

Report to:	CABINET	
Report of:	Chief Executive	
Date of Decision:	25th July 2017	
SUBJECT:	MANAGEMENT OF WORKFORCE REDUCTIONS FOR 2017-18	
Key Decision:	Relevant Forward Plan Ref:	
If not in the Forward Plan: (please "X" box)	Chief Executive approved	<input type="checkbox"/>
	O&S Chairman approved	<input type="checkbox"/>
Relevant Cabinet Member(s)	Councillor Ian Ward – Deputy Leader	
Relevant O&S Chairman:	Cllr Mohammed Aikhlaq– Corporate Resources and Governance	
Wards affected:	ALL	
1. Purpose of report:		
1.1	This report outlines the current approach taken by the City Council in respect of achieving the required workforce reductions associated with the budget savings for 2017-18. It makes recommendations in respect of future policy and practice for the management of the non -schools workforce reductions.	
2. Decision(s) recommended:		
That Cabinet:		
2.1	Agrees to delegate to the Chief Executive the authority to implement a Council wide (non-schools) voluntary redundancy trawl on the terms outlined in paragraph 5.2 of this report and subject to the controls identified in paragraph 5.5 of this report.	
2.2	Agrees to delegate authority to the Chief Executive to undertake a further Council wide or targeted voluntary redundancy trawl later in 2017-18 if she identifies that it would facilitate an additional opportunity to secure headcount reductions and financial savings.	
Lead Contact Officer(s):	Kate Charlton – City Solicitor and Monitoring Officer Dawn Hewins – HR Director	
Telephone No: E-mail address:	kate.charlton@birmingham.gov.uk dawn.hewins@birmingham.gov.uk	
3. Consultation		
3.1	<u>Internal</u> The Deputy Leader, the Corporate Leadership Team (CLT) and the corporate trade unions have been consulted on the proposals contained within this report.	

3.2 External

The approach of the Council has always been to minimise any negative impacts of budget or workforce reductions on the public and the work of partner organisations. The voluntary redundancies proposed here will in general be related to fulfilling the budget proposals already agreed in the Council's February 2017 budget report and consultation processes will either have already taken place or are in hand. However officers will work with elected members, partners and the communications team to ensure any further implications are fully understood.

4. **Compliance Issues:**

4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?

Yes the proposals contained within this report support the ambition have a workforce with the right skills and profile to deliver the Council vision.

4.2 Financial Implications (Will decisions be carried out within existing finance and Resources?)

The Council took advantage of the relaxation in the application of capital receipts, announced in the Chancellor's 2015 Spending review, in developing its plans to meet the corporate cost of redundancy wholly from capital receipts in 2016/17 and 2017-18 so as to enable the achievement of the necessary reduction in future revenue costs and/or facilitate the transformation of service delivery. Any associated pension strain costs remain the responsibility of the service to fund.

The proposals for pay in lieu of notice (PILON) are expected to be cash neutral to the Council, provided that the business does not acquire temporary resources to deliver services during transition to a new structure due to the early exit of employees. The departure of the employee being as quickly as possible can be advantageous to both the Council as employer and employee but this would need to be decided according to the needs of the business and in consultation with the employee. If an employee leaves early, the costs that the Council would have otherwise incurred had the employee served his/her notice would simply be paid as an upfront sum to encourage early exit and thus providing a saving as soon as possible. Any payment for PILON will be taxable and subject to NI deductions. As it is part of normal pay, it will be a cost to the service.

Based on a prediction of c1200 leavers in total, the lump sum payment due to employees could potentially cost the Council up to a maximum of around £3.9m including employer National Insurance contributions, leavers. . Based on historic trends, no more than around 70% of the exits are likely to receive the lump sum payment, making the forecasted costs around £2.8m.

It is anticipated that the average redundancy payment will be approximately £18.7k over the next few financial years, and therefore the anticipated redundancy costs for the c1200 leavers is approximately £22.4m. Combining this with the proposed lump sum payment, the anticipated costs are expected to be around £26.3m. As part of its medium term financial planning the Council has allocated £27m for redundancy costs for 2017-18 and a further £10m for 2018-19.

Each case for voluntary redundancy is examined to evaluate the ongoing implications for the Council, including financial. The process reduces risks and promotes value for money in the process, by comparing the costs of the redundancy with the associated annual savings at the point of exit

4.3 Legal Implications

The Council has an established redundancy policy which is that we make a payment in accordance with the statutory provisions save that there is no cap on the weekly salary used for the purpose of calculation. On an annual basis consideration is given to whether there is a business case for offering an enhanced offer to facilitate voluntary redundancies.

The regulations called The Public Sector Exit Payment Regulations 2016 are contained in The Enterprise Bill 2015/2016, and even though the draft regulations have been laid before Parliament, they are not yet in force and are currently being reviewed, so are not likely to come into force until sometime after August 2017.

These regulations propose a cap of £95,000 on the total aggregate value of exit payments made to most public sector workers, which currently includes for the purposes of redundancy, the redundancy payment, any payment in lieu of notice and any pension strain cost to the employer.

The Enterprise Bill also contains proposals requiring public sector employees who receive a termination/settlement payment to pay this back to their original employer, if they commence alternative employment with another public sector employer within 12 months of leaving the previous public sector employer. Further government proposals could restrict the ability of public sector employees to retire early, when made redundant. Consultation has recently closed on all of these proposals and it is not clear when or if they will come into force.

Any policy or practice that has the effect of treating employees differently must not create direct or indirect discrimination, otherwise risk successful discrimination claims from affected employees. The Exit Payment Cap regulations are potentially inherently age discriminatory; various legal commentaries including SOLACE have formed this view.

By way of example, there is a risk that employees with long service who as a result of their age trigger entitlement to early retirement on redundancy may not be approved for VR or not selected for CR so that Directorates do not carry any Pension strain cost. Compared to those employees with shorter service and likely younger age group within the ring fence for CR/VR.

A Council wide VR trawl after implementation of the Exit Cap Regulations comes into force would require analysis of individual cases.

4.4 Public Sector Equality Duty (see separate guidance note)

The proposed policy will be applied consistently across the non -schools Council workforce. Schools are not directly affected by the budget savings proposals. The application of voluntary redundancy will be consistently monitored as decisions are made to avoid any potential disparate impact.

5. Relevant background/chronology of key events:

5.1 The Council reviews its approach to managing the reduction of the (non –schools) workforce on an annual basis as part of its collective consultation process between management and the recognised trade unions. The objectives for the Council are:

- To ensure that it takes all practicable steps to mitigate against the need to make compulsory redundancy,
- To speed up the making of savings to ensure minimising of job losses
- To release employees who feel able to leave due to their personal circumstances
- To ensure that the employees with the right values and skills and abilities are retained.

This latter point is particularly important because there have been concerns in the recent past from members and other employees about letting go staff whose skills were actually needed for the business and whose departure caused problems for services.

5.2 The approach established for 2016-17 and adopted thus far for 2017-18 has focused on a range of targeted measures that minimised a feeling of cross organisation instability, by ensuring that reductions in posts were addressed through specific service redesigns. The measures were as follows:

- a. Lateral moves
- b. Recruitment freeze
- c. Stopping using agency staff
- d. Voluntary redundancy offer for those whose posts are directly at risk.

The voluntary redundancy (VR) offer is either the equivalent of pay in lieu of notice or where an employee cannot be released immediately a lump sum of £3,000. Both are subject to tax and NI.

5.3 The proposed reductions in the workforce for 2017-18 are ambitious and challenging to implement with as little damage to services as possible and include three core components:

1. Future Operating Model related proposals
2. Other savings proposals already consulted on
3. Re profiled reductions from 2016-17 S188 and budgetary proposals

It has been recognised that there were difficulties in achieving the required headcount reductions in **2016-17** which were 300 off the originally anticipated target. In total we lost 208 on the grounds of VR and 40 on the grounds of compulsory redundancy. We originally had £17m put aside for redundancy costs for 2016-17 but spent circa £3m.

5.4 In the context of the difficulties experienced in securing the required savings in 2016-17 and the complexity associated with some of the savings proposals for this year the business has identified that it would be advantageous to have the capability to offer VR on a wider basis in order to secure savings through headcount reductions at pace. The imminent implementation of the Exit Cap Regulations will be seen by some employees as a final opportunity to secure a less fettered package and thus a wider VR offer is likely to be particularly attractive in the coming months. It is proposed that an initial Council wide voluntary redundancy trawl is undertaken during the summer.

5.5 It is acknowledged that historically there has previously been an organisation wide voluntary redundancy trawl which retrospectively was deemed to have led to a drain of critical talent and organisational knowledge. The lessons learnt from that experience have shaped the recommended controls that will be put in place to manage this process, which are as follows:

- a) The creation of a cross – council officer group which rigorously looks at consistency of application and is in place which reviews the business case for acceptance and refusal and the financial and equality implications
- b) All applications are assessed against the established criteria which includes; ability to replace critical skills and knowledge and to recoup costs of the package within a maximum of 24 months
- c) As part of business case justifying ‘early leavers’ workforce plans will need to be in place to provide lead in time for a talent pool to provide seamless succession and knowledge transfer to other employees (this may seem in contradiction to the proposal for people to leave quickly but this will need to be managed on a case by case basis)
- d) Core groups where there are established difficulties in recruitment and retention are identified and excluded from the VR offer
- e) Community Schools are excluded from the application of this policy as they are not operating within the same organisational pressures or timelines.

5.7 It should be noted that any reductions in headcount within services that are funded from specific resources, such as within the Housing Revenue Account or from certain grants, will yield costs and savings that will be ring fenced to that budget.

5.8 It is recognised that some of the proposals for future savings will not be fully formed by September. Therefore there may be some efficacy in considering a further trawl, potentially more targeted later in the financial year.

6. Evaluation of alternative option(s):

- 1) Continue with current redundancy offer 2017/18 and manage redundancies so that only employees identified as 'at risk' are afforded any VR package.
 - a) This option will not support service reviews and pace and earlier delivery of savings targets; and
 - b) In view of the of the proposed Exit Cap regulations, and the inherent litigation risk phasing of exit dates will still require corporate moderation and approval.
- 2) Not implement any terminations until after the Exit Cap comes into force at a date yet to be determined
 - a) Actual implementation date not yet known, so this would delay service reviews considerably and also impact on the delivery of savings targets on an on-going basis
 - b) It would not be considered sustainable to delay as savings targets timescales would be delayed significantly until then
- 3) Not effect corporate wide VR trawl until after the Exit Cap comes into force
 - a) Actual implementation date not yet know, so this could impact on Directorate's ability to deliver savings targets at pace and redesign services.
 - b) May reduce inherent litigation risk, as all employees will be subject to consequences of Cap and not as determined by the organisation.
- 4) No enhanced payments for voluntary redundancy, (i.e. compulsory redundancy)
 - a) Unlikely to attract the numbers required to meet the savings target
 - b) Has a longer implementation timescale

7. Reasons for Decision(s):

7.1 To ensure that the Council secures its required workforce reductions within the prescribed timelines and financial resources.

Signatures:

Date:

Deputy Leader;

Councillor Ian Ward

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Chief Executive

Stella Manzie

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List of Background Documents used to compile this Report:
None
List of Appendices accompanying this Report (if any):
None

Report Version	<u>V10</u>	Dated	<u>06/07/17</u>
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