



Glasgow City Council
City Administration Committee

Report by Head of Human Resources

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Item 4

18th June 2020

INTRODUCTION OF MECHANISMS TO SUPPORT WORKFORCE REFORM.

Purpose of Report:

To seek Committee approval to offer voluntary redundancy to employees across the Council whose severance can be justified by a business case, in an exercise, whose objective is to support and facilitate service reform activity across the Council over a three year period.

Recommendations:

Committee is invited to approve the following recommendations:-

- (1) that the revised redundancy/early retirement arrangements defined in this report be implemented as soon as is practical, across the Council to provide severance dates over the next three financial years with the objective of supporting and facilitating service reform activity;
- (2) that responsibility for the operational governance of the exercise is placed with the Workforce Planning Board and that it provides regular updates on the progress of the exercise to the relevant Committee; and
- (3) that the scheme on offer does not attract added years but that all other aspects are as currently defined by Council policy.

Ward No(s):

Citywide:

Local member(s) advised: Yes No consulted: Yes No

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1. Introduction

- 1.1 The Council continues to experience budget tightening and there is no reason to believe that this will abate in the future. That requires service reform and these reforms will require access to voluntary redundancy to be successfully delivered.
- 1.2 Voluntary severance, as the facilitator of service reform activity, represents both a means to deliver those immediate savings which are pressing and a prudent step to mitigate the impact of those that are still to come.
- 1.3 The Council, currently, has voluntary severance arrangements in place. They have, however, not been reviewed for a number of years and are infrequently used. A review of the arrangements is, therefore, timely in order to construct an approach best suited to the Council's current needs.
- 1.4 It should be noted that as different Conditions of Service apply to teachers, the terms of this report exclude that employee group.

2. A Council Redundancy Scheme

(a) Scheme Benefits

- 2.1 The Council is required to maintain a statement on the manner in which it will exercise its severance discretions. The Local Government Pension Regulations provide Councils with the discretion to award up to 10 added years of pensionable service in cases of redundancy. The Council's current policy allows for up to 4 years to be added. The Local Government (Discretionary Payments and Injury Benefits) Scotland Regulations 1998, as amended, allow a one off lump sum payment of up to 104 weeks contractual pay in cases of redundancy. The Council's current policy provides a redundancy payment of up to 66 week's pay for those with no access to immediate payment of pension and up to 30 week's pay for those who have.
- 2.2 The purpose of a redundancy scheme is to provide the Council with a means to manage its workforce. To be effective, therefore, redundancy terms need to be attractive to employees. This attractiveness, however, needs to be of set against a requirement that the exercise is also cost effective. The Scottish Government has recently published guidelines on the exercise of severance arrangements. While directly relevant only to its own pay roll these principles do establish a guide to good practice within the public sector.
- 2.3 Those principles are that there should be a severance cap set at £95,000 on severance payments, the maximum pay-back period should not exceed two years, recovery arrangement should be in place, payment in lieu should not exceed 6 months and that there should be improved governance arrangements. Some of these arrangements are not particularly relevant to a Council situation. For instance the Council already operates a policy whereby

it will not re-employ a person who received severance terms, thus, there is no need for recovery arrangements to be put in place. As the maximum payment in lieu of notice period in the Council is 3 months there is no prospect of 6 months ever being exceeded.

- 2.4 In terms of the severance cap, only two payments are relevant – redundancy itself and added pensionable years of service. It is difficult to imagine a realistic scenario where the cap would be exceeded in terms of a redundancy payment. While possible it would affect so few, if any, employees that it could not reasonably be described as acting as a limitation on service reform.
- 2.5 An added years' offer is, of course, attractive to employees and the concept acts to encourage acceptance of terms. Added years is, however, expensive. A recent exercise involved the collation of figures covering mid grades. Each exercise is different as the individuals involved differ but this covered 12 employees on grades 6, 7, 8 and 9. Overall the cost of 4 added years (that is the annual cost added to the one off lump sum enhancement) represented 5.6% of the total cost of the exercise (with redundancy pay equalling 17% and the cost of strain 77.2%). However, the SPF calculate what income they expect to receive in connection with added years. This illustrates the lifetime liability that falls to the Council when awarding added years. This is referred to as the capitalisation figure. This shifts the added years' contribution up from 5.6% to a figure far more realistic cost which is 28.5%. The true cost of awarding added years is significantly higher than the cost of redundancy pay.
- 2.6 It is suggested that the most attractive feature of the pension element of severance is not added years but immediate access to a non-reduced pension. It is the preservation of this element, compulsory in the case of redundancy that remains the most attractive element of any scheme from the perspective of the employee.
- 2.7 This report, therefore, recommends that the scheme preserves the current redundancy arrangement of up to 66 weeks' pay for those with no access to immediate pension benefits and up to 30 weeks' pay for those who have. The scheme, however, will provide no added years.

(b) Scheme Structure

- 2.8 The last significant Council redundancy exercise concluded in 2013. A number of its features are of interest.
- 2.9 In order to maximise take up it operated on the basis that applications would be accepted. Indeed only two areas were expressly excluded from its terms – Residential Workers where minimum staffing levels exist and Social Workers where there was a deficit of resource at the time. While this approach did maximise the immediate savings available there remains doubt regarding the

longer term sustainability of savings and concern regarding the impact that an uncontrolled scheme had on service provision. It also did not take into account the concept of a pay-back period and, thus, did not take proper cognisance of the relationship between the cost of the exercise and its capacity to generate a required level of savings.

- 2.10 The above reference to the Scottish Government's policy on severance in the public sector is relevant in this context. That guidance is that any scheme should be subject to robust and proper governance and should operate to a two year pay-back period.
- 2.11 In the context of the Council, governance should ensure that severance is associated with a robust business case establishing the overall cost of a specific exercise and the overall savings being generated. There will be cases where individual posts can be deleted with little or no consequence. Such posts, given the protracted period of budget reductions will be few and far between. A more likely scenario is a service reform process that creates a sustainable headcount reduction.
- 2.12 The cost and savings from such might not be limited to personnel. For instance, and recently within N&S, the headcount of artic drivers was reduced on the back of efficiencies available from the operation of the new recycling centre. The actual mechanism that achieved the headcount reduction was flexi-retirement rather than redundancy, but the number of staff involved, the cost and the personnel savings generated was modest. Savings of a more significant nature came from a reduction in vehicle usage. As another example, robotics provides an opportunity to achieve headcount reductions but a degree of investment might be required to achieve that end.
- 2.13 Thus, when considering a business case or service reform, the full cost of the exercise needs to be taken into account as well as the full saving available. Such may not necessarily be limited to payroll savings or costs. In terms of the balance between these costs and savings the concept of a 2 year pay-back period is useful. That is, savings should be sufficient to repay the original cost of the reform exercise within a period of two years, where after that point full savings are available.
- 2.14 A mechanism is required to ensure the robustness of the above process. It is suggested that the Workforce Planning Board, comprised of the Executive Directors of Finance, Education and N&S together with the Head of HR, are best placed to fulfil this role.
- 2.15 Reference was made above to the last major redundancy exercise within the Council. One aspect of that approach proved particularly beneficial. It operated over a three year period. This allowed employees to better plan their eventual leaving but also allowed Services to plan for that release in a

way that was sustainable. This represents an attractive feature when placed beside a 3 year budget saving exercise as it allows service reform activity to be implemented in less of an emergency and more of a planned manner. The balance of that convenience, however, and the timing of an individual release should be made on the basis of service need.

- 2.16 The operation of the scheme and its governance arrangements are predicated on service reform activity justifying release over a three year period. Thus, it would be the service reform activity that identified those who might be able to apply for severance terms. There may well be cases where individuals can be released with little impact upon the service or little or no service reform activity. It is expected that these examples will be few and in themselves insufficient to launch a more traditional trawl for volunteers. Should such individuals come forward, their application will be considered on a business case basis consistent with the governance arrangements being proposed.

(c) The Scheme in Operation

- 2.17 The Scheme would progress, largely as an HR exercise and be composed of three main elements:-

- Brief and Manager's Guide provided to service senior management by Head of HR.
- Co-ordination of business cases/service reforms for consideration by the Workforce Planning Board by the Workforce Resourcing Working Group.
- Processing of terminations and monitoring of outputs.

- 2.18 Of course, behind these HR administration processes would be considerable service reform activity. The actual processes required by the exercise can be managed by HR resources available at service level and the centre with regular reports on progress being provided to the relevant Committee.

- 2.19 The overall project has an objective of facilitating significant service reform activity over three years and by this means generate significant savings. While voluntary redundancy/early retirement provides the most effective means to achieve savings it is not the sole method of achieving headcount reductions. Flexi retirement will make some contribution as will attrition. Of more significance is the requirement to operate a parallel redeployment exercise. Essentially, the availability of volunteers for release will not, in all cases, align with the practicalities of service reforms. The Council will also not stop recruiting as there will always be areas of demand. A somewhat complex situation will develop where identified surpluses do not match the availability of volunteers for release and volunteers will exist in areas where no surplus has been identified.

2.20 This has been addressed in the past via redeployment exercises which would have the aim of maximising the opportunities for release and, hence, the generation of savings. The Council does have significant experience in effecting change through supported redeployment; the CDO internal recruitment exercise being the most obvious example. A particular group within HR has the necessary experience in this area. The Workforce Resourcing Group involves those HR officers from across the Services who are responsible for drawing up the Service Workforce plans. It is they who seek to marry surplus in one area with demand in another and have designed and implemented the career pathways that facilitate these processes. This will require the full co-operation of recruiting departments as well dedicated support from OD in terms of supporting employees through these transition processes.

3. Conclusion

3.1 This paper proposes the implementation of revised redundancy/early retirement arrangements to support and facilitate service reforms over a three year period.

3.2 The scheme will have no added years' element but will maintain the current approach to redundancy pay.

3.3 Governance will be provided by the Workforce Planning Board who will determine applications for release on the basis of a robust business case providing a pay-back period for each discrete reform or business case of no more than 2 years. Administration of the process will be provided by HR and a parallel career pathway based redeployment exercise will also be required.

4. Policy and Resource Implications

Resource Implications:

Financial: Savings should be sufficient to repay the original cost of the reform exercise within a period of two years, where after that point full savings are available.

Legal: No impact our arrangements remain relevant within employment law

Personnel: The effect of the exercise will be a significant reduction in headcount.

Procurement: N/A

Council Strategic Plan: N/A

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2017-22

Care will have to be taken as the exercise proceeds to ensure that it operates in a way that is equality neutral. This will be achieved by the completion of EQIA's as the exercise proceeds.

What are the potential equality impacts as a result of this report?

Please highlight if the policy/proposal will help address socio economic disadvantage.

Sustainability Impacts:

Environmental: N/A

Social, including Article 19 opportunities: N/A

Economic: N/A

Privacy and Data Protection impacts: N/A

5. Recommendations

5.1 Committee is invited to approve the following recommendations:-

- (1) that the revised redundancy/early retirement arrangements defined in this report be implemented as soon as is practical, across the Council to provide severance dates over the next three financial years with the objective of supporting and facilitating service reform activity;
- (2) that responsibility for the operational governance of the exercise is placed with the Workforce Planning Board and that it provides regular updates on the progress of the exercise to the relevant Committee; and
- (3) that the scheme on offer does not attract added years but that all other aspects are as currently defined by Council policy.