

Agenda Item No: **Report No:**

Report Title: **Voluntary Severance & Early Retirement**

Report To: **Cabinet** **Date:** **12 July 2012**

Lead Councillor: **Cllr James Page Leader of the Council**

Ward(s) Affected: **All**

Report By: **Interim Head of HR**

Contact Officer

Name: **Jane Amos-Davidson**

Post Title: **Head of HR**

E-mail: **jane.amos-davidson@lewes.gov.uk**

Tel no:

Purpose of Report:

To recommend a voluntary severance scheme and an early retirement schemes within the scope of the current policy on Early Termination of Employment (Discretionary Compensation).

Officers Recommendation(s):

1. That Cabinet comments upon and endorses development of the proposed schemes in Sections 4 & 5.

Reasons for Recommendations

1. The Council needs to make saving and is also embarking on a comprehensive change programme. The Council takes seriously its statutory responsibility to take steps to mitigate the risk of compulsory redundancies.
2. There is scope within the existing policy to offer mutually agreed exits on efficiency grounds and the schemes suggested in this report will offer staff the opportunity to apply for either early retirement and/or a voluntary severance payment. Any such exits may afford the opportunity to avoid potential compulsory redundancies.
3. Inviting expressions of interest in such schemes does not commit either party to this course of action but does allow staff the opportunity to explore the options open to them if they wish to exit. It also allows the organisation to look for potential efficiencies when individuals do express interest in making such an exit. This could be savings through deleting the post, reorganising or diverting resource to new priorities. This is explained in more detail at 4 under Proposals.

Background

1 Statutory redundancy payments

These minimum guaranteed redundancy payments (which, in the event that an employer becomes insolvent are made by the government) are calculated on weekly pay and length of service, but offer limited compensation in comparison to the contractual redundancy schemes offered by larger employers. Employees with less than two years continuous service are not eligible for redundancy payments. Payments are based on capped weekly pay linked to service using a multiplier. Individual compensation payments are calculated as follows:

- 0.5 week's pay for each full year of service under the age of 22
- 1 week's pay for each full year of service between 22 or above, but under 41
- 1.5 week's pay for each full year of service aged 41 or above

BUT a week's pay is capped at £430 per week (equivalent to a salary of £22,360 pa) and any service over twenty years is discounted in the calculation so the maximum payable is £12900.

2 Lewes District Council Compulsory Redundancy payments

The current scheme provides that staff made redundant receive compensation calculated by reference to three variables:

- age
- length of service,
- weekly salary,

The current policy includes contractual redundancy payments which use a multiplier equating to twice the statutory multiplier.

Thus individual compensation payments are calculated as follows:

- 1 week's pay for each full year of service under the age of 22
- 2 week's pay for each full year of service between 22 or above, but under 41
- 3 week's pay for each full year of service aged 41 or above

There is no cap on amount of the weekly pay; this is based on actual salary.

All service is counted in the calculation but the norm is that the total payment will not exceed 60 weeks.

The policy for compulsory redundancies does not take into account whether or not the staff member will be eligible for immediate payment of pension benefits. This generally applies to staff in the pension scheme aged 55 or more.

3 Relevant workforce data (excludes casual staff)

Headcount:	465*
Average age	48 years
Average length of service	9 years
Average salary	£24705
% staff in the pension scheme	85%
% staff aged 55+	26.5%

(*64 of these staff have less than 2 years service with LDC but may have previous LG service.)

Proposals

4 Efficiency exits

The Early Termination of Employment (Discretionary Compensation) Policy is attached at Appendix 1.

This policy allows for payments to be made to enable a mutually agreed exit on the grounds of efficiency and allows discretion in the amount to be paid up to a high limit.

It is the discretion in that policy which the proposed Voluntary Severance and early Retirement Schemes rely upon.

The general principles in determining efficiency are that one or more of the following criteria are met:

- the employee's ability to perform a job has been affected by changes mean it is difficult for the employee to adjust
- the job requires new skills or competencies which the employee does not have and where re-training or redeployment would not be appropriate
- the retirement or severance could lead to internal job opportunities and create room for succession planning
- savings/efficiency gains can be made
- compulsory redundancy can be avoided
- the Council is meeting or enhancing its statutory obligations e.g. the Disability Discrimination Act 1995.

A business case will be required in each case to demonstrate how the efficiency grounds are met and how the cost of any such exit will be met.

5 Voluntary Severance and Early Retirement

These schemes are entirely voluntary and any exit must be employee led – i.e. at the employees' (and not the manager's) request.

Management do not have to agree to any request and the reasons for refusing a request may include but are not limited to financial or operational reasons.

Where managers are in support of a request they will need to show a good business case which includes details of how the cost of such an exit will be recouped as this scheme should generate savings and must in any case be cost neutral within the short term (3 years).

These schemes are not a substitute for performance management and are not intended to bypass disciplinary and capability issues.

These schemes should not be used for staff subject to compulsory redundancy. However the scheme may be offered during staff engagement or consultation on redundancy as this may alleviate the need for compulsory redundancies elsewhere.

The scheme will be widely publicised to all contracted staff. Any eligible staff member who is contemplating applying can ask to see their estimated figures without obligation on either employee or employer.

6 Voluntary Severance – proposed payment scheme

Multiplier:

1.5 weeks' pay for each year of continuous service regardless of age.
A maximum of 40 weeks will apply.

Calculation of a weeks' pay:

One weeks' pay will be actual pay up to a maximum of £430.

Where actual pay is above £430 the amount will be determined at 75% of actual pay or £430, whichever is the higher.

Staff over 55 and in the pension scheme will become eligible for early payment of pension. However where an employer's contribution is required to cover pension strain the severance payment may be offset against this payment down to, but not below the amount of the statutory scheme.

Pension strain is a payment into the pension fund to compensate for the early release of pension. This occasioned by the extra years for which the employee draws that pension and the lack of investment in the fund

from the contributions the employer would have made during those years. This is calculated actuarially.

Staff aged 60 plus are free to retire and draw their pension when they wish, staff aged over 55 but under 60 can only do this with their employer's permission.

Governance

- 7 It is suggested that all cases are scrutinised by an Officer Panel chaired by the Chief Executive and comprising one or more CMT Member to include the Director of Finance and the Head of HR.
- 8 Applications relating to Chief Officers to be decided at Cabinet.
- 9 Any exit with a cost to the Council in excess of £40000 or in excess of the payment levels contained to be referred to the Leader or Cabinet as appropriate.
- 10 The scheme to be launched for a period specified by a time limit or by the number of exits agreed, e.g. for six months or until 20 exits have been agreed, whichever is the earlier,
- 11 Regular reports on the progress and outcomes of the schemes to be submitted to the Employment Committee.

Financial Appraisal

- 12 Where managers are in support of a request under the proposals they will need to show a good business case which includes details of how the cost of such an exit will be recouped as this scheme should generate savings and must in any case be cost neutral within the short term (3 years).
- 13 The Council has adequate reserves and balances that can be used to cover the short term impact of approved requests within this framework whilst the ongoing savings materialise within the three year period.
- 14 A pension fund strain budget has always been included within the approved estimates which is equivalent to 1% of pensionable payroll costs per year as an ongoing 'imprest account' for the pension strain arising within the Council between valuations. At each valuation any surplus or deficit gets taken into account by the actuary in the individual employer rates for the future.
- 15 A pension strain cost arises when an employee is able to access a pension before their earliest election date.
- 16 There are many financial implications arising from the recommendations to this report but these are to be contained within existing budgets or recouped within a time limit to be advised by Finance.

Equalities

- 17** An equalities impact assessment will be undertaken; this scheme will be open to all staff with over two years service. The detailed EIA can only take place once the principles of the proposed scheme have been agreed but work will be done on this prior to Cabinet.

HR Implications

- 18** Contained in the body of this item.

Sustainability Implications

- 19** Sustainability Implications Questionnaire to be completed but it is anticipated that there will be no significant effects as a result of these recommendations.

Background Papers

Draft schemes, application packs and FAQs are being drafted but will only be finalised when and if Cabinet approves the introduction and/or comments upon the terms.

Appendices

Appendix 1: Early Termination of Employment (Discretionary Compensation).