



Remploy

Department for Work and Pensions  
Remploy – Review of Future Business Options

10 July 2006

\*connectedthinking

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# Remploy

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## Section 2

### Background to the Review

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## Introduction

- In April 2006, we were asked by the Department for Work and Pensions to conduct a review of the future business options for Remploy. These options were to align with the Government's strategy for supporting the employment of greater numbers of disabled people.
- The Department asked us to provide independent, expert advice on the options for a radical strategy which would enable the Government to support more disabled people into work; furthermore, it sought to achieve this at a cost per individual which was comparable with other providers of supported employment.
- We were asked to focus our advice on options for a strategy affordable within Remploy's current funding envelope of £111m per year. We were also asked to offer advice on what alternative approaches, consistent with the direction of Government policy, might be possible without the need for significant further investment.
- The terms of reference set out that our review team should work alongside a credible disability employment specialist; we were fortunate that the Government secured the services of Dr Stephen Duckworth OBE, Chief Executive of the consultancy Disability Matters Ltd, to work with us throughout the review.
- The Department instructed us to solicit the views of a range of stakeholders, including Remploy management, employees and their representatives, other providers of supported employment, employer clients of Remploy's Interwork business, and key disability organisations including the Government's Disability Employment Advisory Committee. We engaged with them to ensure that our analysis was founded upon an understanding of both the Government's objectives and the Remploy business itself.
- Our review was to incorporate comprehensive and robust analysis of the business and financial viability of options explored, and make clear how far any of them would deliver improved employment outcomes for disabled people. We were asked to include our suggestions as to what should be considered under any eventual transition plan.
- Scenarios which marginally exceeded the £111m per year could also be considered providing they were capable of bringing significant improvements in relation to the numbers of disabled people being supported into employment.

## Context for review

- Remploy was created in 1945 after a report by the Tomlinson Committee<sup>3</sup>, which proposed a scheme to rehabilitate and train disabled people, and help them secure "ordinary" employment. The motive was to prevent a repetition of the situation after the First World war, when there had been inadequate support for war-disabled servicemen and women.
  - Current government disability employment strategy remains aligned with this stated purpose, and its emphasis on progression to open employment. This policy was expressed clearly in the Strategy Unit report, *Improving the Life Chances of Disabled People*.<sup>1</sup>
  - Remploy rapidly developed a sizeable factory network. Within 7 years this had expanded to 91 factories. It still has 83 today. Despite the organisation's initial goals, the National Audit Office noted in its October 2005 report that there had been "few progressions from Remploy factories into unsupported employment".<sup>2</sup>
  - Outside the Remploy factory network, there has been a decline in the number of sheltered factories provided by local authorities and the voluntary sector. This has coincided with the decline of UK manufacturing industry, as well as the increasing policy emphasis on seeking employment for disabled people in the mainstream workplace rather than a sheltered environment.
  - By contrast, Remploy has not faced the same imperatives and pressures to adapt to the changing objectives of policy.
- As a Non-Departmental Public Body it is funded by grant in aid, not through the contractual funding received by other providers of support to disabled people.
- Because of these factors, Remploy's budgetary overruns, and the high average cost of supporting a disabled person in a factory environment<sup>4</sup>, the Government decided that it was the right moment to review the future business options for Remploy.
  - The principal factors triggering the review were:
    - the direction of the Government's disability employment strategy, as expressed in *Improving the Life Chances of Disabled People*<sup>1</sup>, which recommended a greater emphasis on programmes to integrate disabled people into open employment rather than segregating them in factories;
    - the report by the National Audit Office noting the low level of progressions from Remploy factories into unsupported employment, and which recommended greater focus on the more cost-effective Interwork programme;<sup>5</sup>
    - the inability of Remploy to operate within the agreed envelope of allocated funding, and the likelihood that the budget would continue to be exceeded by a significant margin.

### Status of the review

- This is an independent review by PwC.
- Nothing in this report should be interpreted as the conclusions or proposals of the Government or Remploy.
- Remploy Board have given us data on a scenario they wished us to appraise as part of the review. In the absence of ministerial agreement to the budget allocation and strategic direction of Remploy their views cannot be interpreted as a proposal.
- The review is a forward-looking analysis of possible scenarios; it relies on internal management information and company-produced models; it examines management's underlying assumptions for those models; reviews forecast information in relation to the (inherently uncertain) future; and it evaluates scenarios on a comparative basis.
- It is not an audit of Remploy's financial statements, an operational review, or a strategic review of market prospects; nor is it a forensic review of Remploy's operations, financial processes and systems; nor have we performed a legal review of any issues we have encountered.
- Under our Terms of Reference (see Appendix 1) we were asked to review the future business options for Remploy, providing independent and robust analysis. Our task was not to make specific recommendations as to what may be the "right" option for the organisation. Those decisions rest properly with Ministers and their officials, and with Remploy itself. The purpose of this review is to provide information and insight by exploring a range of possible scenarios.
- During the course of our review, we received and assessed a number of existing scenarios – notably the "status quo" and the "site reduction" scenarios. We also generated some other scenarios, founded on Remploy base data but driven by a number of assumptions and criteria defined by our review team.

### Criteria for developing and assessing scenarios

- Throughout the review we conducted workshops, involving members of the PwC review team and key personnel from the Department for Work and Pensions. The purpose of these workshops was to integrate the different aspects of the review and consider progress on a regular basis.
- Key outputs from these workshops enabled us, together with the Department for Work and Pensions, to define the criteria for developing and assessing scenarios.
- Following the initial part of our fieldwork, it became apparent that an option which could fit within the funding envelope of £111m per year could not be delivered.
- Consequently, the Department for Work and Pensions agreed that we should develop scenarios which would fit the following criteria:
  - A funding envelope of £555m over the five years through to 31 March 2011 (the “Funding Criteria”)
  - Maximising the number of disabled people supported into employment, with emphasis on those with highest support needs (the “People Criteria”)
  - Minimising the execution risks (the “Delivery Risks”)
  - Providing flexibility for the Department to consider ending the Secretary of State’s guarantee to fund Remploy’s financial liabilities and progressively moving from NDPB status to one based of contractual funding.
- Scenarios which marginally exceeded the £555m over five years could also be considered providing they were capable of bringing significant improvements in relation to the numbers of disabled people being supported into employment.