

CHESHIRE EAST COUNCIL

REPORT TO: CABINET

Date of Meeting: 6 October 2009
Report of: Head of Human Resources and Organisational Development
Subject/Title: Managing Workforce Change
Portfolio Holder: Councillor Frank Keegan

1.0 Report Summary

- 1.1 As Cabinet are aware significant progress has been made towards completing the Council's organisational structures with the majority of appointments to the new structures are expected to be made by September / October 2009. Inevitably as the Council develops new fit for purpose structures, within the available budgetary provision, a number of employees will be displaced from their substantive employment and their employment will therefore come to be at risk. As an employer of choice and best practice, the Council supports employees in this situation by seeking to redeploy them to alternative employment as outlined in this report.
- 1.2 In reviewing the new structures with senior management and in considering the implications of them on the current workforce level it is evident that a number of employees will come to be displaced during the course of the year. Given this it has been decided to target the opportunity to be considered for voluntary redundancy to those work areas where staff will be affected. As part of this there is a statutory requirement for the Council, as the employer, to consult with the affected employees and their representatives and this process is currently ongoing within the Council in the areas concerned.
- 1.3 The Council is also required to formally notify the government's Insolvency Service in these circumstances and to date, the Council has made two such notifications. Initially in April 2009, we advised of the potential for 135 redundancies which we anticipated arising from a combination of employees: affected by proposals relating to: Social Care redesign, the modernisation of provider services, the closure of establishments such as a nursery and community centre and those whose LGR voluntary redundancy had been deferred to later in 2009. Latterly in July 2009, a further notification was sent as we became aware of the potential for a further 132 workforce reductions within the Places Directorate and in relation to the number of Cheshire East employees required by the ICT Department within Shared Services, which has since been revised down to 86.
- 1.4 As the restructure continues, we will shortly be issuing a further notification to The Insolvency Service in relation to an anticipated 20 posts within Performance and Capacity.

- 1.5 This will bring the total of staff potentially at risk to 241.
- 1.6 Arising from these proposed workforce changes, 44 voluntary redundancies have been approved so far at a cost of £1,485,665.54, with actuarial costs of £1,295,080.61. These costs are being met from the £5million held in reserve for this purpose.
- 1.7 This reserve together with ring-fenced funding in People Directorate should be sufficient to fund between 130 and 145 voluntary redundancies, leaving a balance of 96 to 111 employees who the Council will need to seek to redeploy.

Redeployment

So how does redeployment work?

- 1.8 As we continue to develop fit for purpose structures and to manage our resources in an effective and efficient way, providing for value for money, it is likely that further employees will be displaced.
- 1.9 The Council supports the employees affected, firstly by considering targeted voluntary redundancies, in the areas being restructured, in order to seek to realign workforce levels to the required levels and secondly where employees are displaced by seeking to re-skill and redeploy the affected employees to the new jobs and vacancies emerging around the Council.
- 1.10 It is however recognised that this approach may not resolve every situation and hence that compulsory redundancies may arise.
- 1.11 Having contacted a number of other local authorities in the North West region, it is clear that Cheshire East is one of several that are embarking on similar processes for managing workforce change and realigning the workforce to new structures. All of those contacted will be looking to natural wastage and adopting voluntary measures in the first instance but similarly recognise that within the next twelve months, there may be a need to realign workforce numbers through compulsory redundancies.
- 1.12 The practice which has been adopted for managing redeployment is as follows. As soon as an employee is identified as being clearly displaced, a one-to-one meeting is arranged to discuss their situation. This will explore whether they would wish to be placed on the Redeployment List or to be considered for Voluntary Early Retirement/ VR. Should an employee ultimately leave on VR the severance terms that Cabinet agreed on 3rd February 2009 will continue to apply until 31 March 2010, beyond which the Council will need to decide which terms will be offered. The same terms also apply for any compulsory redundancies up to 31 March 2010.
- 1.13 Employees on the redeployment list will be given priority consideration for vacancies as they arise provided they meet the specification for the role, or can be expected to meet it within a short period of reasonable training and support

- 1.14 Whilst the Council will actively seek redeployment opportunities and endeavour to retain employees wherever possible, it is recognised that in order to make the most effective use of all its resources, it is necessary to limit the duration of time an employee remains on the Redeployment List. Employees will remain on the Redeployment List for three months during which time, their situation will be reviewed. The purpose of the review will be to assess the reasonable prospect of the employee being redeployed in the reasonably foreseeable future and to explore any other options including the consideration of VR.
- 1.15 Clearly, our ability to continue to redeploy employees as an alternative to compulsory redundancy will be dependent upon the numbers of employees we will be dealing with, their particular skills and experience and the types of vacancies which arise. It is obviously more difficult to redeploy a senior specialist officer on a high salary.
- 1.16 At the three month review, should there be no reasonable prospect of redeployment in the reasonably foreseeable future the employee will be issued with a compulsory redundancy notice and we would continue to seek to redeploy them during their contractual / statutory notice period. The average notice period being 9 weeks.
- 1.17 This means that where the Council is not able to redeploy an employee, on average they will be employed for a period of 22 weeks beyond the point they are displaced (13 weeks followed by 9 weeks notice).
- 1.18 In order however to avoid unnecessarily placing an employee on the redeployment list for a period longer than their notice period, where it is apparent from the outset that the Council will be highly unlikely to be able to redeploy them, I am currently exploring with Legal Services whether there is another way we could manage this. My thoughts here are over whether we could make an objective assessment at the outset, when an employee is displaced, as to the reasonable prospect of an employee being redeployed in the reasonably foreseeable future (the next 13 weeks). Where it is felt that there is, the employee will be placed on the redeployment list for 13 weeks, whereupon their situation will be reviewed in the way I have explained elsewhere in this report. Where however there is not, then they will be issued with a notice of compulsory redundancy with immediate effect, whereupon the Council would of course seek to redeploy them throughout the notice period.
- 1.19 Should an employee be successfully redeployed, he / she will be entitled to a trial period of four weeks so that the suitability of the role can be assessed, and where required, to allow for training and development. This period may be extended to a maximum of 13 weeks where required.
- 1.20 If the role is not considered to be suitable by either party, the employee will return to the duties they were formerly undertaking and the Council will continue to seek further redeployment. Where however, the employee refuses to undertake a new role and the Council is of the firm belief that the position offered represents permanent suitable alternative employment, he / she will be invited to a hearing to determine whether the employee's employment should

be terminated without a redundancy payment. Any such dismissal will of course, follow the Council's normal dismissal procedure.

Why do we place an employee on the redeployment list for 3 months before a notice of redundancy is considered / issued ?

- 1.21 Effective / successful redeployment arrangements can be the best solution to workforce change as it both supports employees and enables the Council to retain valuable skills and abilities within the workforce. It can also be the most cost effective solution.
- 1.22 The following analysis of the average costs of voluntary redundancy, redeployment and compulsory redundancy emphasises how successful redeployment is the most cost effective solution:
- Using the historic data for the 148 employees who left in the first round of LGR VR, the average cost for those over 50 was approx £58,300. Taking account that the second round of employees who will be considered for VR will be less senior than the first round I would estimate that the costs are likely to be in the region of £45,000 to £50,000 per employee.
 - Should the over 50s have only received compulsory redundancy payments along with their pensions then this would have cost approx £43,000 each. Again as future employees should be less senior the costs are likely to be in the region of £35,000 to £40,000. It should be noted however that until March 2010 the Council is paying enhanced terms to any employee who is made redundant for any reason. I have included compulsory costs to show what they could have been had this not been our current practice.
 - Employees under the age of 50 leaving on voluntary terms would receive approx £12,800.
 - Employees under the age of 50 leaving on compulsory terms would receive approx £8,500. As stated above we are however paying VR terms to any employee made redundant for any reason until March 2010.
 - The average employee if they are redeployed in the 18th week would cost approx £8,300 in wages/salary. If they were redeployed in the fourth week they would cost approx £1,850
- 1.23 The reason I have used the 18th week by way of example is that from experience in a former authority which successfully redeployed large groups of employees, employees were on average redeployed in the 18th week. The authority concerned through the use of VR and effective redeployment arrangements was able to resolve the situation of 85% to 90% of displaced employees. Effective redeployment relies very much upon the organisation's

various management teams supporting and embracing the redeployment of staff and in investing some time and resources in re-skilling displaced or at risk employees so that they are well placed to undertake the new and emerging jobs and vacancies in the Council

- 1.24 As can be seen successful redeployment arrangements which are embraced by the organisation can be the best solution both financially and in supporting employees / enabling the Council to retain valuable skills and abilities. Effective redeployment arrangements which are able to redeploy the majority of our 'at risk' employees by the 18th week (on average) would mean that we could resolve the situation of a displaced employee at a cost of in the region of £8,300. For the purpose of comparison this is 17% to 18% of the cost which the Council would otherwise have incurred had this employee been over 50 and had been offered VR terms.
- 1.25 Immediately issuing compulsory redundancy notices at the point employees becomes displaced rather than using an extended redeployment period, would adversely affect the Council in that we would lose skilled staff we could otherwise have retained, potentially harm the public perception of the Council as being an employer of choice and also result in additional financial implications.

2.0 Decision Requested

- 2.1 That Cabinet notes how changes to the Council's workforce are being managed including the arrangements to manage redeployment.

3.0 Reasons for Recommendations

- 3..1 The Council needs to implement new structures which deliver our People and Places vision in line with the available budgetary provision. It has been identified by the Management Team that there is no suitable alternative employment for the above mentioned posts and therefore it is recommended that the request for voluntary early retirement is approved.

4.0 Wards Affected

- 4.1 Not applicable.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications including - Climate change - Health

- 6.1 Not applicable.

7.0 Financial Implications for Transition Costs (Authorised by the Borough Treasurer)

7.1 Not applicable.

8.0 Financial Implications 2009/10 and beyond (Authorised by the Borough Treasurer)

8.1 The financial implications for future years will depend on the provisions adopted and the age/length of service and actual number and salaries of employees in a redundancy situation. The People and Places bid envisaged one off transitional costs of £10.9m in 2009-10 based on a number of assumptions regarding the level of statutory redundancy pay plus an averaged estimate of costs relating to the early release of accrued pension. The severance provisions recommended in this report are broadly in line with those assumed in the bid and therefore in themselves should not materially affect the level of costs. The key determinants of the actual costs to be incurred are those factors still unknown, namely: the size of the reductions required; the proportion of these realised through turnover or relocation and the details of the individual employees concerned. In considering whether value for money can be achieved by releasing the employee concerned, the cost of releasing the employee will be more than matched by reduced employment costs within 1 year and 1 month.

9.0 Legal Implications (Authorised by the Borough Solicitor)

9.1 The proposal meets statutory redundancy requirements.

10.0 Risk Management

10.1 Risks are mitigated by the use of a compromise agreement. The compromise agreement includes a clause that it is in full and final settlement of all claims (excluding any personal injury claims) against the council or its successors and a confidentiality agreement that binds officers and Members to treat its contents as confidential. There is a requirement for independent advice to be given to employees who sign such agreements and reimbursement of up to £350 per individual will be provided in order that they acquire this advice.

11.0 Background and Options

Not applicable.

12.0 Overview of Year One and Term One Issues

12.1 The release of staff in year one will support the Council in implementing its new organisational structures and managing its employee costs within planned budgets

13.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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