The Pool Charitable Trust

Evaluation

November 2004

yellow **book**

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1. INTRODUCTION

BACKGROUND TO THE EVALUATION

1.1 In 2000, Scottish Enterprise Edinburgh and Lothian (SEEL), City of Edinburgh Council and financial services sector companies set up The Pool Charitable Trust as the first of what would become 10 Employment Academies covering different sectors of economic activity. The Academies target sectors experiencing recruitment difficulties and match the needs of employers by providing customised training to predominantly long-term unemployed job seekers.

1.2 The Pool is the Employment Academy for the Financial Services sector which was experiencing rapid growth in the Edinburgh area at the beginning of the millennium.. Against this background, SEEL wished to review project performance against initial objectives and subsequent market conditions. A central objective was to identify key lessons from the project which can be used to produce a best practice guide for future job brokerage initiatives.

THE EVALUATION BRIEF

1.3 The stated objective of the brief was to give SEEL a clear understanding of:

- the process of setting targets at the beginning of the project
- the extent to which the targets were realistic and appropriate at the time
- the actual achievements of the project to date, and those anticipated up to September 2004
- the lessons that can be learned to ensure that realistic targets are set in future
- the lessons that can be learned regarding risk assessment and cost-benefit analysis.

1.4 The brief called for a detailed report setting out the key findings in relation to the matters above; highlighting the key learning points and presenting these as a checklist for the guidance of future project managers.

THE EVALUATION PROCESS

1.5 yellow **book** were appointed in July 2004 to carry out the evaluation. In order to carry out the requirements of the brief we have:

- undertaken a **document review** which included: Pool Board papers, relevant SEEL files, other Pool commissioned reports and the NDIF application paperwork
- carried out an **economic analysis** of trends in the financial services sector and other aspects of the Lothian economy relevant to the evaluation
- undertaken a structured **interview programme** involving 12 key stakeholders representing: SEEL; The Pool; Capital City Partnership; City of Edinburgh Council; JobCentre Plus; PricewaterhouseCoopers; business beneficiaries and training providers.

1.6 Contact was established with Jeff Jablow, formerly of the Wildcat Corporation, who agreed to assist the evaluation. A series of questions seeking to draw on the Welfare to Wall Street experience were sent to him but no reply was received in time to be incorporated in the report.

1.7 We have brought all of these strands of work together in this report to provide an understanding of the Pool development process; to provide an assessment of its performance and to draw key lessons for future best practice.

THE STRUCTURE OF THE REPORT

1.8 The report is structured as follows:

- Section 1: Introduction
- Section 2: The Pool Development Process
- Section 3: Assessment of The Pool's Performance
- Section 4: The Development of the Academies
- Section 5: Key Lessons for Best Practice

2. THE POOL DEVELOPMENT PROCESS

PROJECT CONCEPT AND RATIONALE

2.1 In the late 1990s Edinburgh Park was developing as a major Financial Services/IT centre in Scotland, but employers were experiencing severe recruitment and retention difficulties with reported staff turnover of up to 25% every 6 months.

2.2 Edinburgh Park tenants approached the lead developer Edinburgh Development and Investments (EDI) to highlight these problems. A Project Steering Group was set up in early 1999 comprising companies (BT,FI Group) EDI (Ian Wall and Pat Ritchie), City of Edinburgh Council (Councillor Ian Perry), SEEL and college, community and employment service representatives.

2.3 At the same time as skills/labour shortages were being experienced at Edinburgh Park (reflecting very low unemployment rates across the city) some neighbouring communities (notably Wester Hailes) continued to experience consistently high levels of unemployment. The Steering Group was concerned to explore ways in which solutions to these problems might be linked together.

2.4 Following the involvement of the Capital City Partnership, a visit to New York City was arranged so see a number of economic inclusion projects. Among those visited was the successful *Welfare to Wall Street* model pioneered by the not-for-profit Wildcat Service Corporation. Their model was based on three goals:

- connecting welfare recipients to the job market at points of entry that were most likely to promote economic self-sufficiency
- being an integral part of the recruitment and hiring process for an industry
- offering private employers a set of operational and financial benefits such as: training tailored to the needs of the individual employer; access to qualified trainees at a low cost; and information about tax credits available to companies for each former welfare recipient hired.

2.5 In order to achieve these goals Wildcat identified industries and companies whose entry-level jobs matched the target for skills and wages and for which growth was forecast. The financial services industry was selected as one such sector and the Welfare to Wall Street programme was developed. The programme was launched and Wildcat's list of partners expanded to include companies such as Morgan Stanley Dean Witter, Citibank, PaineWebber, McCann-Erickson, and Chase Manhattan Bank.

2.6 The programme provides training (soft and hard skills) matched to employers' needs and a four-month period during which trainees alternate between one week of paid work experience and one week of classroom training. The training period is then followed by an opportunity to interview for a four-month placement, hopefully leading to permanent employment.

2.7 In September 1999 the Steering Group commissioned Workforce One (WO) to assess the feasibility of setting up a job brokerage operation along similar lines in Edinburgh. Given that the claimant count unemployment rate in Edinburgh was very low there was a need to target other more economically excluded groups. This also seemed to have a good fit with the evolution of government policy towards the jobless and the development of a **work first** approach to tackling exclusion.

2.8 The Workforce One Feasibility Study (WOFS) recommended that the scheme (now known as The Pool) should provide:

- an employment access service, which would provide companies with the right employees for their business
- training to help the long-term unemployed develop the skills they need to secure permanent jobs
- learning facilities to enable employees to continue to learn and develop new skills using Individual Learning Accounts (ILA) support
- resources such as custom-built training facilities and meeting rooms for use both by trainees and local companies.

2.9 The process would involve specific training for a specific job with a specific company. A guaranteed job (with an entry level salary of around £12-15,000) was considered to be a very powerful incentive for unemployed people to stick with the training programme; it was argued by stakeholders that once they were in a job they were much less likely to move than career professionals.

2.10 While many economic exclusion initiatives existed at this time, most started from the perspective of the unemployed client. In this instance the driver was employer demand (the basis of the Wildcat model). This added a new dimension to the suite of approaches available to tackle labour market problems in the area.

2.11 WO reported back in March 2000 with a positive assessment of employer demand and a preferred business delivery model. Following consideration of this report in the spring/summer of 2000, the Steering Group took the decision to go ahead with the project and SEEL was asked to provide initial project management.

MARKET ASSESSMENT AND TARGET SETTING

Market Research

2.12 On the **demand side**, the initiative as a whole was a response to representations from employers who were unable to meet their recruitment needs by traditional methods. WO carried out market research with a range of employers in Edinburgh Park, and concluded that turnover rates were generally much higher than average (17-24% as against an Edinburgh average of 8-12%) and that - with 6700 existing jobs in Edinburgh Park – this would create 250-300 opportunities per year potentially available for unemployed people. With employment levels forecast to reach 25,000, the annual number of vacancies might rise to 925-1100.

2.13 These figures were derived from employer estimates and were considered to be conditioned by negative expectations regarding unemployed people. WO stated that if the Pool was successful, a wider range of jobs would be accessible to unemployed people. The figures in their report should therefore be considered as minima. Other market research was conducted by staff seconded to the Pool project team, and this confirmed the buoyant level of demand.

2.14 With respect to **labour supply**, 8,500 people in Edinburgh were unemployed and claiming benefit (a rate of 2.8%). In addition, there were estimated to be 35,000 "hidden unemployed", not eligible for JSA, 40% of whom were considered to be available (or potentially available) for work.

2.15 On the basis of this analysis – and taking account of labour market churn - a view was taken that around 300 unemployed people per year would be the maximum that the Centre would be capable of placing in jobs. In reality, the level of labour supply rather than labour demand was the key factor in assessing the proposed scale of the Pool operation during the planning phase and this is reported to be still the case across all the current Academies.

2.16 In addition to the market research, 2 pilot exercises were also carried out, although by this stage the essential shape of the project had already been established.

Target Setting

2.17 Interviews with stakeholders have yielded little information about the target-setting process, but targets were agreed in the course of applying to the New Deal Innovation Fund (NDIF) for assistance in the year 2000. The Pool would build up to the target of 300 clients over a 3 year period. The annual profile was set out in the November 2000 SEEL Board Paper. These figures included non New Deal clients:

Year 1: 85 Year 2: 250 Year 3: 300 Total: 635

It was envisaged that the majority of these clients would be Social Inclusion Partnership (SIP) area residents but no specific targets were adopted.

2.18 The figures were further refined as part of an application for New Deal Innovation Fund (NDIF) support. The application estimated that in a full year the project would deal with the following client breakdown:

New Deal: 167; disabled: 20; black and ethnic minority: 37

The figures were based on consultations with New Deal Personal Advisers, Disability Employment Advisers and Blackand Ethnic Minority (BEM) intermediary organisations in the Lothians, Fife, Borders and Forth Valley. No records appear to have been kept of participation by disabled and BEM clients.

2.19 The NDIF contract specified a number of estimated client volumes and client outcomes, which were critical to the payment regime. These are shown in Table 2.1.

2.20 The key success factor for the project was to get clients into jobs, and the highly customised training and rigorous assessment procedure suggested that a conversion rate better than that achieved by the New Deal should be attainable. Given that 65% of New Deal (18-24) clients had moved into jobs within 1 year of completing their training, it was assumed that over a 3 year period The Pool could achieve into-employment rates increasing from 70% in year 1 to 80% in year 3. Job retention rates (at 6 months) were also expected to increase from 80% to 90% over the contract period. Targets were also set for the percentage of participants who would secure a job with a salary in excess of £15,000.

Table 2.1 NDIF Contract: Anticipated Client Volumes

Client Numbers and Outcomes	Year1	Year2	Year 3	Total
Number of clients entering provision	60	200	225	485
Number of clients entering a job	42 (70%)	150 (75%)	180 (80%)	372
Number of clients retaining work for a minimum of 6 months	33 (80%)	127 (85%)	162 (90%)	322
Number of clients entering a job with starting salary >£15k	25 (60%)	97 (65%)	126 (70%)	248

2.21 The NDIF application was based upon an overall cost per job estimate of £2,828 derived from total funding support of £1,052,000 over the 3 year period which would support the placement of 372 people into jobs.

2.22 There do not appear to be any targets about clients going into further education and training although some in fact did pursue this option.

DELIVERY STRUCTURE

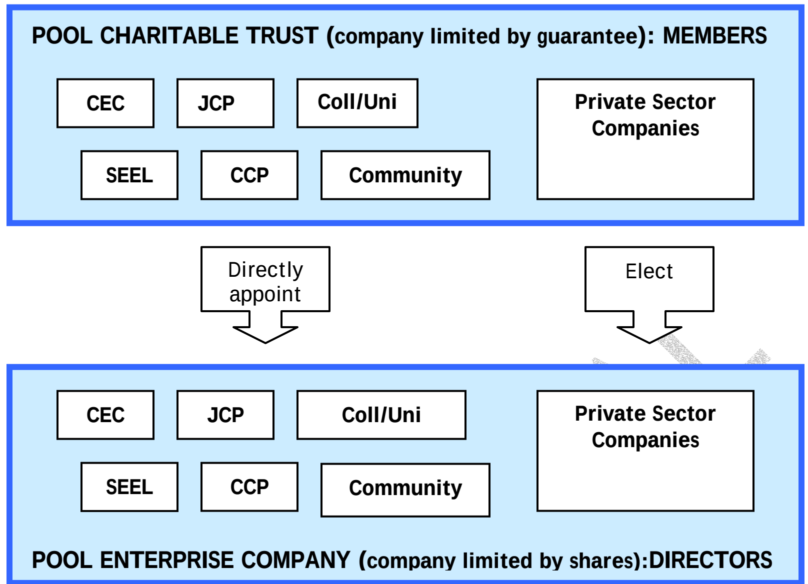
Feasibility Study Recommendations

2.23 WO recommended the creation of a purpose-designed facility at Edinburgh Park which would be a Centre of Excellence for Access to Employment and Learning. This was based on an assessment of need for a local facility to counter problems of access and other barriers to employment.

2.24 The operation would be run as a business with any profits re-invested. It was envisaged that start-up costs would be met by the public sector. Once the centre's ability to achieve results had been established, employers would pay agency fees and additional income would be generated from commercial demand for the facilities and services; employees would also use the Centre for their own personal training needs, possibly with support from Individual Learning Accounts (ILAs), while the cost of services for unemployed people would be met via New Deal or Training for Work income.

2.25 WO were not definitive about the most appropriate legal structure for the business, and did not examine a range of options in great depth, but suggested a number of possibilities. In the event a dual structure of a back to back Charitable Trust (PCT) and wholly owned subsidiary Operating Company (PEC) was adopted. This model is widely used as a means of attracting grants and minimising tax liabilities while retaining an income generating capacity. The relationships are shown diagrammatically in Figure 2.1

Figure 2.1: The Pool Legal Structure



2.26 The WO Feasibility Study indicated that the Centre should provide (a) a job matching service, with post placement support services (b) on-site facilities for a range of workforce development, learning, training and mentoring services (c) childcare facilities. The aim was to create a unique and outstanding facility which would be a UK "beacon of excellence".

2.27 According to the Workforce One report, this would require an "outstanding entrepreneurial Director" who could build constructive working relationships with the Board, employers and key stakeholders and effectively develop a "highly responsive and rapidly evolving mix of services".

2.28 This led, during the second phase of the development work, to an assessment that the Centre would require a Management Team of 4 comprising a CEO; Marketing Manager; Programmes Manager and Office Manager together with 1 Full-Time and 2 Part-Time administrative staff.

2.29 WO concluded on the basis of their market research that the Centre would need to be a large facility and suggested that prestigious premises should be secured on Edinburgh Park The primary focus was to be Edinburgh Park and adjacent areas but once successfully established it could extend to the whole city and south-east Scotland.

RISK ASSESSMENT

2.30 No formal and wide-ranging risk assessment (of the type now required by SE in respect of major projects) was undertaken in respect of The Pool. However, The WO Feasibility Report indicated that a detailed Business Plan and Prospectus should also be commissioned. Accordingly, PricewaterhouseCoopers (PWC) were commissioned by SEEL (not PCT itself) in October 2000 to assist in the development of a full business plan for The Pool.

2.31 The PWC remit was to:

- agree a "template" for the Pool business plan and data requirements to support this structure
- analyse the extent to which information was available to meet business plan requirements
- identify information gaps which required to be filled prior to the completion of the business plan
- undertake consultations with key stakeholders (in terms of potential users, providers and funders)
- develop a financial model based on the above information which would provide an indication of the range of likely revenue outcomes
- indicate key consequent sensitivities and risks associated with taking the Pool proposals forward.

2.32 The Business Plan was delivered by Price Waterhouse Coopers (PWC) in October 2001and set out a range of assumptions relating to the four potential revenue streams which would comprise the Pool operation. Trainee throughput and outcome assumptions were derived from the NDIF application, while the "pure" commercial elements of the service offer were based on market research and prevailing usage and charging rates.

2.33 Table 2.2 below sets out the annual revenue ranges which resulted from the application of "worst", "average or base" and "best" case assumptions when The Pool was fully operational.

Table 2.2: Pool Potential Revenue Streams

REVENUE STREAM	WORST CASE		BASE CASE		BEST CASE	
	Amount £	% of Total	Amount £	% of Total	Amount £	% of Total
Client Placement	56000	47	62000	14	71000	9
Facilities Hire	46000	39	244000	54	516000	64
Finders Fees (1)	0	0	51000	11	84000	11
Lifelong Learning Centre	16000	14	91000	21	131000	16
TOTAL	118000	100	448000	100	802000	100

Note (1) This refers to payments received from companies for providing them with suitable recruits.

2.34 The "base" case assessments produced a net annual revenue estimate of £448000, which against estimated annual fixed (property, staff and other overhead) costs of £382000, produced an estimated operating profit of around £66000. On the "worst case scenario" a loss of £261000 would be incurred, while the "best case" produced a profit of £420000.

2.35 There are two key points to emerge from this table. First, under all the scenarios, a substantial proportion of income was assumed to derive from facilities hire (half the base case income). Second, given the level of fixed costs, a substantial level of client throughput and placement would be required just to break even, (it was later estimated that it would be necessary to place around 200 clients into jobs every year to achieve this).

2.36 The PWC analysis formed the basis of a report to the SEEL Board in November 2001 requesting a contribution of up to £300,000 to the Pool Charitable Trust in respect of the fit out of the Sirius building on the Clocktower Business Park. The paper had a section on Risk Analysis, which covered five areas of risk. Two of these specifically concerned the Pool building (cost escalation and shortfall in other projected funding). The other three related to the wider operation of the company – surplus generation; change in market conditions and poor financial performance.

2.37 With regard to surplus generation, the report indicated that a potential surplus in excess of £900,000 was possible (this differs from the initial PWC Report set out in Table 2.2) but that £60-70,000 was more realistic. The main concern was with potential clawback in the event of an extraordinary future trading performance, rather than with the downside risk of not breaking even.

2.38 The consideration of market conditions referred to “bullish assertions” by employers regarding potential demand. It was envisaged that as the Pool was designed to meet deficiencies in the *quality* of training it would be less sensitive to market changes. The report was clear that the key challenge was on the *supply* side – to identify sufficient recruits with the aptitude or potential to fill the jobs that were known to be there.

2.39 The likelihood of a poor financial performance was not quantified but reliance was placed on the regular monitoring of management accounts and ability to take action to increase business usage or cut costs. There was no further examination of possible options in these two areas in the event that the worst case scenario prevailed.

THE OPERATIONAL PHASE

2.40 The Charitable Trust (PCT) was incorporated in December 2000 and 8 Trustees appointed from the six stakeholder groups indicated in Figure 2.1. The private sector held 3 seats and the training providers 2, with Councillor Ian Perry as Chairperson.

2.41 During the course of 2001 the business case for the Operating Company was prepared and a submission made to the New Deal Innovation Fund. Arrangements were made to lease 500 m2 in the Sirius Building at the Clocktower Business Park and a high specification fit out (costing £570,000) was agreed.

2.42 The NDIF application was successful and PEC was awarded £1,052,000 over 3 years. There was an immediate contractual requirement to place trainees and consequently, 2 pilot programmes were devised and implemented.

2.43 The first, with the FI Group (Xansa) took place in October 2001 and involved 9 computer programmer trainees of whom 2 gained jobs. The second was started in November 2001 and involved 19 trainees undergoing customer service officer training for the

Royal Bank of Scotland, 8 of whom gained jobs. The pilot phase was carried out prior to the completion of the fit out of the Clocktower Training Resource Centre by project management staff from SEEL working directly with the companies and Stevenson College.

2.44 The Pool Enterprise Company (PEC) was formally set up in December 2001 with 9 Directors, including 4 from the private sector, one from SEEL and the Chief Executive of the company. The Chief Executive had taken up his post in November 2001 and in February 2002 produced a Business Plan setting out the company structure and recruitment priorities. This indicated a need for 3 Managers, and 7 other support staff. The aim was to achieve 60 starts by August 2002 and financial self sufficiency by August 2004. In practice, only 4 staff were ever employed by the company.

2.45 The first audited accounts for the period December 2000 to March 2002 indicated income of just under £117,000 (none of which had come from trainee placements) and expenditure of £291,000, giving an operating deficit of £174,000. The company was able to sustain this as it had negotiated an upfront loan of £420,000 from the NDIF. However, this meant that 40% of all earned trainee placement income had to be used to service the loan.

2.46 The official launch of the project was in May 2002. However, the remaining management team staff did not take up their posts until July/August of 2002. A report to the PCT Board in July 2002 indicated that PEC had only sufficient funds to operate for a further 4 months. In August 2002 the CEO reported to the PEC Board that the company needed to get 200 clients (out of the overall target of 485) in to training programmes in order to repay the NDIF loan but that "it is not envisaged that this will present much difficulty".

2.47 The first (non-pilot) customised training course was organised for HSBC in October 2002. This was not particularly successful in terms of outcomes (only 1 person was offered a job by HSBC and they turned it down, eventually 4 people from the course obtained jobs), but it was considered a useful learning exercise.

2.48 In particular, the client referral process did not work smoothly, with the Pool having to contact many New Deal Advisers across a number of areas (Jobcentre Plus did not initially co-ordinate this well). Equally, some clients were not near job ready (Pool had to organise numeracy/literacy training), some had personal problems to which Pool staff had not been alerted and others were not New Deal eligible. However, HSBC were pleased with the process and the training offered. Meetings were held with the training provider and HSBC to ensure that requirements were met. Although no-one took up employment HSBC did agree that in future if they recruited staff via the Pool they would pay a 5% of salary finders fee.

2.49 Following the low placement rate (which was due to problems on the trainee side rather than with the company) a revised approach was adopted with the development of the Pool's own brand 6-week training courses which comprised more generic financial services training and from which clients were marketed to a variety of employers (rather than just one). PEC tried to source candidates from other training providers but there was a problem regarding the ND payment regime which was triggered by job placement and the Pool 6 week course reduced the time available to find placements.

2.50 Consequently, trainee activity remained low and given the effect this had on the financial situation of the company, SEEL commissioned a further report from PWC on possible future options for PEC in January 2003. The results of this review were discussed by the Board of PCT in February 2003 and a decision to restructure the operation was taken.

2.51 The new model would focus entirely on job training, job development recruitment and support. It would not have any managed facilities or market e-learning or bespoke training. Three key decisions resulted from this:

- to leave the Sirius building which would save around £126,000 per year
- to make the Marketing Manager redundant
- to seek to broaden the work of The Pool to cover administration, call centres and public sector finance as well as financial services and IT

2.52 Subsequently, PEC began to diversify its operation (as market conditions were deteriorating) by winning other contracts from SEEL in respect of redundancy retraining (PEC brokered the training provision from other providers).

2.53 However, overall performance failed to improve and the CEO was seconded to the Edinburgh City Council before being made redundant in August 2003. Following his departure, the operation has effectively been run by the Pool Education and Programmes Manager. The operation subsequently relocated to Jobcentre Plus premises in the city centre, and has focused exclusively on job brokerage on behalf of the New Deal.

2.54 During the course of 2003 there was significant “churn” in Board representation with a number of employer and agency resignations. SEEL withdrew from the Board of PEC in August 2003 as all operations were channelled through PCT

2.55 NDIF income ceased at the end of September 2004 and since PCT had insufficient funds to repay the loan, the Board has taken the decision to wind up the company.

3. ASSESSMENT OF THE POOL'S PERFORMANCE

INTRODUCTION

3.1 In this section we examine The Pool's operating performance in the light of its ambitions, and investigate the reasons for the poor set of outcomes. We set this analysis in the context of the labour market conditions which obtained during the formative and operational phases of The Pool's existence.

LABOUR MARKET REVIEW

Introduction

3.2 This section looks at the recent trends in the financial services sector and Table 3.1 below sets out the definition of the sector used in this report. This is narrower than the actual sector scope of The Pool, which also covered IT professions, however as these are occupations which cut across different industry sectors, it has not been possible to get a satisfactory Standard Industrial Classification (SIC) definition for this area of activity.

Table 3.1: Definition of the Financial Services Sector.

Financial Services Sector Industries
SIC 65: Financial intermediation etc. *(Banks, building societies, financial leasing, factoring, mortgage activities, investment trusts, venture & development capital companies)*
SIC 66: Insurance and pension funding etc. *(Life insurance, pension funding, non-life insurance, etc.)*
SIC 67: Activities auxiliary to financial intermediation *(Administration of financial markets, security broking & fund management, activities auxiliary to insurance and pension funding)*

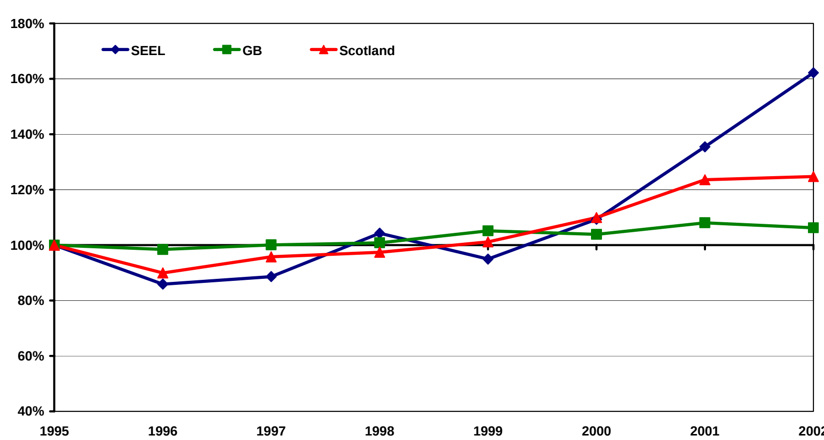
Source: UK Standard Industrial Classification of Economic Activities 1992.

3.3 The primary geographical focus is the Scottish Enterprise Edinburgh and Lothian area (SEEL), which includes the local authorities of Edinburgh City, East Lothian, Midlothian and West Lothian.

Employment Change

3.4 The table below shows an index of the change in employee jobs over the period from 1995-2002 for Great Britain (GB), Scotland and the SEEL area.

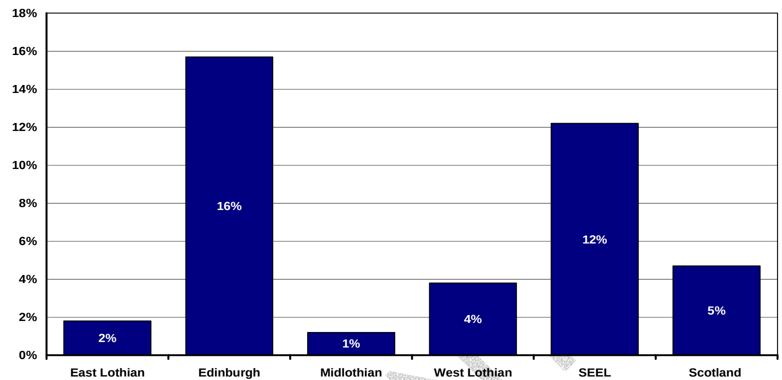
Figure 3.1: Percentage change in total financial services employee jobs 1995 - 2002. 1995 = 100



3.5 As the figure shows, the SEEL area has experienced the largest total increase of the three with 62% growth since 1995, which equates to an actual rise of almost 20,000 employee jobs. While there was a slight dip in numbers between 1998 and 1999, there was strong growth thereafter.

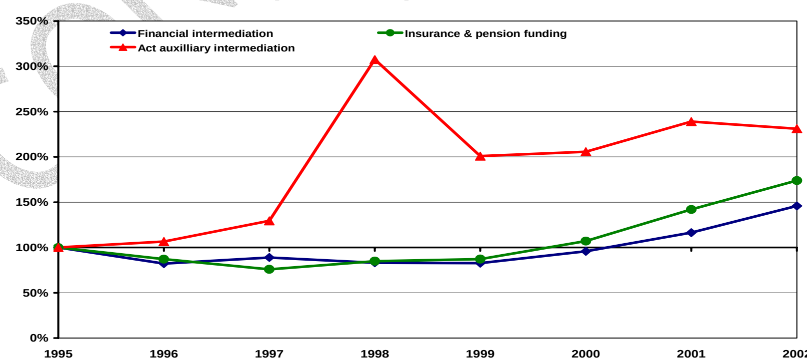
3.6 The main reason for this performance is the importance and scale of the financial sector in Edinburgh. In 2002 Edinburgh accounted for 94% (48,500) of the financial sector employees in the SEEL area followed by West Lothian with 5% (2,500).

Figure 3.2: Percentage of financial sector employees of total employees, 2002[1].



3.7 Figure 3.2 shows financial services employment as a percentage of all jobs in each local authority area in the SEEL area (2002). Edinburgh has a dominant position, with 16% of employees in the financial sector, compared with a Scottish average of only 5%. The remaining three local authorities are all below the Scottish average in terms of the share of financial sector jobs.

Figure 3.3: Change in employee jobs by financial service industries.1995-2000(1995=100).

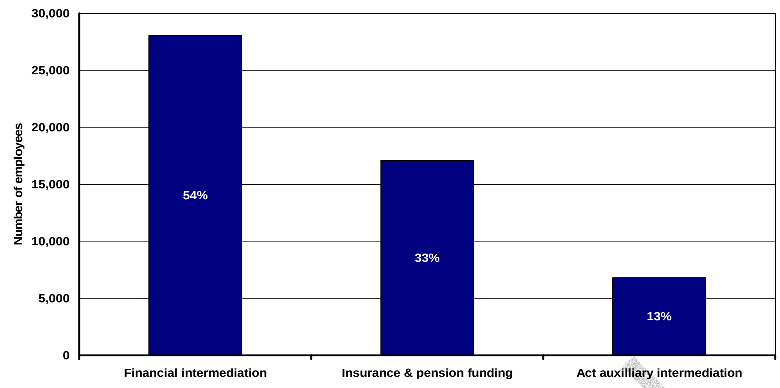


3.8 Figure 3.3 above shows that the largest increase has been in '*Auxiliary activities to financial intermediation*' with a 130% increase, a total of 3,800 employee jobs. *Insurance and pension funding* has seen the second largest increase with 74%, a total of 7,250 employee jobs. *Financial intermediation* saw a rise of 46%, a total of just under 9,000 employee jobs.

[1] Source: ABI, Office for National Statistics, 2004.

3.9 Figure 3.4 below shows each sector's share of total financial services employment in 2002.

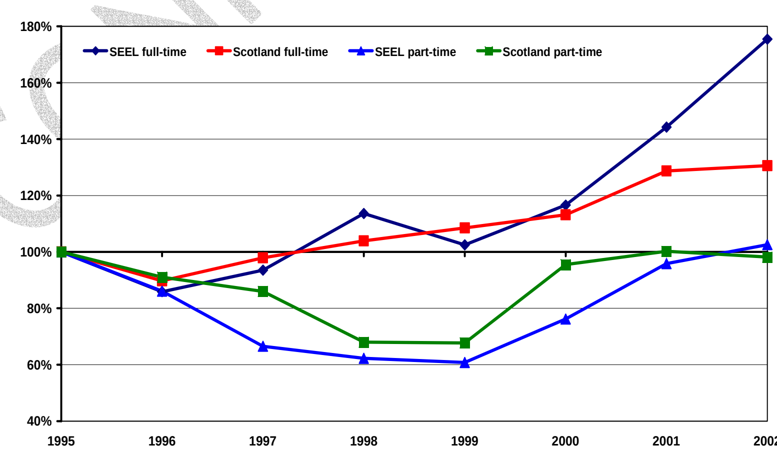
Figure 3.4: Actual number and share of employees in the financial sector by sector in the SEEL area, 2002[2].



3.10 Over half of the financial sector employees in the SEEL area are in *financial intermediation* (28,000), a third in *insurance & pension funding* (17,000) and 13% in *act auxiliary activities* (6,800).

3.11 The growth trajectories of full-time and part-time employee jobs in the financial sector have also been different over the past seven years. As Figure 3.5 shows, there has been a larger increase in full-time than part-time jobs in the financial sector in both the SEEL area and Scotland. The financial sector had the highest increase in full-time jobs of all sectors in the period from 1995-2002, but also one of the lowest increases in part-time employee jobs.

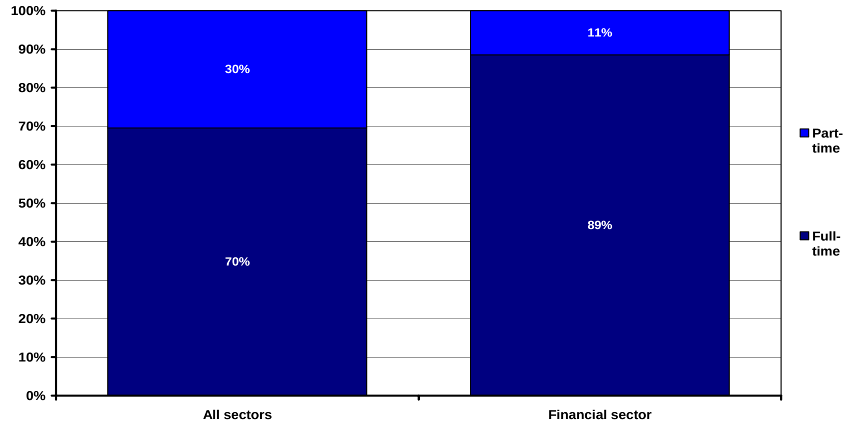
Figure 3.5: Change in full-time and part-time employee jobs in the financial sector, 1995-2002 (1995=100).



3.12 Figure 3.6 shows that, in 2002, 89% of the jobs in the financial sector in the SEEL area were full-time jobs, which is significantly higher than the average for all sectors (70%).

[2] Source: ABI, Office for National Statistics, 2004.

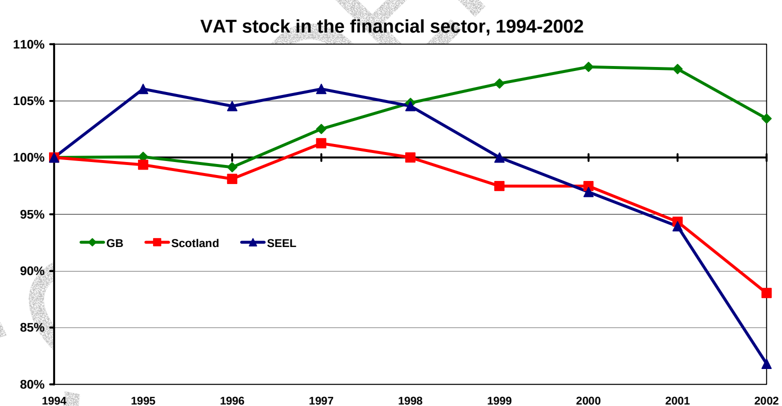
Figure 3.6: Percentage share of full-time and part-time jobs in 2002[3] in the SEEL area.



Company Structure

3.13 In 1994, there were 330 VAT registered businesses in the financial services sector in the SEEL area accounting for 2% of all business stock in the area. By 2002 the figure had fallen to 270 representing just under 1.5% of all businesses. Nonetheless the sector still accounts for a far higher proportion of business stock in the SEEL area than in Scotland (1.0%) or Great Britain (0.5%).

Figure 3.7: Change in the Number of Financial Services Businesses 1994 - 2002

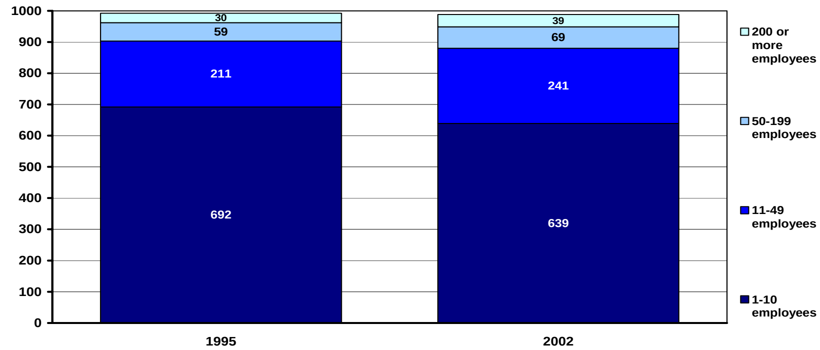


3.14 As Figure 3.7 shows, the rate of decline in the stock of financial services businesses since 1994 has been most severe in the SEEL area, with a reduction of nearly 20% compared with around 12% for Scotland and a growth of 4% in GB.

3.15 However, a different picture emerges when business data units are used rather than VAT registrations. On this basis, the number of businesses in the financial sector has remained almost constant over the 1995-2002 period (only 4 less than in 1995).

[3] Source: ABI, Office for National Statistics, 2004.

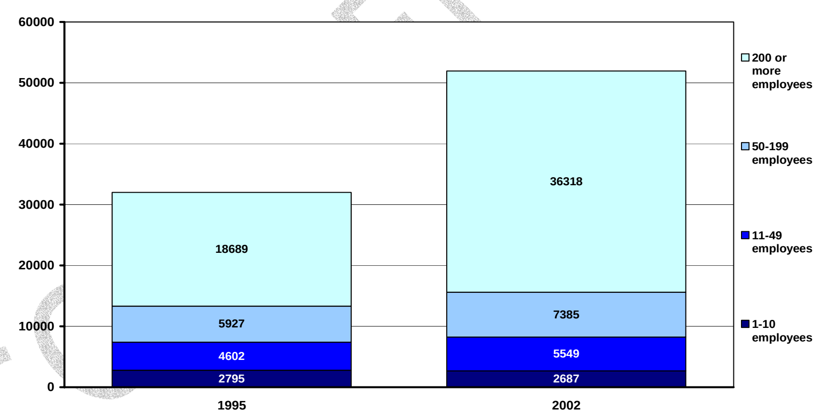
Figure 3.8: Change in business units by work size, 1995-2002.



3.16 However, business units with 1-10 employees have decreased from 692 in 1995 to 639 in 2002 (-8%), whereas all other work sizes have increased, the largest being in businesses employing 11-49 people. This implies a combination of growth and consolidation in the sector, at the expense of locally owned micro-businesses.

3.17 Although number of large businesses (200+ employees) only rose from 30 to 39, the effect on the number of employees are more dramatic as shown in Figure 3-9 below.

Figure 3.9: Change in the number of employees by work size, 1995-2002[4].



3.18 There has been a large increase in the number of employee job in the sector and this was mainly due to an increase in full-time jobs. Figure 3.9 above shows that the majority of the increase has been in large companies with a total increase of 17,500 employee jobs, 88% of the total rise in the financial sector.

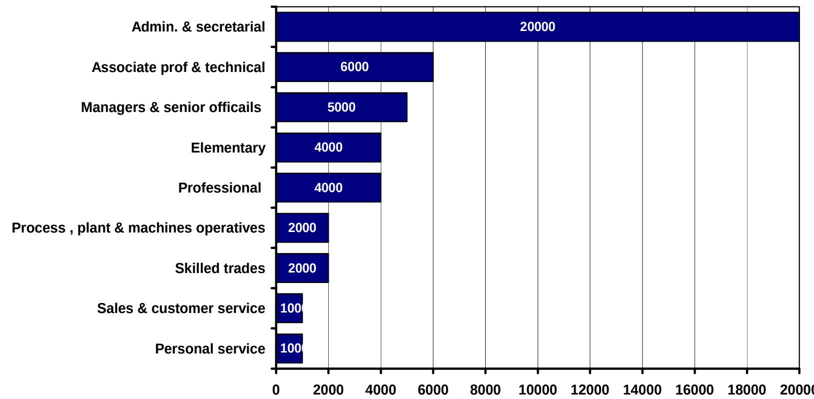
3.19 Only the micro businesses have seen a decrease in the number of employees, but although there was a large decrease in the number of businesses in the work size, it had little impact on the total number of employees.

Occupation and Vacancy Analysis

3.20 The figure below looks at the change in employee jobs by occupation from 1981 to 2002 and gives an indication of the type of skills dominating the financial sector over the last 20 years.

[4] Source: ABI, Office for National Statistics, 2004.

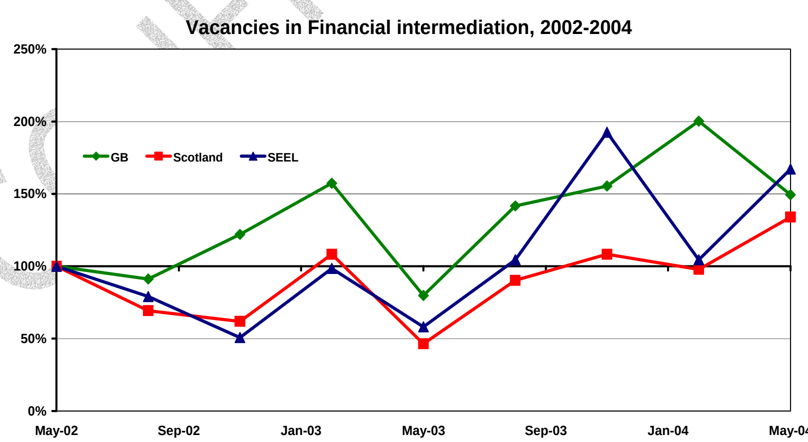
Figure 3.10: Change in financial services employment by occupation, 1981-2002[5].



3.21 Figure 3.10 shows that *administrative & secretarial* jobs have accounted for the largest increase in the actual number of jobs (20,000) from 1981 to 2002, giving a 31% rise. The smallest increase was in *personal service* where there has been a rise of 1000 employees from 1981 to 2002, but this did represent the highest relative growth with an increase of 39%.

3.22 Figure 3.11 shows recent trends in vacancies in financial intermediation. This indicates that while individual four monthly returns are rather erratic, the trend lines for SEEL and GB are up by around 50% over the period while that for Scotland is about static. There was a dip of around 50% in the SEEL area in 2002 (from 67 to 34), but by the end of 2003 there had been a very strong recovery (up to 129).

Figure 3.11: Vacancies in Financial Services 2002-4



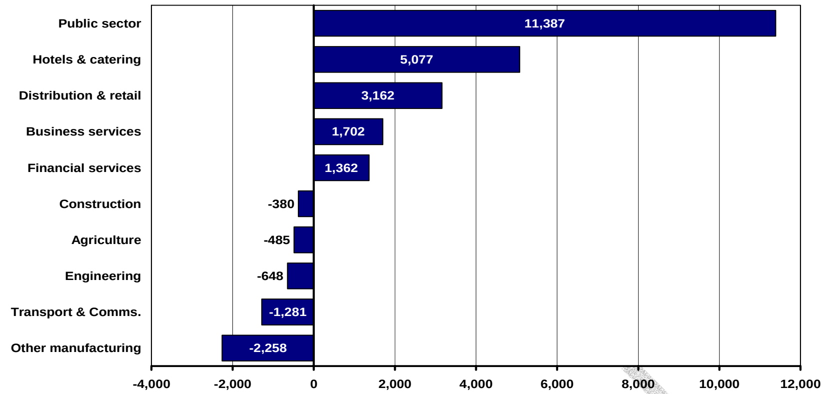
Future Prospects

3.23 The latest available assessment of prospects for the Lothian economy as a whole is contained in the Lothian Labour Market Statement, which was published in August 2004. Figure 3.12 shows that growth in employment in the period up to 2007 is expected to be concentrated in the *Public Sector* with an expected growth of over 11,000 jobs. *Financial Services* (1,362)

[5] Source: Employment projections 2003, Futureskills Scotland.

and *Business Services* (1,702) are expected to make a modest contribution to future employment growth in area.

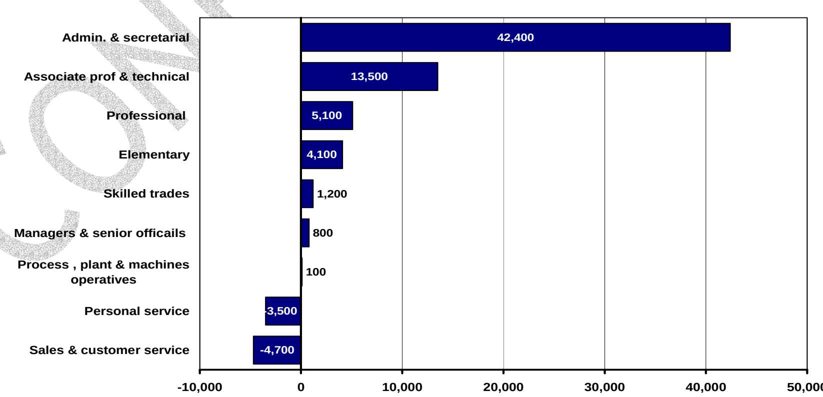
Figure 3.12: Projected growth in employment in Edinburgh & Lothian, 2003-2007[6].



3.24 Future prospects for the financial services sector across Scotland are generally positive. The projected net labour requirement for the financial intermediation sector throughout Scotland from 2002-2007 is 59,000[7] - of which 18,000 is expected to be expansion demand (the highest of all sectors) and 41,000 replacement demand.

3.25 Specific occupational requirements within this overall total are shown in Figure 3.13 below. This indicates that the majority of the projected labour requirement for financial intermediation will be in *administration and secretarial* occupations, with 42,400 employee jobs, which is 72% of all projected labour requirement.

Figure 3.13: Future employment projections by occupation for financial intermediation in Scotland, 2002-2007.



3.26 The second largest occupational group projected increase is for *associate professional & technical* occupations, with a requirement of 13,600 employee jobs (23%). Although two occupations are also projected to see a reduced job requirement, *personal service* (-3,500) and *sales and customer service* (-4,700), the future prospects for the sector are very positive.

6 Source: Lothian labour market statement, August 2004, Lothian Labour Market Unit.
7 Source: Employment projections for 2003, Future Skills Scotland.

Key Conclusions

3.27 The principal conclusions from the analysis of past and prospective labour market conditions in the Lothians and Scotland are shown below.

- **there was a slight dip in the number of financial services employee jobs in the SEEL area between 1998 and 1999, but strong growth thereafter.**
- **the majority of the increase over the period 1995-2002 (88%) has been in large companies (200 or more employees) which accounted for 17,500 additional employee jobs.**
- **the financial services sector had the highest increase in full-time jobs of all sectors in the period from 1995-2002.**
- **there was a dip of around 50% in the number of financial services vacancies in the SEEL area in 2002, but by the end of 2003 strong growth had resumed.**
- **future prospects for employment growth in the financial services sector in the period up to 2007 are modest but positive for the LEEL area (+1360)**
- **the projected net labour requirement for the financial intermediation sector throughout Scotland from 2002-2007 is 59,000**

THE PERFORMANCE OF THE POOL

Client Results

3.28 The Pool Enterprises Company was established at the end of 2001 but the contract with the DWP in respect of the Innovation Fund finance was actually signed in September 2001 and this is taken as the start date for the project. The contract terminated in September 2004, but due to finance and demand difficulties highlighted in Section 2, no training courses were organised after April 2003.

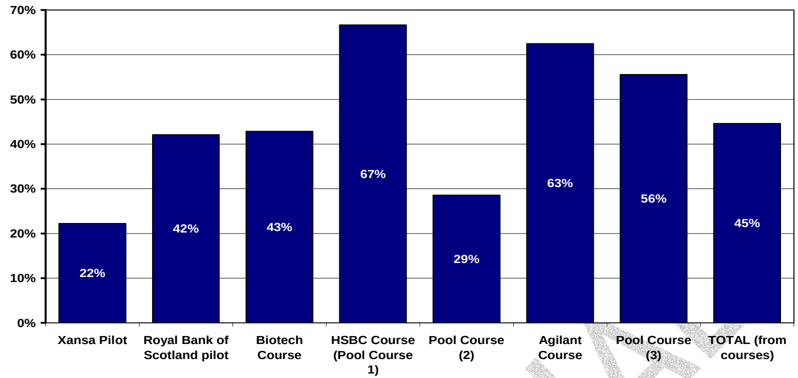
3.29 Table 3.2 below shows the outputs for the courses provided by the Pool over the 18 month period October 2001 to April 2003. A total of 65 people attended 7 courses, and of these, 29 were successfully placed in jobs.

Table 3.2: Outputs from Pool Courses, Oct 2001 - April 2003.

COURSE TITLE	STARTS	JOB OUTCOMES	DATES
Xansa Pilot	9	2	October 2001
Royal Bank of Scotland Pilot	19	8	November 2001
Biotech Course	7	3	July 2002
HSBC Course (Pool Course 1)	6	4	October 2002
Pool Course 2	7	2	November 2002
Agilant Course	8	5	February 2003
Pool Course 3	9	5	April 2003
TOTAL	**65**	**29**	October 2001 – April 2003

3.30 A comparison between these figures and those initially envisaged both in total, and those in the NDIF contract set out in Table 2.1, demonstrates the extent of the underperformance. The number of starts achieved was only 10% of the projected total (635) and 13% of the contract figure (485).

Figure 3.14: Percentage of Pool courses trainees entering employment, October 2001 - April 2003.



3.31 Figure 3.14 shows the performance of the Pool courses in terms of getting[8] people into employment. The overall conversion rate of clients into jobs was 45%. This compares unfavourably with New Deal average figures for Lothian of around 65% and the project target of 70%-80%.

3.32 However, there were considerable variances between the courses. This highest success was obtained at the Pool 1 course (HSBC) where 4 out of 6 attendances entered employment (67%). The Agilant course also performed reasonably well but the others fell well short of expectations and other similar job brokerage initiatives.

3.33 The NDIF contract had two further targets (payment triggers), these were, (a) the number of clients entering a job with a salary above £15,000 and (b) the number of clients sustained in jobs for a minimum of 6 months. None of the Pool job placement trainees achieved a salary of over £15,000 and 18 (62% of the 29) retained employment for at least 6 months. Both the actual volumes and the percentages were significantly below expectations.

3.34 While there was no target for placing trainees into Further Education, or enabling them to continue with additional training, 7 trainees (11%) took this course following their Pool training.

3.35 Some of the stakeholders interviewed as part of this review indicated that the pilot courses run by The Pool were viewed by employers as particularly successful. This was despite the fact that numbers were generally disappointing and the drop out rate was quite high. However, several of the employees recruited through this process are still with the companies and some have also been promoted.

3.36 More details are available regarding outcomes from the 3 Pool Courses (non-employer specific). As Table 3.3 shows, only 6 out of the 23 trainees entered employment relevant to the Pool courses and further 3 entered employment not related to their courses. Almost a third (7) of the trainees either left the programme during their course or were dismissed from the programme. A drop out rate of around 25-30% would appear to be about the average figure for all seven courses.

Table 3.3: Outcome of Pool Courses (1, 2 and 3). October 2002 - April 2003[9].

OUTCOME	TRAINEE NUMBERS
Entered employment	6 (26%)
Entered employment non-relevant to Pool Course	3 (13%)
Offered employment but did not take up the offer	1 (4%)
Interview stage, but unsuccessful	3 (13%)
Left programme (some dismissed)	7 (30%)
Still seeking employment	3 (13%)

3.37 The structure of The Pool changed after the last course in April 2003, when all training ceased and the operation became purely concerned with job brokerage, acting in this capacity for New Deal training providers. In the period from April 2003 to September 2004, 64 trainees secured employment as a result of The Pool's brokerage activities.

3.38 It is not clear the extent to which these activities are genuinely additional or are merely replacing or supplementing the brokerage role in other New Deal providers. With this qualification, the total number of people entering employment via The Pool was 91 for the period from September 2001 to September 2004.

3.39 It has not proved possible to obtain comprehensive statistics on the total cost of the Pool operation, but the SEEL contribution amounted to £386,000. Using that figure, the cost per job on the basis of 29 starts is £13,310, which is high for this type of initiative and would be considerably higher (possibly by a factor of between 2 and 3 times) if it had been possible to accurately capture all of the project costs.

3.40 Our analysis of available Pool statistics confirms that there was not a comprehensive database to record client characteristics, training inputs, client outcomes and aftercare. This has reduced the extent to which useful learning for future practice can be obtained from the project.

Conclusions on Actual Performance

- **the number of starts achieved was only 10% of the projected total (635) and 13% of the contract figure (485)**
- **the overall conversion rate of clients into jobs was 45%, however, this compares unfavourably with New Deal average figures for Lothian of around 65% and the project aspiration of 70%-80%.**
- **none of the Pool job placement trainees achieved a salary of over £15,000 and 18 (62% of the 29) retained employment for at least 6 months. Both the actual volumes and the percentages were significantly below expectations.**

[9] The number of people who entered employment differs from Table 3.2, where 11 are shown as entering employment compared with 9 in Table 3.3. The reason for this is that the data for Table 3.2 are more recent than for Table 3.3.

- **only 25-30% of those invited actually took up a place on a course while a drop out rate of around 25-30% amongst those starting would appear to have been about the average figure for all seven courses run by The Pool**
- **although not formal targets, project outcomes which resulted in the pursuit of alternative careers and further education and training were also positive (even though they were few in number)**
- **there was good employer satisfaction with the two pilot courses (Xansa and RBS) even though drop out rates were quite high and actual job placements were low.**
- **project management information systems which record client characteristics, training provided and subsequent placement and aftercare are not always complete and could have been better developed**

FACTORS AFFECTING PERFORMANCE

Introduction

3.41 The actual outcomes of the project set out above are based on the project records supplied to us. Our assessment of the causes of the poor performance of The Pool is based primarily on the subjective views of key stakeholders and has been tested against available factual evidence where this has proved possible.

3.42 On the basis of our interviews, there is a reasonable consensus on the range of factors which had a bearing on the performance of The Pool. Not all agreed on the weight to be attached to the various factors but the following were identified as the main influences:

- Market conditions
- Delivery model
- Management
- Stakeholder commitment (including partnership working)

Assessment of Market Conditions

3.43 There were mixed views on the quality of the market research carried out during the development phase of the project. Generally, interview respondents have confirmed that, at the development stage of the project (2000-1), the estimates of potential annual labour demand in the FS/IT sectors of the order of 900-1000 places was not unreasonable. Consequently, planning for 300 places per year at The Pool could fairly be described as modest.

3.44 Other interviewees pointed out that on the basis of subsequent events it was clear that the market assessments (both of demand for trainees and utilisation of training/meeting facilities) cannot have been sufficiently robust. In particular, it was suggested that there was a need to understand the difference between expressed (what people say) and manifest (what people do) demand for services.

3.45 The targets set out in the NDIF contract were driven by the need to demonstrate that The Pool approach could deliver better and more cost effective outcomes than the traditional New Deal route. In that sense they were ambitious (there was one view that they had been deliberately inflated) and not based on hard research evidence of likely achievability. Stakeholder views vary on the extent to which they were capable of being realised, some feel they were clearly unrealistic (although this may be with the benefit of hindsight), others feel that they were reasonable, given information available at the time.

3.46 In terms of labour supply, there was clearly still a large pool of inactive people in the economically active age group from which to draw trainees. The evidence from the two pilot training courses, however, was that there was a high drop out rate both from the invitation to attend a training course and actually starting, and between starting and completing the course.

3.47 This led to an assessment that the key challenge would be to identify sufficient trainees with the motivation and capability of meeting the sectors high training standards. This in fact proved to be the case, with many trainees not nearly job ready and employer requirements particularly stringent. Some stakeholders felt that these problems were precisely the challenges which the project was designed to address.

3.48 Some respondents consider that the over-riding influence was the severe downturn in the Financial Services sector which occurred during 2002. It was said that this put the whole recruitment process into reverse, with not only a freeze on appointments but extensive rationalisation and redundancies.

3.49 The evidence, as shown in Figure 3.11 is that there was quite a severe reduction during 2002 but that the level of vacancies then rose again and exceeded the figures which obtained when the market research on the project was being undertaken. Turnover recruitment is a substantial element of total demand and it remained at relatively high levels throughout the period.

3.50 Consequently, while the market downturn did have an effect, and its timing was particularly crucial in relation to the financial viability of the project, it was not of itself a sufficient explanation for the poor performance. This is also the view shared by most stakeholders in the project.

The Delivery Model

3.51 The Pool delivery model has been described in outline in Section 2 (paragraphs 2.22 – 2.28) and comprises a number of different elements – sector focus; service mix; legal structure; resourcing etc. The views of stakeholders on this business structure and the extent to which particular characteristics contributed to the poor performance are set out below.

Sector Focus

3.52 The consensus view was that the focus on Financial Services and IT was probably sound. Both sectors had some unique components of need and the level of demand at the time of the Pool's conception and formation was strong enough to support a specific sector focus. In particular, the high entry level salaries were a key feature in motivating trainees and it was hoped, this would be more sustainable and less likely to lead to the "revolving door" syndrome.

3.53 It was also felt that concentrating on FS and IT was right as this was the essence of the employer-led concept. The project was to provide specific, tailored training and the carrot for trainees was the specific job at the end of the process. The sector approach was therefore important to the idea of selling specific career opportunities. The focused sector approach was also considered necessary to get employer buy-in. Development work on other key sectors was in any event underway at about the same time – in particular, the Retail Academy.

3.54 There was a minority view that the sector focus should have been broader, covering, for example, public sector finance and other related office skills. However, this view mainly emerged after The Pool had begun to run into difficulties with its core business clients in the course of 2002-3.

Legal Structure

3.55 The PCT/PEC company structure adopted by The Pool is not particularly unusual for not-for-profit employment/inclusion initiatives. Some interview respondents, however, now query whether it was prudent to adopt a commercial business model for PEC at the outset, rather than waiting to see whether actual performance could sustain such a structure. They take the view that some form of social enterprise and/or membership scheme might have been more appropriate. Others maintain that there was nothing inherently wrong with the structure, if it had been more modestly resourced.

3.56 There were views that the two Board structure created some problems once the project began to get into difficulties. There was some overlapping membership and it was felt that it created two sets of players who weren't sure what their different roles were.

3.57 Over the 3 years of the project there has been substantial churn in employer and agency representation on the respective PCT/PEC Boards which, it is believed, has also been detrimental to progress, although it is more likely that this is a consequence rather than a cause of the poor performance.

Service Mix and Infrastructure

3.58 There was no common view amongst stakeholders regarding the extent to which the four revenue earning facets of the business (see Table 2.2) formed logical, inter-related components of a coherent service offer, or were a more pragmatic response to the need to generate income.

3.59 Two particular issues were highlighted by most interviewees as having a significant effect upon the operation of the company. First, was the decision to rent high quality premises on Edinburgh Park, and second, the top heavy staffing structure.

3.60 In respect of the premises, there were strong views that these were both too big and too expensive (the property cost approximately £120,000 per year to run, while the fit-out had cost £570,000). There was also a view that the Sirius building wasn't very conveniently located in relation to the potential business customers on Edinburgh Park.

3.61 The need for such prestigious premises was justified on a number of grounds including, the need to attract business users to the training and meeting facilities and the need to accustom trainees to a "glass palace" work environment. In the event, there was little success with the former and more cost effective ways of providing trainees with a realistic work environment could have been found.

3.62 There is a consensus that the decision in respect of the property was critical to the company and the need to generate income to cover its cost diverted the focus from what should have been the core business of training and job brokerage.

3.63 Most stakeholders also considered that The Pool staffing structure was too big and top heavy, with insufficient staff to do the day to day jobs. The initial structure was estimated to cost £160,000 per year and the CEO, following his appointment proposed that the establishment should be expanded further (this, however, was never implemented).

3.64 There were a number of views that staffing levels and salaries for the Pool reflected the "big bang", high profile approach which was adopted by the initiative. These were not really questioned at the time but several respondents indicated that they felt that secondments from industry would have been a better way forward.

Resourcing

3.65 Pricewaterhouse Coopers estimated that the combined property, staff and other overhead costs of running the company would be of the order of £382,000 per year. As indicated previously, it was estimated that in order to service these costs it would be necessary to place a minimum of 200 clients into jobs each year and also generate significant facilities hire income. At the time, this was not considered to be onerous, but in the light of later experience with other Academies it remains a formidable requirement.

3.66 This requirement together with the need to operate as a business and be self-financing imposed constraints on the operation of the company. In particular, it became necessary to take £420,000 of the NDIF money as an up front loan, which had to be paid back after 3 years (this in practice became 2 years given the lead time to get started). It also meant that 40% of all revenue earned had to be devoted to servicing the loan, exacerbating cash flow difficulties which arose from poor trainee throughput numbers.

3.67 Various stakeholders also considered that assumptions regarding a number of the revenue earning strands of the business were unrealistic. Adverse comments were made about the likelihood of attracting substantial facilities hire income from businesses, while others felt that companies would be unlikely to pay finders fees when using conventional New Deal recruits they would get £65 per week and a lump sum of £750. It has not been possible to verify the extent to which the PWC advice was sufficiently robust on these matters.

3.68 A number of respondents considered that success in attracting the NDIF money was double-edged. Some considered that it facilitated the "think big" approach which the project adopted and reduced the need for more thorough risk assessments. There was also a view that it effectively tied the project to New Deal clients, whereas the original concept had been wider.

Management

3.69 There was a strong consensus that the management of the project was a critical factor in terms of the company's performance. This had a number of dimensions. First, the project took a long time to get up and running after the NDIF contract was won, with all the key staff not in post until nearly a year later.

3.70 Despite a considerable amount of development work over the period 2000-1, no detailed operational procedures had been worked up prior to the appointment of the Pool Managers in mid 2002. Tender procedures, marketing plans and contract arrangements all had to be developed. Consequently, the first non-pilot training course only took place some 12 months after the CEO was appointed. Consequently, the first of the three years of the project was lost. The PCT Board and PEC Chief Executive have to accept much of the responsibility for this.

3.71 Most of the comments in respect of the management of the project relate to PEC Chief Executive. The WOFS person specification for the post indicated the need for strong entrepreneurial abilities but, in the event, the chosen CEO did not come from a business background.

3.72 Many respondents indicated that the CEO was unable to provide the necessary leadership and lacked the required problem-solving capacity and networking skills, to steer the company through a difficult start up period, notwithstanding the high salary for the post. There were also views that the CEO's personal style did not instil confidence or contribute to the credibility of the project.

3.73 As a consequence, there was the loss of customer focus and confidence. Prospective client companies and partner agencies were alienated and there was a withdrawal of demand for the Pool's services. Wider support for the project ebbed away as employers also left the Boards of the Trust and Company.

3.74 The PCT Board also failed to manage the CEO appropriately, given these difficulties. Ex PCT Board Members accept that the Board took too long (about a year) to take action after it became apparent that the CEO could not develop the business in the way which was required.

3.75 It was also felt that the CEO appointment process had not been as rigorous as it should have been. The preferred candidate withdrew leaving only two remaining on the short list. Given the salary level for the post, there was a view that it should have been possible to get a wider field of suitable candidates. As mentioned earlier, a number of stakeholders feel that, in retrospect, a secondment from industry would have been preferable.

Stakeholder Commitment

3.76 The main feature of the Employment Academy approach is that it is demand led. Consequently, the key driver behind The Pool model was a sustained level of employer demand for its services. Employers were involved at the outset of the project and were consulted on the development and shape of the delivery model. It was assumed that a high level of employer buy-in to the process had been achieved at a relatively early stage in the development process and in the event this proved not to be the case.

3.77 Both Workforce One and PWC contacted a range of private sector interests as part of the feasibility study/business case work and found a good level of interest in the project in principle and verbal commitments that companies would participate if the project could deliver what it promised (work ready trainees). However, there were no formal contracts, which it was considered could not be negotiated until facilities were in place.

3.78 A number of stakeholders commented to the effect that employer representatives always indicated support for the project but that there were reservations about whether they were the right people to commit their companies to active participation. Some interview respondents suggested that employer buy-in was variable and largely depended upon the personal interests of the key contacts in each company.

3.79 There were also views that Financial Services companies tend to be elitist and would not be flexible about their training requirements and had severe reservations about taking on unemployed people. There was an alternative view that companies were "blind" to the background of recruits so long as they could do the job.

3.80 One agency view which was expressed was that there was a need to get more robust commitments from the private sector at an earlier stage in the project development process and ensure that they met the public sector halfway. In particular, job placements and salary levels should have been guaranteed in some formal way.

3.81 However, an industry respondent expressed scepticism that employers could have been persuaded to sign up in advance to deliver job placements as a condition of public sector infrastructure investment.

3.82 There were also issues about wider partnership working. The private sector business culture and public sector work methods (systems and timeframes etc) did not gel very well and there were tensions. Public sector agencies also appear not to have worked well together – as one stakeholder put it, some just wanted a "piece of the action".

3.83 Examples cited included problems arising when ND Advisers didn't get credit for job placements brokered through PEC. Training providers were reluctant to refer clients to the Pool as they may have lost their outcome payment. More time needed to be spent up front getting these relationships and working practices sorted out.

3.84 Overall, the relationship with employers was critical for the Pool's performance. Their participation could not be taken for granted and had to be negotiated (there had to be a good business case for involvement). What can be negotiated depends upon the severity of the labour market conditions affecting the sector. The loss of private sector confidence in the project (see 3.71-3.72) was, therefore, decisive.

3.85 While other inter-agency partnership arrangements may have been better handled, they were essentially part of the project learning process and appear to have been generally resolved without a major impact on performance.

Key Conclusions on Factors Affecting Performance

- **the market assessments, although extensive, were not rigorous enough, and did not anticipate a fall in demand. Pilot studies were too late to influence calculations of supply and demand**
- **project targets were ambitious but it is not clear that they were rigorously researched as to their achievability**
  - **many trainees were not nearly job ready, as had been anticipated and the project had to develop robust screening and additional numeracy/literacy and social skills training**
  - **market conditions played a significant role in out-turn performance but were not the sole and over-riding cause of relative failure**
  - **the risk analysis was not sufficiently extensive or robust**
  - **the success in attracting the £1m NDIF grant may have lowered the appreciation of risk in the project and encouraged a "big scheme" approach**
  - **the decision to invest in expensive premises was ill-judged and proved to be a heavy burden on the project**
  - **there was management failure in terms of the delay in getting the project operational and in the subsequent loss of customer focus and confidence**
  - **employer commitment to take up Pool services was weaker than had been assumed and had to be continuously negotiated**
  - **there was a need for better partnership working; private and public sector business culture and practices did not gel particularly well**
  - **overall, the development process reflects the classic symptoms of "optimism bias", with anticipated benefits being consistently overstated, and costs/risks being consistently understated: consultees from across the stakeholder group acknowledged their concerns after the event, but were not able or willing to challenge the concept.**

4. DEVELOPMENT OF THE ACADEMIES

INTRODUCTION

4.1 We were also asked to look briefly at the experience of other employment academies. This exercise enables The Pool experience to be viewed in a wider context, to determine the extent to which lessons had been learned and to draw some conclusions about the future development of the Academies in general and for the FS/IT sector in particular.

BACKGROUND

4.2 There was no “grand plan” for a series of Employment Academies from the outset, but during the development of The Pool it was recognised that the employer led brokerage model might have potential application for in other sectors. Proposals for other Academies therefore developed incrementally with recommendations for the Health and Retail Academies being formulated in late 2001 as The Pool pilots were underway, but before any hard results were available.

4.3 Academies therefore developed as a specific response to employer needs or demands and took a number of different forms. The chronology and key features of the 10 Academies is shown in Table 4.1 below.

Table 4.1: Key Features of the Employment Academies

Employment Academy	Date Est	Legal Form	Places Per Year	Lead Agency	Location
Financial & IT Services	2001	Charitable Trust and Limited Company	300 in year 3	The Pool	Edinburgh Park now Jobcentre Plus
Healthcare Academy	2001		90 - 120	Health Service	Royal Infirmary
Retail Academy	2001	Limited Company	195	Retail Industry	Edinburgh Council
Construction Services	2003	Edinburgh Council	n/k	Edinburgh Council	Edinburgh Council
Tourism & Hospitality	2002		n/k	Spring board	Telford College
Creative Industries	2002	Company limited by guarantee	40	Access to Industry	Wester Hailes
Care Sector Academy (New Leaf)	2003	Part of Midlothian Council	n/k	Midlothian Council	Midlothian Council
Public Administ -ration	2002	Part of Edinburgh Council	40	Edinburgh Council	Edinburgh Council
West Lothian Academy (Source)	2002	Partnership	n/k	West Lothian Council	Livingston
Childcare Academy	2004	Partnership	22	North Edinburgh Childcare Partnership	Edinburgh

Footnote: This table is not based on a comprehensive survey and client places do not always refer to a 12 month period.

4.4 As the table shows the academy development process has largely been one of incremental growth over a 3-4 year period, with a range of legal forms, scale of operation and lead agencies.

KEY FEATURES

4.5 Given the experience of The Pool, subsequent Academies have been more sensitive to possible changes in market conditions, although it has not been possible to establish whether they have undertaken more rigorous demand assessments. However, with the exception of the West Lothian Academy – which spans a range of industries and occupations – the sector-specific model continues to be the rule. There is a continuing commitment to a demand-led approach rather than "training for stock".

4.6 Each Academy sets its own targets (usually based on previous experience, labour market information and sectoral expertise). However, perhaps because of the experience of The Pool, volume targets for pre-employment courses are modest: only the Retail and Healthcare Academies have a projected annual throughput in excess of 100.

4.7 Labour supply is an issue for some Academies and not an issue for others. Healthcare, for example has had no difficulty recruiting and has been in the situation of having 'waiting lists' for their courses. Academies have been involved in joint initiatives to access potential clients - including the development of a joint brand and marketing strategy – aimed at building partnerships with other employment access organisations.

4.8 The Pool delivery model which required expensive physical infrastructure and significant staffing levels has not been repeated. The Employment Academies are typically "virtual", brokering and networking existing resources including private sector secondments wherever possible.

4.9 The other major lesson reported to have been learned is to ensure employers have greater ownership of the project. For example, the Healthcare Academy has reached agreements on: the abolition of job categories; minimum starting salaries and payments for vocational training. A key lesson drawn from the Pool is that – if they are serious about being demand-led – academies must engage with employers and share risks with them.

CURRENT PERFORMANCE

4.10 All Academies record their outputs against targets and the latest information (for 2003-4), where available, is shown in Table 3.5. With the exception of The Pool, all the academies are now performing well and it is reported that the constraints on expansion are the supply of clients with the appropriate skill capability rather than demand from the industry sector.

Table 3.5: Current Academy Performance

Employment Academy	Number of Clients	Job Placement Rate	
		Number	Percent
Financial & IT Services	65	29	45%
Healthcare Academy	118	100	97%
Retail Academy	82	67	82%
Construction Services	22	16	72%
Tourism & Hospitality		73	
Creative Industries	26	12	86%
Care Sector Academy	11		
Public Administration	Not Known	Not Known	
Source (West Lothian)	Not Known	Not Known	

Note 1: The outputs above are from Academy courses and not job facilitation with the exception of hospitality and tourism which is only job facilitation and not job entry through courses.
Note 2: Figures are not a direct percentage of outcomes against clients as any clients still on courses at the time the figures were not counted.

4.11 The Employment Academies programme was examined as part of a wider external review of the Edinburgh access to jobs strategy[10] during the latter part of 2002. This concluded that overall,

> "*The development of the academies has been innovative and clearly makes a great deal of sense in a tight labour market which offers the scope to get employers much more engaged.*"

4.12 The report noted that there was a lot of diversity inside the Academies brand. This was considered a strength but meant that it would be important to learn from the different models, and that some form of quality control may be needed, possibly setting a minimum standard.

4.13 It was felt that some of the Academies, needed to ramp up their trainee numbers. In a number of instances TERU felt the PR had been launched far too far in advance of the product and that delivery effectiveness would be hard to maintain for those Academies which were moving from pilot to more mainstream delivery.

4.14 TERU suggested that it would be useful to agree some common principles to which all Academies should adhere and which would establish and secure the quality of the brand. In addition agencies should develop a shared approach to raising volumes in the Academies, while maintaining quality.

4.15 The Access Report also suggested that better monitoring and evaluation framework need to be devised which would examine:

- the effectiveness of academy delivery to employers
- the effectiveness of intermediary, provider and other delivery to academies
- the effectiveness of key processes (e.g. aftercare for employers and clients)
- the contribution of individual organisations within infrastructure.

4.16 Following the publication of the report, an Academies Strategy Development Group was formed (in the Spring of 2003) to deal with common issues, provide inter-agency co-ordination, facilitate exchange of best practice and oversee the overall development of the programme. The Group has established the Academies brand and the five underlying principles for all academies. These are that Employment Academies:

- are driven by the demands of employers
- promote employment and career opportunities
- facilitate people into jobs
- work with employers to develop job progression
- encourage co-ordination between all players

[10] Employment Access Services. Training and Employment Research Unit, University of Glasgow. December 2002.

FUTURE PLANS

Development of the Academies

4.17 The 10 Academies now support around 325 job contracts (into work training) a year and stakeholders suggested that there is sufficient critical mass to consider a model in which core administration services for all the Academies might be provided centrally (to cut down overheads and achieve economies of scale) while specific sectors retain the specialisms necessary for that industry eg. the creation of a low cost, accessible City Centre Training Resource Centre.

4.18 There are no immediate plans for further Employment Academies but the West Lothian Academy is reconfiguring its operation to cover the Logistics industry. Some respondents felt that there might be scope to develop a new Transport Academy

4.19 It has been suggested that the Academies need to broaden their revenue earning capacity. For example, the Edinburgh Retail Academy plans to earn fees through contracts with employers for preparing borderline candidates for second interviews.

4.20 As the opportunities to engage those out of work diminish, some respondents considered that there was scope to focus more on those in work and on low pay and with poor prospects of progression. This would involve shifting the emphasis on to workforce development and getting people on to career ladders.

4.21 While the Academies have essentially been designed to serve TTWAs, they are now expanding their operations, with the Retail Academy planning operations in Fife. Given that some Academies (Retail and Health) are moving towards a Scotland-wide operation there is an issue about their relationship with Sector Skills Councils (which also have responsibilities for sector skills development).

The Future for the FS Academy

4.22 The Pool will close at the end of November 2004 following the NDIF contract expiry. It had debts of £380,000 and to continue would have ongoing staff costs with no significant income streams to meet these commitments.

4.23 Notwithstanding the history, most stakeholders felt that there was still a case for an FS academy of some sort, given the importance of the sector to the Edinburgh and Lothians economy. In particular, there was a desire to tie FS employers into the Joined Up for Jobs (JU4J) Strategy. The sector is not at the table at the moment, but there was a view that this may now be more achievable with companies new to the area, rather than revisiting earlier Pool contacts.

4.24 The FS sector poses some greater challenges than other academy sectors in that entry level jobs have particularly exacting requirements. The evidence is that with appropriate screening, development and support there are excluded individuals who can meet these requirements and the learning from The Pool experience should help in the design of any new initiative.

4.25 In reinventing itself, the FS Academy could learn from the other more successful models by ensuring that it was led by someone from the industry, had a cost base which was capable of expanding and contracting with demand. In this context, the proposals for a centralised resource for all the academies would provide a more robust base for any re-launch.

4.26 There were several suggestions that a new model could have a wider focus – embracing public sector finance and more general Office Administration, which cuts across a number of industrial sectors and may be less susceptible to market conditions. Alternatively, one respondent thought it might be appropriate to set up an entirely new Administration Academy.

Key Conclusions on the Academy Approach

- **there was no grand plan for a series of Employment Academies, they have generally developed as a specific response to employer needs**
- **Academies are now more sensitive to possible changing market conditions, although it has not been possible to establish whether they have undertaken more rigorous demand assessments.**
- **ambitions regarding trainee throughput numbers have been moderated following the experience of The Pool**
- **The Pool delivery model which required expensive physical infrastructure and significant staffing levels has not been repeated.**
- **the Academies involve a range of different legal forms considered appropriate to their particular development needs**
- **the new Employment Academies have ensured that the beneficiary employers have taken greater ownership of the project**
- **the training/job brokerage model has proved to be capable of working and excluded individuals have been placed in entry level jobs.**
- **there are further opportunities into which the Academy concept can develop both in terms of sector and client focus and geographic area.**
- **there is a case for re-inventing the FS Academy along more flexible lines with support from the emerging Academies Resource Centre.**

5. KEY LESSONS FOR BEST PRACTICE

INTRODUCTION

5.1 In this section we briefly examine best practice risk assessment practices and procedures in government in so far as they are relevant to The Pool evaluation. We then draw together the conclusions and summarise the key lessons from the earlier strands of work set out in Sections 2-4 of this report. Finally, we distil from these sources a best practice checklist to be used in the design of future initiatives.

THE APPROACH TO RISK ASSESSMENT

5.2 The failure of The Pool project raises the issue as to whether the risks associated with the project were properly identified and managed. In this context, SE has a network wide Risk Management Policy which identifies 4 categories of risk:

- *Reputational* – risks with a political impact or from regulatory failure
- *Operational* – risks associated with processes, techniques and systems
- *Financial* - risks of the loss or improper use of funds
- *External* - risks arising from the political or economic environment or other sources which are not controllable

5.3 The policy recognises that SE should not be averse to taking risks since it deals in areas of market failure, but each project needs a proper assessment of the balance between risk and reward, within an overall portfolio which reflects the organisation's risk appetite.

5.4 The policy sets out the process for managing risk. Key elements are the identification and evaluation of risk. This requires: a, "sound understanding of the business and its objectives"; the recording of risks in a Risk Register and their prioritisation (on a 5 point scale) on the basis of impact and likelihood of occurrence.

5.5 The SE Network Audit (Oct 2002) of The Pool found that there was little evidence that a comprehensive risk assessment had been carried out at the inception of the project or evidence to suggest that key risks had been identified and were being monitored on an ongoing basis. Subsequently, a risk register for the project was completed in December 2002 and maintained until September 2003.

5.6 A follow up SEN Audit report in November 2003 found that, while the root cause of the risks had been clearly identified at the project approval stage their significance had been understated. It also expressed the view that this may have led to an over optimistic view of the outputs and benefits presented in the approval papers.

5.7 The phenomenon of optimism bias is well known in appraisal work and HM Treasury Guidance[11] notes that there is, "a demonstrated, systematic tendency for project developers and appraisers to be overly optimistic and that to redress this

[11] The Supplementary Green Book Guidance on Optimism Bias. HM Treasury. 2003.

tendency, explicit empirically based adjustments to project costs, benefits and duration should be made".

5.8 This methodology has largely been developed for application in the fields of large scale construction and public procurement while there has also been a recent report[12] in respect of transport planning.

5.9 While this approach is not wholly applicable to economic development projects such as The Pool, where there is less standardisation between projects, there are elements which might be usefully incorporated into their risk assessment procedures. Such approaches would become more valuable as a database was developed (presumably by SEN) which would enable benchmarking with similar projects.

5.10 Table 5.1 below is derived from the transport planning report and provides a checklist of factors which can contribute to cost/time overruns or the failure of the project to achieve its objectives.

Table 5.1: Factors Contributing to Optimism Bias

Project complexity (number of different elements)
Degree of innovation (extent to which it had been done before)
Poor project/market intelligence (achievable supply, demand and outputs)
Inadequacy of the business case
Project management capability
Availability of funding
Large number of stakeholders with different interests
Need for permits, consents and approvals
Sensitivity to political influences
Changes in market demand

5.11 The experience in the transport field has been that the inadequacy of the business case has often been a major factor, with degree of innovation and management capabilities also featuring quite prominently as causes of poor project performance.

5.12 It is our conclusion that many of these factors were at play in relation to the development and implementation of The Pool and that the identification and management of the risks associated with these factors would have been advantageous in steering the project more successfully through its development phase. We draw further on this work in respect of the Good Practice Checklist.

KEY FINDINGS OF THE EVALUATION

Rationale and Objectives

5.13 A prime requirement for a successful project is that it has a clear and unambiguous purpose and it is possible to tell whether this is being achieved or not. Our conclusions from the document review and stakeholder interviews are that:

[12] Procedures for Dealing with Optimism Bias in Transport Planning Guidance Document. Department for Transport. June 2004.

- the project was based on a sound rationale and there was clear labour market failure at the time of its development both in terms of company staff/skill shortages and excluded sections of the economically active population
- the core project concept (linking the two aspects of market failure) was innovative and had been quite well researched. it was sufficiently persuasive to attract a significant share (£1m) of the UK New Deal Innovation Fund
- there was a good strategic fit between the project, other employment access initiatives and SEEL/SEN inclusion/labour market objectives
- the project generated considerable enthusiasm amongst partners and developed a momentum and high political profile which appears to have encouraged a significant degree of optimism bias which supported a "thinking big" approach.

Actual Market Conditions

5.14 Internal SEEL and SEN assessments of the project to date have generally concluded that a severe change in market conditions was the principal reason for the poor performance of The Pool. We looked at the official employment statistics covering the period in question in paragraphs 3.4 – 3.27 and the key conclusions are that:

- there was a slight dip in the number of financial services employee jobs in the SEEL area between 1998 and 1999, but there was strong growth thereafter.
- the majority of the increase over the period 1995-2002 (88%) has been in large companies (200 or more employees) which accounted for 17,500 additional employee jobs.
- the financial sector had the highest increase in full-time jobs of all sectors in the period from 1995-2002.
- there was a dip of around 50% in the number of financial services vacancies in the SEEL area in 2002, but by the end of 2003 strong growth had resumed.
- future prospects for employment growth in the financial services sector in the period up to 2007 are positive for the SEEL area (+1360)
- the projected net labour requirement for the financial intermediation sector throughout Scotland from 2002-2007 is 59,000, of which 18,000 is expected to be expansion demand (the highest of all sectors) and 41,000 replacement demand

Market Assessment and Target Setting

5.15 Implicit in the evaluation brief is the possibility that the planning assumptions and targets which the project adopted were too optimistic and could never have been achieved. On such an analysis it would clearly be important to understand how they had been determined. We have looked at this in some detail and our main conclusions are that:

- a number of prior market assessments were carried out, but principally as part of the Workforce One

Feasibility Study (WOFS): these indicated levels of potential demand well in excess of those for which the project was planned

- no distinction was drawn between *expressed demand* (what people say will happen) and *manifest demand* (what they actually do), and estimates were not qualified to reflect this.
- the targets for trainee throughput were derived from WOFS and were based on their research and assessments; this was largely based on numbers of unemployed people likely to be available rather than their likely suitability (although this was highlighted as an issue in the SEEL Board Approval Paper); there appear to have been no hard assumptions about likely drop-out rates during project development
- targets relating to job placement rates (70-80%) were set out in the NDIF bid and were based on a 5% improvement over prevailing ND rates in Lothian; while this might have been plausible it did not fully take account of the quality of trainees and the high standards required by the FS sector.
- the pilot projects (Xansa and RBS)were too late in the development process to be able to influence final project design
- in retrospect, the targets were ambitious and may have been driven to some degree by the NDIF grant application which needed to demonstrated added value to the existing New Deal Programmes. It is not clear that their achievability was very rigorously researched
- market conditions played a significant role in out-turn performance but were not the sole and over-riding cause of relative failure.

Delivery Structure

5.16 The delivery model chosen as the basis for Pool operations turned out to be critical to its performance and survival. The model had 3 components (job training/brokerage; training facility rental and workforce development based in high quality bespoke premises) and a legal and staffing structure which was largely derived from the Workforce One Feasibility Study. We examined this in paragraphs 3.52 – 3.69 above and our principal conclusions were:

- the options presented in WOFS were variations on the same model and the most ambitious variant was the one recommended and chosen
- the service mix did not appear to have been tried anywhere else and was seen rather as a necessary and innovative feature of the Centre of Excellence concept.
- while WOFS provided the conceptual basis for the delivery model, it has been suggested that there were more pragmatic drivers behind the property decision. Namely that it could be of assistance to the EDI promotion of the next phase of Edinburgh Park development

- the chosen model had estimated annual running costs of £382,000 per annum (approximately £160,000 staff costs and £120,000 premises costs). This created a significant trainee placement requirement just to break even
- consequently, the business model was too expensive and inflexible. It imposed an immediate large debt on the company which it could not support and may not have been able to support even if market conditions had been more favourable
- the success in attracting the £1m NDIF grant may have lowered the appreciation of risk in the project and encouraged a "big scheme" approach
- there was no contingency plan in the event that demand did not reach forecast levels
- it is not possible to be definitive regarding the extent to which the PWC Business Case Report provided a sufficiently extensive risk analysis of the project due to lack of documentary evidence

Management Action

5.17 It is self evident that the management of a project will have some effect upon performance. The consensus view amongst stakeholders was that this was not a factor which operated at the margin but was in fact a major influence on project underachievement. Our conclusions are that this was important in two main respects:

- there was management failure in terms of the delay in getting the project operational following the pilot courses which caused loss of momentum and delayed cash flow
- there was loss of customer focus and employer confidence which was attributed to the management style of the project CEO.

5.18 However the failure of The Pool cannot simply be laid at the door of the CEO, even though his performance has been much criticised. It is clear that he inherited a flawed business model and that ill-judged decisions had been made before he took up post. The Board bears responsibility both for recruiting a candidate who did not meet their initial requirements, and for failing to act quickly enough when the operation was clearly in trouble.

Stakeholder Commitment

5.19 Most economic development projects require partnership working between a range of agencies and this is invariably problematical given different agendas, organisational cultures and practices, spending priorities and, sometimes individual personalities. The Pool, spanning as it did a range of public, private and community sector interests, necessitated particularly good inter-agency working. Our research suggests that:

- the core project purpose was clear and was broadly shared by all stakeholders who felt there would be benefits from participation
- while there was strong support in principle, real employer buy-in had to be negotiated on a case by

case basis and depended to some extent on the predilections of the particular company representative on the board

- there was a need for better partnership working. private and public sector business culture and practices did not gel particularly well
- concerns were expressed regarding SEEL's decision to withdraw from the Board and not to play a full part in the closure of the business

Actual Performance

5.20 The brief asked for a review of project performance against initial objectives although it was known at the outset that delivery had been poor and that this was not a central part of the evaluation. Consequently, on the basis of project records we concluded that:

- the number of starts achieved was only 10% of the projected total (635) and 13% of the contract figure (485)
- the overall conversion rate of clients into jobs was 45%, however, this compares unfavourably with New Deal average figures for Lothian of around 65% and the project aspiration of 70%-80%.
- none of the Pool job placement trainees achieved a salary of over £15,000 and 18 (62% of the 29) retained employment for at least 6 months. Both the actual volumes and the percentages were significantly below expectations.
- only 25-30% of those invited actually took up a place on a course while a drop out rate of around 25-30% amongst those starting would appear to have been about the average figure for all seven courses run by The Pool
- many trainees were not nearly job ready, as had been anticipated and the project had to develop robust screening and additional numeracy/literacy and social skills training
- although not formal targets, project outcomes which resulted in the pursuit of alternative careers and further education and training were also positive (even though they were few in number)
- there was good employer satisfaction with the two pilot courses (Xansa and RBS) even though drop out rates were quite high and actual job placements were low.
- project management information systems which record client characteristics, training provided and subsequent placement and aftercare are not always complete and could have been better developed

Future Academy Development

5.21 There were essentially two dimensions to this aspect of the brief. First, familiarisation with the subsequent development of the Academies "product" in order to assess what lessons had been learned from The Pool and what opportunities for further development might exist. Second, examination of the future prospects for The Pool itself. Our conclusions from this part of the analysis are that:

- academies are now more sensitive to possible changing market conditions, although it has not been possible to establish whether they have undertaken more rigorous demand assessments.
- ambitions regarding trainee throughput numbers have been moderated following the experience of The Pool
- the Pool delivery model which required expensive physical infrastructure and significant staffing levels has not been repeated
- the Academies involve a range of different legal forms considered appropriate to their particular development needs
- the new Employment Academies have ensured that the beneficiary employers have taken greater ownership of the project
- the training/job brokerage model has proved to be capable of working and excluded individuals have been placed in entry level jobs. The model has now been developed and now supports around 325 placements per annum
- there are further opportunities into which the Academy concept can develop both in terms of sector and client focus
- there is a case for re-inventing the FS Academy along more flexible lines with support from the emerging Academies Resource Centre.

GOOD PRACTICE IN PROJECT PLANNING

5.22 The evaluation brief indicated that a key output from the study would be a checklist of factors which practitioners could take into account in the planning and design of new employment initiatives. It pointed out that many lessons from The Pool had already been learned and applied to the development of succeeding Academies. Our work has confirmed this to be the case. However, the brief also pointed out that it would be useful to have the learning points formally recorded and captured for future use.

5.23 Consequently, drawing on the various strands of work in the earlier sections and set out below in Table 5.2 are the key points to emerge from our research, which we believe should be taken into account in future employment development work, some of these also have wider applicability to project planning in general.

5.24 While the general principles set out below should hold good for all projects there is a cost involved in more thorough preparatory work. We would therefore envisage that the full application of the approach to be required only in relation to those major projects which require SEEL Board approval.

Table 5.2: Project Development Checklist

Risk Assessment There should be a rigorous and comprehensive approach to risk assessment with an examination of all potential sources of project failure or underperformance. This should include, in particular those factors set out in Table 5.2. Optimism bias should be explicitly acknowledged and accounted for. There should also be a clear contingency plan for the project in the event that planning assumptions prove to be either too optimistic or pessimistic.
Project Rationale The project purpose should be identified with the needs it is intended to meet (in terms of market failure) clearly stated. The strategic fit with other related initiatives in the area of operation and with SEEL/SEN objectives should be fully set out
Market Intelligence There should be a thorough and robust assessment of past and potential future trends of relevant supply and demand factors and a recognition that these can go down as well as up. Any market research should allow for differences between expressed and revealed demand. All of these matters should be kept under regular review
Assessment of Project Outputs This should cover both quantifiable and non-quantifiable factors which should be clearly stated. In setting targets regard should be taken of the results of a benchmarking group of near comparator projects and it make be more prudent in most cases to use a range rather than single point estimates
Option and Financial Appraisals Care is required in the commissioning of option appraisals to ensure that a good but realistic range of alternatives are identified and that the broad financial implications of each alternative is properly set out. Detailed financial appraisals of chosen options should have assumptions validated and be subject to sensitivity analysis.
Delivery Vehicles In considering the delivery vehicles for project implementation consideration should be given to their responsiveness to changes in market conditions. Generally, there is a need to avoid large up front overheads, particularly for property but also with regard to a top heavy, expensive staffing structures. Projects should develop more incrementally, using existing resources and lower cost approaches wherever practicable.
Funding Arrangements Wherever possible, reliance on a single funding source which restricts the scope of project operations should be avoided. Where client needs are central to the project attempts should be made to secure a cocktail of funds which allow the money to follow the client rather than vice versa.

Management

Attention needs to be focused on securing the appropriate structures and people to manage delivery of the project. There is a need to ensure that there is no role ambiguity between different sets of players and that selection procedures are rigorously carried out. Customer focus and confidence should be kept under continuous review and early action should be taken to address any management failure.

Stakeholder Involvement

Partnership working is both necessary and difficult and considerable effort should be expended in identifying the key contacts and ensuring their participation. Where projects are demand responsive a representative of the appropriate employer group should be encouraged to take the lead. Where practicable, risks should be shared between partners in relation to likely project benefits.

Exit Strategies

This is also a standard requirement for SE projects and it is clearly appropriate that SEEL withdraw from projects as soon as their intervention has achieved its purpose. However, where projects in which SEEL has a substantial interest are failing or underperforming, early exit may not be appropriate and it is important that they are managed to a satisfactory conclusion

Monitoring Arrangements

While this is a standard requirement of all project approvals, in practice the arrangements put in place often tend to be rather “ad hoc”. A monitoring framework should be designed in from the outset and the procedures necessary to track all projected outputs from the project including relevant periods of aftercare clearly specified.

Pooled Learning

There is a need for SEN, SEEL and other LECs to pool evaluation learning and facilitate the creation of a project database in an accessible form which can be used to benchmark project outputs and feed generally into new project design and evaluation