

STATUS – OFFICIAL-SENSITIVE**SHARED SERVICES UPDATE****Purpose**

1. To provide the Board with an update on the strategic Shared Service issues relevant to the business.

HR Update**Pay 2014-15**

2. The pay negotiations with the Unions concluded in November with the rejection of the FC's pay offer. The pay award was implemented by administrative action and will be implemented in the December payroll.

Redundancy Consultation

3. Consultation with the Unions on changing the redundancy procedure concluded in October. The minimum timescale for meaningful consultation when there is likelihood of surplus staff has reduced from 90-days to 45-days (100 or more staff at risk of redundancy) and 30-days (less than 100 staff at risk of redundancy). This will meet our statutory requirement for collective and individual consultation and adhere to the new Cabinet Office protocol for handling surplus staff situations.

Holiday Pay & Overtime

4. On 4th November the Employment Appeal Tribunal decision on holiday pay and overtime was announced. The case challenged the application of the Working Time Regulations 1998 in UK legislation and determined that non-contractual overtime could be included in the calculation of holiday pay.
5. An appeal and cross appeal is possible and the Government has established a Task Force to limit the impact on businesses. If an appeal is made it must be lodged within 12 weeks and the appeal could take between 5 and 9 months to be heard.

6. Cabinet Office, BIS and Treasury Solicitors (TSoL) will decide on the cross-civil service wide response to the EAT decision. Treasury Solicitors have advised that it is premature for any departments to start taking action such as resolving grievances and/or settling new or potential claims, changing policy or making voluntary back payments.
7. The Government is considering proposals to introduce legislation that will place a limitation period of 2 years for claims made by workers for unauthorised deduction of wages. This change is currently being consulted and would require an amendment to the Employment Rights Act 1996. Without the change in legislation individuals could, in theory, claim there has been an unauthorised deduction of wages since the introduction of the Working Time Regulations in 1998.
8. As at 25 November the FC has received: two collective grievances from UNITE (although they have not yet provided details of the members they are representing); two early conciliation certificates from ACAS (a procedural step which would allow individuals to go to tribunal); six individual grievances from staff in Forestry Commission England; and one tribunal claim in Forestry Commission Scotland.
9. FC is liaising with TSoL and Sheppard & Wedderburn on the management of the grievances and tribunal claim to ensure that we are meeting our legal requirements as well as complying with the Cabinet Office requirements.
10. The central view from TSoL is that the EATs judgement deals with non-guaranteed overtime which the employer is not obliged to provide but if requested an employee is required to work. The requirement to work the additional hours, rather than volunteer, will determine if the overtime should be included in holiday pay.
11. The FC procedure states that managers will usually ask for volunteers but where this is not possible an individual will be given at least 48 hours notice that overtime is required. There is also a provision within the procedure for unplanned overtime when it is not possible to provide notice that overtime is required.
12. It is not possible to determine from overtime records if the hours worked were voluntary or required. However, if the majority of overtime is worked by volunteers and the requirement for staff to work additional hours only occurs in exceptional circumstances there will be a minimal liability from the EAT decision.
13. Where staff regularly work overtime it is possible that a claim could be made that the requirement to work is inferred and it may be necessary for the FC to prove that the overtime was voluntary. To assess the size of this potential group initial analysis has identified the number of staff who claims overtime at least 9 months of the year.

Year	Number of staff who claimed overtime			
	9 months of the year	10 months of the year	11 months of the year	12 months of the year
2013/14	48	48	66	143
2012/13	55	44	80	154
2011/12	48	45	106	161

14. If this group were entitled to receive backdated holiday pay the law would clarify how this liability is to be calculated and the number of days to include. In the meantime, the average daily overtime pay has been calculated to provide an estimated liability (figures include an estimated national insurance and pension contributions).

Year	Cost of including average overtime in holiday pay (30 days)
2013/14	£191,536 per year
2012/13	£203,546 per year
2011/12	£206,478 per year

15. Based on the distribution of regular overtime the estimated liability for each area would be:

Year	Cost of including average overtime in holiday pay (30 days)			
	Scotland	England	Central Services (ex FR)	Forest Research
2013/14	£124,498.40	£51,714.72	£1,915.36	£13,407.52
2012/13	£132,304.90	£54,957.42	£2,035.46	£14,248.22
2011/12	£134,210.70	£55,749.06	£2,064.78	£14,453.46

Payroll

16. The payroll project is currently on track for delivery according to plan. CGI are scheduled to deliver a test system by the end of December and user training has been scheduled for the payroll team. Parallel running of existing and new systems will take place in February and March. Spending for the project is on track (total budget for the project is £100K).

2015 Staff Survey

17. Learning and Development are about to launch the procurement of the 2015 Staff Survey. The survey itself is planned to run during September and the full report will be presented to the Executive Board in December 2015.

CS Expert Services

18. Plans are being drawn up to enrol the Forestry Commission into Civil Service Expert Services from April 2015. The service will provide support on HR policy, a new e-recruitment system and access to Civil Service Learning. Joining the service is conditional on being cost neutral to the business.

Health and Safety

19. Safety, Health and Environment supported the roll out of their pre-commencement meetings and contract management training seminars in FE Scotland. These were completed by the end of November.

20. FE England is already using the new systems and has identified a number of amber and red conditions when managing contracts. These have included harvesters felling trees within one tree length of an overhead powerline, despite all the control measures having been identified, put on the ground and discussed with the operators. It is important that these near misses are reported so that we can identify the root causes and all learn from them.

21. FE Scotland was asked to contribute views to the Scottish Government Rally Safety Review. The review was set up following the death of three spectators at the Jim Clark road rally in May 2014. The Review Group issued preliminary findings in October and the final report is due by the end of the year.

22. The Forestry Commission has a Master Agreement with the Motor Sport Association (MSA.) Rallies on the Public Forest Estate fall under this Agreement. Clubs also get specific Permission from the Forest District. The Health and Safety team has reminded all FC staff involved in managing rallies of the importance of following the guidance set out in our policy. The team will review the Master Agreement with MSA when the Scottish Government Review Panel publishes their final report.

Finance Update

Central Services Finances

23. The table below provides the agreed budgets, end of October actuals and forecasts for the current financial year with appropriate comments. A small underspend is now forecast. The overall saving contributes towards the revised RDEL budget target values for the 'Westminster Group' following the Defra decision to take the 1.9% savings options.

	£000			
	Agreed Budget	Actuals @31 Oct	Current Forecasts	Variance from Budget
Shared Services				
Information Services	5,544	3,287	5,774	+230
Human Resources	4,038	1,994	3,843	-195
Finance & Accounting Services	1,642	950	1,642	
Internal Audit	521	288	521	
IFOS	3,269	1,756	3,269	
FES Skills Support Unit	219	105	219	
FEE Apprentice Support	109	62	109	
Office Services	2,575	1,214	2,452	-123
Total	17,917	9,656	17,829	-88
Corporate & Forestry*	11,668	6,689	11,668	
<i>* Annual budget includes £6,886k FR funding</i>				
Forest Research (RDEL)	6,886	5,246	6,886	

- **IS**
Additional funding of £230k has been included for LAN infrastructure at Alice Holt (£150k) and further work at the NRS disaster recovery site (£80k).
- **HR**
£195k variance declared following cancelled recruitments for Head of Services and Team Manager, reduced staff transfer expenses and increased external income in L&D.
- **Office Services**
£123k variance proposed which comprises a £10K salary underspend and £48K in relation to lower rates for Silvan House and recoverable VAT on

charges to NRW. Additional savings proposed to meet the Defra imposed reduction mentioned above.

NRW

24. We remain on track to transfer all financial transaction processing from FC systems to NRW's own systems with effect from 1 December 2014. This excludes transactions relating to their Timber business where FC will continue to provide a full service as part of the enduring services.

eFinancials 'Start Again'

25. Discussions have been on-going with Countries to take forward this major project. It has been agreed that each Business Area will have its own ledger completely separate from each other. A draft Project Plan has been prepared and sent to Countries for comment. It is likely that separate development plans will be required for each Business Area although we await confirmation from Countries that this is how they wish to operate.

26. We have been looking at configuration models that will allow the new requirements to be provided within existing costs. Initial discussions have taken place with ABS on this and further meetings are planned to progress. We also believe we should consider the option of a hosted solution as part of these deliberations. Whilst additional external costs are likely to arise from this approach these will be offset by reduced internal costs and the potential for a smoother devolution of services at a later stage.

IS Update

27. See separate paper (19/14).

Impact on Resources and Risk Assessment

28. Potential significant cash impact as outlined in paragraphs 13-15.

Communications

29. All staff have been informed about the pay award. We are awaiting guidance from Whitehall on communications about the Government line on holiday pay and overtime. A Comms Plan will be developed as part of the project to implement Civil Service Expert Services.

Recommendation

30. The Board is asked to note the contents of this paper.

Jean Lindsay
Director Central Services
November 2014

Baseline Reporting as at November 2014

Country/Area		Original Baseline	2014/15 Bus Plan Baseline	November	Difference +/-
England	FC	263.66	221.24	209.73	-11.51
	FE	954.73	823.62	792.81	-30.81
Scotland	FC	157.03	142.43	137.34	-5.09
	FE	845.82	836.99	823.89	-13.10
FR		250.00	167.00	183.50	16.50
Silvan House		329.01	237.90	226.37	-11.53
Total		2800.25	2429.18	2373.64	-55.54