

Cabinet
Council

26th November 2015
1st December 2015

Name of Cabinet Member:

Cabinet Member for Strategic Finance & Resources – Councillor Gannon

Director Approving Submission of the report:

Executive Director, Resources

Ward(s) affected:

All

Title:

Staffing Reductions and Voluntary Redundancy

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 significant savings exercises 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, 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.

The forthcoming Spending Review announcement is likely to signal further significant resource cuts for local government and by 2017/18 Coventry is likely to face having its government funding cut by well in excess of £100m or over 55% since 2010. Further, significant savings will be needed across services. 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 fewer employees.

The Council's human resources and financial strategies put into place in 2014/15 were based on the need to plan on the basis of losing a further 1,000 posts over the medium term. If anything the prospects in the coming Spending Review would suggest a significantly larger figure will be required. This report proposes the next opportunity for staff to express an interest in Early Retirement/Voluntary Redundancy (ER/VR), and puts in place the necessary financial arrangements. This report also proposes the delegation of Authority to initiate further ER/VR programmes in the future as necessary.

Since 2010 the Council has undertaken four rounds of ER/VR which has resulted in the region of 800 approvals, this has ensured that the number of compulsory redundancies has been kept to a minimum.

Corporate ER / VR programmes are a key tool in delivering the Councils' workforce strategy to achieve savings through headcount reductions. ER/VR programmes also minimise the risk of future compulsory redundancies.

Corporate ER /VR programmes will continue to be a regular feature of the Councils workforce Strategy whether they are general programmes or programmes targeted at specific work groups. In order to be able to respond effectively and as necessary to the changing budgetary pressures flexibility is needed to introduce programmes in a timely fashion.

Recommendations:

Cabinet is recommended to:

1. Approve the launch, consultation and implementation of a fifth ER/VR programme with consultation from 2nd December until 16th January 2016 and a closing date for ER /VR applications of 23rd January 2016.
2. Delegate authority to the Executive Director Resources (following consultation with Cabinet Member for Strategic Finance and Resources) the authority to develop and instigate further (general or specifically targeted) Early Retirement / Voluntary Redundancy programmes as appropriate on an on-going basis.
3. Approve the launch, consultation and implementation of such programmes in the future.
4. Recommend to full Council that it approves the virement of additional resources of £7.4m as identified in section 5 to add to existing budgets of £10.1m to fund redundancy and early retirement costs.

Council is recommended to:

Approve the virement of additional resources of £7.4m identified from existing reserve balances or in-year underspends to add to existing budgets of £10.1m to fund redundancy and early retirement costs.

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?

Yes 1st December 2015

Report title: Staffing Reductions and Voluntary Redundancy

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, with £40m built into 2015/16 Budget Setting prior to the further cuts expected in the 2015 Spending Review. 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, vacancy freezes (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 further reductions of post numbers to contribute to the overall saving. Estimates made as part of the August 2014 Staffing Reductions report indicated that a planning assumption of a reduction in the region of a further 1,000 posts should be used to guide human resource and financial strategies in the medium term. If anything the prospects in the coming Spending Review would suggest a significantly larger figure will be required.

2. Options considered and recommended proposal

- 2.1 Voluntary Redundancy programmes enable the Council to achieve staffing reductions whilst at the same time minimising the potential for compulsory redundancies. This further round is being considered now because:
- The Council needs to continue to make substantial savings and reduce the size of its workforce and avoid compulsory redundancies
 - The age profile of the Councils workforce; 26.5% of the workforce will be aged 55 or over by March 2016. This means that for many who would be able to access their pension, early retirement is a realistic option.
 - Changes to National Insurance in April 2016 will see many staff receive a reduction in take home pay, which coupled with further public sector pay restraint over the life of the Parliament is likely to encourage staff to consider their options.
 - Planned complex changes to pension tax and severance arrangements in the forthcoming year also means that for some, now may be the right time to consider early retirement or voluntary redundancy
- 2.2 This fifth round is timed to allow individuals to leave the organisation by 31st March 2016 or shortly thereafter. The alternative option of not holding this ER/VR round is a potential missed opportunity for the Council to achieve further savings and (where possible) enable those who wish to leave to do so in light of planned changes.

3. **Voluntary Redundancy – General Principles**

- 3.1 When an employer is proposing to dismiss as redundant 99 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
- 3.2 When planned, Voluntary Redundancy Programmes 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. These will be known as exempted posts
- 3.3 Exempted posts will be clearly defined and publicised at the launch of consultation when an ER VR programme is planned. 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.
- 3.4 Where appropriate, in order to facilitate as many voluntary redundancies as possible, the Council may consider resource switching. This will further reduce the need for compulsory redundancies. Any specific programmes or proposals in this regard will be clearly outlined and included as part of each consultation process.
- 3.5 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.
- 3.6 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.
- 3.7 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
- 3.8 Programmes will be open for a defined periods following which the Council can take stock and re-open if necessary. The timescales will be clearly communicated as each programme is defined, consulted upon and launched
- 3.9 The expression of interest in voluntary redundancy from an employee will not imply any commitment on either part.
- 3.10 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
- 3.11 All applications will initially be sent to each Executive Director for review. The assumption will be that on each occasion 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.

- 3.12 It is anticipated that those granted voluntary redundancy will leave the organisation following their contractual notice period. 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), for a period of five years 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.
- 3.13 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 an Executive Director to reject it.
- 3.14 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.
- 3.15 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.
- 3.16 Once an application for voluntary redundancy has been approved, it cannot be subsequently withdrawn.
- 3.17 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 transfer will be provided with relevant training and skills development to support them to undertake different roles where appropriate.
- 3.18 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
- 3.19 Exact numbers of post reductions cannot be accurately predicted as many employees work part-time, and therefore the potential savings from each VR request and decision will vary. Previous estimates used a medium term planning assumption that would require a reduction in the workforce of approximately 1,000 posts. Just over 200 people left through ER/ VR in 2014/15. It is anticipated that reductions in the workforce will also be achieved by the continued 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.

4. Results of consultation undertaken

Initial discussions have been undertaken with the trade unions in respect of the potential proposal for further Voluntary Redundancy Programmes. They are also aware of the potential for some non-statutory services to undergo substantial review and re-structuring or even in some cases for some to cease operation. Formal consultation will be required in these circumstances.

5. Timetable for implementing this decision

Consultation on this fifth round of ER/VR will commence on 2nd December 2016 and will last for a 45 day period until 16th January 2016.

In parallel with the consultation process employees will have the opportunity to consider and make an application. The closing date for applications will be 23rd January 2016. After this point Executive Directors will give consideration to all applications and then confirm approvals.

It is anticipated that in early February employees who have applied for ER /VR will start to be notified whether their application has been approved. Individual meetings will be held to agree leaving dates and issue notice.

In terms of future rounds of ER/VR where it is anticipated there will be 99 or more redundancies, whether at the launch of a VR programme or resulting from any other significant change programmes, in accordance with S188 of the Trade Union and Labour Relations (Consolidation) Act 1992 (as amended), there will be a minimum 45 day formal consultation period. Trades Unions will be formally notified along with all non-schools employees.

Depending on the nature of the programme, in parallel to the consultation process, employees may be invited to apply for ER/VR, by a specified closing date, usually a four week period. Decisions by Senior Management Board will then be made within a specified timescale following the closure of the application window.

6. Comments from Executive Director, Resources

6.1 Financial implications

The financial circumstances behind this report and the financial implications of the recommended option are based on some broad financial planning and workforce planning assumptions including:

- 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.

As part of 2015/16 Budget Setting the Council agreed Workforce Strategy savings of £6m this year rising to £15m by 2017/18. Action identified currently is projected to almost meet

the 2015/16 target but will fall short by approximately £2.4m and £9.4m over the next two financial years. Given this and other budget targets that will inevitably need to be part met by employee cost savings it is clear that the Council needs to take decisive and immediate action to enable it to deliver these targets.

In order to implement the proposed option it is necessary to estimate and set aside financial provision to fund up to 700 further future ER/VR decisions that will result from ER/VR exercises. A financial planning estimate is that this will result in a cost of approximately £17.5m based on average cost of £25,000 per individual. It is proposed that the following financial resources are earmarked or identified to fund these costs over the next two years.

	£m	£m
Estimated Cost		17.5
Existing ER/VR Annual Revenue Budget (£2.5m for 2 years)	5.0	
Current ER/VR Reserve	5.1	
Existing Resources		10.1
Review of Other Reserves/Resources		7.4
Proposed Virement		7.4

This would require reserves or other in-year resources of £7.4m being identified and this will require approval of a virement of the relevant resources. Work is under way to identify these resources and this will be reported as part of the Pre-Budget Report. Given the medium term nature of the need to continue to identify further post reductions, it is possible although unlikely that ER/VR applications are a greater cost than the financial provision set aside over the next two years. 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 2017/18 budgetary control process.

6.2 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 99 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 £7.4m, 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.

7. Other implications

7.1 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 2016/17 to 2017/18 and beyond.

7.2 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.

7.3 What is the impact on the organisation?

These proposals will contribute to balancing the 2016/17 and 2017/18 budgets 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.

7.4 Equalities / EIA

For each programme 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 objective selection criteria. Data on uptake and approval will be monitored to identify whether any equality impact is arising from the process.

7.5 Implications for (or impact on) the environment

None

7.6 Implications for partner organisations?

None

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