
19 October 2010

Name of Cabinet Member:
Cabinet Member Corporate and Neighbourhood Services – Councillor Townshend

Director Approving Submission of the report:
Director of Customer and Workforce Services

Ward(s) affected:
All

Title:
Formal Consultation in Respect of Staffing Reductions

Is this a key decision?

No . In view of the extent of the proposals contained within this report a meeting of Full Council is required to consider these proposals.

Executive Summary:

Public finances in the UK are in an unprecedented position, with a very significant deficit that the Government is seeking to resolve through significant reductions in public spending. These will begin to emerge following the Comprehensive Spending Review (CSR) on 20 October 2010. The inevitable consequence will be that the Council will see very significant reductions in the amount of grants it receives from Government but, as required by statute, will need to set a balanced budget for 2011/12, where expenditure is funded from resources identified.

This will mean that the Council will need to make financial savings over the next four years of up to £146million. The Council is facing a projected significant budget deficit in 2011/12. Because a very large proportion of Council spend (around 60%) goes on its pay bill it is also clear that it will not be possible to set a balanced budget without reducing staff costs and, in the absence of alternatives, the number of Council employees.

Although every effort will be made to identify non-staff cost reductions, these measures will not generate enough savings to enable the Council to balance its budget and there is no alternative but to propose to reduce post numbers to contribute to achieving the total overall saving. It remains very difficult to predict with any accuracy the overall number of post reductions. Our best estimates indicate that a planning assumption of around 1,000 posts should be used to guide our human resource and financial strategies over the coming months.

Recommendations:

In view of the staffing and budget implications as set out in the report, Cabinet requests that Council approve the commencement of consultation and implementation of the following management proposals,

1. A voluntary/compulsory redundancy programme
2. A reduction of management and supervisory posts in the Council based on an organisational design model of no more than six tiers of management and spans of control of 1:5 to 1:10 or more, as appropriate to service need.
3. Removal of posts funded by the grant streams listed in this report where those grant streams will cease in 20011/12 as shown in Appendix 1.
4. The additional resources identified in section 5.1 are added to existing budgets to fund voluntary and early retirement costs.
5. Following the consultation the Chief Executive will consult with the Leader and the Cabinet Members for Strategic Finance and Resources and Corporate and Neighbourhood Services to review the outcome of the consultation and the way forward

List of Appendices included:

Appendix 1 – Removal of Revenue Grants Streams

Other useful background papers:

NIL

Has it or will it be considered by Scrutiny?

No

Has it, or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

Yes:

19 October 2010

**Report title:
Formal Consultation in Respect of Staffing Reductions**

1. Context (or background)

As a result of grant reductions from Government, the Council will be required to make unprecedented financial savings, currently estimated at £146million over the next four years. The Council is facing a projected significant budget deficit in 2011/12 and because a large proportion of Council spend (around 60%) goes on its pay bill, it is clear that it will not be possible to set a balanced budget without the proposal to reduce the number of Council employees. It is difficult to predict even the broad level of these savings with any degree of accuracy until after the Government's Comprehensive Spending Review (CSR) announcement on 20 October and subsequent announcements about a large number of grant funding streams.

Every effort is already being made to identify non-staff cost reductions, including reviews of services, a vacancy freeze (recruiting only to the most essential posts), and by introducing a range of day-to-day cost saving measures including a reduction in the use of agency workers. However all of these measures will not generate enough savings to enable the Council to balance its budget. As employee costs are the Council's biggest expenditure, there is no alternative but to propose the reduction of post numbers to contribute to achieving the total overall saving. It remains very difficult to predict with any accuracy the overall number of post reductions that may be required until some time after the Comprehensive Spending Review. Estimates at this stage indicate that a planning assumption of around 1,000 posts should be used to guide human resource and financial strategies over the coming months.

2. Options considered and recommended proposal

2.1 That, in accordance with S188 of the Trade Union Labour Relations (Consolidation) Act 1992, the Council is required to enter into a formal minimum consultation period of 90 days where it proposes to reduce posts by more than 99 in a 90 day period. Consultation will be based on the reduction of post numbers through three specific management processes and will commence on 21 October 2010 and conclude on 19 January 2011 .

- A voluntary/compulsory redundancy programme – further information about which is detailed later in this report.
- A reduction of management and supervisory posts in the organisation based on an organisational design model of no more than 6 tiers of management and spans of control of 1:5 to 1:10 or more, as appropriate to service need.
- Removal of posts currently funded through grant streams which will cease on 31 March 2011.

The staffing reductions will be achieved wherever possible through voluntary redundancy means. However, in the event that voluntary redundancy cannot achieve the necessary reductions then compulsory redundancies may be required.

2.2. Voluntary Redundancy Programme (VRP)

- The VRP will be open to permanent and temporary council employees with more than two years service except in those areas where posts cannot be deleted at the present time and/or are considered unsuitable for redeployment.
- As the reason for dismissal would be redundancy, employees with two years or more local government service are entitled to a redundancy payment in line with the Council's

contractual redundancy payment scheme Where applicable, for employees 55 years or over and who are in the pension scheme, early retirement benefits will be released

- The VRP will be open for a one month window following which the Council can take stock and re-open the VRP subsequently if necessary.
- Directorates will be provided with VR applications from their directorates during the one month VRP window and will then determine which applications can be approved. Employees who apply for VR will then be informed whether or not they have approval to leave the organisation on voluntary redundancy grounds.
- The expression of interest in voluntary redundancy from an employee will not imply any commitment on either part.
- Any employees indicating an interest in voluntary redundancy will be able to discuss their position and details of redundancy pay with their manager as part of the consultation.
- The following criteria will be used to consider individual applications for voluntary redundancy:
 - Can the post be deleted?
 - Is there a recurring financial saving as a result of the job being deleted?
- There is no guarantee that voluntary redundancy requests will be granted. The Council's decision is final – there is no right of appeal against a decision by the Council not to accept an employee's request for voluntary redundancy.
- Once an application for voluntary redundancy has been approved, it cannot be withdrawn.
- Employees will not be given any guarantees or should assume they may take voluntary redundancy until the necessary formal approvals have been given in writing.
- Those who express an interest in VR but, for service reasons have been refused, will remain in the 'VR pool'. Should a compulsory redundancy occur somewhere in the organisation, a matching process can then take place to determine if someone in the VR pool with relevant skills/experience can leave and be replaced by someone wanting redeployment.
- The Council reserves the right to select for redundancy those employees that will be offered voluntary redundancy.
- If too many people from one job group apply for VR, the current proposal is that the Council's usual selection criteria for redundancy selection will apply:
 - Qualification/s – only if essential to the job
 - Sickness absence
 - Disciplinary record
 - Performance
- Exact numbers of post reductions cannot be accurately predicted at this stage. This is because the level of funding reduction from Government is unknown at this stage, as is how it intends to treat a large number of grant funding streams in the future. Current estimates have used an initial planning assumption that would require a reduction in the workforce of up to 1,000. It should be stressed that it will be some time after the CSR until the Council will be able to identify a more accurate figure. Employees will be released as soon as possible to achieve savings quickly, particularly to deliver a full year effect for 2011/12. However, the timing of the release of employees may need to be phased to accommodate the needs of

individual services and allow for transition. In addition, the Council is bound by law to require employees to work out their contractual notice period wherever practical.

2.3 Management Restructuring

An analysis of the grades across the Council in July 2010 identified that the Council currently operates with over 1,600 posts with line management responsibility across the organisation. This is considered high when compared with similar sized authorities.

The review of these grades also demonstrates that 30% of employees have line management roles, many of these only managing one or two people and that in some areas the Council operates with ten layers of management, again a lengthy hierarchy compared with other councils.

Good practice would suggest that the Council could adequately manage its workforce with six layers of management and that the average span of control across the organisation should be between 1:5 and 1:10 with ratios increasing lower down the organisation as work groups/tasks become less complex. A process of risk assessment will be built into the review process to ensure adequate and appropriate levels of supervision and management are in place as required by the nature of the service.

In order to achieve this 'ideal' management structure, a management restructuring exercise will be undertaken across all managerial/supervisory grades using these principles. It is envisaged the outcomes will result in redundancy for some manager posts, an increase in span of control and responsibility for others and the checking of grades and titles for those posts called manager but actually without line management responsibility, i.e. senior technical posts. The voluntary redundancy programme will enable the Council to see which of its managers are requesting voluntary redundancy and will help to inform this process.

2.4 Deletion of Grant Funded Posts

The grant funding streams listed in Appendix 1 are ones that the Council believes are at risk. If the funding for these grant projects is removed in the CSR or subsequently, this report is seeking Council approval to delete the posts funded currently by these grant streams. The number of posts funded by each grant has been included within Appendix 1. In most cases this broadly equates to the number of full time equivalent (FTE) posts for each grant funded project. This means that the number of individuals affected may be higher than the number of posts, either because some individuals work on part-time contracts or because some grants part-fund the work of some individuals. In these cases, not all of the individuals whose posts are part-funded will have their posts deleted. A detailed exercise is under way to identify all of the individuals who are affected at least in part and this exercise will determine the local impact of how grant fall-out will affect which posts will be deleted.

3. Results of discussions undertaken

3.1 Advance discussions has been undertaken with the trade unions in respect of the potential proposal for a VRP. They are also aware of the potential management restructuring proposal and that the grant funding referred to above will come to an end at the end of the year. Communication has been issued to the entire workforce as potentially everyone could be affected by these proposals. Final consultation will commence once political approval has been given to these proposals.

3.2 The proposals are subject to consultation and full account of the results of the consultation will be taken by the Chief Executive when he considers the range of options.

4. Timetable for implementing this decision

4.1 There will be a minimum 90 day formal consultation period under S188 of the Trade Union Labour Relations (Consolidation) Act 1992 to legally signal that we are considering making redundancies. In addition, all staff will be notified by letter of these proposals by 22 October.

5. Comments from Director of Finance and Legal Services

5.1 Financial implications

It is difficult to predict accurately the costs of redundancy and early pension release. Analysis over the past two years indicates that voluntary redundancy payments are likely to cost an average of £15k per individual. The recent change in early retirement rules that will reduce the future costs of early pension release prevents us from having access to reliable data in this area. The early evidence is that average pension strain costs per individual are likely to fall into the range of £10k to £15k.

In overall terms these costs of redundancy and early retirement amounted to £5m in 2009/10 and approximately £1m has been incurred so far in 2010/11. Using the initial planning figure of 1000 post losses at an average cost of £25k each would result in a calculated cost of £25m. However, this cost will probably reduce as a result of current vacancies and future turnover within the workforce. Although this cost will not all necessarily be incurred in the current year it is an appropriate time to identify how the majority of these costs might be funded and some funding sources are identified below. The recommendation in this report is for the one-off resources identified in the table below to be added to the existing resources available for funding early retirement and redundancy costs.

	2010/11 £m	2011/12 £m	2012/13 £m	Total £m
<u>Existing Approved Budgets</u>	3.6	2.5	2.5	8.6
<u>One-Off Resources</u>				
Release Corporate Reserve Balance	5.9	0.0	0.0	5.9
Insurance Reserve	1.0	0.0	0.0	1.0
Uncommitted PSA Reward Grant	2.2	0.0	0.0	2.2
In-Year ABG Grant savings	0.8	0.0	0.0	0.8
Total	13.5	2.5	2.5	18.5

5.2 Legal implications

In common with any employer the Council has a statutory duty to undertake a collective consultation. The minimum period within which to consult is 90 days. The Council will be required to comply with the requirements of S.188 of the Trade Union & Labour Relations (Consolidation) Act 1992 and the Local Government (Early Termination of Employment) Discretionary Compensation (England and Wales) Regulations 2006 which set out certain requirements for the consultation process and considerations regarding payments. There may also be individual contractual implications that will need to be considered. In addition the Council would need adopt and implement an appropriate procedure for any redundancies.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?

These proposals will contribute to the delivery of a balanced budget for 2011/12 and help to provide for the future financial stability of the Council.

6.2 How is risk being managed?

There will be an impact on the organisation due to a reduction in staffing levels. Any approvals for voluntary redundancy will be determined by service requirement and services will be responsible for the risk assessment and management of the implementation of these proposals.

6.3 What is the impact on the organisation?

These proposals will contribute to balancing the 2011/12 budget and continue the Council's transformation of services through the delivery of a new organisational model which is leaner, more efficient and 'fit for purpose'.

6.4 Equalities / EIA

An Equality Impact Assessment has been undertaken on the potential impact of the VRP. The equality impact upon the organisation will be determined by the employees who wish to access the voluntary redundancy programme. However, the Council is aware of the need to be alert to issues of age, disability, ethnicity, sexual orientation and gender discrimination. Approvals for voluntary redundancy will be granted on an objective basis determined by service requirement and/or objective selection criteria. Data on uptake and approval will be monitored to identify whether any equality impact is arising from the process.

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

None

Report author(s):

Bev Messinger

Name and job title:

Director

Directorate:

Customer and Workforce Services

Tel and email contact:

Ext. 3206; Bev.Messinger@coventry.gov.uk

Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Sue Iannantuoni	Assistant Director (HR)	Customer and Workforce Services		
Other members				
Names of approvers: (officers and members)				
Finance: Paul Jennings		Finance & legal		08/10/10
Legal: Christine Forde		Finance & legal		08/10/10
Director: Chris West		Finance & legal		08/10/10
Members: Name				
CM (Corporate and Neighbourhood Services)				08/10/10

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Appendix 1

2010/11 Revenue Grants

Grant Title	£m Funding at Risk	Post Numbers
Central Services & Corporate		
Performance Reward Grant	0.094	0
Consumer Direct	0.842	40
Total Central Services	0.936	40.0
CLYP		
Standards Fund - Ethnic Minority Achievement	2.856	TBC
Standards Fund - Primary Strategy	1.099	4.7
Standards Fund - Support for Key Stage 3	0.697	3
Standards Fund - Extended Schools Sustainability	1.203	7.6
Standards Fund - Extended Schools Subsidy	1.242	0
Standards Fund - Making Good Progress	1.696	0.9
Standards Fund - Advanced Skills Teachers	0.441	schools
Standards Fund - Excellence in Cities	0.266	schools
Standards Fund - National Challenge	0.308	0
Standards Fund - Music	0.499	0.6
ESF - 14-16 Alternative Curriculum	0.728	7
Youth Opportunity Fund	0.431	0
Total CLYP	11.466	23.8

Appendix 1**2010/11 Revenue Grants**

Grant Title	£m Funding at Risk	Post Numbers
CSD		
Growth Fund (Revenue) - Planning	0.141	4
Growth Fund (Revenue) - Other	0.053	0
NDC (Capital and Revenue)	2.724	24
Future Jobs Fund (Revenue)	1.570	4
Far Gosford Street Townscape Heritage/THI (Capital and Revenue)	1.014	0
LTP Section 31 Grant	0.217	0
Emergency Fund Winter Damage	0.217	0
Walking to School Initiative	0.008	0
Skills for Jobs (Revenue)	0.505	0
NEETS Support package (Revenue)	0.266	3
Technical Assistance (Revenue)	0.010	0.5
ESF Employers for Employment	0.088	3
Know Cities (Revenue)	0.023	0
Low Carbon Vehicle (Revenue)	0.038	0
Workstep (Revenue)	0.120	0
Coventry Connections to Opportunities (Revenue)	0.185	0
Employer Hub (Revenue)	0.200	1
Housing & Planning Delivery Grant	0.040	1
Total CSD	7.419	40.5

Appendix 1

2010/11 Revenue Grants

Grant Title	£m Funding at Risk	Post Numbers
Community Services		
Free Swimming for Under 16's	0.066	0
Free Swimming for Over 60's	0.028	0
Kickstart Grant	0.979	0
Stroke Care for Adults	0.099	0
Social Care Reform Grant (SCRG) - Transformation grant	0.764	0
Blue badge Centres of excellence	0.026	1
Homelessness Grant	0.060	1
Homelessness One off Grant	0.020	1
NDC Leisure & Neighbourhood Centre	0.140	0
Coventry Sporting Futures - Positive Futures - Home Office Funding	0.058	1
Coventry Sporting Futures - Specialist Substance Grant - CCC Area Based	0.019	0
Coventry Sporting Futures - Football Foundation	0.065	2
Coventry Sporting Futures - PAYP	0.061	0
Coventry Sporting Futures - CHIP Funding	0.094	0
Domestic Violence	0.020	0
Youth Crime Action Plan	0.174	0
Challenge and Support	0.075	0
All Talk Now & Footsteps	0.097	3
Safer Stronger Communities	0.067	0
National Literacy Trust	0.040	1
Animal Health & Welfare Enforcement	0.004	0
Total Community Services	2.956	10.0

Appendix 1

2010/11 Revenue Grants

Grant Title	£m Funding at Risk	Post Numbers
Area Based Grants		
ABG - Coventry Partnership Funding	0.030	1
ABG - Local Public Service Board	0.500	0
ABG - Preventing Violent Extremism	0.075	0
ABG - Corporate Allocation	0.083	0
ABG - 14 - 19 Flexible Funding Pot	0.091	1.8
ABG - Child & Adolescent Mental Health	0.679	1.5
ABG - Child Trust Fund	0.012	0
ABG - Children's Fund	0.948	8.6
ABG - Choice Advisers	0.043	1
ABG - Education Health Partnerships	0.078	2.5
ABG - Extended Schools Start-Up Grants	0.377	0
ABG - Positive Activities for Young People	1.008	7.5
ABG - Primary National Strategy - Central	0.197	3.8
ABG - Secondary National Strategy - Behaviour and Attendance	0.068	4.4
ABG - School Development Grant	0.602	6.7
ABG - Secondary National Strategy - Central Co-ordination	0.207	1
ABG - Excellence in Cities/BIP	0.544	7
ABG - School Intervention Grant	0.071	1
ABG - Teenage Pregnancy	0.247	2
ABG - Young People Substance Misuse Partnership	0.097	0
ABG - Young Peoples Substance Misuse	0.042	1
ABG - Local Enterprise Growth Initiative (Revenue)	2.733	43
ABG - School Travel Advisers	0.035	1
ABG - Detrunking	0.198	0
ABG - Supporting People	1.296	0
ABG - Supporting People Administration	0.121	4.5
ABG - Youth Taskforce	0.030	0
Total ABG	10.412	99.3
Total CCC Grants	33.189	213.6