

Voluntary Severance / Early Retiral Policy and Update on 2017 VSER Scheme

Report by Gary Fairley, Head of Finance and Integrated Service Support

1 Purpose of Report

The purpose of this report is to seek approval from Council for a revised Voluntary Severance / Early Retiral (VS/ER) Policy and also provide Council with an update on the VSER scheme approved on 26 September 2017.

2 Background

2.1 The current VSER Policy was approved by Council on 4 February 2014, with subsequent revisions approved on 23 September 2014. The approval of the Workforce Strategy and implementation of a new Policy for Organisational Change (Local Government Workers) meant that it was timely to review the existing Voluntary Severance and Early Retirement provisions to ensure they meet the Council's needs going forward.

VS/ER is widely used within Local Government and the wider public sector as part of organisations workforce strategies to effectively manage their staffing establishments, particularly in times of budget and headcount reductions.

In 2013 Audit Scotland set out in the report "Managing Early Departures from the Scottish Public Sector" key principles which any scheme should follow and which remain relevant:

- *Early departure schemes should be driven by the needs of organisations and their workforce plans;*
- *Alternatives to early departures should be considered such as redeployment, natural turnover and service redesign;*
- *There should be clear policies and procedures which are consistently applied;*
- *Proposals should be supported by business cases, showing the full additional costs of early departures and their anticipated savings;*
- *There should be restrictions on staff who have accepted an early departure package from being re-employed;*
- *Councillors or board members should approve early departure schemes, ensuring that proposals represent value for money;*
- *Councillors or board members should approve proposals affecting senior managers to ensure each application is independently authorised;*

- *Compromise agreements should not be used to limit public accountability, for example by trying to silence whistleblowers or by hiding the full cost of departures;*
- *Senior managers, as well as councillors or board members, should monitor progress to help ensure that planned savings are being made;*
- *Senior managers, as well as councillors or board members, should use lessons learned from past and existing schemes and apply these accordingly to future proposals; and*
- *Organisations should be open in their annual reports and accounts about the costs of early departures and the savings they have generated.*

3 Revised Policy

Whilst the existing policy already meets Audit Scotland key principles, experience since 2014 identified areas where the policy framework can be simplified and strengthened by adopting the following key changes:

- Simplification by shifting from standard and enhanced severance terms to one set of voluntary severance terms;
- To ensure the policy compliments the new Policy for Organisational Change (Local Government Workers) and existing Organisational Restructure Policy (teaching staff);
- Strengthen the affordability test for VS/ER by reducing the maximum pay back from less than 5 years to 2 years or less;
- Fixing the uprating of a week's pay used to calculate the voluntary severance @ £508 (the maximum statutory redundancy weekly pay from 6 April 2018);
- Excluding those employees who have already reached state pension age from access to voluntary severance.

While the initial draft policy sought to reduce the level of enhancement, recognising the challenging financial outlook, after consultation with representatives from Unison, Unite and GMB Trade Unions, the voluntary severance calculator (Appendix 1) remains as it is at present, providing a maximum of 66 weeks.

The revised scheme still provides enhanced severance terms for employees who may find themselves in a redundancy situation and so will continue to help avoid redundancies. Council should however note that where there is no prospect of suitable alternative employment or redeployment (with appropriate training and support) for an employee in a redundancy situation and they either do not meet the requirements of the revised VS/ER policy or do not accept the voluntary severance/early retirement offer, then they would be served notice of redundancy and leave the Council on statutory redundancy terms.

The revised policy retains the existing provisions requiring Council approval for any Council wide or targeted scheme and also retains the existing governance and re-employment conditions.

4 2017 VSER Scheme

The Financial Strategy report to Council on 26 September 2017 agreed to operate a VSER scheme in the autumn of 2017 in accordance with the existing VSER policy framework and delegated the detailed arrangements for this to the Chief Executive in consultation with the Leader of the Council.

At the time of writing a total of 143 VSER offer letters have been issued with 47 agreed to date at a cost of £1.463 million. These are anticipated to secure ongoing budgeting savings of £1.513 million representing an average pay back of 0.97 years.

5 Report Implications

5.1 Resource

VS/ER costs are met from set aside reserves.

5.2 Risk

This report ensures the Council fully complies with the key principle set out by Audit Scotland.

Without an effective VS/ER policy and the 2017 VS/ER scheme there is an increased risk that the Council will not be able to make the headcount reductions required to deliver savings requirements.

5.3 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

5.4 Key Priorities within the Single Midlothian Plan

This VS/ER Policy supports the Council in reducing its costs through a headcount reduction. All applications are subject to a business case which ensures that service delivery considerations are appropriately considered.

5.4 Impact on Performance and Outcomes

As per 5.4 above.

5.6 Adopting a Preventative Approach

Not applicable.

5.7 Involving Communities and Other Stakeholders

Consultation on the VS/ER Policy has been conducted with the recognised Trade Unions.

5.8 Ensuring Equalities

An IIA has been prepared and is published on the Committee Management System.

5.9 Supporting Sustainable Development

No implications have been identified.

5.10 IT Issues

There are no IT issues arising from these proposals.

6 Recommendations

Council is asked to:-

- a) approve the revised Voluntary Severance / Early Retirement Policy appended to this report; and
- b) note the update on the operation of the VSER scheme approved on 26 September 2017.

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Background Papers: