


Non-Executive Report of the:  <b>Human Resources Committee</b>  1 July 2015	
<b>Report of:</b> Stephen Halsey, Head of Paid Service	<b>Classification:</b> Unrestricted
<b>Employment Options and Workforce Savings Update</b>	

<b>Originating Officer(s)</b>	Mark Keeble, Senior HR Business Partner
<b>Wards affected</b>	All wards

## Summary

This is the fifth in a series of reports provided to the Committee updating on the Council's Employment Options Saving Programme and progress on delivering workforce changes to implement Service Challenge driven savings. Approximately £10million of the £27.5million of savings required by the Medium Term Financial Plan (MTFP) for 2015/16 relate to reducing the size of the Council's workforce. Good progress is being made to remove the 300 posts required from the establishment which is expected to be achieved without compulsory redundancies.

Following a review of the year one of the Employment Options Savings Programme, Directorates and Trade Unions have been consulted on how the programme should be managed in the future. The most significant changes are the proposals to allow the window of opportunity to remain open instead of setting an annual deadline to submit a request and to restrict employees in some roles or services from applying if there is no reasonable prospect of their post being deleted or delivering a saving from flexible working.

## Recommendations:

The Human Resources Committee is recommended to:

1. Note progress being made to achieve £10million of workforce savings through the Employment Options Saving Programme and implementation of Service Challenge savings that impact on the Council's workforce.
2. Comment on the proposed changes for the future management of the Employment Options Savings Programme.

## **1. REASONS FOR THE DECISIONS**

- 1.1 The reduction of the establishment by 300 posts to deliver £10million of Employment Options and workforce related Service Challenge savings for 2015/16 is a key on-going activity for the Council. The Head of Paid Service is committed to keeping the Human Resources Committee informed of progress. The Committee is invited to comment on matters involved to help ensure changes to the workforce are delivered appropriately.
- 1.2 The operation of the Employment Options Savings Programme and managing changes within the Council in line with established policies are matters delegated to the Head of Paid Service in the Council's Constitution. However, in view of the £40million of savings currently required by the MTFP in the next two financial years (2016/17 and 2017/18), the Committee are invited to comment on the proposed arrangements for managing the programme in future years before they are implemented.

## **2. ALTERNATIVE OPTIONS**

- 2.1 The delivery of the Employment Options Programme and other workforce savings required to deliver Service Challenge items are necessary for the Council to set and operate within a balanced budget. Options that were available to deliver the required level of savings were reviewed by and approved by Cabinet. The Council's budget has been approved by Full Council which included consideration of amendments proposed by political groups.
- 2.2 Employment Options is aimed at identifying and delivering savings allowing employees to volunteer for voluntary redundancy/early retirement and flexible working options. This does not have to be pursued if other savings are identified to deliver targets required by the MTFP. However, it does enable the Council to minimise the risk of compulsory redundancy.

## **3. DETAILS OF REPORT**

### **BACKGROUND**

- 3.1 Staffing is a non-executive function by virtue of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000. The power to appoint staff, and to determine the terms and conditions on which they hold office up to Chief and Deputy Chief Officer (broadly up to Service Head level) are delegated to the Head of Paid Service. The Head of Paid Service exercised these powers in the introduction of the Employment Options Savings Programme. This report follows four previous reports to the HR Committee to provide updates on progress to deliver the Employment Options programme and the delivery of workforce changes required under the MTFP in relation to savings for 2015/16.
- 3.2 In response to financial pressures, the Employment Options Programme offered all employees, excluding schools staff, the opportunity to express an

interest in voluntary redundancy, early retirement, flexible retirement and flexible working options to take effect from 2015/16. Employees were also able to express an interest for these options in either of the following two financial years in order to inform future workforce planning.

- 3.3 The closing date for expressions of interest was 22<sup>nd</sup> August. The total number of expressions of interest has remained fluid since the closing date. A number of late applications have been received, whilst a number of requests have also been withdrawn and some employees have amended the year to take effect from. Table 1 below shows the expressions of interest as at 11<sup>th</sup> June 2015:

**Table 1: Expressions of Interest in Employment Options**

<b>Number of Expressions of Interest Received:</b>	<b>To take effect from:</b>
508	Before 31 <sup>st</sup> March 2015
135	Between April 2015 and March 2016
148	Between April 2016 and March 2017
<b>791</b>	<b>Total</b>

- 3.4 Each Service Head was provided with the expressions of interest received from within their service areas. Service Heads were responsible for reviewing each expression of interest and recommending an outcome; in accordance with the detailed decision making criteria that was issued as part of the guidance for the programme.
- 3.5 Service Head recommendations were reviewed by Directorate People Panels, Directorate Management Teams and the Corporate Director. Once approved by the Corporate Director, Directorate recommendations were collated by HR and presented to the People Board, where final decisions were taken during a series of meetings on 9<sup>th</sup>, 10<sup>th</sup> and 13<sup>th</sup> October.
- 3.6 Employees who had a request rejected were able to submit a request for a review of the decision by the People Board Review Panel. This is a written process only and does not require employees or their Trade Union representatives to attend in person. The deadline for requests for review to be submitted was 21<sup>st</sup> November 2014. The Review Panel decisions were communicated to staff in December 2014. A total of 42 reviews were received. The outcome was changed for 6 of these who were added to the list of posts available for Bumped Redundancies as a result.

## **CURRENT POSITION – EMPLOYMENT OPTIONS (EO)**

- 3.7 EO is currently forecast to achieve a full year equivalent saving of £3,392k which is £168k less than the £3,561k target approved by Cabinet in December 2014. A breakdown of the contribution from each Directorate and Service is detailed in Appendix 1. The financial position is still subject to change. The greatest risk is from the £604k of EO related restructures that have not yet started consultation.

- 3.8 The £3,392k is made up as follows:
- £445k of vacant post deletions for which post numbers have been provided
  - £769k through VR/ER outside of restructures for which all 22 employees leaving have signed Settlement Agreements.
  - £1,574k has either started or completed formal consultation.
  - £604k of savings to be delivered through 9 restructures scheduled to start between June and September.
- 3.9 The projected shortfall of £168k is the equivalent of approximately 5 posts assuming an average saving of £33k per post (based on average savings per post to date).
- 3.10 People Board have agreed that Directorates need to consider the following options to make a further contribution on 2015/16 to the EO target:
1. Review existing EO requests to identify any further opportunities to delete posts and allow employees to leave on VR/ER within the next 3 to 6 months;
  2. Review vacant posts to identify those which can be deleted and offered as a saving; and,
  3. Review planned restructures to identify whether there is scope for increasing the amount of savings that can be delivered
- 3.11 Directorates are required to give an update to People Board on 7 July 2015 to confirm the additional savings they have been able to identify.

### **CURRENT POSITION – ALL WORKFORCE SAVINGS**

- 3.12 Table 2 below summarises the route through which workforce savings are being delivered and their value. This shows 308 posts are expected to be deleted to deliver £10million of staff savings for 2015/16. Consultation meetings with employees and Trade Unions commenced in December 2014 and are on-going. The remaining consultations required are expected to be concluded before the end of October 2015.
- 3.13 To date, 34 restructures (both EO and Service Challenge) have been cleared by People Board to start formal consultation. Their current status is as follows:
- 2 are due to start consultation in June 2015
  - 4 are currently in formal consultation
  - 8 have failures to agree from Trade Unions
  - 22 have had VR/ER requests approved (2 of which have FTAs)
- 3.14 The main causes of failures to agree are the risk of compulsory redundancy and arrangements for ringfencing new posts to staff in scope of restructures. Despite the best efforts of Directorates to resolve all FTAs, some are not expected to be resolved through agreement with the Trade Unions. HR

Business Partners are preparing a briefing for the Service Head HR&WD to discuss with the Head of Paid Service to determine if it is now appropriate to request a JCAG to recommend a way forward.

- 3.15 Of the 137 VR/ERs agreed to date by People Board Operations, 122 have signed Settlement Agreements. The remainder will be issued notice and invited to sign once Failures To Agree have been resolved.
- 3.16 The work on securing redeployment for 23 staff out of the 72 in the In-House Home Care Service who wish to remain with the Council is nearly complete. Arrangements for 3 are still be confirmed. 49 of the employees in the service opted for VR/ER instead of redeployment.

**Table 2: Summary of Workforce Savings (as at 11/03/2015) – Includes both Service Challenge Savings and Employment Options**

	<b>Value of Restructures Cleared by People Board</b>	<b>Restructures Still to be Approved for Consultation</b>	<b>VR/ER Outside of Restructures</b>	<b>Vacant Post Deletions &amp; Vacancy Management</b>	<b>TOTAL</b>
<b>Value of Savings (£000s)</b>	<b>£6,943</b>	<b>£792</b>	<b>£768</b>	<b>£1,516</b>	<b>£10,019</b>
Indicative Redundancy Costs	£4,139	£475	£735	-	<b>£5,349</b>
Indicative Pension Costs	£2,759	£316	£186	-	<b>£3,261</b>
<b>Total Pension &amp; Redundancy Cost</b>	<b>£6,898</b>	<b>£791</b>	<b>£921</b>	<b>£0</b>	<b>£8,610</b>
Vacant Post Deletions	55	tbc	-	34	84
Voluntary Redundancies Agreed to date	115	tbc	22	-	105
Further Voluntary Redundancies Expected	16	tbc	-	-	39
Appointments through ringfencing & redeployment	46	tbc	-	-	63
<b>Number of Posts to be Deleted</b>	<b>232</b>	<b>20</b>	<b>22</b>	<b>34</b>	<b>308</b>

## FUTURE OF EMPLOYMENT OPTIONS

- 3.17 The Council's MTFP currently requires £40million of savings in the next two financial years (2016/17 and 2017/18). Furthermore, the Government's deficit reduction strategy will require further significant savings to be made over the course of the current Parliament in order to manage the public finances to deliver a surplus. Therefore, the Council's People Board has agreed proposals to continue with the Employment Options Savings Programme to support delivery of the MTFP.
- 3.18 Following completion of a lessons learned process, changes are proposed for the future management of the EO programme to address the main concerns expressed by managers and Trade Unions. These are the length of time taken to enable employees to leave once People Board had agreed a Directorate recommendation. These decisions were taken in October 2014 yet in some instances where restructures are required they haven't commenced 8 months later. A number of staff also raised this with the EO Team as a concern.
- 3.19 There have also been a very low number of bumped redundancies, only two have been agreed to date. Action is needed to prevent raising false expectations that employees given this outcome will be able to leave on VR/ER through this route (170 out of 600 requests (29%) for year one were given an outcome of bumped redundancy). In addition, 150 requests (25%) to leave in the first year could not be progressed because of the nature of their role, recruitment or retention issues or their service had vacancies and will have sufficient voluntary turnover to manage any reduction in staff numbers. It would therefore be sensible to review whether staff in certain roles or services should be excluded. The key changes proposed are:
- 3.12 Applications** - Instead of setting a deadline for requests to be submitted, the window of opportunity to submit a request is proposed to remain open with the ability to submit only one request every year although requests can be amended and withdrawn before a decision is made.
- 3.21 Eligibility** - As stated above, 150 requests could not be progressed because they met one of the following criteria contained in the EO guidance:
- A permanent saving to general fund cannot be made
  - The service contains vacant posts and/or agency workers/consultants
  - Release of the member of staff would significantly compromise service delivery
- 3.22 The EO guidance also states that "those working in areas of skills shortages, recruitment or retention difficulties and delivery of the Council's strategic priorities are unlikely to be released. Employees working in roles in traded or income generating services are also unlikely to be released unless they provide a 'bumped' redundancy opportunity".

- 3.23 It is proposed to restrict requests from employees in some roles or services where it is believed there is no realistic opportunity of their request being pursued, for example, qualified social workers. If this approach was taken, it would not prevent the employees concerned from submitting a VR/ER request if they are included in scope of a formal consultation on a restructure. Neither would it affect their statutory rights to submit a flexible working request. A provisional list is included in Appendix 2 below which will be subject to consultation with Trade Unions and confirmation by People Board.
- 3.24 *Decision Making*** - DMTs will be asked to review requests regularly on an on-going basis (at least once every quarter) with the outcome reported to People Board Operations for challenge and approval as appropriate. Proposals to delete a post and allow an employee to leave on VR/ER outside of a restructure will still be subject to consultation with Trade Unions before written notice of redundancy is issued. Restructures that are necessary to accommodate a request should commence as and when they are ready to start formal consultation once cleared by People Board Operations.
- 3.25 Where possible, minor changes to structures and JDs should be progressed through discussion and agreement with the effected employees and Trade Unions. This option was included in the EO guidance but was not utilised.
- 3.26 Any Directorate recommendations accepted by People Board Operations that would have a cross-Directorate impact or change the way in which a service is delivered (internally or externally) will need to be submitted to People Board Strategic and receive the appropriate Mayoral or Member level approval before any consultation commences, either with the public or with employees and Trade Unions.
- 3.27 *Managing Expectations of Bumped Redundancy*** - It is proposed that the outcome of 'bumped redundancy' will no longer be an option. Instead, all requests that were not able to proceed will be reviewed to identify a potential match in the event of an employee being faced with compulsory redundancy. This is suggested on the basis it avoids raising expectations by placing staff on a specific bumped redundancy list whilst still providing a route through which risks of compulsory redundancy can be minimised.
- 3.28 *Managing Data and Communicating Outcomes*** - Existing processes will be amended to reflect the on-going window for employees to submit requests and enable regular decision making by DMTs. These processes for managing the submission of requests, providing Directorates with data, maintaining records and informing employees of the outcome will continue to be supported centrally in HR.

#### **4. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 4.1 This report provides HR Committee with an update on progress with delivering staff related savings both through the Employment options programme and through service challenge savings projects. HR committee

are asked to note the contents of the report and thus there are no financial implications arising from the recommendations to HR committee.

- 4.2 The employment options programme is designed to assist the organisation deliver the £27.5m savings target required to achieve a balanced budget in 2015/16.
- 4.3 Total staff related savings are expected to be in the region of £10m and are estimated to cost £8.6m (see table 2 above). These one-off costs will be funded through an earmarked reserve which currently stands at £11m.

## **5. LEGAL COMMENTS**

- 5.1 Section 139 of the Employment Rights Act 1996 defines redundancy, relevant to this context, as a dismissal which is attributable to the fact that the requirements for work of a particular kind have ceased or diminished or are expected to cease or diminish.
- 5.2 Statutory Redundancy payments are payable to an employee with more than two year's continuous service, in accordance with section 162 of the Employment Rights Act 1996. The maximum statutory redundancy pay is currently capped at £13,920.00, following the Employment Rights (Increase of Limits) Order 2014. The Council's power to make redundancy payments over and above the statutory scheme derives from the Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations 2006.
- 5.3 The Local Government Act 2000 and the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 provide that staffing is a non-executive function. The Council's head of paid service under the Local Government and Housing Act 1989 has responsibility for a number of employment matters in the Council, including the following:
- the manner in which the discharge by the Council of its different functions is co-ordinated;
  - the number and grades of staff required by the Council for the discharge of its functions;
  - the organisation of the Council's staff; and
  - the appointment and proper management of the Council's staff.
- 5.4 Paragraph 9.1 of the Officer Employment Procedure Rules in Part 4 of the Council's Constitution provides that neither the Mayor nor any member of the Council will be involved in the dismissal of any officer below deputy Chief Officer. Redundancy is a dismissal for the purposes of the Employment Rights Act 1996.
- 5.5 Paragraph 1.1 of the Officer Employment Procedure Rules provides that the appointment or dismissal of an officer is a function which must be discharged by the Head of Paid Service unless the officer is:



- Head of Paid Service;
- A Statutory Chief Officer;
- A non-Statutory Chief Officer;
- A deputy Chief Officer;
- A political assistant;
- The Mayor's assistant.

5.6 In respect of the specified posts in paragraph 9.5 above, responsibility for dismissal (including redundancy) is a function which must be discharged as follows: (i) in respect of the Head of Paid Service by the full Council on the recommendation of the HR committee or sub-committee or officer appointed to deal with the dismissal; (ii) in respect of chief officers and deputy chief officers, by the Council, or by the HR committee, sub-committee or officer appointed to deal with the dismissal; and (iii) in respect of a political assistant or the Mayor's assistant by the Head of Paid Service in accordance with the wishes of the political group or the Mayor (as appropriate). In respect of (i) and (ii) prior notice and an opportunity to object must first be given to the Executive.

5.7 Having regard to the matters in paragraphs 9.3 to 9.6 above and the terms of reference of the HR Committee, it is appropriate for the Committee to be provided with information about progress of the Employment Options programme for consideration and comment.

5.8 When progressing the Employment Options programme, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristics and those who do not (the public sector duty). Some form of equality analysis will be required which is proportionate to proposed projects and their potential impacts. This will have particular relevance in areas where a majority or significant number of the workforce affected share a protected characteristic, as identified in the Home Care Service and should limit the risk of claims of indirect discrimination.

## **6. ONE TOWER HAMLETS CONSIDERATIONS**

6.1 An Equalities Assessment has been undertaken to identify the impact to the Council's workforce, in particular the impact on the Council's strategic aim to employ a workforce that reflects the community. Each stage of the change process will include an analysis of the equalities impact. The next stages to be analysed are the outcomes of job matching in formal consultations to deliver restructures and the composition of the workforce once employees have left. These will both be undertaken and reported to the Committee at the next scheduled meeting on 28 October 2015.

## **7. BEST VALUE (BV) IMPLICATIONS**

- 7.1 The Council's aims to maximise the delivery of workforce savings through the most efficient methods where ever it is possible to do so. This is by deletion of vacant posts and reducing agency staff use. Where savings can only be delivered through changing structures and jobs, the Council's Handling Organisational Change procedure is followed. Using a combination of routes through which savings can be delivered enables changes to be implemented more effectively. The approaches and procedures adopted by the Council are benchmarked externally and reviewed on a regular basis to ensure they remain fit for purpose and reflect best practice and organisational learning.
- 7.2 People Board Operations sub Group (PBO) – the group of senior officers responsible for reviewing and approving VR/ER requests that result from restructures –requested legal advice on the cost of VR/ER exits compared to the savings they delivered in terms of reasonableness and value for money. The advice, which has been applied consistently, is that no changes in structure should be approved unless the savings delivered cover the VR/ER costs within a period of three years. This is a maximum threshold although the majority of structural changes are delivered within a payback period of close to one year.

## **8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 8.1 None.

## **9. RISK MANAGEMENT IMPLICATIONS**

- 9.1 Following discussions with Risk Management and Internal Audit during the programme design, key areas of risk were identified. These have been tested by Internal Audit who provided substantial assurance. This includes confirming the accuracy of redundancy and pension costs which are expected to come to a total of over £8million for delivery of 2015/16 savings. Measures are in place to ensure the Pay Policy restriction on returning to work for the Council after redundancy and to identify if disciplinary action is pending before approving a request.

## **10. CRIME AND DISORDER REDUCTION IMPLICATIONS**

- 10.1 None.
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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- Employment Options and Workforce Savings Update reports previously submitted to HR Committee on: 22 October 2014; 11 December 2014; 28 January 2015; and 25 March 2015.

### **Appendices**

- **Appendix 1:** Employment Options Savings by Service Directorate as at 11 June 2015
- **Appendix 2:** Provisional List of Roles and Services to be Restricted from Employment Options

### **Local Government Act, 1972 Section 100D (As amended)**

#### **List of “Background Papers” used in the preparation of this report**

List any background documents not already in the public domain including officer contact information.

- NONE

### **Officer contact details for documents:**

- N/A

**Appendix 1: Employment Options Savings by Service and Directorate (as at 11 June 2015)**

Directorate/Service	Restructures to be Cleared by PBO	Restructures Cleared by PBO	Outside Restructure	Vacant Posts Deletion	Grand Total
Culture, Learning and Leisure	104,076		331,564		435,640
Public Realm		467,000	121,432		588,432
Safer Communities		218,000	156,392	95,700	470,092
Strategy, Resources & Olympic Impacts		143,000	6,392		149,392
Communities, Localities and Culture Total	104,076	828,000	615,780	95,700	1,643,556
Economic Development		199,000			199,000
Housing Options	179,428		91,000		270,428
Planning and Building Control		127,000			127,000
Resources		57,802			57,802
Strategy, Regeneration and Sustainability		128,444			128,444
Development & Renewal Total	179,428	512,246	91,000	0	782,674
Adults Social Care Services	116,000				116,000
Children's Social Care	51,000				51,000
Commissioning and Health	76,000	110,000			186,000
Learning & Achievement			21,038		21,038
Public Health				200,000	200,000
Education, Social Care & Wellbeing Total	243,000	110,000	21,038	200,000	574,038
Democratic Services		£124,000			£124,000
Law, Probity & Governance Total	0	124,000	0	0	124,000
Customer Access & ICT				115,585	115,585
HR & Workforce Development	78,184		41,000	33,500	152,684
Resources Total	78,184	0	41,000	149,085	268,269
Total of Expected Savings Delivered	604,688	1,574,246	768,817	444,785	3,392,536
Corporate Target approved by Cabinet Dec 2014					3,561,000
Difference (expected v target)					-168,464

**Appendix 2: Provisional List of Roles and Services to be Restricted from Employment Options** – to be confirmed by Directorates and then discussed with Trade Unions

Inclusion on this list does not exclude roles/services from being included when savings proposals are considered. It only applies to Employment Options requests. Employees in these roles/services are still eligible to request VR/ER if they are included in-scope of a formal consultation under the Handling Organisational Change Procedure.

The following is based on outcomes from requests received in 2014 that could not be progressed:

**CLC**

Trading Standards

Lifelong Learning – Lecturers

Transport and Highways – Engineers and Technicians

**D&R**

Planners

**ESCW**

Social Workers – Adults and Children's

Contract Services – School Catering and Cleaning

Careers Service - Advisors

Educational Psychologists

Qualified Teachers in Support for Learning and School Improvement Teams

Play and Learning and Family Support staff including seniors, within Children's Centres

Local Authority Day Nursery staff

Occupational Therapists

Governor Services

**LPG**

Legal Services – Legally qualified staff

**Resources**

Benefits

One Stop Shops

Revenue Services

Risk Management and Audit