

## Appendix A

### Cabinet

Meeting to be held on 12 August 2015

### Report of the Corporate Director for Commissioning and Deputy Chief Executive

Electoral Division affected: None
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### Redundancy Payments Scheme and Trade Union Consultation

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#### Executive Summary

At its meeting held on 20 February 2014 the Full Council agreed to Cabinet's recommendation proposing changes to the Council's Voluntary Redundancy package over a four year period from 1 April 2014 to 31 March 2018 for the purpose of achieving a reduction in employee costs in the order of £75 million.

The changes agreed, which are now incorporated within the Council Redundancy Payments Scheme, were agreed on the basis of an ambition to achieve the necessary downsizing of the Council by voluntary means subject to sufficient volunteers coming forward whose application could be agreed based on business need.

This report provides an update on the progress made to date and sets out the extended time period over which the Council will need to reduce its workforce. It also makes recommendations with respect to further changes to the Council's Redundancy Payments Scheme and to commence formal consultation with the recognised Trades Unions in the event that it becomes necessary to make staff compulsorily redundant.

#### Recommendation

The Cabinet is asked to:

- (i) Agree that Full Council be recommended to agree to the extension of voluntary redundancy terms until 31 March 2018 based on a multiplier of 1.4.
- (ii) Authorise the Director of Governance, Finance and Public Services to issue the necessary statutory notices in respect of the proposals as set out in the report.

(iii) Note that, subject to the outcome of formal consultation with the recognised Trade Unions, those employees displaced as part of Phase 1 of the Council's transformation will be served with not less than three months' notice of dismissal on the basis of compulsory redundancy, the dismissals to take effect on 31 March 2016.

## **Background and Advice**

In February 2014 Full Council agreed to Cabinet's recommendations in relation to the Voluntary Redundancy (VR) Terms to facilitate the downsizing of the council. Those terms involved a salary multiplier of 1.6 for employees leaving by 31 March 2015, reducing to a multiplier of 1.4 for employees leaving by 31 March 2016. It was agreed that, following that date, for the period 1 April 2016 to 31 March 2018 the terms will be reduced to the statutory minimum redundancy provisions with no multiplier and adopting the statutory maximum of weekly salary (currently £475 per week) for each week used in the calculation, the terms therefore being the equivalent of those applying to compulsory redundancy.

The objective of the VR provisions was to avoid any compulsory redundancies prior to April 2016 when it was anticipated the downsizing of the Council would be complete. Whilst, at the time, no guarantee could be given that there would be no compulsory redundancies before April 2016, it was the ambition of the Cabinet to do everything possible to avoid compulsory redundancies and achieve downsizing by voluntary means subject to sufficient volunteers coming forward whose applications for VR could be agreed based on business need.

The scale of the reduction in employee numbers was modelled at around 2500 based upon the assumption that the reduction in Council expenditure on employees, as part of the required savings, would be proportionate to the 28% of the total budget related to employee costs.

## **The 2014 and 2105 Budget Decisions**

The Council's budget decisions in 2014 and 2015 have, to date, had far less impact than anticipated on employee numbers. The expenditure reductions resulting from the overall pattern of budget decisions and service offers has impacted employee expenditure to a much lesser degree than initially anticipated and savings could only be achieved over a longer time period. A higher proportion of the expenditure reductions in service offers is planned against third party spend. Additionally, staffing reductions related to service offers that involve the fundamental reconfiguration of services, primarily in social care service areas, libraries and young people's services are expected to take until April 2018.

Overall it is anticipated that the reduction in employee numbers relating to budget decisions to date will amount to approximately 1400 employees with some 400 taking place between April 2016 and April 2018. The majority of these 400 relate to service areas described as part of the current staff consultation on the proposed Phase Two of the Council Transformation as "delayed in-scope".

## **Further budget reductions**

The analysis set out in the report elsewhere on the agenda "Money Matters, Financial Outlook for the County Council and Medium Term Financial Strategy" identifies £87.1 m of further reductions to be implemented before April 2018.

Given that the balance of budget decisions taken in 2014 and 2015 have focussed more on third party expenditure, it is inevitable that the majority of the savings yet to be identified will involve employee cost reductions.

It is therefore considered that the reduction of 2500 in employee numbers, initially modelled, is still likely to be necessary, but will have to be achieved over a longer time period than originally envisaged. Whilst it was originally envisaged that this would occur by April 2016, it is now considered that the majority savings on employee costs will need to be achieved by April 2017, with a reduction of some 400 posts taking place during 2017/18.

### **Phase 3 of the Council's Transformation**

It can be seen from the foregoing that out of the estimated 2,500 reduction in posts, some 1100 posts have yet to be identified. These posts can only be identified once the Council has made decisions about the future patterns of service in respect of its available resources.

The timescale for these decisions to be made will be the Full Council budget meeting in February 2016. The normal budget consultation process would see options being considered from November 2015 and at that time the potential areas where staffing reductions are proposed will be identified.

These options will have the potential to affect all areas of the Council and all phases of the transformation process. The timetable and process for the transformation will therefore need to be reconsidered in the light of these decisions.

### **Reductions to date**

Since April 2014, 608 employees have been granted VR and have either already left the organisation or have agreed leaving dates. It is estimated that if these staffing reductions are combined with reductions from vacancies and the reductions proposed as part of the Phase Two "in-scope" restructuring, approximately 1000 posts will have been removed from the structure between April 2014 and April 2016.

### **Ambition of "no compulsory redundancies" before April 2016.**

Given decisions to date and the level of approved VRs it can be reported that the council will be able to deliver on its ambition that no employee would be made compulsorily redundant before April 2016.

The Council will, therefore, have provided employment protection for all its employees for over 2 years since the scale of the downsizing was announced.

### **Extension of VR terms until April 2018**

Given the extended timetable over which it is now envisaged the workforce will be reduced, and in order to maximise the opportunities for volunteers to come forward, it is proposed that the current VR terms, involving a 1.4 multiplier, which are due to end on the 31 March 2016 be extended until the 31 March 2018. This would not affect employees who have already been granted VR and have an agreed leaving date.

### **Financial Implications**

When the VR terms were agreed in February 2014 it was estimated that the cost of the VR package for 2500 employees would be in the region of £75-£79 million and provision was therefore made within the downsizing reserve to accommodate this cost.

To date the cost of the 608 employees granted VR has been £23.7m. It is anticipated that the proposed extension of the VR terms can be accommodated within the current provision of the down-sizing reserve, as the total number of employees affected is not expected to exceed the original 2500.

### **Compulsory Redundancy**

Given the scale of the budget reductions still to be achieved and the timeframe over which this will need to be delivered it is unlikely that the Council will be able to achieve the reductions by wholly voluntary means after 31 March 2016. It is likely that compulsory redundancy will become a necessity if the Council is to set a balanced budget by April 2017.

In those circumstances the requirements of section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 are engaged and it is necessary for the Council to undertake a formal consultation process with the recognised Trade Unions. The consultation must include consultation about ways of avoiding the dismissals, reducing the number of employees to be dismissed, and mitigating the consequence of the dismissals. The consultation must be meaningful, undertaken with a view to reaching agreement and will include, amongst other things, the proposed selection criteria and proposed method of selection that will apply where compulsory redundancy becomes necessary.

Whilst non-filling of vacancies and VRs will be the main focus for achieving staffing reductions, it is proposed that, subject to the outcome of the formal trade union consultation referred to above, the 22 employees displaced as part of Phase 1 of the transformation process and therefore without a substantive post will be served with a minimum 3 months' notice of dismissal to take effect on 31 March 2016. The full year cost of taking this decision would be to achieve a saving of approximately £1 million per annum.

During this notice period the employee will still have the opportunity for redeployment into any suitable alternative post that becomes vacant or a "bump" into a post vacated by a volunteer for redundancy.

The Council's Redundancy Procedure sets out the procedural requirements that apply where it is proposed to make an employee compulsorily redundant and includes provision for consultation with individual employees affected and, if necessary, the right to appeal against selection for redundancy as well as access to the Council's Redeployment process.

### **De-facto compulsory redundancy**

It is also proposed that any employee served with notice of compulsory redundancy could elect for VR up to their last day of employment. It can be anticipated therefore that most employees subject to compulsory redundancy would ultimately elect for the voluntary terms.

However, for the sake of openness and transparency the Council would not wish to misrepresent this position and therefore those employees who are true volunteers for redundancy rather than those who have been served with notice of compulsory redundancy will be identified and reported on separately so that the true impacts of the policy can be monitored.

### **Consultations**

Section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 requires formal consultation on the basis described above. The Trade Unions will be provided with the necessary information relevant to the proposals to facilitate meaningful consultation. This information includes the reasons for the proposals, the staff affected (including details of agency workers and apprentices/graduates currently engaged by the Council). As with the earlier proposals for voluntary redundancy, it is intended to schedule regular consultation meetings with the Trades Unions for as long as that is required.

With the exception of the 22 employees displaced as part of Phase 1, decisions have yet to be made as regards the service areas and staff potentially affected by compulsory redundancy. It is not therefore intended to propose selection criteria and the proposed method of selection at this stage, this will be the subject of ongoing discussion with the Trades Unions as proposals emerge. However, it is possible that both the selection criteria and the method of selection will vary between service areas although selection on the basis of competitive interview will be one of the methods consulted on.

A failure to comply with s.188 requirements entitles an employee to present a complaint to an Employment Tribunal and if the complaint is upheld then the Tribunal has the power to make a "protective award" of up to 90 days' pay. The Council is also required to notify the Secretary of State of proposed redundancies.

**Implications:**

This item has the following implications, as indicated:

**Financial**

It is anticipated that the costs of the VR proposals can be contained within current provisions of the downsizing reserve.

**Risk management**

The proposed action set out in the report is vital to the management of the budget risks facing the Council and the need to balance the Council's budget in 2017/18.

**List of Background Papers**

Paper	Date	Contact/Tel
None		
Reason for inclusion in Part II, if appropriate		
N/A		