

Voluntary Severance and Early Retiral Policy and 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 new Voluntary Severance and Early Retiral (VSER) Policy, and to seek approval to apply a time limited, enhanced VSER Scheme.

2 Background

- 2.1** VSER is widely used within local government and the wider public sector as part of organisations workforce strategies to effectively manage their staffing establishment. This is particularly commonplace in times of budget contraction and headcount reduction and benchmarking shows that VSER Schemes are in place across local government at this time. Given low levels of turnover in Administrative and Support, Professional and Management job families in particular, the removal of the mandatory retirement age introduced through UK legislation in 2011 and the No Compulsory Redundancy Policy approved by Council on 5 November 2012, VSER continues to be an important element of the Council's workforce strategy.
- 2.2** Cabinet approved a Voluntary Early Retirement, Redundancy and Severance Scheme on 16 October 2007. Previous time limited enhanced VSER Schemes for local government employees were undertaken in 2010 and again in January 2012. In addition, the option of leaving the Council via VSER without enhanced benefits has been available for employees to request at any time, and through specific service reviews. Secondary and Primary School Management Reviews which resulted in employees leaving the Council via VSER have also been conducted in this time period.
- 2.3** A recent Audit Scotland Report: "Managing Early Departures from the Scottish Public Sector" published in May 2013, has resulted in a need for the Council to review and update its policy provisions. The key principles outlined in the report are as follows:
- *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.*

2.4 A new VSER Policy has been prepared to take account of this guidance and is appended to this report for Council approval. The new VSER Policy includes two permanent elements which will apply to all VSER cases, both standard and enhanced:

- a. An increase in the Payback period, i.e. how long it takes to make the savings required to cover the cost of VSER, from three years to a maximum of five years;
- b. Continuation of the increase in weekly wage for severance payment calculation purposes to a minimum of the statutory redundancy amount, currently £450, in instances where the employee's weekly salary is less than £450 (pro rata if part-time).

2.5 The new policy proposes a continuation of the current arrangements where employees can apply for VSER at any time. This is set out in section 4.1.2 of the Policy and provides for the following standard terms:

- a. For employees who are either not in the pension scheme, have not already accessed their Local Government or Teachers Scheme pension or are unable to access their pension yet due to scheme rules, a Voluntary Severance payment which is calculated using actual weekly wage (if the full time wage is under £450, uplifted to £450 per week pro rata if part-time), multiplied on the basis of the Standard Severance Calculator attached to the VSER Policy. This provides for a maximum of 30 weeks severance payment.

- b. For employees who are able to or have already accessed their Local Government or Teachers Scheme pension a Voluntary Severance payment based on £450 per week (pro rata if part-time) multiplied on the basis of the Standard Severance Calculator, and immediate access to pension. This will be payment of a lump sum retirement amount and an annual pension. The Council will incur strain costs (raising the payback period to a maximum of five years will help to make cases more deliverable for those with higher strain costs). Subject to pension scheme regulations, the option will remain as in previous years for the employee to choose to forgo the severance payment (subject to some technical restrictions) and use this sum to buy added years service to enhance their pension.

2.6 Recent experience of the workforce and available statistics indicates that there continues to be low turnover levels in management, professional and administrative and support roles. VSER complements the Mi-Future programme (which applies to Local Government employees only) by increasing turnover in the establishment thereby creating new opportunities. These will include redeployment opportunities within the Council for employees who will be displaced as services are restructured and repositioned to be sustainable in the ongoing period of austerity.

2.7 It is proposed to operate an enhanced and time limited VSER Scheme for a period of no more than three months beginning in March 2014. The terms of the Enhanced Scheme are set out in section 4.2 of the VSER Policy, the only change from the Standard Scheme is the application of an Enhanced Severance Calculator which provides for a maximum of 66 weeks' severance payment as opposed to the maximum 30 weeks in the Standard Severance Calculator.

The enhanced scheme is as follows:

- a) For employees who are not in the pension scheme, have not already accessed their Local Government or Teachers Scheme pension, or are unable to access their pension yet due to scheme rules, a Voluntary Severance payment which is calculated using actual weekly wage or £450 per week (whichever is greater), pro rata to hours if part time, multiplied on the basis of the Enhanced Severance Calculator. This provides for a maximum of 66 weeks' severance payment.
- b) For employees who are able to access their Local Government or Teachers Scheme pension or have already done so, a Voluntary Severance payment based on £450 per week (pro rata if part time) multiplied on the basis of the Enhanced Severance Calculator, and immediate access to pension. This will be payment of a lump sum retirement amount and an annual pension. The Council will incur strain costs. Subject to pension scheme regulations, there is an option for the employee to forgo the severance payment (subject to some technical restrictions) and use this sum to buy added years service to enhance their pension.

2.8 The enhanced scheme will be made available to all employees but will be targeted to the following staff groups:

- The Management and Professional job families (38 and 209 employees);
- The Administrative and Support job family (425 employees);
- The Para Professional and Technical job family (222 employees);
- Any other Local Government staff included in the scope of the Integrated Service Support review;
- Promoted, assimilated and Chartered Teachers (330 employees); and
- Existing Switch employees (19 employees).

This represents a total of 1,243 employees. This targeted approach does not preclude others from applying but selective targeting of job families reduces the possibility of raising expectations elsewhere.

2.9 It is also proposed that the following VSER package is offered to those employees who will enter Switch following restructuring:

- a) For those employees who are able to access their Local Government Scheme pension, the enhanced terms set out in paragraph 2.7 above, subject to approval of the business case;
- b) For those employees who are not able to access their pension, or have already done so, a severance payment based on the Enhanced Severance Calculator; subject to a minimum severance payment of six months gross salary.

2.9.1 In order to provide maximum incentivisation, it is proposed that this enhanced offer should only be available to these displaced employees for a period of one month from the point that it is confirmed to them that they are entering Switch. Following that specific period, the standard package would be available to employees in Switch. The enhanced offer would also be applied retrospectively to those staff who are currently in Switch.

2.9.2 This approach will assist the Council in supporting Switch employees who genuinely wish to remain with the Council, and for whom there is the likelihood of a new role being identified. As the number and types of roles reduce in Administrative and Support, Professional and Management job families in particular, this additional incentive will assist in the effective management of the workforce.

2.10 As highlighted by the Audit Scotland report, proposals affecting senior management posts would require Elected member approval. Proposals regarding VSER arrangements for Chief Officers (Chief Executive and Directors) would require Council approval. Proposals regarding Heads of Service would be subject to Cabinet approval. These arrangements are consistent with the authorisation levels for appointments to these posts as set out in Standing Orders Section 17.

3 Report Implications

3.1 Resource

Resources have been allocated from earmarked Business Transformation funds to provide the necessary administrative and professional resource required to implement and deliver a VSER Scheme for a fixed period.

3.2 Risk

This report ensures the Council complies with the recommendations set out in the Audit Scotland report.

Without an effective VSER Policy and targeted VSER Scheme(s) there is an increased risk that the Council will not be able to make the headcount reductions required to deliver savings requirements.

3.3 IT Issues

There are no immediate IT issues arising from these proposals.

3.4 Single Midlothian Plan and Business Transformation

This report will support the Council to reduce its costs through a headcount reduction. All applications will be subject to a business case which will ensure that service delivery considerations are appropriately considered.

3.5 Impact on Performance and Outcomes

As per 3.4 above

3.6 Adopting a Preventative Approach

Not applicable.

3.7 Involving Communities and Other Stakeholders

Consultation on the VSER Policy and the VSER Scheme has been conducted with the recognised trade unions.

3.8 Ensuring Equalities

The VSER Policy and VSER Scheme have both been subject to an EQIA. No adverse implications have been identified.

3.9 Ensuring Sustainability

No implications have been identified.

4 Recommendations

Council is asked to:

1. Approve the Voluntary Severance and Early Retiral Policy appended to this report;
2. Approve a time limited Enhanced Voluntary Severance and Early Retiral Scheme as set out in the report for a time limited period of no more than three months beginning in March 2014; and
3. Agree to receive a report back on the impact of the time limited Scheme.

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