



Northern Ireland Audit Office

Review of New Deal 25+



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Review of New Deal 25+

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J M Dowdall CB
Comptroller and Auditor General

Northern Ireland Audit Office
13 May 2009

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Abbreviations

DEL	Department for Employment and Learning
CMS	Client Management System
ETO	Education and Training Opportunities
EST	Essential Skills Training
JSA	Jobseeker's Allowance
PEP	Preparation for Employment Programme
TMS	Trainee Management System
NVQ	National Vocational Qualification
SSA	Social Security Agency
StW	Steps to Work Programme

Glossary

Benefits Based Allowance	Allowance paid to participants on the programme related to their previous benefits level
Consortia Provider	A grouping of providers contracted to deliver New Deal 25+ in a given geographic area
Episode	Each separate occasion on New Deal 25+ – individuals can participate in New Deal 25+ more than once
Immediate Employment	The achievement of employment within two weeks of leaving the New Deal 25+ programme
Jobseeker's Allowance	Benefit paid to those unemployed who are available for and seeking employment
Leavers	The number of participants leaving a single New Deal 25+ episode
Long-term Unemployed	Those who have been unemployed for one year or more
On-programme Fee	Ongoing payments related to continued participation of individuals on the programme
Output-related Funding	Funding related to the achievement of a set outcome (e.g. the achievement of sustained employment)
Participant	An individual on a single episode on New Deal 25+
Starts	The number of participants starting a New Deal 25+ episode
Start Payment	Funding related to the commencement of a participant on the programme
Sustained Employment	The achievement of employment within 13 weeks of leaving the New Deal 25+ programme which continues for a period of 13 weeks

Executive Summary



Executive Summary

Introduction

1. Long-term unemployment has been an ongoing concern in the Northern Ireland economy. New Deal 25+ was a mandatory programme, delivered by the Department for Employment and Learning (the Department), which aimed to help long-term unemployed adults aged 25 and over into employment and/or improve their employability.

2. As a 'welfare to work' employment programme, New Deal 25+ provided participants with assistance to overcome barriers to employment in the form of work experience and/or training, and was structured in three stages as follows:

Gateway – a period of initial assessment and job search lasting up to four months, supported by a Personal Adviser, focused on moving the participant into work

New Deal 25+ Options – a period of training or work experience generally lasting between three and six months. Participants, with help from their Personal Adviser, agreed an appropriate option from a number of options which provided varying levels of work experience and/or training

Follow-through – a further period of job search, supported by the Personal Adviser, lasting up to six weeks.

3. Between November 1998 and the end of March 2007, around 74,000 participants had started New Deal 25+, at a cost to

the Department of approximately £69 million.

4. The total number of long-term unemployed has reduced significantly since New Deal commenced in November 1998. While Northern Ireland has experienced a significantly greater reduction in the proportion of those aged 25+ who claimed JSA and who were long-term unemployed, the levels experienced in Northern Ireland have remained consistently higher than those in Great Britain. In addition, recent statistics show an increasing trend in long-term unemployment and, therefore, a more challenging environment into the future.

5. In September 2008, the New Deal programme in Northern Ireland was replaced by the Department's new Steps to Work programme.

6. Lessons learned from New Deal 25+ remain particularly relevant given the recent deterioration in economic and labour market conditions, which are expected to become increasingly more challenging.

Key Findings

7. In the five years to March 2007 New Deal 25+ provided support to a substantial number of long-term unemployed people and resulted in almost 6,500 participants moving into employment immediately on leaving the programme (of 35,000 who had left the programme), of whom over 6,300 achieved sustained employment¹.

¹ Sustained employment is defined as continuous employment lasting for a minimum of 13 weeks, attained within 13 weeks of leaving the programme

8. The programme population group has changed since the early years of the programme, towards a core of 'harder to help' participants with complex and multiple barriers to employment. This is evidenced by the fact that by 2006/07 61 per cent of participants had been on the programme before, a small number more than five times.
9. Our review of New Deal 25+ identified a number of inter-related issues that, in order to improve the job prospects of the long-term unemployed, require attention:
- a need to focus more on the requirements of older participants, particularly those aged 50 and over. This group has experienced poorer outcomes than their younger counterparts
 - a need to reduce the considerable variation in the performance of providers in achieving sustained employment
 - a need to improve outcomes for repeaters. The likelihood of repeaters moving into employment diminished with each New Deal episode, with this lack of success in moving into employment, according to providers, resulting from poor motivation and a benefits trap.

We acknowledge, however, that the Department had recognised a number of these issues and has incorporated a range of measures within the design of its new Steps to Work programme aimed at addressing those issues (see paragraph 12).

Detailed Findings

10. Our examination, which focussed on the Department's performance measurement and reporting, together with a review of a number of aspects of programme performance, noted that:
- the Department set targets, though the basis on which these were set varied over the period of the report. At the end of the programme, in line with the national approach, the Department had no published programme targets in place against which to assess the overall performance of the programme
 - the overall level of employment achieved (both immediate and sustained) over the five year period to March 2007 was 18 per cent
 - the Department's focus on the six-month sustained employment measure is too short-term
 - participants experienced different outcomes, dependent upon the point from which they left the programme. Those who left from the Follow-through (the final stage of the programme) achieved substantially poorer outcomes than those who left at earlier stages, although, these differences may reflect that those who left at the earliest stages were more job-ready or closer to the labour market
 - the Department did not regularly benchmark its performance against the similar programme in Great Britain.

Executive Summary

NIAO's comparison suggests that the Department underperformed against its counterpart in Great Britain. Although, we note the Department's view that, after December 2005, as a result of methodological differences, Northern Ireland and Great Britain performance data were no longer comparable

- there were significant variances in outcomes across the different programme options. The Employer Subsidy Option was most successful, with 68 per cent of leavers between 2002/03 and 2006/07 moving to employment immediately upon leaving the programme, and 62 per cent achieving sustained employment. However, the main or most used option (the Preparation for Employment Programme) was the least effective, with only 5 per cent of leavers moving into a job immediately and 7 per cent achieving sustained employment. Although, this may reflect the more challenging and harder to help nature of those assisted through this option
- NIAO's survey of a sample of participating employers indicated that just under one quarter of employers surveyed used New Deal 25+ as a source of low cost labour.

the effectiveness of the Department's interventions to assist long-term unemployed adults into jobs and/or improve their chances of getting and retaining employment. Our specific recommendations include:

- the need for appropriate and challenging performance targets, covering all core activities, which should be formally reported on a regular basis
- the need for continued improvements in outcomes for older participants
- a need for the Department to routinely measure the impact of the programme on participants over a longer period
- a need for the Department to improve the overall level of employment outcomes
- the need for greater intervention at the Follow-through stage where the prospects for getting a job were especially poor
- the need for the Department to benchmark against similar programmes elsewhere in the United Kingdom
- a need to do more to improve the performance of those participants with the greatest barriers to employment, and in particular to consider what action might be taken to encourage participants to undertake options that best address their specific barriers to employment

Recommendations

11. As a result of our findings, NIAO has proposed a number of recommendations which are aimed towards improving

- the need for a more rigorous approach to the application of performance target thresholds in order to reduce the considerable variation in the performance of providers
 - a challenge for the Department to do more to improve repeaters' motivation towards employment
 - the need for a review of the employers engaged in the programme to consider whether they were of the right type, were in the correct areas, and were used appropriately.
12. Our review noted that the Department had already recognised a number of weaknesses within the New Deal 25+ programme, and has incorporated a range of measures within its new Steps to Work programme aimed at addressing many of the issues noted above. In particular, we note:
- a recognition that New Deal 25+ no longer met the needs of the remaining core of more challenging clients with complex and multiple barriers to employment, in the Department's introduction of a more flexible, menu-based, modular approach under the new Steps to Work programme, that can be tailored to better support individuals in overcoming their barriers to employment
 - the development of revised contracting and delivery models, incorporating simplified provider contracting arrangements, a significant reduction in the number of contracts, together with a revised funding model re-balanced towards greater output-related funding²
- the establishment, in September 2006, of a Quality and Performance Branch, which included a discrete contracting and monitoring unit (covering a number of Departmental programmes, including New Deal)
 - additional support, which should particularly benefit older age groups, including mentoring for those with identified barriers to employment
 - enhanced support aimed at the more challenging or hardest to help clients (including repeaters), to assist them to participate more fully in activities designed to improve their motivation and confidence towards getting a job.
13. In response to the report, the Department advised NIAO that the targets and performance measures it applied in relation to New Deal 25+ were consistent with those applied in Great Britain, and reflected its focus on higher level objectives and targets. It also said that the Northern Ireland New Deal 25+ target group is more difficult to help (compared to Great Britain), as a result of a greater proportion of returners to the programme who had never worked, and a higher proportion of those aged 50 and over who have been unemployed for more than 18 months. In addition, the Department stated that the different performance methodologies applied in Northern Ireland and Great Britain does not currently allow direct comparison of programme performance.

2 Output-related funding relates to payments dependent on particular outputs or outcomes e.g. achievement of sustained employment

Part One:
Background to New Deal 25+



Part One:

Background to New Deal 25+

Introduction

- 1.1 The Department for Employment and Learning (the Department) aims *“to promote learning and skills, prepare people for work and to support the economy”*³. To achieve this, the Department has set two broad objectives:
- to promote economic, social and personal development through high quality learning, research and skills training
 - to help people into employment and promote good employment practices.
- 1.2 These objectives are in keeping with the key priorities identified in the Northern Ireland Executive’s Programme for Government⁴, published in January 2008, including:
- growing a dynamic, innovative economy
 - promoting tolerance, inclusion and health and well-being.
- 1.3 The Department was responsible for the delivery of the New Deal programmes in Northern Ireland from 1998 to 2008. New Deal, which was introduced in 1998, is a United Kingdom-wide initiative and forms a key component of the Government’s overall ‘Welfare to Work’ programme, aimed at helping people move from benefits into employment.
- 1.4 There were a number of New Deals, catering for a range of different target groups (see **Appendix 1**). Since its introduction in 1998 to the end of March 2007, the New Deal programmes in Northern Ireland cost around £161 million, with spending in 2006/07 of £19 million.
- 1.5 We are aware that over the past two-and-a-half years the Department has designed and has been testing the Steps to Work (StW) programme, which has been in pilot form in several Jobs and Benefits offices since April 2007. StW subsumed the main New Deal programmes (including New Deal 25+) in Northern Ireland on 29 September 2008, ahead of similar developments by its counterparts in Great Britain.
- 1.6 We are also aware that over the last 12 months the Department has undertaken an extensive review of its contracting and delivery models. The outcome of this review was implemented alongside, and in line with, the roll-out of StW. In addition, the Department has been using StW pilots (also since April 2007) to test a new funding model that re-balances the funding to providers towards output-related payments rather than on-programme fees⁵. This funding model, with some further enhancements, was also implemented in September 2008.
- 1.7 An overview of the background and key features of the new StW programme, and

3 Department for Employment and Learning: Corporate Plan 2008-2011

4 Northern Ireland Executive: Building a Better Future – Programme for Government 2008-2011 (January 2008)

5 Output-related funding relates to payments dependent on particular outputs or outcomes. On-programme fees reflect payments related to continued participation of individuals on the programme

the new contracting, delivery and funding models (provided by the Department at May 2008) is reproduced at **Appendix 2**.

New Deal 25+ aimed to help the long-term unemployed into jobs

- 1.8 This report focuses on New Deal 25+ over the five year period from April 2002 to March 2007. This mandatory programme, introduced in November 1998, targeted those aged 25 and over who had been unemployed and claiming Jobseeker's Allowance (JSA) for 18 months (or 18 out of the last 21 months) i.e. the long-term unemployed. Its aim was to *"help the long-term unemployed into jobs and to improve their prospects of moving into and staying in employment"*⁶.
- 1.9 Long-term unemployment has been an ongoing concern in the Northern Ireland economy. The total number of long-term unemployed has reduced significantly since New Deal commenced in 1998. However, recent statistics show an increasing trend in long-term unemployment⁷, and, therefore, a more challenging environment for the StWV programme.
- 1.10 Statistics for the period January to March 2007⁸ suggest that, of the 33,000 unemployed some 36 per cent (or 12,000 people) were long-term unemployed. This is higher than the overall United Kingdom level of around 23 per cent⁹. Around 30 per cent of those aged 25 and over claiming JSA in Northern Ireland were long-term unemployed at March 2007, this proportion having almost halved from 53 per cent at March 1998¹⁰. Over the same period, Great Britain saw a much lower reduction in the proportion of those aged 25 and over who were claiming JSA and who were long-term unemployed (from 31 per cent to 22 per cent)¹⁰.
- 1.11 To the end of March 2007, the programme catered for some 74,000 participants, at a cost to the Department of approximately £69 million. While the target population had decreased significantly since its inception, in line with improved economic and employment conditions in Northern Ireland, in the five years to March 2007 around 33,000 people had participated in New Deal 25+ at a cost of £43 million, giving a unit cost of approximately £1,300¹¹ (this overall unit cost is more meaningfully examined in Part Two of our Report).

New Deal 25+ had a three stage structure

- 1.12 The New Deal 25+ programme, like all New Deals, had a three stage structure as follows (illustrated at **Figure 1**):

Gateway - a period of initial assessment and job search, lasting up to 16 weeks, supported through the advice and guidance of an assigned Personal Adviser at the local JobCentre/Jobs and Benefits Office, focused on moving the participant into employment. At this stage, the participant could avail of short courses

6 A Guide to New Deal 25+ in Northern Ireland, Department for Employment and Learning (2002)

7 The Northern Ireland Labour Force Survey, Department of Enterprise, Trade and Investment (September – November 2008). Details refer to all age long-term unemployed

8 The Northern Ireland Labour Force Survey, Department of Enterprise, Trade and Investment (January – March 2007)

9 National Statistics Agency Unemployment by age and duration (January – March 2007)

10 Office for National Statistics Nomisweb

11 Unit cost reflects programme cost divided by the number of starts. Programme costs exclude departmental administration costs

Part One: Background to New Deal 25+

aimed at improving their chances of achievement of their identified job goals. Gateway, for all first time participants, also included a mandatory two week Core Gateway course providing essential job seeking skills such as methods of job search, development of a curriculum vitae and interview skills. Core Gateway also included a formal assessment of the participant's essential skills (i.e. numeracy and literacy). While on Gateway, the participant continued to receive JSA from the Social Security Agency (SSA)¹² and remained on the unemployment register.

Option stage - a period of training or work experience generally lasting between 13 and 26¹³ weeks for each option, available to those participants who had completed the Gateway stage, but not moved into employment. Participants, in conjunction with their Personal Adviser, agreed the appropriate option to be undertaken from:

- subsidised employment – the Employer Subsidy Option
- work placement – the Preparation for Employment Programme (PEP)
- training towards a specified qualification/part qualification, which also included work experience – the Education and Training Opportunities (ETO)
- training towards a recognised essential skills qualification (again incorporating work experience) – the Essential Skills Training Option (EST)

- test trading for those wishing to become self-employed – the Self-employment Option.

While at the Option stage, participants were paid either a benefits based allowance by the Department, similar to their previous benefit entitlement plus a weekly top-up of around £15, or a wage (paid by their employer for those on the Employer Subsidy Option). Once on a New Deal 25+ Option, the individual was removed from the unemployment register.

Follow-through - a further period of job search, supported by the Personal Adviser, lasting up to six weeks. Participants could also avail of short courses and any of the elements from Core Gateway, where these were not undertaken during the Gateway stage. At this stage, the participant received JSA from the SSA and was again treated as unemployed.

A more detailed overview of the New Deal 25+ programme structure is provided at **Appendix 3**.

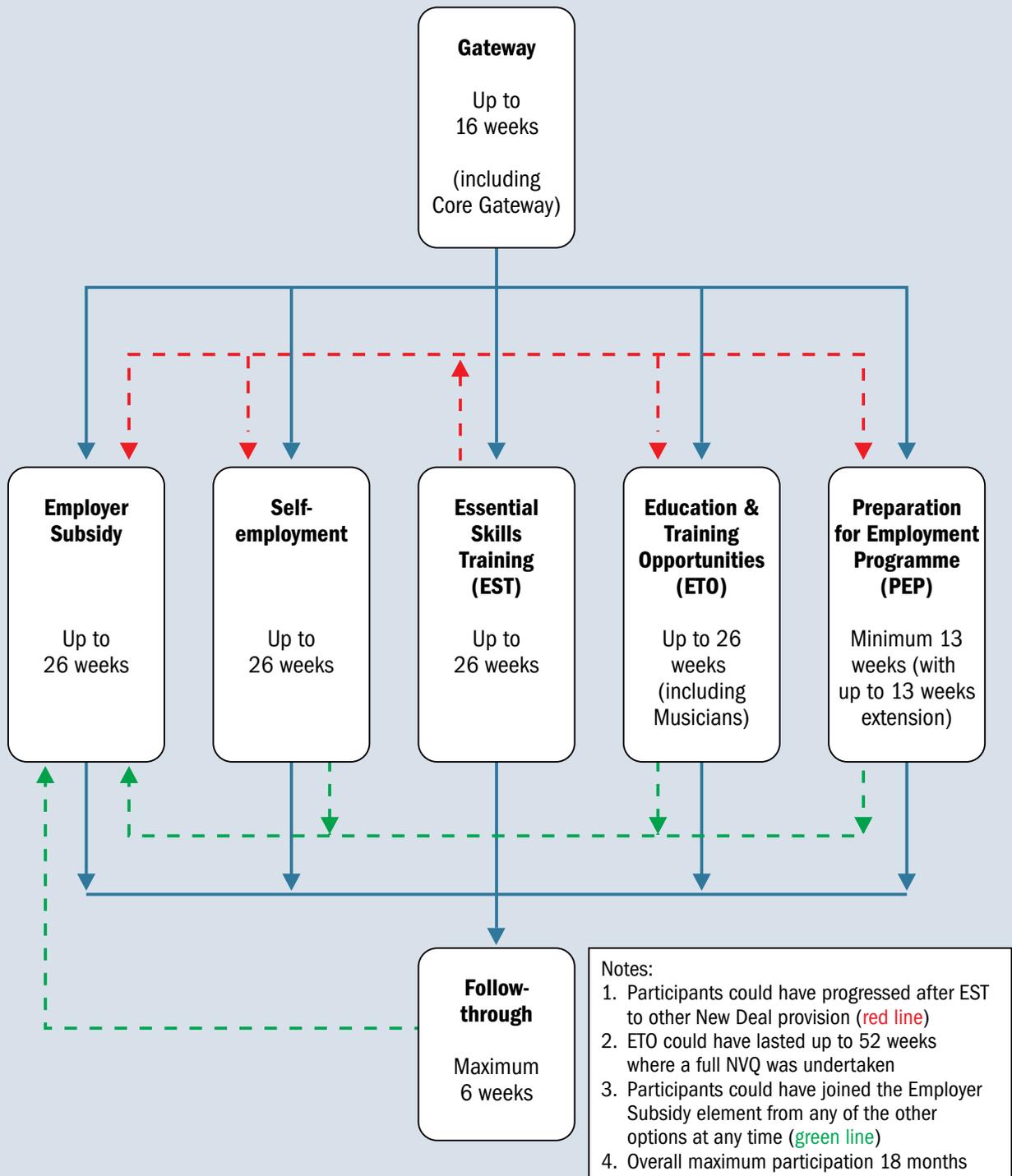
The programme was delivered through a mixture of contracted providers and Departmental staff

- 1.13 The New Deal 25+ programme was delivered through a mixture of contracted providers and Departmental staff at JobCentres/Jobs and Benefits Offices. The Gateway, Follow-through and Employer Subsidy Option were delivered by the Department's Personal Advisers in its JobCentres/Jobs and Benefits Offices.

12 An Executive Agency of the Department for Social Development

13 Under the Education and Training Opportunities, where the participant undertook a full National Vocational Qualification (NVQ), the Option may have lasted up to 52 weeks

Figure 1: New Deal 25+ Programme Structure



Source: DEL

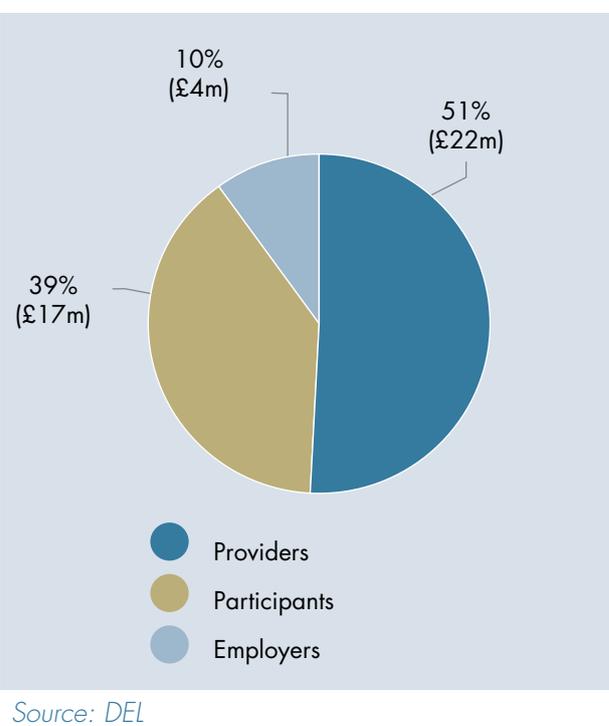
Part One: Background to New Deal 25+

At March 2007, separate contracts were in place covering Core Gateway, the Self-employment Option, the Musicians Option, and the remaining main options (Preparation for Employment Programme (PEP), Education and Training Opportunities (ETO) and Essential Skills Training (EST)). At March 2007, one provider was contracted to provide the Musicians Option on a Northern Ireland-wide basis, 21 providers were contracted to provide Core Gateway (most of whom also provided under the other main options), and 18 providers were contracted to provide the Self-employment Option.

- 1.14 The main New Deal 25+ Options (PEP, ETO and EST) were delivered through 26 local area-based consortia partnerships, each with a Lead Partner and a range of different partner providers (private and public sector, voluntary and community organisations). Administratively, consortia contracts for the main New Deal 25+ Options were combined with similar options under the New Deal 18-24 programme, as a single contract.
- 1.15 Within each consortium, the Lead Partner was responsible for administration and acted as the main point of contact with the Department. Each consortium member was a party to the contract with the Department. In total, there were some 150 contracted consortia members, although several of these were contracted within more than one consortium.

- 1.16 Funding to providers under the programme reflected a mixture of fixed rate payments (e.g. in Core Gateway), and weekly on-programme fees and outcome payments (e.g. under the main option contracts). Fuller details of funding arrangements are provided at **Appendix 4**.
- 1.17 Of the £43 million total cost of New Deal 25+ in the five years to 31 March 2007, some 51 per cent (£22 million) was paid to providers, 39 per cent (£17 million) to participants and 10 per cent (£4 million) to employers engaged in the programme (by way of subsidy). See **Figure 2**.

Figure 2: New Deal 25+ Cost Split (2002/03 – 2006/07)



Scope of NIAO's Study

1.18 NIAO examined the New Deal 25+ programme in view of the scale of expenditure involved, the volume of participants through the programme and because it dealt with the long-term unemployed which has been an on-going concern within the Northern Ireland economy.

Our examination focused on programme reporting and programme performance

- 1.19 The scope of our examination focused on the Department's programme monitoring, reporting and performance (**Part Two** of the report) and a review of certain aspects of programme performance (**Part Three** of the report).
- 1.20 As part of this study, we commissioned a survey of employers providing work experience placements under the programme and a census of consortia providers. An outline of our survey methodology is provided at **Appendix 5**. We also interviewed six consortia provider organisations.
- 1.21 Originally, NIAO intended to carry out a survey of programme participants. However, as the Department also intended to carry out such a survey, we decided not to repeat this work. The results of the Department's survey were formally reported in May 2008, and have been considered as part of our work.
-

Part Two: Programme Monitoring, Reporting and Performance



Part Two: Programme Monitoring, Reporting and Performance

Performance Monitoring and Reporting

2.1 The broad purpose of New Deal 25+, as a 'welfare to work' employment programme, was to move unemployed adults into employment, by providing assistance to overcome barriers to employment and thereby improve their prospects of getting and retaining a job (enhancing their employability), through the provision of support, work experience and training.

The Department did set targets, but these were inconsistent

2.2 The Department has set targets in relation to numbers of participants moving into a job. However, sometimes targets were set at a New Deal 25+ level, or at a New Deal programme level or at a wider 'welfare to work' level. At the end of the programme, the Department had no published programme targets in place against which to assess the overall performance of the New Deal 25+ programme, either in relation to job outcomes or improvements in employability. The Department advised us that in recent years its policy, in line with the approach taken by all Departments, is to publish high level objectives and targets connected to Public Service Agreement targets, as opposed to individual programme targets. It does, however, have performance indicators, including New Deal job outcomes, contained within its Preparation for Work Division's Balanced Scorecard.

2.3 This approach is consistent with the wider programme in Great Britain, where no overall target has been set. Although, we note that the Department has tested the use of a number of employability measures (e.g. HARP¹⁴ and CPK¹⁵). However, to date no generally accepted method for measuring improvements in employability has been identified. This is also the case in Great Britain.

2.4 At a lower level, the Department, since 2003/04, included performance targets within contracts for the provision of New Deal 25+ Options by external providers. The targets set under provider contracts are identified in **Figure 3**, and did not change over time. Under these contracts, providers were also subject to inspection by the Education and Training Inspectorate (on quality of delivery), the Department's Financial Audit and Support Team (on compliance with operating guidelines) and Quality and Performance Contract Managers (on performance monitoring and programme delivery).

Figure 3: New Deal 25+ Provider Contract Targets (2003/04)

Programme Area	Target
Self-employment Option	45% of leavers to sustained employment
Main Options (PEP, ETO, EST)	15% of leavers to sustained employment
Musicians	15% of leavers to sustained employment

Source: DEL

2.5 Appropriate and challenging outcome targets are a fundamental element of effective performance measurement systems. In our view, the activity levels and expenditure associated with programmes like New Deal 25+ (and the new Steps to Work (StW) programme) justify the need for performance targets and particularly job outcome targets. Such targets should cover all material activities or elements of the programme and the metric used in measuring performance should remain consistent over time to allow trends to be clearly identified. Performance against target should be formally reported on a regular basis and at least annually. In this regard, we note that a Working Group has been established by the Department to review and identify appropriate targets, key performance indicators and performance measures for the new StW programme.

2.6 We commend the Department for its efforts to date in seeking a measure on employability, and while we acknowledge that it may be difficult to achieve, there remains merit in continuing its efforts to identify a usable measure.

The Department's New Deal 25+ database provided a means to monitor the programme

2.7 The Department maintained separate databases for each of its New Deal programmes. New Deal 25+ information was collected on activity and outcomes. This provided the Department with a means to monitor the programme.

2.8 The New Deal 25+ database was updated monthly with activity information from the Department's Client Management System (CMS). CMS recorded both benefit claims information and New Deal activity for individual participants, information which was input from a number of sources including the Department's Personal Advisers and the providers (who operated a separate Trainee Management System (TMS)).

The Department published a quarterly New Deal 25+ statistical bulletin

2.9 The Department published a quarterly New Deal 25+ statistical bulletin, which was generated from its database. This, summarised New Deal 25+ activity and outcome information and also provided analysis in relation to gender, age and community background. The Department also regularly generated separate activity and outcome reports at consortia level, for the information of its contract management and operational management staff. These documents formed the basis of the Department's monitoring and reporting on the programme. In addition, the Department also monitored Jobseeker's Allowance (JSA) data for the 25+ age group in order to anticipate future volumes on the programme.

2.10 During our review of the Department's programme monitoring and reporting framework, we noted a number of areas where the Department did not routinely maintain information, where we expected it would have. In particular, the Department's

Part Two: Programme Monitoring, Reporting and Performance

database did not record information on the qualifications undertaken or achieved by New Deal 25+ participants. Although it is noted that from April 2007 the Department has been monitoring and reporting on those undertaking a full National Vocational Qualification (NVQ) within the programme. The Department did not record information on the employers engaged in the programme, their industrial classification (areas in which they operate) or their sectoral make up (i.e. private, public, voluntary and community sectors). The Department could not, therefore analyse in which sectors participants undertook work/work placements, or the relative outcomes arising from work/work experience in the different sectors. In addition, the Department was unable to provide us with a breakdown of which benefits participants return to on leaving the programme (see later at paragraph 2.31).

2.11 Gaps identified in the Department's monitoring and reporting structures lessen its ability to properly evaluate the programme. We recommend that the Department strengthens its framework by recording, monitoring and reporting information on:

- the qualifications undertaken and achieved by participants
- employers engaged under these type of programmes
- the benefits destinations of participants when they leave these type of programmes.

This should ensure that monitoring and reporting is more meaningful and can better guide improvements in future programmes.

2.12 The Department advised us that New Deal 25+ was an employment programme, not a training or educational programme. As such, the Department advised that the key focus was always on moving clients off benefit and into work at the earliest opportunity. As a result, some clients would not complete their qualification while on the programme and resulting monitoring would wrongly indicate a negative impact. In addition, due to the limited time available on New Deal 25+, some participants may not complete their qualification until after they had left the programme. Thus, monitoring would again incorrectly show this as a negative impact.

2.13 The Department also advised that New Deal programmes were consistently evaluated through research and evaluation studies and/or reviews. It considered that the resources needed to record, monitor and report on the areas of qualifications, employers and benefits destinations on an ongoing basis would far outweigh any expected benefits to the programme. They advised that the results from these three areas are liable to constant change as they are invariably impacted on by the needs of the participant group and the labour market. The Department further advised that these were very much subsidiary to the main goal of a job outcome but that it was, as part of the development of the new Steps to Work approach, considering

additional targets and performance indicators including full NVQs.

- 2.14 Finally in this area, the Department advised that the majority of unemployed people leaving New Deal 25+ return to JSA. The recording, monitoring and reporting of benefits data was not expected to provide any meaningful information to the Department.

directed onto the programme but had not yet entered the Gateway stage¹⁶, 42 per cent (or 1,100 people) were at the Gateway stage, a further 42 per cent were engaged in one of the New Deal 25+ options, and 8 per cent were at the final Follow-through stage.

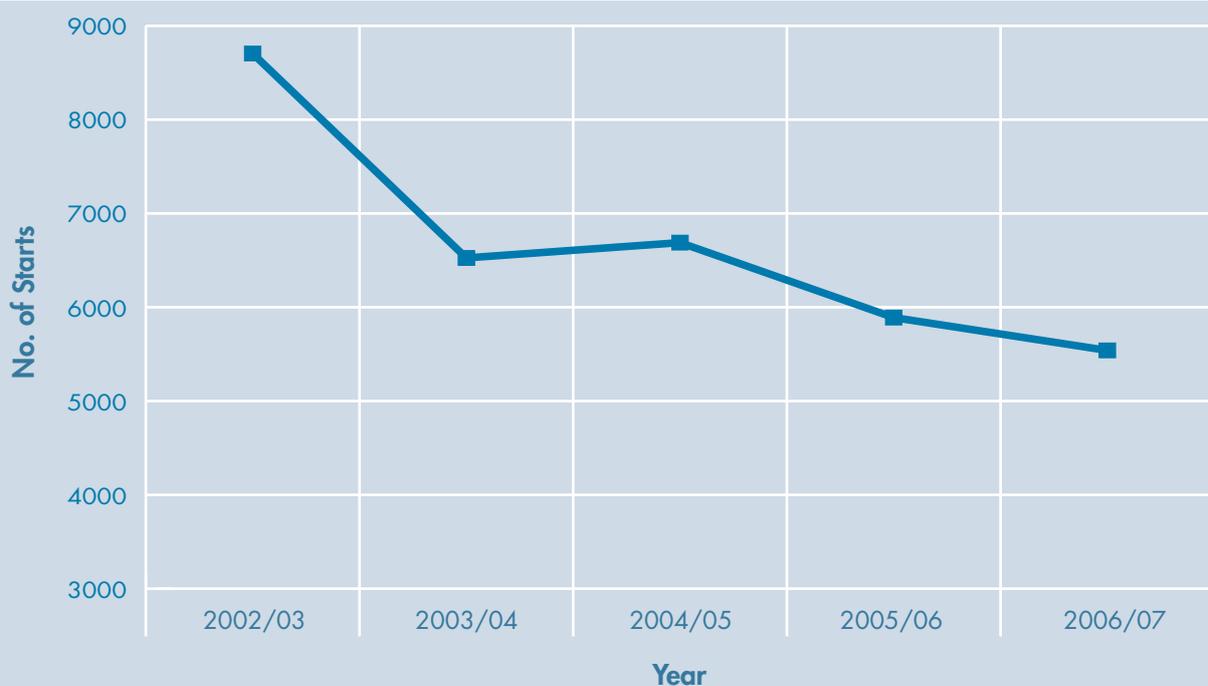
By March 2007, 74,000 participants had started on the programme

Overview of Programme Activity and Performance

- 2.15 At the end of March 2007, there were some 2,600 people participating in the New Deal 25+ programme. Of these, 8 per cent (or 200 people) had been

- 2.16 Between 1998 and the end of March 2007, approximately 74,000 participants had started on the programme. Apart from the earliest years, the trend in starts was steadily downward. In the five years to March 2007, the numbers starting New Deal 25+ fell by some 36 per cent from around 8,500 per year to 5,500 (see

Figure 4: New Deal 25+ Starts (2002/03 – 2006/07)



Source: DEL

16 The formal point of entry to the Gateway stage arises when the participant meets with their appointed Personal Adviser

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Figure 4). This was lower than the 54 per cent decline in the eligible group¹⁷ (i.e. those aged 25 and over claiming JSA for 18 months or more).

2.17 The typical participant during this period was male (making up some 82 per cent of all starts), was aged between 30 and 49 (59 per cent of starts), and had been on New Deal before (61 per cent of starts)¹⁸. Indeed, of those who started on the New Deal 25+ programme in 2006/07, 39 per cent were on their first New Deal episode. The majority of those who started on the programme in 2006/07 were on their second, third or fourth New Deal episode. A small number (around 1 per cent) had participated on the programme more than five times. See **Figure 5**.

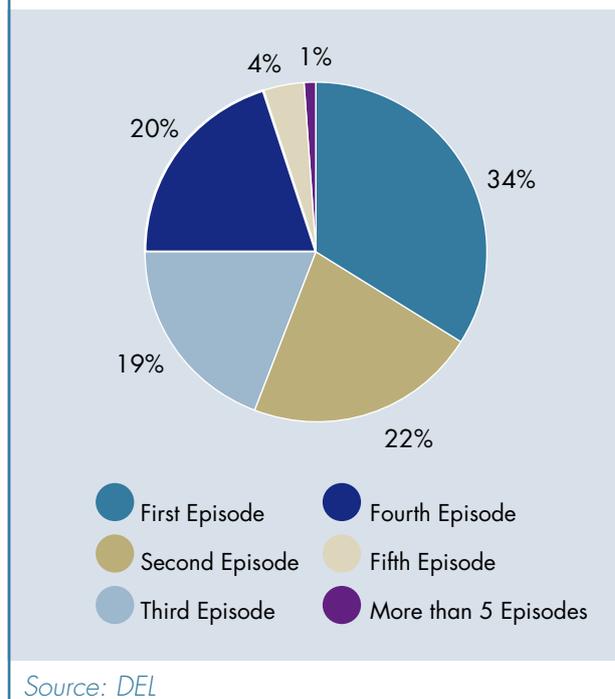
Later participants were harder to help, with multiple barriers to employment

2.18 Research has identified that the New Deal 25+ population group has changed since the early years of the programme, towards a core of 'harder to help' participants with complex and multiple barriers to employment¹⁹. This is evidenced by the proportion of repeat participants.

2.19 Our surveys of consortia providers and employers engaged on the programme broadly agreed on the types of barriers to employment faced by individuals involved in New Deal 25+. These include:

- lack of work experience

Figure 5: New Deal 25+ Repeaters - No. of Episodes (2006/07)



- lack of qualifications
- poor motivation
- poor social and communication skills
- literacy and numeracy problems.

2.20 Lack of work experience is illustrated by the fact that 22 per cent of returners to the programme had never worked (compared to only 8 per cent in Great Britain), while 46 per cent had been out of work for more than 5 years (compared to 34 per cent in Great Britain)²⁰. With regard to lack of qualifications, a recent Department survey

¹⁷ New Deal Starts is a measure of the number of starts within a given period, and can include both those who voluntarily avail of early entry to the programme together with those undertaking more than one episode in that period. Claimant count reflects the number of people claiming at any point in time

¹⁸ Departmental data does not identify New Deal 25+ episodes separately. Therefore, a person on New Deal 25+, who has previously been on New Deal may have participated in another New Deal programme e.g. New Deal 18-24

¹⁹ Department for Employment and Learning (June 2004) New Deal 25+ Evaluation Report No.9

²⁰ Department for Employment and Learning (June 2007) 'Understanding why people return to the New Deals in Northern Ireland'

of New Deal 25+ participants²¹ noted that 67 per cent had left school without formal qualifications. Other research²² also indicated that a significant proportion of the Northern Ireland adult population (24 per cent) performs at the lowest level of literacy.

- 2.21 The issue of literacy and numeracy in schools was considered by the Westminster Public Accounts Committee in 2006²³. NIAO are currently preparing a separate report on Adult Literacy and Numeracy in Northern Ireland.
- 2.22 In addition to the barriers to employment noted above, Departmental research has also identified transport and mobility issues, post code discrimination, employment lock-out and the 'chill factor' of travelling to work in or through another community. Also, claimant count statistics indicate that more than half (59 per cent) of those aged over 25 who have been claiming JSA for 18 months or more in Northern Ireland were aged 50 or older, over the period 2002/03 to 2006/07 (compared to 44 per cent in Great Britain over the same period).
- 2.23 In the Department's opinion, the differences between the Northern Ireland and Great Britain client groups, outlined in paragraphs 2.20 – 2.22, illustrate that the Northern Ireland client group is more difficult to help (compared to Great Britain).

By March 2007, 71,000 participants had left the programme

- 2.24 By the end of March 2007, just over 71,000 participants (of the 74,000 who started) had left the programme, of which 35,000 left within the last five years. Of those who left the programme in the last five years, 60 per cent had left by the end of the Gateway stage²⁴. Indeed, 13 per cent of all leavers had exited before entering the Gateway i.e. within a couple of weeks²⁵, and before meeting with their Personal Adviser. In our view this level of early leaving indicates a significant deterrent effect associated with the programme. However, the Department contends that early leaving indicates the positive impact and success of the programme.
- 2.25 The remaining 40 per cent of leavers either left at or from the Option stage, or continued on to the Follow-through stage and left at or before their maximum term on the programme was complete. The majority (63 per cent) of those undertaking the Option stage carried into the Follow-through stage, as 25 per cent of leavers exited from the Follow-through stage, while 15 per cent departed from the Option stage.

18 per cent of leavers moved immediately into unsubsidised employment

- 2.26 On the basis of data provided by the Department, the immediate destination of

21 Department for Employment and Learning (March 2008) Labour Market Bulletin 21 'New Deal Leavers Survey: Preliminary Results'

22 OECD (2000) International Adult Literacy Survey

23 'Improving literacy and numeracy in schools (Northern Ireland)' HC 108 Second Report of Session 2006/07, December 2008

24 Until April 2006, those aged 50 and over were not required to participate beyond the Gateway stage. To April 2006, 36% of those who had left by the end of the Gateway stage were aged 50+

25 New Deal 25+ Staff Instructions state that the aim is to schedule an initial appointment within one week of invitation to join the programme

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those who have left the programme over the last five years has remained steady. Just over half (54 per cent) of leavers returned to benefits, 18 per cent (or 6,500 participants) entered unsubsidised employment, and 14 per cent moved on to other destinations (i.e. transferred to other education and training programmes or unemployment without claiming benefit) immediately upon leaving the programme (see **Figure 6**).

Figure 6: New Deal 25+ Immediate Destinations (2002/03 – 2006/07)

	Leavers (%)
Return to Benefits	54
Unsubsidised Employment	18
Other	14
Not Known	14

Source: DEL

2.27 Our interviews with consortia members highlighted an opinion that participants placed with private sector employers had a greater chance of moving into employment than those placed with voluntary or community sector organisations, although they also suggested that it is becoming more difficult to obtain placements. This view was also supported by our survey of employers, as private sector employers were most likely to employ all of those placed with them after the programme.

2.28 Consortia difficulties in obtaining placements reflects research findings²⁶ identifying that, in general, employers are

reluctant to recruit unemployed people, and especially the longer term unemployed. In the Department's view, based on research, private sector employers are unwilling to consider people who have been unemployed for some time and, in particular, participants from New Deal, as they are immediately, and often wrongly, perceived as not capable of, or not willing to work. The Department has advised NIAO that the design and the intent of the Employer Subsidy Option attempts to encourage employers to give programme participants the opportunity to prove that they are capable of undertaking the required duties of the job.

2.29 Our survey of employers also indicated that a significant number of employment outcomes would have occurred even if the person had not participated in the programme – 65 per cent of employers who took on a participant after the programme suggested that the person definitely or probably would have been employed had they applied in the normal way, rather than participating in the programme. Although, we note the Department's contention that this survey response is not surprising, and is affected by the employer's positive impression of the participant over the period of their participation on the programme.

The destination of some 14 per cent of leavers was unknown

2.30 The immediate destination of the remainder of leavers, some 14 per cent, was recorded as unknown²⁷ (the same as Great Britain²⁸). This was a particular

26 Department of Social Security (1998) Research Report No. 76 'Recruiting Long-term Unemployed People'

27 Unknown destinations are those where no destination has been recorded within 14 days of leaving the programme, or where the destination has been recorded as unknown

28 Department for Work and Pensions data for Jan 2002 – Dec 2006

problem in relation to those leaving at the earliest stage of the programme, before entering Gateway, where 26 per cent of all destinations were not known. Given the level of unknown destinations, the Department advised that the level of employment outcomes is understated, particularly as some participants who moved into a job would not, for whatever reason, record this as the reason for terminating their JSA claim. Although, the Department's recent survey of New Deal 25+ participants would suggest the understatement to be small (1 per cent)²⁹.

- 2.31 While we understand that the main benefits to which leavers returned were JSA, Incapacity Benefit and Income Support, the Department was unable to provide NIAO with data on this matter. Immediate destinations data for Great Britain³⁰ reported by the Department for Work and Pensions suggests that 63 per cent of those who left New Deal 25+ and returned to benefits re-entered JSA, while 33 per cent moved to Income Support and/or Incapacity Benefit. Interestingly, of those who returned to JSA, 42 per cent left by the end of the Gateway stage³¹.

There were no significant differences in New Deal 25+ outcomes by gender or religious background

- 2.32 Analysis of leavers data for the last five years indicates that immediate outcomes for male and female participants were broadly similar, with women being slightly more successful in terms of entering unsubsidised employment (20 per cent

compared to 18 per cent), and slightly less likely to return to benefits (53 per cent compared to 55 per cent). In addition, those participants declaring that they were from the Catholic community achieved slightly poorer outcomes than those from the Protestant community³². Although, again the difference was not large (16 per cent entering unsubsidised employment compared to 20 per cent, and 57 per cent returning to benefits compared to 55 per cent).

Older participants experienced poorer outcomes than younger participants

- 2.33 Older participants experienced significantly poorer outcomes than their younger counterparts. The older the person was when they started New Deal 25+, the less likely they were to enter unsubsidised employment immediately on leaving the programme. Over the five years to 2006/07, those aged 50 and over were almost four times less likely to achieve unsubsidised employment on leaving the programme, and almost twice more likely to return to benefits than those aged between 25 and 29. See **Figure 7** overleaf.

- 2.34 We note, however, that from April 2006, the Department made full participation in New Deal 25+ mandatory for those aged 50 and over, and that this has made a positive impact in terms of employment outcomes for this age group. Indeed, employment outcomes for those aged 50 and over in 2006/07 rose to 12 per cent.

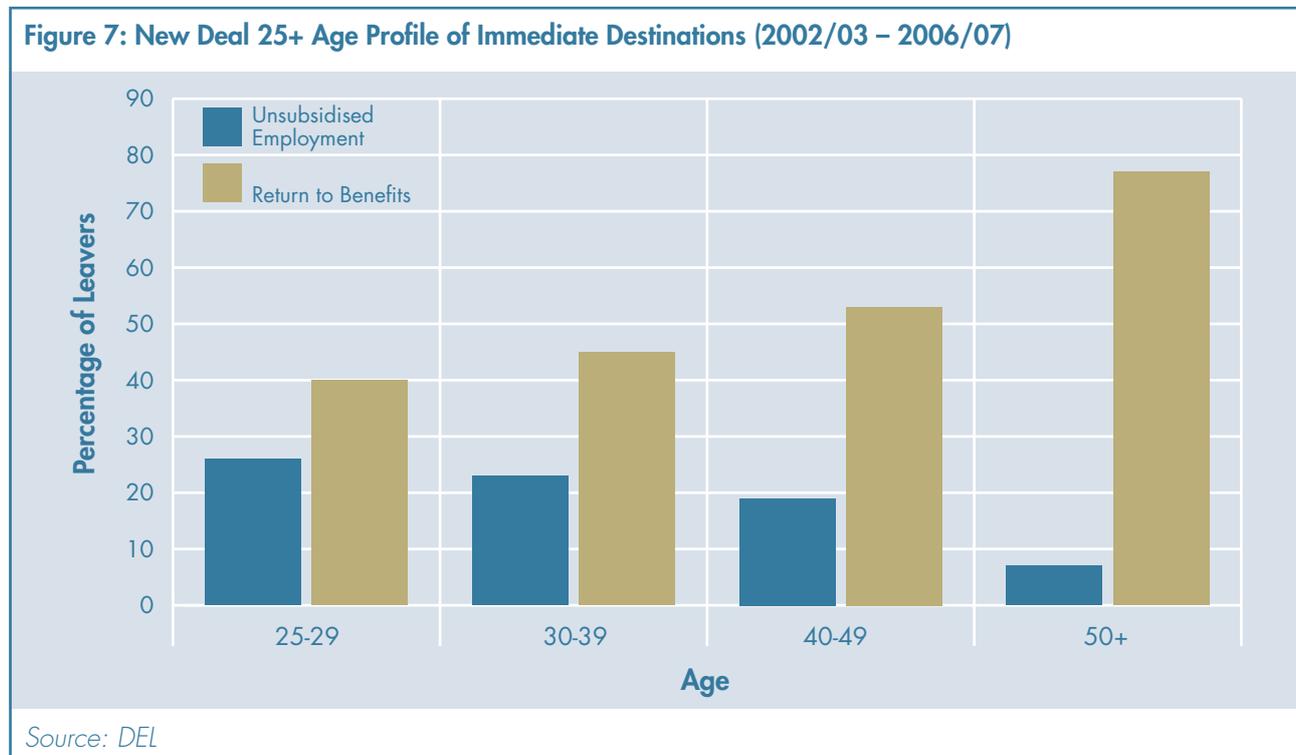
29 Department for Employment and Learning (May 2008) Survey of New Deal Leavers

30 Department for Work and Pensions data for Jan 2002 – Dec 2006

31 This statistic is adversely affected by the numbers of over 50s on the programme who, up to April 2006, were not required to participate beyond the Gateway stage

32 Participants are not compelled to declare their community background, and as a result the background of some 17% of leavers between 2002/03 to 2006/07 is unstated

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2.35 In light of the fact that older participants achieve poorer outcomes (despite recent improvements), the Department needs to continue to improve outcomes for the older age group under programmes like New Deal 25+, by providing additional support to address their specific problems.

2.36 We note the Department's plans for additional support, under the Steps to Work programme, which should particularly benefit older age groups. These include mentoring for those with identified barriers to employment, higher employer subsidy for those who have experienced long-term employment or who have been on the New Deal before and the introduction of mandatory intensive jobsearch for those who have previously been on New Deal.

In the longer term, 18 per cent of participants achieved sustained employment within six months of leaving the programme

2.37 In terms of outcomes over a slightly longer period, the Department also collected data and reported performance on sustained employment. This measured employment outcomes between three and six months after leaving the programme.

2.38 Sustained employment is defined as continuous employment lasting for a minimum of 13 weeks, attained within 13 weeks of leaving the programme. It is against this measure that targets were set in provider contracts (see **Figure 3**).

- 2.39 The numbers recorded as having achieved sustained employment over the last five years is similar to that for immediate destinations i.e. 18 per cent of all leavers (6,300 participants).
- 2.40 On the basis of a total cost to the Department over the five years to the end of March 2007 of around £43 million and total leavers in the period of around 35,000, 18 per cent of whom achieved sustained employment, this represents a cost per sustained employment outcome delivered of around £6,800.
- 2.41 The Department does not employ a longer term measure of employment, beyond the three to six-month sustained employment measure, although it has carried out a number of longitudinal surveys throughout the life of the programme (approximately one every five years). The latest survey of recent participants, carried out between March and August 2007, indicated that some 22 per cent of leavers were in employment at the time of survey (most of whom, representing 19 per cent overall, had been in employment for six months or more), while 49 per cent were unemployed and looking for work. A further 16 per cent indicated that they were too ill to work or study. The Department's survey also noted that those who were employed on leaving the programme tended to be employed at the time of the survey, while few of those who returned to benefits were employed at the time of the survey³³.
- 2.42 In our view, the Department's focus on the six-month sustained employment measure is too short-term and there is a need for it to routinely measure what happens to participants over a longer period. Such longer term measures might determine whether outcomes improve compared with the immediate and short-term, assess the average length of post programme employment and the numbers of employment spells over the longer term. We recognise that this will require the collection of data beyond that currently available to the Department (see later at paragraph 2.54).
- 2.43 The Department advised us that the measure of sustained employment within New Deal 25+ was in line with Great Britain. Within Steps to Work, the Department has doubled the defined period of sustained employment to 26 weeks. The Department considers that any longer term tracking is best achieved through surveys. It also advised that the period of sustained employment will be subject to fluctuation caused by prevailing economic conditions.
- Participants experienced different outcomes, dependent upon the point from which they left the programme**
- 2.44 Individuals leaving the programme experienced different outcomes, dependent upon the point from which they left. Those who left before meeting their Personal Adviser and those who left at the Gateway stage were around five times more likely to enter unsubsidised employment, and

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Figure 8a: New Deal 25+ Immediate Destinations by Programme Stage (2002/03 – 2006/07)

Programme Stage (Leavers)	Destinations			
	Unsubsidised Employment	Return to Benefits	Other	Not Known
Pre-Gateway (4,500)	15%	35%	24%	26%
Gateway (16,500)	16%	50%	19%	15%
Options (5,200)	56%	26%	4%	14%
Follow-through (9,000)	3%	89%	3%	5%
Options* (14,200)	23%	65%	3%	9%

*Note: Combined outcomes of those who left at the Option or Follow-through stages
Source: DEL

between a third and a half as likely to return to benefits immediately upon leaving than those who progressed through every stage of the programme (leaving at the Follow-through stage). Similar differences in outcomes were experienced in terms of whether employment outcomes were sustained. In addition, those leaving from earlier stages of the programme were also

significantly more likely to move on to other training. (See **Figures 8** and **8b**).

- 2.45 These differences in outcomes may reflect the fact that those leaving at the earliest stages are the most job-ready or closer to the labour market. For instance, the Department's recent leavers survey³⁴ noted that those leaving at the Gateway

Figure 8b: New Deal 25+ Sustained Employment by Programme Stage (2002/03 – 2006/07)

Programme Stage (Leavers)	Proportion to Unsubsidised Employment	
	Immediate	Sustained
Pre-Gateway (4,500)	15%	15%
Gateway (16,500)	16%	14%
Options (5,200)	56%	52%
Follow-through (9,000)	3%	6%
Options* (14,200)	23%	23%

*Note: Combined outcomes of those who left at the Option or Follow-through stages
Source: DEL

stage had a higher qualifications profile than those who went on into the PEP or ETO options. Although, particularly with regard to those leaving before meeting their Personal Adviser (Pre-Gateway), comparative outcomes may be adversely affected by the volume of 'not known' destinations.

- 2.46 Overall, in terms of numbers moving into employment, those leaving at the earliest stages of the programme (Pre-Gateway and Gateway) represented just under half of total immediate and sustained employment outcomes for the programme as a whole (51 and 49 per cent respectively). Although, as noted at paragraph 2.24, they also constituted the majority (60 per cent) of all leavers.
- 2.47 Analysis of immediate outcomes of leavers, as summarised at **Figures 8a** and **8b**, also suggests that those who left at the Option stage achieved better outcomes, when compared to the other stages of the programme. However, it should be remembered that those who achieved the poorest outcomes i.e. those who left from the Follow-through stage, also participated in the Option stage of New Deal 25+, and represented the majority (63 per cent) of total Option participants (see paragraph 2.25).
- 2.48 Combining data for those that left at the Option and Follow-through stages produces a clearer indication of the performance of those who undertook a New Deal 25+ Option, and suggests that those who undertook an option were more likely to leave for unsubsidised employment, but also more likely to return to benefits than those leaving at the earlier stages of the programme.
- 2.49 On the basis of expenditure details for the last five years, provided by the Department, of the £43 million total cost (representing a unit cost of £1,300) just over £40 million was spent in relation to New Deal 25+ Options and Follow-through. Given the levels of employment outcomes recorded at the Option and Follow-through stages, the respective costs per employment outcome delivered were £12,550 per immediate employment outcome and £12,400 per sustained employment outcome. While these are significantly higher than the average cost per sustained employment outcome of £6,800 (see paragraph 2.40), it should be remembered that the bulk of the Department's intervention, and thereby cost, arises at the Option stage.
- 2.50 On the basis of overall programme outcomes i.e. 18 per cent of leavers moving immediately to employment, and 18 per cent achieving sustained employment, there is, in NIAO's view, potential for the Department to improve overall outcomes of programmes like this. Taking into consideration leavers' destinations at each stage of New Deal 25+, there is a need for greater intervention at the Follow-through stage where prospects for getting a job are especially poor.
- 2.51 We note that the Department's new Steps to Work programme incorporates a revised funding model with a greater focus

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towards output-related funding, together with more flexible and tailored support for individuals in overcoming their barriers to employment.

The Department did not regularly benchmark its performance against the similar programme in Great Britain

2.52 The Department did not routinely benchmark its New Deal 25+ performance against the similar programme in Great Britain, despite both programmes being in existence since 1998. While it did carry out a one-off benchmarking exercise at June 2005, it did not report the results of this comparison. The Department does, however, regularly monitor movements in the 25+ JSA register with the other 11 United Kingdom regions. This exercise has demonstrated that the Northern Ireland reductions have been consistently greater than those recorded in the other United Kingdom regions.

2.53 The Department advised NIAO that, after December 2005, Great Britain and Northern Ireland performance data was no longer directly comparable. This resulted from changes to the methodology for collecting data in Great Britain (the Department for Work and Pensions

Longitudinal Study), which, in particular, fills in the gap of 'unknown destinations', thereby improving performance in terms of employment destinations.

2.54 We understand that the Department is investigating the possibility of linking its data with information from HM Revenue and Customs and the Department for Social Development to enable it to produce figures similar to those in Great Britain. However, it has been in discussions with these bodies for some time (at least since June 2005), and does not anticipate an early resolution, particularly given the increased sensitivity in sharing personal data in light of the recent losses of personal data by public sector bodies.

2.55 In the absence of consistent targets and benchmarking, it is difficult to determine whether the reported results of New Deal 25+ represent effective performance. At the time of the only benchmark comparison, for data to September 2004, the Northern Ireland New Deal 25+ programme was slightly underperforming against the Great Britain average (see **Figure 9**), and was one of the poorer performing regions within the United Kingdom (joint 10th along with the North East of England out of 12 regions).

Figure 9: Comparative Performance of the NI New Deal 25+ Programme at Sept 2004

	Proportion of Leavers to Sustained Employment ³⁵		
	NI	GB	North East
Sustained Employment	21%	23%	21%

Source: DEL

35 The measure used for the purpose of benchmarking included both subsidised and unsubsidised sustained employment, the measure applied in Great Britain. This required the uprating of Northern Ireland data, which measured only unsubsidised sustained employment, from 18% to the 21% identified at Figure 9

Figure 10: Comparative Performance of the NI New Deal 25+ Programme over the 5 years (2002/03 – 2006/07)

Destination	Proportion of Leavers		
	NI	GB	North East
Employment immediately on leaving the programme	18%	28%	29%
Sustained Employment	18%	33%	33%

Source: DEL and DWP

Although, according to the Department, as a result of later improvements in its data collection methodology, the Northern Ireland programme's performance should have been one to two percentage points higher than that applied at the time of this comparison. Adjusting for this would have raised Northern Ireland's relative performance to the Great Britain average, and placed it at joint 7th of the 12 United Kingdom regions.

2.56 While bearing in mind that Great Britain and Northern Ireland data are no longer directly comparable (see paragraph 2.53), performance data for the last five years, generated by NIAO³⁶, suggests that the Northern Ireland New Deal 25+ programme continued to underperform against its counterpart in Great Britain (see **Figure 10**), and would likely remain the case even where Northern Ireland data was updated to include subsidised sustained employment³⁵. The Department is of the view that the differences in methodologies does not currently allow direct comparison. In addition, we also note that any comparison should also be considered alongside the economic

conditions in each region i.e. the more buoyant labour market in Great Britain.

2.57 The importance of setting targets and reporting performance on a similar basis to corresponding programmes elsewhere in the United Kingdom was raised by the Public Accounts Committee³⁷. We recommend that the Department formally benchmarks its performance against the corresponding Great Britain programme, and reports its comparative performance, at least annually. Where calculation methodologies differ, the Department should seek whatever additional information is necessary to carry out the comparison. In this regard, the Department should progress, as a matter of urgency, the improvements in this area.

2.58 With regard to the new Steps to Work programme, the Department, in developing its targets and performance measures, should consider (where appropriate) matching any measures being developed by its Great Britain counterpart (the Department for Work and Pensions) for its future programme which we understand is to be introduced in Autumn 2009.

36 Great Britain data has been generated using the Department for Work and Pensions Statistical Tabulation Tool from data updated to November 2007

37 Northern Ireland Assembly, PAC 10th Report of Session 2001/02 'Indicators of Educational Performance and Provision', 3 July 2002 and House of Commons Committee of Public Accounts 10th Report of Session 2005/06 'Jobskills', 17 October 2005

Part Three:
Review of Aspects of Programme Performance



Part Three: Review of Aspects of Programme Performance

Introduction

3.1 Part Two of this report provided detail on the overall performance of the New Deal 25+ programme. This Part looks at a number of particular aspects of the programme in further depth and discusses certain issues of interest. The areas examined in our review of programme performance are:

- performance in the Programme Options (paragraphs 3.2 to 3.15)
- performance of consortia against contract targets (paragraphs 3.16 to 3.30)
- repeaters (paragraphs 3.31 to 3.42)
- employers (paragraphs 3.43 to 3.51).

Performance in the Programme Options

3.2 For participants who completed the Gateway stage of the programme and did not move on to employment, there were five basic choices of Option available under the programme. These offered a range of work experience and training towards a qualification or part qualification. These were the:

- Employer Subsidy
- Self-employment
- Preparation for Employment Programme (PEP)

- Education and Training Opportunities (ETO)
- Essential Skills Training (EST).

Preparation for Employment Programme (PEP) was by far the most popular option

3.3 Participants, in conjunction with their Personal Adviser and in line with their personal job goals, agreed which option to undertake. As illustrated in **Figure 11**, by far the most popular option was the shortest option, the Preparation for Employment Programme (PEP). Of the 15,000 individuals who started on a New Deal 25+ Option in the last five years, the PEP accounted for 60 per cent (or 9,000 starts). By comparison the other options, the Employer Subsidy, Education and Training Opportunities (ETO), Self-employment and Essential Skills Training (EST) were relatively small, making up approximately 17 per cent (2,600 starts), 11 per cent (1,700 starts), 8 per cent (1,150 starts) and 4 per cent (550 starts) of total option starts between 2002/03 and 2006/07 respectively.

3.4 Over time, there was some variation in the relative importance of the options, other than PEP. The proportion of starts on the Employer Subsidy Option declined from 20 per cent in 2003/04 to 14 per cent by 2006/07. The Self-employment Option also experienced a decrease in starts from 9 per cent to 5 per cent in the same period. In comparison, the ETO experienced an increase from around 11 per cent of total starts in 2003/04 to 16

Figure 11: New Deal 25+ Distribution of Option Starts (2002/03 – 2006/07)



Source: DEL

per cent by 2006/07, and the EST (which commenced in 2003/04) represented around 9 per cent of all option starts by 2006/07.

3.5 The relatively small proportion of participants choosing to undertake the ETO and, particularly, the EST Options was disappointing given that these options were designed towards addressing key barriers to employment associated with the long-term unemployed target group i.e. lack of qualifications and poor literacy and numeracy skills. Although later increases in the proportion of starts in these options was encouraging.

There were significant variances in outcomes associated with the different options, with PEP the least effective option

3.6 As previously noted, at Part Two (Figures 8a and 8b), 23 per cent of those who undertook a New Deal 25+ Option moved into employment after leaving the programme. However, as with the outcomes at each stage of the programme, there were significant variances in the outcomes associated with the different New Deal 25+ Options.

Part Three: Review of Aspects of Programme Performance

Figure 12a: New Deal 25+ Immediate Outcomes (2002/03 - 2006/07)

Options	Destinations*			
	Unsubsidised Employment	Return to Benefits	Other	Not Known
Employer Subsidy	68%	17%	4%	11%
Self-employment	56%	34%	3%	7%
PEP	5%	84%	3%	8%
ETO	15%	68%	5%	12%
EST	15%	62%	1%	22%

*After re-apportionment of those leaving at the Follow-through stage to their previous Option
Source: DEL

3.7 Over the last five years, PEP, the largest option, was the least effective option, with the vast majority of participants (84 per cent) returning to benefits. PEP achieved very little, in terms of moving participants into employment. Only 5 per cent of participants moved into employment after leaving the programme. Although, the level of sustained employment achieved by PEP

leavers was slightly higher at 7 per cent (see **Figures 12a** and **12b**).

3.8 While these figures may reflect the more challenging and harder to help nature of those who chose the Option, it also raises concerns that participants may have viewed this option as the quickest route back to benefits. This point was highlighted

Figure 12b: New Deal 25+ Sustained Outcomes (2002/03 - 2006/07)

Options	Unsubsidised Employment*	
	Immediate	Sustained
Employer Subsidy	68%	62%
Self-employment	56%	54%
PEP	5%	7%
ETO	15%	19%
EST	15%	15%

*After re-apportionment of those leaving at the Follow-through stage to their previous Option
Source: DEL

in our interviews with consortia and in our census of consortia members. Of those who indicated that repeaters got little out of the programme, 32 per cent suggested that this was because participants did not engage fully with the programme and were merely 'going through the motions' of participating. However, it is noted that the Department has revised this provision within its new Steps to Work initiative by tailoring it to individual needs.

- 3.9 Those who left from the ETO and EST, the qualifications focused options, achieved only slightly better outcomes on leaving the programme than those from PEP. Again, the majority returned to benefits, while 15 per cent moved to employment. Although, for the ETO, the level of sustained employment ultimately achieved was slightly higher at 19 per cent.
- 3.10 By comparison, participants undertaking the Employer Subsidy or Self-employment Options were more than ten times more likely to enter employment immediately on leaving the programme (and between seven and nine times more likely to enter sustained employment) than their counterparts on the PEP Option. Some 68 per cent of leavers from the Employer Subsidy Option, and 56 per cent from the Self-employment Option, moved into employment or self-employment. The ultimate level of sustained employment under these options was slightly lower at 62 per cent and 54 per cent respectively.
- 3.11 As a result of the much lower level of employment outcome, together with greater volumes involved, the relative cost per sustained employment outcome associated with the PEP was greater than any other option, at approximately £39,400, and considerably greater than the overall option cost per sustained employment of £12,400 (see paragraph 2.49).
- 3.12 We note, however, the Department's view that it is inappropriate to focus on the cost per employment outcomes from individual options, in particular that dealing with those with multiple and complex barriers to employment.
- 3.13 The costs per sustained employment outcome associated with the Self-employment and Employer Subsidy Options were significantly lower at £5,500 and £2,500 respectively. In the latter case, employers received a subsidy from the Department of £75 per week per participant (see **Appendix 3** for funding details).
- 3.14 There was a wide variability in performance across options. The Department needs to do more to improve the performance of those participants with the greatest barriers to employment. New Deal 25+ experience has shown that this group generally participated in the worst performing option. The Department should consider what action it might take in future programmes to improve the performance of those participants with the greatest barriers by encouraging them to undertake options which would better address their barriers to employment.
- 3.15 In this regard, we note the Department's recognition that the New Deal 25+ programme no longer met the needs of

Part Three: Review of Aspects of Programme Performance

the remaining core of more challenging clients, in its development of the new Steps to Work (StW) programme. In particular, we note the intention to tailor provision to the needs of each individual in order to overcome personal barriers to employment.

Performance of Consortia against Contract Targets

3.16 As noted at Part 1 (paragraph 1.14) the PEP, ETO and EST Options were provided, under contract, by 26 consortia (effectively one consortium per local Council area), comprising around 150 individual organisations. Our survey of consortia members noted that these were mainly training or employment/recruitment organisations with a primary focus on the provision of Government training and employment programmes. A sizeable minority of members indicated that they were involved in community development (17 per cent) or conservation work (9 per cent). Most consortia members (57 per cent) were from the voluntary and community sectors, with 32 per cent from the private sector and 11 per cent public sector bodies.

Over time there was a reduction in the number of consortia members

3.17 The overwhelming majority of consortia members were involved since the commencement of the programme in 1998. However, over time, with the downward trend in the number of participants involved in the programme, there was a reduction in the total number of members from around 200 at April 2003

to 150. Even with past contraction in consortia partners, programme volumes did not appear to be capable of supporting this level of partners. Our survey noted that 20 per cent of consortia reported that no participants had been referred to them in the three years to 2006/07.

3.18 The proportions of consortia members not having participants referred to them would suggest that current programme volumes were insufficient to support the provider network. In this regard, we note that StW has reduced the number of consortia contracts (and contract areas) from 26 to 10. This reduction in the number of contracts brings the Northern Ireland contracting regime into line with Great Britain where, for instance, 11 contracts cover the North East England Region.

Consortia contracts were extended on a number of occasions, despite evidence of underperformance

3.19 Consortia delivered the PEP, ETO and EST Options, under contract with the Department, since the start of the New Deal 25+ programme in 1998. Original consortia contracts were put in place to cover the three-year period to March 2001. These contracts were then extended on two successive occasions (to March 2003). After a re-tendering exercise, revised contracts were put in place to cover the period April 2003 to March 2006. Again, after March 2006, these contracts were extended (for two one-year extension periods to March 2008), in anticipation of a revised programme planned to commence in 2008/09.

Figure 13: New Deal 25+ Consortia Performance (2003/04 - 2006/07)

Year	Sustained Employment
2003/04	12%
2004/05	11%
2005/06	10%
2006/07	12%
Average	11%

Source: DEL

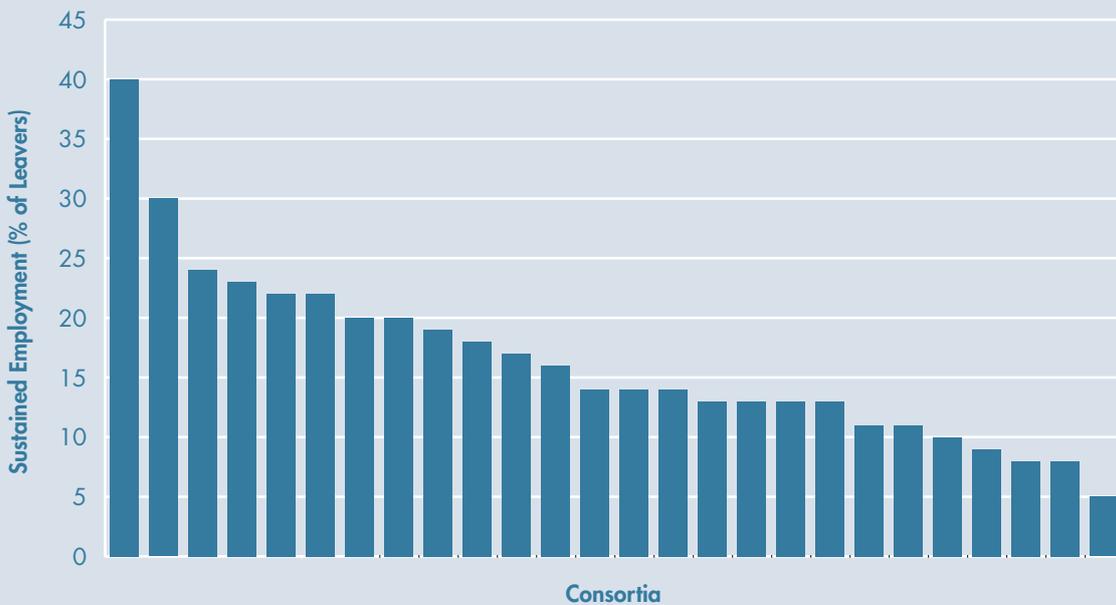
3.20 As noted at Part Two (paragraph 2.4), from 2003/04 contracts incorporated performance targets set at 15 per cent of leavers to sustained employment. As illustrated at **Figure 13**, consortia as a

whole underperformed against this target, averaging 11 per cent for the four years 2003/04 to 2006/07.

There was considerable variation in consortia performance

3.21 Within this average performance, there was considerable variation in individual consortia performance, ranging from 5 per cent to 41 per cent (see **Figure 14**). Although, NIAO notes that, over the same period, the quality of provision was assessed by the Education and Training Inspectorate as broadly acceptable. In general, the smaller consortia (in terms of volume of participants) tended to outperform their larger counterparts, which tended to be concentrated in the Greater

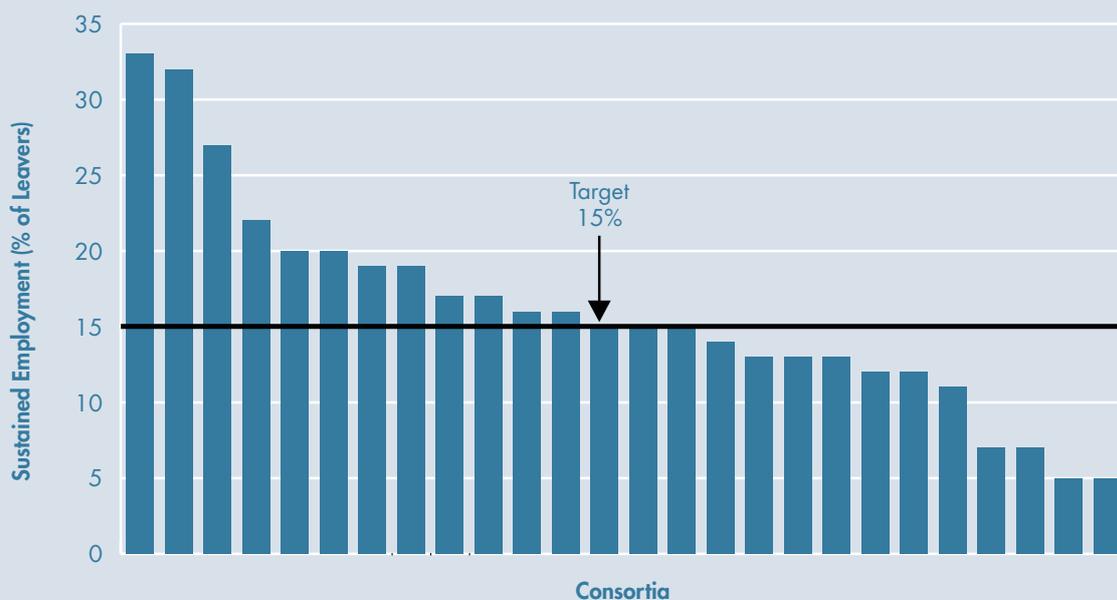
Figure 14: New Deal 25+ Consortia Performance (2003/04 - 2006/07)



Source: DEL

Part Three: Review of Aspects of Programme Performance

Figure 15: New Deal 25+ Performance against Contract Targets (2003/04 - 2005/06)



Source: DEL

Londonderry and Belfast areas, and which are generally in areas of high unemployment and economic inactivity.

- 3.22 In terms of the contract period 2003/04 to 2005/06, only three consortia achieved the target of 15 per cent of leavers to sustained employment throughout the period. Five consortia underperformed in each of the three years, while the remaining 18 consortia achieved the target in at least one year over the contracting period. Among these 18, 12 consortia had failed to achieve the 15 per cent target in 2005/06, 7 of whom also had an average performance over the contract period below the 15 per cent level. Average consortia performance over the contract period is illustrated at **Figure 15**.

- 3.23 Despite this, all contracts were extended into 2006/07, albeit with additional conditions written into contracts related to the need for individual consortia to improve their performance (generally up to the 15 per cent target level).

- 3.24 Performance in 2006/07 improved on 2005/06 levels for 15 of the 26 consortia, although four of these remained below the 15 per cent threshold. Performance declined for 9 consortia, 7 of which were below the 15 per cent level. Two consortia's performance remained the same (although both below the target level). In total, therefore, 13 of the 26 consortia did not achieve the target threshold in 2006/07.

- 3.25 In September 2006, the Department established a Quality and Performance

Branch, which included a discrete contracting and monitoring unit (covering a number of Departmental programmes, including New Deal). In addition, the Department also contracted with the Learning and Skills Development Agency Northern Ireland to work with contractors to improve the quality and performance of delivery under New Deal. These formed part of the Department's Quality Improvement Strategy (January 2007)³⁸.

- 3.26 Contracts were generally extended for a second period (to March 2008), however, the Department took action against two consortia, through its Quality and Performance Branch. NIAO understands that this was the first time over the life of the programme that contract sanctions were applied against consortia.
- 3.27 In one instance, the largest single consortium (and the worst performing), the Lead Partner was removed because of major problems with its administration arrangements.
- 3.28 In the second case, because of the consortium's ongoing failure to address weaknesses in the overall quality of its provision (as identified by the Education and Training Inspectorate) the consortium contract was not extended and alternative provision was sought by the Department.
- 3.29 While we would commend the Department for its recent more proactive approach to contract monitoring, together with improvements in its quality assurance framework, aimed at improved

performance across the consortia network, NIAO believes that the variation in performance across the network was too great, and that the Department needs to be more rigorous in its application of performance target thresholds, with the aim of improving performance across the consortia network. In particular, more attention should be paid to performance against targets when renewing and extending contracts.

- 3.30 With regard to improving performance, we note that the Department, alongside the introduction of the Steps to Work Programme and the reduction in the number of contracts (see paragraph 3.18), will also introduce a revised Lead Contractor delivery model (i.e. contracting with a single contractor in each geographic contract area), together with the amalgamation of all main New Deal programmes within a single programme, and thereby simplifying contract management arrangements. At the same time, the new funding model to be applied under Steps to Work re-balances the level of output-related funding available to providers.

Repeaters

- 3.31 At Part Two (paragraph 2.17 and Figure 5), it was noted that the majority of New Deal participants had been on the programme before, a small number more than five times. **Appendix 6** provides a number of illustrative 'pen pictures' of repeat participants' history on the programme.

38 Department for Employment and Learning (2007) 'Success Through Excellence: A Quality Improvement Strategy for the Further Education and Training System in Northern Ireland'

Part Three: Review of Aspects of Programme Performance

Around two-thirds of participants starting the programme in 2006/07 had been on the programme before

3.32 Of the 5,500 participants who started the New Deal 25+ programme during 2006/07, 3,650 (66 per cent) had been on the programme at least once before. Of these, 1,200 participants were on their second episode (22 per cent overall), 1,050 participants (19 per cent) were on their third episode, and a further 1,100 participants (20 per cent) were on their fourth episode. Some 250 participants (5 per cent) were on their fifth or further episode. Interestingly, our survey of employers involved in the programme indicated that the burden of repeaters may fall to the voluntary and community employers – private sector employers indicating that they had less experience of repeat participants. Although, this may reflect the fact that those acceptable to private sector employers are more job-ready. Private sector employers, according to the Department, have shown little enthusiasm in offering placements to those with barriers to employment (see paragraph 2.28).

The likelihood of repeaters moving into employment diminished with each New Deal episode

3.33 Outcome data for those leaving the New Deal 25+ programme in the 2006/07 year suggests that first time participants were two times more likely to move into unsubsidised employment than those who had been on the programme before. First time participants had almost a one-in-three

Figure 16: New Deal 25+ Immediate Destinations by Episode (2006/07)

No. of Episodes	Outcomes	
	Unsubsidised Employment	Return to Benefits
1	30%	42%
2	20%	52%
3	14%	59%
4	11%	67%
5+	10%	62%

Source: DEL

chance of moving into employment, while the chance of a repeater achieving an employment outcome was around one-in-six (see **Figure 16**).

3.34 The chances of repeaters moving into employment generally diminished with each repeat episode. Those participants on their second episode are around two times as likely as those on their fourth episode to move into employment (again, see **Figure 16**). Recent research commissioned by the Department also recognised this, identifying those returning for a third or further episode as a priority group³⁹.

3.35 Despite the poorer outcomes associated with repeated episodes on the programme, the majority of both consortia members and employers involved in New Deal 25+ who responded to our surveys suggested that employability does improve with each episode. The main reason for this being the work experience gained through the programme. Although, there was a

39 Department for Employment and Learning (June 2007) 'Understanding why people return to the New Deals in Northern Ireland'

significant minority of consortia members (39 per cent) who suggested that repeaters get little out of second or further episodes on the programme.

Poor motivation and a benefits trap were identified as reasons why repeaters were unsuccessful in getting jobs

3.36 A number of reasons why repeaters were unsuccessful in getting jobs were identified by both consortia members and employers involved in the programme, including: poor motivation, lack of skills and literacy and numeracy problems.

3.37 Some 38 per cent of consortia members identified lack of motivation as the main reason why repeaters were unsuccessful in finding jobs through participation in the programme, suggesting that

‘Some of the participants are forced into it: they don’t actually want to be there. When the time is up they are happy to go back to being on benefits.’

When probed further, 34 per cent of consortia members suggested that a benefits trap existed – that repeat participants were better off on benefits.

3.38 Employers, however, indicated that a lack of employment opportunities in the local area was the main factor for repeaters failing to get a job.

3.39 A significant proportion of consortia (41 per cent) also indicated that repeaters were unemployable, although only a small

proportion (4 per cent) identified this as the main reason that repeaters were not getting jobs. However, we note that the Department does not accept that anyone on Jobseeker’s Allowance is unemployable.

3.40 These findings are consistent with the objective and subjective measures of employability referred to in the Department’s research on repeaters, and broadly match the types of barriers to employment experienced by New Deal 25+ participants (referred to at Part Two, paragraph 2.19).

3.41 Taking into consideration the fact that the majority of participants in New Deal 25+ were repeaters, that their chances of moving into employment reduced with each episode and that their barriers to employment remained unchanged, suggests that the programme did little to address these barriers or improve their employability. In our view, the challenge for the Department is do more to improve repeaters’ motivation towards employment.

3.42 We acknowledge that the Department commissioned research on repeaters (‘Understanding why people return to the New Deals in Northern Ireland’), as a result of which it intends to provide enhanced support under the new Steps to Work programme, aimed at helping this group of clients participate more fully in activities designed to improve their employability and to improve their motivation and confidence towards getting a job.

Part Three: Review of Aspects of Programme Performance

Employers

3.43 NIAO's surveys of consortia members and employers engaged in the programme over the last three years identified a number of issues which should be of interest to the Department. These include:

- employer motives for participation
- problems with job match
- survey contact problems.

These are discussed in the following paragraphs.

A substantial proportion of employers used New Deal as a source of low cost labour

3.44 Employer responses to our survey indicated that the main motives for their involvement in the New Deal 25+ programme reflected both social and business reasons (giving back to the community, and a risk free method of recruitment). However, some 24 per cent of all employers surveyed indicated that the availability of a source of low cost labour was a significant incentive to their involvement in the programme. This is also supported by the fact that 47 per cent of employers, and particularly those in the private sector, would have had a vacancy to fill had they not participated in the programme. Although, in the Department's view, the key issue is whether these vacancies would have been filled from the long-term unemployed.

Both employers and consortia identified difficulties in providing placements that met participants' needs

3.45 Both consortia and employers broadly agreed that participants' choices were matched in their job placements. However, 18 per cent of employers surveyed, who indicated that the last participant who came to them had a preference for a particular area of work, suggested that the person came to them because they could not get a placement in the area they wanted. Indeed, 53 per cent of consortia agreed that participants were often placed with voluntary and community sector employers as a last resort, because *'no one else would take them'*. Again, this reinforces the lack of enthusiasm of private sector employers in offering placements to those with greater difficulties (referred to at paragraphs 2.28 and 3.32).

3.46 In addition, 46 per cent of consortia indicated that it was difficult to match participants' needs because of limited opportunities in the local area, with construction/building and warehousing being the largest areas of concern.

3.47 These responses highlight concerns about whether the right type and number of employers were being attracted to the programme, and whether, particularly with regard to voluntary and community sector employers, they were being used in the right way. In NIAO's view the Department should carry out a review of the employers engaged in the New Deal 25+ programme in order to consider whether they were of the right type,

were in the correct areas, and were used appropriately. This should inform its considerations on the use of employers in the Steps to Work programme.

- 3.48 In this regard, we note that the Department is developing an employer strategy which includes working closer with, and providing additional support for, those employers interested in recruiting or providing opportunities for those furthest from the labour market with significant barriers to employment. We also note the Department's view that, in order to cater for the complete spectrum of participants, it is essential that work experience opportunities are available in, and sourced from, the full breadth of occupational sectors and encompass public, private, voluntary and community sectors.

13 per cent of employers in our survey were uncontactable

- 3.49 The Department did not maintain a full record of employers used on the programme (noted earlier at paragraph 2.10). The employer contact details used in our survey were provided to us by both consortia (employers engaged in work placements) and the Department (for those employers engaged under the Employer Subsidy Option). Of the 1,300 employer contacts attempted in our survey (out of a population of around 3,100 engaged in the programme in the three years prior to survey), 13 per cent (approximately 175 employers) were uncontactable.
- 3.50 While some level of error would be expected in contact details, this raises questions as to the accuracy of employer records.
- 3.51 The Department advised us, however, that checks undertaken by its Financial Audit Support Team and its contract management staff have not experienced similar problems with employer contact details. This level of non-contact is consistent with that found in other surveys of a similar nature.

Appendices

Appendix One: New Deal Programmes (paragraph 1.4)

There were a number of New Deals within the wider programme, catering for a range of different target groups. The following paragraphs provide a summary overview of each New Deal programme.

New Deal 18-24 – was a mandatory programme aimed at those aged between 18 and 24 years of age, who had been unemployed and claiming Jobseeker's Allowance for a period of six months or more.

New Deal 25+ – was a mandatory programme aimed at those aged 25 and over who had been unemployed and claiming Jobseeker's Allowance for a period of 18 months or more. See **Appendix 3** for details of provision.

New Deal 50+ – a voluntary programme aimed at those aged 50 and over, who were looking for or considering a return to work, and who were not working and had received Jobseeker's Allowance, Income Support, Incapacity Benefit or Severe Disablement Allowance for at least six months.

New Deal for Lone Parents – a voluntary programme designed to help lone parents aged 16 or over who were not working, or who were working less than 16 hours per week and who had sole responsibility for the care of a child under the age of 16.

New Deal for Partners – a voluntary programme for partners of those who claimed Jobseeker's Allowance, Income Support, Incapacity Benefit, Carer's Allowance, Severe Disablement Allowance, Pension Credit or either member of a couple in receipt of Working Tax Credit which provided assistance to find work or training in order to prepare for work.

New Deal for Musicians – special provision for those eligible for New Deal 18-24 and New Deal 25+ who were interested in a career in the music industry (whether employed or self-employed).

New Deal for Disabled People – a voluntary programme targeted towards people with a disability, who were on health related benefits including: Incapacity Benefit, Income Support with a disability premium, Severe Disablement Allowance, Disability Living Allowance (provided not claiming Jobseeker's Allowance and not in paid work of 16 hours or more a week), and Industrial Injuries Disablement Benefit (with unemployment supplement).

Appendix Two: Department for Employment and Learning's Overview of the Steps to Work Programme (May 2008) (paragraph 1.7)

Background

1. Unemployment has fallen sharply in Northern Ireland since the mid-1990s. The claimant count unemployment rate currently stands at around 3 per cent and the Labour Force Survey unemployment rate, which is less susceptible to changes in levels of benefit claims – is around 5 per cent. At the same time employment levels have risen sharply over the period with more than 100,000 extra people in work now than there were in the early 1990s.
2. Despite this tremendous improvement in employment trends, levels of economic inactivity have not changed much in Northern Ireland over a 20 year time period: between 1984 and the present, working age economic inactivity rates have varied mostly within a narrow band of 27 – 30 per cent, which demonstrates no discernible falling trend. As unemployment has fallen, policy attention is increasingly focusing on the economically inactive segment of the working age population. Bearing this in mind, it is readily acknowledged that if the Programme for Government and Investment Strategy for Northern Ireland target “to increase the employment rates from 70 to 75 per cent by 2020” is to be achieved, then increasing employment rates will have to be accompanied by falls in inactivity rates. The economically inactive represent a major potential source of labour, which in itself presents a key policy challenge for Northern Ireland with inactivity levels sitting around 27 per cent in comparison to the United Kingdom average of around 21 per cent.

New Deal

3. The New Deals have been in operation since 1998 and have proven to be very successful in helping to return a significant number of benefit claimants back into work. They have also assisted in reducing long-term unemployment to its lowest level in 30 years with a 60 per cent overall reduction in registered unemployment since their introduction. For example, registered unemployment has fallen by 81 per cent within the eligible 18 to 24 year old target group and by 88 per cent within the 25+ age group (as at December 2007). Despite this success, however, and as a result of it, evaluation and recent research has indicated that New Deal is no longer fully meeting the needs of many of our remaining long-term unemployed clients. Similar to trends in Great Britain, approximately 65 per cent of current clients are now returners to the programme, some having been through the system several times. Increasingly more are found to be facing multiple or complex barriers to work, with approximately 46 per cent of returners having no employment history for more than 5 years.

Steps to Work

4. The Department acknowledged that it could not stand still and, in response, has developed and been testing the Steps to Work (StW) initiative in six of its frontline Offices, including four since April 2007. The pilot is scheduled to run until 31 August 2008, with plans to roll out to all Offices from September 2008. The provision

Appendix Two: Department for Employment and Learning's Overview of the Steps to Work Programme (May 2008) (paragraph 1.7)

and component elements that comprise StW seek to maintain a stronger focus on individual client's needs while taking account of the mandatory requirements that certain benefit entitlement brings. Equally the provision strives to remove some of the rigidities within the former New Deal programme structures to make the transition within component elements as seamless as possible.

5. StW has been designed to better address the new and increasing challenges going forward through the introduction of a more flexible menu-based, modular approach to adult return to work provision with delivery tailored to better target each individual's barriers to employment. A key feature of the StW initiative is personalised support from a trained adviser, which will also encourage an increased level of partnership working between DEL Advisers, local agencies and employers to tackle the problems that prevent more people from moving from benefit dependency into work. This support will provide, in a flexible way, the opportunity to gain a work related qualification, meaningful and relevant experience of the work place through high quality job placements, assistance with improving essential skills, or if required, help with developing the skills needed to search for a job.
6. StW will also extend provision to cater for other groups not previously targeted for such assistance. These include Income Support (IS) and Incapacity Benefit (IB) claimants as well as Jobseeker's Allowance (JSA) claimants who have been receiving benefit for 3 months or more and those

who are currently economically inactive but not in receipt of any benefit.

7. StW has also been designed to take account of, and complement, the work and support provided within the Local Employment Intermediary Service (LEMIS) and Pathways to Work (PtW). It will achieve this through the seamless transfer of clients to StW at the point where LEMIS and PtW have re-engaged them but they still require the assistance of the adult return to work provision to help them successfully re-enter and remain in the labour market.

Contracts and Contract Management Areas

8. In line with the review of provision, the Department has taken the opportunity to reconsider the entire structure of the current New Deal delivery model while aiming to address potential areas for improvement in the contractual arrangements. A major factor was the desire to have a more effective contractual structure, including reducing the number of contracts from the current approximately 150; providing the Department with a single point of contact for each contract; while at the same time seeking to ensure a viable level of business for the Provider / Contractor; and accessibility to, and quality of, provision for the client.
9. The current consortium based contracts model has served the Department well but was most effective when throughput of client numbers was high i.e. contracts are now considered to be less financially viable resulting in fewer organisations

actively participating due to reducing caseloads. Following consultations and having considered a range of delivery models, the Department's preferred option was the Prime (or Lead) Contractor (PC) who would be responsible for the delivery of all contracted provision within a designated contract management area. The PC may also employ a number of sub-contractors to ensure clients' access to provision across the contract management area and for the delivery of specialist provision. The PC model was identified as the most efficient method of controlling the quality of provision while delivering value for money with one Contractor accountable for the work of all the sub-contractors.

10. Research was also undertaken, in conjunction with the Department's Research and Evaluation Branch, to identify the optimum number of contracts and contract management areas. Following detailed analysis and taking account of all relevant information, including the position at that time on the Review of Public Administration, a contracts management delivery model based on parliamentary constituencies was chosen as the preferred option. This decision, aligned with the redesigned programme structure under StW that will combine the various New Deal programmes into a single programme, will result in a reduction in the number of contract management areas and contracts from 150 to 10.
11. Contracts for the various programmes were due to start expiring from March 2008 and Ministerial approval was obtained in September 2007 to extend

all contracts to the end of August 2008. This also allowed the Department to align contract dates with the contracts cycle for Training for Success, which has elements of similar requirements to the New Deal or StW provision. In the longer term this will allow for a wider review of Departmental provision and possible further restructuring of Departmental contracts.

12. The roll-out of StW has been timed to coincide with the expiry of the current New Deal contracts and the introduction of the new contracts delivery model from 29 September 2008.

Funding

13. The new contracts for the delivery of StW also presented the Department with an opportunity to introduce a more streamlined funding approach that will simplify the current New Deal funding structure. The revised unified model streamlines funding by introducing one model for all provision of more than 2 weeks duration. In effect, the revised funding structure will alter the percentage split within the total funding package to Providers from that currently paid in New Deal. It will ensure that an increased proportion of the funding package is generated through the success of Providers placing participants in work and helping them sustain that employment. Conversely it will result in a lower proportion payable for services delivered with no successful outcome.
14. To set this in context, within New Deal the percentage of the total funding paid up

Appendix Two: Department for Employment and Learning's Overview of the Steps to Work Programme (May 2008) (paragraph 1.7)

front (on programme fees) ranges from 52 to 80 per cent depending on the provision delivered, whilst within StW it will reduce to a range of 44 to 51 per cent. Similarly, the percentage of the total funding payable within New Deal in respect of job outcomes ranges from 17 to 34 per cent, but this range will increase to 35 to 56 per cent within the StW model. In addition to driving up the "into-employment" outcomes, the overall effect may be that funding potential per participant increases within the StW model, but will only be incurred if providers deliver additional outputs in the form of jobs and the sustainability of those jobs.

requirements of many of our unemployed clients. The Department has taken the opportunity to make the provision available to a wider range of clients than previously in order to provide additional options to assist those who are economically inactive [back] into the workplace. The Department has also reviewed both the contract structure and funding model to improve value for money by focusing more on job outcomes and reducing the number of contracts while at the same time seeking to ensure viability of contracts and importantly, improving quality of provision.

15. It is expected that the new funding model will:
- focus providers on the need to support clients who are likely to leave early without finding a job;
 - encourage providers to maintain contact with participants in the early stages of finding work to ensure the retention and sustainability of the employment; and
 - recognise that shorter provision is likely to be more expensive to deliver particularly if a qualification is identified within the delivery plan.

Summary

16. Steps to Work is being introduced from September 2008. It has been developed to help address the research evidence that New Deal is no longer fully meeting the
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Appendix Three: Overview of New Deal 25+ Structure (paragraph 1.12)

Gateway

1. The first stage of the programme, 'Gateway', was an initial screening and preparation stage, and could last up to 16 weeks. It aimed to *"help those who are already well equipped to find jobs do so; and to provide appropriate help for those who, with the necessary support, could quickly improve their immediate job prospects – and then help them to find jobs"*⁴⁰.
2. During Gateway the New Deal Personal Adviser, through ongoing contact interviews (every 2 weeks), continually assessed job readiness and individual needs with regard to barriers to employment and 'essential skills'⁴¹ needs indicators. A personal action plan was developed which outlined the participant's job and qualification goals and the agreed actions to achieve these.
3. At the Gateway stage, participants had the opportunity to undertake a short accredited training course, lasting up to 2 weeks, which was relevant to their particular needs and chosen vocation.
4. Those who entered New Deal for the first time had to (to the degree deemed necessary by the Personal Adviser) participate in a two week course – 'Core Gateway'. This was designed to:
 - increase the participant's prospects of moving into employment quickly
 - make Gateway more effective in identifying special needs or essential skills
5. Core Gateway involved a personal assessment and provision of job seeking and job keeping skills, by contracted providers. In particular, where a need was identified, it involved a formal assessment of essential skills needs (using a Basic Skills Agency Assessment). Participation in Core Gateway resulted in a report being produced to the Personal Adviser, which was used to consider and agree further actions/options under the programme.
6. Repeaters were not obliged to undertake Core Gateway, however, Personal Advisers encouraged participation in those aspects deemed most appropriate.

Core Gateway

Options

7. In the second phase of the programme, the Options phase, participants chose from a number of employment and training options, including:
 - Employer Subsidy
 - Preparation for Employment Programme (PEP)

40 Gateway Aims taken from DEL New Deal 25+ Document (NDPD1 (NI))

41 Essential skills are the ability to communicate by talking and listening, reading and writing; to use numeracy; and the ability to handle information (DEL Essential Skills for Living 2002)

42 Core Gateway objectives taken from DEL Core Gateway Operational Guidelines (April 2005)

Appendix Three: Overview of New Deal 25+ Structure (paragraph 1.12)

- Education and Training Opportunities (ETO)
- Essential Skills Training (EST)
- Self-employment.

8. Each New Deal 25+ Option lasted between 13 and 52 weeks. Although, these options were not mutually exclusive. For instance, those undertaking Essential Skills Training could subsequently move on to any of the other options, and participants in the Option phase could move into the Employer Subsidy Option, from any other option, at any time.

Employer Subsidy

9. The aim of this Option was to *“improve the Participant’s chances of finding permanent employment by offering a period of subsidised work”*. It also intended to *“encourage employers to recruit from the long-term unemployed”*.⁴³
10. Opportunities for Employer Subsidy were identified by Personal Advisers, who when notified of suitable vacancies through the local JobCentres/Jobs and Benefits Offices, discussed New Deal with the employer. Employers involved in the Employer Subsidy Option entered into a formal agreement with the Department.
11. Under this Option, New Deal participants received a wage, while in return the employer received a subsidy of £75 (£50 if part-time) per week for a period of up to 26 weeks. The wage paid must not have been less than the subsidy received or that

paid to other employees (in the same job) and had to comply with legal requirements i.e. minimum wage.

Preparation for Employment Programme (PEP)

12. The PEP Option aimed to *“enhance the long-term employment prospects of unemployed participants by providing a... work placement and help with job search”*⁴⁴. Participants were placed with one employer for a minimum period of 13 weeks, which may have been extended for a further period of up to 13 weeks, where the individual was assessed as needing the additional experience. Such placements could include:

- work experience in the private or public sectors
- work experience in the voluntary, environmental or community sectors
- waged work experience in the voluntary, environmental, or community sectors.

13. Work placements were intended to provide experience of the discipline of work (e.g. attendance, working with others, carrying out work under instruction etc) and to develop personal confidence and competencies in the particular work situation. Participants on PEP could avail of one short, accredited, vocational training course. Also, a minimum level of 30 hours job search was required over the PEP term.

43 New Deal Employment Option and Employer Subsidy Staff Instructions (Feb 2006)

44 New Deal Operational Guidelines (April 2008)

14. In the waged element, participants had contracts of employment in place with the provider⁴⁵ and received a wage, rather than the Benefit Based Training Allowance (BBTA), at a level determined and paid by the provider (which was required to meet minimum wage requirements and match previous entitlement under BBTA). The provider received a subsidy similar to that under the Employer Subsidy Option - an Employment Premium Fee of £75 for full-time employment and £50 for part-time employment.

Education and Training Opportunities (ETO)

15. The ETO provided “opportunities for participants to improve their employability through a period of education and training”⁴⁶, learning new skills, or refreshing existing ones by undertaking training towards a formal qualification (NVQ).
16. ETO generally lasted up to 26 weeks and encompassed training, with appropriate placement, towards at least 3 units of an NVQ or an approved vocationally related qualification (where this best met the individual’s needs), which were at least to NVQ Level 2 standard. From April 2007, training lasting up to 52 weeks was made available to those ETO participants undertaking a first NVQ Level 2 qualification in 8 occupational areas: Child development and well-being; Building and construction; ICT for practitioners and users; Retailing and wholesaling; Hospitality and catering; Travel and tourism; and Marketing and sales.

Essential Skills Training (EST)

17. Participants whose essential skills needs had been confirmed in the Core Gateway assessment could avail of specific EST, which aimed to “address the individual’s Essential Skills needs as evidenced through achievement of a nationally recognised Essential Skills qualification”⁴⁷. Participants could in addition undertake NVQ units or an alternative approved qualification at a level appropriate to their ability.
18. New Deal 25+ participants, however, were not required to undertake such training, and could opt to progress on to the other options without addressing their specific needs, although, an incentive of £10 per week is available to those who undertook EST.
19. For those who chose to undertake Essential Skills, training could last up to a maximum of 26 weeks. This included up to 6 weeks induction (assessment and analysis of training needs), with the remainder made up of work experience/placement (in the private, public, voluntary, community or environmental sectors), in parallel with training towards an Essential Skills qualification. In addition, job search activity was required to form a minimum of 5 days over the period of participation.
20. On completion of EST, participants were able to progress on to any of the other options of the programme, or move on to the Follow-through element of the programme. Those participants who achieved the identified Essential Skills qualification were paid a bonus of £100.

45 Contracts were not with the voluntary/community/environmental sector body with whom work experience was provided but with the consortium member

46 New Deal Operational Guidelines (April 2008)

47 New Deal Operational Guidelines (April 2008)

Appendix Four: New Deal 25+: Funding to Providers (paragraph 1.16)

Gateway Funding

Contracted providers under Core Gateway, which lasted for a maximum of 10 days, were paid a flat rate of £40 per full day attended for each participant.

New Deal Option Funding

(A) Employer Subsidy Funding

Under the Employer Subsidy Option, employers received a payment of £75 per week, for a period of up to 26 weeks for each participant taken on. A lower subsidy of £50 was paid in relation to part-time employment.

(B) Self-employment Funding

Payments to providers under the self-employed programme included a mixture of flat rate, start, on-programme, value added and output-related payments, as follows:

- £25 for each participant who attended an awareness session at the Gateway stage
- up to £1,500 for each participant who progressed to the test trading stage consisting of:
 - an initial payment of £105 after completion of induction and commencement of test trading
 - £20 per week per participant for each week of test trading undertaken
 - a value added payment of £375, paid in three instalments for the achievement of work and training objectives:

(i) £125 after 6 weeks test trading (subject to satisfactory progress)

(ii) £125 after 13 weeks test trading (subject to satisfactory progress)

(iii) £125 after 26 weeks test trading (or where the participant starts independent trading or full-time employment after 13 weeks test trading)

- an output-related fee of £500 if the participant completed 13 weeks independent trading or full-time employment which commenced within 13 weeks of completing test trading.

(C) Consortia Funding

Payments to Lead Partners under the main New Deal 25+ Options (EST, ETO and PEP) were made up of:

- Start payments
- On-programme fees – paid on the basis of attendance
- Output-related funding for achievement of qualifications or employment after leaving the programme.

Lead Partners also received an administration fee, related to the average occupancy on the programme. In addition, a flat rate contribution (per participant) to travel costs was also paid. Lead Partners under the Essential Skills Training Option also received an additional administration fee of £1.50 for every incentive payment made (i.e. weekly incentive payment and bonus payment).

Other costs payable to participants such as childcare costs were reclaimable from the Department. Further details are provided overleaf.

C1. Consortia Main Option Funding

	EST	ETO	PEP
13 & 26 weeks provision			
Start Payment	£200	£200	£200
On-Programme Fees (1st 13 wks)	£80	£80	£80
(2nd 13 wks)	£60	£60	£60*
52 week provision – ETO Only			
Initial Payment (1st stage)	-	£1,250	-
13 week stage payment (2nd stage)	-	£500	-
39 week stage payment (3rd stage)	-	£500	-
13 & 26 weeks provision			
Output-Related Funding - Targeted Qualification	£400	£400	-
Units of NVQ (up to 15)	-	£25	-
Supplementary Qualifications	£25	-	-
Voluntary Short Accredited Training Course	-	-	£75
Output-Related Funding – Sustained Employment (13 weeks)	£500	£500	£500
Employment Premium Fee	-	-	£75 F/T
	-	-	£50 P/T
52 week provision – ETO Only			
Output-Related Funding - Targeted Qualification	-	£600	-
Output-Related Funding – Employment (2 weeks)	-	£200	-
Output-Related Funding – Sustained Employment (13 weeks)	-	£1,300	-
*Up to 13 weeks extension available on approval Source: DEL			

Appendix Four: New Deal 25+: Funding to Providers (paragraph 1.16)

C2. Lead Partner Administration Fee

The Lead Partner funding model recognised the additional responsibilities of Lead Partners in the administration of New Deal. It also took account of the added responsibilities for administration of the Trainee Management System (TMS) and the quality system. The model was based on average occupancy with four bands as follows:

Average Occupancy	Amount per annum
0-75 inclusive	£13,000
76-199 inclusive	£19,000
200-299 inclusive	£22,000
300+	£24,000

Source: DEL

C3. Additional Contribution to Consortia Weekly Travel Costs

Consortia refunded weekly travel costs to participants. In return, the Department made a contribution towards travel costs. The amount paid reflected the areas in which consortia operated, and their related travel costs i.e. those in the most rural areas where participants were required to travel further were compensated at a higher rate than others. The rate paid, in relation to those on the PEP, ETO and EST Options ranged from £2 to £8 per non-employed participant.

Appendix Five: NIAO Survey Methodology (paragraph 1.20)

1. NIAO commissioned two pieces of work in relation to this study:
 - a survey of employers providing employment or work placement/work experiences to programme participants,
 and
 - a census of consortia members, who deliver the programme under contract with the Department.
2. Both pieces of work were carried out by telephone interview, with all consortia members and a sample of employers written to in advance to advise of the survey and request their co-operation (with the Department's endorsement). An outline questionnaire was also provided so that respondents could see the general scope of our enquiries and to provide them with an opportunity to collect any information that might be needed during interview.
3. The Department provided NIAO with contact details for some 3,100 employers engaged in the programme in the last three years (i.e. 2004/05 to 2006/07), approximately 1,300 subsidised employers and 1,800 unsubsidised employers. The Department sourced details of unsubsidised employers directly from consortia.
4. The population was stratified on the basis of sector (public, private, voluntary/ community), location (Belfast and Londonderry Metropolitan areas and all Other areas), and whether the employer was engaged in the subsidised or unsubsidised element of the programme. In order to ensure a reasonable representation of employers within each of the strata, the sample was disproportionately weighted, with post-survey weightings applied to the results of the sample.
5. A random sample of around 1,340 employers was selected. Telephone interviews were undertaken between September and November 2007. Sample items were only abandoned after at least five call attempts, over a number of weeks, had been made.
6. Some 340 successful interviews were achieved, representing a final response rate of 38 per cent. Indicative confidence limits are summarised in the table opposite, for the sample as a whole and for each strata. The statistical sensitivity of the sample is further enhanced by the fact that the sample is a significant proportion of the overall population (some 12 per cent).
7. During the course of the survey, particular problems were encountered in relation to the accuracy of the contact details provided to us by the Department. Of the total sample of 1,341 employers, approximately 175 proved uncontactable, and a further 130 who were contacted indicated that they had no knowledge of New Deal 25+ or their participation in it.

Employer Survey

Appendix Five: NIAO Survey Methodology (paragraph 1.20)

Indicative Confidence Intervals

(derived on the premise of simple random sampling)

Sample	Base	95% Confidence Limits on findings of:	
		10%	50%
All	341	+/- 3%	+/- 6%
Public	41	+/- 8%	+/- 14%
Private	145	+/- 5%	+/- 8%
Voluntary	155	+/- 5%	+/- 8%
Greater Belfast	103	+/- 6%	+/- 10%
Londonderry	55	+/- 8%	+/- 14%
Other	183	+/- 4%	+/- 7%
Subsidised	118	+/- 6%	+/- 10%
Unsubsidised	223	+/- 4%	+/- 7%

Source: NIAO

Census of Consortia Members

8. The Department provided NIAO with contact details for the 150 individual providers, making up the 26 consortia, involved in the delivery of the main New Deal 25+ Options (Preparation for Employment, Education and Training Opportunities, and Essential Skills Training) at 31 March 2007.
9. A total of 82 successful telephone interviews were achieved between September and November 2007. As all members were provided with an equal opportunity to participate, and with participation rates similar across the sectors no weightings were applied.

Appendix Six: New Deal 25+ Repeaters Pen Pictures (paragraph 3.31)

The following participant 'pen pictures' provide an illustration of repeat participants' history on the New Deal 25+ programme. To ensure confidentiality, real names have not been used.

Participant A

Ann, a 38 year old single female with no dependants from County Armagh, first claimed unemployment benefit in October 1990. Since then, she has been employed for only a short spell, between October 2003 and March 2004.

She has had four episodes on the New Deal 25+ programme:

- October 1999 to October 2000 (1 year)
- September 2001 to February 2003 (18 months)
- May 2006 to November 2006 (6 months)
- May 2008 to December 2008 (6 months).

On each occasion, Ann participated in all three stages of the programme i.e. Gateway, Option and Follow-through, leaving each time from the Follow-through stage and returning to benefits. At the Option stage, in each of her last two episodes on the programme, she participated in the Preparation for Employment Programme (PEP), undertaking a period of work experience with an employer in retailing, aimed at obtaining a job in that sector.

While none of her episodes on the programme resulted in employment on leaving the programme, Ann was successful in moving into a job between her second and third episodes. Although, this job lasted for only six months.

Having left the programme in December 2008, she is currently unemployed and claiming Jobseeker's Allowance.

Source: DEL

Appendix Six: New Deal 25+ Repeaters Pen Pictures (paragraph 3.31)

Participant B

John, a 54 year old divorced male with no dependants from the Greater Belfast area, first claimed Jobseeker's Allowance (JSA) in August 1999. Since then, he has been unemployed, moving between JSA and New Deal 25+.

He has participated in New Deal 25+ on four occasions:

- June 2001 to February 2002 (9 months)
- July 2003 to May 2004 (10 months)
- April 2006 to June 2006 (2 - 3 months)
- August 2007 to December 2007 (4 - 5 months).

On all but his third episode, John participated in all three stages of the programme i.e. Gateway, Option and Follow-through, leaving each time from the Follow-through stage and returning to benefits. At the Option stage, he participated in the Preparation for Employment Programme (PEP), undertaking a period of work experience with an employer in painting and decorating, aimed at obtaining a job in that industry.

On his third episode, John participated in the Gateway stage only (as an over 50, he was not required to participate beyond that stage).

None of his episodes on the programme resulted in moving John into employment. Since last leaving the programme in December 2007 he has remained unemployed and is currently claiming JSA.

Source: DEL

Participant C

Bill, a 60 year old male from County Down had been long-term unemployed for nearly 30 years. He first claimed unemployment benefit in November 1979, having previously worked on a factory production line.

He has had four episodes on the New Deal 25+ programme:

- October 1999 to October 2000 (1 year)
- November 2001 to April 2002 (4 months)
- September 2004 to January 2005 (5 months)
- September 2006 to November 2007 (15 months).

On his first episode on the programme, Bill participated in all three stages of the programme (Gateway, Option and Follow-through), leaving from the Follow-through stage and returning to benefits. On this episode, at the Option stage, he participated in the Intensive Activity Period* (IAP), undertaking a period of work experience with an employer in painting and decorating aimed at obtaining a job in that industry. On his second and third episodes, Bill participated only in the Gateway stage of the programme (those over 50 years of age not being required, at that time, to participate beyond that stage). Again, both episodes resulted in a return to benefits.

On his fourth episode Bill undertook the Preparation for Employment Programme (PEP) Option, again gaining work experience in painting and decorating. On completion of the PEP (some 13 weeks), he transferred into the Employer Subsidy Option (for a further 26 weeks). On completion of his period on the Employer Subsidy, in November 2007, Bill successfully moved into employment. He has not returned to benefits.

*IAP was replaced by PEP in 2001

Source: DEL

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