

Sefton New Directions limited

Report to Board

11th May 2011



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1. The Issue

At its meeting on 20th April 2011 the Board considered the implications of the rejection by both major Trades Union represented in SND of the proposed Terms & Conditions of employment and the resulting withdrawal of settlement proposals for Employment Tribunal actions.

[REDACTED]

Meanwhile, a financial analysis provided by the business managers indicated that while the business was considered solvent at present by a number of professional IPs, a no-change scenario would result in an operating loss of over £2m by March 2012 and further losses in 2012-13. It would also mean that the service offering would become increasingly unattractive to service commissioners, threatening the company's core contract.

In short, the company would be at risk of:

- Further employment tribunal claims from both employees and trade unions, and
- Insolvency within the foreseeable future.

2. Board Position

The Board decided that, in the absence of an acceptance by both Unison and GMB of the proposals put to them, a proposition should put to shareholders at an early opportunity. This proposition would be to consider, as shareholder, authorising the company's officers to instigate an orderly winding down and eventual liquidation of New Directions' operation. The timing of this and associated actions would be determined in consultation with the Council's Health and Social Care Directorate as service users' representative and lead service commissioner.

Before proceeding with this course of action, the Board instructed its consultants at Fresh Care to communicate the Board's intentions to both GMB and Unison and to obtain from those Trades Union a definitive position on the offers that had been presented to them on behalf of the company.

3. The Trades Union Position

On 21st April, Fresh Care informed the Trades Union of the Board's position and also issued a communication to all staff setting out the seriousness of the situation.

As a direct consequence of this the Trades Union consulted its membership

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4. Terms & Conditions

The [REDACTED] following Terms & Conditions (allied to service modernisation), and which are predominantly based on the Plan B proposal and which were reviewed in the Board's submission of 22nd March "Report of the Sefton New Directions Board to Sefton Council - Proposed response to contract reduction of £3m". These deliver:

- A pay reduction across the company of 5 per cent
- Targeted, and voluntary, and substantial job losses
- An end to a unacceptable levels of enhancements
- Future recruitment based on a reduced set of Terms & Conditions
- Overall reduction in payroll costs in line with business objectives.

The Trades Union are amenable to the introduction of the new Terms & Conditions as early as possible – in all likelihood and given the need for permissions and notice periods this would be in August/September.

[REDACTED]

[REDACTED]

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- 150 or thereabouts FTE redundancies/ early retirements – to be achieved on a voluntary basis across all staffing grades. 246 EOI from employees have been received in the first round of consultation, a second stage is currently under way

The cost to the company of this is estimated not to exceed £1.4m in Redundancy payments and £652,000 on Pension payments.

- No deletion of existing posts.

[REDACTED]

- Dismissal and re-engagement of the entire workforce on revised terms and conditions of employment, being:
 - 5 per cent reduction in all current pay rates with further negotiation for 2012-13 (Under plan B the average was below 3 per cent)
 - Revision of all other Terms & Conditions in accordance with Plan B
 - Pay Protection – discontinued in accordance with Plan B except where enhanced pay rates apply for weekend /bank holiday working for employees currently receiving these as part of their normal working pattern. These will be protected (for those current staff affected) until 15 February 2012. The intention is to maintain the pay reduction at 5 per cent in the current year for retained staff.

5. Conclusion & Recommendation

The Board now needs to consider whether to authorise the submission to Shareholders at the council meeting on 17th May 2011 of its proposition to decommission SND or to amend its submission to seek necessary permissions to:

1. Settle the employment Tribunal Claims [REDACTED]
[REDACTED]

2. Introduce, [REDACTED] the new Terms & Conditions of Employment and transformation of the company into a more sustainable operation, or
3. [REDACTED] to allow the officers of the company to wind down the company and take steps to appoint where necessary an Insolvency Practitioner to support this.

The recommendation to the Board is to modify its submission as outlined.

Ends