National Audit Office

Report
by the Comptroller
and Auditor General

Department for Work & Pensions

The disposal of Remploy businesses

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Department for Work & Pensions

The disposal of Remploy businesses

Report by the Comptroller and Auditor General

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Amyas Morse
Comptroller and Auditor General
National Audit Office

1 April 2014

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This report is the result of a risk-based investigation that we carried out to examine identified or suspected weaknesses in performance by public sector organisations.

Investigations

We investigate specific allegations of wrongdoing in the public sector; or in response to intelligence or assertions suggesting that wrongdoing is likely.

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Contents

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Key facts

£53m	54	2,150
government subsidy to Remploy businesses in 2011-12	Remploy factories across 12 businesses	disabled people employed in Remploy factories in 2011-12

£49 million	operating loss of Remploy businesses in 2011-12
£101 million	cost of disposing of Remploy businesses
£19 million	estimated proceeds from disposal
442	jobs protected as a result of sales

Summary

1 Remploy supported disabled people into work in two ways. Businesses, known officially as Remploy Enterprise Businesses, employed disabled people directly to make a range of items including automotive parts and school furniture. These 12 businesses employed 2,150 disabled people across 54 factories in 2011-12. Remploy Employment Services continues to help disabled people to find mainstream work.

2 Remploy is a non-departmental public body of the Department for Work & Pensions (the Department) and a public corporation. It is a company limited by guarantee and is funded by government grants and revenue generated from its commercial activities. In 2011-12 Remploy's businesses made an operating loss of £49 million and received £53 million in government subsidies.

3 In December 2010, the Department asked Liz Sayce to conduct an independent review of employment support for disabled people. In June 2011, the review concluded that Remploy factories represented poor value for money compared with other forms of employment support for disabled people. The review recommended Remploy close factories that could not operate without government subsidies.

4 In March 2012, the Department announced that it would withdraw subsidies to Remploy's factories. Between August 2012 and December 2013, Remploy disposed of its factories, either selling them as entire businesses or closing them down and selling sites and machinery. Remploy has not disposed of Remploy Employment Services.

The nature of this report

5 This report is the result of a risk-based investigation to examine identified or suspected weaknesses in performance by public sector organisations. We decide what to investigate using a range of sources, including: our own analysis of trends and financial information; matters raised by Members of Parliament; issues referred to us by users of public services; and cases passed to us through whistleblowing.

6 From late 2012, several correspondents raised concerns with us about Remploy's disposal of its factories. We referred specific concerns to the Department's internal investigations team which, after a preliminary review, concluded that there was no evidence of fraud or improper practice.

7 The Department's investigation considered the narrow questions of fraud and improper practice in specific sales. But correspondents have raised broader concerns about flaws in the planning, management and decisions within the disposal process. Therefore we decided to review the disposal programme and considered whether:

- the Department and Remploy designed and set up a disposal process consistent with its objectives;
- Remploy ran the process in a way that allowed bidders to make viable and informed offers; and
- Remploy decided between disposal options in a way that maximised savings but protected jobs where possible.

8 We have not re-assessed the decision to dispose of Remploy factories. We have also not investigated past practices of Remploy except where there may be a direct impact on the disposal process.

Key findings

Designing the disposal process

9 Remploy tried to sell loss-making factories and preserve jobs even though the likelihood of sale was small. The Department and Remploy recognised that they were not likely to sell factories that were not commercially viable but, nevertheless, tried to sell all businesses in an attempt to protect as many jobs as possible. By January 2014 it had safeguarded jobs for 442 of its employees (paragraphs 1.5 to 1.6).

10 Remploy designed the process to take into account the viability of factories. The Department commissioned and published an external report from KPMG on the viability of the Remploy factories. KPMG found that 36 of the 54 factories were not currently viable without government support and that the remaining 18 factories might be viable. Remploy divided the factories into two groups and tried to sell or close the 36 loss-making factories in stage one of the disposal process (paragraphs 2.4 to 2.6).

11 Remploy had limited time to sell the factories, which limited pre-sale restructuring but reduced costs of continuing to maintain factories. Remploy's advisors suggested that some of the businesses could be restructured to increase opportunities for sale. Remploy decided that the possible gains from restructuring or tailoring the sale process for different factories would not outweigh the costs of delaying the disposal process and continuing to support loss-making businesses. By March 2014 Remploy had sold 25 factories as entire businesses and closed or sold the remaining 29 sites and their related assets separately (Figure 3 and paragraph 2.18).

Managing the process

12 Remploy could have improved its communication with bidders. Some bidders raised concerns about the timeliness and quality of information provided by Remploy. Their concerns included being treated poorly or unfairly in the process of developing and making offers. Bidders did not always understand the full implications of existing contracts affecting the commercial viability of any offer. In Healthcare an existing sales agreement awarded one potential bidder pre-emptive rights in the case of disposal, which could have deterred other bidders from making offers. In Marine Textiles there were contracts relating to ownership of intellectual property rights and existing sales agreements but Remploy was unable to provide documentation which set out the valuation of these rights (paragraphs 3.4 to 3.5 and 3.12).

13 There is no evidence that bidders were prevented from making offers for Remploy businesses. Remploy had published KPMG's assessment of site viability and made it available to bidders. In one case Remploy excluded a bidder from the process for allegedly breaching confidentiality agreements. Remploy offered to reinstate the bidder if it provided additional assurances regarding confidentiality (paragraph 3.8).

Deciding between options for disposal

14 Remploy and the Department set clear criteria for assessing bids. They assessed bids on the basis of cost, sustainability and employment. Some bidders may have been uncertain about the basis for assessing bids but Remploy had provided the criteria in advance of the process (paragraph 3.14).

15 Remploy and the Department sought independent advice on the quality of individual bids against these criteria. Recommendations on best and final offers were made to the board through its subcommittee and a panel containing independent advisers. Final outcomes did not differ significantly from previous assessments of viability (paragraph 3.14).

16 The costs of disposal are likely to be less than expected. The business case for the disposal of Remploy businesses estimated the cost of the programme to be £109 million. The Department estimates that actual net costs will be about £101 million, including £63 million in redundancy payments and £8 million in additional support for former disabled employees. Sales have so far raised £12 million and Remploy expects this to reach £19 million (paragraphs 1.3 to 1.4).

Concluding remarks

17 Remploy and the Department completed the disposal of Remploy factories with limited time and below budget. In some cases Remploy was restricted by previous contractual arrangements in designing the sales process, and better communication would have helped bidders to understand these restrictions. But overall Remploy appeared to respond proportionately to these constraints. The likelihood of selling more than a minority of the factories was always small, and the Department and Remploy had to balance the need to protect public money and employees' jobs.

Part One

The costs and benefits of the sale

Costs and savings

1.1 Remploy is a non-departmental public body of the Department for Work & Pensions (the Department) and a public corporation. Remploy supported disabled people to work in two ways. Remploy Enterprise Businesses produced a wide range of products such as school furniture, motor components and chemical, biological and nuclear protection suits for police and the military. Remploy Employment Services helps disabled people to find mainstream work. In 2011-12 Remploy businesses employed more than 2,150 disabled people in 54 factories.

1.2 Remploy businesses have always relied on government subsidies. Remploy businesses made an operating loss of £49 million in 2011-12 financed by £53 million in government subsidies (**Figure 1**).

1.3 The government announced in March 2012 that it would be withdrawing subsidies to Remploy's 54 factories, in line with recommendations made in the Sayce review of specialist disability employment programmes.[1] Factories would be sold or closed. By March 2014, the government subsidies of Remploy businesses had stopped. The Department estimated that it will cost £101 million to close the businesses, net of proceeds of sale.

Figure 1
Summary of financial position of Remploy businesses

	2011-12 (£m)	2012-13 (£m)	2013-14 (£m)	2014-15 onwards (£m)	Total (£m)
Commercial sales	116.1	96.9	54.4	0	267.4
Operating costs	165.6	129.6	62.9	0	358.1
Net operating profit (loss)	**(49.5)**	**(32.7)**	**(8.5)**	**0**	**(90.7)**
Government subsidy	52.7	40.2	10.5	0	103.4
Estimated costs of the disposal	0.8	54.8	44.6	0.5	100.7

Note
1 Government subsidies also include funding for capital expenditure and movements in working capital.

Source: Remploy and the Department for Work & Pensions

1 Sayce, *Getting in, staying in and getting on – Disability employment support fit for the future*, June 2011.

1.4 The total cost of closure is expected to be £8 million below the business case estimate of £109 million and includes redundancy payments of £63 million (**Figure 2**). Net proceeds from sales have reached £12 million and Remploy expects this to rise to £19 million by the time the process is completed.

Safeguarding employment

1.5 The Department and Remploy decided that despite the limited viability of businesses, they should make a reasonable effort to sell businesses and safeguard jobs. Remploy reports that it has saved 442 jobs as a result of the sales process – equivalent to 18 per cent of the workforce. It sold five of its businesses as going concerns; Healthcare, Filters, E-Cycle, CCTV and Automotive. Remploy closed 40 of the 54 factories without a buyer and is in the process of selling the property and assets.

1.6 The Remploy board announced in December 2013 that it had completed the sale of its automotive business to Rempower Ltd, a member of Arlington Industries Group. Remploy reported that the sale safeguarded the jobs of all 205 employees, 179 of whom were disabled. Government subsidies to Remploy businesses have now stopped. Final outcomes did not differ significantly from previous assessments of viability (**Figure 3** overleaf).

Figure 2
Estimated costs of the disposal of Remploy businesses

	2011-12 (£m)	2012-13 (£m)	2013-14 estimated (£m)	2014-15 onwards (£m)	Total (£m)
Cost					
Redundancy payments		37.6	25.1		62.7
Remploy closure costs	0.2	14.5	20.4	4.7	39.8
External advice	0.2	3.3	3.0	0.9	7.4
DWP support costs	0.4	3.2	4.7	1.8	10.1
Total	**0.8**	**58.6**	**53.2**	**7.4**	**120.0**
Proceeds					
Property sales		(3.5)	(6.8)	(6.9)	(17.2)
Plant sales		(0.3)	(1.8)		(2.1)
Total		**(3.8)**	**(8.6)**	**(6.9)**	**(19.3)**
Total	**0.8**	**54.8**	**44.6**	**0.5**	**100.7**

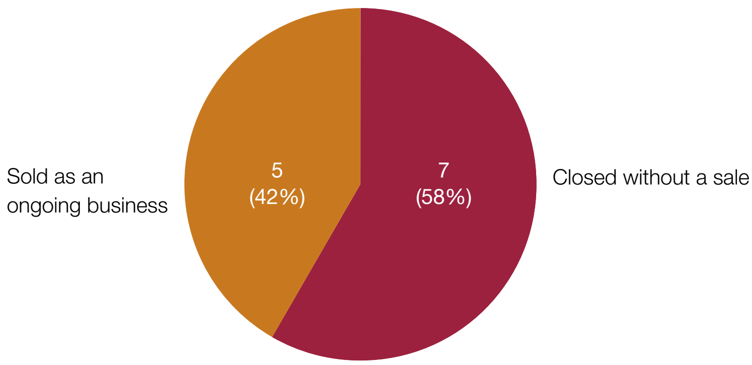
Note
1 Remploy closure costs include HR support, project management, Closure Team expenditure, and leased and owned property exit costs.

Source: Remploy and Department for Work & Pensions

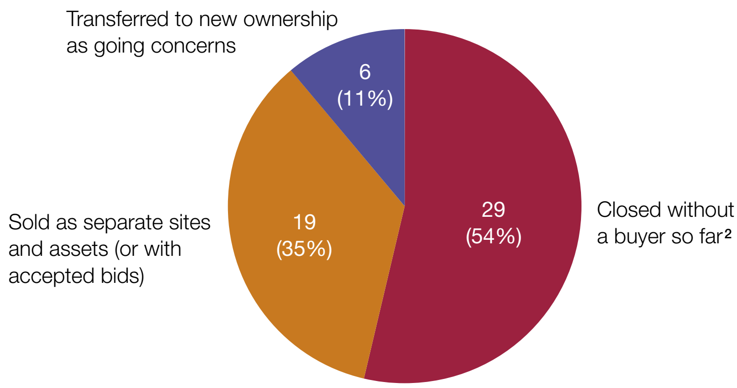
Figure 3

Outcomes from the disposal programme 2012-13

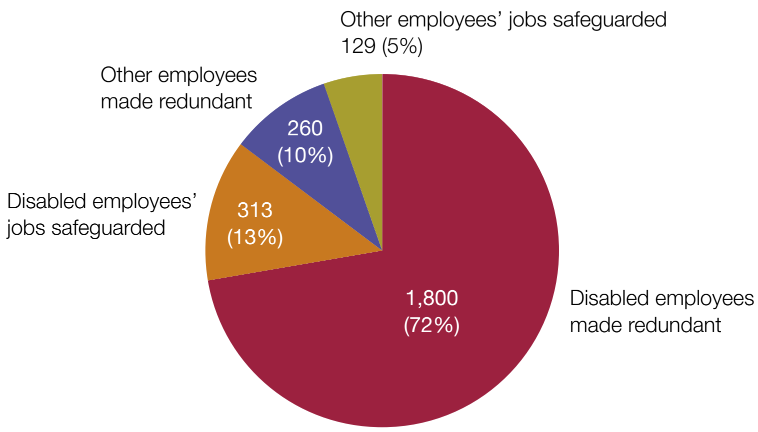
Businesses 100% = 12



Factories 100% = 54



Employees 100% = 2,502



Notes

1 Jobs safeguarded are Healthcare (34), Filters (12), E-Cycle (26), CCTV (165) and Automotive (205).

2 Of the 54 factories, 19 were occupied on a short leasehold basis and were not Remploy assets to sell.

Source: Remploy

Part Two

Design and set up

2.1 This part considers how Remploy designed the sale of its businesses. Remploy needed to:

- set clear objectives;
- understand the value of its businesses;
- review existing contracts and assess implications for the sale;
- ensure it had the capacity and capability to manage the sale; and
- design a process to meet its objectives.

Clear objectives

2.2 Remploy was clear on both the overall objective of the sale and on the evaluative criteria to be used to assess bids for its businesses. The primary objective was to eliminate public subsidies to its factories. It also set three criteria by which to assess potential bids. The bids needed to:

- retain jobs wherever possible;
- demonstrate that the proposed business would be sustainable; and
- cost less than the cost of closure (the 'value-for-money' test).

2.3 The value-for-money test only considered the costs and benefits for Remploy. It did not include wider costs to the government such as welfare costs. The value-for-money criteria did rule out some bids. We found one example where a proposal included a requirement for significant public funds on the basis that lower welfare payments would result in a net gain to the taxpayer.

Viability of Remploy's businesses

2.4 The Department reviewed the financial position of each Remploy business before the disposal process began. It commissioned KPMG to review all Remploy businesses and to categorise them according to their relative profitability and market potential. In almost all cases Remploy businesses were making significant losses and were likely to continue to do so.

2.5 KPMG reviewed Remploy's financial and performance information and interviewed Remploy senior management. It did not analyse the wider market at this time. KPMG presented its analysis to the Department on 9 March 2012 distinguishing between businesses which were: 'potentially viable', 'requiring additional investigation', or 'not viable' (**Figure 4**).

2.6 Remploy published KPMG's report in March 2012 before the sale of stage one businesses. This would have helped potential bidders to make a more informed decision on whether to express an interest.

Existing contracts

2.7 Before the sale Remploy needed to understand its businesses' pre-existing contracts and their implications for the sale. Both the Department and Remploy commissioned legal advisors to analyse and consider contracts. Although the Department's review covered the major pre-existing contracts and identified the implications for sale, we found that the Department's legal advisors were sometimes asked to comment on partial or draft documents. Finding contracts for individual businesses was sometimes difficult because Remploy did not have an adequate central filing system. For the Marine Textiles business we found there was inadequate documentation on the agreement underpinning its relationship with a commercial partner. An absence of contractual documents can weaken a negotiating position in commercial discussions with interested parties.

Figure 4
Categorisation of Remploy businesses

Not viable	Requiring additional investigation	Potentially viable
Social Enterprise	Furniture	CCTV
Healthcare	Textiles	Automotive
Local Public Sales	E-Cycle	
Workscope	Packaging	
Building Products		
Electronics		

Source: KPMG, *Analysis of Remploy enterprise businesses and employment services*, summary report, 9 March 2012

2.8 In one case Remploy entered into a new contract one month after the publication of the Sayce review. In 2010 Remploy had entered into an agreement with a distributor for part of its healthcare business and in July 2011 agreed an amendment to this agreement which granted exclusive distribution rights, extended the notice period under the agreement and changed payment terms. Remploy did not inform the Department of this addendum or advise of its implications at the time of the transaction because it was not required to do so. We understand the Remploy board was not asked to approve this addendum to the contract.

2.9 A correspondent contacted us with concerns about the pre-existing sales agreement for the Healthcare business. We referred the issue to the Department's internal investigations team and it concluded that there was no evidence of fraud or improper practice. However, it is likely that the sales agreement would have had an impact on the options for sale.

Additional expertise

2.10 Remploy did not have the capacity or capability to design and manage the closure of its businesses on its own. It sought external advice from consultants and the Department. At its peak in January 2013, Remploy employed 110 staff on the sale, with the support of a further 34 from the Department's specialist disability employment programme.

2.11 After a competitive tendering exercise, the Department awarded a contract to KPMG to provide options on how to close its businesses, analyse viability and assess the potential for successful sales. Subsequently, Remploy contracted with KPMG to provide advisory services, guidance on procedures and to directly manage the sale of Automotive, CCTV and the Furniture businesses.

2.12 The Department set up a specialist team with commercial expertise to support Remploy throughout the programme. Remploy also contracted with an auctioneer for the sale of assets, mainly in the Furniture and Packaging businesses. The Department and Remploy met frequently to discuss the progress of the sale.

2.13 The Remploy board was responsible for managing the sale of its businesses, properties and assets. It established a core project management office supported by nominated business managers and a board subcommittee consisting of the Remploy chair, chief executive and two non-executive directors to oversee the sale and provide advice to the Remploy board.

2.14 The Department set up an independent panel to review and provide feedback to the Remploy board on proposals to take over Remploy's businesses and assets. Overall, we found that responsibilities for decision-making were clearly allocated and understood between Remploy, its advisors and the Department (**Figure 5**).

Figure 5
Governance

Body	Managing the sale	Advice/deciding on bids
Department for Work & Pensions	Provided the overall delegated authority to proceed and budget Guidance on the acceptability of bids in general terms Consent was required for any divestments	Reviewed KPMG's analysis and commented on bids against the criteria
Steering group (officials from the Department, Remploy and commercial advisors)	Responsible for strategic decisions, referring to ministers and the Remploy board when required	
Remploy board	Overall responsibility for managing the sale process	Made final decisions on which bids were to be accepted
Remploy board subcommittee		Advised the Remploy board and made recommendations on shortlists, preferred bidder and acceptance
Independent panel		Provided independent advice and challenge during evaluation. Review submitted to board subcommittee
Remploy internal panel		Provided feedback on bids forwarded to the board subcommittee
KPMG	Analysed the viability of Remploy businesses Designed the disposal process Directly managed the disposal of the furniture, CCTV and automotive businesses	Provided initial detailed assessment of bids against the Remploy criteria

Source: Remploy and Department data

Sale process

2.15 The primary objective of the sale was to facilitate the Department's removal of the subsidies to Remploy businesses. Remploy decided to close the 'non-viable' businesses first as they were losing the most money. In February 2012, Remploy decided on a two-stage approach based on KPMG's classifications. It placed 36 factories and six whole businesses in stage one for closure by autumn 2012. Remploy expected to run only a limited commercial process for stage one businesses. It decided to sell the remaining six businesses and 18 factories assessed as having some commercial potential in stage two commencing December 2012.

2.16 Remploy considered that there was little value in further market research or testing to understand the interest in the stage one businesses, given that they made high losses and had limited prospects. During stage one, Remploy and the Department introduced new policy easements such as a wage subsidy and redundancy indemnity schemes to attract bidders.

2.17 Remploy refined the process for stage two after considering:

- lessons learned from stage one, for example inviting and accepting business and assets bids concurrently;
- further financial and performance analysis of Remploy businesses;
- market analysis, including identifying potential market interest and limited contact with potential bidders ('soft market testing');
- opportunities to restructure the business where these did not significantly increase cost or risk; and
- formal assessment of commercial transaction risks and sale or closure options, facilitated by KPMG.

2.18 Remploy did not restructure its businesses to increase opportunities for sale. Remploy decided that the possible gains from restructuring or tailoring the sale process for different factories would not outweigh the costs of delaying the disposal process and continuing to support loss-making businesses. Although some of its businesses operated over several sites, which potentially made them less attractive to a buyer, Remploy took the view that restructuring would have incurred additional costs and would not necessarily have improved the prospects of a sale.

Part Three

Management of the sale

3.1 This part considers how Remploy managed the sale. Remploy needed to:

- provide adequate information to bidders to allow them to make informed proposals;
- manage access to sensitive and commercial data to protect the interests of its businesses;
- communicate with bidders in a fair, open and timely manner;
- decide between bids and meet its objectives for the sale; and
- manage outstanding liabilities after closure or sale.

Information given to bidders

3.2 Remploy was open with bidders about the viability of its businesses and the existence of pre-existing contracts. KPMG's review of overall financial and performance information and trading forecasts for each business was publically available from the start of the stage one process in March 2012 and was updated for stage two businesses in December 2012.

3.3 Remploy ensured that key agreements involving businesses were made available to potential bidders so that they could factor these in from the outset. For example, KPMG's report referred to a Healthcare business agreement and stated that "the third party had taken responsibility for the 'front end' of the business".[2]

3.4 While Remploy provided information to assist bidders in the due diligence process, it could have done more to explain the implications of pre-existing contracts. For example, the information provided in the data room on the number of customers for Healthcare changed significantly between the stages of the bidding process. The distributor was eventually listed as the main customer.

3.5 The Healthcare agreement also provided the distributor with the right to make a bid for the whole or part of the business on the same or better terms as any other bidder. This is often referred to as a pre-emptive right. Remploy provided an explanation of this to a bidder less than two hours before the deadline for submission of business plans and three months after the sale process began.

2 Analysis of Remploy Enterprise Businesses and Employment Services summary report.

Access to Remploy's commercial data

3.6 Restricting information on the basis of bid progress is standard practice designed to protect a business's sensitive or confidential data and the integrity of the due diligence process. Remploy increased access to information according to the stage of the evaluation process. At the expression of interest stage, bidders received a summary of the business and site-specific information. Thereafter, Remploy provided access to information through a virtual data room with more detail available to bidders as a bid progressed.

Non-disclosure agreements

3.7 Remploy used non-disclosure agreements to protect commercial information. These agreements required bidders not to reveal information on proposals or the Remploy business to third parties. Use of non-disclosure agreements is standard business procedure to protect commercially sensitive data.

3.8 One bidder raised concerns about the reasonableness and transparency of Remploy's response to an alleged breach of a non-disclosure agreement. Remploy initially prevented the bidder from accessing the data room but did not provide a detailed explanation of the nature of the breach. Remploy then invited the bidder to re-submit a non-disclosure agreement and to sign a deed waiving any claim or right of action against Remploy. Remploy only asked this particular bidder to sign the new deed and the bidder raised concerns that it was being treated unfairly.

Conflict of interests

3.9 Remploy designed controls to manage access to information by potential bidders and managers of its businesses. The Remploy board separated decision-making on the sales process from the day-to-day business management by:

- requiring staff and bidders to sign a declaration of interests;
- maintaining a conflicts of interest register; and
- appointing interim mangers to oversee local commercial decisions.

3.10 The design and application of these controls were important to ensure the process was seen to be fair and transparent by all parties. Some of Remploy's businesses were particularly vulnerable to accusations of inappropriate relationships or unfair access to information, for example in the Healthcare business, where a contract for marketing and distribution rights had been in place since 2011. Remploy did appoint an interim manager for the business when potential bidders were allowed access to the data room, but three months after the sales process began.

Communications with bidders

3.11 Remploy set up a dedicated team to liaise directly with bidders. This team set out the process, shared site information and kept a record of communications with bidders. The team also provided deadlines for submissions and set out the information it needed to assess proposals.

3.12 Some bidders were dissatisfied with the quality of Remploy's communications, for example the logging of interest in businesses and assets. For Marine Textiles, one potentially interested party expressed frustration with delays in obtaining information on the assets, in particular on the condition and age of the stock to be sold. The bidder also expressed concerns about the short timetable by which it was expected to complete the transaction (two weeks).

3.13 Remploy required bidders to supply a significant amount of information in support of their proposals for stage one. Some bidders expressed the view that they were incurring high costs in preparing their proposals. For stage two, Remploy removed requirements that it deemed unnecessary to support the decision-making process (**Figure 6**).

Figure 6
Changes to information requirements from bidders

Information source	Stage one	Stage two
Bidder business plan	Executive summary	
	Overview of proposed business	Overview of proposed business
	Consideration	Consideration
	Employment of disabled people	Employment of disabled people
	Financial projections	
	Funding requirements	Funding requirements
	Funding evidence	Funding evidence
	Professional advice	
	Marketing and competition	
	Capabilities analysis	
Bidder forecasts	Profit and loss	Profit and loss
	Balance sheet	
	Cash flow	
Other	Asset purchase agreement	Asset purchase agreement
	Bidder credit reports	Bidder credit reports

Source: KPMG

Evaluation of bids

3.14 Remploy provided guidance to bidders on the criteria to be used to assess their bids. This required bidders to demonstrate evidence of:

- an ability to complete the transaction before the deadline;
- the necessary credit history, financial strength and available funds to complete the transaction and implement their bid;
- value for money (determined as a reduction in the cost to Remploy relative to Remploy's current estimate of the cost of closure); and
- a viable business plan which provided opportunities for the employment of disabled people.

3.15 Remploy sought advice from a number of sources when considering bids. It set up a panel to provide advice and challenge and sought commercial and legal advice at key decision-making points. For all those cases we reviewed, the Remploy board (and subcommittee) used analysis provided by KPMG and considered views from its legal advisors, the Department and independent panel members to inform its decision-making.

Outstanding liabilities

3.16 The decision to dispose of Remploy businesses resulted in the Department increasing its oversight of Remploy by agreeing a formal protocol for entering into future liabilities and contracts. This arrangement required decisions on contracts worth over £100,000 to be made by the Remploy board rather than by individual businesses and for information on all new contracts to be shared with the Department. The Department also asked Remploy to provide a full due diligence report assessing the risks and costs of closure and how contractual relationships with suppliers would be managed.

3.17 Remploy assessed the contractual position of both customers and suppliers in 2012 and estimated total potential contracted liabilities prior to the sale at £16 million. Remploy reports that these liabilities have now been reduced to £372,000 by:

- selling businesses and passing all anticipated liabilities to the business buyer;
- transferring customers to the new business; and
- obtaining agreements to cancel all continuing liabilities.

3.18 Remploy also indicated that, due to the uncertainty around the future of businesses, major customers had started to place orders with competitors. This meant that there was a reduced number of significant customer contracts to be cancelled upon closure. Remploy sold the intellectual property rights for the Marine Textiles business to its largest customer, which agreed to take on the continuing servicing liability and warranties on behalf of Remploy at an agreed value of £178,000.

Appendix One

Summary of correspondence

Correspondence to the NAO on the Remploy sale

Business	Concerns raised
Furniture	1 Disagreed with Remploy's interpretation of value for money when assessing value for money for bids.
	2 Alleged safeguarding of jobs was not a priority for Remploy.
Healthcare	3 Remploy did not specify the implications of pre-existing contracts to bidders early enough in the process.
	4 Unfair treatment of one bidder by Remploy by requiring a waiver which was not applied to other bidders.
	5 Delays in providing information to bidders.
	6 Pre-emptive rights in a pre-existing contract not disclosed to bidders at the start of the bidding process.
	7 A bidder claimed that there was in effect no business to sell as it had already migrated to the sales and marketing distributor.
Marine Textiles	8 Inadequate information made available on the valuation of intellectual property rights between Remploy and the main distributor.
	9 Process unfair because of the relationship between Remploy and the distributor.
	10 Criticisms expressed of the mark-up of products manufactured by Remploy but sold by the distributor at 400 per cent of purchase price.
	11 Poor marketing of assets for sale.

Source: National Audit Office

Appendix Two

Timeline

Date	Milestone
December 2010	The Minister for Disabled People commissions the Sayce review.
June 2011	Sayce report published, which concluded that the Remploy model was not optimum in supporting disabled people into employment.
July 2011	Publication of the formal consultation on the Sayce review. Government response to Sayce review published.
November 2011	Department commissions KPMG to undertake a review of the viability of its businesses.
February 2012	Remploy board agrees the potential closure of 36 sites.
March 2012	Government decision and results of consultation published. The disposal process for stage one is launched.
July 2012	First factory closures announced, with 27 sites moving into closure and the remaining nine sites continuing on the commercial process.
August 2012	Disposal of assets relating to the closing sites commenced.
September 2012	Closure of four more sites announced.
December 2012	Stage one complete, with 34 agreed site closures and two sites transferring to new owners. Thirty-two sites closed by December 2012 and two sites closed in 2013, including Springburn in January 2013. Stage two launched, with Automotive, Furniture and CCTV moving into KPMG 'managed sale process'.
August 2013	Remploy announces the closure of its furniture business.
December 2013	Remploy completed the sale of its automotive business to Rempower Ltd, a member of Arlington Industries Group.

Source: Remploy

Appendix Three

Final outcomes by business and factory

Assessed as not viable

Business	Factory	Final outcome	Redundancies
Social Enterprise	EB Catering Care	Closed	7
	Aberdeen	Closed – premises sold	14
	North London	Closed	23
	Bridgend	Closed	45
	Worksop	Closed – premises sold	9
	Poole	Closed – premises sold	16
	Social Enterprise Centre	Closed	4
			118
Electronics	Barking	Closed	46
	Southampton	Closed – premises sold	19
	Bolton	Closed – premises sold	40
	Business office	Closed	6
			111
Workscope	Barrow	Sold	0
	Boston Spa	Closed	9
	Acton	Closed	34
	Gateshead	Closed	12
	Leeds	Closed	60
	Business office	Closed	8

Business	Factory	Final outcome	Redundancies
Workscope *continued*	Ashington	Closed	28
	Birkenhead	Closed – premises sold	29
	Swansea	Closed	51
	Newcastle	Closed	57
	Wrexham	Closed – premises sold	41
			329
Building Products	Oldham	Closed	113
	Merthyr Tydfil	Closed	35
	Business office	Closed	3
			151
Local Public Sales	Edinburgh	Closed	28
	Spennymoor	Closed	40
	North Staffs	Closed	113
	Bristol	Closed	28
	Wigan	Closed – premises sold	34
	Business office	Closed	6
	Pontefract	Closed	27
	Abertillery	Closed	21
	Penzance	Closed	32
	Leicester	Closed – premises sold	22
	Manchester	Closed	19
	Lanarkshire	Closed	22
	Aberdare	Closed – premises sold	38
			430
Healthcare	Chesterfield	Sold	0
	Business office	Closed	3
	Springburn	Closed	45
			48

Assessed as needing further investigation

Business	Factory	Final outcome	Redundancies
Packaging	Sunderland	Closed	33
	Norwich	Closed – premises sold	40
	Portsmouth	Closed	15
	Croespenmean	Closed – premises sold	44
	Burnley	Closed	25
	Business office	Closed	17
			174
E-Cycle	Barking	Sold	9
	Porth	Sold	42
	Preston	Closed – premises sold	17
	Heywood	Sold	16
	Business office	Closed	8
			92
Furniture	Sheffield	Closed	90
	Blackburn	Closed	21
	Neath	Closed	67
	Business office	Closed	62
			240
Textiles	Dundee	Closed – premises sold	43
	Stirling	Closed	31
	Cleator Moor	Closed – premises sold	15
	Clydebank	Closed – premises sold	33
	Leven	Closed – premises sold	29
	Cowdenbeath	Closed – premises sold	36
	Business office	Closed	9
			196

Assessed as potentially viable

Business	Factory	Final outcome	Redundancies
CCTV	Business office	Sold	3
			3
Automotive	Birmingham	Sold	0
	Coventry	Sold	0
	Derby	Sold	0
	Huddersfield	Closed – premises sold	**31**
			31
			1,923

Notes

1 Redundancy numbers are full-time equivalent and not headcount.

2 A further 45 redundancies (FTE) were made in central support units.

3 Boston Spa listed was sold as part of the modernisation programme. Barking operated as a shared site for the electronic and e-cycle businesses.

Source: Remploy

Appendix Four

The Department's oversight of Remploy

1 Remploy Ltd is a non-departmental public body of the Department for Work & Pensions (the Department). It receives annual grant-in-aid funding. It also trades as a company limited by guarantee and generates income through its commercial operations. It is also classified as a public corporation for accounting purposes.

2 The governance arrangements that are in place reflect the roles and responsibilities set out in the main agreement between the Secretary of State for Education and Employment and Remploy Ltd of 12 December 1996. The Remploy board is accountable to Department ministers for the implementation of the company's strategy and the delivery of performance targets set each year by the government. It is the task of the board and directors to decide how to organise the company in order to best ensure that Remploy meets the agreed targets and is managed effectively.

3 The Remploy sponsorship team in the disability and work opportunities division are responsible for the governance of Remploy Ltd in accordance with the Department's governance framework for its arm's-length bodies. The team work with Remploy to agree performance targets and monitor and challenge performance and progress against targets.

4 This is undertaken formally through Quarterly Review meetings which also include other Department officials, including, for example, Finance Teams. The team also has regular informal communications with Remploy, for example advising them of central guidance and reporting to Parliament including contributions to Parliamentary Questions and other information. The Department attends all Remploy board and Remploy Audit Committee meetings formally as an observer.

5 The government confirmed in March 2012 that it was implementing the Sayce recommendations on specialist employment support for disabled people (SDEP), including recommendations on Remploy. The SDEP programme board has governance responsibility for the change. The Senior Responsible Officer was supported by a team to manage the successful development, delivery and overall programme management.

6 Remploy's board of directors was responsible for the commercial process for the sale or closure of its factory businesses, within criteria set by the Department. Remploy reports on progress and escalates any key issues on this process, and other issues surrounding implementing Sayce, to the programme board.

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