



## CABINET – 30TH MARCH 2010

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

**REPORT BY: DIRECTOR OF CORPORATE SERVICES**

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### 1. PURPOSE OF REPORT

- 1.1 This report deals with the need to proactively manage the conflicting demands that the budget will place on our manpower budgets over the coming 5 years. This report will outline a combination of measures and actions that we will seek to utilise to minimise the impact on staff, whilst enabling the council to continue to deliver value for money services. It is planned that these measures will be utilised to balance the needs of CCBC at a time when the external environment is rapidly changing.

### 2. SUMMARY

- 2.1 The proposals contained in this report seek to build on good practice and sound management techniques whilst retaining the goodwill and participation of the workforce as we seek to balance our competing challenges.
- 2.2 It is important that we recognise there are a range of external influences on the Council and it's workforce which need to be considered, and will effect future plans and strategies. These include and are not limited to:
- The medium term financial forecast that is projecting a budget deficit of £25m over the next 5 years
  - The needs and increasing demands of citizens and communities in the design and delivery of services;
  - The necessity of close collaboration with others in the statutory sector, the private sector and the voluntary sector to deliver services – pushing the making the connections agenda;
  - Wider Welsh Assembly and UK government policies and guidance;
  - The relevant inspection, regulation, performance and improvement regimes that bring specific requirements for levels of services;
  - The local and regional labour market, and the inability to recruit into shortage professions at the same time as the slowdown in turnover of staff restricting our ability to manage this out through “natural wastage”;
  - National agreements on pay and conditions of service;
- 2.3 This is therefore underpinned by the need to sustain and continually improve services at the same time that the available financial resources are reducing sharply in forthcoming years. To place this into context, our workforce budgets are a major proportion of our total budgets.
- 2.4 This report contains a suite of integrated and inter-dependant package of measures. Some elements will doubtless find more favour with consultees than others; but beyond a point (that is quickly reached) the effectiveness of the package as a whole could be compromised by support for some elements but not others. In other words, there are consequential knock on effects from one area of intervention to another. That is not to say that the package cannot be

added to or subtracted from; but a certain critical mass is required if the savings are to be delivered.

### **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 detail contained are intended to serve as a basis for an initial strategy on how we can seek to gain efficiencies/make savings, in light of pending budgetary constraints we will face over coming years. Discussions around many of the principles contained within the report have already been progressed with the Trades Unions and with Elected members on the Budget Advisory Group.

- 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 following headings;

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

#### **4.3 Vacancy Management**

##### **Internal Adverts**

The current CMT arrangement of vigorously analysing the need to fill vacancies needs to continue. Where vacancies are to be filled, internal adverts should be the main source of recruitment, unless in skill shortage areas (e.g. Social Workers etc). This will allow any backfill arrangements to follow the same process. There must in all cases be a rigorous assessment of whether a vacant post needs to be filled with a presumption against filling the post unless considered to be absolutely essential. However, experience has shown that a “recruitment freeze” can be a blunt instrument which does not properly take into account service priorities and the retention of scarce skills, so some limited exceptions will be needed. Where a post must be filled, temporary contracts would need to be considered wherever possible.

##### **Redeployment**

Actively seek redeployment for any staff whose posts are identified as efficiency savings. To date we have successfully redeployed over 40 staff during the current financial year, which have fallen into this category.

##### **Secondments**

Pursue opportunities to second staff to external partners e.g. the Voluntary sector, WAG, Health etc where appropriate. This will create some organisational fluidity and potentially free up opportunities to backfill secondees, with staff requiring redeployment / or to hold the post vacant as a saving to balance budgets. Currently PSMW have a vehicle for achieving this, and additional discussions are taking place with the Minister (WAG) to identify whether a formal arrangement can be secured through the Public Service Workforce Forum to facilitate this movement of staff.

##### **Opportunistic Savings**

Currently Heads of Service are holding vacancies open or delaying recruitment to achieve budget savings, and this could continue. Additionally as individuals decide to leave, this does

provide managers and HOS the opportunity to review structures and potentially reorganise the way that work is organised and the service delivered. This opportunistic approach should continue, and any budget savings delivered as a result utilised to contribute to the savings target.

#### **4.4 Workforce Planning**

##### **Planned retirements – staff assessment exercise**

We need to be smarter in the way that we plan and deploy our workforce. We have already identified that 35% of our organisation is aged 50 or over. We need to enter into a dialogue with staff to identify their plans for retirement etc. This data will allow us to identify future opportunities for restructuring, planned replacements etc that could reduce the pressure on the financial savings. This would need to be managed sensitively, be subject to changes in circumstances (i.e. not contractually binding), and ideally be communicated with full TU support for transparency.

##### **Employment post-65**

This is a discretionary decision for the Council. Whilst the value of older members of staff is in no way under estimated, the priority for the Council as part of this strategy should be to sustain employment opportunities for younger people as this helps to sustain vibrant communities in the County Borough. Accordingly, it is proposed that as a general presumption staff should not be retained beyond the age of 65, although again there would need to be exemptions. Current contracts for employees' aged 65+ would be honoured; but there would be a presumption against renewing them. There is a requirement for the Council to advise employees aged 64 that they can request permission to work beyond normal retirement age; but there is currently no obligation upon the Council to grant any such requests. This might be a temporary measure - to be reviewed when circumstances change - and recognising that the law in this area may change within the next couple of years;

##### **Career Succession Planning**

Whilst the knowledge that 35% of the workforce is approaching an age when retirement may be an option has a positive opportunity, we need to ensure that we have the right level of knowledge and skills to be able to deliver the services of the future. We need to be able to invest our scarce resources to be able to develop staff internally to be able to step into the vacant posts created by natural retirements and departures. This will allow us to target resources to ensure we are making the best use of our workforce for the future. We will be able to utilise our workforce data to actively underpin our development programmes, and is a natural link to our performance development review (PDR) process.

##### **Redeployment**

With the assistance of the data and knowledge from the Workforce Planning and Career Succession Planning exercises above – actively seek redeployments. This will require assisting staff to take on and adapt to new roles within the Council on a previously unprecedented scale. Critically, the Council will also need to move existing employees from posts, which can be discontinued to those posts that need to be retained. This may be on an opportunistic basis as a post falls vacant or on a more planned basis where an employee is requested to move to another post, which is considered to be of greater priority in the current circumstances. Flexing' the workforce by training, job rotation, location and redeployment in order to meet service needs (such as planners) instead of redundancy which may be better for the council in the long term.

The preferred way forward is to work with employees and trade unions to achieve a better understanding of the financial pressures now facing the Council leading to an increased willingness by all concerned to work more flexibly in future with the overall aim being to minimise the prospect of compulsory redundancies arising. It is intended that a protocol be developed with the trade unions that will lead to greater ease of movement between posts across the Authority. It will be important for effective HR support to be available to managers

to facilitate this level of change, along with speedier trade union consultation/negotiation processes.

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

##### **Pay Freeze**

The current award for 2009-10 has now been agreed at 1%. It has been suggested that the NJC / Government may look to impose a pay freeze. This is unlikely to be a popular measure, particularly if other sectors of the Public sector e.g. Teachers, Health, and Police etc continue to receive awards greater than the NJC awards. If we were considering a pay freeze separate to the National Position this would need careful consideration. There are legal and contractual complexities that would make this difficult. An alternative scenario may be to adopt the pay award, but not fund this in the budget. This would in effect force budget holders to absorb the annual increase, and find efficiencies to fund this. This will clearly make the requirement to find £25m of savings more difficult to achieve in the short to medium term.

##### **Cost of sickness**

Our current levels of sickness place us in the higher bracket of authorities in Wales. When we introduced our suite of work life balance policies in 2004, it was anticipated that this would have a positive effect on sickness levels. This has worked in the opposite. We are currently implementing a more rigorous sickness absence policy designed to reduce the levels of sickness by more actively managing the effects of persistent offenders whilst attempting to speed up the Occupational Health processes and access to Ill Health retirement where appropriate. At this stage we have resisted the temptation to look at removing Occupational Sick Pay (e.g. not pay for the first 3 waiting days etc), whilst we try to manage the offenders and not penalise all. This cannot however be ignored if we cannot more actively manage sickness. Absence history will also be a key criterion, in any future selection criteria in redundancy situations.

##### **Absence costs (annual leave, flexi, leave of absence)**

As referred to above we have what is perceived to be a generous array of work life balance / leave of absence policies. In these times of scarce resources when services are being pared back to the absolute minimum levels required to deliver services, this is an area that is in need of review.

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

##### **Part-time working/Job share**

We do receive applications from staff to work part-time. We are actively marketing this as a possibility (subject to operational requirements), to encourage moves to job share or reduced hours to achieve cost savings. This could well be a temporary solution that may be appropriate in areas where demand has declined.

##### **Time off without pay**

For a variety of reasons, we may have staff who wish to have an extended period of unpaid leave (this could be to visit family abroad, support family transitions in care situations etc. Historically we have not been receptive to such scenarios, but these may offer HOS and managers opportunities for some savings.

##### **Career Breaks**

As an organisation we have not historically deployed a career break scheme. Staff may be interested in exploring career breaks, and we could investigate establishing a formal scheme. This would need to be set up to ensure that contractual arrangements existed, and that Pension provisions are explained and resolved. Common reasons for pursuing career breaks may include; - Extended break following Maternity leave, Caring for young Children / Elderly relatives, return to full time education to study higher level qualifications, return to Education to train for an alternative career (e.g. Social Work, Teaching etc). Opening up the possibility of a career break that allows the individual the security that the council is committed to their

longer term future may well open up this as a possibility for some staff. This would potentially afford us more flexibility in the short term, whilst we manage the current pressures.

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

Traditional ways of working need to 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.

### **Competency Frameworks**

If we are to be creative in our deployment of staff, we are going to have to develop some generic and specialist competencies into a council wide framework. This will allow us to build on our workforce planning information and be more effective in being able to move staff around the organisation into different roles. This will have the added benefit of increasing employee skills, and be an enabler in our drive to build our future workforce. There is a lot of information and data already available to us, and linked to the outcomes of the JE process, we have a foundation that we can begin the process of developing this from.

### **Improved Performance Management**

Improving productivity through tackling poor performance. For example evidence suggests that very few people get pay increments withheld for poor performance; it would be unlikely that no performance issues exist in the authority, and we need to be more robust in managing these cases.

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

We need to radically review how we undertake our business on a daily basis. We need to look at whether we have robust fit for purpose processes that make the best use of available process methods and technology. This will enable us to reduce bureaucracy and take waste out of the systems. This in turn will allow us to deliver more cost effective services. 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; but this has to be preferable to the alternative of compulsory job losses in the medium term if the savings cannot be realised.

However, organisational change should not be confused with organisational restructures. It is often the case (particularly in the public sector) that reorganisations are undertaken with the objective of increasing efficiency; but they frequently prove to be a false prospectus in reality. Instead the focus here is about introducing a much more robust control of staffing costs over an extended period. Any reorganisations would follow once these measures begin to produce the desired results. In other words, they would be consequential rather than drive the process itself.

It is inevitable that some services will need to be provided in future by third party organisations (e.g. Transfer of Housing Stock to a Registered Social Landlord). 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**

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

If we do arrive at a situation where redundancies become unavoidable, we could explore allowing staff to access their pensions and retire early as an alternative to redundancy. Clearly there are cost issues to be considered here, and this would need to be managed sensitively.

### **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 admin 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.

### **Volunteers**

Where we are not able to avoid compulsory redundancies, we could elect to accept volunteers for redundancies. 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.

### **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 with the budget for 2010-11, and publically declared redundancies in the hundreds of posts. It is a testament to CCBC’s sound financial management that we are not in this position at this time.

## **5. FINANCIAL IMPLICATIONS**

- 5.1 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 £25m 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 redundancy costs).
- 5.2 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. It is planned that these savings will be identified and an updated report produced on an annual basis for information.

## **6. PERSONNEL IMPLICATIONS**

- 6.1 There are a number of actions proposed 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.
- 6.2 If we are unable to make the necessary savings and Compulsory Redundancy becomes a reality, then a separate statutory process will be required to cover all our legal obligations.

## **7. CONSULTATIONS**

- 7.1 CMT, Recognised Trade Unions, HR Strategy Group.
- 7.2 Some preliminary discussions have taken place with the trade unions about the requirements outlined in this paper, alongside the elected members who form the Budget Advisory Group and through our Consultative Mechanism. The outcome of these initial discussions has been generally positive but further discussion on the specific proposals contained in this report are now required.
- 7.3 I believe that a growing consensus exists within the Council on the necessity of early action to deliver these savings before the extremely difficult financial settlement that is anticipated for 2011/12 and the years beyond. Meaningful and thorough consultation is therefore essential; but it is not a means to an end of itself and this is reflected in the proposed timescales set out below.

## **8. RECOMMENDATIONS**

### **8.1 That Cabinet:**

- i. Agrees in principle to the range of proposals set out in the main body of this report;
- ii. Agrees that they be formally notified as such to the recognised trade unions;
- iii. In accordance with statutory requirements and good practice, authorises officers to commence collective consultation with recognised trade unions immediately, to conclude no later than 30th May 2010;
- iv. Supports a major communication programme to explain to all employees of the Council the rationale for these proposals; and
- 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 June 2010 or as soon as practicably possible thereafter.

## **9. REASONS FOR THE RECOMMENDATIONS**

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

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Background Papers: None

These recommendations are endorsed by Corporate Management Team