.5</td>
<td>12.1</td>
<td>13.3</td>
<td>11.5</td>
<td>7.9</td>
<td>2.4</td>
<td>0.2</td>
<td>53.8</td>
</tr>
<tr>
<td><strong>DWP (Allocation)</strong></td>
<td>0.8</td>
<td>3.4</td>
<td>6.1</td>
<td>6.5</td>
<td>6.4</td>
<td>5.3</td>
<td>2.4</td>
<td>0.2</td>
<td>31.1</td>
</tr>
<tr>
<td><strong>ESF (Forecast)</strong></td>
<td>0.1</td>
<td>2.1</td>
<td>6.0</td>
<td>6.8</td>
<td>5.1</td>
<td>2.6</td>
<td>0.0</td>
<td>0.0</td>
<td>22.7</td>
</tr>
<tr>
<td><strong>Difference in year</strong></td>
<td>0.4</td>
<td>-0.5</td>
<td>-1.2</td>
<td>-0.2</td>
<td>-0.2</td>
<td>1.0</td>
<td>0.8</td>
<td>-0.1</td>
<td></td>
</tr>
<tr>
<td><strong>Cumulative difference</strong></td>
<td>0.4</td>
<td>-0.1</td>
<td>-1.3</td>
<td>-1.5</td>
<td>-1.7</td>
<td>-0.7</td>
<td>0.1</td>
<td>0.0</td>
<td></td>
</tr>
</tbody>
</table>

Risk 2: Mitigation

Cashflow deficits will be difficult to mitigate against due to the nature of ESF payments, but receiving funding in advance from DWP will be a help. The programme office function that is being established will also ensure that all ESF claims are processed accurately and expeditiously, reducing the risk of delayed or inaccurate claims. The joint governance board will also have a key role in managing performance.

Risk 4: Management & Administration Costs

\(^1\) One provider could include a consortium, prime contractor with sub-contractors or a single end-to-end provider.
Subject to approval from the Managing Authority, this is not an issue whilst the programme is match funded with ESF i.e. until October 2022, but it does mean that there is a risk regarding the £306k management and administration (M&A) costs we expect to incur between October 2022 and programme end. Furthermore, there is a condition that if DWP decides to extend referrals onto the programme for a further 2 years then GM would be expected to follow suit. Without ESF being available, there would not be funding for a GM programme office to manage and administer the programme for this extended period.

4. GM Co-Financing Application

4.1 GMCA has proceeded with a £32.7m ESF application, £10m for Phase 1a/b of Working Well and £22.7m for Phase 2 (Work & Health). The match funding is in place for this as detailed in section 1.

4.4 As reported to the GMCA in January 2016 there are significant opportunities which arise from GM's status as an ESF Co-financing Organisation – to procure targeted provision based on robust local evidence of need and demand, and to better evaluate and manage the quality of provision. However there are a number of risks associated with GM being the ESF applicant for £32m, as detailed in section 3.
Non-Legally Binding Letter of Intent

Dear Theresa,

The Secretary of State for The Department for Work and Pensions (DWP) has agreed to transfer DWP Work and Health Programme (WHP) funding to the Local Government Partner (LGP) through a Grant under section 31 of the Local Government Act 2003. This is for the provision of a work and health programme by the LGP with the intention of supporting individuals with a disability and the long term unemployed, as well as some early-access groups, into employment.

This letter sets out a clear set of conditions and principles for joint working between DWP and the LGP (together The Parties) on which the transfer of WHP funding from DWP to the LGP is contingent. To progress the provision of the Grant the written agreement of the LGP to the conditions and principles detailed in this letter is required by 16 December 2016.

By your signing and returning this letter on behalf of the LGP, each of DWP and the LGP agree to act in accordance with its terms. By your signing and returning this letter on behalf of the LGP, each of DWP and the LGP agree to act in the utmost good faith in accordance with its terms.

If this agreement is not signed by 16 December 2016, the LGP Contract Package Area (CPA) shall be included in the Invitation to Tender for the National WHP that DWP intends to publish in January 2017. If the LGP is included within the National WHP DWP will invite the LGP to i) participate in the evaluation of bids for the WHP call off contract in the CPA and, ii) support performance management arrangements in the live running of the WHP in the CPA) If there are exceptional circumstances, outside the control of the DWP or the LGP, which prevent the joint signatory of this letter by 16 December 2016 and DWP is satisfied that agreement will be reached by 3 January 2017, DWP shall accept signatory by that date.

Signature of this agreement is confirmation that The Parties shall agree a detailed Memorandum of Understanding (MOU) covering the period up to contract award, implementation and live running of the WHP in the CPA.

If a MOU isn’t agreed by the LGP, DWP reserve the right to take back delivery of the programme.

The principles underpinning the Grant Funding arrangements are, for ease of reference, in Annex 1 of this letter. A table showing the assumed total funding available for the five years of referrals, and the assumed split by year based on DWP’s expected programme spend for the LGP can be found in Annex 2.

DWP’s conditions for transferring WHP funding to the LGP and the information DWP will share with the LGP to support the LGP in meeting these conditions, are detailed below under a set of broad headings.
Commercial Process:

1. The DWP’s WHP will make referrals for a period of 5 years extendable by 2 years, with payments being made up to 21 months after the final referral. The proposed grant to the LGP will run concurrently with the DWP’s WHP contracts.

2. The LGP shall provide a commitment to aim towards launching the LGP WHP in the LGP’s CPA by 28 February 2018 but will launch it no later the end of March 2018. If DWP considers that the LGP will not launch by March 2018, the DWP reserves the right to take back delivery of the programme. Should the commercial process and launch of the national WHP be delayed, DWP accepts there may be a commensurate delay in the launch of the LGP’s WHP.

3. The LGP shall aim to take referrals to the LGP WHP from 28 February 2018 and in any event no later than the end of March 2018 (unless the delay is the result of a delay in launch of the commercial process of the national WHP) and to continue with referrals to the same end date as the national programme.

4. For the avoidance of doubt If DWP extends the WHP then the LGP shall extend its WHP provision so as to end at the same date as the national programme subject to DWP providing the LGP with appropriate grant funding for the period of the extension.

5. To ensure a consistent approach between the parties to this letter, the LGP shall share its commercial strategy with DWP when it is drafted.

6. DWP shall make available its WHP specification and Terms and Conditions to the LGP for their assistance once these are drafted.

7. The LGP shall be required to hold a free, fair and open competition for WHP contracts in the LGP CPA in accordance with applicable law and best commercial practice. DWP shall provide the LGP with its guidance on best practice on employment programme design and the controls and commercial process. This shall be documented and auditable.

8. The LGP shall provide DWP with a plan for the procurement process in the LGP’s CPA by 30 January 2017.

9. The LGP shall provide DWP with confirmation that resources are in place for it to complete the procurement process for the LGP’s CPA by 16 December 2016.

Performance:

10. The LGP shall provide members to a joint DWP/LGP governance
11. which will review WHP performance in the LGP’s CPA, as well as providing a point for issue resolution and ongoing discussion on the programme. DWP and the LGP shall have shared responsibility for developing the governance arrangements and terms of reference for the joint governance board.

12. To ensure a consistent approach to performance management, the LGP shall particularly ensure that the WHP contracts it procures include clauses to cover:

   (i) performance management (including performance improvement mechanisms following contracted provider underperformance, performance management during the payment tail and termination rights) and
   (ii) a break clause that the LGP may choose to exercise,

and the LGP shall ensure that the provisions described in (i) and (ii) above when included within the LGP contracts shall replicate the clauses used in DWP’s national WHP contracts.

13. The LGP shall act to ensure contracted providers are held to the performance levels that they contract to meet and where there is underperformance, the LGP shall exercise all of its rights to enforce the contract.

14. To ensure a consistent approach to contracted provider performance, the LGP shall ensure its contracted providers’ performance level bids to be consistent with the performance levels contained in the WHP national contracts by using the same broad benchmarks in contracting as DWP. DWP shall share its performance benchmarking for WHP national contracts.

15. The LGP shall base 50% or more of its outcomes on earnings levels on the understanding it will have access HMRC’s employment and earnings data submitted using PAYE online (RTI).

16. The LGP shall comply with the recommendations made by the National Audit Office which DWP accepts unless there is agreement from DWP not to follow specific recommendations.

17. In the event of contract termination, the LGP would be responsible for procuring replacement provision.

**Validation:**

18. DWP shall share its validation approach for WHP with the LGP.

19. The LGP shall either use the same outcome definitions and validation processes as the national WHP, with DWP using RTI to establish employment outcomes and other methods for self-employment outcomes, or develop its own outcome definitions and validation processes for which DWP funding is used. If the LGP develops its own
outcome definitions and validation processes the LGP shall meet the following conditions:

(i) The LGP’s outcome definitions must be objective, measurable and independently verifiable. DWP shall provide advice to the LGP on this.
(ii) The LGP shall seek and provide a letter to confirm Section 151 Officer\(^1\) assurance of the financial control systems in place and ensure that an independent audit function reviews the policies, procedures and operation of the LGP’s payment validation.
(iii) The LGP shall submit its validation process for outcomes as described in (iv) to the DWP Validation and Assurance Board for quality review, challenge and agreement to the overall approach. The LGP shall be solely responsible for the outcomes generated by its validation process. For the avoidance of doubt, the agreement of DWP to the overall approach of the LGP to validation does not constitute any assumption of liability by DWP under or in connection with the LGP’s validation process or the operation of the LGP’s validation process. Frequency of audits will be at the discretion of the LGP’s S.151 officer.
(iv) For the purposes of validation, an outcome is defined as a payment to the provider contingent on an act or omission by the provider (e.g. achievement of an outcome, starting a participant on the programme, or the provider delivering a service to participants.

Additional Funding:

19. DWP accepts the period that ESF funding is available does not equate with the period of DWP grant funding to the LGP. However, the LGP undertakes to have submitted an application for European Social Fund (ESF), for the LGP’s CPA matching DWP funding on a pound for pound basis for the period of time that ESF funding is available. The LGP is not required to match DWP funding for the Enhanced Support Offer (i.e. the money formerly known as Summer Budget).

20. The LGP shall ensure that its provision is ESF compliant and must accept any financial penalties imposed by the European Commission for errors, irregularities and fines. DWP is designing the national WHP to be ESF compliant.

21. Recognising the lack of certainty for financing in the period after the expiry of the Spending Round 15 settlement (SR 15), LGP shall use any clauses in the LGP’s WHP contracts requested by DWP that are required to mitigate that uncertainty regarding the additional volumes including the use of a break clause for post SR15 years.

Delivery:

\(^1\) References to Section 151 Officer are references to the Section 151 officer of the LPG pursuant to S.151 of the Local Government Finance Act 1972
22. The LGP agrees and shall ensure that referrals to the WHP in the LGP’s CPA will be defined by DWP and match claimant groups for the national WHP. Referrals shall be made through the Jobcentre Plus Work Service Directorate referral system and Provider Referrals and Payments System (PRAP).

23. The LGP agrees that any referrals made in the local area, including those identified by third-party organisations, are subjected to the Jobcentre Plus Work Services Directorate referral process. The LGP will be invited to co-design the referral process including referral pathways from other organisations. The joint governance board will actively manage referral levels considering any required increases or decreases and review on an ongoing basis process and products which support the referral process to ensure appropriate referrals are being made. In the event of a dispute, there will be an escalation route for the LGP agreed by DWP and the LGP as part of the terms of reference for the joint governance board.

24. The LGP agrees and shall ensure that individual participation on WHP in the LGP’s CPA is a minimum of 15 months to reflect the national WHP customer journey, with the same mandation rules being applied where required. To support mandation, the DWP intends to authorise providers to discharge specified functions of the Secretary of State for Work and Pensions (SSWP). The LGP agrees to include in their contracts with providers, clauses indemnifying the SSWP against any damage caused as a result of proceedings arising out of the exercise of these functions.

25. The LGP shall use the Change of Circumstance process designed by DWP.

Wider Reputation:

26. Each of DWP and the LGP agrees not to act in any way which may embarrass the other in relation to WHP or otherwise bring the other into disrepute by engaging in any act or omitting to take any act which is reasonably likely to diminish the trust that the public places in the role of the other in respect of WHP.

Information Sharing and Security:

27. The LGP shall ensure that all DWP information sharing and storage protocols are being followed.

28. DWP shall take all reasonable steps to gain HMRC consent to share employment and earnings data submitted using PAYE online data (RTI) with the LGP for the LGP’s performance management, validation and ESF evaluation purposes. Should DWP not be successful in achieving consent, the LGP will be required to set up its own processes. The Parties acknowledge any LGP alternative processes must be ESF compliant.

29. The LGP shall ensure that their providers have systems in place to comply with DWP information sharing procedures and protocols in order for DWP to share the personal data of participants directly with their providers.
30. The LGP shall ensure that personal information shared by DWP is used in compliance with the Data Protection Act.

31. The DWP reserves the right to have full and free access to all documents (including computerised documents and data) or other information for their nominated audit representatives, NAO, ESF or other appointed bodies to undertake audits and/or reviews in connection with the grant or for the purposes for which the grant was used.

Evaluation:

32. The LGP shall require the contracted provider in the CPA to provide access for DWP and the ESF Management Authority for research purposes (e.g to participate in interviews) and to supply management information to DWP and the ESF Management Authority specifically for research purposes. DWP will consult with the LGP on the details of any proposed research with providers or programme participants. DWP will undertake to make available additional information to support the LGP’s evaluation aims subject to parameters of information sharing restraints.

33. To facilitate DWP’s Randomised Control Trial (RCT) evaluation of WHP, the LGP shall agree that a proportion of referrals to the WHP in the LGP’s CPA shall be randomly assigned to a control group so that the impact of WHP can be robustly measured. DWP will consider whether ethical approval is necessary for the evaluation of WHP and share further information on this with the LGP in due course. DWP will consult with the LGP on how the RCT is communicated at referral stage as part of the co-design of the wider referral process and share information with the LGP on the proposed size of the control groups as more detailed plans are developed.

34. DWP will consult with the LGP prior to publishing any evaluation data.

Costs:

35. The Parties agree that in all circumstances each party will bear its own costs incurred under or in connection with this agreement, the negotiation, drafting and implementation of the MOU, as well as in connection with the procurement of the WHP.

I look forward to your confirmation of agreement to the conditions set out in this letter, by your signature below, which will form the basis for the MOU and continued collaborative working on the WHP, by 16 December 2016.

Yours faithfully

Andrew Thomas
On behalf of The Secretary of State for Work and Pensions

16 December 2016

Signature

Signed by Theresa Grant on behalf of (LGP)
Date 19.12.16
Annex 1

Principles Underpinning the Grant Payment

The following principles have been written to inform the proposed agreement of letters between the grant funding body, DWP, and the recipient local government partners (LGPs).

London specific – The DWP is content to award grant payments to four separate lead local authorities who will be accountable for the funding and ensuring that it is used for the purposes described in this letter and the MOU. Consequently, DWP will require a single MOU that is replicated and signed by the respective S.151 officer within each lead authority.

1. The principles are guided by responsibilities placed upon DWP (and LGPs) by the existing documents, Managing Public Money and Minimum Standards for Government Grants, as updated respectively.

2. DWP will appoint a senior responsible officer (SRO) who will hold accountability for the release of grant payments to the LGPs.

3. The LGPs will appoint a lead S.151 officer in each respective lead local authority (one from Greater Manchester and four from within London) to provide assurance to the DWP on the effectiveness of controls, compliance with the MOU, the performance against contractual standards and associated management information concerning the grant income and expenditure.

4. The LGPs will commit to providing detailed information regarding the performance profiles and forecast costs of the contracted suppliers in their respective area, post contract award.

5. This information will be used by DWP to identify a grant funding profile for the forthcoming financial year. The grant allocation per annum will be capped at a maximum value and this value will not be exceeded in-year by DWP.
6. The DWP acknowledges that it cannot commit funding beyond the existing Spending Review 15 period agreement but will provide appropriate LGP grant funding information to HMT as part of future Spending Review negotiations.

7. The DWP will make grant payments on a quarterly basis in advance. At the conclusion of each quarter, the lead S.151 officers will provide a reconciliation of grant income to expenditure with supporting managing information. The DWP and LGPs will jointly review the grant profile against this quarterly reconciliation. The S.151 officers will also provide forecasts of expected performance and expenditure for review at the Joint Governance Board.

8. In the normal course of business, the DWP does not anticipate adjusting previously agreed grant profiles. In the event that actual expenditure in-year is, either, significantly lower than in-year aggregate profiles or, future in-year expenditure is forecast to be significantly lower than in-year aggregate profiles, then the DWP will reserve the right to make adjustments to profiled payments for in-year grants.

9. At the end of each financial year, there will be a final reconciliation where the respective lead S.151 officer will provide a comprehensive report that provides management information regarding the performance of the contract, reconciles grant funds received against contractual expenditure for the whole of that year. DWP will also require forecast performance and expenditure information for the next financial year.

10. In principle, the DWP will be content to allow underspends to be carried-forward into the following financial year and be held in the LGPs reserves. All the conditions that apply to the use of the grant will continue to apply to any funds carried over. However, where there are significant aggregate underspends the Joint Governance Board will review the forecast position but the DWP reserves the right to reduce allocations in future years.

11. At the end of the grant funding period, there will a final reconciliation and “true-up” where a complete reconciliation, with supporting management information, will be presented and any underspends returned to DWP.

12. If, during the course of the grant funding period, an in-year overspend occurs which exceeds the in-year grant allocation and any carried-forward underspends, then the LGPs will have to bear this cost.

13. The LGPs accept that each MOU signed is mutually exclusive and that underspends in one LGP area cannot offset over spends in another.

14. The LGPs accept that DWP are obliged to charge fees for the services that they provide to the LGPs in delivering of the Work & Health Programme contracts. The charging model and principles are attached at Annex 3.
15. The LGPs commit to using these grant payments solely for the purposes agreed in this exchange of letters and subsequent MOU.

16. The DWP will expect the LGPs to maintain reliable, accessible and up-to-date accounting records with a clear audit trail.

17. The LGPs commit to notifying DWP if there are any grounds for suspecting financial irregularity in the use of any grant funding. This notification should also include the steps being taken to address.

18. If the LGPs fails to comply with any condition of its award, the DWP may reduce, suspend, withhold or require the repayment of the whole or any part of the grant.
Annex 2

The table below shows the total funding available for the life of the programme, with the annual figures based on DWP’s expected programme spend for Greater Manchester. LGPs should consider the amounts in the table to be the indicative funding payable in each year for planning purposes.

Annex 1 Paragraph 10 sets out the ability of LGPs to carry forward unspent amounts in one year to subsequent years and this can be spent in future years according to the conditions attached to this grant. Subject to LGPs demonstrating a clear need it may be possible to re-profile to increase payments in earlier years and reduce payments in later years. However the maximum envelope for the total period cannot be exceeded.

<table>
<thead>
<tr>
<th></th>
<th>SR15</th>
<th>Future SR Period</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>17/18</td>
<td>18/19</td>
<td>19/20</td>
</tr>
<tr>
<td>Greater Manchester</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Funding</td>
<td>0.7</td>
<td>3.0</td>
<td>5.4</td>
</tr>
<tr>
<td>Enhanced Support Offer</td>
<td>0.1</td>
<td>0.4</td>
<td>0.6</td>
</tr>
<tr>
<td>Total</td>
<td>0.8</td>
<td>3.4</td>
<td>6.1</td>
</tr>
</tbody>
</table>
Annex 3

Fees and Charges

The following principles have been written to inform the agreement between the grant funding body, DWP, and the recipient local government partners (LGPs).

This relates specifically to the costs that DWP may incur as a consequence of making a grant to the LGP and the fees which DWP are obliged to charge (see paragraph 14 of Annex 1) as referenced within Annex 1.

1. The DWP is obliged, in accordance with the principles set out in Managing Public Money, to charge for services it provides to the LGPs. HMT require DWP to discuss its proposals for fees with HMT and demonstrate value for money in any arrangement with the LGPs that are subsequently agreed with the LGP.

2. Where the LGP are accountable for an activity and require assurance, they may undertake their own assurance and absorb any consequent costs. Alternatively, the LGPs may engage DWP through the Joint Governance Board to deliver on their behalf, for which fees will be agreed in line with the principles below.

3. The model has been designed to work on the application of key principles, at paragraphs 4 to 8 inclusive, which shall then be applied to all current and future instances where fees and charges may arise.

4. LGPs shall meet DWP costs for activity which LGPs are satisfied have been wholly and necessarily incurred as a result of funding the LGP by grant for delivery for WHP.

5. Where paragraph 4 applies, fees shall be based on the full economic cost of the staff required for the activity using average salary cost for the relevant grade plus per capita overheads in line with standard DWP costing.
6. Those costs that are generated through being under contract by third parties, for example DWP contracted IT suppliers, will be charged at cost, if they meet the definition at paragraph 4.

7. LGPs shall not pay fees or charges for the costs of changes to DWP IT systems unless a change is required which is directly attributable to specific grant related activity that incurs costs for DWP.

8. Supplier issues that arise under existing DWP contracts that are covered under contract warranties will not be charged by DWP.

9. The following table outlines the fees and charges which have been identified at the date of this agreement and how the principles outlined at paragraphs 4 - 8 above have been applied.

10. If DWP decides that an additional cost is to be charged to the LGPs, DWP will notify the LGPs and the Joint Governance Board used to settle the fee in accordance with the principles in this Annex.

11. For any fees or charges levied both the DWP and LGPs will comply with the appropriate VAT requirements. For example, if DWP performs a service on behalf of the LGPs, then VAT at the prevailing rate will be applied.
<table>
<thead>
<tr>
<th>Item</th>
<th>Service Offering</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Provider Security</td>
<td>Assurance of suppliers’ security and architect plans at contract award</td>
</tr>
<tr>
<td>2</td>
<td>Provider Assurance Testing (PAT)</td>
<td>Standard PAT supplier reviews</td>
</tr>
<tr>
<td>3</td>
<td>Compliance Monitoring Officers (CMO)</td>
<td>Standard CMO reviews for ESF</td>
</tr>
<tr>
<td>4</td>
<td>DWP MI on Performance of Contracts and Dashboards</td>
<td>Regular performance reporting on contracts</td>
</tr>
<tr>
<td></td>
<td>IT Upgrades i</td>
<td>PRaP functionality to be upgraded to deal with WHP requirements.</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td>IT Upgrades ii</td>
<td>WHP IT build – A number of the DWP’s IT systems require changes to existing functions to enable the DWP to deliver WHP. Changes to existing IT systems include LMS and WSP.</td>
</tr>
<tr>
<td></td>
<td>IT Development i</td>
<td>DWP are developing a standalone product to support the referral process, which is currently named the “Selection Tool”. This is a new product/tool and costings are yet to be confirmed.</td>
</tr>
<tr>
<td></td>
<td>IT Development ii</td>
<td>With the Department’s migration to UC Full Service, the IT build will commence Summer 2017, as their current planning assumption is for the IT to be in place for April 2018.</td>
</tr>
<tr>
<td></td>
<td>Activity</td>
<td>Description</td>
</tr>
<tr>
<td>---</td>
<td>-----------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>9</td>
<td>HMRC RTI Running Costs</td>
<td>HMRC RTI supply of data Live running costs for IT – Again this is not known but HMRC have already given us an indication that there will be an on-going cost for use of their data. It is also likely that changes will be needed to other IT systems during the duration of the WHP contracts.</td>
</tr>
<tr>
<td>10</td>
<td>Annual Grant Reconciliation</td>
<td>Activity incurred by DWP staff to reconcile the annual grant value to the performance/expenditure generated by the LGPs' contracts.</td>
</tr>
<tr>
<td>11</td>
<td>Performance Management</td>
<td>Quarterly Joint Governance Board meetings with LGP</td>
</tr>
<tr>
<td>12</td>
<td>JCP Referrals</td>
<td>Referral activity generated by JCP staff for the LGPs</td>
</tr>
</tbody>
</table>
# Annex 4

Documents and processes to be shared between DWP and the LGP

<table>
<thead>
<tr>
<th>Document/Process</th>
<th>Indicative date Shared</th>
<th>Shared By Whom</th>
</tr>
</thead>
<tbody>
<tr>
<td>DWP information sharing protocols</td>
<td>14 December 2016</td>
<td>DWP</td>
</tr>
<tr>
<td>DWP Commercial Strategy Draft</td>
<td>19 December 2016</td>
<td>DWP</td>
</tr>
<tr>
<td>WHP Specification Draft</td>
<td>19 December 2016</td>
<td>DWP</td>
</tr>
<tr>
<td>WHP Provider Guidance Draft</td>
<td>19 December 2016</td>
<td>DWP</td>
</tr>
<tr>
<td>Terms and Conditions Draft</td>
<td>19 December 2016</td>
<td>DWP</td>
</tr>
<tr>
<td>DWP Validation Process</td>
<td>30th December 2016</td>
<td>DWP</td>
</tr>
<tr>
<td>WHP Contracts including post SR 15 break clauses and associated notice periods and clauses indemnifying the SSWP against any damage caused as a result of proceedings</td>
<td>Early January 2017</td>
<td>DWP</td>
</tr>
<tr>
<td>Description</td>
<td>Date</td>
<td>Responsible Party</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------------</td>
<td>--------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>arising out of the exercise of SSWP functions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DWP timeline for putting in place necessary legal powers for the LGP related to data sharing</td>
<td>11 January 2017</td>
<td>DWP</td>
</tr>
<tr>
<td>Plan for the procurement process in the LGP’s CPA</td>
<td>30 January 2017</td>
<td>LGP</td>
</tr>
<tr>
<td>LGP Commercial Strategy</td>
<td>When completed</td>
<td>LGP</td>
</tr>
</tbody>
</table>