



POLICY AND RESOURCES SCRUTINY COMMITTEE – 13TH NOVEMBER 2012

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

REPORT BY: DEPUTY CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 This report follows up on the prior Cabinet Report in March 2010, (attached as Appendix 1) informs members of progress and looks at future options for workforce strategies.
- 1.2 The Medium Term Financial Plan was expected to put pressure on workforce budgets and this report is a point in time' review of the workforce strategies and measures introduced to address those pressures.
- 1.3 The original report envisaged that these measures would allow us to manage these challenges over a 5-year period. It is therefore appropriate that a review is undertaken at the halfway point.

2. SUMMARY

- 2.1 This report will follow the headings of the original Cabinet Report and provide feedback in each area. Where appropriate, further recommendations for change have been included.
- 2.2 It is important to recognise that the original proposals were developed in conjunction with Trade Union partners. It is important to recognise their active involvement and positive contribution to the Council's workforce strategies.
- 2.3 The overall objective has been to maintain, as far as practicable, continuity of employment and avoid compulsory redundancies. Many neighbouring authorities have been in a position where significant redundancies, both voluntary and compulsory, have been declared.

3. LINKS TO STRATEGY

- 3.1 These workforce measures link to the People Management Strategy and all other employee strategies, including equality strategies, policies and procedures.

4. THE REPORT

- 4.1 The detailed actions in the Workforce Strategy were intended to serve as an outline or roadmap for opportunities to gain efficiencies and make savings, in the context of the budgetary constraints, which the Council are continuing to face.

- 4.2 Members will note that whilst this workforce strategy contained specific targets and plans, the ability to make opportunistic gains was maintained.
- 4.3 For the purposes of clarity and to join up the various strands of the report, the original headings have been retained. These were:-
- Vacancy Management
 - Workforce Planning
 - Reducing Pay Bill Costs
 - Changes to working practices and arrangements
 - Avoiding Compulsory Redundancies

4.4 Vacancy Management

4.4.1 Internal Adverts

The use of internal adverts has proven successful. CMT have refined the vacancy management arrangements over time. The rigour and robustness of the process has led to CMT recently delegating this responsibility to Heads of Service. This is to achieve a more streamlined process. .

Staff who were potentially at risk have been redeployed and can continue their career progression. This, in turn, has presented Heads of Service with the opportunity to deliver cost effective restructures or to reshape how departments deliver services and make savings.

There are areas where there continues to be external recruitment. These are primarily for professional posts e.g. social workers, solicitors, or where the internal supply has been exhausted. There may also be external recruitment where the vacancy is a short fixed term contract, and is not attractive to internal candidates in permanent posts.

There is an opportunity for the future employment of trainees and graduates from the Council's "Passport Programme", particularly for those completing placements of 6 months or longer. Trainees are given access to apply for suitable internal vacancies across the Council, as are agency workers. Recently CMT agreed for a number of entry-level posts to be given over to "prior consideration" to young people supported by the Leaving Care Team, a further review is recommended to allow "prior consideration" of all entry-level posts to our "Passport Programme" trainees. This will be discussed with the Trade Unions and will be essential to the success of the programme and to achieving the goal of employment for trainees leaving the Programme. This will also help address the imbalance in the Council's age demography.

4.4.2 Redeployment / Career Transfer

The Council's Career Transfer Scheme has been increasingly successful over the past 2 years. This was actively designed to protect employees affected by the reduction in funding from external grants and by restructuring proposals.

The HR team have worked closely with employees and the Trade Unions providing additional support and training opportunities for those staff affected. This has included a successful bid for funding from the Wales Union Learning Fund for basic skills training. This support is being further enhanced by a significant number of the HR team being trained to undertake competency profiling and skills assessments for employees in a redeployment situation.

This will be the subject of a separate more detailed report, but members may wish to note that over the past 2 financial years we have successfully redeployed staff to 117 opportunities. This is becoming an increasing challenge for the HR team. Please see Appendix 2.

4.4.3 Secondments

The original strategy envisaged the secondment of staff to other LA's and external partners. To date this has been fairly limited and is an area that may need further critical reassessment as the financial restrictions continue. The main challenge is that many of these organisations are also experiencing financial difficulties, which limits opportunities.

4.4.4 Opportunistic Savings

Heads of Service have had much success at holding vacancies open or delaying recruitment to achieve budget savings. This should continue. Additionally, as individuals leave managers and HOS have the opportunity to review structures and potentially reorganise the way 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.

4.5 Workforce Planning

4.5.1 Planned retirements – staff assessment exercise

The workforce demographic is understood and routinely reported on from our HR system iTrent. This information is included in the Workforce Information report. As the required financial savings are currently being met a mass communication exercise with staff has not been undertaken. Other LA's who have undertaken such exercises have found the outcome challenging to manage and destabilising for the workforce. This will, however, be kept under review with our Trade Union partners. Managers will continue to manage this sensitively and locally through regular career discussions with staff.

4.5.2 Employment Post 65

As noted in the original report, this would be a discretionary decision for the Council. To introduce an organisational retirement age is potentially a strategy that could be the subject of challenge and may be viewed as a radical step to take. It is on this basis that the Council have not introduced this initiative, although this may need to be reviewed at a later date, particularly if the measures being undertaken to redress the age imbalance do not achieve their aims.

4.5.3 Career Succession Planning

The PDR process is the key to effective succession planning, allowing managers to explore the career aspirations of staff. This is an area that will be improved upon in the coming years, but will require some investment in development of managers and a more formalised arrangement.

4.5.4 Redeployment

Please refer to the detail 4.4.2 above.

4.6 Reducing Pay Bill Costs

4.6.1 Pay Freeze

Local Government is in unprecedented territory, where there has been 3 years of a 0% Pay Award. This has meant pay cost stability is maintained. However, it should be recognised that this has been very difficult for employees. In the current financial climate, with inflationary pressures continuing, this has had a major effect on personal finances.

The position for the next financial year (2013-14) is not yet finalised and national negotiations continue. Indications so far are that there may be an award at most a limited increase as there has been no award for the last 3 years.

One development to note is the Council's decision to adopt the "Living Wage". A costed proposal was brought forward to fund this initiative, which has benefited those lowest paid in the Council.

4.6.2 **Cost of sickness**

Three years ago the Council had the unfortunate scenario where absence levels were the worst in Wales of those Councils reporting figures. Through a combination of reviewing policies and procedures, introducing a suite of employee health & wellbeing initiatives and establishing a dedicated team within the HR department to focus on Managing Attendance good progress has been made. We have reduced our ratio of days lost per Full Time Equivalent from 13.84 per annum to 10.11 this last year. In percentage terms last year saw the Council's sickness absence reduce below 4% for the first time to an annual rate of 3.93%. Please see Appendix 3.

The management of sickness absence continues to be proactive. It is pleasing to note the achievement of the Welsh Government's Gold Standard Award for Corporate Health in recognition of the Council's Employee Health & Wellbeing arrangements.

One positive effect is in the reduction of sickness cover required for front line and operational services such as refuse and cleansing, social care and schools that need costly replacement labour for absent staff. Here there is a direct impact of reduced sickness on budgets.

4.6.3 **Absence Costs (Leave of Absence)**

Leave of absence arrangements have been reviewed to ensure that these are appropriate and can be justified from a cost perspective.

4.6.4 **Agency Workers**

This is an area subject to a more detailed report for Members and was not covered in the original workforce strategy report. Significant savings have been made as a result of the introduction of new arrangements for agency workers. Spend has been reduced by over £1m per annum and a saving of £165k is being made on remaining spend as a result of reduced rates.

This is an area of focus with the active support of the Trade Unions who were keen to look at the use of agency workers. With the improved reporting there is now complete visibility and effective management information, enabling senior management to fully monitor spend. Please see Appendix 4.

An additional opportunity arises though the management information now available. Recently roles where agency workers have been engaged have been identified and utilised as opportunities for trainees from the Passport Programme. Whilst these may be temporary opportunities, it allows these trainees to gain valuable experience in the workplace.

4.6.5 **Pensions**

There are two potential challenges in terms of pensions. Firstly, in the planned new scheme there is the allowance for individuals to make pension contributions at 50% of the current arrangements should they wish to. This may lead to an increase in take up of the scheme as employees have the opportunity to contribute at a lower rate therefore making it more affordable for some.

Secondly there are the new rules regarding Auto Enrolment. This means that in April 2013 the Council will be required to enter all employees not currently enrolled, into the pension scheme, on the condition they meet certain criteria, the key criteria being they are over 22 years old and they earn in excess of £8105. They will then be required to formally opt out from the scheme if they do not wish to make contributions. This is a new scenario and may lead to

greater uptake in the scheme and by default increase the costs for the Council. Developments will be monitored and reported accordingly. Initial figures calculated suggest that if all those entitled to access the pension scheme did then the cost to the Council could be £5 million if all contracts of employment for multiple postholders was aggregated.

4.7 Changes to Working Practices and Arrangements

4.7.1 Part-time Working/Job Share

This is another “opportunistic” area that Heads of Service have been able to utilise to save costs and balance budgets. This has been particularly useful in support areas where there has been a reshaping of ways of working e.g. Finance, HR, and Legal etc. This would not be of benefit in front line service areas as there would need to be replacement labour sourced.

4.7.2 Time Off Without Pay

As with the example above, this has been an opportunity for non-front line areas to reduce costs. Whilst this is not a major efficiency saving, this is an area being utilised to meet financial savings targets.

4.7.3 Career Breaks

The Career Break Scheme was introduced in 2011 and this has seen limited uptake. As financial pressures continue this may be an area that increases in popularity.

4.7.4 Flexible Working - Home-working, Hot Desking - Office Rationalisation

The uptake in the range of measures covered here has started. In areas where staff are peripatetic, there is not a requirement for everyone to have their own desk. This was a factor in allowing the relocation of staff from Hawtin Park into Ty Penallta and Area Offices; that delivered £500k of accommodation savings. This is an area that will be further developed over the next few years.

4.7.5 Competency Frameworks

The HR Strategy and Development team have developed a competency framework for posts which links back to the GLPC Job Evaluation Scheme. The competency framework identifies the skills and level of skill needed to successfully undertake a role. This process is also now “automated” giving manager’s quick access to the framework for a post. The competency framework is used for job descriptions, recruitment and selection, learning and development and PDR purposes and is an area that is being further developed to support employees in achieving the right skills set for their roles and to support career development.

4.7.6 Improved Performance Management

This is an area that requires ongoing attention to ensure that resources are maximised. Robust performance management is an integral feature of our PDR process.

4.7.7 Service Change and Development and Business Process Re-Engineering (BPR)

There are a number of change projects underway across the Council whereby individual Service Areas are reviewing the way they operate as well as there being activity that impacts across departments.

Firstly there is cross-functional work such as the changes around the management of agency workers referred to in 4.6.4, which impacts on all areas utilising agency workers.

Secondly, there is transformational change where a whole area is developing and reviewing the way it operates e.g. the Housing Service Change programme required to deliver WHQS.

Thirdly is Business Process Re-engineering such as the work undertaken in Housing Benefits and Public Services to streamline process and take out unnecessary elements of work.

Trade Union partners are engaged in these processes and in addition training is being piloted for managers, supervisors, shop stewards and more senior TU reps around partnership working. Under the auspices of the Workforce Partnership Council chaired by the First Minister, there are ongoing discussions, at an all Wales Level, with the WLGA / HR Directors Network and the Trade Unions. These discussions are around seeking agreement to the principles to be adopted with managing change projects by all Local Authorities and other Public Bodies across Wales. It is anticipated that these will be concluded this autumn.

4.8 Avoiding Compulsory Redundancies

4.8.1 85 Rule Year Volunteers – Early Retirements

This may be a vehicle for looking for future volunteers should the Council need to accelerate the process of reducing headcount. To date the use of Early Retirements has been supported where business cases can be met to fund the costs. As the “85 Year Rule” provisions begin terminating from 2016 (there is a tapering of the provision until 2020), it may be that the Council experiences an increase in the number of requests received.

4.8.2 Cross matching – Early Retirements

Given the success in meeting the commitments to date and the achievement of financial targets the Council has not had to invoke to this type of arrangement, except in limited cases where it has been successfully managed in Schools.

4.8.3 Volunteers

In keeping with comments in 4.8.2 above, the success achieved in meeting the financial targets has to date nullified the need to embark on a voluntary exercise. The difficulty with exercises such as seeking voluntary early retirements and volunteers for redundancy is that experience has shown that this can be unsettling for individuals and the organisation. Once individuals volunteer, there is an expectation that this will be granted. Neighbouring authorities who have embarked on this route have been oversubscribed. This has then led to demotivated employees being retained in the workforce. Given the experience of others, “Soft Intelligence” suggests that if these types of exercises were run then there is the real risk of being oversubscribed. In addition, the individuals typically expressing an interest would have long service and would be able to access pensions (with a cost to the Authority), which can be an expensive option.

4.8.4 Compulsory Redundancies

It is a testament to CCBC’s sound financial management that at this time the Authority is not in the position of declaring significant redundancies. Over the last 3 financial years there have been just 9 employees unfortunately made redundant. These were individual posts affected. In these cases, the individuals were either in a very limited knowledge and skills field with little opportunity, or the hours sought prohibited their redeployment. This position will continue to be monitored, as the financial situation continues to change. It is worth noting that Caerphilly is one of a minority of authorities that no longer allocates “added years” to an individual’s pension entitlement. This should seek to minimise the costs should redundancies occur – either on a voluntary or compulsory basis. Please see Appendix 5.

The Council has adopted a selection process should there be a significant redundancy situation. This will facilitate the identification of how redundancy would be applied.

5. FINANCIAL IMPLICATIONS

- 5.1 Whilst individual strands of the strategy have potential financial implications, it is not possible at this stage to detail these fully. However there are some significant savings made, e.g. with regard to agency workers.
- 5.2 The achievement of the MTFP and the financial savings required is evidence that these measures are being deployed successfully.

6. PERSONNEL IMPLICATIONS

- 6.1 There are clear implications for employees contained in the body of this report. This does require that employees are flexible and work with the Council to achieve the MTFP savings, and avoid the need for redundancies.
- 6.2 Trade Union partners have been active participants in this process and the actions outlined are regularly reviewed through our consultative frameworks.
- 6.3 The HR team will continue to look to improve how employees can be supported through challenging financial times and to implement the agreed strategies in an objective and transparent way.

7. EQUALITIES IMPLICATIONS

- 7.1 An **EqIA screening** has been completed in accordance with the Council's Strategic Equality Plan and supplementary guidance and no potential for unlawful discrimination and/or low level or minor negative impact have been identified, therefore a full EqIA has not been carried out.

8. CONSULTATIONS

- 8.1 CMT and the recognised Trade Unions.

9. RECOMMENDATIONS

- 9.1 That Scrutiny Committee notes the overarching report.
- 9.2 That P&R scrutiny support further consultations and work with the Trade Unions to further progress the strategy and development.

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 environment that is changing rapidly in a turbulent financial climate, whilst maintaining a partnership approach with Trade Union partners and employees.

11. STATUTORY POWER

- 11.1 Local Government Act 1972
Local Government Act 2000
Employment Act 2008

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Council's Recognised Trades Unions

Appendices:

Appendix 1 Original Cabinet Report dated 30th March 2010
Appendix 2 Redeployment Report
Appendix 3 Sickness Absence Report
Appendix 4 Agency Report
Appendix 5 Redundancy Report