
Meeting: Executive
Date: 12 January 2010
Subject: Proposed voluntary severance scheme
Report of: Cllr Maurice Jones, Portfolio Holder for Corporate Resources
Summary: The report proposes the establishment of a voluntary severance scheme to aid the reduction in staffing as a result of budget pressures and reorganisation.

Advising Officer: Clive Heaphy, Director of Corporate Resources
Contact Officer: Gordon McFarlane, Acting Assistant Director (HR/OD)
Public/Exempt: Public
Wards Affected: All
Function of: Executive
Key Decision Yes
**Reason for urgency/
exemption from call-in
(if appropriate)** N/A

CORPORATE IMPLICATIONS

Council Priorities:

The establishment of a voluntary severance scheme will be one among a number of measures to minimise compulsory redundancy, and to help the organisation reduce staff numbers in a managed way. This contributes to the Councils value for money objectives.

Financial:

Given the level of potential staff reductions across the organisation, a proposed sum of £1.5m would be set aside from reserves and in-year savings to fund the cost of voluntary redundancies. This includes actuarial strain costs (the cost of repaying the pension fund for early release of benefits). Assumptions about potential costs are set out in paragraphs 12 and 13 of the report.

Exact costs depend on the number of employees who apply for voluntary severance, and their individual redundancy costs.

Legal:

Colleagues from Legal Services and Corporate Policy Adviser for Equality and Diversity are involved in advising on the operation of the scheme, to ensure that it is operated fairly and equitably. In particular, legal advice:-

- has been obtained on the drafting of the proposed Scheme;
- is being obtained on a continuing basis on the interplay between the current restructuring proposals and employees' rights under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"),

- is being obtained on the processes and proposed timetable to be followed in respect of consultation (informal and formal - with employees and their representatives) on the proposals for reorganisation and where in this process the voluntary severance scheme may sit.

Risk Management:

The scheme will need to be targeted appropriately in order that employees in areas most at risk of redundancy are given the opportunity to apply for voluntary severance. Consideration may be given to widening the Scheme if doing so provides actual opportunities for employees in areas at risk to transfer and remain in employment (subject to fulfilment of essential job criteria).

Too narrow a scheme may restrict the numbers of applicants or be so directly targeted as to be perceived in reality as a pre-determination of compulsory redundancies giving rise to claims for unfair dismissal. However, a scheme which is too widely open would pose difficulties on several levels: management of expectations and wide scale disappointment if large numbers are not granted voluntary severance, be difficult to manage on a practical level and cause potential loss of important skills necessary for the future needs of the Council's services.

Staffing (including Trades Unions):

Trade unions have been consulted on the establishment of a voluntary severance scheme, alongside other measures to avoid compulsory redundancies, which will assist in reducing staffing numbers in a managed way.

Equalities/Human Rights:

An Equality Impact Assessment will be undertaken to ensure that the operation of the scheme does not discriminate against any groups.

Community Safety:

There are no Community Safety implications arising from this report.

Sustainability:

There are no Sustainability implications arising from this report.

Summary of Overview and Scrutiny Comments:

- This report has not been considered by the Overview and Scrutiny Committee

RECOMMENDATION(S):

that the proposal for a voluntary severance scheme, to be operated within the parameters of the Council's existing Severance / Early Retirement Policy, is endorsed by the Executive.

<i>Reason for Recommendation(s):</i>	<i>To provide a mechanism for the organisation to reduce employee numbers in a managed and controlled way, in order to minimise compulsory redundancies with the aim of achieving the necessary budget efficiencies, and to move to new structures.</i>
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Background

1. The Executive on 8 December 2009 endorsed proposals for a reduction in senior management costs by 20%, with a clear plan to be in place by the end of March 2010 as to how this is going to be achieved i.e. to create a new fit for purpose structure. Additionally, Members continue to consider further efficiency proposals as part of the 2010/11 budget setting process. Inevitably, these proposals include reductions in the number of posts, and although there are appropriate preliminary measures to be taken, such as:
 - deleting some vacancies
 - restriction or freeze on external recruitment;
 - where possible, restriction on working in unsocial or premium hours;
 - restrictions on the use of temporary and/or agency staff,

there are still areas within the Council where proposed reductions will put some permanent employees at risk of compulsory redundancy.

2. Given the scale of the proposals, there is a need to have a range of measures in place to manage the reduction, and in the circumstances, a voluntary severance scheme can be an effective way of managing reductions in the right areas of the organisation.

Current Central Bedfordshire severance policy

3. The existing policy for Central Bedfordshire, agreed by the Shadow Authority was that the Authority will normally pay severance in redundancy situations based on the Statutory Redundancy Payment Scheme. The contractual right to redundancy pay is calculated using the statutory formula (see attached Ready Reckoner in Appendix B) with normal weekly pay rates up to a maximum of 30 weeks' pay.

TUPE

4. All staff previously employed in one of the predecessor councils until 31 March 2009 have transferred to Central Bedfordshire under the Transfer of Undertakings (Protection of Employment) Regulations 2006. These colleagues transferred with a right to retain their previous terms and conditions and if they have a qualifying period of 12 months continuous service, a TUPE-related dismissal will be automatically unfair. It is possible, however, to agree variations to employment contracts or terminate them for a fair reason where it can be shown that it is for economic, technical or organisational reasons entailing changes in the workforce (ETO). Changes in the workforce normally refer to a change in numbers of employees within the area or team in which an affected employee is employed but, if significant enough, changes in structure would also be relevant. . This is a broad summary of the legal position on TUPE. As and when necessary more in-depth advice will be obtained for each set of individual circumstances (and in particular in the event of a compulsory redundancy process).

Targeting

5. An open scheme with no limiting guidance will create unrealistic expectations, and either leaves the Authority having to manage disappointment on a large scale as applications are turned down, or risk losing vital skills and expertise causing vulnerability in particular service areas. It is important that Central Bedfordshire produces a revised proposed staffing structure upon which meaningful consultation can take place, in order that an appropriately targeted scheme can be implemented i.e. inviting applications from groups of staff from areas where posts are identified as at risk.

There would appear to be two options for a targeted scheme:

- a. Handling a reduction in senior management posts
 - b. Creating a combined scheme that deals with both a reduction in senior management posts, and significant reductions in other targeted areas of the workforce at levels below Head of Service.
6. From information available at the time of drafting, the following shows headline numbers of posts that will potentially be deleted or are potentially at risk, based on the current published proposals. These include those efficiency proposals classed as green, amber and red, and the 20% reduction in senior management costs.
 - a. Total number of posts potentially to be deleted: 133
 - b. Total number of staff potentially at risk: 106

Consultation and scheme operation

7. Formal employee consultation on such redundancies would be required before notice could be given to terminate any employees' contracts. (minimum of a 90 day consultation period for 100 or more employees). Contractual notice would then apply unless the Council sought to terminate contracts earlier and pay employees in lieu of their notice periods.
8. Whilst these timeframes for statutory consultation apply to all redundancies, whether voluntary or compulsory, the termination of employment under voluntary severance arrangements can be agreed with individual employees before the end of the consultation period. To secure such agreement, any severance of this nature would be covered by individual Compromise Agreements.

Pension scheme changes

9. The Local Government Pension Scheme (LGPS) regulations change with effect from 1 April 2010, in that the age at which pension becomes payable when someone is either compulsorily or voluntarily redundant rises from 50 to 55.

10. The timing of the application of any voluntary severance scheme becomes important for a number of reasons. We will look to achieve as much full year saving as possible, recognising that we are going through a major change programme. Additionally, we need to consider the potential impact of a delay which would reduce benefits payable to individuals, or deny groups of qualifying individuals the opportunity to be considered for voluntary early retirement on better terms under the current scheme, before April 2010. However, we also need to be realistic about how much change can be achieved by the end of March 2010.

Financial information

11. Whilst it is difficult at this early stage to accurately predict severance costs in relation to efficiency savings and restructure, work is underway, and an update will be provided to the Executive at the meeting. However, given that senior management costs need to reduce by 20%, it is possible to provide some indicative figures as follows, taking into consideration the percentage of the group that would be entitled to early release of pension (assuming release is by the end of March 2010 for those aged 50-54):

12. Total cost of AD and HoS posts (including on-costs)	£7.26m
20% estimated potential saving (including on-costs)	£1.53m
20% of total redundancy cost for the whole group	£285k
Total Actuarial strain for all over 50's in the whole group	£2.1m
Approximate Actuarial strain (averaged) for 20% of over 50's	£434k

n.b. It is more likely that applications will be received from those who can access their pensions, so the above proportion may be higher than 20%. Those over 50 are approximately 29% of the group, with those aged 50-54 approximately 7% of the group.

Appendices:

Appendix A – proposed Voluntary Severance Scheme
Appendix B – Redundancy ready reckoner table

Background Papers: (open to public inspection)

None