

Meeting:	Cabinet
Date:	10 November 2005
Subject:	Employees Displaced by the Middle Management Review
Responsible Officer:	Jill Rothwell, Executive Director – Business Development
Contact Officer:	Jon Turner – Acting Director of HR
Portfolio holder:	Communications Partnership and Human Resources
Key Decision:	No
Status:	Part 1

Section 1: Summary

Decision Required

1. That Cabinet note the arrangements for managing employees potentially displaced by the MMR.
2. That Cabinet note the potential financial implications of the cost of severance payments in the current and next financial year.

Reason for Report

This is an interim report to inform Cabinet of the arrangements put in place to manage those employees potentially displaced by the Middle Management Review (MMR) and the potential financial implications of the cost of severance payments, including early retirements, with the exception of Urban Living. A final report will be submitted following further progress in Urban Living.

Benefits

The Council will complete the MMR process

Cost of Proposals

The potential costs of severance payments (excluding Urban Living) is estimated at £500k

Risks

Where employees are moved to new jobs, refused redundancy payments or leave against their will, the risks of complaints and Employment Tribunal challenges increase. Priority should be given to such cases to minimise these risks.

Implications if proposals rejected

The MMR process will not be completed.

Displaced employees will be supernumary with an ongoing impact on Directorate budgets, which will adversely affect services.

Section 2: Report

2.1 Background Information

The Cabinet report on Review of Middle Management Structure identified that the arrangements for redeployment and any staff departures arising from implementation of the revised structure would be by means of the Protocol for Managing Organisational Change.

Appendix 4 of the Protocol for Managing Organisational Change deals with Displaced Employees and the arrangements detailed in this report are in accordance with the relevant sections of the Protocol.

2.2 MMR Progress to date

The MMR commenced early in 2004, however progress has not been as fast as had been anticipated and in particular, progress in Urban Living has been delayed with completion expected by 23 December 2005. Consequently it is only recently that the position in terms of the potential numbers of displaced employees is starting to emerge.

Transition Support has been available to all employees affected by the MMR both prior to and during the review process. This support has included advice and guidance for employees seeking to move on from the council or who have concerns that they may be displaced. Employees have also been assured that every effort will be made to avoid redundancies through offers of redeployment to suitable alternative employment.

Directors have monitored the impact on individual employees in their departments and have ensured that, where necessary, appropriate support and guidance has been provided.

2.3 The Current Position

A number of employees have indicated through the review process that they want to be considered for voluntary redundancy or early retirement and in some cases it will be in the council's interests to accept such requests.

Where there is no business case to support a request for voluntary redundancy or early retirement, Directors are ensuring that the employee is offered a suitable post with the council and reminding them that they will not be entitled to a redundancy payment if they do not accept the post.

Employees who so far have been unsuccessful in applying for positions through the MMR are also being considered for redeployment and, where possible, offered suitable alternative employment with the council. Employees are reminded that they may not be entitled to redundancy payments if they do not co-operate with the council's attempts to find them suitable alternative employment.

The council's Change Management Team (ChMT) is setting up a 'clearing house' system to ensure that displaced employees are considered for all potentially suitable vacancies.

In addition the ChMT are currently engaged in building a job search network including neighbouring Borough's, job centres and partner organisations such as Eden Brown, through which they will proactively manage job searches for suitable jobs outside of the council.

Displaced employees have continuing access to transition support and will be offered additional training and development to assist in career development and job searches.

In the event that the council is unable to find employment for displaced employees then the council will have to consider severance with enhanced payments including, where appropriate, early payment of pension benefits.

Proposals to deal with the funding of severance payments are set out in **Financial Implications** below.

For costing purposes, senior managers have identified that excluding Urban Living up to 10 employees¹ may be potentially displaced and this information has been passed to the ChMT. The potential costs of severance payments for these employees is £500k

2.4 Overview of Process for Managing Displaced Employees

Directors / Group Managers will meet with the potentially displaced employee to discuss the available options and the process that will be followed. A flow chart giving an overview of the process is attached at appendix 1.

Measures to avoid redundancies, including 'holding' potential vacancies, have been implemented in consultation with the acting Director of HR.

The ChMT will manage the systems set up to support potentially displaced employees including:

¹ It is not possible to identify the exact number of potentially displaced employees, as the MMR process has not yet concluded.

- Support to develop a comprehensive redeployment application form / CV
- Pro-active job matching against all current council vacancies at H10 and above
- Up to date information on redeployment opportunities with the council and vacancies with neighbouring Authorities
- Supported job search through Job Centres and partner recruitment agencies
- Ongoing transition support, including advice and guidance on early retirement

Human Resources will ensure that individual employees and the trade union are informed and consulted at each stage of the process.

2.5 Consultation

UNISON is aware that this report is being prepared and the report will be the subject of consultation with UNISON.

2.6 Financial Implications

There are two key financial issues arising from this report – managing the ongoing salary costs of displaced staff and managing any one-off redundancy/retirement costs.

Once the restructure of a particular team is complete there may be some displaced staff who are in effect supernumary. This represents an ongoing additional revenue cost. It is the responsibility of each Directorate to manage these costs until such time as the person is redeployed or leaves the organization. Where interim roles can be identified the costs can be managed more easily.

The potential liability in terms of one-off redundancy/retirement costs has been estimated at £500k. It is likely that costs will be spread across 2005/06 and 2006/07. There is no specific provision or earmarked reserve for redundancies. Therefore the costs can be funded in one of three ways or using a combination of these options:

1. From existing revenue budgets (requiring Directorates to identify virements to cover the cost)
2. By capitalising the costs (subject to Secretary of State approval)
3. From general reserves

The Council is already forecasting an overspend in 2005/06 of £2.9m and given the pressures being managed in each Directorate it would be difficult to identify further savings to cover all the one-off redundancy/retirement costs. However, this may be possible in some cases.

The Council is discussing the possibility of a direction from the Secretary of State with the ODPM to allow any redundancy costs to be capitalised, however such a direction may only relate to the statutory element and that is a small proportion of the total.

The forecast balance on the general fund at 31-3-06 is currently £5.3m compared with an agreed optimum level of £7m and minimum level of £4m. This figure includes the decision to fund some of the early costs associated with the Business Transformation Partnership from reserves in the current year.

At this stage it is recommended that the costs are funded from reserves.

2.7 Legal Implications

Where employees are moved to new jobs, refused redundancy payments or leave against their will, the risks of complaints and Employment Tribunal challenges increase. Priority should be given to such cases to minimise these risks.

The Authority should ensure that it adhered to its policies and procedures when dealing with displaced staff to reduce the risk of ET.

2.8 Equality Impact

The equality impact of the MMR has been subject to regular monitoring. Monitoring has identified no potential adverse impact on BME, disabled or female employees. There is a potentially adverse impact on employees in higher age groups, however employees in these groups also include those eligible for early retirement

Section 3: Supporting Information/Background Papers

Appendix 1 - flow chart giving an overview of the process

Background papers

- Cabinet Report on Review of Middle Management Structure – 20 April 2004
- Protocol for Managing Organisational Change
- MMR Equality Monitoring Reports

Any person wishing to inspect the background papers should telephone 020 8424 1225