

Report to Employment Panel

Agenda
Item:

A.4

Meeting Date: 12 November 2013
Portfolio: Finance, Governance and Resources
Key Decision: Not Applicable:
Within Policy and Budget Framework YES
Public / Private Public

Title: VOLUNTARY REDUNDANCY INITIATIVE
Report of: DIRECTOR OF RESOURCES
Report Number: RD59/13

Purpose / Summary:

This report advises the employment panel on the proposals to reduce staffing budgets by approximately £1 million by 1st April 2015 by a Voluntary Redundancy initiative as being proposed as part of the draft MTFP 2014/15 budget deliberations.

The report provides guidelines on how the initiative will be progressed by the Council and staff wanting to apply for voluntary redundancy. It also provides the financial cost of the initiative which is likely to be self financing in 2014/15 based on past trends.

Recommendations:

The Employment Panel is asked to note and comment on the Voluntary Redundancy Initiative which will be included in the draft 2014/15 budget proposals.

Tracking

Employment Panel:	12 November 2013
Executive:	Not applicable

1. BACKGROUND

- 1.1 The draft medium term financial plan (MTFP) for 2014/15 to 2018/19 is to be considered by the Executive on the 18th November as part of the 2014/15 budget deliberations.
- 1.2 The draft MTFP will detail the budget pressures the Council needs to fund and savings initiatives required to deliver a balanced budget over the next 5 years.
- 1.3 The draft MTFP will set out a requirement to identify £1.839m in savings to be delivered for 1st April 2015 (with further savings in future years).
- 1.4 With staffing costs being by far the biggest item of the Council's controllable expenditure, significant staffing savings will need to be identified in meeting the £1.839m target.
- 1.5 The Council's policy is to only consider compulsory redundancies as a final resort. In the circumstances savings proposals being considered as part of the 2014/15 budget deliberations will include an initiative to invite written requests for voluntary redundancies from Carlisle employed staff across all directorates (excluding Revenues and Benefits shared service).

2. HOW THE VOLUNTARY REDUNDANCY INITIATIVE WILL OPERATE

2.1 Policy Guidelines

The Council's redundancy policy states that 'Carlisle City Council will make every effort to avoid compulsory redundancies, taking into account costs and service delivery'. As the Council is required to make significant savings by 1st April 2015, and to avoid unnecessary distress to employees, proposals set out in the 2014/15 budget deliberations include an invitation for staff to take voluntary redundancy.

- 2.2 It is good practice to seek volunteers and has the advantage of not being a compulsory scenario. A compulsory redundancies scenario could have an adverse effect on employee relations and would provide a long period of uncertainty during which the various statutory processes and procedures would have to be undertaken.
- 2.3 Statutory consultation applies if the proposed redundancies are 20 or more (counting both voluntary and compulsory redundancies). As it is envisaged that approximately 40 – 45 voluntary redundancies will be supported, the Council will

consult with unions and employees, whilst at the same time allow individuals the right to request indicative figures from Human Resources (HR). Applications will then be invited, considered and a decision on the request will be made based on the criteria defined in Appendix 2.

- 2.4 The following guidelines will support the process and ensure that all requests are considered in a fair and transparent way.

Appendix 1: Outlines the timeframe for progressing the voluntary redundancy initiative.

Appendix 2: Outlines the criteria for considering requests for voluntary redundancy.

Appendix 3: List of questions and answers.

Appendix 4: Voluntary Redundancy application Form.

3. INDIVIDUAL CONSIDERATIONS

- 3.1 Employees considering making a request for voluntary redundancy will be encouraged to discuss their position with their manager and request indicative figures from HR.
- 3.2 HR will provide indicative figures for redundancy pay and pension estimates (if applicable) the figures will be collated and at this stage individual requests will be confidential.

3.3 Written Request for Voluntary Redundancy

Employees will have time to consider their individual position. If they wish to apply for Voluntary Redundancy, they must do so by completing the Voluntary Redundancy application form (Appendix 4) which must be submitted to HR by the date referred to in Appendix 1, the timeframe. This form will be supplied by HR who will collate all requests. Directors, Managers, HR and Finance will be asked to provide a view regarding the request, which will be based on the service implications of the loss of the post.

- 3.4 Chief Officers will make the decision based on the criteria outlined in appendix 2. All applications will be considered but Chief Officers reserve the right to determine release, taking into account current and future operational requirements. Portfolio holders will also be consulted where service provision factors need to be taken into

account. The outcome of a request for voluntary redundancy will then be advised to requestee i.e. –

(i) Accepted

Employees will be given notice in line with their contract or legislation requirements and it is expected that all employees accepted for Voluntary Redundancy will leave the Council during early April and May 2014.

The letter of notice will outline their redundancy calculations, pension options and the notice period and end date.

(ii) Declined

If an employee has been declined the Board will write to the employee advising them of the outcome and their right to appeal this decision.

3.5 **Appeal**

If an employee disagrees with the decision to refuse their request for VR they have the right of appeal, this must be made in writing within 14 days of the letter advising them of the outcome stating the reason for the appeal and will be heard by the Chief Executive (or another Chief Officer).

If the employee is dissatisfied with this decision an appeal may be made to Members, this must be done in writing within 14 days of the letter confirming the outcome of appeal to the Chief Executive.

4. **FINANCIAL CONSIDERATIONS**

- 4.1 In appendix 5 is an analysis of staff salaries and redundancy/pension costs of the 25 staff that have left the Council under service transformation/efficiency initiatives over the last 18 months.
- 4.2 This analysis details age-ranges, length of service, salary, redundancy/pension costs on a cumulative basis. The analysis suggests that the cost of implementing a voluntary redundancy scheme based on past trends is approximately one year's salary per member of staff in redundancy and pension costs. The actual figure could be more or less depending on how many staff in the age range 55 – 59 are released under the initiative.
- 4.3 To fund the voluntary redundancy initiative and make the targeted £1million savings affective from the 2015/16 financial year, staff taking voluntary will be required to

leave the Council on the 1st April 2014 or as soon as practical after that date if on a longer notice period (3 months). The timeframe set out in appendix 1 achieves this objective.

- 4.4 The analysis at appendix 5 suggests that approximately 40 – 45 staff will leave the Council under the initiative to save the targeted £1 million in staffing savings. The cost of their redundancy/pension package averaging approximately £23,000 per member of staff leaving under VR would be met from the 2014/15 staffing budget as their salaries will no longer be paid during 2014/15.

5. CONSULTATION

- 5.1 Further consultation with the Trade Unions and staff (as set out in paragraph 2.3 above).

6. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 6.1 This report advises the employment panel of the proposals to reduce staffing budgets by approximately £1 million by 1st April 2015 by a Voluntary redundancy initiative as being proposed as part of the draft MTFP/2014/15 budget deliberations.
- 6.2 The report provides guidelines on how the initiative will be progressed by the Council and staff wanting to apply for voluntary redundancy. It also provides the financial cost of the initiative which is likely to be self financing in 2014/15 based on past trends.

7. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 7.1 To ensure that a balanced budget is set.

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Director of Resources

Appendices attached to report:	Appendix 1 - Time Frame for voluntary redundancy selection and notice. Appendix 2 - Selection process for applications for voluntary redundancy. Appendix 3 – Frequency asked questions. Appendix 4 - Application for Voluntary Redundancy and Consideration for Voluntary Redundancy Form. Appendix 5 - Summary from 01/04/2012 to 30/09/2013
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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 – not applicable

Community Engagement – not applicable

Economic Development – not applicable

Governance – The Report is for information purposes and to request Member comment. With the agreement of Members, via discussions and consultation, the Head of the Paid Service will invite applications for Voluntary Redundancy and record this in an Officer Decision Notice. The proposal is within the Council's approved, relevant policies.

Local Environment – not applicable

Resources – In order to achieve a balanced budget the Council needs to identify significant savings with the draft 2014/15 budget currently estimating savings of £1.839million being required for 2015/16. The strategy to achieve these savings includes this Voluntary Redundancy Initiative and the financial implications of the proposal are set out in the main body of the report. Recurring savings of £1million have been assumed from 2015/16; with the expectation that the scheme be self financing in 2014/15 i.e. salary savings (as a result of the vacant redundant post) in 2014/15 being utilised to fund the cost of redundancy. These assumptions will form part of the 2014/15 budget proposals which will be considered by the Executive later this month.

There is a risk that take up is low and the savings target not achieved for 1st April 2015 and that the annual salary saving is not sufficient to fund the costs of redundancy. Members should note that there is still approximately £150,000 left within the Transformation Reserve which could be utilised to fund any shortfall, subject to the approval of the Executive.

HR Advisory Services have been fully involved in the preparation of this report.

APPENDIX 1

Time Frame for voluntary redundancy selection and notice.

Activity	October	November	December	January	February	March	April	May
SMT/PORTFOLIO HOLDERS	<ul style="list-style-type: none"> Wk 2 	<ul style="list-style-type: none"> Officer Decision Notice to Executive (18/11/13) 	<ul style="list-style-type: none"> Executive (16/12/13) Part of budget process for funding 					
Communication & Consultation		<ul style="list-style-type: none"> 15/11/13 start 	<ul style="list-style-type: none"> 					
Employee confidential request for figures		<ul style="list-style-type: none"> 15/11/13 start 	<ul style="list-style-type: none"> 					
Application cut off			<ul style="list-style-type: none"> 20/12/13 					
Consideration / selection				<ul style="list-style-type: none"> Completed by 31/01/14 				
Costing		<ul style="list-style-type: none"> As requested 	<ul style="list-style-type: none"> As requested 					
Decision					<ul style="list-style-type: none"> 01/02/14 (to allow for letters etc) 			
Notice *					<ul style="list-style-type: none"> 01/02/14 start 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> 	
Leave							<ul style="list-style-type: none"> 01/04/14 onwards 	<ul style="list-style-type: none">
Appeals					Appeals	<ul style="list-style-type: none"> 		

*Notice periods of up to 12 wks (depending on length of service).

APPENDIX 2

Selection process for applications for voluntary redundancy.

The following criteria and any other factors or circumstances will be considered in determining whether a request by an employee to volunteer for redundancy will be accepted.

- The cost of Council in making the redundancy.
- The current and future business needs of the service concerned.
- The need to retain particular skills, knowledge and expertise.
- Any individual factors relevant to the applicant which are identified.

It is envisaged that any post lost due to voluntary redundancy will not be replaced; in the interest of business continuity a grade for grade move may be acceptable.

Chief Officers, with advice from Managers, Finance and HR, will have authority to select from the requests for voluntary redundancy.

APPENDIX 3

Frequently asked Questions

1) Why is the Council asking people to consider Voluntary Redundancy?

The Council have undergone major transformation in recent years, which has saved approximately £6 million, which is a fantastic achievement. This has included a number of changes to the way the organisation delivers the service and has had a huge impact on employees. Whilst the Council are extremely proud of the way employees have responded to the changes implemented it can not avoid the need for further savings. The Council would like to reduce the level of distress and disruptions brought about by the need for further savings, and have elected to invite requests for Voluntary Redundancies.

2) I am a member of the Revenue and Benefits shared service team; will I be included in this call out for Voluntary Redundancies?

At this moment shared service is not included in this exercise; we will recommend that Revenue and Benefits Strategic Board consider this as an option available to them to make efficiency savings. However this will be to a different (and later) timescale and the three Councils in the Shared Service would need to support the initiative.

3) How do I make a request for Voluntary Redundancy?

In the first instance you may want to ask HR for indicative figures, this may include the amount you may be paid in redundancy and pension, the estimated pension figures will be dependent on your age and potential additional costs to the Council. This will be an expression of interest and will not bind you to a request for Voluntary Redundancy. Although we may gather numerical data we will not disclose who has requested figures.

Following receipt of this information, you may then wish to apply for Voluntary Redundancy. You will be required to complete the Voluntary Redundancy application form and submit to HR within the timescales referred to within the guidelines.

4) Who will consider my application for Voluntary Redundancy?

Chief Officers will make the decision regarding approval for Voluntary Redundancy, your Manager, HR and Finance will provide a view reflecting organisational considerations. The criteria referred to in the guidance notes will ensure that a fair process is adopted.

5) What happens if the Council refuses my application?

The Council will use the criteria referred to in the guidelines when considering applications for Voluntary Redundancy, if you feel that the decision is unfair then you will have a right of appeal. The appeal process is covered in the guidelines.

- 6) What happens if I make a request for Voluntary Redundancy and then change my mind?

The process has been introduced to provide an opportunity for the Council to save funds and avoid the need for Compulsory Redundancies. Once you have been accepted and given formal notice of your leave date then you will have no right to change your mind, unless you have special circumstances.

- 7) What if I do not think my post should be made redundant but I am willing to apply for Voluntary Redundancy?

At the time of the application individuals are asked to comment on the impact of losing the post on the team. It may be possible to apply, based on the fact that another individual within the Council could make a sideways move into the post you are vacating. Therefore saving a job, however this will require careful consideration and a number of factors will apply, including transferable skills and knowledge. It is recommended that in such circumstances you put in a request for Voluntary Redundancy and the Chief Officer will consider the impact of your request on the service.

- 8) What happens if more than one post holder within a team submits a request for Voluntary Redundancy?

In the first instance the criteria referred to in the guidelines (Appendix 2) will be considered, if more than one person as you describe meets the criteria, and as this is a cost saving exercise the Chief Officer will select on the basis of cost, unless some other relevant factor applied to this scenario.

- 9) If I am accepted for Voluntary Redundancy what additional support can I expect to receive from the Council.

The Council continue to provide excellent support to all employees, in the case of Voluntary Redundancy, employees will have access to training on job application and interview techniques and other planned training delivered before you're leaving date.

During the period of notice of redundancy, employees will be entitled to reasonable time-off with pay during working hours, provided the Council's permission is first obtained, to look for new employment or to make arrangements for training for future employment.

As this is a cost saving exercise it will not be possible to request additional bespoke training or development.

10) What happens if I have been accepted for Voluntary Redundancy and I secure a job elsewhere, could I leave before my expected leave date?

To qualify for redundancy pay, employees must work up to the date on which the notice of redundancy expires.

Employees wishing to leave before their notice expires may do so with the Council's prior agreement, which if granted, will entitle the employee to redundancy pay.

The Council's consent will not be unreasonably withheld, but employees leaving early without consent may lose their right to redundancy payment.

An employee who resigns in anticipation of redundancy will not be entitled to redundancy pay.

11) How is Voluntary Redundancy Calculated?

The Council will use the discretion it has under Local Government Pension Scheme legislation to make an enhanced payment to employees who leave through redundancy.

The Council will make a compensatory payment based on one of the following options:

- a) a redundancy payment of 2.5 times the statutory redundancy payment (but based on actual weeks pay)
- or*
- b) a redundancy payment which is equal to the statutory redundancy payment plus augment the employee's pension service by an amount of service which would result in the same cost to the Council as if the employee had received the payment in (a) above.

The choice of (a) or (b) to be the employee's, subject to any restrictions imposed by LGPS legislation. Only employees who are members of the pension scheme would be able to choose (b).

Redundancy payments will be based on actual pay where this exceeds the statutory cap on earnings

Example

Example: Employee Y has 10 years service, is aged 40 years and earns £15,000 per year. His/her statutory redundancy payment would be £2,877 (ten weeks at £287.68 per week). His/her enhanced redundancy payment 2.5 times that amount i.e. £ 7,193 so they may choose £ 7,193 payment or £2,877 plus £4,316 worth of additional pension service.

12) I believe that I meet the '85 year rule' how would Voluntary Redundancy affect me?

This facility has been phased out and very few current Council employees are in fact eligible, if you think you are eligible then you are advised to discuss this with the H.R Advisor.

This facility currently allows members of the Local Government Pension Scheme between the age of 55 and 60 to apply for early retirement under the "rule of 85" if their service (in whole years) and their age (in whole years) adds up to 85. However, as in all cases of early retirement the employer must make restitution to the Pension Fund for early payment of benefits. Therefore all applications for payment of retirement benefits under this provision will be considered on an individual basis and will only be approved if it can be demonstrated to be in the Council's interest to do so.

Any employee who is dissatisfied with the decision on their request for retirement under the '85 year rule' has the right to appeal as set out in the Redundancy and Early Release Schemes Policy.

13)What if I have further questions?

Please forward your query to the HR Advisory Services Team Leader, Julie Kemp.

Appendix 4

Application for Voluntary Redundancy

Name:	Directorate:
Post:	Service:

Have you requested indicative figures for redundancy from H.R.

YES / NO

Using the box below explain your reasons for requesting Voluntary Redundancy.

Using the box below explain how your request could be managed within the team?

[illegible]

Signed _____ Date _____

Please return to HR by the 20/12/13.

Office Use

Redundancy cost: _____ Pension Cost: _____

Notice Period: _____

Date Received: _____

**APPENDIX 5 Summary from 01/04/2012 to 30/09/2013
of the status of staff leaving under service efficiency initiatives**

Age Bracket	Total Numbers left	Average Length of service	Average Salary	Average individual redundancy cost	Average Actuarial Pension total number of payouts	Average Actuarial Pension cost	Average Total Cost	Total Voluntary Redundancy	Total Compulsory Redundancy	Number of current workforce in each age range (also as a %) - 26.09.13
19 or under	0	0	£0.00	£0.00	0	N/a	£0.00	0	0	2 (0.36%)
20 – 24	0	0	£0.00	£0.00	0	N/a	£0.00	0	0	12 (2.1%)
25 – 34	4	4.25	£17,779.00	£4,133.00	0	N/a	£4,133.00	3	1	101 (17.9%)
35 – 49	6	9.3	£22,458.00	£12,907.00	0	N/a	£12,907.00	1	5	228 (40.5%)
50 – 54	4	13.5	£22,964.00	£22,003.00	0	N/a	£22,003.00	2	2	76 (13.5%)
55 - 59	5	20.8	£24,078.00	£30,146.00	2	£39,179.50	£45,817.60	4	1	90 (16%)
60+	6	15.8	£27,134.00	£27,258.00	0	N/a	£27,258.00	4	2	54 (9.6%)
Total	25	12.73	£580,914.00	£496,264.00	2	£78,359.00	£574,622.00	14	11	563

Notes:

Average Actuarial Pension costs only paid for age range 55-59