

ITEM No ...4.....

REPORT TO: POLICY AND RESOURCES COMMITTEE – 18 FEBRUARY 2019

REPORT ON: MANAGING WORKFORCE CHANGE

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 68-2019

1 PURPOSE OF REPORT

1.1 This report seeks approval of a policy on Managing Workforce Change, a new Voluntary Early Retirement/Voluntary Redundancy Scheme and of revisions to policies on Flexible Retirement and Cash Conservation which support that policy.

2 RECOMMENDATION

It is recommended that:

2.1 The Committee consider and approve the terms of this report and of the Voluntary Early Retirement Scheme and amended policies for Flexible Retirement and Cash Conservation shown at its appendices.

3 FINANCIAL IMPLICATIONS

3.1 There are no direct revenue costs arising from this report. Voluntary Early Retirement costs will be on the basis of a period of payback, ideally of 12 months for revenue savings to cover severance costs.

3.2 Severance costs will initially be met from ring-fenced capital receipts which can be set aside for this purpose.

4 BACKGROUND

4.1 The Council, as a major employer within the city region with aspirations to continue to improve its reputation as an employer of choice, requires to adapt and change current workforce and succession planning approaches. It must do this to attract and retain vital skills, tackle the risk of talent and skills gaps emerging and embrace and prepare the workforce for the new digital age. Creating career paths which will include flexible pathways within and across service areas is developing as part of life-cycle planning.

4.2 In April 2016, COSLA Leaders unanimously agreed a statement on managing workforce reductions, committing councils to do everything that they reasonably can to manage unavoidable reductions in their workforce with sensitivity and compassion and to consider compulsory redundancies only as a measure of last resort. The full statement, issued through COSLA, is shown at Appendix 1.

4.3 The Council faces major challenges to its capacity to continue to deliver high quality, cost-effective and sustainable services. Amongst the most significant of these are the budgetary pressures and uncertainties in public spending and the rising needs and expectations of service users and citizens. The Council's willingness and ability to change and adapt to its circumstance will be key to its responding successfully to these challenges.

- 4.4 Such organisational change will require change to our workforce. Our workforce will reduce as we develop new ways and patterns of working and embrace digital technologies. Change is not always easy but it will always present opportunities as well as challenges. Our People Strategy highlights the requirement for a focus on workforce issues such as flexibility, competences, developing new skills and how we will support that development.
- 4.5 The Council's People Strategy sets out how we will modernise services and develop and enable a highly flexible workforce. Within that context, there is shown, at Appendix 2, a proposed policy statement which describes how the Council will manage necessary changes to its workforce. The policy, which reflects the terms of the COSLA statement, states that our aim is to provide security of employment, gives the commitment that we will develop individuals and thereby build capacity and transferability of skills and undertakes that we will mitigate, as far as possible, any negative impacts.
- 4.6 Within the context of public spending uncertainty, the Council faces the challenges of the short-term/fixed term external funding of posts which may or may not be renewed but will eventually cease. These circumstances generally require the use of fixed-term contracts - often on a repeated basis - over several years and eventually present the Council with the often impossible task of finding funds to retain the post and post-holder. The proposed approach will address circumstances where redundancy arises from the cessation of external funding for any category of post

Supporting Policies and Procedures

- 4.7 The overarching policy statement setting out the framework for planning and implementing change is supported by a series of policies and procedures that the Council, as a good and supportive employer will follow as it manages change. These include:
- Voluntary Early Retirement/Voluntary Redundancy
 - Flexible Retirement
 - Cash Conservation
 - Planning for Change
 - Filling jobs in a New Organisational Structure
 - Managing Redeployment
 - Managing Redundancy
- 4.8 As described below, it is proposed that that the Committee approve a new Voluntary Early Retirement/Voluntary Redundancy Scheme, revisions to the policies on Flexible Retirement and Cash Conservation and amended versions of these are attached as appendices. The others listed will be reviewed and discussed with the trade unions as part of the consultation on the revised managing workforce change approach.

Voluntary Early Retirement/Voluntary Redundancy (VER/VR)

- 4.9 The VER/VR Scheme being proposed will be one factor used within a range of measures outlined at 4.6 to facilitate the changes required within our workforce, including addressing the age demographic.
- 4.10 The Scheme principles meet one of the key terms of the COSLA leaders' statement on workforce reductions of 2016.
- 4.11 To ensure that the VER/VR Scheme will help achieve its aims in a planned and sympathetic manner the principles by which it should operate have been reviewed and revised and are set out below
- There is no entitlement to early retirement/redundancy. Approval of a request will be subject to the retention of sufficient numbers of employees with the skills necessary to maintain effective service delivery.
 - An application will only be approved where it is in the Council's best financial interests.

- The retirement must result in a net saving to the Council ideally within 12 months of its occurring, either on an individual basis or across a group of employees where this is appropriate.
- The Scheme will be used on a prioritised basis. There will be no open invitations for individuals to express an interest and applying.
- Executive Directors will identify individuals who may be eligible and interested in being considered for VER/VR, utilising the workforce planning information provided.
- Executive Directors must ensure that the implications for service delivery of releasing the employee and how these will be addressed have been considered.
- All applications supported at Service level will be considered by the Chief Executive, the Executive Director of Corporate Services and the Head of Human Resources and Business Support who have the sole authority to approve applications. A separate administrative procedure will be developed to support the implementation of this policy.
- There is no right of appeal against a decision to refuse an application

4.12 A proposed revised policy taking account of these changes is attached as Appendix 3.

Flexible Retirement

4.13 The Local Government Pension Scheme (Scotland) Regulations allow flexible retirement. This describes circumstances where, with their employer's consent, a member of the pension scheme who has two years' pensionable service and who has reached the age of 55 continues in employment on reduced hours of work, or a lower grade, and receives accrued pension benefits even though they have not retired from employment. Flexible retirement was introduced in 2009.

4.14 As well as assisting employees in their transition from work to full retirement, an effective flexible retirement scheme can serve as a tool to assist managing change through enabling a voluntary reduction of hours and aiding workforce planning and skills transfer and development.

4.15 The Council's scheme has operated satisfactorily to an extent, allowing some employees to make the transition to full retirement and enabling the Council to achieve savings. It has however been of limited help in assisting workforce change and succession planning for the reason explained below.

4.16 A significant feature of the current policy is that flexible retirement, once granted, is open-ended. It is therefore possible to be flexibly retired for three, four, five years or more and a significant number of flexible retirees opt to do so. Of 152 employees who have taken flexible retirement since 2009, 56 are continuing in employment after three years and three have been on flexible retirement for over eight years. Appendix 4 gives fuller details of flexible retirement durations.

4.17 This trend makes it difficult to describe the arrangement as a 'bridge' to full retirement. Additionally, and crucially, it is difficult to use flexible retirement as an aid to workforce planning without certainty about when full retirement will occur.

4.18 In consideration of the above, it is proposed to amend the scheme to make it a condition of granting flexible retirement that the employee retires fully from the Council within no more than two years.

4.19 There is currently no limit on the number of requests for flexible retirement which an individual may make. It is therefore proposed that only one request for flexible retirement may be made within any period of one year unless it is identified as a means to facilitate a service reorganisation/restructuring.

4.20 A proposed revised policy taking account of these changes is attached as Appendix 5.

Cash Conservation

- 4.21 It is the Council's current policy that where, as a consequence of organisational change, an employee is redeployed to a new job with a lower salary than their former job, their 'old' salary is protected as a cash amount for a period of three years. The table below gives information on current conservations.

Current Cash Conservations by remaining duration

Up to 12 months	21
12 to 23 months	18
24 to 36 months	2

- 4.22 Such a protection arrangement was a traditional feature of local authority conditions. However, over the past decade, in light of financial constraints, the practice has greatly diminished. Certainly, most councils have significantly reduced the period of protection. Recent benchmarking has shown the Council's protection period to be at the high end of the scale - with neighbouring councils, Angus and Perth and Kinross, adopting 12 and six month periods respectively.

- 4.23 In light of this review, it is proposed that whilst cash conservation should continue in these circumstances, it should be granted for a period of no more than six months and a revised policy to that effect is shown at Appendix 6.

- 4.24 There will be no change to the conservation arrangements already in place. Only new arrangements from the date of implementation will be affected.

5. POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6. CONSULTATION

The Council Management Team has been consulted and is in agreement with the content of this report.

7. BACKGROUND PAPERS

None

GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

18 February 2019

COSLA LEADERS' STATEMENT ON WORKFORCE REDUCTIONS 1 APRIL 2016

“Councils will do everything they reasonably can to manage unavoidable reductions in the local government workforce with sensitivity and compassion. Whilst measures will require to be appropriate to local circumstances and cost effective, compulsory redundancies will only be considered as a measure of last resort and then, only after the following alternative measures have been exhausted, viz:-

- Strict vacancy management arrangements
- Review of temporary contracts and the need for these
- Consideration be given to employees voluntarily reducing their hours
- Consideration be given to career breaks
- Use of Flexible retirement
- Use of Early Retirement
- Use of redeployment and reskilling when vacancies in essential posts arise
- Use of Voluntary Redundancy.”

MANAGING WORKFORCE CHANGE

1 POLICY STATEMENT

Where organisational change requires change to our workforce, the Council will manage the change positively and seek to make the most of the opportunities it presents e.g. to provide better services through new ways of working, to enable employees to develop new skills and to build capacity and the transferability of skills across the Council. It will manage change fairly, openly and sensitively, aim to protect security of employment and mitigate, as far as is possible, any negative impacts.

The Council's aims when managing change and the principles which it will follow are set out below.

This overarching policy statement and the achievement of these aims will be supported by a series of detailed policies and procedures which, taken together, will provide a corporate framework for managing change. The terms of these policies and procedures and how they are applied will accord with the principles set out below.

NB whilst most of the principles below will inform workforce change affecting teachers, agreements at national level exclude them from certain of these.

2 AIMS

This policy is intended to:-

- Facilitate workforce change which assists the achievement of the Council's objectives.
- Minimise the uncertainty and anxiety experienced by employees involved in change.
- Ensure that the reasons for, and nature of, any changes are clear and understood by all those affected.
- Ensure meaningful communication and consultation about change.
- Provide security of employment, as far as is possible.
- Ensure that change is implemented fairly and consistently.
- Encourage the development of a highly flexible, multi-skilled workforce.
- Maximise the opportunities for organisational and individual development that change can provide.
- Enhance the quality of employee relations.
- Maintain business continuity and minimise disruption to service delivery whilst change is being implemented.

3 PRINCIPLES

- Workforce change is necessary to ensure that the Council continues to deliver services effectively and will be a continuous aspect of how the Council operates.

- Although the Council's overriding priority must be to ensure effective and efficient service delivery, it will always seek to do this in ways which avoid detriment to employees and will take all reasonable steps to mitigate the effects of unavoidable detriment.
- Whenever possible, workforce change will be used as an opportunity to develop and increase the skills and capabilities of individual employees and thereby the Council's overall skills base.
- The Council will invest in the development of transferable skills to increase its skills base and increase the flexibility of the workforce, thereby facilitating redeployment of employees affected by workforce change.
- Change will always be planned as part of the Council's overall strategy for achieving effective and efficient service delivery and will be part of the ongoing processes of workforce and succession planning and service redesign.
- The Council will consult employees and their trade union representatives about proposed changes at as early a stage as possible and throughout any change process, considering and, as appropriate, acting, on proposals made by them.
- The Council will ensure that trade union representatives are given reasonable time off with pay to participate in consultation and support their members.
- Where an employee's job security or terms and conditions of employment are 'at risk' as a result of a proposed change, they will be consulted about all developments and all reasonable action will be taken to avoid or mitigate any unavoidable detriment.
- Every reasonable alternative will be explored to avoid compulsory redundancy as a means to implement change.
- Where posts are dependent on external funding and this ceases, the Council will explore every reasonable alternative to avoid compulsory redundancy but this will be implemented if no alternative is found.
- This policy will be applied on the basis of fairness and equality of opportunity.

4 REVIEW

This policy and its implementation will be kept under continuous review to ensure that it is achieving its aims. If amendment is thought necessary, proposed revisions will be submitted to this committee.

VOLUNTARY EARLY RETIREMENT/VOLUNTARY REDUNDANCY SCHEME

The Council will grant employees voluntary early retirement and/or voluntary redundancy (VER/VR) where it would assist it to manage workforce change having regard to the following principles

Principles

- There is no entitlement to early retirement/redundancy. Approval of a request will be subject to the retention of sufficient numbers of employees with the necessary skills to maintain an effective level of service.
- Applications will only be approved where this is in the council's best financial interests.
- The retirement must result in a net saving to the Council ideally within 12 months of its occurring.
- The Scheme will be used on a prioritised basis. There will be no open invitation for individuals to express an interest and applying.
- Applications may only be initiated by Services in discussion with individual employees and having regard to the affordability of any potential application
- Applications which are supported by the Service will then be considered by the Chief Executive, Executive Director of Corporate Services and Head of Human Resources and Business Support.
- There is no right of appeal against a decision to refuse an application.

Eligible Employees

Subject to the principles above, the scheme is open to all employees, except those on teaching conditions, with at least two years' continuous service. Applications will be considered in the following groups:

- A Members of the Local Government Pension Scheme aged 55 and over but under 65, (or aged 50 and over but under 65 if they were members of the LGPS on or before 5 April 2006).
- B Members of the Local Government Pension Scheme aged under 55 (or 50 if they were members of the LGPS on or before 5 April 2006).
- C Those who are not members of the Local Government Pension Scheme.
- D Members of the Local Government Pension Scheme aged 65 and over.

Entitlements

Entitlement 1

Immediate unreduced pension benefits **with** added years awarded in accordance with Table 1 below. The award of added years incorporates any entitlement to a Statutory Redundancy Payment.

This entitlement is open to Group A.

Entitlement 2

Immediate unreduced pension benefits **without** added years plus a Statutory Redundancy Payment calculated on the basis of age and service in accordance with the statutory ready reckoner table shown at Table 2 subject to a maximum of 30 weeks' pay and the application of the statutory cap on weekly pay, currently £ 508

This entitlement is open to Group A.

Entitlement 3

A Statutory Redundancy Payment calculated on the basis of age and service in accordance with the statutory ready reckoner table shown at Table 2 subject to a maximum of 30 weeks' pay and the application of the statutory cap on weekly pay, currently £508

This entitlement is open to Groups B, C and D.

Employees accepting offers will be required to sign a Settlement Agreement to access payments where the council deems this appropriate. Where this required the Council will arrange and pay for the provision of independent legal advice on the employee's rights and options.

Table 1

Years of Continuous Service	Added years awarded
Less than 15	Up to one
15 but less than 30	Up to two
30 or more	Up to three

REDUNDANCY READY RECKONER FOR CALCULATING THE NUMBER OF WEEKS' PAY DUE

Read off your age and number of complete years' service. The table will then show how many weeks' pay you are entitled to.

Service (years)	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Age (years)																			
20	1	1	1	1	-														
21	1	1½	1½	1½	1½	-													
22	1	1½	2	2	2	2	-												
23	1½	2	2½	3	3	3	3	-											
24	2	2½	3	3½	4	4	4	4	-										
25	2	3	3½	4	4½	5	5	5	5	-									
26	2	3	4	4½	5	5½	6	6	6	6	-								
27	2	3	4	5	5½	6	6½	7	7	7	7	-							
28	2	3	4	5	6	6½	7	7½	8	8	8	8	-						
29	2	3	4	5	6	7	7½	8	8½	9	9	9	9	-					
30	2	3	4	5	6	7	8	8½	9	9½	10	10	10	10	-				
31	2	3	4	5	6	7	8	9	9½	10	10½	11	11	11	11	-			
32	2	3	4	5	6	7	8	9	10	10½	11	11½	12	12	12	12	-		
33	2	3	4	5	6	7	8	9	10	11	11½	12	12½	13	13	13	13	-	
34	2	3	4	5	6	7	8	9	10	11	12	12½	13	13½	14	14	14	14	-
35	2	3	4	5	6	7	8	9	10	11	12	13	13½	14	14½	15	15	15	15
36	2	3	4	5	6	7	8	9	10	11	12	13	14	14½	15	15½	16	16	16
37	2	3	4	5	6	7	8	9	10	11	12	13	14	15	15½	16	16½	17	17
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
62	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30
63	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30
64	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30

FLEXIBLE RETIREMENT DURATIONS

Since November 2009, the Council has granted flexible retirement to 152 employees.

Of the 152, 55 have now retired, so 97 are still employed.

Of the 97 still employed, 56 have been on FR for three years or more

Of that 56, 28 have been on FR for five years or more and three for over eight years.

The tables below give fuller details.

Flexible Retirements

Numbers staying/leaving

	Number	Still employed	Now left
2009/10	4	1	3
2010/11	15	3	12
2011/12	5	1	4
2012/13	20	9	11
2013/14	29	18	11
2014/15	20	14	6
2015/16	22	16	6
2016/17	16	14	2
2017/18	12	12	0
2018/19	9	9	0
Total	152	97	55

How long they are flexibly retired

Those who are still employed		Those now left	
Current Duration	Number	Duration	Number
< 1 year	17	< 1 year	9
1 < 2	4	1 < 2	15
2 < 3	20	2 < 3	7
3 < 4	16	3 < 4	10
4 < 5	12	4 < 5	8
5 < 6	18	5 < 6	3
6 < 7	6	6 < 7	3
7 < 8	1		
8 < 9	3		
Total	97	Total	55

FLEXIBLE RETIREMENT

Policy Statement

The Local Government Pension Scheme (Scotland) Regulations allow 'flexible retirement'. This describes circumstances where, with their employer's consent, a member of the pension scheme who has two years' pensionable service and who has reached the age of 55 reduces the hours they work, or the grade in which they are employed, and receives accrued pension benefits even though they have not retired from employment.

The Council is committed to flexible working in general, recognising that it can bring significant benefits both to employees and service users. It enables employees to achieve a healthy balance between their job and personal commitments, helping to improve their morale and wellbeing and thereby to increase their effectiveness at work. This results in improved customer service, increased efficiency and reduced costs.

The Council supports flexible retirement in particular, because it allows employees a reasonable period to adjust their work/life balance as they approach retirement and also because it can enable the Council to manage the transfer and replacement of skills and experience. Provided the financial and operational consequences of approval are acceptable, the Council will therefore look to support requests.

Accordingly, when considering requests for flexible retirement, the Council will take account of the following criteria:

- A request will generally only be approved where it would result in a saving within the financial year it is granted.
- The employing Service will be required to meet all costs, including pension 'strain' costs, arising from a flexible retirement.
- An employee granted flexible retirement will be required to retire fully within no more than two years.
- A request will not be approved where the proposed change to work arrangements is likely to adversely affect service delivery.
- The granting of a request should assist workforce planning.
- An employee's salary following flexible retirement, when added to their pension payment, must not exceed their original salary.
- An employee may only make one request for flexible retirement within any period of one year unless it is identified as an option to facilitate a service reorganisation/restructuring.

CASH CONSERVATION

Where, as a result of workforce change, an employee is redeployed* to alternative employment at a lower salary than that they had been receiving in their former job, their salary will be protected on a cash-conserved basis for a period of six months i.e. during that period they will continue to be paid the cash amount they were receiving immediately before redeployment. They will not benefit from any incremental advancement or pay award which would have occurred in their former job during that period.

The period of conservation will start on the first day following the implementation of the new structure from which the employee has been displaced. At the end of the six month period, they will be placed on the top point of the salary grade for their new job. (If, during that six month period, the value of the top point of the salary grade for the new job, by the application of a pay award, become greater than the conserved figure, the employee will move immediately to that higher salary.)

*Protection will apply where the employee is matched or appointed through closed recruitment into a job within a revised structure or redeployed outwith that structure.

