

Report to the Cabinet

Meeting to be held on Thursday, 14 June 2018

Report of the Director of Finance and Head of Human Resources

Part I

Electoral Division affected:
(All Divisions);

Terms and Conditions Budget Saving - Consultation Outcome

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Executive Summary

In November 2017, Cabinet approved a review of employment terms and conditions and to enter into formal consultation with the recognised trade unions to seek a collective agreement on how to achieve a saving of at least £5m. The saving is profiled to be delivered from 1 July 2018, with a saving of £3.750m in 2018/19 and the remaining balance to be achieved in 2019/20.

The formal consultation period has now ended the outcome of which is set out within this report.

Recommendation

Cabinet is asked to note the outcome of the consultation and agree the approach, contained within the report, to target delivery of the £5m savings, which does not require any changes to employment terms and conditions.

Background and Advice

In November 2017, Cabinet approved a review of employment terms and conditions and to enter into formal consultation with the recognised trade unions to seek agreement on how to achieve a saving of at least £5m. The saving is profiled to be delivered from 1 July 2018, with a saving of £3.750m in 2018/19 and the remaining balance to be achieved in 2019/20.

The formal consultation, of not less than 45 days, was triggered in January by issuing a Notice under s188 of the Trade Union and Labour Relations (Consolidation) Act 1992. The purpose of the consultation was to try and reach a

collective agreement to introduce proposed changes to employment terms and conditions.

The Notice was required because if a collective agreement could not be reached then the council could only introduce any changes to employment terms and conditions legally by dismissing staff and at the same time offering re-engagement on the basis of the new terms and conditions.

The formal consultation period has now ended and the outcome of which is set out below.

Trade union consultations

Early into the consultation period, the trade unions challenged the council on its approach to achieving the £5m saving through changing employment terms and conditions. As a consequence, they asked the council to review other measures which could enable the delivery of financial savings without changing employment terms and conditions, in particular, options to reduce agency spend. This was agreed but the trade unions noted that if alternative measures did not achieve the savings required then exploring options to change terms and conditions of employment would be reconsidered.

Therefore, supported by the Interim Chief Executive and Director of Resources, the focus of the consultation shifted to measures that would aim to achieve the £5m without automatically changing employment terms and conditions.

Consultations with the trade unions have ultimately focused on the three substantive areas set out below and Cabinet are recommended to approve them.

- Reduce agency spend
- Reduce the level of sickness absence
- Actively encourage the voluntary take up of unpaid leave

It is important to note, that in addition to the saving relating to terms and conditions savings a further saving was agreed as part of the 2018/19 budget to introduce a vacancy factor of 2% and has been implemented across all staffing budgets, reflective of the turnover and vacancy position being experienced by services at the time. The Trade Unions were advised of this as part of the discussions that have taken place.

Reduce Agency Spend

During 2017/18 overall agency spend totalled £11.6m across the county council's revenue budget (any agency spend associated with the capital programme has not been included as any impact on this budget would not result in a revenue saving). This is broadly similar to the level of spend in 2016/17.

When an agency worker is engaged, the cost of that placement often contains an additional cost/differential when comparing to the cost of employing staff on the county council's terms and conditions. In order to determine if a budget saving could

be delivered through reducing these costs, analysis was completed of the cost differential across all services and also the reasons why agency workers were being utilised. The data showed that the biggest reason for the engagement of agency workers was that they were being used to cover vacancies (55%). Therefore the saving calculation has focussed on filling vacancies with staff on the county council's terms and conditions rather than agency cover.

In some cases, such as Children's Social Care, the costs represent agency worker expenditure for covering posts with budget provision and therefore with scope to ultimately deliver a recurrent reduction in expenditure. The greatest differential is seen in Children's Social Care with the differential on average being 17%. Other spend covered from non-recurrent funding streams represents short term additional staffing requirements and therefore not a budget saving, albeit could reduce expenditure against other funding streams including reserves and grants, e.g. Better Care Fund.

Following analysis of 2016/17 and 2017/18 agency expenditure and the additional cost of engaging agency workers, the proposal is to set a target reduction of £690,000 from September 2018 to August 2019. The estimated delivery profile would be a part year saving of £403,000 in 2018/19 with the remainder of the saving to be achieved in 2019/20. The proposed saving has been determined based on the actual costs of agency workers in 2017/18 and calculating what the alternative cost would have been if the posts had been filled with staff on the county council's terms and conditions.

The potential saving to be achieved above would be dependent on successful recruitment to vacancies. Measures are being progressed in this respect through 'smarter' recruiting within Children's and Adults Services. In addition, the outcome of the 'quick wins' recruitment improvements will contribute to reducing agency spend.

It is acknowledged that until the outcome of the Ofsted inspection, it is unlikely that agency spend will reduce significantly within Children's Services.

A further contributory factor in reducing agency spend is to reduce the level of sickness absence. Although agency workers are mainly used to cover permanent vacancies, reducing sickness absence will contribute to reducing agency spend due to less requirement for absence cover.

Whilst it is expected that agency spend will reduce through these measures, this would not be closely monitored during the year as there is a risk that the target reduction will not be wholly met if the level of successful recruitment is insufficient.

Reduce the level of sickness absence

In 2017/18, the outturn position for the council was 11.83 days sickness per employee. The average local government sickness absence level for 2017/18 is 10.5 days per employee. It is proposed to set a target reduction of 2 days from September 2018 to August 2019. This represents a reasonable target to aim for through improved management of sickness absence, early interventions and building workplace health and wellbeing resilience.

Following analysis over the last financial year of all sickness absences and the related costs, the potential saving identified from the target reduction in sickness absence is £500,000. The core assumption underpinning this is that, on average, services put in place paid for cover arrangements once an individual has been absent for four weeks (accounting for c50% of overall sickness absence).

The current estimated cost of covering sickness absence for those absent for more than four weeks is £6.3m, and to reduce this from just under 12 days on average to just under 10 days would represent a reduction of 16.7% with c8% being estimated as a reduction in long-term absence over 4 weeks. Achieving the target reduction would then result in an estimated saving of £510,000, albeit to be offset by the cost of additional staff required in HR, reducing the net benefit to c£410,000. Assuming improvements begin fully from September 2018, would result in an estimated savings delivery profile of £240,000 in 2018/19 with the remainder being delivered in 2019/20.

In reviewing the position it is recognised that some services need to cover sickness absence from day one but most services do not. Also, as part of a general improvement in management of the sickness process, and resultant sickness absence levels, this would also lead to a wider productivity gain although this is more difficult to quantify in terms of financial savings and to determine the value of the budget saving. This would be an element that once delivered could provide additional benefits.

This saving will be dependent on the support to managers provided by the additional resource from within the Human Resources Service which is unlikely to be in place until September. Once recruitment is complete a programme of support would need to be put in place. Due to the time taken to put this in place it is currently anticipated that this saving will begin to be realised from September 2018.

Actively encourage the voluntary take up of unpaid leave

A number of other councils have in recent years sought to achieve financial savings through encouraging the take-up of unpaid leave. If there was significant interest from staff to take up an amount of unpaid leave this is the measure that could deliver the largest contribution to the £5m saving.

It is proposed that the approach to introducing this measure is to rebrand the current V-Time scheme to a 'buy additional leave scheme'. Although they both mean the same, using the term V-Time does not properly explain what it is and is sometimes confused with a voluntary reduction in working hours per week. The rebranding will also provide an opportunity to market the scheme.

The current take up of unpaid annual leave equates to an average of approximately 0.2 days per employee being purchased and this is largely concentrated in office based staff. Whilst the trade unions have indicated that they would not support a mandatory arrangement, in discussions relating to a voluntary and appropriately marketed scheme they did indicate this is something that they would support.

Assuming that the savings targeted from reducing agency spend and sickness absence total c£1.1m delivery of the overall £5m saving would require additional savings of £3.900m from the voluntary unpaid leave scheme.

In order to complete a calculation to indicate the level of take up required to achieve the required savings, some exclusions have been included as these roles would require direct cover if they did not have the member of staff in post on a specific day. The exclusions will be kept under review but those that have not been included in the calculation are:

- Term Time Only Staff
- Care Assistants (Older People Service)
- Community Support Workers (Disability Services)
- Driver Attendants and Passenger Assistants (Public and Integrated Transport)
- Residential Childcare Worker (Children's Services – Residential)
- School Catering and Residential Homes Catering Staff

The potential saving for each day of additional unpaid leave as an average of all non-exempt employees are shown below:

Number of days voluntary leave	Saving (£m)
1	0.797
2	1.595
3	2.392
4	3.189
5	3.987

In order to maximise the opportunity to progress interest from staff to buy leave, requests to buy up to five days additional leave would be automatically applied without requiring manager approval and appropriate deductions from salary would be put in place. Requests for more than five days, and up to the current maximum of 20 days, would be considered and determined by the manager. Staff who work in a role that would have to be covered during leave would be excluded from the scheme because there would be no saving accrued, as shown in the list above.

Other councils have varying ways of operating this type of scheme, including an automatic progression for buying leave for up to five days. Promoting the scheme and ensuring it is easily understood are key steps to supporting its success.

Consultations

A formal consultation was undertaken with the recognised trade unions as identified within the report.

Implications:

This item has the following implications, as indicated:

Risk management

The proposals contained within the report to deliver the budgeted saving, whilst assessed and put forward as achievable, still have delivery risk associated including the actual take-up of unpaid leave.

Cabinet will receive updates through Money Matters reports that will indicate the progress against savings delivery. The reports will provide details in relation to progress and if this saving looks unlikely to be fully delivered this may then require reconsideration of the approach to delivering the terms and conditions saving.

Moving to these measures rather than introducing changes to employment terms and conditions is supported by the trade unions and they would support the council to deliver them. This was confirmed by them at the Joint Negotiating and Consultative Forum held on the 19 April.

However, achieving the £5m savings is conditional on the successful delivery of these measures and the trade unions understand that if they are not fully delivered then consultations are likely to commence on other measures which could again include changes to employment terms and conditions.

Financial

The savings outlined above demonstrate that the £5m saving that has been built into the budget across 2018/19 and 2019/20 can be achieved, whilst being mindful of the risks outlined above. This will be reviewed regularly throughout 2018/19 and the position reported back to Cabinet as part of the Money Matters reports on a quarterly basis.

List of Background Papers

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None		
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Reason for inclusion in Part II, if appropriate		
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