

Cabinet

19 July 2011

Name of Cabinet Member:

Cabinet Member (Strategic Finance and Resources) - Councillor Duggins

Director Approving Submission of the report:

Director of Customer and Workforce Services

Director of Finance and Legal Services

Ward(s) affected:

All Wards

Title:

VOLUNTARY REDUNDANCY SCHEME

Is this a key decision?

No

Executive Summary:

Public finances in the UK remain in an unprecedented position, with a very significant deficit that the Government is seeking to resolve through significant reductions in public spending. These reductions began to emerge in the Comprehensive Spending Review (CSR) on 20 October 2010. As a result of such public spending reductions, the Council launched a series of savings measures in October 2010 which included the introduction of a Voluntary Redundancy Programme.

The Council has seen a reduction of almost £40m in its overall level of resources in 2011/12 and will see further reductions in resource levels over the next three years. A significant amount of financial savings will be required over this timescale in order to set balanced budgets for the 2012/13 financial year and beyond. 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 further reducing staff costs and, in the absence of alternatives, the number of Council employees.

Although every effort is being made to identify non-staff cost reductions, these measures are not sufficient to generate enough savings to enable a balanced 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 500 posts over the next 3 year period 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, the Cabinet is requested to approve the commencement of consultation and implementation of the following management proposals:

1. A voluntary redundancy programme
2. Following the consultation the Chief Executive will consult with the Leader and the Cabinet Member (Strategic Finance and Resources) to review the outcome of the consultation and the way forward

List of Appendices included:

None

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

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

No

Will this report go to Council?

No

Report title: VOLUNTARY REDUNDANCY SCHEME

1. Context (or background)

- 1.1 As a result of significant reductions in Government public spending over the current 4 year Comprehensive Spending Review (CSR) period, the Council is required to make unprecedented levels of financial savings in order to set balanced budgets across this period. The Council is facing a projected budget deficit of £17m in 2012/13 and as 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.
- 1.2 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 wherever possible.
- 1.3 Through our VR/ER programme, staff changes resulting directly from grant reductions and other agreed HR strategies, more than 450 posts have now been deleted. This approach, started early compared with many other local authorities, meant that we could set a balanced and deliverable budget for 2011/12, despite the very tough financial challenges. 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 a further reduction of post numbers to contribute to achieving the overall saving. Our best estimates indicate that a planning assumption of around 500 posts over the next three year period should be used to guide our 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 a second voluntary redundancy programme (further information about which is detailed later in this report) and will commence on 14 July 2011 and conclude on 12 October 2011.
- 2.2. **Voluntary Redundancy Programme (VRP)**
 - 2.2.1 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.
 - 2.2.2 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 policy.
 - 2.2.3 The VRP will be open for an eight week window following which the Council can take stock and re-open the VRP subsequently if necessary.
 - 2.2.4 Directorates will be provided with VR applications from their directorates during the eight week 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.
 - 2.2.5 The expression of interest in voluntary redundancy from an employee will not imply any commitment on either part and will be made explicit in the communication to relaunch the scheme.

- 2.2.6 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.
- 2.2.7 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?
- 2.2.8 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.
- 2.2.9 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.
- 2.2.10 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 redeployee can apply for the job of someone in the VR pool and, if successful, the VR applicant can leave the Council and be replaced by someone wanting redeployment.
- 2.2.11 The Council reserves the right to select for redundancy those employees that will be offered voluntary redundancy.
- 2.2.12 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
- 2.2.13 Exact numbers of post reductions cannot be accurately predicted at this stage. Current estimates have used an initial planning assumption that would require a reduction in the workforce of up to 500 over a three year period. Employees will be released as soon as possible to achieve savings quickly, particularly to deliver a full year effect for 2012/13. However, the timing of the release of employees may need to be phased to accommodate the needs of the service.

3. Results of consultation undertaken

- 3.1 Advance discussions have been undertaken with the trade unions in respect of the potential proposal for second VRP, therefore retrospective approval to the recommendations is requested to enable consultation to begin as soon as possible. Communication has been issued to the entire workforce in order to facilitate commencing this consultation prior to the end of the school term.

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 14 July.

5.1 Comments from Director of Finance and Legal Services

As part of the formal process of approving various staffing reduction strategies in 2010/2011, the City Council approved a funding envelope totalling £18.5m over 3 years to fund redundancy and early retirement costs. This funding was an amalgamation of existing budgetary provision and some one-off reserves and is detailed in section 5.1 or the report approved at Council on 19 October 2010.

At the end of the 2010/11 financial year, £8.9m of the approved £18.5m had been committed on costs incurred up to 31 March 2011. This leaves a further £9.6m of funding which has already been approved to resource costs associated with a further Early Retirement/Voluntary Redundancy round.

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.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

These proposals will contribute to the delivery of a balanced budget for 2012/13 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 2012/13 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 of Customer and Workforce Services

Directorate:

Customer and Workforce Services

Tel and email contact:

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

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Sue Iannantuoni	Assistant Director (Human Resources)	Customer and Workforce Services	29 June 2011	1 July 2011
Names of approvers for submission: (officers and members)				
Finance: Barry Hastie	Assistant Director (Financial Management)	Finance and Legal Services	29 July 2011	1 July 2011
Legal: Christine Forde	Council Solicitor and Assistant Director (Legal Services)	Finance and Legal Services	29 July 2011	1 July 2011
Director: Chris West	Director	Finance and Legal Services	29 July 2011	1 July 2011
Members: Councillor Duggins	Cabinet Member (Strategic Finance and Resources)		1 July 2011	1 July 2011