

Work Choice programme briefing note: **Financial Incentives - revised withdrawal period**

Background

1. In September 2009, DWP published a Work Choice briefing note that set out the intended approach to financial incentives, clarifying the service requirement outlined in the Invitation to Tender (ItT) published 31 July 2009.

Details of original financial incentive approach

2. To minimise the risks for current participants, the majority of current financial incentives will be protected by guaranteed funding.
3. In principle it should not be necessary for public sector organisations to claim financial incentives to support the employment of disabled people.
4. Prime providers will **not** be required to continue the payment of existing financial incentives in the following circumstances in respect of participants placed in or employed by:
 - central Government Departments or their agencies;
 - a Local Authority (LA) and where the WORKSTEP provider currently paying an incentive is owned or managed by a LA; or
 - a supported business. (**NB** this does **not** affect the separate requirement that incoming providers will pay £4,800 to supported businesses for each full time place).

Feedback

5. Publication of this approach prompted several key stakeholders to raise concerns regarding the financial impact on LAs. Primarily they were apprehensive about the exclusion of LA incentives and the potential risk that this might have on an individuals' employment.

Details of revised financial incentive withdrawal period

6. DWP listened to recommendations that LAs needed more time to adjust and plan for the financial impact.
7. It also listened to recommendations that any exclusion should apply regardless of the source of payment.

8. The withdrawal is therefore phased over three years and applies to all incentives received by a LA. The table below shows how each financial incentive will be capped in each year.

Details of the phased approach:	
Year one	cap all LA financial incentives received at £4,800;
Year two	cap all LA financial incentives received at £1,000;
Year three	cap all LA financial incentives received at £600;
Year four	no DWP funding of LA incentives;
Year five	no DWP funding of LA incentives.

Summary of key differences

7. The initial approach withdrew guaranteed funding only from those financial incentives that were paid to a LA by its own WORKSTEP provider. The revised approach applies to all financial incentives received by LAs regardless of source.
8. The initial approach withdrew guaranteed funding from the start of Work Choice. The revised approach is phased over three years and with only a minority of incentives affected in the first year.

Summary of what has not changed

9. The protection extended to the majority of financial incentives has not changed.
10. The principle that, in general, public sector organisations should not receive public money to employ disabled people.
11. The two exclusions relating to civil servants and supported business financial incentives is unchanged. (The separate protection for supported business places is also unaffected).
12. Should you require any further information please contact:
specialist.disabilityprovision@dwp.gsi.gov.uk