

Cabinet
Council

5 August 2014
9 September 2014

Name of Cabinet Member:

Cabinet Member (Strategic Finance & Resources) – Councillor D Gannon

Director Approving Submission of the report:

Executive Director, Resources

Ward(s) affected:

All

Title:

Formal Consultation in Respect of Further Staffing Reductions

Is this a key decision?

Yes - The proposals within the report have financial implications in excess of £1m.

Executive Summary:

Since 2010 the Council has undertaken a significant savings exercise across the organisation in response to on-going reductions in Government funding. Savings were initially mainly focused on back office and support services, through reducing senior management posts and merging directorates and by identifying more efficient ways of delivering services. More recently, as back office efficiencies have become harder to find, front line services are being affected.

By 2016 Coventry will have had its government funding cut by nearly a half since 2010 and further, significant savings will be needed across services. The current estimate is that additional savings of approximately £60million a year will need to be implemented by 2017/18. This means that the Council will be a smaller organisation in the future. By introducing more efficient and flexible ways of working the Council aims to deliver better value for residents with less bureaucracy and red tape – and fewer employees.

Since 2010 the Council has undertaken three rounds of Early Retirement/Voluntary Redundancy (ER/VR) which has directly resulted in some 1,000 staff deciding they wanted to leave the organisation and ensuring the number of compulsory redundancies has been kept to a minimum.

In order to minimise the risk of future compulsory redundancies it is proposed to consult with trade unions and staff on a further reduction in posts with a view to launching a further round of ER/VR, and to remove some aspects of the earlier rounds which may have reduced take up of the offer by staff.

The Council's human resources and financial strategies indicate that it needs to plan on the basis of losing a further 1,000 posts over the medium term. This report proposes that initial financial provision is made to fund up to 500 of these through ER/VR decisions over the course of the next year or so at which point the impact of this initial phase will be reviewed.

Recommendations:

Cabinet is recommended to:

1. In view of the staffing and budget implications as set out in the report, approve the commencement of consultation and implementation of the following management proposals:
 - a) The launch and implementation of a voluntary redundancy programme. During the consultation period the Council will invite applications from employees who are interested in taking ER/VR;
 - b) To agree to the changes to the programme outlined in this report designed to encourage take up.
 - c) To retain – for the present - despite the financial pressures facing the Council, the traditional enhancement to voluntary redundancy payments which the Council offers (approximately 50% enhancement) to help maximise take up of the scheme.
 - d) To introduce a policy to ensure when an individual leaves the organisation through VR or ER, they will not be re-employed or engaged on a consultancy basis, other than in exceptional circumstances which will need to be approved by the relevant Director and the Assistant Director for HR in consultation with the Cabinet Member (Strategic Finance & Resources).
 - e) Undertake a further review of all management and supervisory posts in the Council to ensure the minimum number of managers and supervisors appropriate for the service area; the report with their proposals to be considered by the Cabinet Member (Strategic Finance & Resources)
2. Recommend to full Council that it approves the virement of additional resources of £7.2m as identified in section 5.1 of the report to add to existing budgets of £5.3m to fund redundancy and early retirement costs.

Council is recommended to:

Approve the virement of additional resources of £7.2m as identified in section 5.1 to add to existing budgets of £5.3m to fund redundancy and early retirement costs.

List of Appendices included:

Appendix 1 exempted posts

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?

Yes - 9th September 2014

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

1. Context (or background)

- 1.1 As a result of continuing cuts in public sector spending, the Council is required to make further significant financial savings, currently estimated at £60m pa by 2017/18. 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 a further significant reduction in the number of Council employees.
- 1.2 Every effort is continuing to be made to identify non-staff cost reductions, including further reviews of services, a vacancy freeze (allowing recruitment only to the most essential posts) and minimising the use of agency staff. However, all of these measures will not generate enough savings to enable the Council to balance its budget in the coming years. 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 the overall saving. 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 next year.

2. Options considered and recommended proposal

- 2.1 When an employer is proposing to dismiss as redundant 100 or more employees in a 90 day period, in accordance with *S188 of the Trade Union and Labour Relations (Consolidation) Act 1992, (as amended)* the Council is required to enter into a formal minimum consultation period of 45 days. The consultation will propose the redundancies be managed through a voluntary redundancy programme to commence on 15th September 2014
- 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 it has been deemed that posts cannot be deleted at the present time, listed at Appendix 1. This category of exempted posts will be limited to areas where the Council clearly needs to continue to recruit and it is not possible to delete posts through redundancy.
- 2.2.2 The existing 'bumped redundancy list' will be closed and where possible those employees currently on the bumped list will be released on VR. Broadly, all posts not on the list in Appendix One can be released.
- 2.2.3 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 redundancy payment scheme. Where applicable, for employees aged 55 years or over and who are in the pension scheme, early retirement benefits will be released. The Council's redundancy payment scheme currently provides enhanced redundancy payments of approximately 50% for employees which will need to be reviewed to assess viability of sustaining such enhancements for the future.
- 2.2.4 Employees are currently entitled to receive a redundancy payment with the option of:
- a payment equivalent to 1.5 times the entitlement to statutory redundancy weeks, or
 - a payment equivalent to statutory redundancy weeks plus a 6 week lump sum based on current salary levels

- 2.2.5 The VRP will be open for a 4 week window following which the Council can take stock and re-open the VRP subsequently if necessary. The window will open on 15 September 2014 and close on 13 October 2014.
- 2.2.6 The expression of interest in voluntary redundancy from an employee will not imply any commitment on either part.
- 2.2.7 The application for VR/ER will be made by an interested employee direct to the HR service – line management approval is not required, although employees will be encouraged to discuss their application with managers
- 2.2.8 At the end of the application window, all VR applications will initially be sent to each Executive Director for review. The assumption will be that all applications not on the exempt list will be approved, unless there is an overriding and exceptional operational reason why it cannot be approved. Once each Executive Director has compiled a list of the applications they recommend should be approved or rejected, along with their reasoning, proposals will go to Strategic Management Board (SMB) for final moderation and approval. Employees who have applied for VR will then be informed whether or not they have approval to leave the organisation on voluntary redundancy grounds.
- 2.2.9 It is anticipated that those granted voluntary redundancy will leave the organisation no later than 31st March 2015. Once a person has taken voluntary redundancy, they will not be permitted to work for the Council again in any paid capacity (including via an agency or consultancy), other than in exceptional circumstances to be approved by the relevant Director and the Assistant Director responsible for HR. This restriction does not apply to anyone who is made compulsorily redundant.
- 2.2.10 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?
 - If not, can an individual be transferred into the post from another post which then can be deleted or deliver a saving
- The default position is that applications will be approved unless there is an overriding reason for a Director to reject it.
- 2.2.11 Employees will not be given any guarantees nor should they assume that they may take voluntary redundancy until the necessary formal approvals have been given in writing.
- 2.2.12 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.
- 2.2.13 Once an application for voluntary redundancy has been approved, it cannot be subsequently withdrawn.
- 2.2.14 Where a request for voluntary redundancy cannot be accepted due to service needs, consideration will be given to covering the post by transferring resource from elsewhere in the service/organisation where possible and therefore allowing the individual to take redundancy. Those employees who are redeployed will be provided with relevant training and skills development to support them to undertake any new roles.

2.2.15 If too many people from one job group apply for VR which could result in that service being unable to function and it becomes necessary to choose between multiple applications, the 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

2.2.16 Exact numbers of post reductions cannot be accurately predicted at this stage. As many employees work part-time, the potential saving for each one requesting VR will vary. Current estimates have used an initial medium term planning assumption that would require a reduction in the workforce of approximately 1,000 fte posts. However, it is anticipated that this workforce reduction will also be achieved by allowing those employees on the existing bumped redundancy list to leave on VR, the deletion of some existing vacant posts and taking account of expected staff turnover. This is very likely to reduce the number of employees required to leave through redundancy by several hundred, although a more accurate figure will not be available until the process is well advanced.

3. Results of consultation undertaken

3.1 Initial discussion has been undertaken with the trade unions in respect of the potential proposal for a VRP. They are also aware of the potential for some non-statutory services to undergo substantial re-structuring or even to cease operation. Formal consultation will commence once political approval has been given to these proposals.

4. Timetable for implementing this decision

4.1 There will be a minimum 45 day formal consultation period under S188 of the Trade Union and Labour Relations (Consolidation) Act 1992 (as amended) to signal that we are considering making redundancies. In addition, all non-schools employees will be notified of these proposals following the Cabinet decision. The 45 day period will commence on 8 August 2014 and end on 22 September 2014.

4.2 In parallel to the Consultation process employees will be invited to apply for VR, with a closing date of 13 October 2014. Decisions by Senior Management Board will be made by the end of October 2014.

5. Comments from Executive Director, Resources

5.1 Financial implications

The financial circumstances behind this report and the financial implications of the recommended option are based on relatively broad financial planning assumptions. These assumptions, that will need to be crystallised over the coming months, include:

- The overall size of future budget gaps that face the City Council
- The level of savings that will need to be found from employee reductions
- The level of turnover that will occur within the workforce irrespective of any further ER/VR initiative
- The level of savings and the level of ER/VR costs that will result from a specific number of individual ER/VR decisions.

In order to implement the proposed option it is necessary to estimate and set aside financial provision to fund up to 500 ER/VR decisions that will result from an initial ER/VR exercise. A financial planning estimate is that this will result in a cost of approximately £12.5m based on average cost of £25,000 per individual. It is proposed that the following financial resources are earmarked to fund these costs: £5.3m from resources within existing budgets and reserves and £7.2m of other resources.

	£m	£m
Existing ER/VR Annual Revenue Budget	2.5	
Current ER/VR Reserve	2.8	
Existing Resources		5.3
Contribution from 2014/15 Quarter 1 Budgetary Control Position	3.0	
Review Existing 2014/15 Budgets (City Centre Income Loss and Leisure facilities)	2.0	
Review of Other Reserves	2.2	
Proposed Virement		7.2
Total		12.5

Given the medium term nature of the need to continue to identify further post - reductions, it is possible although unlikely that ER/VR applications to a greater cost than the financial provision set aside above could be accepted within 2014/15. If the overall envelope of resources looks like it may be exceeded then this will be the subject of a further report to Cabinet or incorporated within the 2014/15 budgetary control process.

5.2 Legal implications

Section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 requires that the Council undertakes a formal consultation lasting a minimum of 45 days when it proposes to make more than 100 employees redundant in a 90 day period. The proposals within this report will ensure this legal obligation is met.

Under the Council's Constitution, any proposal to vire more than £1.5m from one or more budget heads to another requires the approval of full Council. As the proposal here is to vire £7.2m, it must be approved by full Council. The power to appoint staff and to determine the terms and conditions on which they hold office (including procedures for their dismissal) is also, by law, a Council function. However, the procedures which Cabinet are asked to approve in this report do not relate to these matters and so can be determined by Cabinet.

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 balanced budgets for the period 2015/16 to 2017/18.

6.2 How is risk being managed?

There will be an impact on the organisation due to a significant reduction in staffing levels. Any approvals for voluntary redundancy will be determined by Executive Directors.

6.3 What is the impact on the organisation?

These proposals will contribute to balancing the 2015/16 budget and beyond. It continues the Council's transformation of services through the delivery of a new organisational model which is leaner, more efficient and fit for purpose in meeting the Council's statutory and political imperative.

6.4 Equalities / EIA

An Equality Impact Assessment has (not yet) 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 VRP. 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 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

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This report is published on the council's website: www.coventry.gov.uk/councilmeetings

Appendix 1

List of Posts Exempt from ER/VR Round 4

Directorate	Posts Exempt
Chief Executive's/Public Health	None
People	Social Workers Court Based Assessment Service Occupational therapists Children and family first service Independent Reviewing Officers/ Safeguarding Conference Chairs Adult Education Educational Psychologists SEN Education case officers Specialist teachers holding mandatory (DfE required) qualifications in sensory impairment Coventry Education Improvement Partners
Place	Drivers, Collectors, Senior Crew Members, Supervisors – Domestic Waste & Commercial Waste Grave Digger & Cemetery Operative Crematorium Operative Funeral Co-ordinators Workshop Assistants (Fleet) Workshop Supervisors (Fleet) Fleet Technicians
Resources	Childcare Lawyers – Legal & Democratic Services