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| Report to: | COUNCIL BUSINESS MANAGEMENT COMMITTEE |
| Report of: | Chief Executive |
| Date of Decision: | 18th October 2016 |
| SUBJECT: | FUTURE COUNCIL WORKFORCE SAVINGS |
| Wards affected: | ALL |

1. Purpose of report:

- 1.1 The constitution requires the Chief Executive to bring a decision report to CBM where there are proposed changes to the Birmingham Contract. This report outlines a set of recommendations to reduce the cost of employment and contribute to the required financial savings for 2017-2020. The recommendations include fundamental changes to terms and conditions that will require a contractual change process.

2. Decision(s) recommended:

That CBM delegates authority to the Chief Executive to:

- 2.1 Finalise negotiations with the trade unions with a view to securing a collective agreement on a set of changed terms and conditions as outlined in Appendix D of this report. If agreement is reached then it is recommended to proceed with implementing the revised contract and policy amendments as outlined in Appendix D of this report
- 2.2 If a collective agreement cannot be secured it is proposed to proceed to implement the proposals outlined in Appendix E of this report. Implementation will need to be by means of a process of voluntary offer and then if necessary dismissal and reengagement
- 2.3 In either instance on completion of the consultation and review of JNC pay and grading, bring a further report to CBM making recommendations

3. Report

- 3.1 The Council issued a Section 188 notice in December 2015 which included a range of propositions that has become known as the Future Council Workforce Strategy. This report outlines the outcome of the consultation regarding the introduction of a package of changes to terms and conditions that would reduce the costs of employment. In line with legal requirements because the proposals impact on the pay package of employees it has been necessary to include all non-teaching staff in Birmingham City schools and employees of ACIVICO. This means that the proposals affect circa 24.5K employees.

3.2 An initial package of measures was identified as securing significant savings and was the subject of collective consultation with trade unions and affected employees. Extensive employee consultation and engagement has been undertaken including:

- Face to face service engagement events with 2,000 employees in frontline services
- Posters, leaflets, employee & manager bulletins
- Head Teacher briefing events for the 200 schools affected
- Team consultation for all employees
- Individual consultation for circa 500 employees who were the most significantly affected by the proposals
- Employees who were on maternity leave or sickness absence (as recorded on People Solutions) were offered the opportunity of a consultation meeting with their manager.
- Each employee received a confidential survey to record their views anonymously

Additionally management has undertaken detailed and extensive consultation with the relevant trade union representatives exploring the efficacy of each proposal, alternative options for securing the savings and understanding the potential impact. This included the completion of an Equality Impact Assessment; of which executive summaries can be found in Appendices Ai and Aii of this report. A summary of the findings from the outcome of the employee consultation can be found in Appendix B of this report.

3.3 During the course of the initial consultation significant challenges were identified with pursuing a number of the original proposals. Consequently in response, a revised set of proposals were developed and shared for the purposes of consultation. Appendix C outlines the initial proposals and the revised package of measures.

3.4 There has been intensive consultation and latterly negotiations with the trade unions regarding the need to reduce the costs of employment and the efficacy and fairness of each of the individual proposals and their collective impact. The trade unions have maintained their position that they believe that the Council should take all reasonable steps to avoid taking any measures that could lead to the diminution of employees' terms and conditions. However in the context that management have identified that there is a critical need to achieve savings from this budget the trade unions have sought to negotiate a package of measures that they feel "will do the least harm" and is the fairest approach to distributing the impact on the workforce. A provisional agreement has been reached with the trade unions on a set of proposals that will achieve the planned financial savings by 20-21. The details of these proposals can be found in Appendix D of this report. The trade unions are constitutionally required to consult with their membership prior to committing to a final agreement; consequently the trade unions will be able to confirm their position until the 24th October. If a collective agreement with the trade unions is secured it is recommended that a new contract is issued on the agreed terms with employees given 3 months' notice. Additionally policy amendments will be made to the non-contractual elements as identified in Appendix D.

3.5 There remains a compelling case to pursue a reduction in the cost of employment. The financial challenges facing the organisation are of such a scale that it is not at this point possible to securely identify alternatives to achieve such a significant sum. Therefore if a collective agreement is not achieved it is recommended that the Council still proceed with issuing a new contract with a revised set of terms and conditions and policy changes as outlined in Appendix E of this report. Implementation will require a process of voluntary offer followed by if required a process of dismissal and reengagement.

Financial Observations

The Council continues to operate in challenging financial circumstances due to reducing resources available to fund service provision and investment in assets. In order to ensure that the Council remains financially sustainable and to enable delivery of statutory services to a sufficient standard, the Business Plan & Budget 2016+ set out the requirement for further cumulative savings of around £163m over the next three financial years from 2017/18 onwards.

Spend on direct employee costs accounts for a significant proportion of the Council's allocated budgets. In the context where the Council has a challenging target to deliver savings, a reduction in the costs of employment was identified as part of the solution. As part of the Business Plan 2016+, original proposals relating to workforce reductions were put forward as a means of offsetting the extent of service reductions and associated redundancies, with a target of £18m being deliverable from terms and conditions changes.

The recommended proposals are estimated to deliver a cumulative total of £18m of savings over the period 2016/17 to 2020/2021, with forecasted savings estimated as follows:

| | Cumulative Potential Savings | | | | |
|--|------------------------------|---------|---------|---------|---------|
| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
| | £m | £m | £m | £m | £m |
| Total Future Council Workforce savings- Terms and Conditions changes | 0.8 | 2.5 | 11.2 | 14.8 | 18.2 |

The phasing of these savings is later than was set out in the Business Plan & Budget 2016+, principally due to the time it will take to implement the changes summarised in this report relating to performance related increments. The impact of these changes will be reflected in the Council's updated Long-Term Financial Plan.

Legal Observations

There has been extensive consultation with employees and trade unions concerning the change to terms and conditions of employment in accordance with legislative requirements. This process of consultation has now concluded and revised contract changes and policy amendments have been shared.

Changes in terms and condition which are negotiated by a trade union can be effective to amend individual contracts of employment where the collective agreement reflecting the amendment has been incorporated (either expressly or impliedly) into the contract of employment. In circumstances where no collective agreement can be reached and employees refuse to agree to a change, the City Council will have to terminate the existing contract and offer continued employment on the amended contract as revised by the consultation. This process is known as dismissal and re-engagement.

Both of these options will require employees to be given notice of changes to the contract of employment before implementation but is likely to be achieved in line with the City Council's savings timeframe.

If an employee does not accept the amended contract they can resign and lodge a Tribunal claim for constructive unfair dismissal, wrongful dismissal or breach of contract. The City Council will defend any potential claims that may arise.

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| <p>Signature:</p> <p>Chief Officer(s):</p> <p>Dated:</p> |
| <p>List of Appendices:</p> <p>Appendix A (i) Equality Impact Assessment – Executive Summary (Schools and Non Schools)</p> <p>Appendix A (ii) Equality Impact Assessment - Executive Summary (ACIVICO)</p> <p>Appendix B – Consultation Analysis</p> <p>Appendix C – Initial and Revised Proposals</p> <p>Appendix D – Current Proposals</p> <p>Appendix E – Failure to Reach Collective Consultation – Next Steps</p> |
| <p>List of Background Documents used to compile this Report:</p> <p>Weekly Consultation Reports</p> <p>Communication Log</p> <p>Section 188 notice December 2015</p> <p>Equality Analysis and Pay Modelling</p> |

**REPORT TO COUNCIL BUSINESS MANAGEMENT COMMITTEE
TUESDAY 18 OCTOBER 2016**

**FUTURE COUNCIL WORKFORCE SAVINGS – EQUALITY IMPACT ASSESSMENT –
EXECUTIVE SUMMARY**

Summary of Findings

The proposals which are subject to collective agreement have been analysed, reviewing Birmingham City Council employees (schools and non-schools) data detailed in Appendix A(i). ACIVICO data is presented separately in Appendix A(ii).

This data was based on information extracted from the HR/ Payroll system for the period 1st April 2015- 31st March 2016. We have sought to take all reasonable steps to ensure the data is as valid as practicable. As with any data, there can be issues with its integrity and accuracy. This is something we will continue to review beyond this piece of analysis.

Proposals included in the collective agreement are:-

- Employees will only be eligible to claim subsistence allowance when they are away from home for business after 24 hours.
- Staff will no longer be reimbursed for retirement gifts
- On performance-related pay:
 - for 2016/17 those eligible will be given a one-off payment for that year;
 - no performance-related pay will be applied from 1 April 2017 to 30 June 2017 for Corporate and ACIVICO employees and from 1 April 2017 to 31 August 2017 for schools employees;
 - and there will be a joint management and trade union annual review of the ability of the council to give performance-related payments for the periods 2017-18, 2018-19 and 2019-20.

Proposal: Stop paying food and drink allowances for those away on council business

| Grade | Gender | | Ethnicity | | | Disability | | | Age Range | | | | |
|-----------|--------|-------|-----------|-------|---------|------------|--------------|---------|-----------|-------|-------|-------|-------|
| | Female | Male | BAME | White | Unknown | Disabled | Not Disabled | Unknown | 16-24 | 25-34 | 35-44 | 45-54 | >=55 |
| GR7 | 0.01% | 0.02% | 0.02% | 0.01% | 0.00% | 0.00% | 0.03% | 0.00% | 0.00% | 0.00% | 0.00% | 0.03% | 0.00% |
| GR6 | 0.06% | 0.04% | 0.02% | 0.04% | 0.05% | 0.00% | 0.10% | 0.01% | 0.00% | 0.01% | 0.02% | 0.03% | 0.04% |
| GR5 | 0.11% | 0.07% | 0.04% | 0.07% | 0.08% | 0.01% | 0.18% | 0.00% | 0.00% | 0.02% | 0.04% | 0.08% | 0.05% |
| GR4 | 0.10% | 0.03% | 0.06% | 0.05% | 0.02% | 0.00% | 0.14% | 0.00% | 0.00% | 0.02% | 0.03% | 0.05% | 0.03% |
| GR3 | 0.02% | 0.02% | 0.02% | 0.02% | 0.01% | 0.00% | 0.03% | 0.01% | 0.00% | 0.02% | 0.00% | 0.02% | 0.00% |
| GR2 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| GR1 | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Sub Total | 0.31% | 0.19% | 0.15% | 0.19% | 0.16% | 0.01% | 0.48% | 0.02% | 0.00% | 0.07% | 0.09% | 0.21% | 0.12% |
| Total | 0.50% | | | | | | | | | | | | |

- 0.50% of workforce are expected to be affected by the subsistence proposal – this equates to x130 employees
- No employees affected within grades GR1 and GR2:
- **Gender** - Most employees split by gender are in GR5 (0.11% female, 0.07% male)
- **Ethnicity** - The largest BAME group are in GR4 (0.06%); The largest white group are in GR5 (0.07%)
- **Disability** - Only 0.01% of employees who claimed subsistence are disabled.
- **Age** - The largest group in terms of age range who claimed are in the 45-54 group (0.21%)

- **Current Status** – This proposal has been amended as part of the collective agreement to ‘employees will only be eligible to claim subsistence allowance when they are away from home for business after 24 hours’.

Proposal: Removal of Retirement Gift

This chart shows the % of employees aged 55 years plus and have achieved 25 years' service with Birmingham City Council (both Schools and Non Schools employees) which represents 20.08 % of BCC workforce



Current Status – this proposal has been included as part of the collective agreement.

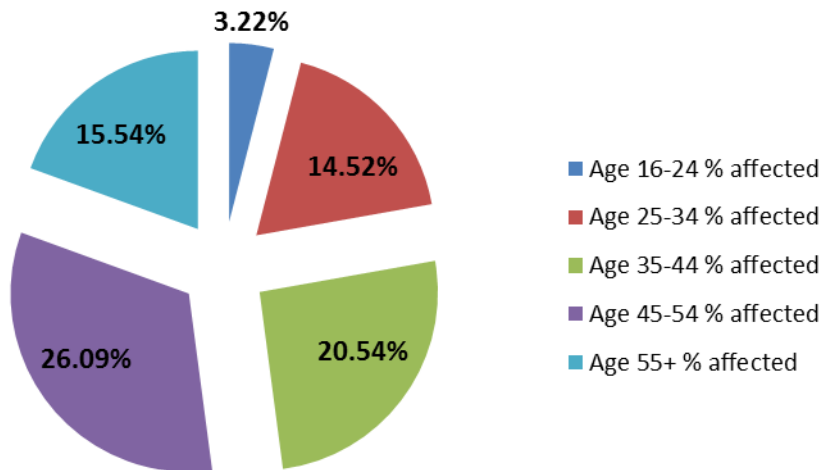
Proposal: On performance-related pay:

- for 2016/17 those eligible will be given a one-off payment for that year;
- no performance-related pay will be applied from 1 April 2017 to 30 June 2017 for Corporate and ACIVICO employees and from 1 April 2017 to 31 August 2017 for schools employees;
- and there will be a joint management and trade union annual review of the ability of the council to give performance-related payments for the periods 2017-18, 2018-19 and 2019-20.

Based on the original proposal, looking at Schools and Non-Schools employees, the impact based on the equality characteristics of age, gender, ethnicity and disability are as follows:-

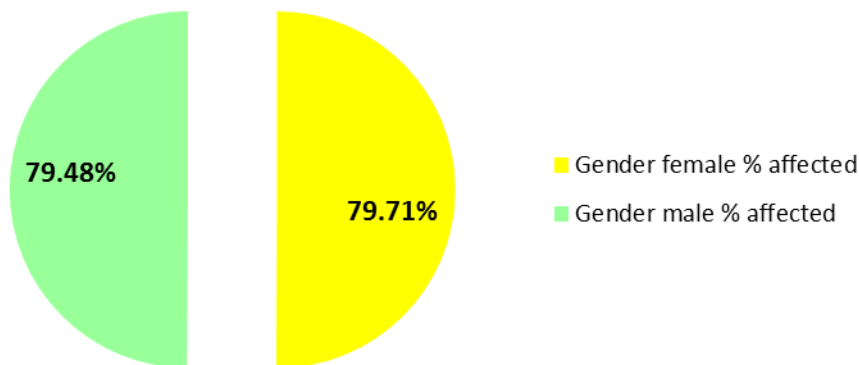
Please note the following charts relate to BCC employees (both Schools and Non-Schools) who are not at the top of their grade.

Age



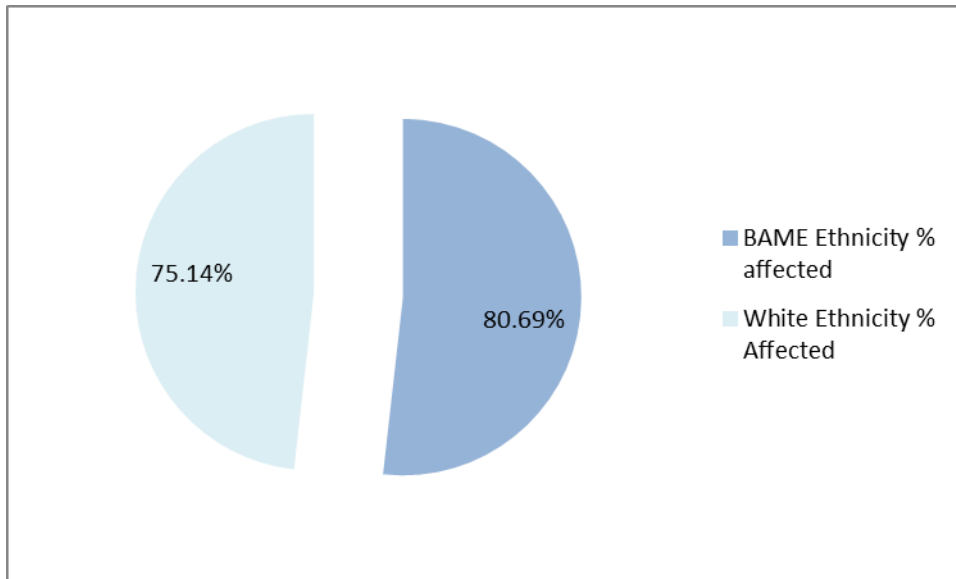
Employees in the lower age bands are more likely than employees in the higher age bands to not have reached the top of their grade and so would be eligible for an increment. Only 3.22% employees aged 16-24 are already at the top of their grade compared to 26.09% of employees aged 45-54 and 15.54% employees aged 55+. There will be a specific action plan put in place to address how to improve career progression and succession planning for our younger demographic.

Gender



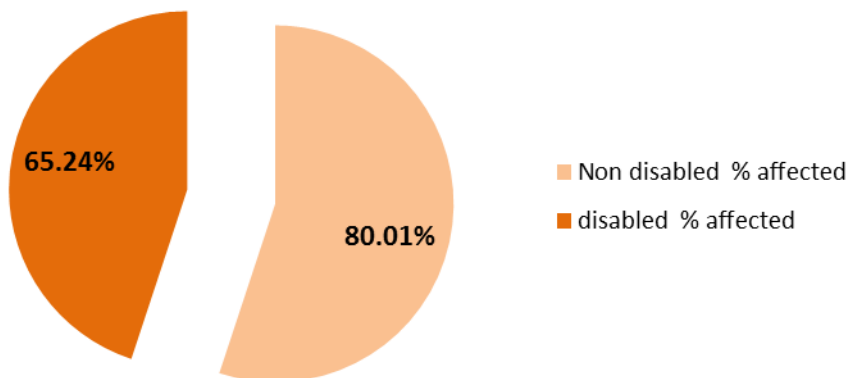
Females = 79.19% of employees are affected by this proposal as they are not at the top of their grade and may be eligible for an increment; Males = 79.48% of employees are affected by this proposal, as they are not at the top of their grade and may be eligible for an increment.

Ethnicity



BAME - 80.69% of employees are affected by this proposal as they are not at the top of their grade and may be eligible for an increment; White - 75.14% of employees are affected by this proposal as they are not at the top of their grade and may be eligible for an increment. There will be a specific action plan put in place to address how to improve career progression and succession planning for our workforce in relation to ethnicity.

Disability



There are 80.01% of non-disabled employees who may be affected by this proposal because they are not at the top of their grade and may be eligible for an increment compared to 65.24% of disabled employees who are not at the top of their grade and may be eligible for an increment.

APPENDIX A (ii) – ACIVICO Employees

This data was based on information extracted from the BCC HR/ Payroll system for the period 1st April 2015- 31st March 2016. We have sought to take all reasonable steps to ensure the data is as valid as practicable. As with any data, there can be issues with its integrity and accuracy. This is something we will continue to review beyond this piece of analysis.

Proposal:

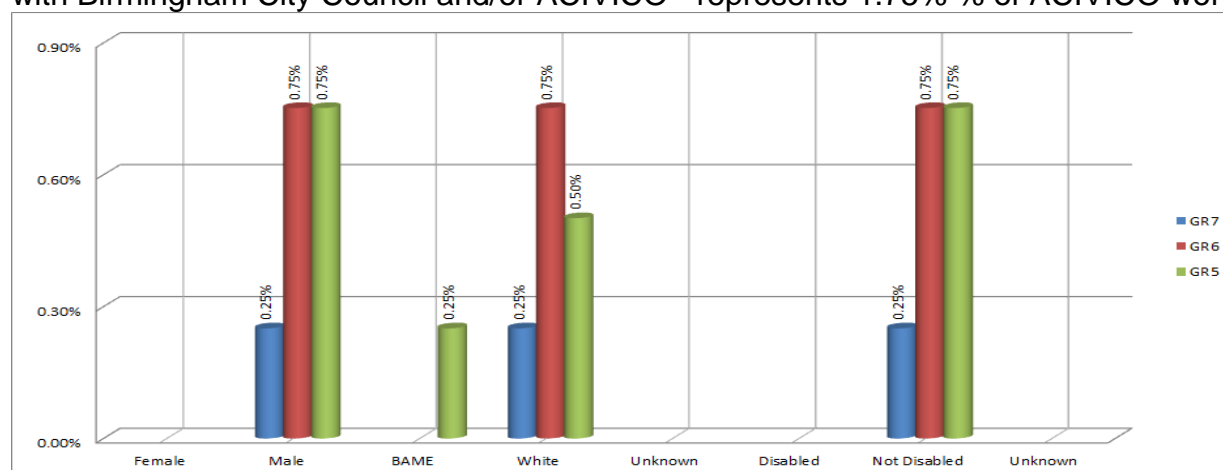
Stop paying food and drink allowances for those away on council business

| Based in Mid SCP | | | | Gender | | Ethnicity | | | Disability | | | Age Range | | | | |
|------------------|------------------------|-------------------------|------------|--------|------|-----------|-------|---------|------------|--------------|---------|-----------|-------|-------|-------|------|
| | Current Monthly Salary | Proposed Monthly Salary | Difference | Female | Male | BAME | White | Unknown | Disabled | Not Disabled | Unknown | 16-24 | 25-34 | 35-44 | 45-54 | >=55 |
| GR6 | £3,812 | £3,760 | £51.51 | 0.25% | | | 0.25% | | | 0.25% | | | | | 0.25% | |
| Total | | | | 0.25% | | 0.25% | | | 0.25% | | | 0.25% | | | | |

- 0.25% of workforce are expected to be affected by the subsistence proposal – this equates to x1 employees
- No employees affected within grades GR1 – GR5 or GR7. Only affected employee is GR6.
- Shown in data across protected characteristics –
- **Gender** – Only a female employee affected by this proposal
- **Disability** - Only one non-disabled employee is affected by this proposal
- **Ethnicity** - One white employee is affected by this proposal
- **Age** – The affected employee falls within the 45-54 age range
- **Current Status** – This proposal has been amended as part of the collective agreement to ‘employees will only be eligible to claim subsistence allowance when they are away from home for business after 24 hours’.

Proposal: Removal of Retirement Gift

This chart shows the % of employees aged 55 years plus and have achieved 25 year's service with Birmingham City Council and/or ACIVICO - represents 1.75% % of ACIVICO workforce:



Only 7 employees affected - No one at grades GR1 – GR4 affected - All are male - All are not disabled

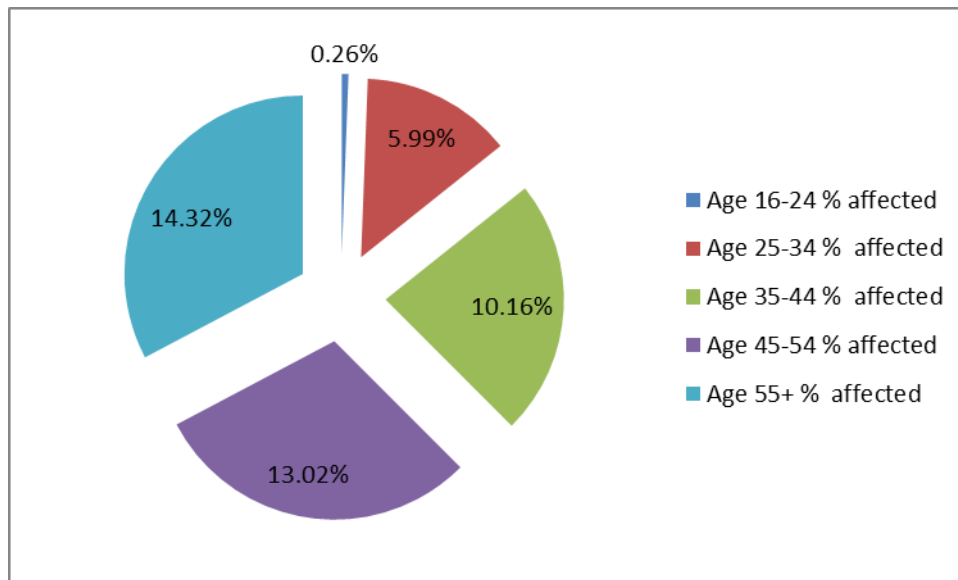
Proposal: On performance-related pay:

- for 2016/17 those eligible will be given a one-off payment for that year;
- no performance-related pay will be applied from 1 April 2017 to 30 June 2017 for Corporate and ACIVICO employees and from 1 April 2017 to 31 August 2017 for schools employees;
- and there will be a joint management and trade union annual review of the ability of the council and/or ACIVICO to give performance-related payments for the periods 2017-18, 2018-19 and 2019-20.

Based on the original proposal, looking at ACIVICO employees, the impact based on the equality characteristics of age, gender, ethnicity and disability are as follows:-

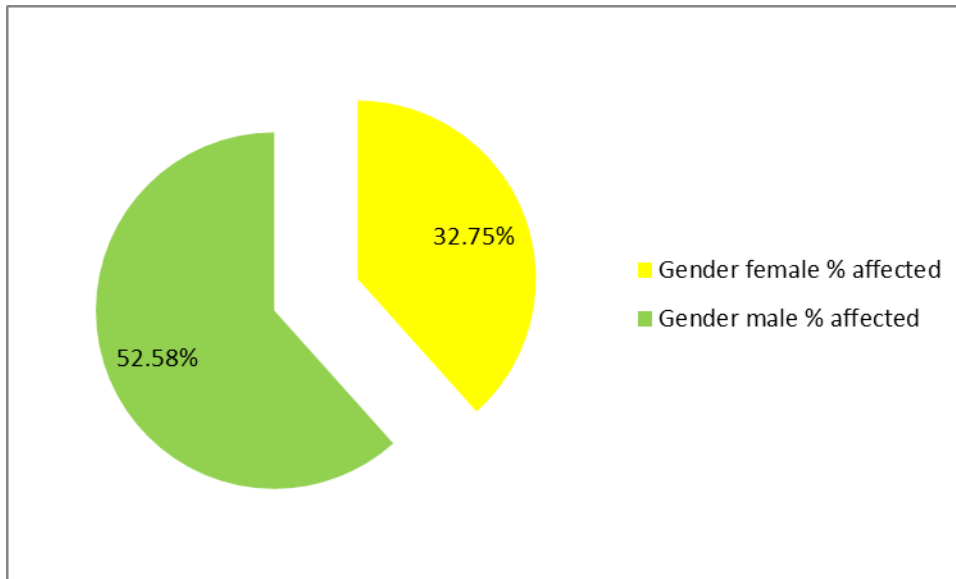
Please note the following charts his chart relates to ACIVICO employees only, who are not at the top of their grade.

Age



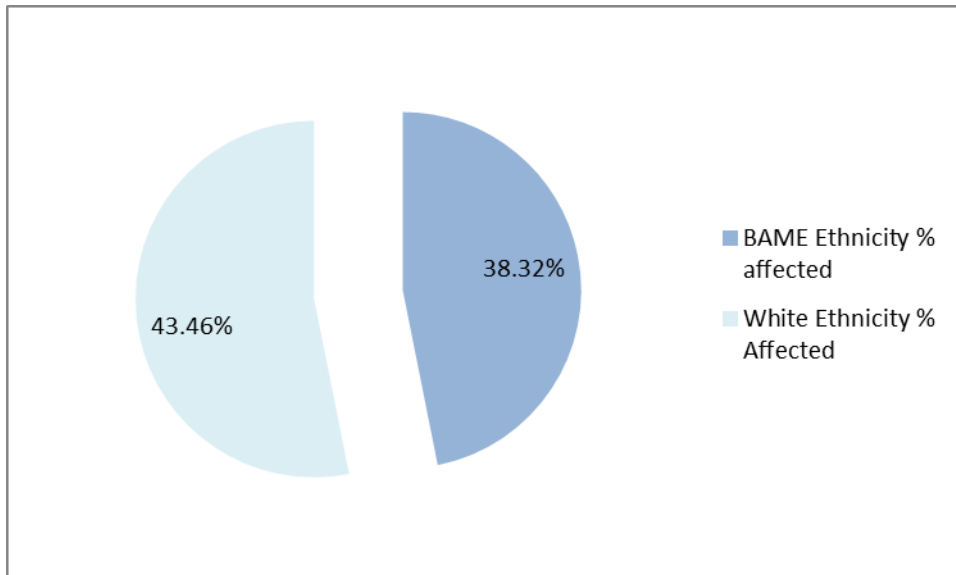
ACIVICO employees in the lower age bands are more likely than employees in the higher age bands to not have reached the top of their grade and so would be eligible for an increment. Only 0.26% ACIVICO employees aged 16-24 are already at the top of their grade compared to 13.02% of employees aged 45-54 and 14.32% employees aged 55+. There will be a specific action plan put in place to address how to improve career progression and succession planning for their younger demographic.

Gender



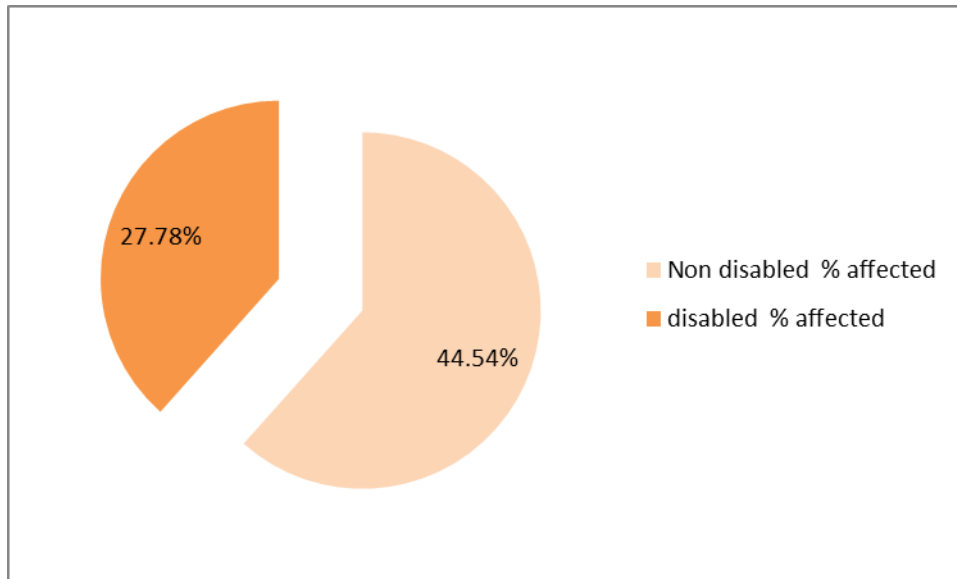
Females - 32.75% of ACIVICO employees are affected by this proposal as they are not at the top of their grade and may be eligible for an increment; Males - 52.58% of ACIVICO employees are affected by this proposal, as they are not at the top of their grade and may be eligible for an increment. An action plan in order to further explore this differential will be undertaken.

Ethnicity



BAME – 38.32% of ACIVICO employees are affected by this proposal as they are not at the top of their grade and may be eligible for an increment; White - 43.46% of ACIVICO employees are affected by this proposal as they are not at the top of their grade and may be eligible for an increment. There will be a specific action plan put in place to address how to improve career progression and succession planning for our workforce in relation to ethnicity.

Disability



There are 44.54% of non-disabled ACIVICO employees who may be affected by this proposal because they are not at the top of their grade and may be eligible for an increment compared to 27.78% of disabled ACIVICO employees who are not at the top of their grade and may be eligible for an increment.

REPORT TO COUNCIL BUSINESS MANAGEMENT COMMITTEE – TUESDAY 18 OCTOBER 2016

FUTURE COUNCIL WORKFORCE SAVINGS – EXECUTIVE SUMMARY/CONSULTATION ANALYSIS REPORT BY BMG (Please see attached)

REPORT TO COUNCIL BUSINESS MANAGEMENT COMMITTEE – TUESDAY 18 OCTOBER 2016

FUTURE COUNCIL WORKFORCE SAVINGS – INITIAL AND REVISED PROPOSALS (December 15 – August 16)

Removed Proposals

To not pay staff for the first three days of sickness absence

To reduce the length of time staff are paid for sickness absence from six months at full pay and six months at half pay to three months full pay and three months at half pay

Revising the hours for night pay from 8.00pm to 6.00am to 10pm – 6am

Amended Proposals

The proposal to increase full-time contracted working hours from 36.5 to 37 hours has been amended to:

- Keep contractual hours at 36.5 hours for full time employees, but calculate pay as a proportion of 37 hours.

The proposal for individuals paying for their own Disclosure and Barring Service (DBS) update of £13 per year has been amended to:

- Cease the existing City Council policy of three year renewal of DBS and an alternative mechanism introduced whereby employees will be required to declare whether they have any criminal convictions.

New Proposals

The removal of retirement gifts and testimonials, saving £100k

Unchanged Proposals

Freeze on payment of performance-related increments for three years (saving £12.5m)

Stop paying food and drink allowances for those away on council/School business

Introducing a standard standby payment of £27.62 per session for employees who are required to be part of an emergency response team

Reviewing pay and reward for JNC officers (those above a Grade 7)

Review of Employee Benefits Package

REPORT TO COUNCIL BUSINESS MANAGEMENT COMMITTEE – TUESDAY 18 OCTOBER 2016

FUTURE COUNCIL WORKFORCE SAVINGS – PROVISIONAL COLLECTIVE AGREEMENT

- Employees would only be eligible to claim subsistence allowance when they are away from home for business after 24 hours.
- On the payment of performance-related pay:
 - For 2016/17, those eligible would be given a one-off lump-sum payment in lieu of an increment for that year.
 - Performance-related pay would be suspended from 1 April 2017 to 30 June 2017 for council (non-schools) and ACIVICO employees and from 1 April 2017 to 31 August 2017 for schools employees until the agreement, if implemented, is applied to employee contracts.
 - There would be a joint management and trade union annual review of the ability of the council to give performance-related payments for the periods 2017-18, 2018-19 and 2019-20 if the agreement is implemented.
- JNC pay and grading will be subject to more detailed consultation in order to achieve the required saving
- Testimonial and long-service certificates of acknowledgement would be issued.
- Disclosure and Barring Service (DBS) three-year renewals would end and an alternative introduced
- Staff would no longer be reimbursed for retirement gifts
- A revised single flexi scheme would be introduced as a first step towards promoting more agile working
- A salary sacrifice scheme enabling employees to buy annual leave and other benefits to be introduced
- An overall revised employment offer to be introduced
- The Council has committed to reviewing as to whether it is practicable to address the issue of impacted grades and will work with the trade unions to explore options over the next 6 months

REPORT TO COUNCIL BUSINESS MANAGEMENT COMMITTEE – TUESDAY 18 OCTOBER 2016

FUTURE COUNCIL WORKFORCE SAVINGS – FAILURE TO REACH COLLECTIVE CONSULTATION – NEXT STEPS

If collective agreement is not secured it is proposed that the Council implements the recommendations outlined below by means of an exercise of voluntary offer followed by dismissal and reengagement if appropriate.

- Employees would only be eligible to claim subsistence allowance when they are away from home for business after 24 hours.
- On the payment of performance-related pay:
 - For 2016/17, those eligible would be given a one-off lump-sum payment in lieu of an increment for that year.
- Performance-related pay would be frozen from 1 April 2017 to 30 June 2017 for council (non-schools) and ACIVICO employees and from 1 April 2017 to 31 August 2017 for schools employees
- Performance related pay will be frozen for all employees for the following periods:
 - 1/07/17-31/03/18,
 - 1/04/18- 31/03/19
 - 1/4/19-31/03/20
- JNC pay and grading will be subject to more detailed consultation in order to achieve the required saving
- Testimonial and long-service certificates of acknowledgement would be issued.
- Disclosure and Barring Service (DBS) three-year renewals would end and an alternative introduced
- Staff would no longer be reimbursed for retirement gifts
- A revised single flexi scheme would be introduced as a first step towards promoting more agile working
- A salary sacrifice scheme enabling employees to buy annual leave and other benefits to be introduced
- An overall revised employment offer to be introduced