

Revenue Budget 2008-09 and Staff Cost Reductions

Finance and Administration Committee, item 2

Committee:	Finance and Administration Committee	Agenda Item
Date:	15 January 2008	2
Title:	Revenue Budget 2008-09 and Staff Cost Reductions	
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Summary

The council meeting on December 11, 2007 considered a report on the projected position of the council finances and the need to achieve reductions in staff costs of £1 million on the general fund in 2008-09. Council agreed that it would not be possible to achieve such reductions without compulsory redundancies and, therefore, initiated a thirty-day period of consultation with staff and unions.

The consultation period concludes on Saturday 12 January 2008. This report is being written in advance of the closure of the consultation and it may be necessary to issue a supplementary report to address any further issues raised by the union or by staff.

The purpose of this report is to set out in more detail the recommended approach to staff cost reductions and to advise members of what has already been done in this regard.

Recommendations

1. That members note the actions that have so far been taken towards achieving the necessary staff cost reductions;
2. That the approach set out to identifying posts for deletion and/or redundancy is noted;
3. That the proposed timescale is agreed;
4. That the approach to issues regarding alternatives to redundancy, redeployment, selection and mitigation is agreed.

Background Papers

UDC Personnel Policy Notes 24, 25 and 26 (Redundancy, Early Retirement and Redeployment)

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Impact

Communication/Consultation	The report sets out what consultation has already been undertaken and makes clear the need for further consultation and communication with staff, members, partners and other stakeholders.
Community Safety	No specific implications.
Equalities	All decisions, policies and procedures will need to be in accordance with the council's equalities policy and the wider legislation and guidance on the issue.
Finance	The report sets out the financial implications in more detail. The purpose of the report is to establish procedures whereby the council can reduce its staff costs by £1 million per annum.
Human Rights	The relevant policies and procedures will need to be in accordance with the relevant legislation and in accordance with the Human Rights Act specifically.
Legal implications	
Sustainability	No specific implications.
Ward-specific impacts	The reports effects will be district-wide.
Workforce/Workplace	The proposals will result in a significant reduction in staffing levels within the council. The report addresses how this will impact on staff and makes clear that arrangements are in place for appropriate support, advice and training for staff – both those who are facing redundancy and those who remain.

Background

1. Following the council meeting of December 11, the following actions have been taken:
 - Unison and all staff were issued with a letter and an email on December 12 formally setting the consultation on redundancies in motion. This consultation is based on the existing council policies on redundancy, early retirement and redeployment which are recorded as Personnel Policy Notes 24, 25 and 26;

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- the Department for Business, Enterprise and Regulatory Reform were formally notified of the possibility of redundancies;
- there have been two meetings between the Chief Executive and Unison to discuss the ongoing consultation, with a third meeting scheduled for January 11.
- there have been several meetings of the Strategic Management Board and Heads of Division to develop a clear understanding of options for cost reductions.
- a small group of staff has been meeting to identify the best ways of keeping all staff informed of the ongoing position and to address ways of sustaining morale through this very difficult period.
- all staff have been invited to attend 'drop-in' sessions where representatives of both Unison and the Human Resources team can offer advice and support to individual members of staff. These sessions commence on 8 January and continue to 11 January at each of the main council workplaces.

Next Steps

2. Provisional proposals have been developed by SMB and Heads of Division to meet the target of £1 million cost reduction. These proposals have been developed based on the criteria set out below and will themselves need to be the subject of further consultation commencing at the time 'at risk' letters are issued. Some further details of these provisional proposals are detailed in a confidential report later on this agenda.
3. If members agree the approach proposed, then it will be necessary to engage in further consultation on the specific proposals in parallel with informing staff of their individual position (whether they are 'at risk' or not).
4. It should be stressed that the process of consultation on specific proposals will start at the point the 'at risk' letters are issued, as will the period of notice of dismissal for those staff who are at risk. In the case of staff whose jobs are redundant and for whom no redeployment is available, their precise date of departure will depend on their individual circumstances but in most cases will be on or before 31 March 2008. In some cases, individuals will be entitled to up to three months notice and the dates of some departures may be after March 31.
5. A further update report will be provided to the Finance and Administration Committee at its scheduled 31 January meeting. If it is possible to finalise any decisions at that point or if further information has come to light which might require changes to the planned approach then members will be asked to consider those issues at that meeting. However, it is expected that most issues will not be finally confirmed until the council sets its budget on February 19.

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6. Where the redundancy proposals require selection between current postholders, it is likely that the selection will not take place until after the 19 February meeting has confirmed proposals.
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| 16 January | Meeting of SMB/HOD's to confirm approach following Finance & Administration Committee |
| 16-18 January | Individual staff to be informed of their position by Directors/Heads of Division |
| 21 January (latest) | A general 'announcement' of the proposals to be made to enable staff/members to see whole picture

Report to 31 January Finance & Administration Committee to be available |
| 31 January | Finance & Administration Committee to be asked to confirm proposals and/or make recommendations for incorporation into 2008-09 budget |
| 19 February | Council meeting to set budget. Final confirmation of all proposals. |
| 20 February onwards | Selection processes to be undertaken

Redeployment opportunities to be agreed |
7. Parallel with this process will be ongoing consultation with the public, partners and stakeholders about the proposals and options surrounding them to ensure that the implications of the changes have been fully assessed, and any alternatives fully explored.

Framework

8. In management's view, it is important that the process of cost reduction is pursued in as systematic a way as possible. This requires a clear set of criteria to be established for the future shape of the organisation. If we have a clear understanding of what the new organisation will look like then both strategic and opportunistic decisions can be taken with that in mind.
9. Management discussions have identified the following criteria to shape our decision-making:
- **putting people first:** shaping the organisation to deliver the expected service to the customer and being responsive to their needs rather than expecting the customer to fit the organisations needs.
 - **consistent service quality:** our resources will not always allow us to deliver 'Rolls Royce' quality services, but we must ensure that we deliver what we promise. Our approach will be to deliver a predictable level of service 100% of the time, rather than promise more and fail to deliver.
 - **focus on core tasks:** the district council has statutory duties – a legal obligation to ensure certain functions are delivered – and these duties

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must be met. There are also a number of other activities which – although not statutory – we are in effect obliged to deliver as a result of audit inspections, government guidance or organisation necessity.

- **seek to reduce overheads by sharing costs:** central functions and discretionary activities may well be suitable for delivery through a partnership structure or by another body delivering a function on our behalf.
- **not assume others' obligations:** where UDC is carrying out an activity that is primarily the obligation of another body, or where other viable providers exist, then we will seek to withdraw from that activity unless there is a clear justification for continued district council resources to be committed to it.

Consultation

10. The council has to date been consulting staff and Unison on the following issues:
 - Alternatives to redundancy;
 - Redeployment
 - Selection process and criteria
 - Mitigation
11. Each of these issues, and the proposed approach to them are discussed in turn below.

Alternatives to redundancy

12. Throughout the process, the aim has been to ensure that the number of people at risk of redundancy be kept to an absolute minimum. This has been particularly difficult since the target for staff cost reductions, if met, would still leave the council with a projected shortfall in 2008-09 of £800,000. As a result any other savings proposals or increases in income will need to be used to offset the council's overall financial difficulties rather than to offset the need for staff reductions.
13. However, there are three specific approaches that are being taken to minimise the number of redundancies:
 - priority has been given to deleting posts which are already vacant where it is clear that the workload can be reduced or maintained at a level which can be handled by the remaining staff;
 - where there are vacancies which need to be filled, those posts will be made available for those who are at risk of redundancy on a redeployment basis wherever possible;
 - where there are tasks which might fall legitimately into the realm of our existing partnerships (Uttlesford Futures, etc) then we will seek to reach

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agreement with the partnership that partnership resources be devoted to continuing the activity.

Redeployment

14. At the same time as individuals are notified that they are at risk of redundancy, they will be provided with details of all vacancies which are available within the council. They will then be asked to express an interest in any role which they feel able to perform and they will be considered for redeployment into that role.
15. Redeployment will be subject to the following considerations:
 - the individual will need to demonstrate that they are qualified for the role or that, with minimum suitable training to be funded by UDC, they can become qualified within a short period of time;
 - the individual can express interest in the role when they are notified that they are at risk, but should they not in the end be made redundant they will normally be expected to remain in their original post, unless the overall impact on the organisation or individuals would benefit from an alternative approach being taken;
 - any redeployment will be for a trial period with an initial review after four weeks. If the trial proves unsuccessful – in the view of either side – the individual would be made redundant on the same basis as existed prior to the trial, provided the individual had made reasonable efforts to an attempt to carry out the role. We would expect post holders to be confirmed permanently into the redeployed role within three months at the latest from the start of the trial, but this period could be extended if those concerned agree it is appropriate.

Selection Process and Criteria

16. Where an activity is to cease, then no selection criteria will be applied since all posts carrying out that activity will become redundant. However, where staff numbers are to be reduced it is necessary to agree the process by which individual will be selected for redundancy.
 - In the first instance, all staff in the group at risk will be informed that they are at risk, the numbers of staff who are in the group, the future configuration of the group and, therefore, the number to be made redundant.
 - At this stage individuals will be asked to confirm that they do wish to be considered for the roles that remain available as well as indicating any other vacancies that they wish to be considered for.
 - A selection process will then follow whenever there are more staff than there are posts available. This selection process will take the form of an interview, job-related test or similar, but will also take account of the individuals' records of performance, competence and contribution to the

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council and future potential. The selection will be made by the Head of Division or other manager, with the advice and support of Human Resources.

- The criteria to be applied in the selection will be those identified in the council's existing redundancy policy (PPN 24), namely:
 - Length of service (not necessarily "last in first out")
 - Qualifications and/or training received
 - Performance level
 - Attendance record and time keeping
 - Disciplinary record
 - Level of knowledge, skill and/or experience
 - Willingness and ability to acquire new knowledge and skills
 - Planned organisation restructure
 - Planned future projects/workload demands
 - Identified savings/benefits
- Issues of redeployment – where there is more than one at risk individuals who have expressed an interest in a given post – will be addressed in the same way as above, but will not be dealt with until it is clear that the position of all the individuals concerned have been addressed.
- This process, and that for selection of staff for redundancy, is potentially complex. Appendix 1 sets out – in flowchart form – the path that an individual may follow through the process.

Mitigation

17. In order to mitigate the impact on individuals and the organisation of these, very difficult, decisions the council will need to take a number of steps.
 - All staff who are at risk will be entitled to statutory notice of dismissal. This notice will be given at the same time as the staff are informed that their posts are at risk.
 - Redundancy payments will be made in accordance with the council's established policy. This calculation is made on the basis of the official government table, a copy of which is attached as Appendix 2. The figures in the table represent the number of weeks pay the individual would receive based on age and length of service. This calculation is based on the individuals actual current weekly pay.
 - All staff, whether at risk or otherwise, will be offered support and counselling through this process. Those who are at risk will also be offered advice on careers and retraining as well as personal counselling and, as appropriate, financial advice. Arrangements for this support are in hand and – in accordance with existing policy - the support will remain available to those who leave Uttlesford's employ for twelve months after their departure.

Financial Implications

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18. Since individual entitlements to redundancy payments vary according to age and length of service it is not possible to identify precise costings for redundancies until it is known precisely who is being made redundant. The following therefore is, necessarily, an approximation of likely costs.
19. Management have identified 21.2 full time equivalent posts which are currently vacant and which can be deleted. This will save £662,000 of staff costs (including salaries, pension costs and other on-costs). In order to achieve the £1 million cost reduction, it is estimated that the posts of a further 22 people will need to be deleted. It is estimated that the deletion of these posts would save a further £461,000 in staff costs at a total cost of £61,000 in redundancy payments and an estimated £49,000 in individual staff support.
20. Those redundancies and costs will be offset to some extent by the possibility of redeployment. At the time of writing, there were sixteen vacant posts which cannot be deleted. While it may not be possible to fill all of these posts by redeployment, it is hoped that significantly fewer than twenty-two individuals will in the end be made redundant, which will obviously reduce the cost of this exercise as well as being better for those concerned.
21. In developing the budget and service plans for 2008-9, the full implications of the new staffing levels will need to be taken into account. Where the redundancy process has entailed a restructuring of a team, there will be a need to ensure that the posts in the new structure have been properly evaluated. Similarly, where redeployments have taken place, training may well be required and appropriate budgets must be available to support that activity.

Risk	Likelihood	Impact	Mitigating actions
That the targeted savings are not met	Medium	Would result in continued financial and organisational instability, with the likelihood of central government intervention should a legal budget not be achieved,	The costs and savings associated with these proposals have been carefully and cautiously estimated. Further savings proposals will continue to be sought to enable the council to operate on a secure financial footing from 2008 onwards.
That staff are not equipped to deliver services successfully in the new structure	Medium	Staff morale is inevitably low at this stage in the process. It will remain	Appropriate training and support will be made available to those who are leaving the organisation and also to those who remain –

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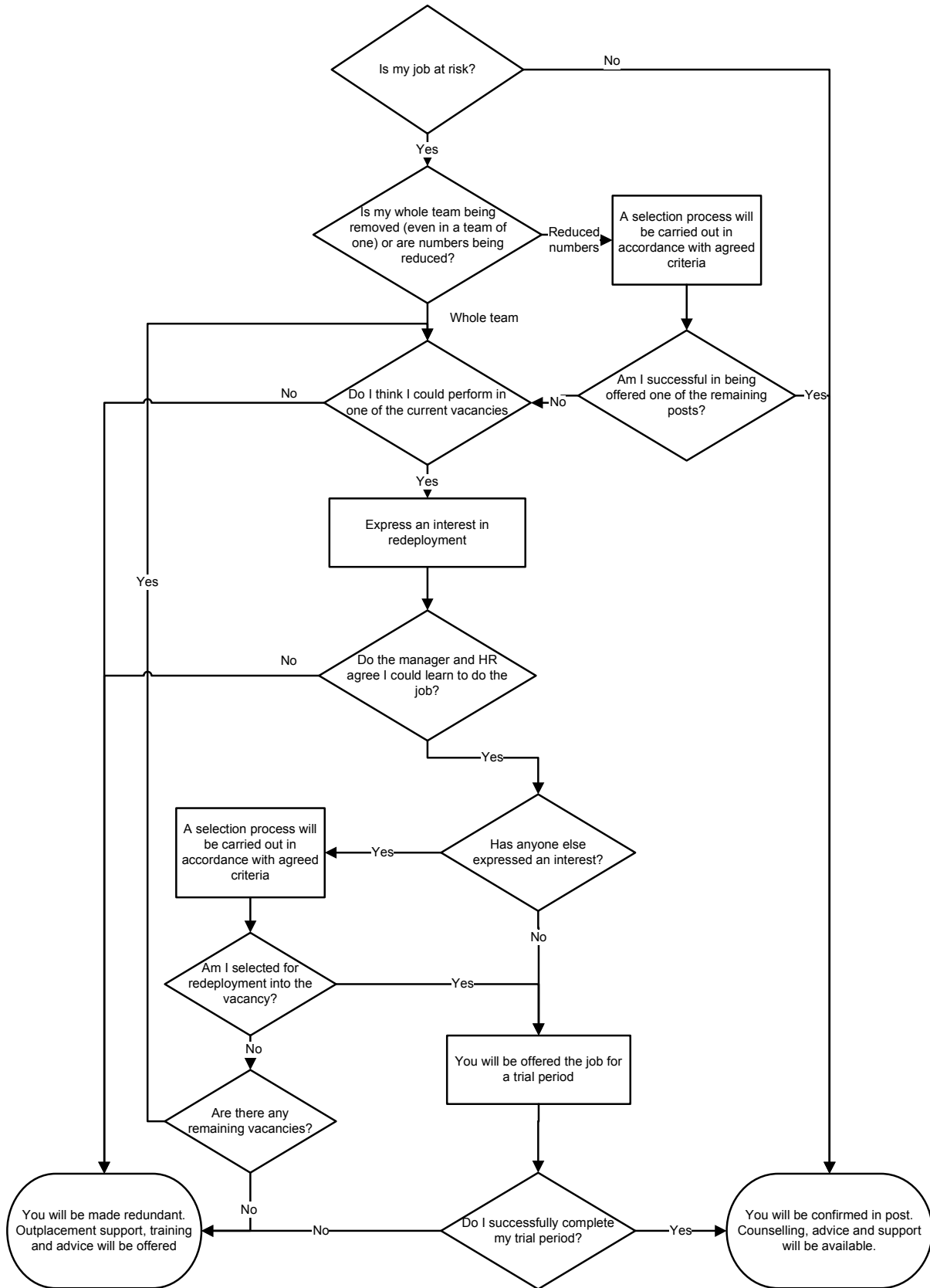
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		fragile for some time to come.	whether continuing in their previous roles or in new roles. Renewed effort to ensure that staff are fully appraised of the developing situation will be necessary.
That the process is deemed to be unfair or in breach of employment legislation and/or regulations	Low	May lead to unfair dismissal claims with the potential to expose the council to increased costs and prolonging the transition to a more stable operating base.	Advice has been taken throughout this process to ensure that our approach is sound. Consultation and communication with staff and their representatives will continue with a view to enabling an early resolution of any potential disputes.

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APPENDIX 1: Selection and redeployment process



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APPENDIX 2: Redundancy payment table

The figures in the table represent the number of weeks salary an employee would be entitled to as redundancy payment, based on their age and their length of service.

Age	Service (Years)																			
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
17*	1																			
18	1	1½																		
19	1	1½	2																	
20	1	1½	2	2½	-															
21	1	1½	2	2½	3	-														
22	1	1½	2	2½	3	3½	-													
23	1½	2	2½	3	3½	4	4½	-												
24	2	2½	3	3½	4	4½	5	5½	-											
25	2	3	3½	4	4½	5	5½	6	6½	-										
26	2	3	4	4½	5	5½	6	6½	7	7½	-									
27	2	3	4	5	5½	6	6½	7	7½	8	8½	-								
28	2	3	4	5	6	6½	7	7½	8	8½	9	9½	-							
29	2	3	4	5	6	7	7½	8	8½	9	9½	10	10½	-						
30	2	3	4	5	6	7	8	8½	9	9½	10	10½	11	11½	-					
31	2	3	4	5	6	7	8	9	9½	10	10½	11	11½	12	12½	-				
32	2	3	4	5	6	7	8	9	10	10½	11	11½	12	12½	13	13½	-			
33	2	3	4	5	6	7	8	9	10	11	11½	12	12½	13	13½	14	14½	-		
34	2	3	4	5	6	7	8	9	10	11	12	12½	13	13½	14	14½	15	15½	-	
35	2	3	4	5	6	7	8	9	10	11	12	13	13½	14	14½	15	15½	16	16½	
36	2	3	4	5	6	7	8	9	10	11	12	13	14	14½	15	15½	16	16½	17	
37	2	3	4	5	6	7	8	9	10	11	12	13	14	15	15½	16	16½	17	17½	
38	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	16½	17	17½	18	
39	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	17½	18	18½	
40	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	18½	19	
41	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	19½	
42	2½	3½	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	
43	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	
44	3	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	
45	3	4½	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	
46	3	4½	6	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	
47	3	4½	6	7½	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	
48	3	4½	6	7½	9	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	23½	
49	3	4½	6	7½	9	10½	12	13	14	15	16	17	18	19	20	21	22	23	24	
50	3	4½	6	7½	9	10½	12	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	23½	24½	
51	3	4½	6	7½	9	10½	12	13½	15	16	17	18	19	20	21	22	23	24	25	
52	3	4½	6	7½	9	10½	12	13½	15	16½	17½	18½	19½	20½	21½	22½	23½	24½	25½	
53	3	4½	6	7½	9	10½	12	13½	15	16½	18	19	20	21	22	23	24	25	26	
54	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	20½	21½	22½	23½	24½	25½	26½	
55	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22	23	24	25	26	27	
56	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	23½	24½	25½	26½	27½	
57	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25	26	27	28	
58	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	26½	27½	28½	
59	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28	29	
60	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	29½	
61+	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30	