

## Voluntary Severance and Early Retiral Policy

### Report by Kenneth Lawrie, Chief Executive

#### 1 Purpose of Report

This report provides Council with an update on the impact of the time limited enhanced Voluntary Severance and Early Retiral (VSER) Scheme approved on 4 February 2014 and seeks approval for revisions to the scheme.

#### 2 Background

On 4 February 2014 Council approved a new Voluntary Severance and Early Retiral Scheme. Council also agreed to receive a report back on the impact of the time limited scheme.

#### 3 Update on time Limited Scheme

The time limited scheme generated 380 applications from staff from across all services. At the time of writing 181 applications have been approved, 86 are on hold, 19 withdrawn and 94 have been declined. Table 1 below provides a summary by service.

**Table 1: Time Limited VSER Scheme Applications by Service**

| Service                                | Applications Approved | On Hold   | Withdrawn | Declined  | Total      |
|--|-----------------------|-----------|-----------|-----------|------------|
| Education, Communities and Economy     | 88                    | 14        | 6         | 22        | <b>130</b> |
| Communities and Economy                | 7                     | 4         | 0         | 1         | <b>12</b>  |
| Children's Services                    | 6                     | 7         | 1         | 6         | <b>20</b>  |
| Adult Social Care                      | 15                    | 17        | 1         | 4         | <b>37</b>  |
| Customer and Housing Services          | 9                     | 11        | 3         | 12        | <b>35</b>  |
| Commercial Operations                  | 10                    | 1         | 1         | 17        | <b>29</b>  |
| Property and Facilities Management     | 14                    | 10        | 2         | 26        | <b>52</b>  |
| Finance and Integrated Service Support | 32                    | 22        | 5         | 6         | <b>65</b>  |
| <b>Total</b>                           | <b>181</b>            | <b>86</b> | <b>19</b> | <b>94</b> | <b>380</b> |

The 86 employees whose applications are on hold have been kept informed of the position and advised of the reason that their applications cannot be progressed immediately. In the main these applications require service review work to progress before an informed decision can be made and a business case established.

The Financial Strategy report to Council on 24 June 2014 provided an initial assessment of the impact of the 101 applications which had been approved at that time on future years' budgets and reserves. At that point based on the 101 applications approved it was estimated that there would be a reduction in the pay bill of £1.690 million in 2015/16 with the one off cost associated with the approved applications estimated at £3.138 million.

The current assessment based on the 181 applications approved is detailed in table 2 below.

**Table 2: VSER Analysis – 23 September 2014**

|   | 2014/15<br>£m | 2015/16<br>£m | 2016/17<br>£m | 2017/18<br>£m |
|---|---------------|---------------|---------------|---------------|
| VSER Savings already reflected in Financial Strategy: |               |               |               |               |
| • ISS Review  | 0.131         | 0.232         | 0.268         | 0.266         |
| • Management Review                                   | 0.128         | 0.633         | 0.678         | 0.673         |
| • Other   | 0.020         | 0.135         | 0.132         | 0.131         |
| <b>Sub Total</b>                                      | <b>0.279</b>  | <b>1.000</b>  | <b>1.078</b>  | <b>1.070</b>  |
| Additional VSER Savings:                              |               |               |               |               |
| • Teachers  | 0.441         | 0.653         | 0.558         | 0.467         |
| • Other   | 0.167         | 0.373         | 0.375         | 0.377         |
| <b>Sub Total</b>                                      | <b>0.608</b>  | <b>1.026</b>  | <b>0.933</b>  | <b>0.844</b>  |
| <b>General Fund Total</b>                             | <b>0.887</b>  | <b>2.026</b>  | <b>2.011</b>  | <b>1.914</b>  |
| HRA Total   | 0.019         | 0.035         | 0.035         | 0.035         |
| <b>Overall Total</b>                                  | <b>0.906</b>  | <b>2.061</b>  | <b>2.046</b>  | <b>1.949</b>  |

The one off costs associated with the approved applications are estimated at £4.703 million which will be met from reserves in 2014/15.

As table 2 demonstrates the time limited scheme has facilitated a material reduction in the overall pay bill and has realised savings already reflected in the Council's Financial Strategy. As the remaining applications are progressed the impact will be reflected in the future Financial Monitoring and Financial Strategy reports to Council.

#### **4 Revisions to the Scheme**

The operation of the time limited scheme has highlighted aspects of the scheme which would benefit from revision to enable employees to express an interest in VSER at the early stages of organisational change which may affect their post.

The scheme as it stands provides for access to enhanced severance terms during periods when the time limited scheme is opened to applications or when employees enter switch as a result of a review or restructure etc. It is proposed to allow employees the opportunity, where it is relevant, to apply for VSER under the enhanced terms at the beginning of any organisational change that is being conducted in line with the Council's Policy for Organisational Change. The trigger for accessing the enhanced terms would be on receipt of formal

notification in accordance with the Council's Policy for Organisational Change.

In addition where an employee enters Switch the Policy allows for access to the Enhanced Severance terms for a period of one month from the point it is confirmed to the employee that they are to enter Switch. For those employees who are not able to access their pension or have already done so the severance payment is subject to a minimum of six months gross salary. It is proposed to continue to offer access to the Enhanced Severance terms for employees while they remain in Switch, however the application of the six months minimum would continue to be time limited to one month.

A revised policy reflecting these changes is attached as an appendix to this report. All applications for VSER will continue to be considered by the relevant Head of Service, and require the approval of the Chief Executive, relevant Director and Head of Finance and Integrated Service Support. Proposals regarding VSER arrangements for Chief Officers (The Chief Executive and Directors) will continue to require Council approval. Proposals regarding Heads of Service will continue to be subject to Cabinet approval.

Finally and to reflect the success of the recent time limited scheme this report recommends that Council delegate approval for the operation of further time limited schemes to the Chief Executive in consultation with the Leader of the Council.

## **4 Report Implications**

### **4.1 Resource**

Section 3 sets out the impact of the time limited scheme. Resources of were allocated from Business Transformation funds to provide the necessary administrative resources to manage the scheme.

### **4.2 Risk**

The scheme approved by Council ensured compliance with recommended practice. Having an effective VSER policy and the operation of the targeted scheme has enabled the Council to deliver a reduction in the pay bill.

### **4.3 Single Midlothian Plan and Business Transformation**

Themes addressed in this report:

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- Sustainable growth
- Business transformation and Best Value
- None of the above

**4.4 Key Priorities within the Single Midlothian Plan**

The VSER policy and scheme supports the Council to reduce its costs through a headcount reduction. All applications are subject to a business case which ensures that service delivery considerations are appropriately considered.

**4.5 Impact on Performance and Outcomes**

The VSER policy and scheme supports the Council to reduce its costs through a headcount reduction. All applications are subject to a business case which ensures that service delivery considerations are appropriately considered.

**4.6 Adopting a Preventative Approach**

Not applicable.

**4.7 Involving Communities and Other Stakeholders**

Consultation on the proposed changes to the VSER policy and the VSER scheme has been conducted with the recognised Trade Unions.

**4.8 Ensuring Equalities**

The VSER policy and VSER scheme were both subject to an EQIA. No adverse implications were identified at that time and none are expected from the changes proposed.

**4.9 Supporting Sustainable Development**

No implications have been identified.

**4.10 IT Issues**

There are no immediate IT issues arising from this report.

**5 Recommendations**

Council is asked to:

- 1) Note the successful impact of the recent time limited scheme;
- 2) Approve the attached revised policy, reflecting the changes set out in section 3, and
- 3) Delegate to the Chief Executive in consultation with the Leader of the Council authority to operate further time limited schemes.

**Date 28 August 2014**

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**Background Papers:**

**Declaration Box**

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***Title of Report: Voluntary Severance and Early Retiral Policy***

***Meeting Presented to:***

***Author of Report: Gary Fairley***

***I confirm that I have undertaken the following actions before submitting this report to the Council Secretariat (Check boxes to confirm):-***

- All resource implications have been addressed. Any financial and HR implications have been approved by the Head of Finance and Integrated Service Support.***
- All risk implications have been addressed.***
- All other report implications have been addressed.***
- My Director has endorsed the report for submission to the Council Secretariat.***

***For Cabinet reports, please advise the Council Secretariat if the report has an education interest. This will allow the report to be located on the Cabinet agenda among the items in which the Religious Representatives are entitled to participate.***

***Likewise, please advise the Council Secretariat if any report for Midlothian Council has an education interest. The Religious Representatives are currently entitled to attend meetings of the Council in a non-voting observer capacity, but with the right to speak (but not vote) on any education matter under consideration, subject always to observing the authority of the Chair.***