

Report to Executive

Agenda
Item:

A.6

Meeting Date: 19th October 2015
Portfolio: Finance, Governance and Resources
Key Decision: Yes
Within Policy and Budget Framework YES
Public / Private Public

Title: VOLUNTARY REDUNDANCY, EARLY RELEASE IN THE INTERESTS OF EFFICIENCY INITIATIVE
Report of: Director of Resources
Report Number: RD 35 /15

Purpose / Summary:

To meet the challenging MTFP savings targets the Council's staffing establishment needs to be reduced by approximately 45 staff or 12%. This report suggests that to avoid compulsory redundancies a VR / ER initiative should be instigated.

Recommendations:

Executive are requested to consider

- (i) Releasing funding from the balance of the Transformation Reserve of £940,000 to fund redundancy and pension strain costs
- (ii) Agreeing that any balance required, once actual costs are known, being subject to a further Report to the Executive as Part of 2015/16 year end process (see 5.0 of Report)

Tracking

Executive:	
Overview and Scrutiny:	
Council:	

1. BACKGROUND

- 1.1** The 2015/16 Medium Term Financial Plan (MTFP) sets out the savings required over the next 5 years in maintaining a balanced budget and adequate revenue reserves.
- 1.2** Savings of £4.686m are required to fund the budget pressures as set out in the 2015/16 MTFP. £1.272m has been saved as at August 2015 leaving £3.414m still to be delivered.
- 1.3** Out of the £3.414m savings required, £1.295m has been targeted at staffing savings. Most staffing savings to be delivered early in 2016/17 financial year i.e.

	2016/17 Target £000	2016/17 Saved to date	2017/18 £000	2018/19 £000	TOTAL
Revenues & Benefits	100	100			100
Channel Shift	150				150
VR / VM	150	25.4	350	150	650
New savings from 2015/16 budget	350				350
D&IS		29.4	45		45
TOTAL	750	154.8	395	150	1295

- 1.4** The Senior Management Team in consultation with Portfolio Holders have developed plans for making staffing savings by vacancy management, voluntary redundancy and early release in the interests of efficiency. Also maintaining the Council's policy of minimising compulsory redundancies.

2. PAST EXPERIENCE OF VOLUNTARY REDUNDANCY INITIATIVES

- 2.1** In 2014 a VR initiative was undertaken. Initial target was set of £1m in recurring savings, associated redundancy/pension costs funded from 1st year salary costs.
- 2.2** Whilst enough staff volunteered; 46 (potential savings £1.1m), due to the key roles undertaken by a majority of the volunteers e.g. Service Managers, Waste Operatives, only 10 of the volunteers were able to be released. Recurring Revenue Savings of £231k were achieved, redundancy / pension costs £294k.

- 2.3** Based on past experience, savings of £1.295m from staffing budgets over next 3 years (see table at 1.3) equates to approximately 51 staff; profiled as follows:

30 staff by 1st April 2016

15 staff by 1st April 2017

6 staff by 1st April 2018

NOTE - £154.8k already achieved by vacancy management and service reviews equating to 6 staff, leaving approximately 45 staff as the target. Early release of staff i.e. before these dates, will allow some of the release / pension costs of approximately £2.0m to be funded from base staffing budgets. Also the initiative needs to commence immediately after Executive support is requested to meet the 1st April 2016 target date.

- 2.4** Based on the number of applications in 2014 for VR there is likely to be enough demand for VR (approximately 45 required) if a new initiative was instigated, the problem is the few applications that have been successful in the past. This was hampered by the necessity to lose the post of the applicant for voluntary redundancy.

Applications turned down included

- Drivers and Loaders, Waste being a service under pressure hence Waste Review
- Civic Centre based roles that must be undertaken e.g. Licensing Manager, City Centre Manager, key Technical Staff
- Administrative posts seen as critical to the provision of service

- 2.5** If the Council considered using the Early Release Scheme, this may provide the opportunity for accepting more requests; based on the fact that a similar level post to the applicant's can be deleted.

3. EARLY RELEASE IN THE INTEREST OF EFFICIENCY

- 3.1** Early Retirement / Early Release in the Interest of Efficiency – Definition (from Redundancy Policy)

“There may be occasions when there is not a redundancy situation, but where the retirement of an employee would allow for cost savings and / or organisational

efficiencies. In such cases the employee may request ***early retirement in the interests of efficiency***".

Whilst this definition refers to early retirement the policy continues on to include early release. Potentially allowing an application for early release where the complete post cannot be lost to the Council.

3.2 In many circumstances where a key member of staff wants to take VR but cannot as the job is critical to the Council, there are other staff corporately able to step into such a role with relevant and reasonable development. Providing their role can be deleted from the structure (without impacting on junior career progression opportunities), the member of staff that wants to leave could leave in the **interests of efficiency**.

3.3 Requests from certain key posts including Drivers and Loaders (4 applied in 2014) with no ready replacement would still be an issue.

4. REMUNERATION PACKAGE

4.1 As stated in 2.3 above the Council needs to reduce the current staffing establishment by approximately 45 from 413 FTE (475 staff including part-time) to approximately 367, a 12% reduction in staff.

4.2 Currently staff requesting Voluntary Redundancy have their redundancy calculated based on 2½ weeks' pay per qualifying year worked. Whilst staff requesting early release have their settlement calculated on 1½ times weeks' pay per qualifying year worked.

4.3 Until we have established how many staff will volunteer for VR / ER under the proposed initiative, also undertaken Service Reviews to establish whether the post can be lost or an alternative post lost we do not know whether VR or ER is appropriate in each particular application.

4.4 In the circumstances the Council may be open to challenge if we allowed a member of staff to leave on ER then after undertaking the Service Review their post was deleted.

4.5 With the required 12% reduction in workforce we need a significant number of volunteers to avoid the Council having to consider compulsory redundancies so the remuneration package needs to be as attractive as possible.

- 4.6** In the circumstances the Employment Panel of the 1st October agreed to support the VR / ER initiative and that, for this initiative only, that the severance packages should be identical i.e. 2½ times weekly pay multiplied by qualifying years worked.
- 4.7** Based on average salaries of £25,000 and average years of service of 15 years, if 30 of the required 45 staff left on ER as opposed to VR the additional cost to the Council would be approximately £220,000 based on 2½ times weekly pay/qualifying years rather than 1½ times under current ER arrangements.
- 4.8** However if the Council did not progress the ER initiative and the required staffing reductions were compulsory then the redundancy terms would be 2½ times weekly salary so in reality costs to the Council are likely to be similar.

5. FUNDING THE COSTS OF REDUNDANCY / PENSION STRAIN

- 5.1** The potential of the VR / ER initiative could be as high as £2m but will be dependent upon the number of applications and the cost associated with an individual. The potential savings being £1.295m as set out on table at 1.3.
- 5.2** The Council has established two earmarked reserves for potential costs of redundancy, the Transformation Reserve has £940k in and the Welfare Reform Reserve (to fund redundancy of Housing Benefit staff) has £200k.
- 5.3** Once the full cost of the redundancy initiative is know, further funding may be required. This could come from a first call on 2015/16 underspends and may require there to be no carry forwards allowed.
- 5.4** A review of other amounts held in reserves could also be undertaken to establish if any can be released for this purpose.
- 5.5** Also, the base budget staffing costs of those granted redundancy could be used to fund the cost of the release in the short term. This may require the savings to be re-profiled so the cost can be repaid and savings taken at a later date.
- 5.6** Once the applications are received and costed a better understanding of the funding requirement will be known and any additional funding will be reported.

6.0 SUMMARY

- 6.1** To meet the challenging MTFP savings targets the Council's staffing establishment needs to be reduced by approximately 45 staff or 12%. This report suggests that to avoid compulsory redundancies a VR / ER initiative should be instigated.
- 6.2** As agreed by the Employment Panel of the 1st October the VR / ER initiative, for the reasons set out in 4.0 of the Report, the remuneration terms for this initiative only will be identical.

7.0 RECOMMENDATIONS

- 7.1** Executive are requested to consider
- (i) Releasing funding from the balance of the Transformation Reserve of £940,000 to fund redundancy and pension strain costs
 - (ii) Agreeing that any balance required, once actual costs are known, being subject to a further Report to the Executive as part of the 2015/16 year end process (see 5.0 of Report)

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**Appendices
attached to report:**

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – The Chief Executive and Senior Management Team fully support the VR / ER initiative

Deputy Chief Executive – N/A

Economic Development – N/A

Governance – Having a clear and transparent early release/voluntary redundancy policy assists the Council in complying with its obligations under the non-discrimination legislation. Whilst the Employment Panel has responsibility for terms and conditions of employment as they apply to staff, the Executive is responsible for the financial aspects of the proposal.

Local Environment – N/A

Resources – Included in Report

EXCERPT FROM THE MINUTES OF THE EMPLOYMENT PANEL HELD ON 1 OCTOBER 2015

EMP.16/15 VOLUNTARY REDUNDANCY, EARLY RELEASE IN THE INTERESTS OF EFFICIENT INITIATIVE

The Financial Services and HR Manager submitted report RD.34/15 which suggested that a Voluntary Redundancy / Early Release initiative be instigated to avoid compulsory redundancies.

The Financial Services and HR Manager reminded the Panel that staffing savings of £1.295m had been targeted in the Medium Term Financial Plan for delivery early in the 2016/17 financial year. The Senior Management Team in consultation with Portfolio Holders had developed plans for making staffing savings through vacancy management, voluntary redundancy and early release in the interests of efficiency whilst maintaining the Council's policy of minimising compulsory redundancies.

In 2014 the Council had undertaken a Voluntary Redundancy initiative which resulted in 46 volunteers. Due to the key roles undertaken by the majority of the volunteers only 10 were able to be released which resulted in Revenue Savings of £231,000. The Financial Services and HR Manager summarised the required savings profiled against the number of staff needed over the next three years. The issue with the 2014 initiative had been the requirement to lose the post of the applicant, however, based on the number of applications received in 2014 it was felt that there would potentially be enough demand if a new initiative was instigated.

Financial Services and HR Manager informed the Panel of the definition of Early Retirement / Early Release as set out in the Council's Redundancy Policy. She explained that there were circumstances where a key member of staff wanted to take Voluntary Redundancy but could not as their job was critical to the Council. There was also staff corporately able to step into such roles with relevant and reasonable development. Providing that the other staff role could be deleted from the structure without impacting on junior career progression opportunities, the member of staff who wanted to leave could leave in the interests of efficiency. She added that requests from certain key posts including Drivers and Loaders with no ready replacement would still be an issue.

Currently staff requesting Voluntary Redundancy had their redundancy calculated based on 2 ½ weeks' pay per qualifying year worked whilst staff requesting Early Release had their settlement calculated at 1 ½ weeks. It was suggested that, for this initiative only, the severance packages should be identical for both Voluntary Redundancy and Early Release to ensure the remuneration package was attractive as possible.

The Panel discussed the proposal and asked for clarity with regard the deletion of posts following early release and information on the procedures that would be in place to ensure the initiative was transparent and fair across all departments.

The Financial Services and HR Manager explained that the Council would be open to challenge if they allowed a member of staff to leave on early release then, following a Service Review, their post was deleted if the early release package was different to the voluntary redundancy package.

The Panel had concerns that posts would be deleted and duties would then fall to other members of staff. The HR Advisory Services Team Leader advised that some duties from deleted posts were retained and shared out amongst other staff members. The Town Clerk and Chief Executive reminded the Panel that the inflexibility of the previous voluntary redundancy initiative had prevented a number of staff leaving. The new initiative would allow the authority to have the flexibility needed to reorganise and refresh the workforce.

The HR Advisory Services Team Leader informed the Panel that the Council had engaged with 'Timewise' which will help to deliver an agile workforce. It would allow staff to consider flexible ways of working which may include a reduction in hours allowing for further savings. The procedures for the initiative would be drawn up by HR in consultation with the Unions who had been supportive of the more flexible initiative.

RESOLVED – 1) That a Voluntary Redundancy / Early Release initiative be instigated to meet the challenging MTFP savings and to avoid compulsory redundancies subject to the criteria set out in the procedures which are delegated to the Town Clerk and Chief Executive.

2) That the remuneration package for both Voluntary Redundancy and Early Release be the same at 2 ½ times weekly salary multiplied by qualifying years worked, for this initiative only, subject to the approval of the funding requirements by the Executive at their meeting on 19 October 2015.