



Leicester  
City Council

**WARDS AFFECTED**  
City Wide

Cabinet

15th October 2007

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**Remploy and Proposed Factory Changes – Options for City Council Response**

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**Report of the Corporate Director Regeneration and Culture**

**1. Purpose of Report**

This report is to draw Cabinet's attention to the ongoing situation regarding Remploy and the proposed factory closures.

**2. Background**

- 2.1. In May this year it was announced that 43 Remploy factories would be closed, with an estimated 2,500 jobs at risk of redundancy.
- 2.2. The factory closures have been the subject of a joint trade union campaign between GMB and T&G, and they have brought the issue to the floor of the Labour Party's Conference. As a consequence of this campaign the Minister for Work & Pensions made an announcement on the closures.
- 2.3. The content of the announcement was that no further factory closures would be made without agreement from Government Ministers, removal of the right of the Factories Management Board to close units and that Government Departments would seek new public procurement contracts with Remploy. He also announced that a £555 million package over five years would be made available to Remploy whatever the outcome of agreements between Government, management, and the unions. The Minister also gave a "categorical guarantee" that there would be no compulsory redundancies, salaries would be guaranteed, and full final salary pensions would be protected.
- 2.4. It should be noted that although this announcement appears to move the issue forward there is nothing substantially different from what was on the table already with a further commitment for Government Departments to investigate new contracts. The subsidy package of £555 million is the existing grant to Remploy and was highlighted in the original May statement from Remploy announcing the factory closures. The key distinction is that Government Ministers will have the final approval on closures which will be unlikely in the context of a run up to a General Election.
- 2.5. One of the issues that is contained within this dispute is that public sector procurement is constrained by the EU Public Procurement Directives. However it has been reported, in the context of this dispute, that these directives could be relaxed. This is not the case

but rather within these Rules there is an ability for a public body to reserve one contract to supported businesses.

- 2.6. Remploy are guaranteeing existing salaries and terms and conditions for factory employees, stating that no individual worker would be made redundant as a result of the closures. They would retain workers contracts and seek to place them into employment through their employment service. Training and development needs would be identified and supported through this process. According to Remploy no employee will lose out as a result of this arrangement and this situation would come into effect if the proposed programme of closures continues.
- 2.7. What is not clear is how long this arrangement would be in place for and if salary, pension protection, and terms and conditions are subject to review and/or employees getting placed on contracts. In brief if an employee is unable to find employment in the mainstream job market it is unlikely that Remploy will provide that level of protection indefinitely. Remploy have responded to this question by saying that they believe that given the support of their employment service they do not foresee this as being problematic.

### **3. The Local Situation**

- 3.1. Remploy has a factory in Leicester that employs 29 people, 27 of whom have disabilities. The Leicester factory re-cycles white goods and IT equipment. It is also one of the factories identified for closure. They also have a city centre based employment agency, however this service would not be directly affected by the factory closures.
- 3.2. The City Council maintains a number of relationships with Remploy locally, which have been mainly with its employment agency. In particular Adult Services have worked with Remploy in supporting people with disabilities into employment and there is a formal partnership with Remploy regarding the Workstep employment development programme.

### **4. Procurement Issues**

- 4.1. In terms of direct procurement of goods and services from Remploy's manufacturing arm, there have not been any significant purchasing agreements between the City Council and that organisation. The Resources Department reported that the actual value of services procured from Remploy amounts to **£1,950** in the last 3 years (£858 with Remploy Ltd and £1085 with Rehab UK – Remploy A/C).
- 4.2. The revised EU Public Procurement Directives allow for public bodies to reserve a single contract to supported businesses. However it should be pointed out that this reservation is to a sector and not to an individual business. Therefore, a similar organisation could contest the awarding of a contract to Remploy solely on the basis that they are Remploy.

### **5. Recommendations**

- 5.1. The following are options that the City Council may wish to consider.
- 5.2. The Corporate Procurement Team could undertake a comprehensive review of services offered by Remploy and organisations within the supported employment sector. This

review would examine what opportunities there are for procuring supplies or services from that sector, provide comparisons between organisations and the wider market, and set out a cost, benefits, savings analysis. This review could take into consideration ESPO's position as well as the City Council's.

- 5.3. Corporate Directors should investigate with the Remploy e-cycle factory in Leicester the potential for building relationships and developing further opportunities for that particular service.
- 5.4. Further investigate if the City Council can provide targeted or additional support, through its existing partnership on the Workstep programme, to Remploy's employees in the advent of the Leicester factory closing.

## **6. FINANCIAL, LEGAL AND OTHER IMPLICATIONS**

### **6.1. *Financial Implications***

There are no direct financial implications for the City Council unless there are recommendations as a result of the further work mentioned in 5.4 regarding targeted support of Remploy employees in Leicester. A further report will be brought back to Cabinet if this is the case.

*Martin Judson, Head of Finance R&C.*

### **6.2. *Legal Implications***

The procurement issues in paragraph 4 highlight the immediate legal implications for the City Council. In addition, the City Council's Contract Procedure Rules would need to be observed in any procurement exercise. As to legal implications for the options outlined in paragraph 5, please see below:

- 5.2 The proposal would be compliant with procurement rules, namely, the exercise in examining opportunities, providing comparisons, setting out cost, benefits etc. Legal Services could assist when such a review was complete, to provide advice at that time, in relation to any recommendations which resulted from the review.
- 5.3 As long as this option does not involve any procurement, and is within the City Council's functions, this would not have any legal implications.
- 5.4 It is presumed that there is no formal written partnership agreement with Remploy, but that the term "existing partnership" refers to the working relationship between the City Council and Remploy, in relation to Remploy's employment services.

The additional support proposed in this option, does not have any significant legal implications, if such support is, for example, in the form of guidance (and not employment advice) to Remploy's employees as to other employment options.

*Beena Adatia, Senior Solicitor X296375*

## **7. Other Implications**

OTHER IMPLICATIONS	YES/NO	Paragraph references within the report
Equal Opportunities	<b>No</b>	
Policy	<b>Yes</b>	<b>Contract Procedure Rules</b>
Sustainable and Environmental	<b>No</b>	
Crime and Disorder	<b>No</b>	
Human Rights Act	<b>No</b>	
Elderly/People on Low Income	<b>No</b>	

**8. Background Papers**

BBC News Report "Remploy Confrontation Averted"  
BBC News 25/09/07

**9. Report Author**

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**DECISION STATUS**

<b>Key Decision</b>	No
<b>Reason</b>	N/A
<b>Appeared in Forward Plan</b>	N/A
<b>Executive or Council Decision</b>	Executive (Cabinet)