



## **POLICY & RESOURCES SCRUTINY COMMITTEE - 4TH DECEMBER 2013**

**SUBJECT: WORKFORCE STRATEGIES FOR MANAGING THE IMPACTS OF THE  
MEDIUM TERM FINANCIAL BUDGET SAVINGS**

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND SECTION 151  
OFFICER**

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### **1. PURPOSE OF REPORT**

- 1.1 This report deals with the ongoing need to proactively manage the conflicting demands that the budget will place on our workforce budgets over the coming 3 years. Previous reports to Cabinet and Scrutiny in April 2010 and November 2012 have updated members on progress being made in managing our workforce against the challenging financial climate (See attached appendices).
- 1.2 We have made good progress to date and achieved a successful balance in our workforce strategies. However, the significant worsening in the budget position as a result of our 2014-15 settlement, will force us to consider a range of options that may not previously have been considered desirable.
- 1.3 To inform and seek comments from members of Policy and Resources Scrutiny on potential options that may be considered for managing our workforce resources.

### **2. SUMMARY**

- 2.1 It is recognised that we have successfully managed our workforce budgets minimising the need for redundancies. The redeployment of employees placed at risk has proven successful, and has protected the employment of current employees.
- 2.2 However the scale of the financial challenges, coupled with a slowing in our natural turnover levels, is likely to lead to a situation where we will be unable to maintain this success, without considering all other options.
- 2.3 The proposals contained in this report highlight a range of options, and some will be more preferable than others. It is important though that all the options (however palatable) are explored and considered to ensure the workforce can be downsized and compulsory redundancy can be avoided where possible and practical.
- 2.4 The measures outlined need to be underpinned by the principles of robust financial management. It should be noted that sound business cases will need to be applied in order to ensure that measures taken protect our financial position, and do not add significant additional costs that will add to the savings targets required. Whilst we are looking to avoid compulsory redundancies, we need to balance this with the need for the loss of more posts to fund the costs of alternative measures.

- 2.5 Consideration should also be given to the impact of any job losses on the regeneration of the borough. We are by some margin the largest single employer in the borough. In addition, close to 80% of our employees reside in the borough, and therefore the financial impact of any job losses is likely to impact on the wider community.

### **3. LINKS TO STRATEGY**

- 3.1 These workforce measures link to the People Management Strategy and therefore to all other strategies, including all equality strategies, policies and procedures, which rely on employees to deliver the strategy and service provision.

### **4. THE REPORT**

- 4.1 The details contained are intended to serve as a basis for a review on how we can seek to gain efficiencies / make savings, in light of pending budgetary constraints we will face over the coming 3 years. Discussions around many (but not all) of the principles contained within the report have begun to be progressed with the Trades Unions in a mixture of formal / informal meetings. Furthermore, Members are reminded that recommendations were agreed at P & R Scrutiny Committee on 13 November 2012 in respect of:-

- (i) the need for further progress in the strategic deployment of, and the Council's reliance on, Agency workers. This is addressed in Paragraph 4.4.2 of the report.
- (ii) the importance of the consistent implementation of PDR practice across the Council and that Senior Officers ensure that this takes place through staff development and cultural change.
- (iii) the investigation of further savings through modern working methods such as flexible working, video conference, appropriate use of technology and meeting scheduling to make efficient use of officers' time. This is addressed in Paragraphs 4.5.3 and 4.6.
- (iv) where staff have concerns about organisational change, that the consequences for individuals be clearly communicated in order to reduce stress and disseminate the facts.

- 4.2 For the purposes of clarity and to pull together the various strands to the measures proposed, they have been brought together under the headings identified in the previous reports:

- Vacancy Management
- Workforce Planning
- Reducing Pay Bill Costs
- Changes to working practices and arrangements
- Avoiding Compulsory Redundancies

#### **4.3 Vacancy Management**

The following arrangements are already in place and being actively pursued:

#### 4.3.1 **Internal Adverts, Redeployment, Secondments, Opportunistic Savings**

All of the above have been successfully deployed to date and contributed to meeting our workforce targets over the last 3 years.

#### 4.4 **Workforce Planning**

The following arrangements are already in place and being actively pursued:

##### 4.4.1 **Redeployment and use of Agency staff**

We have been very successful over recent years as outlined in 4.3.1 above. In addition we have reduced our agency expenditure by circa £1.5m per annum.

The following arrangements are being listed for future consideration:

##### 4.4.2 **Review of Agency Staffing**

A thorough review of all remaining agency positions, and service areas be challenged to justify all agency posts. Where posts are required to remain, internal resources (those at risk of redundancy, trainees in the Passport Programme etc) could be afforded priority. Whilst this may not provide permanent job security, it will allow employment with the Council to be maintained and limit redundancy costs. This may lead to a resource requirement to “manage” an internal candidate bank. This arrangement would need to be tested as a viable business case prior to implementation.

##### 4.4.3 **Use of Temporary / Fixed Term Contracts**

Where there are opportunities of a short term nature – these ought to be reviewed and potentially replaced by those at risk of redundancy. Better use of short term temporary contracts would again be a potential source of continued employment and avoiding redundancies in the short term.

##### 4.4.4 **Employment post-65 – Introduction of a Default Retirement Age**

This is a discretionary decision for the Council, and is an area that could be reviewed. Whilst there are sound workforce planning reasons for introducing a CCBC default retirement age, this would have the potential for legal challenge and prove unpopular with older workers. Having certainty though over retirement dates, will provide positive benefits for workforce planning. It will also provide an opportunity to manage turnover on a planned basis, providing redeployment opportunities for existing employees thus avoiding potential redundancies.

#### 4.5 **Reducing Pay Bill Costs**

The following arrangements are already in place:

##### 4.5.1 **Costs of Expenses**

We have reduced our expenditure on travel expenses by moving to a flat rate payment of 55p per mile.

The following arrangements are being listed for future consideration:

##### 4.5.2 **Cost of sickness benefits**

To date, we have resisted the temptation to look at changing Occupational Sick Pay (e.g. not paying for the first 3 waiting days, reducing periods of full / half pay etc). This cannot however be discounted without consideration. We are aware however, that any changes to the scheme will be resisted by the Trades Unions, and could lead to industrial action.

#### 4.5.3 **Costs of Expenses**

Consideration needs to be given to a further reduction to the HMRC rate of 45p per mile. Initial estimates suggest that minimum savings of circa £250k could be achieved as a result of this rate change. This would remove a tax burden from employees as the 10p excess is taxed by HMRC. Where possible, use of videoconferencing facilities should be encouraged to avoid unnecessary journeys. In addition consideration could be given to limiting or capping amounts paid for "out of county" travel.

#### 4.6 **Changes to working practices and arrangements**

The following arrangements are already in place:

##### 4.6.1 **Part-time working/Job share, Time off without pay, Career Breaks**

These are currently accessed by employees and provide limited opportunities to make savings. However these savings are typically short term and should not be relied upon, as they will not be permanent changes.

##### 4.6.2 **Service Changes and Business Process Re-engineering**

Many services have already reviewed how they operate, reduced bureaucracy and taken waste out of the system. There is no disguising the fact that, particularly in the short term, staff would be required to do more or the same with less resource.

The following arrangements are being listed for future consideration:

##### 4.6.3 **Purchase of Additional Annual Leave**

Unpaid leave may affect Pension benefits, and is deducted in one lump sum. Consideration could be given that allows employees to purchase additional leave (management approval required), and spread the cost over a 12 month period to aid financial planning. We have not introduced a scheme to date – but this is an area that could be developed. However these savings are short term and should not be relied upon, as they will not be permanent changes.

##### 4.6.4 **Flexible Working - Home-working, Hot Desking - Office Rationalisation**

Traditional ways of working could be revisited. Does every employee have to have their own desk, PC etc could they hot desk or share? Do they even need to be office based – or could they work from the community or home? Given the need to rationalise our assets, this type of approach may well free up accommodation that could be put to another use or decommissioned / generate a capital receipt. This would require a sound business case though prior to options being agreed.

##### 4.6.5 **Transfer of Service Delivery to Third Party Organisations**

It is possible that some services could be provided in future by third party organisations (referred to as externalisation). This may generate the ability to deliver services more efficiently - this would require a sound business case prior to options being agreed. In such cases, statutory TUPE protection will apply at the point of transfer, alongside the relevant Code of Practice on Workforce Matters.

#### 4.7 **Avoiding Compulsory Redundancies**

The following arrangements are already in place:

#### 4.7.1 **85 rule year volunteers – Early Retirements**

We do allow applications currently – where a sound financial business case can be made.

The following arrangements are being listed for future consideration:

#### 4.7.2 **Early Retirement (Voluntary)**

Currently only those staff who are eligible to access their pension under the 85 year rule are able to retire early. A scheme could be developed that would allow members of the LGPS who do not qualify under the 85 year to apply to retire early. These would require a sound financial business case and would look to avoid a compulsory redundancy.

#### 4.7.3 **Cross matching – Early Retirements**

Where we are identifying requirements for redundancies in service areas, we may be able to cross match staff. For example, we may be losing staff in one directorate / area with administrative skills, and there may be individuals in another directorate / area who would be willing to retire early. There would need to be an agreement for the “at risk” employee to be able to be transferred into the alternative role in the host department. This would require transferrable skills, and a commitment to retraining from the individual and the host department. We have experience of managing these scenarios in a school setting, and this has proven successful.

#### 4.7.4 **Flexible Retirement**

The flexible retirement provision if introduced could provide benefits for both the employer and the employee. For the employer it would support the retention of experience and knowledge that would be lost if an employee were to retire or leave, and could provide a potential cost saving. For the employee the provision could provide a mechanism for a planned and phased approach to retirement rather than a sudden cessation in employment. However caution should be exercised to ensure that in the current financial climate, a sound business case would be required to ensure this fits with the Councils best interests. This could include a requirement for flexible retirement applications to be approved only where they will provide a “step-down” to a known retirement date and implemented within one to two years of that retirement date.

#### 4.7.5 **Voluntary Severance**

Where we are not able to avoid compulsory redundancies, we could elect to accept volunteers for severance. This would need to be looked at from a “business case” mentality as increased costs through accepting volunteers could possibly require more redundancies to fund the costs of releasing volunteers against those identified. We do not currently have a scheme and therefore one would need to be developed to allow individuals to access voluntary severance. It is envisaged that if used, this arrangement would be targeted at those services selected by Members for more substantial savings.

#### 4.7.6 **Compulsory Redundancies**

Ultimately if all the measures referred to above are unsuccessful or do not deliver sufficient savings, then Compulsory Redundancies will be required. Many of our neighbouring authorities have already reached this stage, and have publically declared redundancies in hundreds of posts. It is a testament to CCBC’s sound financial management that we are not in this position at this time.

The current scheme provides for a level of payment that may be considered “unaffordable” in the current climate, and could possibly require more redundancies to fund the redundancy costs of those identified. Consideration needs to be given to reviewing the redundancy arrangements, and the level of payments provided. A further report will be prepared for the next P & R Scrutiny Committee outlining options.

## **5. EQUALITIES IMPLICATIONS**

- 5.1 No equalities screening has been undertaken at this stage. Detailed consideration will need to be given to the equalities implications of any proposed measures to be introduced.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 Precise forward projections are difficult to quantify at this stage, but would form part of our drive to achieve the councils stated objectives of identifying and delivering circa £28m of savings in the medium term financial plan. We have estimated that losing 30 posts would equate to a £1m saving in broad terms (excluding any severance or redundancy costs).
- 6.2 In terms of meeting these costs, staffing budgets should be reduced on an ongoing basis as a consequence of the deletion of posts. Some allowance may need to be made for any consequential pay "regradings", where displaced work is reallocated and the requisite additional responsibility is identified through our Job Evaluation Framework.
- 6.3 Currently where financial business cases are considered e.g. 85 year rule, a 1 year payback period is applied. Consideration may need to be given to a reduced period of payback in order that the savings may be generated within the 2014-15 financial year.

## **7. PERSONNEL IMPLICATIONS**

- 7.1 There are a number of measures outlined in this report. Some will require the Council to develop new policies, whilst some actions will require no more than improved implementation of existing policies. In all cases, effective consultations and communications with recognised trade unions and individual employees will minimise the risks associated with the changes now proposed.
- 7.2 If we are unable to make the necessary savings via all other means and Compulsory Redundancy becomes a reality, then a separate statutory process will be required to cover all our legal obligations. This statutory process will include consultation with Trades Unions and our employees.
- 7.3 It should be recognised that the Council has an ageing workforce demographic profile. In order to aid its workforce planning and to provide future opportunities to address our issues with youth unemployment in the borough, any decisions taken need to factor these issues into the outcomes.

## **8. CONSULTATIONS**

- 8.1 Corporate Management Team has been consulted on this report. The report in itself has been prepared as a vehicle for consultation with elected members, Trades Unions and staff.

## **9. RECOMMENDATIONS**

- 9.1 That Scrutiny:
- (i) Note the progress made to date in meeting our workforce targets.

- (ii) Gives consideration to the introduction of a range of proposals set out in the main body of this report in paras 4.4.2, 4.4.3, 4.4.4, 4.5.2, 4.5.3, 4.6.3, 4.6.4, 4.6.5, 4.7.2, 4.7.3, 4.7.4, 4.7.5, and 4.7.6. Provide comments to inform the consultation process.
- (iii) Gives consideration and views as to whether the current payback period outlined in Para 6.3 should be endorsed or reviewed
- (iv) Considers which proposals be formally consulted upon with the recognised trade unions;
- (v) Notes the intention of officers to submit a further report to Cabinet and, where appropriate, the Corporate Joint Consultative Committee reflecting the outcome of the consultation with the objective of implementation on 1st April 2014 or as soon as practicably possible.

## 10. REASONS FOR THE RECOMMENDATIONS

10.1 This report is fundamentally about adapting the Council's strategy and practices in the area of human resources to best fit an external financial environment that is changing rapidly.

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Appendix 1 CCBC Redundancy Scheme  
Appendix 2 Previous Report to Cabinet – 30th March 2010  
Appendix 3 Previous Report to P & R Scrutiny – 13th November 2012  
(Appendices 1-5 referred to within Appendix 3 are available as background papers)