

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2013 - 2014

COUNCIL

27TH NOVEMBER 2013

**REPORT OF THE CHIEF
EXECUTIVE**

Agenda Item No. 11

**BUDGET REDUCTION OPTIONS –
EMPLOYMENT COSTS**

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1. PURPOSE OF THE REPORT

This report seeks Council's approval to give the Chief Executive, as Head of Paid Service delegated authority to implement the budget reduction options set out in the report, as commended to Council by Cabinet, in respect of employment costs.

2. RECOMMENDATIONS

Following commendation by Cabinet it is recommended that Council give the Chief Executive, as Head of Paid Service, delegated authority to implement the options identified in paragraph 4 of the report as soon as practicable.

3. BACKGROUND

3.1 The Council continues to face significant financial challenges as a result of the UK Government public sector funding cuts.

3.2 Service reviews are taking place across all service areas in order to identify possible savings through alternative service delivery methods or reductions in services which will also identify savings in employee costs as a result of any agreed changes.

3.3 However, it is unlikely that the service reviews will provide the full amount of savings needed to meet the Council's budget deficit.

3.4 Whilst employee terms and conditions were reviewed and amended in 2011, this report looks at other employment costs that may provide an opportunity for budget savings.

3.5 At the Cabinet meeting on 18th November 2013 Cabinet commended to Council that the Chief Executive, as Head of Paid Service, be given

delegated authority to implement the options identified in paragraph 4 of the report as soon as practicable.

4. **THE OPTIONS**

Option 1 - Reduction in Working Hours

- 4.1 The Council has a myriad of different contractual arrangements such as part time working, term time working, job share and a range of alternative working patterns that allow a more responsive and flexible service delivery that accommodate customer requirements.
- 4.2 The Council acknowledges that the national agreed standard working week is 37 hours and pay and pensionable service for anyone working less than 37 hours is proportionally reduced.
- 4.3 The standard full time working week is currently 37 hours and both permanent and temporary posts are generally advertised at these hours. Options to reduce costs associated with the standard working week include the following:
- *The default position will be that all future permanent vacancies for 'full time' posts which are advertised externally will be at a maximum of 35 hours per week, with the salary adjusted accordingly. There may be options to reduce these hours further depending on service delivery requirements: Equally situations may arise where the reduction is impractical from a service delivery standpoint.*
 - *All future temporary vacancies for 'full time' posts be advertised at a maximum of 30 hours per week (there may be options to reduce these hours further depending on service delivery requirements), and employed on specific working hours with no access to the flexitime scheme. The use of specific hours will allow managers to identify the most appropriate times for staff to work in order to deliver the service effectively.*
 - *The usage of agency workers should be limited to cover ad hoc / short term arrangements only. However, If agency workers are critical to service continuity then they should be engaged in the same way as recommended for temporary workers, at a maximum of 30 hours per week (there may be options to reduce these hours further depending on service delivery requirements), on a specific working pattern with no access to the flexitime scheme.*
 - *Employees who are currently contracted to work the standard 37 hours per week be offered the opportunity to reduce their working hours on a permanent basis. Whilst there are already mechanisms in place to support this, an invite to all may be advantageous to both the Council*

and individual employees. Any agreement would be subject to the needs of the service. All existing employees contracted at 37 hour per week will be fully protected.

- 4.4 These options may be easier to operate in 'office based' roles rather than front line service delivery roles but all posts should be subject to rigorous assessment, taking into account service needs.

Option 2 - Encourage more access to the Flexible Retirement Scheme

- 4.5 The Flexible Retirement Scheme is available to all employees over the age of 55 with at least 3 months membership of the Local Government Pension Scheme (LGPS).

- 4.6 Flexible retirement allows an individual to either reduce hours in their current job or move to a lower graded post and access their pension benefits accrued to that point. It is subject to the employer's agreement.

- 4.7 The scheme provides advantages to the individual and the employer. The individual can remain in employment whilst in receipt of their pension, whilst the employer is able to retain valuable knowledge and experience within its workforce.

- 4.8 If the scheme is advertised to all employees eligible to access it there may be opportunity to reduce employment costs as a result. Any decision will of course be subject to meeting service requirements and an actual saving being made by the employing department.

Option 3 - Reduction in Enhanced Payments via the Voluntary Early Retirement/Voluntary Redundancy Schemes

- 4.9 The ability to utilise VER/VR schemes is an integral part of any Change Management initiative such as restructures or downsizing exercises. If there are resultant job losses then individuals can apply under specific criteria for each scheme and effectively 'volunteer' for redundancy. This helps to 'soften the blow' associated with redundancy and also avoids any legal challenge that a compulsory redundancy situation may bring.

- 4.10 The schemes have been in operation since 1996 with a major review in 2007 as a result of changes in respect of age legislation and pension regulations which led to the development of the current schemes.

- 4.11 With the continued austerity measures and service cuts programme having to be adopted it would seem an appropriate time to review the current VER/VR schemes.

- 4.12 The whole basis of the current schemes is that there must be a redundancy situation and the post must be deleted from the departmental structure with the resultant savings to the departmental budget.
- 4.13 In introducing the new scheme in 2007 the Council agreed to make an enhanced redundancy payment (Discretionary Compensation payment) to anyone who terminates employment by reason of redundancy and volunteers either under the VER or VR schemes.
- 4.14 Under the relevant regulations the redundancy payment cannot exceed the equivalent of 104 weeks pay. As the maximum statutory entitlement is 30 weeks the discretionary compensation maximum is 74 weeks pay.
- 4.15 A comparison of other Welsh Local Authorities in respect of discretionary compensation shows that the current scheme operated by the Council is more generous than other Welsh Local Authorities.
- 4.16 The compensatory redundancy element of the schemes is discretionary with a maximum of 74 weeks currently in place. If this was reduced to 50 weeks it would reduce these costs by 32% but will still represent an attractive scheme in comparison with other Welsh Local Authorities.

Option 4 - Invite Applications for VER from all staff over the age of 55

- 4.17 The current budget position means that the Council cannot avoid the need to lose jobs. Whilst service reviews may identify areas that this may happen, which will be managed using the change processes currently in place, there is an opportunity to allow other employees access to the VER scheme.
- 4.18 Any applications received would have to be carefully considered and sensitively managed, the over riding consideration being the service requirements and actual savings to departmental budgets.

Option 5 - Consideration of Implementation of an Early Release Scheme

- 4.19 An Early Release Scheme (ERS) can be of mutual benefit to both an employee and the Council. It will allow an individual to voluntarily choose to leave employment, with the agreement of their service area, in return for a severance payment.
- 4.20 An ERS is not a contractual entitlement and is not a redundancy, either compulsory or voluntary.

- 4.21 Application under an ERS will not need to be restricted to employees over a certain age.
- 4.22 Other public sector organisations such as the NHS in Wales are already using an ERS as a tool to reduce employee numbers and costs.
- 4.23 The proposed scheme includes strict criteria in respect of re-employment and eligibility to avoid employees being able to access the ERS if they are already leaving the Councils employ or being reemployed before the end of any compensatory period paid.

5. CONCLUSION

The financial position the Council now finds itself in means that it now has to look to further reduce its employee costs, whilst still dealing with its staff in as sympathetic and supportive way as possible.

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

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REPORT OF THE CHIEF EXECUTIVE

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Background Papers

Cabinet Report – 18th November 2013 - “Budget Reduction Options –
Employment Costs”

Cabinet Decision Notice – 20th November 2013 – “Budget Reduction Option
Employment Costs