

**Economic & City Development Overview &
Scrutiny Committee**

29th January 2013

Report of the Assistant Director, Adult Commissioning, Modernisation and Provision, ACE

Economic Inclusion and supported employment for people with disabilities in the City of York (Yorkcraft)

Summary

1. In early 2013 a review of the sheltered employment scheme at Yorkcraft is due to finalise its proposals for this service. A discussion within this wider scrutiny topic will help to refine and assess the potential contribution of the review toward promoting economic inclusion for disabled adults and other disadvantaged groups before finalising the review's proposals.

Background

2. We have been conducting a wide ranging review of our existing supported employment service called Yorkcraft.
3. The review was undertaken by a small multi- agency task and finish steering group to analyse the existing business model for Yorkcraft and develop options for the future direction of Yorkcraft. The steering group was established in May 2012.

The initial team members were:

Julia Massey - Learning City, Partnership manager

Daryoush Haj-Najafi - Service Manager, Adult Social Care

Richard Douglas - Disability Employment Manager, York & Greenworks

Sian Balsom: Development Officer – York Council for Voluntary Services

Anne Wylie - University of York, Programme Director

Yewen Feng – Masters Student, Business Studies, University of York

David Smith – Chief Executive Officer, Mind

Graham Terry – Assistant Director, Adult Commissioning, ACE (CHAIR)

4. The Yorkcraft Factory (on Tadcaster Road, opposite Tesco's) is a service arm of City of York Council which provides supported employment opportunities for people with disabilities.
5. Yorkcraft was established in 1963 as a supported business for people with visual impairment. The premises occupied by Yorkcraft belong to CYC but the land is leased, at a peppercorn rent, from Wilberforce Trust on condition that it is used primarily to support employment for disabled people and has 40 years remaining on the lease.
6. The commercial on-site factory services include: Direct mail, Contract packing, Sub assembly, confidential archiving, Confidential Waste Collection and Destruction, and Recycling.

Its off site work includes: Gardening, Decorating, Office Removals, Handy Person Service, and General Labour.
7. Yorkcraft provides 30 full-time (16+ hours) Supported Employments for adults with a disability and/or mental health under Department for Work and Pensions (DWP's) Work Choice Programme.
8. Its services generate an annual income of £390k (which includes up to £144k funding from DWP). However, despite the annual income Yorkcraft requires a current subsidy of approximately £260k pa from the Council to cover its total costs. The small management team and the adults on Work Choice programme are all employees of the City of York Council.
9. From Oct 2010, Yorkcraft became a sub-contractor to one of DWP's Work Choice prime-providers Shaw Trust. Yorkcraft receives £4,800/year from Shaw Trust for each supported employment placement. The current contracts and funding arrangements will end in Oct 2015 and firm details of what will replace it are awaited.
10. As well as 30 full-time supported employment places, Yorkcraft also provides 5+ short-term work placements to Shaw Trust customers to support individuals to re-engage with the labour market. This support service is highly valued by customers and by Shaw Trust.
11. The current net cost to CYC of maintaining the facility is £7,800 per full time equivalent job. While this compares very favourably to a figure of £27,400 per person in Remploy factories in 2010/11, it does represent a significant cost to CYC, although at this level, it is possible that it is a net saving to the public purse, taking into account welfare and other payments.

12. All employees are on CYC contracts which can make it more difficult for employees to move on to the mainstream labour market where the levels of pay and conditions they could attract may be less and for some, local mainstream employment opportunities would be very hard to gain – the range of appropriate level jobs is (anecdotally) minimal.
13. It is not easy to put a measure or value on Yorkcraft's social outputs, outcomes and impact for its employees. The 'pastoral' support the management of the service provides to employees is varied and often enables them to retain their independence and deal with life's challenges.
14. The current low success rate of the first published figures for the Work Programme of participants achieving sustainable employment (minimum of six months) to July 2012 (between 2.3% and 3.5% by the providers covering York) point to the major difficulties that exist in supporting long-term unemployed people into work. A challenge this poses is clear for how any local initiative would achieve higher success rates than those cited, particularly for Adults with Disabilities who are currently referred through to the Work Choice Programme by Job Centre Plus, rather than the Work Programme.
15. BASE, the British Association of Supported Employment states;

Supported Employment has been successfully used for decades as a personalised model for supporting people with significant disabilities to secure and retain paid employment. The model uses a partnership strategy to enable people with disabilities to achieve sustainable long-term employment and businesses to employ valuable workers. Increasingly, supported employment techniques are being used to support other disadvantaged groups such as young people leaving care, ex-offenders and people recovering from drug and alcohol misuse.
16. Work plays a pivotal role in defining an individual's quality of life and must be an integral part of a person's overall life experience. Supported employment offers an innovative process that enables employment as an achievable goal for people with disabilities just as it is for non disabled people in our society.
17. Real jobs means that the terms and conditions for people with disabilities should be the same as for everyone else including pay at the contracted going rate, equal employee benefits, safe working conditions and opportunities for career advancement.

18. It has been acknowledged by practitioners that employment in Yorkcraft matters for individuals and that it has been positive for their health, economic well-being, social status/identity and relationships.

Consultation

19. Throughout the review, regular meetings have been held with Yorkcraft employees to update them on the work of the review and to seek their views.
20. Briefings have been held with the Community Union, GMB and Unison to share the options. All have pledged to support the staff at Yorkcraft through any changes and are keen to see a secure future for its employees in sustainable employment.

Options

21. The Yorkcraft Business Model Review Project Board identified the following options:

Option 1) Increasing business income by improving business opportunities and marketing techniques.

Option 2) Supporting long-term permanent employees to progress to sustainable employment in external organisations and re-plan the Yorkcraft services to closure

Option 3) Investigating the feasibility to support the existing business convert into a sustainable social enterprise or a public service mutual.

Analysis and conclusions to date

22. I will present to the Committee for discussion our analysis and conclusions to date on the above options.
23. The headlines so far for each option would be as follows:
24. **Option 1** - Work continues on seeking more lucrative contracts supported by marketing expertise to increase the level of income. This work clearly also underpins option 3.

As a result of this work Yorkcraft has gained new contracts and increased its income from regular customers/works by up to £22k for 13/14.

A combination of new contracts and price increase will add £30K+ for current year's income. Whilst there may be opportunities to further increase income with external business support expertise it appears unlikely that it can secure a sustainable future based on this option alone.

25. **Option 2** –The vast majority of the group of long term supported CYC employees at Yorkcraft no longer wish to move to open employment and wish to remain working at Yorkcraft. A small number of staff have expressed a wish to take early voluntary retirement. An external review praised the level of training and qualifications obtained and available to Yorkcraft employees.
26. **Option 3** – The work on this option was supported by a specialist organisation called 'Centrifuge' which drew on local views and ideas to propose a hybrid model of arrangement for Yorkcraft that could offer a sustainable future.
27. The report by Centrifuge contains commercially sensitive and confidential information and so is currently not available as an annexe. However, the key issues and recommendations it makes are contained in this report and can be expanded upon during the discussion at the meeting.
28. In relation to Yorkcraft and its possible role in the wider context of supported employment in the City it essentially advises that if fewer but more lucrative contracts can be won and delivered by the 'hub' of Yorkcraft, its current multiplicity of smaller contracts (eg, gardening) could become work for spin off social enterprise/s or cottage industries supported by the Yorkcraft hub.
29. A successful Development and Innovation Fund bid has enabled specialist support from Centrifuge to be provided to Peasholme Charity and YACRO to set up a Social Enterprise gardening scheme. It is expected to begin providing its services with a York Housing Association grounds maintenance contract and the proposed gardening work currently carried out through Yorkcraft.

The enterprise will recruit socially excluded citizens of York and is currently establishing an initial pilot and are intending to be formally established by April 2013. Work will initially be volunteer placements, leading to short-term employment and support to then access permanent mainstream employment.

30. In addition the Centrifuge report recommends that commissioned housing related support services for excluded client groups (previously known as Supporting People) create an emphasis on developing life skills to enable people accessing these services to be more work ready. By changing the focus of these contracts the council will be able support the effectiveness of these social enterprises without any additional investment.
31. The Centrifuge report challenges us to clarify if the Council is prepared to commit to treating a Yorkcraft 'hub' as an in-house service that delivers services for the Council without the need to compete in open tenders to do so.
32. The majority of services (61%) that Yorkcraft provides are to CYC itself. This could be increased and even expanded to other organisations in part by encouraging (facilitated by Procurement and Economic Development Team / Learning City) other public sector organisations within York to reserve contracts for supported businesses under Article 7 of the Public Contracts Regulations 2006. There would also be the opportunity to explore expanding core services to local private sector organisations.
33. This proposal clearly needs further work but if viable it could allow us to evolve from the current Yorkcraft model over the short to medium term to one that offers a more modern intermediate labour market role of supporting current and future workers into open employment. It could do so by using a cluster of social enterprises supported from the core of Yorkcraft as employment opportunities or work training etc for supported employment.
34. This 'hybrid' model, envisages Yorkcraft having a sustainable core as an integral part of CYC delivering higher levels of service to the Council and other organisations in the city to enable it to use its location and develop expertise as an incubator for the development of social enterprises, creating a core and periphery approach. This model would provide an opportunity to develop new intermediate labour market placements for younger disabled adults (aged 16-25), which in turn opens up access to other funding streams and support.
35. Yorkcraft is, but has not always been recognised as, an integral part of CYC. We therefore wish to discuss and explore this idea of re-emphasising its role and keeping Yorkcraft as part of CYC that provides:

- Mailing, documentation management, archiving and ancillary services to CYC and other organisations as appropriate;
- Provides employment opportunities for disabled people;
- Becomes a support hub for a social enterprise development, and
- Becomes a 'broker' (or 'strategic influencer' or 'champion') to facilitate other employers, in the city, to develop 'diverse' employment practices

36. Yorkcraft has developed the experience and skills to support the development of employment initiatives for people excluded from the mainstream labour market and the Yorkcraft operation would become a central part of York's approach to integrating excluded people into the labour market and contributing to effective local services.

37. If this approach to Yorkcraft is supported and is viable, the report goes on to propose that:

York develop a **Social and Co-operative Enterprise Zone**. The UK's first Social Enterprise Zone (SEZ) was established in 1998 and was based in Newham, East London. It was based on the wider Enterprise Zone model, where designated areas are freed from a range of statutory regulations obstructing local economic growth. More recently, the approach has been emulated elsewhere, with interesting examples including:

- The Black Country, where developments are being led by the Local Enterprise Partnership, in recognition of the approach's role in economic development and providing employment; and
- Blackpool, where the RSA has been making grants to Fellows to complete research establishing the criteria and plan of action for implementing the concept of a Social Enterprise Demonstration Zone. The ultimate aim of the Demonstration Zone is to better explain and raise public awareness of the concept of social enterprise, much in the same way as the fairtrade town movement developed.

38. It is important to stress that this is not necessarily a physical zone, or indeed an organisational structure. Rather it is a focus for bringing groups, individuals and organisations together to focus on identifying, supporting and incubating social enterprises. Importantly, this would aim to support a wide range of social enterprise initiatives, not limited to activities solely targeted on those excluded from the labour market.

Council Plan

39. Economic inclusion is one of the Council's key objectives within a growing local economy. This review and discussion at the meeting will seek to explore opportunities to better support access to employment by disabled adults and other disadvantaged groups.
40. The Economic Inclusion Policy report, presented by Julia Massey to the Council's Creating Jobs and Growing the Economy Project Board (Dec 7), identifies Adults with Disabilities and Other Social Excluded Groups as being two of the key groups in the city requiring additional targeted support to facilitate 'routes into sustainable employment'. The paper also highlights the importance of CYC taking a lead role to 'create employment opportunities' for marginalized groups, as well as its role to promote the business case for workforce diversity and leveraging opportunities with other employers through the Council's procurement and commissioned service framework. (Annex 1)

Implications

41. **Financial** - A full financial assessment and business case would be required for any subsequent decisions that may arise following this scrutiny discussion. More detailed financial information can be provided as necessary and relevant during the discussion.
42. **Human Resources (HR)** - None directly arising from this report. More detailed HR information can be provided as necessary and relevant to the discussion.
43. **Equalities** - See Paragraphs 15 & 16
44. **Legal** - None directly arising from this report. More information can be provided as necessary and relevant to the discussion.
45. **Crime and Disorder** - None
46. **Information Technology (IT)** - None
47. **Property** - None directly arising from this report. More information can be provided as necessary and relevant to the discussion.
48. **Other** - None

Risk Management

49. A full risk assessment would be required to inform any subsequent decisions that may arise following this scrutiny discussion. More information can be provided as necessary and relevant to the discussion. A current risk arises from the loss of DWP work choice programme income in 2015 of £144k approx. There have been more encouraging noises from the DWP about individuals receiving a budget to use to pay for their employment support etc but as yet no firm details exist to reassess the level of this risk.

Recommendations

50. Members are asked to consider;
- 1) The potential contribution of the review and in particular option 3 (Investigating the feasibility to support Yorkcraft convert into a sustainable social enterprise or a public service mutual) toward promoting economic inclusion for disabled adults and other disadvantaged groups in the City.
 - 2) The idea of a 'hybrid' model, that envisages
 - (a) Yorkcraft having a sustainable core as an integral part of CYC delivering higher levels of service to the Council and other organisations in the city and
 - (b) to use its location and develop expertise as an incubator for the development of social enterprises.

Reason: To gauge the Scrutiny Committee's opinion of the options presented.

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**Report
Approved**



Date 16.01.2013

Specialist Implications Officer(s) None

Wards Affected: *List wards or tick box to indicate all*

All



For further information please contact the author of the report

Background Papers:

None

Annexes

Annex 1 Report to CYC 'Creating Jobs and Growing the Economy' Project Board