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**Meeting of the Cabinet – 30<sup>th</sup> October 2013**

**Report of the Director of Corporate Resources**

**Staffing issues – budget savings year 2013/14**

**Purpose of Report**

1. To update Cabinet with final figures relating to staff changes as a result of the budget saving process for year three (2013/14).
2. To update Cabinet with learning that has taken place over three years of savings and the outcomes put into place for the 2014/15 budget saving process.
3. To provide Cabinet with the timeline for managing the staffing implications for the 2014/15 budget saving process including the consultation and communication plans.
4. To seek approval for a voluntary redundancy (VR) programme which is targeted specifically at service areas where savings are identified, rather than a council wide expressions of interest process. This targeted approach will support the Council in the need to make the savings and recognises the balance of providing a service, whilst aiming to minimise the number of compulsory redundancies (CR) required. Employees will be able to express their interest in being included on a VR register which will be collated for potential redundancy bumping opportunities.
5. To seek approval for the Director of Corporate Resources in consultation with the Cabinet Member for HR, Law & Governance to have delegated responsibility to determine applications for voluntary redundancy including those with pension implications.
6. Further, to seek approval for the Assistant Director for HR & OD in consultation with the Cabinet Member for HR, Law & Governance to have delegated responsibility to approve compulsory redundancies arising out of the budget saving process, including those with pension implications.

**Background**

**Facts and Figures**

7. The budget for 2013/14 required efficiencies and other savings totalling £11.3m. As with previous years, where these relate to employee costs they have, as far as possible, been made through not filling vacancies, deleting posts, redeployment, redundancy bumping and voluntary requests for reduced hours.
8. Expressions of interest were requested from employees across the Council, excluding teaching staff, for voluntary redundancies. The process highlighted

from the start any posts or service areas where requests would not be able to be agreed (unless there was a redundancy bumping opportunity) to minimise expectations if service delivery/business needs would prevent agreement.

9. There were 367 expressions of interest in voluntary redundancy including 182 from the excluded groups. 25 requests were subsequently withdrawn by the employees (1 from the excluded group).
10. There was a clear message that employees from excluded groups may still register their interest however this would only be progressed should either budget savings change or there be a redundancy bumping opportunity, the perception of a council wide budget does appear to raise expectations regardless.
11. Voluntary redundancies for 57 employees had been approved. Once numbers for voluntary redundancies were confirmed there was still a requirement for compulsory redundancies to meet the savings required.
12. There was one report to Cabinet required – this related to 9 employees with approval requested to end their contracts of employment on the grounds of compulsory redundancy. None of the 9 had pension cost implications. One of the 9 employees, when realising their post was at risk of compulsory redundancy, asked if they might be accepted for voluntary redundancy (rather than seek redeployment) which was agreed, leaving 8 employees at risk of redundancy.
13. Redeployment efforts continued up to their last working day for all employees at risk of compulsory redundancy and the table below demonstrates the outcome for the 8 employees.

Status	Children's Services		
	Children's Services	DUE	Totals
Redeployed	1	2	3
Redundancy bumped*	0	2	2
Redundant	3	0	3

\*redundancy bumping takes place when an employee at risk of compulsory redundancy "bumps" a volunteer for redundancy out of their job and the post of the volunteer is then the one which is redundant and removed from the establishment.

14. Therefore 3 employees have left the council on the grounds of compulsory redundancy as a result of the savings, with 62.5% of those put forward to Cabinet for approval being successfully maintained in employment.
15. The total leavers (compulsory or voluntary redundancy) for 2013/14 budget savings is 60 (47.43 FTE). The table below gives a breakdown by directorate.

Reason	Numbers									
	Chief Executives		Children's Services		Corporate Resources		DACHS		DUE	
	FTE	Actual	FTE	Actual	FTE	Actual	FTE	Actual	FTE	Actual
Voluntary redundancy	0.43	1	9.02	16	11.56	14	10.94	12	12.48	14
Compulsory redundancy	0	0	3	3	0	0	0	0	0	0
Total	0.43	1	12.02	19	11.56	14	10.94	12	12.48	14

16. Given the severe ongoing budget conditions and the posts already deleted over three years of savings (see the table below) the figures for 2013/14 demonstrate a real ongoing commitment by Dudley MBC to minimise job losses and are as a result of a lot of hard work by many officers across the council.
17. The total numbers of compulsory and voluntary redundancies under the three years of the budget saving process is as follows:

	Year 1 2011/12	Year 2 2012/13	Year 3 2013/14	Total
<b>VR severance - employee numbers</b>	<b>404</b>	<b>83</b>	<b>57</b>	<b>544</b>
VR FTE	269.03	63.89	44.43	377.84
<b>CR severance - employee numbers</b>	<b>56</b>	<b>18</b>	<b>3</b>	<b>77</b>
CR FTE	45.95	17.03	3	65.98
<b>Total of Employee Leavers</b>	<b>460</b>	<b>101</b>	<b>60</b>	<b>621</b>
<b>Total of FTE leavers</b>	<b>314.98</b>	<b>80.92</b>	<b>47.43</b>	<b>443.33</b>

18. The total cost of compulsory and voluntary redundancies under the three years of the budget saving process is £13.079 million including capitalised pension costs broken down as follows:

	Year 1 (£ million)	Year 2 (£ million)	Year 3 (£ million)	Total (£ million)
VR severance	6.328	1.181	0.946	8.455
VR capitalised pension cost	2.615	0.429	0.448	3.492
CR severance	0.754	0.169	0.071	0.994
CR capitalised pension costs	0.088	0.050	0.000	0.138

### Learning from three years of budget saving

Overall:

19. The process for 2013/14 went well due to experiences and learning gained from the previous two years
20. Due to vacancy management and acceptance of voluntary redundancies the employee numbers for compulsory redundancy are very low. Unless a service area is closing and/or a job going in total it can often be the case that some work remains (whilst ensuring legal implications have been fully considered to ensure a legal and fair outcome). This may mean a restructure of the team/work has to take place. This can cause confusion to our employees; with a fear they are going to have unreasonable workloads. On occasion there has also been a perception expressed that colleagues who might not have performed as well as

them historically are being rewarded by being accepted for VR (particularly when there are excess volunteers).

21. There has been no adverse feedback with regards to either the redeployment or redundancy bumping process in terms of how the process is managed. Improvements have taken place to make the redundancy bumping process more transparent and effective whilst maintaining employee confidentiality and working within HR resources as it is a time consuming process.
22. The delegated responsibility for voluntary redundancy approval has once again been effective to ensure there have been no undue delays between agreement with the employee to proceed and formal approval.
23. Any employee who leaves the Council on the grounds of redundancy (be it compulsory or voluntary) should be able to leave with dignity and respect, feeling that their contribution has been valued. This will enhance the Council's reputation as a good employer and improve employee engagement if appropriate and fair processes are being followed consistently and ethically. There have been limited comments that this is not always the case, perhaps due to manager uncertainty or lack of experience in handling these difficult and sensitive areas.
24. The communication process for any voluntary redundancy process has to be carefully considered as does the acceptance of any such requests, balanced against the work that remains and the employees required to achieve this.

#### Consultation Process, communication and employee engagement:

25. There is a lack of clarity by some employees in terms of consultation when they are first informed about the potential redundancy of their post. This ranges from not understanding what a redundancy is; why their post has been selected for redundancy and what they can then do about it i.e. their opportunity to influence the decision during the consultation process.
26. Once the budget proposals are in the public arena and consultation commences with the various committees, not surprisingly, proposals may change for a number of reasons including changes to services areas affected, changes to funding streams, reduced requirement for staff cuts perhaps because of vacancy savings, staff turnover during the process etc.
27. Further improvements need to be made in communicating during the consultation process to ensure as much as possible that employees (all employees not just those directly affected) feel supported and valued. This includes better information regarding the consultation process and more involvement at that stage with line managers to ensure they understand the decision making process and can support the outcomes in terms of how they manage the formal and informal communications.

#### Training:

28. Positive feedback has again been received by employees using the Facing the Future programme developed and run by the Corporate Learning & Development team.

## Policies and Procedures:

29. The “managing employees at risk of redundancy” (MEARR) policy has been reviewed each year to take into account learning taking place. Due to the complexity of all the processes involved this is a lengthy and detailed policy and further work is required to make the policy more user friendly for both managers and employees.

## Actions arising out of the learning:

30. As a result of the learning a detailed consultation plan has been developed including additional formal collective consultation meetings and manager briefings.
31. Record taking of collective consultation meetings will be improved with enhanced clarity and transparency of discussions and follow up actions/agreements.
32. A communication plan being developed by Communications & HR will provide a more structured approach to managing the communication process to ensure key messages are effectively and consistently cascaded throughout the council.
33. In addition to the manager briefings, highlighted in the consultation plan, the facing the future sessions have been reviewed to ensure they meet current need and feedback at the manager briefings will also be taken into account. This will include improving the support to all employees but especially those at risk of redundancy. Corporate Board have confirmed that attendance at the manager workshop on the Facing the Future Programme will be mandatory for managers with redundancies in their areas.
34. The MEARR policy will be redesigned to make it more user friendly with additional guide-notes as appropriate
35. The appeal process will be reviewed to improve the timeliness of resolution for all affected employees.
36. It is important that HR officers are engaged with at the earliest opportunity, particularly with regard to consultation on whether there is a genuine redundancy and appropriate selection pools. HR officers will take responsibility for a robust challenge to management teams to ensure that proper processes and consideration have taken place and to escalate any concerns as appropriate and necessary.

## Finance

37. The cost to the Authority in approving severances related to the budget savings process so far is set out in the table following paragraph 18.

Redundancy costs are dependant on the age and length of service of the individuals concerned and therefore costs for the 2014/15 savings cannot be precisely calculated at this stage. However, it is anticipated that they can be met from use of resources earmarked for committed capital expenditure (which in turn could be funded from prudential borrowing) and general balances.

## **Law**

38. The main provisions relating to the redundancy rights and payments for Local Authority employees are contained in The Redundancy Payments (Continuity of Employment in Local Government etc.) (Modification) Order 1999 as amended.
39. The Collective Redundancies (Amendment) Regulations 2006 concerns the duty to notify the Secretary of State of the proposal of collective redundancies. This duty has been met with the submission of the required HR1 Form.
40. Relevant employer responsibilities are contained in The Employments Rights Act 1996 and The Equality Act 2010
41. Section 111 of the Local Government Act 1972 empowers the Council to do anything which is calculate to facilitate, or is conducive or incidental to the discharge of its functions.
42. Pension arrangements for Local Government employees are contained in the Local Government Pension Scheme regulations 1997

## **Equality Impact**

43. The budget saving process detailed in this report is consistent with the Council's Equality & Diversity Policy
44. A corporate Equality Impact Assessment for staffing was completed and is attached as an appendix. There were no major implications identified for the seven protected characteristics as defined by the Equality Act 2010.

## **Recommendations**

45. That Cabinet note the contents of this report.
46. That Cabinet agree the outline timetable for the next round of employee related budget savings.
47. That Cabinet agree to a voluntary redundancy programme related to services where savings are identified, rather than a council wide "Expressions of interest" process.
48. That the Director of Corporate Resources, in consultation with the Cabinet Member for HR, Law and Governance, be authorised to determine all applications for voluntary redundancy including those where there are pension implications, and that the Assistant Director HR & OD, in consultation with the Cabinet Member for HR, Law and Governance be authorised to determine all applications for compulsory redundancy including those where there are pension implications, up to a total maximum of £3.0m for direct redundancy costs and £1.5m for the capitalised cost of pension strain



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**List of Background Papers**

- Equality Impact Assessment
- Draft outline timetable for the 2014/15 savings programme