

PERTH AND KINROSS COUNCIL**Executive Sub-Committee of the Strategic Policy & Resources Committee****17 July 2013****Workforce Management****Report By D Burke, Depute Chief Executive****PURPOSE OF REPORT**

This report sets out the proposed approach to workforce management which is designed to reshape the workforce to meet the financial challenges and facilitate service redesign, transformation and efficiencies. It builds on the existing workforce management measures which were approved by the Council in February 2010. Securing The Future Through Our People is core to delivering the local outcomes set out within the Corporate Plan 2013/18. The additional measures reflect a desire to maximise the opportunities for workforce change over the medium term while safeguarding jobs, the need to manage change in a consensual way in partnership with employees and trade unions, and the importance of giving greater choice and support to our employees.

1. BACKGROUND

- 1.1 At its Special Meeting on 11 February 2010, the Council approved a range of measures designed to reshape the workforce in a challenging financial environment and to enable service redesign, efficiencies and prioritisation of service delivery. The workforce management strategy was based on a hierarchy of measures which could be deployed as necessary to meet emerging challenges. The workforce management measures also form an integral part of the Council's Workforce Plan which was approved by the Strategic Policy & Resources Committee on 17 April 2013.
- 1.2 An integrated strategic approach to service planning, financial and workforce planning has delivered a 5.9% reduction in full time equivalent employees over the period 2010 to 2013. This reduction discounts the increase in the number of Graduate Trainee and Modern Apprenticeships as part of the Council's significant investment in creating additional training and employment opportunities for young people.
- 1.3 On 13 February 2013, the Council set its Final Revenue Budget for 2013/14 and a Provisional Revenue Budget for 2014/15. From a financial planning perspective, the Council continues to face a real terms reduction in funding. As workforce costs currently make up 59% of the Council's net expenditure, our workforce management must continue to deliver savings while at the same time delivering a motivated, skilled and adaptable workforce.

- 1.4 The Executive Officer Team regularly reviews the effectiveness of our workforce management approach and progress is reported to Council in the annual Securing The Future Through Our People Report. This report sets out the focus for our workforce management measures over the next two years.

2. PROPOSALS

- 2.1 The workforce management measures which were approved in 2010 remain valid today. However, it is proposed that there is a particular focus on:

- ◆ Revitalising vacancy management
- ◆ Voluntary severance
- ◆ Transition
- ◆ Supporting staff

A description of each of these measures is given below, including those proposals which require approval by this Sub-committee.

Revitalising Vacancy Management

- 2.2 Turnover within the Council has slowed down to 6.1% (permanent leavers as a percentage of the permanent workforce). Vacancy management through the Establishment Approval (E.A.) Process ensures that only essential posts are filled. The majority of our advertised posts are teachers/promoted teachers, social work and social care, early years/nursery/childcare, and school support. However, an examination of the effectiveness of our recruitment arrangements has led to a review of the type of advertising (internal and/or external) and the use of fixed term contracts. Reinstating HR advice and challenge through the E.A. Process will encourage more innovative and effective approaches to job redesign and recruitment, as well as exploring alternatives for making best use of the talent within our workforce.

Voluntary Severance

- 2.3 A targeted voluntary severance scheme was launched in 2010 which approved the early release of 74 employees on various dates through to 31 March 2012. Based on existing policy terms within the Council's Retirement Schemes and the Framework for Managing Workforce Change, the voluntary severance scheme encouraged employees to make choices to exit the organisation in areas which were under review and delivered significant savings. The scheme cost £2.209 million and delivered recurring annual savings of £2.9 million. Importantly, the scheme facilitated service redesign and transformation and helped keep the number of compulsory redundancies to an absolute minimum.
- 2.4 In addition to 74 employees who left via the targeted voluntary severance scheme, 109 employees have retired early on grounds of efficiency or redundancy, requested voluntary retirement or retired flexibly over the period April 2010 to March 2013. Each case is assessed via a robust Business Case Analysis and approved in accordance with Council policy.

- 2.5 In February 2013, the Council made financial provision for £4 million for workforce management when setting the Revenue Budget for 2013/14 and the provisional Revenue Budget for 2014/15 (Report 13/53 refers). This measure reflected the importance of workforce management in delivering the outcomes set out within the Corporate Plan and in delivering a balanced budget for both years. It was recognised that the exact amount and phasing of any expenditure was then uncertain. In addition, the Council earmarked a further £4 million in Reserves to fund potential employee severance costs to deliver savings in 2015/16 and beyond (Report 13/55 refers).
- 2.6 **It is proposed** that the Council operates a second voluntary severance scheme which would be open to employees across the Council, with the exception of teaching staff at this time. This exclusion reflects the Council's commitment to maintain teacher numbers in accordance with the "financial package" agreed with the Scottish Government. The scheme would again be based on the terms set out within existing Retirement Schemes and Framework for managing Workforce Change policies. A summary of the main terms is shown in Appendix 1.
- 2.7 A rigorous assessment process was developed in 2010 which required scrutiny of every request for voluntary severance by Service Management Teams, and then further scrutiny and approval by the Executive Officer Team. The assessment criteria are weighted to give priority to the delivery of sustainable Revenue Budget savings; other criteria are impact on service delivery, achieving a balanced workforce, in the Council's interests and individual circumstances. The assessment process will be refined to ensure recognition for the creation of additional Modern Apprenticeship or Graduate Trainee opportunities under the criterion for achieving a balanced workforce. The assessment process will ensure that appropriate priority is given to delivering savings options that have already been approved by the Council for 2013/14 and 2014/15, and that other workforce opportunities have been considered. The normal payback period required for the approval of voluntary severance requests is within two years; however, exceptional circumstances may justify a longer pay back period.
- 2.8 If approved, the voluntary severance scheme would be launched in September 2013. It is envisaged that employees whose voluntary severance requests are approved will leave on various dates through to 31 March 2015. Recommendations from the Executive Officer Team will be reported to elected members for final approval ahead of advising employees that their requests for voluntary severance have been granted. Such elected member scrutiny is consistent with the good practice outlined in the recent Accounts Commission report Managing Early Departures from the Scottish Public Sector. Elected members will also receive information on the Voluntary Severance Scheme via the annual reports on Savings Arising from Early Retirement Decisions and Securing The Future Through Our People.

Transition

- 2.9 The Council's Corporate Plan 2013/18 sets out an ambitious five year strategy to achieve positive outcomes for all and at every life stage. Having an inspired, skilled and adaptable workforce is key to delivering new ways of thinking and working as well as sustainable change. We know from external scrutiny and inspection, as well as from our own internal surveys, that we already have motivated and innovative staff. However, the pace and extent of change will increase with public service reform, legislative change, policy initiatives and regulatory burdens – these place unprecedented demands on our workforce.
- 2.10 The challenges of workforce management may impact in a number of ways – for many employees, there are opportunities to learn new skills, to gain new experiences and to develop their career. However, in some cases, there may be workforce reduction, job redesign and changes to hours and pattern of work which may impact on employees in terms of take home pay and also work-life balance.
- 2.11 How well change is managed in financial, legal and human resource terms is key. There are existing provisions relating to salary and pension protection where an employee accepts a reduction in earnings. However, there are some situations which are not covered by the current provisions. As such, **it is proposed that** the Chief Executive and Executive Directors are given delegated authority to make transitional arrangements in exceptional circumstances through to 31 March 2015. The criteria for applying such terms would relate to exceptional circumstances where the extent of change is significant and the Council would wish to retain skills and experience and agree the change with the affected individuals. The benefit to the Council would be retaining skills, continuity of service provision, minimising disruption and better value for money. Any costs would be met from existing service revenue budgets with a maximum payback of two years.
- 2.12 If the Council can manage workforce changes through a process of engagement, consultation and agreement with employees and trade unions then the greater will be the likelihood of maintaining a positive employee relations climate.
- 2.13 An important message for employees and trade unions is that, regardless of the changes taking place within the public sector, Perth & Kinross Council will remain one of the largest employers in the community. With continued investment in developing talent within our workforce, employees who are adaptable - i.e. prepared to fully embrace new ways of thinking and working, learning new skill sets, strengthening leadership skills at all levels, being creative, innovative and bold – will have great career opportunities within the Scottish public service.

Supporting Staff

- 2.14 Existing arrangements for redeploying staff to alternative employment have served us well, keeping the requirement for compulsory redundancies to a minimum. Across the Council, hundreds of employees have taken on new roles and additional responsibilities through the programme of service redesign, transformation and efficiencies while retaining their current grade or securing promotion. Many employees have also shown their willingness to accept a lower-graded post, with a short period of salary protection, in order to sustain continued employment with the Council. However, the Executive Officer Team recognises we can do more to prepare employees for and support our employees through change.
- 2.15 A fresh, proactive approach to identifying and assessing skills which will enable us to match employees to project roles, vacancies and enable staff to acquire the skill set required for future roles is required. We need to create the right conditions which support employees to move around the organisation more easily and to work flexibly with partner organisations and communities. A core element of our approach will be to identify job families and to focus on common skills and job requirements which will help improve flexibility. Such measures will also provide greater choice for our employees.
- 2.16 In recognition of the fact that increasingly the Council is working collaboratively with our public service partners, **it is proposed that** the Chief Executive be authorised to work with partner organisation to explore opportunities which may assist in protecting jobs and retaining skills.
- 2.17 Additional measures which support employees to make informed decisions about their future career and job prospects will also be developed. This goes beyond traditional retirement planning courses and will include opportunities to consider volunteering, new business start-up, and retraining through further education courses.

3. CONCLUSION AND RECOMMENDATIONS

- 3.1 This report sets out the priority areas for workforce management within the Council to deliver the required workforce changes which facilitate service redesign and transformation within the context of a challenging financial environment, public service reform, legislative and policy changes.
- 3.2 It is recommended that:-
- (i) a voluntary severance scheme is launched on the basis of the terms set out in paragraphs 2.3 to 2.8, and Appendix 1;
 - (ii) the Chief Executive and Executive Directors are given delegated authority to make arrangements which will ease the transition where there are changes to terms and conditions of employment through to 31 March 2015;

- (iii) the Chief Executive be authorised to explore opportunities with partner organisations where they may assist in protecting jobs and retaining skills;
- (iv) the Sub-Committee notes the other proposals contained within the report; and
- (v) the Chief Executive be asked to report progress in the workforce management measures in the annual report on Securing the Future Through Our People each December.

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	Yes
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	Yes
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	Yes
Risk	Yes
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	Yes

1. Strategic Implications

Community Plan / Single Outcome Agreement

- 1.1 The proposals set out within this report support the delivery of the Perth and Kinross Community Plan / Single Outcome Agreement in terms of ensuring we have the right workforce, with the right skills and abilities and at the right time in support of the following priorities:

- (i) Giving every child the best start in life
- (ii) Developing educated, responsible and informed citizens
- (iii) Promoting a prosperous, inclusive and sustainable economy
- (iv) Supporting people to lead independent, healthy and active lives
- (v) Creating a safe and sustainable place for future generations

Corporate Plan

- 1.2 The proposals relate to the achievement of the Council's Corporate Plan Priorities as it is our workforce who support:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

2. Resource Implications

Financial

- 2.1 All costs associated with voluntary severance will be met from the sum set aside for workforce management measures by the Council when setting the Revenue Budget for 2013/14 and the provisional Revenue Budget for 2014/15. Each voluntary severance request will be rigorously assessed using a detailed Business Case Analysis. The normal payback period required for approval will be within two years.

From a budgetary perspective, the workforce management measures, in particular the voluntary severance scheme, enable the Council to take a longer term view of how to manage a reduction in workforce costs. By taking these measures which would be effective over the next two years, it helps create capacity to manage the anticipated continued reduction in public finances for 2015/16 and beyond.

Workforce

- 2.2 The workforce measures set out within this report are consistent with the Council's Workforce Plan which was approved by the Strategic Policy & Resources Committee on 17 April 2013.

3. Assessments

Equality Impact Assessment

- 3.1 The proposals have been considered under the Corporate Equalities Impact Assessment process (EqIA) and assessed as **relevant**. It is expected that the workforce management measures, in particular the Voluntary Severance Scheme will help achieve a balanced workforce by creating training and employment opportunities for young people, giving staff greater choice and supporting staff through workforce change. In addition, the Council Workforce Plan support equalities implementation by promoting fair and inclusive employment policies and practices.

Strategic Environmental Assessment

- 3.2 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals. No further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

Sustainability

- 3.3 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act,

the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions. The proposals recognise the importance of the Council as an employer within the local economy.

Legal and Governance

- 3.4 The workforce management measures set out in this report are based on existing Council approved policies and procedures – namely the Retirement Scheme and Framework for Managing Workforce Change.

Risk

- 3.5 The proposals set out within this report are designed to ensure that the Council is able to manage workforce changes in line with a reduction in public service finances and to facilitate service redesign, transformation and efficiencies. The effectiveness of the Council's workforce management measures is reviewed regularly by the Executive Officer Team and incorporated within the annual report to the Council on Securing The Future Through Our People.

4. Consultation

Internal

- 4.1 The Chief Executive, Executive Directors, the Heads of Legal, Finance and Democratic Services have been consulted on the preparation of this report. They have helped shape the proposals and recognise these workforce management measures provide essential tools for managers to reduce workforce costs and support service redesign, transformation and efficiencies. They recognise too that the measures are designed to help managers deliver change in a consensual way in partnership with employees and trade unions as well as providing greater choice and support to our employees.

Our trade unions are supportive of operating a voluntary severance scheme as a means of managing changes in workforce composition on a voluntary basis. There is no requirement to consult with our trade unions on the terms for voluntary severance, as these are set out within existing policies. We will continue to work with our trade unions on how involving employees and their representatives in service redesign, transformation and efficiencies, in particular those involving workforce changes.

The trade unions will be consulted on the detailed development of job families and revised skills assessment process.

External

- 4.2 The Pension Team at Dundee City Council has been consulted on the proposal to operate a voluntary severance scheme. Such a scheme requires a significant amount of additional work in relation to providing pension

estimate figures for our employees and then finalising pension arrangements for those who are approved to leave. The Team is able to provide the services required in the timescale proposed within this report.

5. Communication

- 5.1 A communication plan has been developed for the Voluntary Severance Scheme to ensure that managers and employees are aware of the terms of the scheme, how to express interest and how requests will be assessed. There is a separate plan which addresses the revitalised Vacancy Management provisions.

6. BACKGROUND PAPERS

N/A

7. APPENDICES

Appendix 1 – Voluntary Severance Scheme 2013/15 – Summary of Terms

Perth & Kinross Council**Voluntary Severance Scheme 2013/15 – Summary of Terms**

These are the proposed terms available for employees who are Local Government Employees, Chief Officers and Craft Workers. The V.S. Scheme is not open to teaching staff.

Employee Group	Method	Benefits
Employees aged 55 and over and in the Local Government Pension Scheme (LGPS) with at least 10 years' continuous service* with PKC, or its predecessor Councils	Retirement on grounds of efficiency of the service.	Immediate access to pension benefits on an unreduced basis, with an award of added years, subject to the regulations of the LGPS. Agree date of termination – employee will be required to waive right to notice. Must take annual leave prior to date of leaving – no pay in lieu.
Employees aged between 50 and less than 55 who were in the LGPS on 5 April 2006; and Employees aged 55 and over and in the LGPS with less than 10 years' continuous service* with PKC	Retirement on grounds of efficiency of the service.	Immediate access to pension benefits on an unreduced basis. No award of added years. Agree date of termination – employee will be required to waive right to notice. Must take annual leave prior to date of leaving – no pay in lieu.
Employees aged under 50; and Employees aged over 50 and not in the LGPS	Voluntary severance	Severance payment calculated on same basis as redundancy payment. Agree date of termination – employee will be required to waive right to notice. Must take annual leave prior to date of leaving – no pay in lieu.

For employees in the LGPS:

Under the Retirement Scheme, for retirement on grounds of efficiency of the service, a maximum award of added years is available for employees aged 55 and over dependent upon *continuous service with PKC. A sliding scale for the award of added years is shown below:

Age 50 – less than 55 years	Nil
Age 55 and over with less than 10 years' continuous service with PKC	Nil
Age 55 and over with between 10 years and less than 20 years' continuous service with PKC or its predecessor Councils	Up to a Max 2 added years
Age 55 and over with between 20 years and less than 30 years' continuous service with PKC or its predecessor Councils	Up to a Max 4 added years
Age 55 and over with 30 years or more continuous service with PKC or its predecessor Councils	Up to a Max 6 2/3 added years

In addition, the LGPS Regulations place a cap on the award of added years to the service you would accrue if you worked to age 65, or by a maximum of 40 years' pensionable service.

Severance Payments

Severance payments, where payable, will be calculated on the same basis as a redundancy payment.

Redundancy payments are calculated using an employee's weekly pay, their age and the number of years' continuous local government service.

The Council has decided to use an actual week's pay rather than the statutory weekly limit of £450. The payment is calculated by multiplying your actual week's pay by the number of weeks as shown in the Statutory Redundancy Payment Table.

* Continuous local government service refers to unbroken service with any employer identified in the Local Government Modification Order. This date is shown in an employee's Statement of Employment Particulars. Please note this is a different continuous service date to that used for calculating an award of added years for retirement on grounds of efficiency of the service.