



Northern Ireland
Assembly

Committee for Employment and Learning

OFFICIAL REPORT (Hansard)

Steps 2 Success: DEL Briefing

16 January 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Basil McCrea (Chairperson)
Mr Thomas Buchanan (Deputy Chairperson)
Mr Jim Allister
Mr Sydney Anderson
Mr Phil Flanagan
Mr Chris Lyttle
Mr Fra McCann
Mr George Robinson

Witnesses:

Mr Colum Boyle	Department for Employment and Learning
Mr Brendan McCann	Department for Employment and Learning
Mr Tony Montgomery	Department for Employment and Learning

The Chairperson: We have Colum Boyle, Brendan and Tony with us. Gentlemen, you are very welcome. You will be aware that we are very anxious to find out what is happening with the Steps 2 Success programme and the timescales; the Committee has been quite exercised about that.

Mr Colum Boyle (Department for Employment and Learning): Thank you very much for the invitation to give this update briefing to you on the Steps 2 Success consultation. I will take two minutes to run through the outline. The purpose of the briefing is to update you on the consultation process, as we have now assessed the outcomes. There was a very high level of interest in the consultation: we had 82 written responses. The update report sets out the broad consultation findings and a proposed way forward. We intend to recommend that proposed way forward to the Minister. No decisions have been taken by the Minister at this point.

The project team has gone through a very detailed process of assessment. We listened intently to feedback on the consultation, and we spoke directly to consultees and looked at the written material that came back. We retained a number of key elements of the high-level programme design, although we are recommending to the Minister a change to others based on the feedback that we have received. Our aim is to build on the positive elements of Steps to Work and to take on board programme design elements from elsewhere that look like a positive improvement.

We will bring a formal consultation outcome paper to the Committee. This is a final opportunity for the Committee before we go to the Minister to further influence the high-level design before we finalise recommendations to him. The paper is clear in what it sets out. Rather than my summarising it for you here, we are more than happy to spend time taking your questions about the detail.

The Chairperson: I have some questions, but I am happy to take members first.

Mr Flanagan: Thanks, gentlemen, for the presentation. Point e states that it will be divided into three contract delivery areas. That is the issue that has been raised most with me by current providers and those who may be interested in becoming providers, as you will understand. Of all those who responded to the consultation, was that the most contentious or discussed issue, or was it to do with delivery rather than how the contract has been broken down?

Mr Brendan McCann (Department for Employment and Learning): We analysed all the responses, and that was one on which opinion was very finely divided. We asked whether the respondents agreed with the Department's proposal that there should be one contract area. Roughly 35 agreed, 34 did not agree, and some responses were undecided. That made us revisit the number of contract areas. Some of the respondents made suggestions to us about what the option should be for carving up Northern Ireland. We looked at a range of options and decided that three was a commercially attractive proposition as it was aligned with our existing employment service structure. Organisationally, it made sense; it was an ideal way for us to proceed.

Mr C Boyle: A big concern that was raised when we were here previously was the extent to which one contract area would not provide a degree of local impact. We took that feedback on board. Going to three allows for a much more potent local focus. That would have been a factor.

You are looking at three providers going into a single contract area. Those three providers could be using, in many cases, the same subcontractors, so some subcontractors might have to work to different business delivery models, depending on which prime contractors they had hooked up with. That would make it difficult and cumbersome for the supply chain and for the subcontractors, so we were very taken with that and with trying to simplify it, reduce costs and make it as easy as possible for them to deliver.

Mr Flanagan: How many delivery areas are there at present?

Mr C Boyle: There are 10.

Mr Flanagan: What savings will the Department make in moving from 10 to three?

Mr C Boyle: There are two responses to that. We are not aiming to make savings. I want us to re-funnel the money that we are spending on Steps to Work back in to make sure that we do the right things for people who are unemployed. The thing to bear in mind is that Steps to Work does not deal fully with people who are on incapacity benefit (IB) or employment and support allowance (ESA). However, the new programme will, because clients will be more difficult to deal with and it will take more money to resource that. We will need to use any potential savings to recycle that and to help those clients.

Mr Flanagan: The last time I asked you that question, the answer was a reference to a business case.

Mr C Boyle: That is the second part of the response. A business case is being developed, and it will go through all the internal processes and through the Department of Finance and Personnel (DFP). When we get that cleared, we will bring it here.

Mr Flanagan: Has an assessment been made of the cost of having one, three or 10 contract areas?

Mr C Boyle: We have not assessed that from a savings point of view; we have assessed it more from an effectiveness perspective. I do not believe that having 10, one or three will have any major bearing on the cost to the Department. It will be more about the cost to the supply chain.

Mr Flanagan: Subcontracting will probably continue to happen. What is the Department doing to ensure that those who provide the service will be paid fairly and on time? That has been a huge issue with subcontracting in the public sector.

Mr B McCann: We recognise that it has been a huge issue,. As part of the consultation process, we said to potential providers that we were keen to introduce a code of conduct to cover those issues, and we asked whether people thought that a code of conduct was a good idea. Overwhelmingly,

people agreed that it was. A draft is established, and we are looking at other ways to enhance the arrangements between contractors and subcontractors by looking, for example, at perhaps introducing a British standard. We will set a standard for that and then make sure that our contract management arrangements are complied with. Mind you, the Department has to recognise that there are commercial arrangements between subcontractors and contractors that it cannot directly get involved in. However, it can set a framework within which the parties can operate.

Mr Flanagan: For construction projects, DFP has created what it calls a project bank into which the money goes and is then paid directly to a subcontractor when the work is completed. It does not go to the contractor to pay the subcontractor. Has the Department considered that for this case?

Mr B McCann: We are aware of that and will look at it, yes.

Mr Flanagan: What safeguards will be put in place to ensure that local community and voluntary organisations have a role to play in the delivery of the services and to ensure that they are tied into delivering them?

Mr C Boyle: We have done some capacity building or capability building — I do not know what the term is. We have run workshops with voluntary and community sector organisations to help them understand what is involved. We have continued to do that and have used Inclusion, which has helped us thus far and has done a great deal of work across the water with the voluntary and community sector to make sure that it understands what it means to work with a primary or lead contractor and how to safeguard itself when doing business. It is niche area of expertise, and we will make sure that we continue to support efforts by Inclusion to do that and to impact directly on that ourselves.

Mr Flanagan: It is very important that there is a local delivery option to get into rural and deprived communities and other hard-to-reach areas. I am very concerned that, with only three delivery areas, such areas will be neglected. What assurances can the Department give the Committee that those areas will not be neglected and that efforts will be made to work in those communities?

Mr C Boyle: We want to make sure that the providers organise themselves right across their region. Moving from one region to three gives them an opportunity to concentrate much more heavily on that region. We were asked exactly the same question about Northern Ireland as one region. For a provider to organise across the region and to link up with a very strong supply chain at local level, there is no way that three providers would be able to come in here and do that by themselves. We want them to build a sustainable supply chain, and it is up to them how they organise that, whether it is other private sector organisations or voluntary and community organisations. However, we need them to be close to the community. That is the only way that this will work. With regard to building that into our tender documentation and our expectations, those are the requirements that we will be assessing.

Mr Flanagan: I do not get it, Colum. You have just admitted that you know that the three contract delivery agents will not be able to get out on the ground and do it right. Why are we going to three organisations that you know will have to subcontract? You are merely taking the management of the scheme away from the Department for Employment and Learning (DEL) so that there is far less work for the Civil Service. It is, in effect, privatisation by another name. You are taking the work away from the Civil Service and putting it into the hands of some other organisation that can then cream a 15% or 20% profit, instead of putting all the money directly into delivering the contract and making a far better job of it. I still do not understand or agree with the notion of three different areas. It would be a far better option to look at harmonising this with the new council arrangements following the review of public administration. That would make far more sense, and it would provide a far better service. I think that you should reconsider that. You have just admitted that three people are not going to get it on the ground.

The Chairperson: OK, Phil. We have got the point. Let us give him a chance.

Mr C Boyle: It is not a question of three people; it is a question of three organisations. We are looking for a robust and mature supply chain, which will be sustainable in the longer term.

Steps to Work has 10 contract areas, and several of those prime contractors — those 10 contract areas — use supply chains. That is the only way that they can get right down on to the ground. One

of the reasons for stepping back from 10 to three is the fact that, over the past two years that I have been in this post, I have seen organisations struggle as lead contractors to provide the same level of service that we would expect. I wanted to create a larger landscape for organisations that can do it so that you get exactly the same level of service right across the Province and that is done in a competitive way against a standard that we can stand over.

When we watch performance constantly going down in one pocket of Northern Ireland, there is a period before we can intervene to deal with it. However, we have dealt with that underperformance. I expect to see the best organisations coming through and getting the contracts — organisations that have a clear business model, that understand what it is to get people into work and deal with barriers to employment, and that understand how to organise themselves and get in at community roots and deal with that.

If you are asking whether we are pushing work away from us as civil servants — absolutely not. The reverse is the case. We will end up taking on more. With the code of conduct, we have a great deal to monitor and to police and a great deal of performance management to do. The stakes are higher for the Department because if one of the 10 goes down, we have nine others that are doing OK. However, if one of the three goes down, it is a big issue for us. Before an organisation goes down, we need to make sure that it pulls out all the stops. We step in early and make sure that the monitoring is good enough, that the challenge is good enough and that their business model is good enough. The truth is to try to get the best performance consistently across the North, and that is what we are at.

Mr Flanagan: Chair, I came into the question at the end. I need to read the Hansard report on the Titanic presentation because there was a very short question on that.

The Chairperson: I am more than happy to bring people back in, but, before you go off, this might be useful for you, Tom. Excuse me for a minute, as I want to follow up on that. I had written down something before Mr Flanagan came in. The Department has not really made the argument about why reducing the number of contract areas is a good thing. However, I am not saying that you cannot, at your suggestion. I have already fed back to colleagues here that I met Pertemps yesterday, and the information that came across was quite illuminating. However, I think, Colum, that you are going to have to make the argument to explain why.

I am interested in discussing this point. What is the typical margin that the lead contractors, such as Serco or Pertemps, would take for organising the supply chain? What figure would they take out of the contract?

Mr C Boyle: We have talked to some of them.

The Chairperson: I am not asking for an exact figure, just a percentage or range. What might that be? That will be of interest to Mr Flanagan.

Mr C Boyle: We know that one of the large organisations from GB that you mentioned takes 6%. However, it also has costs that are associated with establishing the infrastructure and putting the IT system in place. So, it is not just a case of getting 6% for nothing; it has to bring its own IT, management and information systems, as well as its own staff, who will monitor and manage the subcontractors. That means that it makes an investment as well.

The Chairperson: OK. I know that you are making the argument here, but Fra is asking about that 6%. When they did this in the United Kingdom, they let contracts worth about £30 billion, with a projected income of £300 million for those contractors, of which, I think, there were 18. *[Interruption.]* Are you listening to that, Fra? It was £30 billion, and 18 made £300 million. When those figures came out, some people said that it depended on the business model. I do not think that you have explained to the Committee yet that some organisations — I do not know that many — such as Serco are just supply chain managers and that others are providers as well as supply chain managers.

Mr B McCann: Direct deliverers.

The Chairperson: I think that you need to explain that to the Committee, and depending on the business model and what they did, that figure may be as high as 15% to 20%. The Committee will rightly ask whether the Department can make the argument to us that this is money well spent, as opposed to doing what Phil suggested.

I suspect that the answer that you will come back with is what you were about to say, which is that there are computer systems, skills and other things that, you think, add value. You must make that argument to the Committee. We have not had it yet. You may not wish to do it now; you may wish to come back.

Mr B McCann: Yes; I think that that is for a subsequent paper or occasion. Really, what we want to outline today is the direction of travel that we are taking with our high-level proposals. We probably still need to apprise you of a lot of the details, but we will do that in due course, perhaps once we agree what the framework should be.

The Chairperson: We will come back to that. I want to bring other members in. Phil, you are more than welcome to get the Hansard transcript and come back. We will deal with the issue properly when we come back to the substantive bit, and people will be able to exchange views then. You can come back in, Phil.

Mr Flanagan: The previous time that we discussed this, there was an indication that there may be some flexibility with Treasury, given that the scheme was successful and that more people were coming off benefits. There was also an indication that the Executive would get a return on that funding. Has there been any progress on that?

Mr C Boyle: We have looked at the annually managed expenditure (AME)/DEL switch and its complexity. There are two issues. First, it is very complex to engineer. Secondly, there is an issue with trying to put it in place. You talked about the level of spend in GB being in the billions. The level of spend on a programme such as this in Northern Ireland would be about £40 million per annum. So, the amount of higher level performance coming from an AME/DEL switch would be a very small amount of money. Therefore, we are concerned about whether that would be nugatory effort.

The Chairperson: I want to move on, but, first, I put it on the record that additional skills-based funding came into the UK for some contractors and that they changed the profitability. I have no doubt that members will come back on that. The AME switch may not be the issue, but the additional funding coming in may well be.

Mr B McCann: That is a very complex area in its own right. The skills funding for the work programme came in through a separate channel.

The Chairperson: Absolutely. I have no doubt that members will want to come back on that. However, I want to get on and give other people a chance.

Mr Flanagan: I want to put something on the record; it does not need a response. This scheme will cost in the region of £40 million. If 6% of that is taken out by contractors who are then subcontracting, that totals about £2.5 million.

The Chairperson: That is correct. We have agreed that we need to establish value for money. People will come back, the Department can make an argument, and you can make up your own mind.

Mr Flanagan: Very good.

The Chairperson: We will come back to that point. Just for the record, 6% is at the low end, and I said to you that I think that you might be looking at 15%. However, if it provides value for money, is the right thing and people make that argument, that is fine. People have to be convinced, which is how the Committee provides scrutiny.

Moving on, I apologise to the Deputy Chair for keeping him waiting. You are more than welcome, Tom.

Mr Buchanan: I want to follow on with the same issue. It has caused a lot of concern that the scheme was divided into three contracts and went outside Northern Ireland. One of the big concerns is protection for those in the rural areas. A number of questions have been asked about that.

Did you look at putting some sort of safety measure in place to protect the ongoing delivery of Steps 2 Success should some of the lead contractors default? It is not beyond possibility that the lead

contractors will default at some stage, because it is a four-year contract. You would then be left with the subcontractors. Do you have some safety measures in place to combat that situation should it arise?

Mr C Boyle: We are working on a contingency model for that at the moment. We have a contingency for Steps to Work, and if any of the contractors in any region go down, our front line would typically cover that. We will do the procurement for the new programme in two stages. So, we will have a number of organisations with the capability to deliver, and we will then go to the second stage and appoint those that are most successful. We would like to have a call-off list, so that if an organisation were to go down, we could call the body that was the next most successful on the basis of its scoring in the procurement. From a procurement angle, we are very keen to see whether that is legally possible, and we are working with colleagues in the Central Procurement Directorate (CPD) on that. Their initial advice has been that that would be OK for a relatively short period but that we need something for the longer term. Given the magnitude of the programme, I think that all that our front line could do over and above what they currently do would be finger in the dyke stuff. So, I think that it would be very difficult, and we need to work our way through the detailed contingency.

Mr Buchanan: Fair enough.

Mr F McCann: Phil and you asked one of the questions that I was going to ask about the top-slicing by the private contractors. I am a bit confused. What exactly will the prime contractors provide? At the end of the day, most of the administration will be supplied by the subcontractors.

The Chairperson: Let us hear that answer. Although we are going to come back to this in a more substantive way, it is a good —

Mr F McCann: The other question is —

The Chairperson: Will you hold your other question? Deal with that one. You still have the Floor. The question is about what the prime contractors will do for their money.

Mr Tony Montgomery (Department for Employment and Learning): There are a number of different options. The one that we have talked about so far is where the prime contractor is a managing agent. They administer or run the programme in a defined region, have subcontractors and manage those subcontractors so that they deliver across that region.

Other options are closer to what we have at the minute, where, for example, the lead contractor would maybe deliver between 20% and 100% of the programme itself. It would be a delivery organisation, in which case they would obviously either take on board or share the administration costs. So, there are a range of different models. When we procure the programme, we will be asking for assurances that they will deliver across a region and that they will meet the needs of specialist groups. They will be marked on how the quality of that meets our set standards. In a way, there is —

The Chairperson: That is the process. However, Tony, you might explain the complexity of drawing down funding, given that you have different issues to be funded. It is quite complex for people to understand what specific things are needed for individuals. So, you could say that you need an overarching computer programme and administration. Something along those lines might be useful for the Committee.

Mr B McCann: Yes. They would also need to ensure that they draw down the attachment fee. There will be different fees for different groups, depending on their barriers. For example, our proposals so far mean that those who need more help and assistance and who fall into the early entry scheme will attract a higher attachment fee than those who are straight jobseeker's allowance claimants. They will need to make sure that people are categorised correctly and that they draw down the correct attachment fee. They will also need to monitor their performance, the length of time that they are on the programme, what is happening to them and how they are progressing with moving into employment. When they find a job, they will need to continue to work with those involved to ensure that the payments that are due for sustainable job outcomes are claimed at the appropriate time. So, the administration can be quite complex. If it is not complex and not on time, the organisations that provide the service will run into financial difficulties. They need quite sophisticated and robust financial systems to make this work for themselves.

The Chairperson: They also need to be able to find jobs. They may have to go out and get jobs for the people in addition to the other services that they will provide.

Mr B McCann: Some of the prime contractors in GB have been doing that. They have been working with large employers in particular to identify how they can meet skills gaps and use the programme to train people so that they are job ready for employers. That has been done quite successfully in some of the contract areas.

The Chairperson: There is no point giving people training for skills or whatever and not having employment.

Mr B McCann: Absolutely.

The Chairperson: We would like to see people finding employment.

Would there also be assets that meant that people might have to explain why, in reality, they are better off off benefits and in work? Will there be tools or things that they might share with us?

Mr B McCann: Yes. Indeed, our front line uses the off-benefit calculation in the first instance. Those on that front line have a tool through which they explain to people how going into work can be more financially rewarding. We understand that the prime contractors have a model that has been based on that. Again, investment in that is required. The continual upskilling of their own staff is also required to ensure that vacancies are identified and that people are properly trained to meet employers' needs. So, a raft of issues needs to be addressed.

The Chairperson: Those are some of the issues that we need to look out. We wanted to draw that out. Fra is making a point, and we want to come back and talk about those issues. I just wanted to get some of your thinking on that.

Mr F McCann: Is the model for appointing prime contractors unique to here or is it based on models that are used in other jurisdictions?

Mr B McCann: It has been used widely throughout the world. In fact, Steps to Work has a prime-type model. OK, there are 10 lead contractors, but it is a lead contractor model for a subcontracting chain. It has worked very successfully.

Mr F McCann: Have there been occasions when it has not worked?

Mr B McCann: We have had examples in Northern Ireland where it has not worked, and we have removed the provider because of poor performance. So, there are risks.

Mr F McCann: We are trying to find out information that allows us, as a Committee, to buy in to what you are doing. You are doing the task that you have been set, which is to deliver this, but it seems that most of the work that you have outlined will be done not by a prime contractor but by subcontractors.

Mr B McCann: No. The prime will have to deliver the process for it to be effective. Otherwise, the whole chain will go down. The prime has to play a part. If it takes a hands-off approach, that risk will be transferred to the subcontractors. To make this model work, it really has to be in the driving seat, and the business model is absolutely fundamental to that.

Mr F McCann: You said that there will be an administration fee from the prime contractor, but I take it that there will be such a fee from the subcontractors. I know that, in construction, there used be a concern that a main contractor would top-slice 15% and pass that on to a subcontractor, who would take off another 8%. By the time that it got down, there was little to impact. That is point that Phil and the Chair made. Over time, there have been concerns that that is how the administration of these things works.

Mr C Boyle: When we come back with the detail on this, it might be helpful if we set out the current arrangements that we know exist in Steps to Work.

The Chairperson: There is a very genuine issue here, and I think that if you were to address it and explain it to people, there might be more of a meeting of minds. I am not putting words in people's mouths, but I think that that should be done.

Mr F McCann: The crucial element to this is the evaluation at different periods. I know that, in other programmes, although the figures may have said that they had an impact on employment, they made little impact in hard-to-reach areas. So, it is about how you evaluate the worth of whatever programme is involved. Does the Department, rather than the prime contractor or the subcontractor, have built-in evaluations to ensure that the programme is doing its job?

Mr B McCann: Absolutely, and we are very keen to make sure that that monitoring is as rigorous as possible.

Mr C Boyle: We are looking in particular for a range of submeasures. For example, we look at clients who are on ESA or IB, and where they are deemed to be hardest hit, we want to ensure that they are not forgotten about in this programme but that there are specific targets for those clients so that they can be moved towards and into work and kept there. We have looked at this before for Work Connect, which is the programme that we have used for people with a disability. Typically, we have also done that for Skills Needs in Britain clients, which Tony was heavily involved in the procurement of. We run that throughout the regions, and a consortium of organisations has come through it. Thus far, it has been run very successfully.

The Chairperson: I know that you are under pressure for time and that you are doing a lot of things with this but you really need to address the very legitimate concerns that exist. Fra brought up a point about what might be called "parking" individuals who are more difficult to deal with. Other jurisdictions have had to deal with that by bringing in additional funding from different areas. I just think that that is an issue that needs to be addressed. I will suggest to the Committee that we take more time in a non-Committee environment so that we can sit and look at these issues in detail.

Mr C Boyle: That would be helpful.

The Chairperson: We cannot just do it in the time that we have here.

Mr F McCann: This is just a small point, but I take it that the statistical information that we got about the number of vacancies that exist and the level of training that is required for skilling up fits in with a lot of this.

Mr C Boyle: In the front line of the employment service, we expect programme providers to be right on top of employers saying that if they have vacancies, we will do whatever we can to fill them. If there are skills shortages, the skills people in other parts of the Department will be working with the sector skills councils to ask, at a sectoral level, what they need to do to train those folk up. So, it is not just down to the employment service; there is also a skills division, which is very central to the things that you were asking Dave about. It will deal with this at sectoral level. We also do likewise, and we also carry out pre-employment training. You asked about people in the hospitality sector not being trained up. We have had lots of people put into the likes of Premier Inn. We have done training, found interviews for those clients and got them into work.

The Chairperson: I want to come back in on that point when we have finished this. The Deputy Chair and others raised it, and I see that there is an overlap, which is why I suggested that we leave it. We need to find a way of scheduling some proper engagement with time. You do not have to give me an answer now, but the Committee needs to know more about how things work without interfering in your procurement process. So, you might think about how we might engage with people without interfering in your process. Do you know what I am saying?

Mr C Boyle: Yes, I understand exactly what you are saying. I think that if there were a genuine understanding of the work and operation of Steps to Work and if we were to show you some of the things that we have had to deal with, you would understand why we are going where we are going. As to our trying to follow someone else's approach, and the idea that we just want to be sure that we pull in fat cats and lighten the load on the employment service, that is furthest from our minds. It has nothing to do with this.

The Chairperson: OK, but it is legitimate comment. If you could put your mind to that and talk to the Committee Clerk about how we can do it, it may be that the Committee will wish to visit someone who can see it. However, I realise that you have a procurement process and that we will need to work out how we can do it. In any case, we will need to come back, review the Hansard report, and address the points that have been brought up. OK? Are you finished, Fra? Can I move on?

Mr F McCann: Yes.

The Chairperson: You could come back in. I just want to move on.

Mr Allister: What about this idea of moving to three contract delivery areas? Will there be any restriction on the prime contractors? Might they be restricted to only one area, or could we end up with the same prime contractor in all three areas?

Mr C Boyle: We are scrutinising this at the moment. We have been talking to our colleagues in the Central Procurement Directorate. We would be very concerned about a monopoly situation arising.

Mr Allister: How would you prevent it?

Mr C Boyle: We would have to make sure that we put a barrier in place.

Mr Allister: Can you do that legally?

Mr C Boyle: We are waiting on legal advice at the moment. We are hoping that it will be the case. If not, we will have to revisit this issue to see what other ways there are to get round it.

Mr Allister: Would that not be the question to answer first, before you decide whether there is a multiplicity of areas?

Mr C Boyle: We have been asking that question, and it has been on the table for a number of weeks. We just cannot get an answer coughed out in a few minutes, so we are relying on our CPD colleagues to give us that.

Mr Allister: When do you expect to know the answer?

Mr C Boyle: I would like to think that we will know the answer to that question in the next two or three weeks.

Mr Allister: Have you knowledge of where it has been done elsewhere in procurement?

Mr C Boyle: I have seen it done elsewhere, but that was a few years back. The legislation has probably moved on somewhat since then.

Mr Allister: Do you agree that it would make a bit of nonsense out of having a multiplicity of areas if they are presided over by the same private contractor?

Mr C Boyle: I would not say that it would make a nonsense of it, but it would make life very difficult should that one provider fall over. We have a situation in Work Connect in which one consortium won the three regions. It is working extremely successfully, but probably one of the reasons for that is that it is a consortium. I would not say that this would make a nonsense of it, but we would have strong concerns about it. If we can avoid the situation, we will do so. It is a difficult one.

Mr Allister: If you cannot avoid it, what are the consequences for the division?

Mr B McCann: Obviously, we would look at trying to manage the associated risks. If we are prevented legally from restricting two out of the three contract areas and we are faced with a result that means that one company gets three areas, we would have to try to manage the associated risks by looking very closely at performance on an ongoing basis, making sure that the contract is being delivered as required, and proving that the finances are sufficiently robust so that —

The Chairperson: Can I just interrupt you there? We know the point. The clear bit is that one contractor is a risk.

Mr B McCann: Absolutely.

The Chairperson: However, we understand that, legally, when you let a contract, whoever submits the best bid will win. There is a legal issue that needs to be resolved. The Committee would like to see this coming back as soon as possible, and we will deal with the matter then. You said it would be two to three weeks. We will not bother going through the Department of Finance and Personnel to ask for this, but we will put it on the record that the Committee would like to see the information as soon as possible, and you might mention that to your colleagues in CPD. It is a matter of the utmost urgency.

Mr Allister: Did I discern from what you said, Mr McCann, that the legal advice that you are seeking is on whether you can restrict prime contractors to two of the three areas, or are you seeking to know whether you can restrict them to one area?

Mr B McCann: The question we are asking is whether we can restrict.

The Chairperson: Yes. *[Inaudible.]* That is the right answer.

Mr Allister: What is the division of the three areas?

Mr B McCann: We are still working that through.

Mr Allister: What do you anticipate it as being?

Mr B McCann: Probably our starting point for this is Belfast. We looked at a couple of different permutations for Belfast. Then there will be a northern region and a southern region. It is similar to the way in which the employment service is organised. That was the starting point that we looked at, among a range of options. We still have not finalised what would work best.

Mr Allister: Are you plucking out the figure "three" because you like it and are then going to work a division that suits it, or are you saying, "Here is a natural division and, in fact, the different parts count up to four"?

Mr C Boyle: We are not just plucking out the figure "three". We have looked at a range of different figures and we have assessed the pros and cons of each of them at project level. For us, having three was solid from the point of view that if one were to fall over, you would still have the other two.

Mr Allister: It must have a geographical affinity and capacity.

Mr C Boyle: Yes, as far as possible, we are trying to get a broadly similar sized client base across the three regions. We have been trying to work our way through that.

Mr B McCann: We are taking our existing employment areas as our starting points and are then looking to see whether they are as commercially attractive and fair. We are looking then at how we might make tweaks to ensure that the contract areas are broadly comparable.

The Chairperson: You will certainly have a difference between the rural areas and Belfast.

Mr B McCann: Yes.

Mr C Boyle: And the north-west.

The Chairperson: And potentially Londonderry.

Mr Allister: The north-west one is going to be in a rural area.

The Chairperson: It is a question of balance. If you look at areas of deprivation, there is definitely Belfast and Londonderry, and then there are specific issues of density in the rural area. The issue is

whether you actually get a balanced contract when you divide it up like that. That is what they will look at and come back on.

Mr B McCann: Yes, and we would be very happy to share that.

The Chairperson: The Committee would be interested if you would share that.

Mr Anderson: It is interesting that there was talk of where the figure "three" came from, because that is what I was coming in on. At the start, you talked about the responses to the consultations being roughly 30%, 30% and 30%. I hope that the figure "three" did not come from that.

Mr B McCann: No, absolutely not.

Mr Anderson: As Jim said, we need to look at density, as well as deprivation, need and whatever goes with it, in rural areas. Hopefully, the figure for the division will be chosen because of all those particular issues.

Another issue you mentioned, Colum, was the possibility of one of the three contractors going down. You talked about trying to replace that one somewhere along the line if it were legally possible to do so. Maybe you could have a contractor sitting in reserve. On a four-year contract, how long could that happen for? How close could you get to the end of a contract in that situation? Is that legally possible? What happens if it is not?

Mr C Boyle: If it is not legally possible, the onus will be on us to procure a replacement as quickly as possible. For instance, the last one we did was in the north-west, when we did the Foyle area. We did it very quickly and had downtime of about two-and-a-half or three months, from memory. When you are looking at a single contract area, you really can focus on it. So, I was very pleased by how quickly we got together with our procurement colleagues, got the specification set out and got it let.

We know that we can respond very quickly in the situation when that has to happen. It becomes a really high priority for the programme to be able to do that, so you pull in resources from anywhere in the programme to make sure that you do it. The answer to the question is that when we have to procure, we can do so very quickly, particularly where it involves the replacement of one contractor.

Mr Anderson: Would you be watching for indications that something like this might happen so that you can move and say, "We now need the contractor that is sitting in reserve to take over"?

Mr C Boyle: You can see the early warnings and the signals coming through.

Mr Anderson: That is really important because, at the end of the day, the clients are of prime importance. That has to be taken on board in order to deliver.

The Chairperson: You say in your submission:

"The focus of the programme is now to help all of the unemployed rather than the hardest to help which dominated the original objectives."

Why has there been a change in your objectives?

Mr C Boyle: We just wanted just to ensure that potential bidders, and everybody who responds, understand that if you are dealing with the hardest to help and if this becomes a programme that is just for those who are furthest removed from work, then it will fail all the people who need our help and the help of this programme in the midst of an economic downturn. There are different categories of people who are unemployed.

The Chairperson: I ask that when we have our next meeting, we address that issue and the parking issue.

I know that this is complicated, but there is also an issue about financing and whether additional funds are coming in, as was suggested, to help the harder-to-help people. That is also an issue that the Committee will want to look at.

The entry point for jobseeker's allowance is nine months for clients aged between 18 and 24, and it is 12 months for older clients. There was some discussion about the possibility of people getting in a bit earlier if they wanted to go on to it voluntarily. Where are you on that?

Mr C Boyle: There is no voluntary access.

The Chairperson: Why is that? If it is such a good programme, why are you insisting that young people have to be unemployed for nine months before we help them?

Mr C Boyle: It is because they can avail themselves of the youth employment scheme before then. Also, prior to this, the entry point for over-25s was 18 months. We pulled that back to 12 months. We want to have a front line intervention that can work with all the unemployed to best effect. There is a dead-weight issue here if we are giving attachment fees to providers to work with clients who are coming on voluntarily. We believe that many of those voluntary clients would find work with or without our input.

The Chairperson: So, there is a suggestion that the Department might be trying to cherry-pick the easy clients and deal with people who can get jobs in the first place. You need to make the argument to the Committee about the dead weight and why you have those cut-off points. Elected representatives here will not take kindly to people having to wait too long before getting on to what, I hope, will be a good scheme. That point has to be made.

We have dealt with the lead contractor issue, and you are going to come back to us on that. You need to give us sight of what that code of contract for lead contractors and subcontractors might look like.

Mr B McCann: We are very happy to share the draft, with the health warning that it is an early draft.

The Chairperson: We understand that. The Committee will have a view on it. That is probably enough on that.

The Deputy Chairperson and others raised the issue of skill shortages and how you might be brought in on that. Would you like to address that? It relates to the point that Tom raised.

Mr C Boyle: My policy responsibility is for employment, so it is for getting people into employment. I do not work directly with employers in looking at the skills levels of the workforce. My job is to make sure that, from our front line work and what we are doing by way of our programme providers, we have people who are employable. It is not necessarily about ensuring that they can walk into a job with all the necessary skills from day one. I get clients at the age of 18, so I am relying on what happens to them in further education colleges between the ages of 16 and 18. I am relying on Training for Success and other departmental interventions having worked.

Employers come to us if there are specific issues. I work with them from the point of view of trying to help them to recruit. Employers who come to us use the Employers Online and Jobcentre Online websites to advertise their vacancies. We work with them in a number of ways. If they simply want to advertise their vacancies, that is fine. Our experience is very different to what that survey found. Our experience is that employers who advertise their vacancies are being inundated with responses from people. Many of those people might not have the right skills, but employers are still being inundated.

As regards trying to get clients fitted up for those jobs as best they can, it is one thing ensuring that the client has the right attitude, the right essential skills and the right employability skills. It is another thing ensuring that they have the ability to do all the technical things that are required.

Large numbers of people have been made redundant, and there should be a very good opportunity to re-funnel those people into similar posts. We have tried to do that with the likes of FG Wilson. Our staff worked with their ex-employees. FG Wilson also brought in specialists to work with its ex-staff to try to get them placed in other companies. Our Minister has met sector organisations and some of the employers to make sure that that sort of thing happens. So, it is happening. The question is whether those interventions are coming early enough, between the ages of 16 and 18, and whether the product that people leave school with is good enough. Those are key factors as well.

As regards the time that we —

The Chairperson: Hold on a second, Colum. I am getting exhausted just listening to you.

Mr Buchanan: I am happy with what was said. Obviously, there is an issue when your experience on the ground is completely different to what the survey says. If the two do not tally, there is something wrong.

Mr C Boyle: I had not seen the survey until today. I got a look at it only when I was sitting at the back of this room. We know that specific employers have skills shortages — there is no question about that, and they made no bones about it. However, I am absolutely astonished to hear that about some of the wider stuff that we are involved in such as retail, hospitality and public administration. We have graduates in public administration coming out of our ears, so I do not understand that. That does not compute with me. I am just being frank with you on that.

The Chairperson: That is fair enough, but that is the point that colleagues were raising. David is still here, and I am grateful for the fact that he has brought this information to us for us to ask the questions. This is what the Committee wanted to do. Mr Robinson and Mr Anderson also said that we need to see follow up on it. Perhaps you will review the Hansard reports of this session and the earlier session and address the apparent mystery of the skills shortages. Would that be possible?

Mr C Boyle: I honestly think that it would be helpful. I sat and listened to the debate, but the people who are missing are the skills folk. They need to be part of the discussion with you.

The Chairperson: It also fits with what you said about Steps 2 Success. If you are trying to find work for people, you need to be able to say, "Here are the skills shortages." That is why I am more than happy to support what Fra raised about his constituency and what Phil raised about Fermanagh. We need to get people locked into the idea of: here are the jobs. Colum, will you look at this with your team and tell us who are the right people with whom to have a proper discussion about this issue? Is that OK, gentlemen?

Mr C Boyle: We can do that.

Mr McCann: Chair —

The Chairperson: I will come to you, Fra, but Mr Hilditch was raising specific issues about FG Wilson. David, you might want to ask how things are going on that given the situation that we are in.

Mr Hilditch: I understand what Colum said about what was provided for x number of employees. However, hundreds of them were agency staff and were not allowed to avail themselves of the expertise that was brought into the FG Wilson factory.

Mr Lyttle: Is that true? Is that definitely the case?

Mr Hilditch: Yes, the Minister answered my tabled question wrongly in the Chamber.

The Chairperson: Could you bring that back as a matter of urgency, gentlemen?

Mr Hilditch: I must say that he came back and apologised.

The Chairperson: The Department will come back to us on that, David. Is that OK? We are looking at the skills set, and it would be useful if the issue that has been raised could be dealt with.

Mr F McCann: I want to go back to a point that Colum and his colleagues made previously. When information such as this becomes available, is it sent to all Departments and to different parts of Departments to allow people to look at where there may be difficulties? Every Department has statistical branches that provide good information, usually on a quarterly basis, that points up problems and difficulties. Is there somebody in the Department who will read this and say, "I need to set up a meeting between the statistical branches and that part of the Department"?

The Chairperson: There is another submission to come in today. Fra, your point is in line with the team's surprise at the information. Gentlemen, will you take the issue in the round? It is about not just

the specific issues but the appropriate channels of communication and who picks it up. If you could deal with that, we will come back to the issue. Is that satisfactory, Fra?

Mr F McCann: Yes.

The Chairperson: So, you will come back to us on the points about how we can get to the bottom of this. Thank you very much for your submission, gentlemen.