

REPORT TO: Policy and Resources Committee - 13 September 2010

REPORT ON: Department of Work and Pensions Workstep/Work Choice Programme

REPORT BY: Head of Personnel

REPORT NO: 554-2010

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to inform the committee about the replacement of the UK Government's Workstep programme with Work Choice, and the impact this will have on Dundee City Council

2 RECOMMENDATIONS

It is recommended that the Committee:-

- 2.1 notes the potential costs and risks contained in this report;
- 2.2 agrees that Dundee City Council does not enter into sub contractual arrangements with Shaw Trust to deliver the Work Choice programme;
- 2.3 notes that, in view of 2.2 above, the Head of Personnel will conduct a review of the Employment Unit structure and process any consequential amendments via the establishment change procedure.

3 FINANCIAL IMPLICATIONS

- 3.1 The gradual withdrawal of wage subsidies to Dundee City Council employees on the Workstep programme will increase the Council's net expenditure over time. Current subsidy is £31,366, which will fall to £22,162 in October 2010; reducing to £8,000 in October 2011; reducing to £4,800 in October 2012, and ceasing in October 2013.
- 3.2 The loss of £120,000 of annual net funding to Dundee City Council's Employment Unit with effect from October 2010, due to the cessation of the Workstep programme
- 3.3 The terms of the sub contract for Work Choice would result in an estimated cost of £557,000 over the life of the 5 year contract 2010 - 2015.

4 MAIN TEXT

- 4.1 Dundee City Council has been the main contractor of the Department of Work and Pension's Workstep programme in Tayside since 1987 (began under Tayside Regional Council).
- 4.2 The Workstep programme aims to provide support to employees with disabilities and their employers to enable sustainable employment and has been operated and managed by the Council's Employment Unit.

- 4.3 The Workstep programme will end in October 2010 and be replaced by the Work Choice programme. A commissioning exercise by the DWP was conducted in 2009, resulting in a new contractor being announced for the Tayside, Fife and Forth Valley area (Contract Package Area 2).

Many Scottish local authorities (including Dundee City Council who submitted a joint bid with Fife, Clackmannan, Stirling and Falkirk Councils) submitted tenders to deliver the Work Choice programme but none were successful, the award of the new contract has gone to Shaw Trust, who also won a further 15 of the 28 contract package areas in Scotland, England and Wales. There were no local authorities in the UK selected as Prime Contractors.

- 4.4 There is the possibility that Dundee City Council could become a sub contractor of Shaw Trust to deliver the 5 year programme commencing October 2010 in the Tayside area and this paper indicates the projected financial impact on the Council that could be anticipated.
- 4.5 As a sub contractor, Dundee City Council would be expected to manage existing Workstep clients who transfer over to the Work Choice programme, as well as deliver employment support services to new starts on the Work Choice programme.
- 4.6 Existing Workstep customers and their employers will be entitled to receive up to £651,000 in wage subsidies from the sub contractor (whoever that is) over the 5 year duration of the programme.
- 4.7 It has been agreed that Shaw Trust will assume direct responsibility for administering the wage subsidies due to Dovetail over the next 5 years.
- 4.8 Funding will be given to the sub contractor to pay the wage subsidies to other employers but, due to decreasing/depreciating rates being applied by DWP, this funding will not exceed £405,000 over the 5 year duration of the programme. Staffing costs to manage existing customers are likely to be £90,000 per year (£450,000 in total) and funding to support this will not exceed £89,000 in total over the 5 year period.
- 4.9 This means that, should Dundee City Council become a sub contractor of Shaw Trust, the cost to the Council of managing and supporting existing customers could be up to £607,000 over the 5 year duration of the programme.
- 4.10 As a sub contractor, Dundee City Council would also receive income for any 'new starts' to the programme. Referrals would be made by the Disability Employment Adviser of Jobcentre Plus and, under the rules of the programme, referrals would need to be seen by the sub contractor within 10 working days and within 30 minutes of the client's home. A new start on Work Choice would require to be allocated at least 16 hours per week employability support, followed by 8 hours per month support after starting a job. This is a much higher level of support than has been provided to date and to deliver this the Employment Unit would need additional staffing. A job is defined as working more than 16 hours per week.
- 4.11 It is difficult to predict the potential income over the next 5 years but, based on previous years' referrals, outcomes and current fees being offered, a total figure of around £350,000 in income may be anticipated.

4.12 However, there would also be an additional staffing cost of £60,000 per year associated with providing an employment service to new referrals to Work Choice.

4.13 Breakdown of anticipated income/expenditure 2010-2015:-

Existing wage subsidies paid out by DCC	£ 651k
Staff costs to manage programme (existing clients)	£ 450k
Staff costs to manage programme (new clients)	<u>£ 300k</u>
	£1,401k
Less wage subsidy received from Shaw Trust (existing clients)	£ 405k
Less staff cost fees received from Shaw Trust	£ 89k
Less projected income for new starts on programme	<u>£ 350k</u>
Cost to DCC of being a sub contractor	<u>£ 557k</u>

Therefore, the projected costs of Dundee City Council becoming a sub contractor of Shaw Trust to deliver the new Work Choice programme, from October 2010 to October 2015, would be up to £1,401,000. The projected income during this period, based on previous experience, client numbers and stated fees, is likely to be in the region of £844,000, resulting in a total net deficit of £557,000 over the 5 year period.

4.14 The current Workstep programme provides around £120,000 of net income to Dundee City Council each year and, therefore, when the programme ends in October 2010 this level of funding will no longer be received. As a potential sub contractor of the new Work Choice programme, it is difficult to calculate levels of funding due to a lack of guarantees of referrals, uncertainty over the volume of clients expected and that funding will be directly related to job outcomes and sustained job outcomes. However, indications are that participation in the Work Choice programme would result in a net deficit of around £557,000 over the 5 year duration of the programme. Due to the high risk of significant costs, it is proposed that Dundee City Council does not enter into sub contractual arrangements with Shaw Trust to deliver the Work Choice programme. In that event, responsibility for the continued support of existing clients and the availability of service for new clients will remain with Shaw Trust.

4.15 It should also be noted that the Department of Work and Pensions has decided that financial incentives/wage subsidies introduced under the Workstep programme should no longer be paid to local authority employees with disabilities. These subsidies at present amount to £31,366 for 8 employees and will be gradually phased out over the next 3 years. These 8 employees will remain as Dundee City Council employees and the employing departments will have to absorb the additional costs, which will be the case whether the Employment Unit is a sub contractor or not.

4.16 Should the Committee accept the recommendations in this report, then this will necessitate a review of the structure of the Employment Unit and any amendments will be dealt with via the establishment change process.

4.17 The Employment Unit would continue to provide a comprehensive employment service to disabled people in Dundee within the reduced funding available.

5 **POLICY IMPLICATIONS**

- 5.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti Poverty, and Risk Management. An Equality Impact Assessment has been carried out and will be made available on the Council website <http://www.dundee.gov.uk/equanddiv/equipact/>

There are no major issues.

6 **CONSULTATIONS**

- 6.1 The Chief Executive, Depute Chief Executive and Director of Finance have been consulted on the contents of this report.

7 **BACKGROUND PAPERS**

- 7.1 Equality Impact Assessment.

I M M Martin
Head of Personnel

25 August 2010