



## CABINET – 30TH APRIL 2014

**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 declining budget will place on our workforce budgets over the coming 3 years.
- 1.2 To seek Cabinet approval to develop detailed proposals to introduce tools that will allow us to reduce our workforce costs, with the aim of avoiding compulsory redundancies wherever possible.

### **2. SUMMARY**

- 2.1 In December 2013, a Special Scrutiny Committee considered a report that brought forward a range of issues it was proposed we consider in relation to our workforce as part of our review of the Medium Term Financial Planning requirements. This report has been considered by scrutiny, trades unions and management prior to presenting these firm proposals to Cabinet.
- 2.2 This earlier report contained proposals that would range from palatable options to the more controversial from an employee relations viewpoint. Whilst this report recommends that some of the less more controversial proposals are not taken forward at this stage, it recognises that these may require revisiting at a future date.

### **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. Being able to balance our budgets to meet the challenges of the Medium Term Financial Plan will require a reduction in our workforce budgets.

### **4. THE REPORT**

- 4.1 Members will be aware that previous reports have highlighted that we have utilised a range of measures to date including vacancy management, redeployment of staff, review of agency contracts etc amongst others. These have been successful in part, and will be continued to be deployed. These alone though are unlikely to be sufficient though in the current financial climate.

- 4.2 This report seeks Cabinet endorsement to develop detailed proposals on measures that will be introduced to support our workforce cost reductions. It will also identify those measures that we are not proposing to take forward at this stage. That is not to say that these might not require further consideration at a later stage should the financial situation demand.
- 4.3 It is intended that the measures being proposed will have a common feature. Whilst they will seek to avoid compulsory redundancies, they will still have to demonstrate that they provide value for money, and are therefore an appropriate means of protecting the public purse. Members will be aware that this has been the subject of recent scrutiny by the Wales Audit Office and Welsh Government.
- 4.4 To achieve this, and protect the Council from external criticism, wherever practical a business case approach will be adopted within the design of the measures / schemes proposed.
- 4.5 **Proposals to be developed**
- 4.5.1 **Voluntary Retirement Scheme** - Currently only those employees who qualify under the 85 year rule may access their pension under early retirement. Under the LGPS (Local Government Pension Scheme) rules, the council has discretionary powers available to it, to allow individuals to access early release of pension benefits under the business efficiency rules. To date the Council has not activated this provision. It is proposed to develop a scheme that will allow employees to apply for early retirement. In areas affected by the need to downsize, volunteers for early retirement could then be sought.
- 4.5.2 **Cross Matching of Retirement** – Should the Council adopt a voluntary retirement scheme, it could be possible to develop a cross matching arrangement. This would allow employees in areas not required to reduce their workforce, to volunteer to be cross matched against employees potentially at risk of redundancy. This would be possible in situations where the skills required would be transferable or roles are broadly comparable. Cross Matching would require the agreement of the management and staff affected. The council has successfully deployed this approach in the past in its schools workforce where we have cross matched teachers at risk against volunteers to retire early. This does require the scheme in 4.5.1 above to be developed. The same principles could be applied to arrangements in relation to 4.5.4 and 4.5.5, where there is a financial business case.
- 4.5.3 **Flexible Retirement Scheme** – Under the LGPS rules, the Council has discretionary powers to develop a flexible retirement scheme. To date the Council has not activated these provisions. A flexible retirement scheme would allow individuals to begin a step down into retirement, and allow the Council to make a financial saving. It is proposed that a scheme is developed to allow employees to apply for flexible retirement. It is anticipated that this may assist in the pursuit of efficiency savings as well as alternatives to redundancy. A robust business case will be required along with an impact assessment on service delivery. It is anticipated that there will also be the requirement to agree an exit strategy with the employee as part of the business case process.
- 4.5.4 **Voluntary Severance Scheme** – Many other authorities have schemes for voluntary severance. It is proposed that we develop a scheme that allows individuals to access voluntary severance, at an early stage as an alternative to potential redeployment and / or redundancy. Detailed consideration would need to be given to ensure that this is cost effective, and avoids legal challenge. It is envisaged that if used, this arrangement would be targeted at those services selected by Members for more substantial savings. As with 4.5.2 above it is also possible that such a scheme could be deployed on a cross matching basis.
- 4.5.5 **Redundancy Scheme** – Our Redundancy Scheme was last reviewed in 2012, although it was not significantly changed from the original 2010 version. In line with the introduction of the measures in 4.5.2 to 4.5.5 above, it is appropriate that we review our scheme to ensure that it is up to date with current legislation. We also need to demonstrate fairness to employees affected by redundancy and balance this with the financial constraints that we face. We are aware that there is some ambiguity in the wording of the current scheme that is open to interpretation. This review will resolve any ambiguity.

- 4.5.6 **Transfer of Service Delivery to Third Party Organisations** - Proposals being considered by service areas will consider that some of the services currently being delivered by the Council may need to be delivered by third parties. Each of these would need to be considered on an individual basis, and will be presented to the relevant Scrutiny and Cabinet meetings as appropriate.
- 4.5.7 **Costs of Expenses** – Members will be aware that the budget agreed for 2014-15 included the provision of a reduction in the Council’s mileage rate from 55p to 50p per mile. Whilst this is a reduction, it still places the Council at an increased level above the HMRC rate of 45p per mile, adopted by the majority of other LA’s in Wales. This may require a further review at a future date, and will be dealt with as part of the ongoing MTFP discussions.
- 4.6 **Proposals not being recommended at this stage**
- 4.6.1 **Introduction of a Default Retirement Age** – The previous report recognised that there would be the potential for the Council to introduce a Default Retirement Age. Having considered the current legal position on employment and age discrimination, and the potential for challenge either from individuals or the Trades Unions; it is not recommended that this is considered at this stage. This position could be kept under review monitoring the external factors (legal and employee relations developments) along with our own workforce demographics.
- 4.6.2 **Cost of sickness benefits** - The previous report highlighted that we could seek to reduce the sickness benefits provided to reduce costs. As a council we have made positive progress in managing our sickness absence levels. We also recognise that we are positioned in a community area that historically has higher than average levels of health inequalities. In addition we are aware that the Trades Unions and employees would react negatively to proposals to reduce the current sickness benefits. On balance therefore it is proposed that this is not pursued at this stage.
- 4.6.3 **Pay Freezes, or Reductions in Pay or Working Hours** - Some authorities are introducing pay freezes (not implementing annual pay awards) or proposing pay reductions (time limited or not) in order to reduce workforce costs. Recognising the financial difficulties already being experienced by employees in the current financial climate, it is not proposed to pursue any of these options at this stage.

## 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 The financial implications of each individual proposal are unable to be quantified at this stage. However the proposals will be required to contribute to the general reduction in our workforce costs to meet our budget savings. Given the substantial proportion of our total budgets that workforce costs account for, the financial implications will not be insignificant.
- 6.2 As stated earlier in order to protect the Councils finances, a common feature of the schemes will be a requirement to adopt a business case methodology. This will ensure that the Council will be able to demonstrate that appropriate safeguards are in place to evidence value for money.

## **7. PERSONNEL IMPLICATIONS**

- 7.1 There are a number of measures outlined in this report. These will require the Council to develop new policies. The development of these measures will provide more flexibility for the Council in reducing its workforce costs.
- 7.2 If we are unable to make the necessary savings via consideration of 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 the Trades Unions and our employees.

## **8. CONSULTATIONS**

- 8.1 The previous report to Scrutiny is referred to as a back ground paper. The relevant views of scrutiny have been extracted from the minutes of the meeting and are also attached at Appendix 1. The Trades Unions also provided their feedback to the consultation, and these views are also attached in Appendix 2.
- 8.2 It should be noted that the Trades Unions have voiced their objections to the proposals referred to in 4.6.1-4.6.3 which are not being recommended as taken forward at this time. In addition they have also raised their objections to items 4.5.6 and 4.5.7, which have been identified as items that will require future consideration. It is recognised that should decisions be taken to further develop these particular proposals the Authority will receive challenges from the Trades Unions. This has the potential to escalate into industrial action.
- 8.3 Corporate Management Team has been consulted following the initial exercise, and are in agreement with the proposals being brought forward.
- 8.4 As Individual proposals are developed (4.5.1 – 4.5.7 above), they will be the subject of further consultation on the detail of these arrangements. These will proceed through the appropriate consultation and decision making processes to these into effect. It is anticipated that further Reports will be presented to Performance & Resources Scrutiny Committee during June and July.

## **9. RECOMMENDATIONS**

- 9.1 That Cabinet considers the measures outlined in 4.5.1 – 4.5.7 of this report and confirms its agreement to develop firm proposals for consultation and their introduction and implementation.
- 9.2 Where appropriate, the principle of cross matching employees under the schemes developed is endorsed, where a business case makes sound financial sense.
- 9.3 That Cabinet considers the measures outlined in 4.6.1 – 4.6.3 and confirms that no detailed proposals will be considered at this time.

## **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.
- 10.2 The development of these measures will assist us avoid compulsory redundancies wherever possible.

## **11. STATUTORY POWER**

11.1 Local Government Act, 1972. Employment Relations Act 1996.

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Background papers:  
P & R Scrutiny Report – 4<sup>th</sup> December 2013

Appendices:  
Appendix 1 Extract from the Minutes of P&R Scrutiny Meeting – 4<sup>th</sup> December 2013  
Appendix 2 Trades Unions Comments submitted as part of Scrutiny process