

Finance and Resources Committee

10.00am, Thursday, 29 October 2015

Managing Workforce Change

Item number	7.2
Report number	
Executive/routine	
Wards	

Executive summary

The Council is going through a period of unprecedented change and is required to address a budget shortfall of £126 m whilst at the same time maintaining outcomes for those who use its services.

Through the transformation programme we are re-designing the organisation based upon a locality model to make services leaner, more responsive and agile.

Given the size of the challenge, this will inevitably mean that there will be a reduction in the workforce. We must support people through the reorganisation of our services whilst ensuring the level of savings required is achieved.

This paper updates elected members on the further dialogue that officers have had with union colleagues on the need for workforce reductions, gives an overview to date on the recent targeted VERA (Voluntary Early Release Arrangement) exercise and asks elected members to approve compulsory redundancies if all other avenues i.e. the offer of an enhanced VERA package and redeployment have been exhausted.

Links

Coalition pledges
Council outcomes
Single Outcome Agreement

Managing Workforce Change

Recommendations

- 1.1 Notes the budget gap of £126m and the need to take action which both improves Council services and outcomes whilst also delivering a sustainable budget position where front line services are protected
- 1.2 Approves a revision of VERA terms to better incentivise early voluntary release in advance of organisational reviews taking place;
- 1.3 Approves revised Voluntary Severance and Redundancy terms to minimise the need to use compulsory redundancy;
- 1.4 Approves the use of compulsory redundancy where employees have opted not to take advantage of voluntary terms within the set timescale; and
- 1.5 Notes that officers have had dialogue with Trade Unions and further notes the Trades Unions position in relation to cuts in public services and to compulsory redundancies.

Background

- 2.1 The Council needs to address a budget shortfall of up to £126m over the next 4 years whilst at the same time improving service delivery to those who use our services.
- 2.2 Through the transformation programme we are re-designing the organisation based upon a locality model designed to make services leaner, more responsive and agile. Given the size of the challenge, this will inevitably mean that there will be a reduction in and streamlining of the workforce.
- 2.3 Following further dialogue with the Trade Unions and a targeted VERA exercise it is believed that workforce reductions of the size we need and timescales within which we need to deliver them are unlikely to be achieved without recourse to compulsory redundancies.
- 2.4 If approved, compulsory redundancies will be used only where voluntary means have not achieved the level of workforce reductions needed to meet service redesign.

Main report

- 3.1 At the Finance and Resources Committee meeting on 24 September, officers were instructed to discuss the transformation programme with the Trade Unions so that they were clear on its aims and the importance of achieving the level of workforce reductions needed.
- 3.2 Officers acknowledge that whilst the Trade Unions understand the difficult financial position of the Council they remain opposed to cuts in public services and compulsory redundancies.
- 3.3 We have asked the Trade Unions for alternatives ways of avoiding workforce reductions. However, on issues such as an amnesty over interest payments on loans fund debt and a Transient Visitor Levy officers are of the opinion that the proposals are either not feasible or within the remit of the Council.
- 3.4 It is proposed that:-
 - 3.4.1. the financial terms of current VERA are revised, on an interim basis during the transformation programme, to further encourage early release and will revert to current terms in 2017/18. (see appendix 1);
 - 3.4.2 the current age restriction of 65 within the VERA policy is also to be removed; and
 - 3.4.3 the Redundancy Procedure is revised to incentivise the uptake of voluntary redundancy, further mitigating the need to use compulsory redundancy (see appendix 2).
- 3.5 In addition, officers have undertaken a targeted VERA exercise of the workforce, on current terms, to assess the level of interest in people leaving the organisation on a voluntary basis. Should new terms be approved, any existing and new requests will benefit from the improved offer. To date, approx 1,300 requests have been received and officers are currently considering how many staff can be released. It is anticipated that the process will be complete and staff informed early December. At the moment, it is estimated that 50-60% of requests will be accepted.
- 3.6 On the basis that the level of savings is considerably short of the amount required, Officers believe there is no alternative but to seek members' agreement to allow them to utilise the compulsory redundancy clause within the existing policy dated 2010.
- 3.7 At the Finance and Resources Committee on 24 September members also asked for an update on the cost of the transition services being made available to staff affected by organisational change.
- 3.8 The council has established a Career Transition Service, in conjunction with Right Management to help staff, affected by organisational change, make informed choices about their future. A range of services include:

- Career counselling
- CV writing
- Interview preparation
- Advice on financial issues (Money Advice Services – MAS – on hand to provide support)
- Access to online job boards and portals
- Named contacts with other major leading employers in Edinburgh who are keen to use our source of talent, displaced through organisational change, to help fill their own vacancies
- Advice on setting up a business
- Advice on moving to further education
- Links with the Edinburgh Fostering Team

3.9 Funding for this service has been identified within the costs of transformation and are £388,500 over 3 years.

Measures of success

- 4.1 The required savings from the workforce reduction is achieved within the timeframe of the transformation programme
- 4.2 Demonstration that the revised terms encourage voluntary exit.

Financial impact

- 5.1 Estimated cost of release with revised financial terms is around £70million with a payback period of around 15 months.
- 5.2 The Council's reserves strategy and Long Term Financial Plan provide resources towards the cost of managing the workforce change outlined in this report. This position will be kept under regular review.

Risk, policy, compliance and governance impact

- 6.1 Should voluntary take up not achieve the required savings, it is estimated that rolling monthly costs of £2.5m would be incurred and thus the savings would need to be made elsewhere detrimentally affecting the Councils ability to maintain frontline services.

Equalities impact

- 7.1 Equalities impact assessments will be carried out as part of the organisational reviews which will be undertaken as part of the process of redesigning the workforce. These assessments will be shared and discussed with trade unions as part of the consultation arrangements.
- 7.2 We will also undertake stress risk assessments as part of these arrangements and again discuss them and any actions needed to be implemented as part of our consultation processes with trade unions and individual staff members here appropriate.

Sustainability impact

- 8.1 None.

Consultation and engagement

- 9.1 The Trade Unions and Members have been engaged around the need for changes to the voluntary and compulsory arrangements.

Background reading/external references

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Links

Coalition pledges

Council outcomes

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Appendices

Appendix 1 – Proposed Voluntary Severance and Redundancy Scheme (VERA)

Appendix 2 – Voluntary Severance payment

Proposed Voluntary Redundancy Scheme

Voluntary Early Release Arrangement (VERA)

VERA is a cost efficiency tool, which enables workforce reduction on a voluntary basis without the need for formal redundancy procedures and has worked effectively since 2010. This would only be offered in advance of formal consultation of redundancy

1.0 Proposed interim terms:

1.1 For those with NO access to pension

- An employee's actual week's salary will be used for the calculation
- The number of weeks' pay will be multiplied by a factor of 2.5
- Capped at £30,000
- Cost savings test remains

1.2 For those with access to pension

- An employee's actual week's salary will be used for the calculation
- The number of weeks' pay will be multiplied by a factor of 1.5
- Capped at £30,000
- Cost savings test remains

Voluntary Redundancy Payment

2.0 Proposed terms:

Available from the start of formal consultation of potential redundancies and for two weeks after being declared surplus.

Voluntary redundancy is a dismissal in law by reason of redundancy. Where Voluntary Redundancy takes place staff will be entitled to notice or a payment in lieu of notice.

2.1 For those with NO access to pension:

- The statutory redundancy rules will be used to determine the number of weeks' pay the members of staff is entitled
- An employee's actual week's salary will be used for the calculation
- The number of weeks' pay will be multiplied by a factor of 2.5
- Cost savings test remains

2.2 For those with access to pension

- The statutory redundancy rules will be used to determine the number of weeks' pay the members of staff is entitled to
- An employee's actual week's salary will be used for the calculation
- The number of weeks' pay will be multiplied by a factor of 1.5
- Cost savings test remains

3.0 After being declared surplus

To the extent that the Council determines the need for Compulsory Redundancy, in future, it will be done on the following terms:-

Payable from week 2 of being declared surplus and notice of dismissal is served in line with the statutory notice period.

3.1 For those with NO access to pension:

- The statutory redundancy rules will be used to determine the number of weeks' pay the members of staff is entitled
- An employee's actual week's salary will be used for the calculation
- The number of weeks' pay will be multiplied by a factor of 1.5
- Cost saving test remains

3.2 For those with access to pension

- The statutory redundancy rules will be used to determine the number of weeks' pay the members of staff is entitled
- An employee's actual week's salary will be used for the calculation
- No multiplier.
- Cost savings test remains