

**Report of the Director of Resources & Housing**

**Report to the Scrutiny Board (Strategy & Resources)**

**Date: 24 April 2017**

**Subject: Summary of Workforce issues in Leeds City Council**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): n/a	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

Scrutiny Board (Strategy & Resources) has asked for an update on the council's position on workforce planning. Specifically they also asked that the council considers:

- Succession planning
- Training and Development
- Graduate and apprenticeship schemes
- Policy on redeployment and redundancy
- Current structure and number of posts
- Annual staff survey results
- Relationship between the council and schools in relation to HR matters
- Agency Workers

**Recommendations**

It is recommended that the Scrutiny Board note the contents of this report as an update on the strategic and operational HR activities to support the delivery of the Best Council Plan.

## **1.0 Purpose of this report**

- 1.1 This report responds to the Scrutiny Board (Strategy & Resources) request for an update on a range of HR matters under the broad heading 'workforce planning'.
- 1.2 The report provides an update on key HR areas of work as requested by the Board, as a series of appendices.

## **2.0 Background information**

- 2.1 The Council's HR team provides professional HR services to all the council services, and to some Leeds schools through a traded 'service level agreement' arrangement. This consists of strategic HR projects and operational HR advice and support to underpin the council-wide activities to deliver the Best Council Plan, and operational HR support to council directorates and services to enable them to deliver efficient and effective services for the city. HR administration is now delivered outside the HR service, via the Business Support Centre. This paper provides an update on some key HR work areas.

## **3.0 Main Issues**

### **3.1 Succession Planning**

- 3.1.1 Workforce planning and talent management is one of the themes within the Council's People and Culture Strategy. Council services have had various approaches to the workforce planning in the past, although more recently this has been predominately driven by staffing budget savings and responding to volunteers to exit the council.
- 3.1.2 Work is beginning again to re-stimulate the services to think about workforce planning in a more structured manner using the attached simple model at appendix 1 to this report. This model will enable services to think about the strategic context, future demands for services, methods of delivery including future skills, technologies etc. In order to inform a workforce development plan including a succession plan and a talent management offer an assessment of the current workforce profile including skills and competencies will be required. This will assist services to think about their future workforce succession plans.
- 3.1.3 Workforce data is available or is being sourced to support succession planning and includes for example high volume high turnover roles, specialist discrete knowledge and skills (single points of failure) age profile and other protected characteristic data to stimulate the inclusion conversation.
- 3.1.4 Communications to support the quality of the appraisal discussion are to be developed and linked to a succession plan conversation within the development and aspiration element.
- 3.1.5 The council has a range of interventions to support Talent Management including; graduate and apprenticeship programmes, a mentoring and coaching offer. In addition, the concept of career profiles and career pathways is being developed.

## **3.2 Training and Development**

3.2.1 Workforce Development is one of eight areas under review as part of the Council's wider Support Services Review, with savings contributions to make over the next 2 years. The purpose of the review is to integrate capacity and resources embedded in services across the Council under a single professional lead to develop a more flexible resource that can be deployed more effectively and efficiently to meet learning and development priorities. A more detailed update on the scope of progress of this review can be found at appendix 2 to this report

## **3.3 Graduate and Apprenticeships schemes**

3.3.1 From April 2017, the Apprentice Levy will apply to all employers with a payroll greater than £3m. For LCC, Levy payments equivalent to 0.5% of our paybill will be taken by HMRC and put in a Digital Levy account. From June, this account can pay for apprenticeship training costs and assessments. This fund can be used anytime up to 24 months from when first levied, but cannot be spent on anything other than the training and assessment of apprentices. We estimate our annual levy to be £1.7m LCC and £0.7m schools.

3.3.2 To prepare for this, LCC's apprenticeship schemes have been expanded - from 150 to 287 apprentices as of March 2017. Whilst the Council is generally reducing staffing numbers, this growth has been achieved by looking at different skill mixes – e.g. in areas like Administration. Compared to other Councils, LCC employs more apprentices as a % of our work-force – currently this is 1.7% for LCC's headcount. Also we currently have an 80% pass rate.

3.3.3 The DfE have also set a public sector target for which we will have to give due regard. This is 2.3% of our headcount. Meeting the target on an annual basis means employing over 500 apprentices; 350 in LCC and 200 in schools.

3.3.4 Currently the majority of apprenticeships are at Level 2 and provide "entry-level" opportunities. This is also reflected in the profile of apprentices – with 50% of apprentices aged under 24. A more co-ordinated approach has been developed to sell apprentices in LCC and it is intended to continue to use this opportunity to create a more diverse work-force. Specifically this will mean targeting priority groups and communities in Leeds to help them access jobs. However, to fully spend our levy, and maintain a workforce where more employees are apprentices, requires expansion of higher level apprenticeships. LCC is currently tendering for suppliers to meet our needs here as well as providing for existing use. Over the next few years it is expected more of our longer-term staff development will be via an apprentice route and this to become a means for staff developing their careers and gaining professional qualifications. This will be aligned to succession planning and learning delivery strategies which are discussed above.

3.3.5 LCC is also continuing to recruit generalist graduates on a rotational 2 year scheme. The aim of this scheme is to jointly attract a pool of high potential staff to support our future succession needs and to also promote LCC and Leeds as a great career destination. These staff undertake project-based placements and are encouraged

and supported to apply for permanent jobs in LCC. At the end of the 2 years approximately 70% of graduates find a permanent job with LCC. Currently we have 23 graduates in their first year and 17 in their second year. Recruitment is also underway to hire a further cohort to start in Autumn 2017

### **3.4 The Council's policy on redeployment and redundancy**

- 3.4.1 The council has had a 'section 188' notice in place since 2011 to underpin the ongoing collective consultation with the trade unions to avoid the need for compulsory redundancies, triggered by the very significant reduction in funding from central government since 2011.
- 3.4.2 In December 2014, the council implemented a comprehensive programme of changes to terms and conditions of employment of all staff (excluding school based staff), through a collective local agreement with the recognised trade unions. This included the introduction of a 'Managing Staffing Reductions' policy and a Flexibility Protocol, copies of which can be found at appendices 3a and 3b respectively.
- 3.4.3 Although the section 188 notice is still 'live', as there is still a need to reduce the employment spend still further, the HR team work closely with services and the Finance team to take a proactive approach to workforce planning, to minimise the likelihood of any compulsory redundancies. Where services have made staffing reductions these have been virtually all been achieved through voluntary approaches, for example: flexible redeployment of staff to new roles; very effective vacancy controls; facilitating staff exit through the voluntary Early Leaver Initiative (ELI) scheme; redesign of services and realignment of resources; controlling other employment spend, e.g. agency and overtime spend.

### **3.5 Current structure/posts**

- 3.5.1 The Council's current structure, at Directorate and Chief Officer level, is provided in the document at appendix 4 and includes the current FTE figures which have been taken from the latest available staffing dashboards as at March 2017.

### **3.6 Staffing Reductions**

- 3.6.1 The table at appendix 5 provides details of staffing reductions, by grade bands, comparing the situation at April 2010 to the latest available data at March 2017. Staffing reductions will include: the impact of the Early Leaver Initiative; large-scale TUPE transfers into the Council (e.g. Education Leeds, the ALMOs, Public Health) and out of the Council (e.g. Aspire); and natural turnover with posts not being filled. This will be offset by recruitment to essential and frontline posts but as can be seen from the table the trend is downwards over the time period.

### **3.7 Current vacancies**

- 3.7.1 Currently there are 359 posts / 310.54 FTEs at varying stages of the recruitment process (seeking approval for release, advert stage, interview stage and awaiting appointment). Of these 359 posts 177 have been or will be advertised internally and 182 externally.

### **3.8 Relationship between the Council and Schools in relation to HR matters**

3.8.1 All schools have been free to obtain HR support from any source they choose from their delegated budgets. Prior to the academisation programme, virtually all Leeds schools purchased a 'service level agreement' (SLA) with the council's HR team. Over more recent years, with the ramping up of academies in the city, and multi academy trusts, more and more schools have either recruited their own HR staff, or have grouped together to buy HR support independently across a cluster of schools. This has seen a relatively small decline in the number of schools purchasing the SLA, although with increased academisation, and additional competition in the market for HR support to schools, this trend is continuing.

3.8.2 Where schools do purchase HR support from the council's HR team, this is delivered through experienced HR professionals who offer the following:

- An HR business partner arrangement to headteachers and governors.
- Head teacher recruitment service
- Support to governing bodies
- Support with HR casework, managing staffing reductions etc.
- Development and negotiation of a full suite of up to date and legally compliant employment policies with the recognised trade unions
- Operation of the trade union facilities scheme on behalf of schools

3.8.3 So schools are free to develop and implement their own employment policies and /or take advice from alternative HR support. However, should they choose to do this, they would not fall within the remit of the council's support for employment tribunals.

3.8.4 Schools also access the council's occupational health service, either through a 'pay as you go' option, or through the SLA (depending on the level of SLA they choose). They also have full access to health and safety support from the council's HR/H&S team, to enable them to meet their statutory obligations, with the option to purchase additional support where required (for example training).

3.8.5 Schools operate a separate redundancy policy, which can be found at appendix 6 of this report and may find themselves needing to consider redundancies, for example where they are in a budget deficit position. The schools HR team are skilled at working with governors and headteachers to minimise the need for compulsory redundancies, and to work across schools to seek alternative employment.

### **3.9 Agency Workers**

3.9.1 The table below shows the declining use of agency workers in LCC.

Year	14/15	15/16	16/17
Overall Spend	£13.7m	£9.5m	£7.8m

3.9.2 Use is now concentrated in the following areas of work: ICT, Social Work, other Social Care and Trades Operatives.

3.9.3 Reductions in the use of agency workers has been driven and maintained by:

- Holding recurring challenge meetings with Chief Officers who manage areas with the highest use of agency workers. This includes taking cost-effective actions to reduce demand by looking at bringing work in-house, operating different skill mixes, recruitment and retention measures etc. This work is also linked to challenging overtime use too.
- Restrictions on the hiring of agency workers – limiting assignments and the authority of staff to hire agency workers.

3.9.4 Whilst this work will continue, there are number of changes happening. Firstly, our current contract is being retendered and a successful provider will be decided in late April. In reviewing services, options have been looked at to see how “social value” issues can be taken more in to consideration. For example, looking at how agency workers are hired and whether there are more options to link this to helping people find work and/or move on to better paid, more secure and skilled work.

3.9.5 At the same time any successful provider will be required to provide detailed management information and operate our control measures as this has been critical to reducing agency use.

3.9.6 Secondly, from April 6<sup>th</sup> 2017, new HRMC regulations come into force that affect certain agency workers in the public sector who operate as Personal Service Companies (PSCs). Essentially, Councils as engagers of work/services provided by individuals need to have additional checks whether their payments should be paid gross (i.e. by an invoice) or taxed on a PAYE basis (i.e. put through our payroll with income tax and NIC contributions deducted). This includes third-party arrangements too - where work is sourced via an agency. Subject to the results on an HMRC online Employee Status Check, the new rules remove any tax exemptions (known as IR35) for workers who operate through a Personal Service Company.

3.9.7 Across the UK, many agency workers operate as Personal Service Companies and are hired via employment agencies. Such practices are common for higher paid workers in areas like Social Work, ICT and some construction roles. Through our Agency supply chain these workers will be identified and checks undertaken accordingly. Agencies will then be required to make appropriate tax arrangements. Currently this covers around 60 agency workers who operate through a Personal Service Company.

3.9.8 It is unclear at this stage how LCC will be affected by the new regulations. These have only come into force. Also there has been limited advice available from HRMC in the lead-in; effectively limiting time to develop and implement compliance processes.

3.9.9 Due to changes there is a risk we may not be able to secure agency workers to undertake some types of work in the future, or alternatively costs will rise in order to retain specific skills. However, relative to some Councils, LCCs exposure is limited given steps taken to reduce agency workers overall. The impact of changes will be closely monitored with the services most likely to be affected.

#### **4.0 Consultation and Engagement**

4.1 The council has in a place a comprehensive and effective approach for consulting the trade unions on workforce issues. These include corporate consultations (e.g. via the fortnightly HR/Pay Matters meetings, and the quarterly Corporate JCCs) and directorate/service consultations (e.g. local JCC arrangements etc.) Where significant workforce changes are proposed, staff consultations are also held.

#### **5.0 Equality and Diversity / Cohesion and Integration**

5.1 Equality impact assessments are completed for all service change proposals and all new employment policies and practices. These are a core requirement before any delegated decision is approved by a director of chief officer. The HR team also undertake periodic equality impact assessments on existing practices, e.g. after the implementation of a new policy or approach.

#### **6.0 Council policies and City Priorities**

6.1 The council operates a number of employment policies to meet statutory obligations and 'best practice' in HR management. All policies are developed through a working group approach, which typically involves HR staff, managers and trade union representatives.

#### **7.0 Resources and value for money**

7.1 HR policies and practices are continually reviewed to ensure they are fit for purpose and represent efficient and effective approaches to people management. The commitment to undertake longer-term workforce planning alongside effective reskilling and redeployment has avoided the need for costly compulsory redundancies and enabled the council to retain talent within the workforce.

#### **8.0 Legal Implications, Access to Information and Call In**

8.1 There are no specific legal implications associated with the content of this report, although it is worth noting that poor employment practice could lead to costly employment tribunals.

#### **9.0 Risk Management**

9.1 There are no specific or significant risks associated with the issues outlined in this report.

## **10.0 Conclusions**

- 10.1 The council's HR team continues to provide strategic and operational HR support to the organisation through efficient and effective HR solutions to support the delivery of the Best Council Plan.

## **11.0 Recommendations**

- 11.1 It is recommended that the Scrutiny Board note the contents of this report as an update on the strategic and operational HR activities to support the delivery of the Best Council Plan.

## **12.0 Appendices**

Appendix 1 – Workforce Planning Model

Appendix 2 – Workforce Development Review Update

Appendix 3a – Managing Staff Reductions Policy

Appendix 3b – Flexibility Protocol

Appendix 4 – Current Staffing FTEs by Directorate as at 31<sup>st</sup> March 2017

Appendix 5 - Staffing Reductions since April 2010 to March 2017 by Grade Banding

Appendix 6 - Managing Workforce Change and Staff Reductions for School Based Staff