



Northern Ireland  
Assembly

Committee for Employment and Learning

# OFFICIAL REPORT (Hansard)

Contracting of Steps 2 Success:  
Department for Employment and Learning  
Briefing

9 July 2014

# NORTHERN IRELAND ASSEMBLY

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Contracting of Steps 2 Success: Department for Employment and Learning Briefing

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**Members present for all or part of the proceedings:**

Mr Robin Swann (Chairperson)  
Mr Sammy Douglas  
Mr David Hilditch  
Mr Chris Lyttle  
Mr Fra McCann  
Ms Bronwyn McGahan  
Mr Pat Ramsey  
Mr Alastair Ross

**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
Ms Sharon Smyth	Department of Finance and Personnel

**The Chairperson:** I welcome Colum Boyle, the director of employment services; Brendan McCann, the head of the new employment team; Mr Tony Montgomery of the new employment team; and Sharon Smyth from Central Procurement Directorate (CPD). Good morning, folks. You are very welcome. Colum, we received your PowerPoint presentation minutes ago, so we have it in front of us. We have not had time to go through it, but I am sure that you will talk us through it.

**Mr Colum Boyle (Department for Employment and Learning):** We will walk you through that, yes.

**The Chairperson:** OK. Over to you, Colum.

**Mr C Boyle:** I thank the Committee for arranging this additional meeting for us to brief members on the outcome of the Steps 2 Success procurement stage 2. My apologies that you have received your packs just prior to the meeting; that is not the normal form for us in terms of our standard briefings. However, given the confidentiality of the procurement process, letters were still issuing this morning to all the participants. Those who participated in stage 1 needed to get formal letters of outcome about stage 2. Those letters went out only this morning. The Department will communicate the outcome on its website, probably pretty much as we speak — at some point later this morning or in the early afternoon.

We believe that the assessment has yielded an outcome that will provide a quality service in each of the three contract areas across Northern Ireland. It will offer value for money, a sound delivery of services to the unemployed and to employers and an improvement on the delivery and the consistency of delivery of performance that we have availed ourselves of in terms of Steps to Work.

I will pass across in a second to Sharon and then Brendan once I have covered the objectives of the presentation. Sharon will walk you through the first few slides on the procurement process. Brendan will talk you through the outcomes and give you a feel for the proposed supply chains and some of the unique features of the successful bids. Our objectives this morning are to set out for you the successful organisations and the supply chains in each of the three contract package areas. We want to describe some of the key features, characteristics and delivery models that those organisations will use. At the very end, I will touch on our next steps in moving to implementation, because we are now moving to a transition mode from Steps to Work to Steps 2 Success. I will hand across to Sharon, and she will switch over to Brendan as we walk through the slides.

**Ms Sharon Smyth (Department of Finance and Personnel):** Thank you for the invitation to present. I am Sharon Smyth, the divisional director of Central Procurement Directorate. My role here is really as the head of procurement for DEL. I have responsibility for non-construction supplies and services. Central Procurement Directorate was responsible for facilitating the procurement process for Steps 2 Success on behalf of DEL. The procurement process for the training programme had two stages and was under our control and guidance throughout. We were involved with the Department at the very early stages. It was a very good, controlled procurement process.

The process met all the legislative and policy requirements. Training programmes fall under the Public Contracts Regulations 2006 and are classified as Part B services. That means that, whilst they are not subject to the full rigour of the regulations, they are still bound by the treaty principles. The value of the contract deemed it to be of cross-border interest, and therefore the treaty principles of non-discrimination, openness, transparency and proportionality applied throughout, from the very early stages through to the award of contract. Obviously, the policy requirements with all the central procurement guidance notes were also adhered to.

Stage 1 was what we call a questionnaire, in which tenderers were required to give answers to pre-stated questions. All tenderers were asked the same questions about financial standing, technical capacity and capability. That really looked at what the organisations were capable of doing. Eighteen tenderers submitted responses to the questionnaire. The competition was divided into three contract lots, so tenderers had an opportunity to bid for all the lots or individual lots, depending on what region they were particularly interested in. I will come to how we decided on the lots later in the presentation.

From the 18 tenderers that submitted questionnaires, six were selected for each lot. The six successful tenderers were notified. The unsuccessful tenderers at that stage were also notified, and, in the notification, they were given information on how their questionnaire and the questionnaires of those taken through to the next stage were evaluated. So, they had sufficient information to see why they did not get through as one of the six top tenderers.

Stage 2 of the evaluation process involved the six highest-scoring tenderers being invited to tender. They responded to predetermined criteria based on a specification drafted by the Department through the eSourcing NI system. The process runs very much through all the controls and mechanisms. All the messages are very much controlled, clarification questions are responded to and there are set times for responding to clarifications before a tender competition concludes. Everyone was invited to tender, and it was up to the tenderers to submit their tenders in response to that.

The evaluation of bids at stage 2 was carried by five senior staff in the Department for Employment and Learning, and the resource from CPD facilitated the result. The tender evaluation was carried out online so that it was fully auditable. Each panel member scored individually before they met in a consensus meeting to come to an agreed score. The agreed score was the winning highest tender for each lot.

When we designed the tender, it was clear that we did not want one tenderer to cover more than one lot. We felt that it was important to have an equal share. There were mechanisms in place had one tender scored highest in each lot. The evaluation concluded that we did not need to make a determination on that, but a methodology was set to conclude which tenderer got which lot because we were mindful that we wanted to make sure that there was continuity of supply and that there was a chance for more than one supplier to get all the lots. As the evaluation concluded, that determination did not need to be made.

Stage 2 has concluded. Before we concluded it, we went into a voluntary standstill position. As I mentioned, Part B services are not covered by the full rigour of the regulations, which require that, before you award a contract, you put your intention of award to the contractors and allow them 10 days to challenge that decision. The regulations do not require you to do that for Part B services, but,

given the scale and size of the contract, we put a 10-day voluntary standstill in place to allow tenderers to digest the information that was reiterated to them and challenge the decision. Those 10 days concluded on 7 July, and, on 8 July, we awarded the contract without any challenges having been received.

I have already gone through the procurement process. The bids were evaluated separately. Bidding organisations also had an opportunity to offer discounting on the range of services required. That was only for output-related elements. They were evaluated, as stated in the tender documents. The quality was the major determinant of the outcome; it was the quality of the bids in addition to the cost of the service delivery. The quality/cost split was 60% quality and 40% cost. The qualitative criteria were split into subcriteria. Each of the tenders received what the subcriteria would be and what weighting was attributed to each of the subcriteria, and they responded accordingly. The weightings were provided, and they responded. They were scored from zero to five on the basis of how they responded to each of those criteria, which concluded in the winning three suppliers for the contract areas.

I will now hand over to Brendan to talk about the outcome.

**Mr Brendan McCann (Department for Employment and Learning):** Following that process, the outcomes were as follows. For contract area 1, which is greater Belfast, Ingeus UK was the successful supplier. For contract lot 2, which is the north and north-west, it was EOS Works. For contract area 3, which is the south and south-west, it was Reed in Partnership.

I will look at each of the contractors in a little more detail. Ingeus, the contractor for lot 1, which is Belfast, will deliver up to 40% of the service directly, and 60% will be done through its supply chain. The supply chain members proposed in its bid are Ingeus, People 1st, Springvale Learning and Armstrong Learning. In your handouts, there is a list of the end-to-end contractors and the specialist providers for each of the contractors. That gives you a flavour of the local involvement. As we work through it, the sheet will provide the detail of the local involvement and the end-to-end suppliers.

In terms of contract lot 2, EOS proposes to deliver up to 42%, with 58% being delivered by its supply chain. Its supply chain members are Network Personnel, Customized Training Services, Elle Enterprises, Roe Valley Community Education Forum, North City Business Centre, Roe Valley Enterprises Limited and Ulster Supported Employment Ltd (USEL). Again, the list of specialist providers is in your pack. In contract area 3, Reed in Partnership has a supply chain of Network Recruitment, Global Education, Rutledge Recruitment & Training, Omagh District Training Consortium and South Eastern Regional College. It proposes to deliver between 35% and 40% directly, with the rest being directly delivered by its supply chain. Again, it has a long list of specialist providers it can draw on. Details are in your pack.

Moving to the key design features of the service offered by each of the contractors, I will give you a few key points that stood out as part of the bid. Ingeus is building on a physical presence at Belfast Metropolitan College and proposes to use the sites at Belfast Metropolitan College for the delivery of its services. To meet the needs of its clients, it has a detailed diagnostic process that will look at each individual's needs to determine what their employability barriers are and seek to address those through a progress-to-employment plan. It has a strong employer focus, building on the existing relationships that have been developed by its supply chain managements and its marketing expertise. There is a focus on providing help to those who are hardest to help, with a specialist professional service in-house to support the in-house staff. There is continuous support for job-seeking so that individuals are supported throughout their journey with Ingeus, from the initial assessment to job entry and into the early days of employment. Ingeus has a strong local supply chain that it assessed and selected as part of a competitive process. In building its supply chain, it went through a mini competition to set that supply chain up. It picked what it thought was the strongest and best fit with its delivery model.

For EOS, the key design feature was flexible personalised support to meet individuals' needs, supported by a wide range of specialists who would deal with mental health issues, drug and alcohol problems or whatever barriers are presented by a client. It proposes a specialist assessment for any employment and support allowance (ESA) client who goes onto the programme. Its focus is very much on making sure that what it does meets the needs of the individual and employers. It proposes two large training-type centres that will meet employers' needs, which will be situated in Mallusk and Derry/Londonderry. The centres will be very focused on working with employers, identifying what the needs are in both the present and the future and making sure that the training interventions that are put in place meet employers' needs. There is a strong emphasis on employers. EOS proposes that

there will be an employer partnership forum that binds the employers and the supply chain members to work together to best provide employment opportunities for participants on the programme.

Reed in Partnership is focused on the diagnostic assessment, making sure that the focus is on the individual's needs and identifying what the employability barriers are right from the outset so that the ongoing support is focused on what the individual needs. Again, it has a strong focus on the local labour market. It carried out a lot of local labour market intelligence as part of its bid process. It contacted employers and carried out surveys to identify what the needs are in local areas so that, again, it would be best placed to meet the needs of people from the off. As a recruitment agency originally, Reed has the ability to provide an end-to-end service to employers. It wants to sell to employers how it can assist them to recruit individuals covering a number of categories, including the long-term unemployed, and that is supported by local specialist supply chain members that it can draw on for specific needs.

This is a new programme with a new approach. Providers are being given lots of freedoms and flexibilities to do what works for individual clients, and the Department's monitoring and management of the programme is changing as a result. We are taking a three-pronged approach to the monitoring and management of Steps 2 Success. My team — the policy team — will continue to work with providers, share best practice and make sure that we land Steps 2 Success as smoothly as possible and that the delivery is in line with the policy intent. There will be a new contract monitoring regime to ensure compliance with the key requirements of the contract. That will be carried out under the auspices of our finance director, and there will be a new quality management regime to assess the quality of the service being provided to the participants. Previously, that had been done by the Education and Training Inspectorate, but it has now been brought in-house and is being carried out by my colleague Angela Whiteside.

Colum will briefly talk about where we are and the next steps.

**Mr C Boyle:** Thank you, Brendan and Sharon. This is the culmination of two years' work on the part of the Department and our partners in CPD, who helped us to deliver on this. Over time, we worked out in great detail and through a lot of iterative processes what the right policy should be to make sure that we had the right design. We have not mimicked, copped or followed what happens in another region or country; we have tried to learn from best practice and to develop something that is bespoke.

I think that it is very transparent when you go out to public consultation and you have a particular view of how you will deliver a policy. We listened to the public consultation and made quite a number of changes to the design going forward. We have run a very open and transparent procurement process, and we followed the best practice processes, steps and procedures throughout. Today, we are communicating the outcome to you, and the Department will put the outcome on its website so that everyone knows what has happened.

The next steps are to move from procurement to implementation. The phase over the next two to three months will involve a very detailed joint implementation path with successful bidders. We have to phase in the implementation path so that we do not go live with all three contracts on the same day or even in the same week, because that would involve a very heavy workload for us and them.

Our initial focus will be on making sure that new joiners move on to the programme easily, and we will then look at the transfer of the stock clients from Steps to Work to the providers. We will need to make sure, over the next number of weeks, of the operational readiness for Steps 2 Success to go live on the part of the Department regarding both front line and supporting functions. Equally, we will want to make sure of the operational readiness of the providers to go live.

Before I conclude, I want to say that I know from the initial focus that all bidders had on this Committee that there will be a desire on the part of the preferred bidders — without them even saying it to me — to meet and present to the Committee. They will also probably even want to show you in practice and in real terms what they have done elsewhere. I will leave that for them and for you to consider. I know that that overture will come your way.

We are happy to take questions on the process.

**The Chairperson:** OK, thanks, Colum. One of the main concerns of the Committee, which we have consistently expressed, is the lack of local success at the initial bidding stage for the main contracts. I note that none of the three suppliers is Northern Ireland-based. I can see that Ingeus from across the water seems to have quite a spread from Scotland to west London and the east Midlands, so there is

experience there. EOS has a presence in west London, as, I think, does Reed. They have capabilities. Were their performances over there taken into consideration in any scoring mechanisms that would have given them an advantage over our local companies?

**Mr C Boyle:** Not really. We were asking organisations to respond to the criteria that we set out. If you look at the slide on assessment criteria, you will see that we were looking for examples of service to participants and service to employers. We were asking all the bidders to demonstrate their experience of putting together a service for participants and to reflect that experience in what they will do for us in Northern Ireland. We asked them to show us how they could put something on the ground in Northern Ireland that would make a difference so that people who need work, particularly those who are hardest to help — not just jobseekers but everybody who needs help — get that help.

Every organisation had the same opportunity to say, "This is what we have done in the past. This is what we have done with ESA clients in the past. This is what we have done with employers we linked with in the past. These are the types of scheme that we run to make sure that we provide the end-to-end service. On the one hand, we want to make sure that we train up unemployed people as they come to us so that they are job-ready whenever we have the links established to employers and we can fit them to those employers". That is what differentiates the winning bids from those that did not win: the ability to demonstrate, from end-to-end, that they have the service delivery model, the case management frameworks and the employer linkages. Part of that is their ability to demonstrate their track record of success.

Steps to Work contractors or Northern Ireland contractors had the same opportunity to do that. It was not a matter of saying simply that, if they had done that in the past, they could do it in the future. They had to translate that into what they were going to do in October 2014 and for the next four years. This was about taking what they had got, what they had learned and what they had done and putting it together in a really innovative and creative proposal to show us that they could deliver really good outcomes for jobseekers and employers. That matching process is absolutely vital to this. For me and, I know, the panel, those were the major factors in this.

Do you want to add anything, Brendan?

**Mr B McCann:** The key thing was for them to put in place a proposition that described the service that they were going to deliver to new participants. They could draw on their previous experience, but all who entered the competition had experience to draw on because we assessed their capability as part of stage 1.

**Mr C Boyle:** If you are asking us whether we were wowed by organisations simply because they were not from Northern Ireland, the answer is "No, we were not". I was not interested in that; I did not care where the organisations came from.

**The Chairperson:** Using your terminology, were you wowed by organisations that were able to prove large numbers? The Northern Ireland companies would not have had that base to work on.

**Mr C Boyle:** It was not really about volume, in that sense. It was more about the high quality of the provision and the linkages between the stages. Some of the organisations, for example, were able to demonstrate for us that they could take a client from the point at which they were referred and manage and assess their growth. It was what they called "distance travelled" — how far the client had come in terms of their ability as a jobseeker. They could show us what additional skills the client had acquired.

They have blended the diagnostic process with training. The training element was very strong in this. The training or employability axis was unique in the winning bids. They really showed how that would work. We were very clear that, through the programme that people were going to go through, the case management framework was genuinely following a personalised process. People were not just being milled through a sheep-dip approach where they went through seven or eight modules, came out the other end and suddenly became employable. It was very much about the diagnosis of the individual, their own personal plan and making sure that they were exposed to the right things. A lot of that was about sectoral training as well as general employability training.

One of the things that, I think, is really imaginative about this is that I am seeing really good employer linkages on the ground already. Organisations have done their marketing and their research. They know the job densities across the Province. They know the issues. They know which sectors are performing and which are not. They know where they are likeliest to get people into jobs and where

they are not. The same opportunities were there to explain all that across all bids, so volumes were not really the issue. It was more about know-how and the ability to demonstrate that they had done it in the past.

**The Chairperson:** Some of those Northern Ireland companies — I am not specifying any — were told that they were not successful at stage 1 but could find themselves further down the supply chain and so should not give up hope. Looking briefly through these end-to-end suppliers and the specialists, I see that major names that this Committee would probably have thought had had good or reasonable success in Steps to Work are missing. What are the opportunities for them now?

**Mr C Boyle:** As Brendan said, these bidders have gone through an assessment process, and they have tried to match up who they think is best suited to give both quality coverage and geographical coverage across the contract area. There are proposed supply chains. We cannot go back to the bidders and say that they should include organisations X, Y and Z.

What I will say is that they are proposed, so I do not think the door is totally closed. There are organisations out there that have not been part of a successful bid in terms of the supply chain. If I were one of those organisations, I would not think twice about trying to hammer on somebody's door and say, "Look, I've got something to offer here. Could you talk to me?", but that is a commercial matter between them and the preferred bidder. That is not something that we can intervene in.

**The Chairperson:** So, there are no contracts signed between main suppliers and the supply chain.

**Mr C Boyle:** There are heads of agreement that are signed, but they would not be formally binding. Sharon may have more of a view on that at this stage.

**Ms Smyth:** Those are commercial decisions. They put forward their supply chain, and whatever linkages they have with the supply chain would be commercially sensitive. They would not share them with us. We could ask for disclosure under the audit requirement in our contract, but, generally, those are commercial arrangements with the prime and subcontractors. Usually a contractual clause allows subcontracting arrangements to change, subject to the agreement of the authority. If a subcontractor is deemed to be fit for purpose in terms of the contract, there should be no disagreement with the new subcontractor being put in place.

**The Chairperson:** The authority is the Department at this stage.

**Ms Smyth:** Yes.

**The Chairperson:** The percentage breakdown of delivery between the main supplier and the supply chain is 40% Ingeus, 60% supply chain; 42% EOS, 58% supply chain; and 35% to 40% Reed and 60% to 65% supply chain. Is that monitored and managed, or are those ballpark figures?

**Mr B McCann:** Again, that was the initial proposal. The outworkings of that will form part of the contract management arrangements, and we will look to see how the model is rolled out in practice. As part of the implementation arrangements, we will firm up what their delivery model is in terms of direct delivery versus what will go to the supply chain. We will have more information on that in due course, but, again, it is for the lead contractor to determine the best arrangement for meeting the needs of both the Department and the unemployed.

**Mr Tony Montgomery (Department for Employment and Learning):** All employment programmes are demand-led. In many ways, the clients that come forward select a particular provider that is most appropriate to them geographically or, for instance, a breakdown between JSA and ESA. At this stage, these are indicative on the basis of the information that we have given the providers. However, as we made very clear, our forecasts, as with all forecasts, are dependent on future economic upturns, downturns and so on. We can indicate the numbers and the potential breakdown, but, in a way, they have come back to meet our request by saying how, if the numbers that we have identified come forward in the categories, they will meet them.

**The Chairperson:** Sharon, this is one for you on that same percentage breakdown between contractor and supply chain. Finances and payments are solely up to the main contractor.

**Ms Smyth:** We are exploring the use of project bank accounts. That is being piloted in the construction division. We have not come to a conclusion on that. We are still working through the finer detail. We hope to have a conclusion by the end of July.

**The Chairperson:** Explain that. What was that? What does that mean in this —

**Ms Smyth:** With project bank accounts, the finances for the project are put into an account that is accessible, so that, if the prime contractor goes out of business, for example, that money is not completely lost and the supply chain can then receive those funds. That allows transparency in the fund transfer between the prime and subcontractor. There have been some issues with supply, where the prime contractors have gone into liquidation, their finances have been frozen and a huge supply chain has been without funds for services already delivered. This is a new way of government trying to tackle that problem. It has been discussed and is being looked at as an option. We understand that there is a supply chain issue, and we want to make sure that the funds flow to it as expediently as possible.

**Mr C Boyle:** It is a complex one, Chair, particularly given the nature of the business we are in. You look at that and see that there is an end-to-end supply chain and specialist suppliers beneath that. We are trying to unravel that to see how well this could work. We are literally working our way through it. We have reached a position on it, but we just need more information to scrutinise it a bit further.

**The Chairperson:** That would provide the transparency, but there is nothing in the contract that defines the percentage split between subcontractor and main contractor. That is all within their negotiation.

**Mr C Boyle:** You will have noticed that some of the organisations are listed as subcontractors. They, as the lead organisation, may decide, if one of their subcontractors underperforms, that they themselves will be the contingency organisation to fill that gap. That is one of the attractions of having direct delivery with these organisations. We had discussions here about the prospect of organisations winning these contracts in situations in which they were just managing agents. I feared the risks of that. Some of those organisations could certainly have come through, but I would have had concerns about whether that would have been as robust as what we have here.

Some of that could very much be in the commercial mix, or you could find that, if a supply chain member underperformed, it may give larger share to another end-to-end member or bring on a new end-to-end member. It is a dynamic situation of performance, and that is one of the things that we are asking to be done here. We are asking for the performance of the supply chain to be well managed to make sure that the performance reaches and maintains very high standards and that, if there is underperformance, it is dealt with quickly and responded to appropriately.

**Mr P Ramsey:** Good morning. I have concerns, particularly in relation to my constituency, and I will try to articulate them. Come 1 September, approximately 500 people who work for various subcontractors could find themselves unemployed. Has the formal TUPE arrangement been in place? Have they been notified, during the tendering process, that they could lose their job or that their job could be transferred?

**Mr C Boyle:** Notified by whom?

**Mr P Ramsey:** By the Department. Whose responsibility would it have been?

**Mr C Boyle:** We have checked out this position as we have gone through the process. Our understanding of the process is that the TUPE arrangements are certainly a matter between existing organisations and the new organisations coming in. We have been advised that that position will apply here.

**Mr P Ramsey:** The new organisations will have the responsibility of notifying staff: is that what you are saying?

**Mr C Boyle:** They will have the responsibility of understanding whether they are prepared to take staff from those other organisations. I think that that is the piece.

**Mr P Ramsey:** What about the time frame for that? Should that have already taken place? When should staff be informed?

**Mr B McCann:** Those negotiations will start to take place now that the award letters have been issued. The new lead contractors will get details of the staff already involved in the delivery of Steps to Work. They will have considered the TUPE implications, and they will be considering whether, in their view, TUPE applies and entering into discussions with the existing Steps to Work contractors.

**Mr P Ramsey:** That will happen from today: is that what you are telling me?

**Mr B McCann:** It will happen from today.

**Mr C Boyle:** Pat, the contracts will not go live until October. It will not happen in September because of the delays that we have had.

**Mr P Ramsey:** So, Steps to Work will continue until October.

**Mr C Boyle:** Yes, in terms of the stock that is currently in the pipeline.

**Mr P Ramsey:** Colum, you have said previously to the Committee that any new contractor that comes in should be:

*"putting their roots down in the community and delivering but being backed up with a very strong, well-managed supply chain."*

Are you confident that you have achieved that?

**Mr C Boyle:** Yes, I am.

**Mr P Ramsey:** OK. At that meeting, you also said that a wholesale changing of the supply chain would be a cause for concern for you.

**Mr C Boyle:** Yes.

**Mr P Ramsey:** OK. There are 16 existing subcontractors in Derry listed on the supply chain for Steps to Work.

**Mr C Boyle:** Let me clarify something: I was talking about wholesale change to the supply chain based on these bids. It would cause me concern if these contractors came back and changed their supply chain wholesale between what they proposed and what they went live with.

**Mr P Ramsey:** OK. How many of the 16 subcontractors in my constituency form part of the EOS supply chain now?

**Mr C Boyle:** I have not checked out that position.

**Mr P Ramsey:** It was difficult for us to check and to make any sense of it, because we only received these this morning. I have gone through these briefly, and my understanding is that none of them is on it. Does that not cause you concern? Chair, this is very valid, because we have heard the officials say how articulate and how good the supply chains were, and how they were models of good practice, particularly in my constituency. Just in case I have got it wrong, I ask again: are any of the existing subcontractors on the list that you provided me with this morning? It causes me concern that you do not know that.

**Mr C Boyle:** I do not see why, because I do not have a relationship with the supply chain under the Steps to Work contractors. That is matter for the Steps to Work contractors, with whom I have a direct relationship.

**Mr P Ramsey:** Do you not accept that the whole point that was made as we went along was we were trying to provide, through Steps 2 Success, a well-managed and experienced supply chain? In my

constituency, I have 16 supply chains, and your officials have told me that the work that they do represents good value for money and that they are meeting the targets. Does it not concern you that not one of those supply chains is on that list?

**Mr B McCann:** If you look at the proposed supply chain for contract lot 2 and the end-to-end providers, you see that Elle Enterprises is involved in the delivery of Steps to Work. Network Personnel —

**Mr P Ramsey:** Where are we? Are we on the EOS page?

**Mr B McCann:** Yes. It is in your constituency. Network Personnel from Magherafelt is involved —

**Mr P Ramsey:** Is Elle Enterprises one of the supply chains in Steps to Work?

**Mr B McCann:** It is. Roe Valley Community Education Forum is involved in Steps to Work, as is Roe Valley Enterprises.

**Mr P Ramsey:** They are not in my constituency.

**Mr B McCann:** I apologise for not appreciating the constituency boundaries, but our geographical area for Steps 2 Success is wider than some of the constituencies and combines a number of them. Across the northern region, there are a number of organisations and a good number of top-performing Steps to Work organisations in the supply chain for the new provider. That provides the Department with a degree of comfort.

Tony can mention the involvement of USEL in Work Connect. USEL is, I understand, an umbrella group that has a number of organisations —

**Mr Montgomery:** USEL is a non-departmental public body that delivers Workable and other disability programmes across Northern Ireland. It has a profile across all three of the new Steps 2 Success contract areas. It is specifically there for ESA clients.

**Mr P Ramsey:** I have no difficulty with that organisation, which is a specialist organisation that carries our particularly good work; there is absolutely no doubt about that. However, I do not know about any track record it has in Steps to Work.

There are hundreds of people in my constituency whom I have met who are continuously progressing and getting people into work and have a good track record. What am I supposed to tell them when they are out of a job? What are you going to tell them when they are out of a job?

**Mr C Boyle:** It is an interesting question that you pose. Let us look back at the principle that we are talking about. I have said carefully that we have put this policy through a number of iterations — we have been here a number of times — and we have gone through a very open and transparent procurement process. We cannot second-guess that procurement process today. Under procurement rules, you cannot say to providers in any locality — Sharon can come in on this — "By the way, because we have got a wee supply chain in that particular neck of the woods, they are protected, they are safe and we will keep them there. As part of our procurement process, we need to see those names and tick them off. Let's make sure they're all in the supply chain". That is not what this was about, Pat.

**Mr P Ramsey:** *[Interruption.]*

**Mr C Boyle:** Sorry, let me finish. You are coming from an entirely different place to me on this. My job and the job of our Department was to make sure that we had the best and best value-for-money provision in place for all of Northern Ireland. To make sure we realise that, I am asking bidders to bring forward what they think is the best supply chain. It should be locally based and have the right level of expertise across the piece.

If you are asking me whether I think there will be a degree of disruption or change for individual employees and organisations, the answer is, "Absolutely". That is what happens when contracts come to an end. Let us not forget that Steps to Work had come to an end; it had come to a finish point. There is no more Steps to Work. No matter what we would have been discussing here — even

if we had gone for 10 contract areas again instead of three — I could not sit here and give you a guarantee about the organisations that you like. You asked me what I would say to the people losing their job: I will say, "The commercial reality is that you work for an organisation that is not part of the supply chain. It needs to find itself part of the supply chain, maybe with another provider, or deliver other training contracts". I am not sure that the fallout from this is as great as people make out. I do not know the answer to that.

**Mr P Ramsey:** It always strikes me that Colum takes a lot of this so personally. It is not that I like an organisation, which is the point that you are throwing back at me. You say that, because I like an organisation —

**Mr C Boyle:** I am not making it personal, Pat.

**Mr P Ramsey:** You have made very clear to the Committee how reassured you were by the work carried out by those supply chains. Does it not concern you that those models of best practice do not now form part of Steps 2 Success?

**Mr C Boyle:** We have had this discussion with you before. The models under Steps to Work are not models of best practice; they are models of good practice. We are trying to make them models of better practice. We have been trying to make Steps 2 Success a better proposition for all in Northern Ireland: the unemployed and the employers.

For the record, I am not taking this personally. I am passionate about this. I believe in it very much, and I have put heart and soul into it, as have my team. You need to understand that the protocols that we had to work within to arrive at this outcome were very narrow. You can concur with that, Sharon, because it is the truth.

**Ms Smyth:** We have to be mindful that the public procurement legal framework is a particularly litigious one, and we have to work within its boundaries, according not only to the letter of the law but to case law. We are aware that training programmes have been subject to legal challenge. CPD has played a particularly challenging role to make sure that the Department learned any lessons there were from the case law and adhered to all areas of transparency and all areas of process and that every bidder was given an equal and fair chance at the qualification stage, which was the questionnaire, and at the tender stage.

**Mr P Ramsey:** I appreciate that, Chair, and I am sorry for going on. Sharon, you also made it very clear that, separate to the main procurement, was a "mini competition", as you termed it, that involved the main contractors determining who they would get into their supply chain. Was that a matter for them?

**Ms Smyth:** Sorry, Pat, I did not make that comment.

**Mr C Boyle:** That was Brendan.

**Mr P Ramsey:** Sorry. Brendan, the "mini competition" involved the main contractors having their own process.

**Mr B McCann:** Yes.

**Mr P Ramsey:** Are you confident that the existing supply chain had an opportunity to be part of that process?

**Mr B McCann:** I have no reason to believe otherwise. This was a matter for them. It was a matter for the proposed lead contractor to put in place a model and a delivery structure that would meet our needs. They looked at a number of factors, and I understand that they advertised and that there was transparency in the process that they carried out to ensure that they got the best result.

**Mr P Ramsey:** They may have got the cheapest result, but time will tell whether they got the best result.

**Mr B McCann:** I think —

**Mr C Boyle:** We have to do our assessment on paper of the bids that we receive and the information in front of us. We look at the quality of what bidders say they will do, the geographical coverage, the accessibility arrangements and the use of technology to make sure that there is accessibility 24/7. In all of that, Pat, I am as satisfied as I can be at this stage, as an official going through a Northern Ireland public procurement exercise, that we have done exactly the right thing. Could I have done any differently? Not a millimetre.

**Mr P Ramsey:** Chair, I have more questions, but other members want to come in.

**The Chairperson:** I will come back to you.

**Mr Douglas:** First, I am hugely disappointed that no Northern Ireland company got into any of the three contract areas. If this was France, Germany or, indeed, Wales, we would not be sitting here talking about our companies not getting through to the final stage of the main contract. You talked, Sharon, about the criteria. All the research shows that the Germans, the French and the Welsh adhere to all the criteria, and yet they are much more successful than us. Surely, there is something wrong with the protocol.

Who set the criteria for this? I have been approached by people over the past number of months — I have said this before, Colum — who said, "Whoever set the criteria set them at such a level that none of us could have got through to the second stage".

**Mr C Boyle:** The assessment panel, which I chaired, set the criteria. We took on board the feedback from CPD about making sure that the criteria were fair, transparent and accessible to all. We had Northern Ireland organisations bidding as lead contractors for the second stage. We could have had more bidders from Northern Ireland through to the second stage if the quality of the bids had been better.

**Mr Douglas:** Colum, is there anything we can learn from this?

**Mr C Boyle:** There are plenty of lessons to be learned. When we look at the assessment criteria — for example, issues like performance management and management systems — one of the big things is the capability of organisations that we were looking for. We were looking for the ability to lift the performance of an organisation or an entire supply chain in a very consistent way and the ability to make sure that all the systems that need to be in place for performance management, IT and case management are in place. We have organisations that have provided us, on paper, with evidence of best-in-class systems management, casework and management approaches. We have not seen some of that before.

**Mr Douglas:** I mentioned Germany, which is a good example. Could we look at that? Why has Germany been so successful in local procurement? The reason I ask is that, obviously, we are coming through the United Youth programme. I assume — I hope I am right — that we are not just going to slot that into what happens at the moment and that there will be a process whereby those Northern Ireland —

**Mr C Boyle:** There will be a separate process, and we are looking at having a separate design. I do not know what way the design will pan out, but it will not be a matter of simply plugging it in.

**Mr Douglas:** Pat made a point about his constituency. In Belfast, there are 32 organisations involved in the Steps to Work programme, if I remember right. That has now been cut down to four organisations. Has the Department carried out an assessment of how many jobs we will lose as a result of that, not just here but across Northern Ireland? I have had people come to me who were told that they would lose their job in September.

**Mr C Boyle:** With a possible delay until October.

**Mr Douglas:** Yes.

**Mr C Boyle:** Part of the implementation planning will be understanding how many staff are required. For example, in Belfast, how many does Ingeus actually need? It needs to and, I think, will absorb a number of staff from the existing organisations, so it will have to recruit and make sure that it delivers its 40% directly on the ground. I think you will see quite a bit of recruitment activity, not just from

Ingeus but from the others as well. That will be a factor. In estimating the numbers, it is difficult to gauge, given that there will be a commercial dynamic.

**Mr Douglas:** In relation to TUPE, there is a legal requirement for people to be given notice. Has anybody been given notice of the TUPE arrangement?

**Mr C Boyle:** One organisation contacted us to ask for clarification of the process. We checked that out and communicated it back to them. That organisation is in Belfast, and we have alerted Ingeus to that fact as well. No doubt, Ingeus will be in touch once it has considered that.

**Mr F McCann:** Many thanks for the presentation. At times, when you come here, you may believe that we are being unfair and a bit hard.

**Mr C Boyle:** Not at all.

**Mr F McCann:** I know that everybody puts that on the people who come in front of the Committee. The Committee respects the fact that you put a lot of time, effort and hard work into this and that you deal with strategy and how things can work out on paper. However, we deal with the other end of it: the people who will be impacted on by this. I know that you are saying that, if x number of jobs are lost, it will be up to the new provider and the new thing, but we have been given figures showing that 500 people may lose their job. This week, Moy Park created 470 jobs: those would be wiped out if those people lose their jobs. We are concerned about how people can be slotted in. That is why TUPE is important to us.

You are 100% right that you have to be legally careful in how you operate a procurement. From where we are sitting, over the whole period, we have been turning on the news or reading the papers and hearing about English companies that provide training and what they call job opportunities and the serious problems that they have had. Suddenly, we find that similar companies or some of the same companies have made applications here. There is a lot of concern. The end product for all of us is to provide a good job creation/job training scheme that will bring us from where we are now. My concerns, like those of Pat and Sammy, rest there. I have no doubt that, from today onwards, we should work to ensure that we get the best possible outcome.

One of the concerns raised by the Committee, not only with this but with a lot of things, especially around procurement, is top-slicing — the amount of money that is spent on administration outside and lost to the actual scheme itself. At one stage, we were told that up to 25% could be spent on administration. Has that been worked out? Has the money that will be spent outside the North been factored in? I know that you are saying that 40%, 50% or 60% might be delivered. It is how the infrastructure is moved from A to B to ensure that you have a successful programme.

**Mr B McCann:** That is not something that we are currently sighted on. The figure of 20% was given to the Committee in relation to the existing Steps to Work programme. We know that a number of organisations currently involved in delivering Steps to Work — they are local organisations — top-slice 20% from the amount that they give to their supply chain. They claim that it is for administrative services and the assistance that they provide in general in supporting the organisation and the client when they are on Steps to Work.

Steps 2 Success is a commercial arrangement between the new lead contractor and the subcontractor. Again, if we have a project bank account, we will have closer visibility on what that amount might be or what it might look like. At the moment, we do not have that information. The organisations that have signed up to be parts of the supply chain will no doubt have considered that as a commercial issue before they signed the heads of agreement with the potential lead contractor.

**Mr F McCann:** Following on from that, I think that Brendan said that one of the companies — the Belfast one — would set up shop in Mallusk.

**Mr B McCann:** It was EOS.

**Mr F McCann:** Are people being paid expenses for getting from A to B?

**Mr B McCann:** Yes.

**Mr F McCann:** Is that right across? What would that be?

**Mr C Boyle:** It is for childcare and travel.

**Mr B McCann:** They are costs that are absorbed by the Department.

**Mr F McCann:** Secondly, Sammy said that, at the minute, there are 32 deliverers, which will be cut to four, in Belfast. Is there enough time between now and the beginning of the process to work that through?

**Mr B McCann:** That is something, as part of the detailed planning, that we need to do with implementation. We will look at their detailed implementation plans. We will assess all the key issues that are part of implementation. An operational readiness test will be conducted on each of the suppliers before the Department allows them to go live. As to whether they are ready to go live, we will be in a better position when we have worked through the detail of their plans and carry out our assessment of how achievable those plans are.

**Mr F McCann:** I thought that the start date was 1 September, but you say that it is October.

**Mr B McCann:** Yes. Because of the delays in awarding the contract, the providers will have 90 days to set up the new service. That 90-day period will start from 21 July because of the traditional holidays, so that will automatically carry us into October. That provides a little more time for a number of issues to be looked at by the Department and to be considered by the new contractor.

As we move forward in the next steps, it is key for the Department to work closely with the contractor, to be sighted on the main issues in the implementation and to try to minimise any impacts. We want to give a soft landing to the existing supply chains and the participants on Steps to Work, as well as introducing the new Steps 2 Success programme at the same time. As one plane is coming down, another is taking off. There will be some tricky and challenging management for the Department as part of that process —

**Mr P Ramsey:** As long as there are no crash landings.

**Mr B McCann:** Well, Pat, we are on a wing and a prayer. *[Laughter.]*

**Mr C Boyle:** Could I just add something, Fra? I welcome your comment about the Committee. We respect the challenge, and I know that you respect that coming back from us. I am passionate about this and believe in what we are doing.

One point that I want to make though is that you say that we are more concerned about systems than about people. I have been the employment services director for nearly four years and the people whom I am most concerned about are those who are unemployed. One of the first things that I recognised when I looked at Steps to Work was that we needed to get more value out of our work programme than we were getting and help more people consistently across the Province to get into work and keep their job when they got it. I am passionate about helping those people. I really do not want to see people dislodged from their job any more than you do.

My hope is that many of those who are currently in organisations that maybe have not won bids will find themselves in a position in which they can get a job with other bidders or other parts of the supply chain, as their capacity needs increase. I do not think that it is as gloomy as 500 jobs and that is it; I think that there will be a counterbalance in the numbers that are now required. We do not know what the size of that is yet. We have seen a first-run implementation plan. We have no idea of the number of employees that will be required. A net-off will need to be done on that.

I do not want you to think that we sit here as heartless strategists; we are very much on the ground every day. We understand. We have had to take contracts away from Steps to Work contractors. We have had to stop them; I have had to stop them. I have had to make those decisions, and they are not easy decisions to make. You are very conscious of the people who work for those providers. However, if their performance is not good enough, that is what you have to do. That would happen again here, even with the lead contractors. If any of those organisations do not perform, they will not be there. It is as simple as that.

**Mr F McCann:** I will follow on from that. We picked up on the figure of 500. Brendan says that at least one of the new contractors has come forward and asked about arrangements. It surprises me that all three have not come along. Regardless of that, the Department has an obligation to ensure that all of the information that those contractors require is supplied to them. It now needs to be kept. Some of the people who have been working on the previous arrangements have built up expertise and have been there for a considerable period. They need to be given the opportunity, first, to know what is happening to them and, secondly, what their future and place will be in any of the new set-ups.

**Mr C Boyle:** We acknowledge that. Do you want say something about that?

**Mr Montgomery:** As part of the tendering process for all the new organisations, we have made it clear that we want to work with them to ensure that. Obviously, we have links with Steps to Work as well as to the new Steps 2 Success and want to work with the new providers. As has been stated, the TUPE is under their legal control, but we will work on information flows and so on to make that work in practice.

**Mr B McCann:** I just want to reassure the Committee that that is being actively pursued. Our first meeting with a contractor is tomorrow afternoon, and that will be followed by two full-day sessions with other providers next week. We have been in touch with them to make them aware that the implementation plan is of high priority to the Department. We alerted them to the Committee's potential interest in that area and will be looking at TUPE, recruitment, premises and all aspects of their implementation plans to make sure that they are as robust as possible and provide the Department with the required assurance that it will be a well-managed process.

**Mr C Boyle:** Just to add to that, Chair, I think that we have selected organisations that will want to assimilate themselves into Northern Ireland and view this as being here for the long haul. It will be interesting to see how their performance maps out in terms of what they have put on paper, but, given some of the performance that I have seen elsewhere, it could bode well.

**Mr F McCann:** We asked this question going back a while: are there built-in reviews of performance?

**Mr Boyle:** Absolutely.

**Mr B McCann:** Yes.

**Mr F McCann:** How often would they be done?

**Mr B McCann:** Their attachments will be reviewed on a monthly basis, and we will look at how many people they are bringing on to the programme and the number of people who are finding work. Formal reviews will be carried out by my colleagues in contract management at least on a quarterly basis, and there will be quality of service assessments at least twice a year. The scrutiny of the providers will be quite intense, but, hopefully, by working together, they will welcome that scrutiny, as it will provide assurance to the Department and to them that they are meeting our requirements.

**Mr Montgomery:** It is also important to say that the funding model has been designed to ensure that there is an element that goes towards job outputs and, much more importantly, sustained job outputs. As well as the paper reviews, enhanced rates will be payable if there is good performance and targets are beaten and so on. Hopefully, the two models — the financial model and traditional contract management — will drive performance.

**Mr F McCann:** How do you determine sustainable employment? Is there a time limit for how long people have to stay in a job?

**Mr B McCann:** Yes.

**Mr F McCann:** I know that that has proved disastrous for some of the companies, and, in England, there was a massaging of figures to give the impression that they were doing much more than they were letting on. I take it that everything has been taken into account to ensure that that cannot happen here.

**Mr B McCann:** Yes, we have looked closely at the lessons learnt elsewhere; indeed, we have looked at the evidence that will be required to support a claim for payment by the Department. That is being communicated to the providers by way of operational guidelines that we will put in place and agree with them. They will then be monitored against those operational guidelines. Our colleagues from CPD have again been involved in helping us to draw up those guidelines so that there is a sense of reasonableness and fairness for all parties.

**Mr Douglas:** My question is linked to something that Tony mentioned and that Colum maybe also spoke about. In the event that any of the three companies that have been awarded the contract today do not come up to the mark, what is the process for going down the list? Is there a B list or an organisation that is fourth on the list? The reason that I ask is that, as you remember, Colum, an outside company — TWL Training — came in a few years ago and made a mess of things. That was an embarrassment and, fair play to you, you terminated that contract and re-awarded it to a local company. What is the process in the event of that happening?

**Mr C Boyle:** Sharon may be able to clarify that. The list may only be current for a few months. Is that the case?

**Ms Smyth:** Tenders are valid for 90 days from when they are submitted. We have come this situation before, and there is a bit of a grey area in the law about whether you can move to the next company or the next highest-scoring tender. It would all have to be worked out very carefully, and legal advice would have to be taken. The performance and contract management regime is certainly very robust. If anybody does not perform under the contract, they are given a number of days to remedy, which is that they get up to a certain level of satisfaction. The new procurement legislative framework that is due to come in later this year will allow past performance to be taken into the consideration of whether a contractor can tender again. There is a changing environment with contract management, but we would have to work through the legal implications of moving to the next person on the list.

**Mr C Boyle:** In the event of one of the lead contractors not performing well enough in a year or 18 months' time, we would have seen the signs of that pretty early on. We do the holistic assessments that Brendan spoke about and look at quality, performance against targets for job outcomes and so forth. We are very tight to that. If that was the case and we thought that someone was starting to slip to the extent that they were put on an improvement notice, which is a three-stage process, we have a contingency operation for a fresh procurement. Doing that for a single contract area would not be on the scale of what we have had to do with the three at the same time. We have experience of doing that quickly and could do it again.

**The Chairperson:** Brendan, did you say that you were moving away from using the ETI for assessment and doing it all in-house?

**Mr B McCann:** We have poached a former ETI inspector, who will set up an in-house resource and bring people in from the sector on interchange opportunities to make sure that we have local involvement and expertise. As we take Steps 2 Success forward, we are trying to build good practice models.

**The Chairperson:** Colum, will you inform us of the names of the three successful companies because we are interested in receiving a presentation from them? Thank you very much for your time.

**Mr C Boyle:** Thank you to the Committee as well.