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**Meeting of the Cabinet – 13<sup>th</sup> October 2011**

**Report of the Director of Corporate Resources**

**Staffing issues – year one budget savings summary**

**Purpose of Report**

1. To update Cabinet with final figures relating to staff changes as a result of the budget saving process.
2. To update Cabinet with learning that has taken place and outcomes from the learning put into place for the year two budget saving process.
3. To seek approval for a voluntary redundancy programme for savings required in 2012/13, as it has been demonstrated that the programme for year 1 budget savings significantly reduced the number of compulsory redundancies required.
4. Further, if such approval is given, to note the posts identified for exclusion from a voluntary redundancy process at this time, due to service delivery requirements. (subject to possible bumping opportunities)
5. Further, to seek approval for the Director of Corporate Resources in consultation with the Cabinet Member for Human Resources, Law and Governance to again have delegated responsibility to determine applications for voluntary redundancy including those where there are pension implications.

**Background**

**Facts and Figures**

6. This report follows reports submitted to Cabinet in May, June, July and September in relation to the Council's budget for 2011/12 requiring efficiencies and other savings totalling £22.3m.
7. Legal obligations require employers to attempt to minimise the need for compulsory redundancies. The Council has considered a number of options to reduce the impact of these unprecedented savings on the workforce whilst maintaining service delivery for citizens of the borough in line with Council plans. Our redeployment policy and procedures contribute to minimising compulsory redundancies.
8. Indications in January 2011 were that 459.5 Full Time Equivalent (FTE) posts would need to be removed from the establishment, of which 129.2 FTE would be achieved by non-filling of vacancies. The estimate of savings required was made before all changes to external funding streams had been communicated to the Council and there was, therefore, a likelihood that the total savings required would change.

9. All directorate management teams have managed their workforce, taking into account business needs and anticipated savings required, recruitment is also closely monitored by an elected member authorisation process for all vacancies.
10. Additionally, expressions of interest were requested from employees across the Council, excluding teaching staff, for voluntary redundancies, which, it was intended, would minimise the need for compulsory redundancies.
11. This process resulted in 1180 expressions received, of which 126 were subsequently withdrawn at various stages in the process. By the end of the process 404 had decided to proceed with their interest; were supported by senior managers and subsequently authorised. Of the 404 there were 237 with pension implications.
12. A number of employees who requested voluntary redundancy, were held as pending due to the fact they could possibly be considered if a redundancy bumping opportunity arose.
13. Once numbers for voluntary redundancies were confirmed there was still a requirement for a small number of compulsory redundancies to meet the savings required.
14. 86 employees were put at risk of compulsory redundancy. However 1 was redeployed and 6 were bumped into other roles before approval to terminate the contracts of employment was sought. This left 79 employees who were included in the reports submitted to Cabinet for approval to end their contracts of employment on the grounds of compulsory redundancy. Of these 7 had pension implications. Additionally 18 employees were either successfully redeployed (14) or bumped (4) prior to formal notice of being at risk was required.
15. 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 these 79 employees.

Status	Number			
	Children's Services	DACHS	DUE	Corporate Resources
Redeployed	9	1	0	6
bumped*	4	3	0	0
Redundant	42	12	2	0

\*bumping takes place when an employee at risk of compulsory redundancy "bumps" a volunteer for redundancy out of their job and the volunteer is then the person who is made voluntarily redundant.

16. Therefore 56 employees have left the Council on the grounds of compulsory redundancy as a result of the year one savings, with 29% of those put forward to Cabinet being successfully maintained in employment.
17. The total leavers (compulsory or voluntary redundancy) for year one budget savings is 460 (314.98 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	7.41	8	51.47	82	20.15	24	157.11	252	32.89	38
Compulsory redundancy	0	0	33.39	42	0	0	10.56	12	2	2
Total	7.41	8	84.86	124	20.15	24	167.67	264	34.89	40

18. Additionally 129.2 FTE post savings were achieved by non filling of vacancies and 41.49 FTE posts were deleted by the redeployment/redundancy bumping of employees from the posts – making a total saving of 485.67 FTE posts.

#### Learning from year one

19. An exit questionnaire was issued w/c 22<sup>nd</sup> August 2011 to all who had left on the grounds of redundancy at that time. 69 were returned (19%). 60 returns were from those leaving on voluntary redundancy and 9 from those subject to compulsory redundancy. Key messages were that in general the process was well managed but some concerns were raised about communication between managers and those leaving on voluntary redundancy during their notice period.
20. The efforts to reduce the number of compulsory redundancies have been successful and savings achieved within timescales.
21. Processes such as the delegated responsibility to the Director of Corporate Resources in consultation with the Cabinet Member for Human Resources, Law and Governance for approval of voluntary redundancies supported the efficiency and timeliness of the project. The detail of the approvals was shared with the opposition lead for Human Resources.
22. The Managing Employees at Risk of Redundancy Policy (implemented in August 2010) provided a useful guide to managers, union representatives and employees alike to ensure clarity of the procedures involved in a fair and consistent process. Standard templates for meetings and letters enhanced consistency across the council. The policy has been reviewed and updated as a result of learning from year one experiences, including the streamlining of meetings (an area that employee feedback suggested could be improved), more detailed explanations in relation to bumping and assimilation and enhanced guidance in terms of equality assessments.
23. The Retraining and Redeployment Policy has also been reviewed and has been updated. A key change is to salary protection which has been reduced to make it clearer and time limited. A six months period of compensation is now provided to employees during the transition from one role to another. Roles and responsibilities have been enhanced to give clearer guidelines on a process which is both emotive and challenging with larger numbers of staff at risk and fewer vacancies.
24. The Facing the Future programme developed by the Corporate Learning and Development Team for managers and staff has received positive feedback and has added value to the retraining and redeployment process.

25. In total 48 employees have been redeployed within the Council as part of the year one budget saving process – 17 of those via redundancy bumping. Given the numbers and timeframe involved, together with limited experience of bumping by all officers involved, this has been a major and successful piece of work by both operational managers and Human Resources staff.
26. Trade Unions were consulted both corporately and at directorate level and, the Department for Business, Innovation and Skills were also notified in line with statutory requirements. Union representatives were pleased with the Council's efforts to reduce compulsory redundancies with a voluntary redundancy programme. No union comments were made to the selection criteria chosen for use when selection pools were required although agreement was reached that such pools would be division and then directorate wide in the first instance. Following completion of the year 1 programme earlier involvement with unions and relevant groups with regard to equality impact assessments will take place in future.
27. There were issues with the quality of employee data available – especially for longer serving employees where previous record keeping was less certain and those on multiple contracts or with varied working patterns. This has emphasised the priority work taking place with the PSE payroll and HR computer system to provide a higher quality, more reliable database and additional steps for gathering and checking data have been added for the budget saving process for 2011/12.
28. It was considered that the timing of the Council decision making process could be improved to be more in line with the legal consultation process to achieve proposed savings. A draft outline timetable for year two savings is attached as Appendix 1.

## **Finance**

29. The total overall cost to the Authority in approving the year one related severances was:
  - Compulsory redundancies
    - a. Redundancies £0.8m
    - b. Capitalised notional cost of early access to earned pensions £0.1m
  - Voluntary redundancies
    - c. Redundancies £6.3m
    - d. Capitalised notional cost of early access to earned pensions £2.6m

30. The redundancy costs relating to the year 1 budget savings have been funded from provision made in the 2010/11 accounts. The redundancy costs relating to the year two savings will be funded from resources allocated within the Medium Term Financial Strategy, or where possible from Dedicated Schools Grant. The pension costs will be met from within the Council's budgeted contributions to the West Midlands Pension Fund, or in the case of teachers from ongoing revenue budgets. The maximum limits on authority to determine applications for voluntary redundancy (paragraph 41 below) are prudent estimates based on budget proposals set out in another report on this agenda. Actual costs will be reported back to Cabinet when they are known.

### **Law**

31. 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.
32. 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.
33. Relevant employer responsibilities are contained in The Employments Rights Act 1996 and The Equality Act 2010
34. 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.
35. Pension arrangements for Local Government employees are contained in the Local Government Pension Scheme regulations 1997

### **Equality Impact**

36. The budget saving process detailed in this report is consistent with the Council's Equality and Diversity Policy
37. 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.

### **Recommendation**

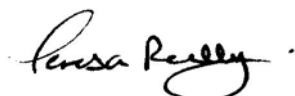
38. That Cabinet note the contents of this report and the learning outcomes detailed.
39. That Cabinet note the draft outline timetable for year two savings.
40. That Cabinet agree that the Council seeks expressions of interest in a voluntary redundancy process for year two savings to further support a reduction in compulsory redundancies and notes the category of posts excluded at this stage.

41. That the Director of Corporate Resources, in consultation with the Cabinet Member for Human Resources, Law and Governance, be authorised to determine all applications for voluntary redundancy including those where there are pension implications, up to a maximum of £2.5m for direct redundancy costs and £1.5m for the capitalised cost of pension strain.



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**Philip Tart**  
**Director of Corporate Resources**

In consultation with:



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Teresa Reilly  
Assistant Director – Human Resources and Organisational Development

Contact Officers:

Margot Worton  
Head of HR supporting the central directorates  
01384 817209

Karen Jesson  
Head of HR supporting DUE  
01384 815773

Chris McEwan  
Principal HR Officer supporting Children's Services  
01384 814210

Rebecca Sidaway  
Deputy Head of HR supporting DACHS  
01384 812119

**List of Background Papers**

- Draft outline timetable for year 2 savings programme (Appendix 1)
- Equality Impact Assessment and statistics (Appendix 2)
- Excluded posts lists (Appendix 3)