

**EXECUTIVE
16th April 2007**

CARLYON PRINT AND RLSB OPTIONS

SUPPLEMENTARY REPORT

1.0 Summary

- 1.1 This report summarises the issues raised at Forward Plan Select Committee on March 27th 2007 following the Executive decision to agree the recommendations set out in the report to Executive on 12th March 2007. Various issues were raised and responded to regarding the viability of Carlyon, workstep policy, arrangement with Shaw Trust and impact on staff. These are detailed in this report. The Forward Plan Committee did not recommend any change to the recommendations.

2.0 Recommendations

That the Executive endorse its earlier decisions, namely:

- 2.1 To close Carlyon Print subject to the Director of Housing and Community Care being satisfied that the employees' assessed care needs will be met.
- 2.2 To release the Shaw Trust from the partnership agreement with the Council subject to the Director of Housing and Community Care being satisfied in accordance with paragraph 2.1 above that the closure of Carlyon Print should proceed.
- 2.3 To taper funding for RLSB sponsorship as set out in the report with funding to end after the final payment in April 2010.
- 2.4 To provide benefits advice and training to help Carlyon employees.

3.0 Background

The Executive decision was called in by members for the following reasons:

- a. To allow councillors who were prevented from speaking at the Executive meeting to ask questions and make suggestions
- b. To allow members a second chance to scrutinise the decision and make suggestions

The Forward Plan Select Committee met to consider the report on 27th March 2007 and this matter is now remitted to the Executive for reconsideration following consideration by the Select Committee..

3.1 **Issues raised**

A wide range of issues were raised and clarification was provided as detailed below. There main areas were policy and worksteps issues, the viability of Carlyon and arrangements with Shaw Trust, implications for staff and diversity impact, and RLSB.

- 3.2 Specific concerns were raised by Jo Mann from the National Secretary of the Union for the Blind and Disabled. He said he was concerned about the basis on which the decision was made concerning the welfare to work policy. He thought the report gave misleading and inaccurate information in reference to Carlyon being an outdated form of provision. He said it is difficult to move people on, and workstep 'welfare to work' accepts continuing employment of disabled people in a factory which provides satisfactory employment. A new employment support service has opened in Glasgow and such a service has a future.

He said the report was also inaccurate in relation to the future of workstep which he said was pure speculation. The government review has concluded but the consultation is not in the public domain.

- 3.3 The response to the above issues were given by the Assistant Director of Community Care as follows.

- 3.2 Welfare to work policy and workstep.

3.3.1 **Workstep**

The Assistant Director referred back to the Executive report where it states the basis of government funding for 'Sheltered Workshops' fundamentally changed from a grant to Local Authorities to a tendered workstep contract which was inspected against standards from 2002.

Both the Independent consultant's report and the two Brent Inspections had highlighted the need for workstep provision to provide opportunities for staff to move into other employment, or have opportunities in other types of work or development in post. The workstep guidance specifically states 'workstep is a modernised approach to move into unsupported employment'. Brent was criticised by inspectors as only one employee had moved on. The Executive Report acknowledged that there was recognition that not all employees could move on as some factories needing skilled staff to keep the business going.

The comment that there needed to be a satisfactory factory work environment underlined the fundamental issue for Carlyon. Not only is it a heavily subsidised loss making business and the majority of staff

complete repetitive low level tasks and Inspectors had criticised the type of work as being 'insufficiently demanding'. Workstep also requires opportunities to broaden employability of skills through work experience elsewhere, one of the intentions of the agreement with Shaw Trust. However staff as permanent employees of the Council do not necessarily want to do this. This point precisely underlines the dilemma highlighted in the Executive report of the problem of running a traditional sheltered workshop, which needs to be a viable business, whilst providing satisfactory workstep provision to broaden employees work experience and to move on. Hence the external consultant's comments that workstep programmes worked better where the business had a majority of non – disabled staff with a few posts designated for workstep employees. The prohibitive cost of such a fundamental charge meant this was not viable for Carlyon and high risk for the Council.

3.3 Future of Workstep Contract

The Assistant Director of Community Care confirmed the information on the future of workstep was uncertain and the report stated this was the reason for the extension of the contract, rather than a tender as anticipated. The information on the future was based on discussions with Inspectors and Jobcentre Plus that it was likely there would be a change to improve the provision through larger experienced providers. The Consultant confirmed this. The Workstep contract manager had also seen the Executive Report and had not commented on this point. However for the sake of clarity for members the future of the contract is not fundamental to the dilemmas of the future viability of Carlyon. The current grant is £138,000 and the retention of the grant would not reduce the overall subsidy or loss to the Council although obviously the loss of it would increase the overall loss to the council.

3.4 Cllr Robert Dunwell went through a larger amount of detailed questions raised in his report on Carlyon Print that he had handed round to the Executive. These are summarised and addressed below. In the financial section, questions asked by Forward Plan Members on current financial viability of Carlyon are addressed which are relevant to the business plan options.

3.5 Carlyon's "Millstone" Debt

3.5.1 Comments were made in some detail about how £108k was allocated to the Carlyon Print current account, relating to an equipment purchase in the 1990's.

3.5.2 However this has no relevance to the overall financial position. It was funded elsewhere in the Social Services accounts at the time of transaction for the equipment purchase. There has never been a charge to the Carlyon Print revenue account for this "debt" and it effectively balances to zero elsewhere in the Council's overall accounts. Similarly, no interest has been charged for the ever increasing overdraft accumulating for the workshop.

3.6 Management Fee to the Shaw Trust

3.6.1 This covers overseeing and management of the print function, marketing, reception and training posts. The annual fee of £83k has remained at the same level since 2002. This reflects the direct support and advice to the business. Similar support would be required when the Trust ends its relationship with Carlyon if Carlyon were to continue.

3.7 Carlyon Centre current financial situation 2006/07

3.7.1 Carlyon Print were initially allocated an overall budget in 2006/07 of £633k gross with assumed income of £364k, giving a net subsidy of £269k. The claim that there is a profit of £16k up to 31st January ignores totally the net cost of staff and the Shaw Trust management fee.

3.7.2 Additionally, cost overruns and under achievement of income mean that a deficit of over £400k is now forecast. This follows a familiar pattern of recent years where the budgeted subsidy has been overspent.

3.8 Balance Sheet

3.8.1 The Carlyon account is overdrawn, partially because of the year-on-year losses. However, no interest is charged to revenue and it has no impact on the print business bottom line.

3.9 “Reality” Business Projection

3.9.1 The report call for a deferment period to allow a firmed up business plan to be developed. The whole purpose of the Council commissioning an external consultant was to assist in considering what options there were for a viable business plan. The consultant’s report, as detailed in the Executive Report, concluded there was no obvious way forward that was not ‘risky on the way’ even if ultimately successful. If it were agreed by the Council to increase the period of subsidy, from the information provided, it appears highly unlikely that a viable alternative could be delivered. The ability to establish a new organisation as a charity while it continued to make losses seems unsustainable. Furthermore Shaw Trust has charitable status. Printing is in steep decline, and the hand finishing business has low turnover. The paper does not set out any large opportunities for diversification, and it is not clear if the expertise exists to prepare proposals to do this or how it would be funded.

3.9.2 It suggests that £561k income could be generated in 2007/8. £300k of this is sought from a tender from Brent Housing Partnership. We are aware that this contract is over a 3 year period, and some of the requirements Carlyon are unable to deliver on. This section of the reports also makes no allowance for the additional production costs if new contracts are won. The possible estimate of income does not seem achievable.

3.10 Capital consideration and Carlyons new site/factory acquisition

There is a proposal that the provision of a new site new building and new equipment by Brent Council directly, or indirectly, could ensure the survival of Carlyon as charity, proposing the transfer or lease on favourable terms to the charity.

This proposal ignores the fundamental structural problem that Carlyon operates at a loss and makes no proposals as to what business the new charity would carry out. The independent consultant report made no recommendations on this but did point out the risks of setting up a different organisation.

3.11 Forward Plan Committee Members Issues

The majority of queries are covered in the responses above except for issues concerning the impact on the staff, and the process if closure proceeds. In addition Cllr Dunwell asked whether a race equality impact had been completed and said the Commission for Race Equality (CRE) was looking into it. No contact has been made by CRE to date. Further information relating to diversity implications and the staff are detailed in paragraph 6.

3.12 Shaw Trust Agreement

A variety of issues were raised for clarification concerning the agreement with Shaw Trust and the expertise of adult social care Council staff to run a factory. Concerns about marketing were also raised in an attachment to Cllr Dunwell paper in the form of a petition from a relative of an employee. These issues had been addressed at the meeting with relatives as set out in the Executive Report.

The Assistant Director of Community Care referred the Committee to the Executive report which attached the first report to committee in 2002.setting out the reasons for discussions with Shaw Trust in 2001 about a partnership. She stated this showed, the administration had faced a similar situation of considering whether there was a viable package to 'rescue' the Carlyon business and that it had been a risk to go forward with a new partner because of the need for continuing subsidy.

The paper from Cllr Dunwell commented' for many years the Council had been concerned at the levels of financial support required to maintain the operations of Carlyon. The Shaw Trust was consider the best organisation with the expertise to develop and market the business and improve the employment programme. They had brought in additional investment, created the training and meeting room and improved facilities for staff. The agreement enabled them to have the lease of the building and to use the new resources for Shaw Trust workstep programmes. After 3 years in 2005 they concluded they were not able to develop as they had hoped. Where do the brackets end? Whilst marketing had resulted in some new work this was a not

sustainable with the cost of problems of developing a printing business and the low level of income achievable through hand finishing work.

3.13 Community Care Assessments

Eleven staff have been referred and all are engaged in the assessment process, to determine eligibility for Community Care Services and the types of support required. These still are not concluded but it is expected these should be completed within 2 weeks of the Executive on 16th April. It is anticipated those with learning disabilities could access employment projects support run by adult social care to assist with a move into open or supported employment. One employee lives in another borough and Brent has organised a referral to consider eligibility for their services. Once the Director of Housing and Community Care is assured the relevant services can be in place at the point of closure to meet any assessed eligible need, there will be involvement by care managers to ensure the needs are met in the most appropriate way. As staff ideally want Carlyon to stay, it can be difficult to identify exactly what option an individual might need. Prior to the decision on the future of Carlyon being confirmed.

3.14.1 Forward Plan Committee asked if information could be made available to members on the outcomes after closure. It is proposed that this is done using the diversity impact assessments, which have 3 stages, the final are being completed after closure, should this be confirmed and could be made available to interested Councillors.

3.14 RLSB

Clarification was sought on the tapering of the funding and it was confirmed that RLSB had agreed this could be absorbed into their business. This included the fact that if a member of staff left the sponsorship for that post would cease. There was a discussion about the type of light engineering undertaken and RLSB's intention of diversifying. It currently has a new contract with a brewery.

4.0 Financial Implications

The figures set out in the Executive Report still stand. However as detailed above the figures regarding the cost of Carlyon do not take into account all the costs and the real loss to the Council is estimated at £400,000 for 2006/07. The Director of Finance was asked to estimate the total loss to the Council for the last 3 years which was given as around £1m.

4.1 Redundancy Package

Members sought additional information about any redundancy pay due if alternative employment were not found for the 28 staff. This would be payable at the normal Council rates based on actual pay and length of service. In addition 15 staff over 50 would receive a lump sum and annual pension if they are part of the Local Government Pension Scheme.

5.0 Legal Implication

The legal position is as set out in the original report to Executive

6.0 Diversity Implications

Diversity impact screening has been undertaken and will continue to be undertaken.

Details on the profile of staff were attached to the Executive Report as confidential because they contained personal information. In response to queries about the race equality impact assessment, part of the diversity impact assessment, screening was confirmed to have been undertaken. Indeed the consultant was asked to ensure that his report took account of these implications. Clearly as all workstep employees are disabled and there is an impact on them, as well as on the overall number of disabled people employed by the Council.

- 6.1 Staff will be given as much support as possible to minimise the impact of any loss of employment. This will include ongoing benefits advice as well as seeking alternative employment. The consultant detailed the profile of staff in his report. There are 5 management staff of whom two have a disability. There are now 23 workstep employees; with 11 from black and minority ethnic groups reflecting the proportion within Brent. The type of disability varies with five having learning disability, 5 hearing disability and 5 mental health problems. The others with different disabilities 19 are male and 5 female. In terms of age. One is over 60, Nine, 50-59, Eight are 40-49, Three, 30-39 and 2, 20-29.

6.2 RLSB

All staff are male with four from black and minority ethnic groups. The types of disability vary from three with visual impairment, two physical disability, and the others learning disability, hearing impairment and a combination.

The age range is three, 60 plus two now retired. Four, 50-59, One, 40-49, One, 20-29. As the current recommendation, to be confirmed at the April Executive, is to continue funding with a taper until 2011, the impact on staff is minimal as RLSB will continue to employ them.

7.0 Staffing

7.1 As detailed above all Carlyon staff have personal development plans and will be given every opportunity for learning and development in order to be offered alternative employment, either in the Council or outside. Those who require the community care assessments will be assessed and if eligible, services will be in place as soon as they are needed. This process will work alongside the Human Resources process of identifying suitability of jobs internally and externally with Jobcentre Plus. There is already a welfare coordinator in post as part of the workstep programme who provides ongoing advice and support to the workstep employees on range of rights and entitlements to housing, welfare benefits and managing money. The additional recommendation made at the Executive to ensure all staff had appropriate benefit advice is ongoing and will focus on individual needs if redundancy is the only option. This advice will be available to the office/management staff as well.

8.0 Summary

The additional information in the opinion of the Director of Community Care does not provide a viable option for the continuation of Carlyon, with an ever increasing subsidy from the Council, given the trading position and the levels of investment required, to even maintain current market share. It is therefore recommended that the recommendations in the Executive report be confirmed.

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