

DERBYSHIRE COUNTY COUNCIL

CABINET MEETING

2 June 2014

**Joint Report of the Chief Executive and the
Strategic Director of Corporate Resources**

REVIEW OF VOLUNTARY SEVERANCE SCHEMES

1. Purpose of the Report

For Cabinet to consider a review of the Council's Voluntary Severance Schemes, in view of the anticipated workforce reductions.

2. Information and Analysis

At its meeting on 12 November 2013, Cabinet considered a report on the application of the Voluntary Severance Schemes (Voluntary Redundancy (VR), Voluntary Early Retirement (VER) and Flexible Retirement (FR)). Cabinet agreed that the schemes would be made available to a targeted group of job families on the terms which had been agreed in November 2012, with employees leaving prior to the 31 March 2014. Attached at **Appendix 1** are details by department of those employees who left the Council's service. The anticipated savings from their early release is in excess of £3 million ongoing savings, with £1.3 million savings in the first year after redundancy and pension costs are taken into account.

Further analysis of the anticipated workforce reductions arising from the budget business cases detailed in Appendices 2 and 3 of the 1 October 2013 Budget Report identified an anticipated reduction of over 300 FTE in 2014/15, as detailed in **Appendix 2**. This figure will be reduced through anticipated normal turnover and by the early release of staff through the recent use of the Voluntary Severance Schemes identified in **Appendix 1**.

Local Government Pension Scheme Regulations 2014

In view of the changes to the Local Government Pension Scheme that came into effect on 1 April 2014, it is necessary not only to review the availability of the Schemes but also their terms.

The Local Government Pension Scheme Regulations have changed from 1 April 2014 to a career average revalued earnings (CARE) scheme. The Scheme rules still allow a Scheme member aged 55 or over who leaves on VR/VER to receive immediate payment of unreduced pension benefits.

The changes in the Pensions Regulations affect employees in terms of contribution and accrual rates, but the significant change so far as use of the Voluntary Schemes is concerned is the link to employees' state retirement age. This link affects the calculation of any pension fund shortfall which may arise from an employee's early release under the Schemes which would be met by the Council.

Review of the Voluntary Severance Schemes

The Council will continue to mitigate the need for compulsory redundancies by the use of a number of measures, including the use of voluntary redundancy and voluntary early retirement (VR/VER). Whilst the detailed terms of the Schemes and individual cases are a matter for the Pensions Committee, it is a matter for Cabinet to determine their affordability and availability.

It is evident that the precise level and shape of the workforce reductions across departments and job families will change as individual budget reduction proposals are progressed, actual turnover and retirements are known and the outcomes of requests submitted under the voluntary schemes are considered.

The VR / VER schemes proposed would be applied on the basis of an agreed consensual leaving date and would continue to provide for:

- Voluntary Redundancy - based on actual pay (rather than the potentially less generous statutory calculations) up to a maximum of 30 weeks, as determined by age and length of service, for employees aged up to and including 54 and those aged 60 or over at the date of leaving. The latter group will also be eligible for release of pension which if the rule 85 is not met, i.e. age and period of contributory service do not total 85 years, will also result in an additional cost on account of no actuarial reduction of pension; in relation to those employees who are not in the pension scheme, these employees will attract a VR payment.

- Voluntary Early Retirement - early release of pension benefits without actuarial reduction for those employees aged 55 to 59. Redundancy would only be payable to employees in this age group who are not pension scheme members and would not therefore be eligible for receipt of any benefits.

For both VR and VER, in accordance with the LGPS Regulations, there will be a significant cost to the Council of the early release of pension for those employees aged 55 and over.

The Flexible Retirement scheme will continue to be available to employees where there is no cost to the Council because the employee is over 60 and meets the rule of 85. However, it is not intended at this stage to continue to broaden its application to those employees where there is a cost arising from the pension shortfall because they do not meet the above criteria although this will be kept under review. The reason is that flexible retirement produces, typically, 50% savings from the post, substantially less than the 80% target for VER/VR, and gives rise to the full pension shortfall costs falling on the Council.

Analysis of the job families and work groups affected would suggest that invitation to apply for release under the schemes should be targeted at specific pockets of difficulty that emerge rather than being made available to the whole workforce at this stage. It is proposed to review this aspect of the scheme for 2015/16 onwards. The age profile of the existing workforce (excluding staff employed by Schools) indicates that as at 1st January 2015 there will be over 7,386 or 21% of the workforce employees aged 55 plus and by January 2018 this will have increased to over 9,588 or 28% of employees based on the current workforce.

In keeping with the decision making processes which has been adopted in relation to previous use of the Voluntary Schemes and in order to maximise savings by way of the quick release of staff, it is proposed that decisions on the release of employees are delegated to the Chief Executive and Strategic Directors, subject to consultation with the appropriate Cabinet Member and subject to legal, financial and HR advice. In order to maintain consistency on deciding whether to release employees, further more detailed criteria will be developed based on affordability and business continuity/service requirements.

Also in keeping with usual practice, the Pensions and Investment Committee will be invited to make similar delegations, involving consultation with the Chair of the Committee, with regard to decisions relating to compensation and the early release of pensions under the Superannuation Act 1972.

Responses to Reducing the Workforce

As members will be aware the Voluntary Schemes are always used as a last resort, and so it is appropriate not only to review the availability of the Schemes, but also to consider other responses to the workforce reductions, including vacancy control and the possible development of the Internal Jobs Market in 2015/16.

Any employee who is identified as “at risk” of potential redundancy or served notice of redundancy will be eligible for receipt of the support provisions identified under the Council’s revised Redundancy, Re-deployment and Pay Protection policies agreed by Cabinet on the 13th December 2013.

It is also proposed to apply the revised “buy out of hours” scheme approved by Cabinet on 12th July 2011 to assist in avoiding the need for compulsory redundancies.

Departments will continue to exercise vacancy control with corporate vacancy control limited to specific roles. Given the scale of the job reductions required, it is proposed to maintain existing corporate vacancy control in 2014/15, specifically for the following job families: -

- Leadership
- Business and Public Services
- Finance
- Social Care and Inclusion

In relation to job families which are in more than one department, eg Construction and Maintenance, but do not exist in all departments, it will be a matter for the Strategic Director to consult with his or her colleagues prior to posts being submitted for advertising.

It is proposed that the current practice of advertising posts internally first will continue, with external advertisements only following unsuccessful internal recruitment or in the case of exempt/“hard to fill” posts.

In relation to internal re-organisations, vacant posts arising as a consequence will be advertised on an internal basis subject to an appropriate ring fence

The expectation will be that posts are offered only on a temporary fixed term basis where the post is being recruited into an area where it is anticipated in Appendix 2 or 3 of the Budget Report that it will be subject to budget and consequent workforce reductions.

It will be necessary to keep vacancy control under review. Whilst reducing the number of external recruits is essential in the areas affected by the budget cuts, recruitment will be necessary in some cases, e.g. front line or where there are significant skill shortages. Turnover, at around 10%, is “healthy” and will support the reduction of the workforce if it continues at current levels.

This will be particularly relevant for Business and Public Services (BPS) and Social Care and Inclusion (SCI) job families as they are relying heavily on normal turnover to reduce their headcount.

3. Legal Considerations

In deciding upon the terms and availability of the Voluntary Schemes, the Council must act reasonably and must have regard to its general financial situation. The primary purpose of relying on the Voluntary Schemes is to secure for the Council the benefits of achieving, or substantially achieving, staffing reductions by voluntary means, provided that the benefits are not outweighed by the costs. In the very difficult economic situation facing the Council, the proposals contained in the report are considered to be reasonable and lawful.

4. Finance Considerations

The costs associated with either Pension Fund shortfall or redundancy payments will be met from the resources identified as part of either General Reserves or in specific Provisions. The amount currently available to meet these costs from 2014/15 onwards stands at £7.5 million.

5. HR Considerations

The Council has a statutory responsibility to consult with the trade unions in accordance with Section 188 of the Trade Unions and Labour Relations (Consolidation) Act 1992 (and to inform the Secretary of State of its proposals under Section 193) when this is appropriate. As a consequence, Cabinet approval is sought to issue revised Section 188 Notices to reflect the detail

within this Cabinet report and to issue the appropriate HR1 Notice to reflect the information relating to workforce reductions detailed in **Appendix 2**.

A figure of 105 FTEs is anticipated through compulsory redundancy in the 2014/15 financial year; it is suggested that an 'umbrella' HR1 is issued to cover this. Departments would be required to issue separate Section 188 notices for each workforce reduction exercise as part of their commitment to consult with staff and trade unions.

6. Other Considerations

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, equality and diversity, environmental, health, property and transport considerations.

7. Key Decision

Yes

8. Call-in

Is it required that call-in be waived in respect of the decisions proposed in the report? No

OFFICERS' RECOMMENDATIONS

That Cabinet :-

- (i) Agrees to the terms and availability of the Voluntary Severance Schemes scheme as detailed in the report;
- (ii) Notes the application of vacancy control as detailed in the report;
- (iii) Agrees that the trade unions be consulted on the details proposed in the report in accordance with Section 188 of the Trade Unions and Labour Relations (Consolidation) Act 1992 and that the Secretary of State will be informed of the proposals in accordance with Section 193.
- (iv) That decisions regarding the release of employees are delegated to the Chief Executive and Strategic Directors in consultation with the appropriate Cabinet Member and that the Pensions Committee be invited to put in place appropriate delegations in relation to compensation and the early release of pensions.

**IAN STEPHENSON,
CHIEF EXECUTIVE
AND
JUDITH GREENHALGH,
STRATEGIC DIRECTOR OF CORPORATE RESOURCES**

Appendix 1

Number of Posts Agreed Under the Voluntary Early Release Scheme Following BSG
Breakdown by Department and Job Family as at 2.30pm 2nd April 2014

| | Scheme Agreed - Processed Applications | | | | |
|----------------------------|--|----------|-----------|----------|-----------|
| | VR | VER | VR/VER | FR | Total |
| Adult Care | | | | | |
| Construction & Maintenance | | 1 | | | 1 |
| Finance | 1 | 1 | 1 | | 3 |
| HR | 3 | 3 | 1 | 1 | 8 |
| Policy & Performance | | | 1 | | 1 |
| Social Care & Inclusion | 12 | 4 | 10 | 5 | 31 |
| Adult Care Total | 16 | 9 | 13 | 6 | 44 |

| | | | | | |
|--|-----------|-----------|--|----------|-----------|
| Children & Younger adults | | | | | |
| Construction & Maintenance | 1 | | | | 1 |
| Derbyshire Package only | | 1 | | | 1 |
| HR | 1 | 1 | | | 2 |
| Leadership | | 2 | | | 2 |
| Not assigned | 8 | 3 | | 1 | 12 |
| Social Care & Inclusion | 7 | 2 | | 1 | 10 |
| Transformation | 1 | 1 | | | 2 |
| Children & Younger Adults Total | 18 | 10 | | 2 | 30 |

| | | | | | |
|----------------------------------|----------|----------|--|----------|-----------|
| Corporate Resources | | | | | |
| Engineering & Technical | | 1 | | | 1 |
| Finance | 1 | | | 1 | 2 |
| HR | 3 | 1 | | | 4 |
| Leadership | 2 | | | | 2 |
| Legal | | 2 | | | 2 |
| Transformation | | 1 | | 3 | 4 |
| Corporate Resources Total | 6 | 5 | | 4 | 15 |

| | | | | | |
|--|----------|----------|--|----------|-----------|
| Cultural & Community Services | | | | | |
| Culture & Heritage | 6 | 1 | | 2 | 9 |
| Policy & Performance | | 1 | | | 1 |
| Cultural & Community Services Total | 6 | 2 | | 2 | 10 |

| | | | | | |
|-------------------------------------|-----------|----------|--|--|-----------|
| Environmental Services | | | | | |
| Construction & Maintenance | 5 | 1 | | | 6 |
| Countryside | 2 | 2 | | | 4 |
| Engineering & Technical | 4 | 3 | | | 7 |
| Planning | | | | | |
| Environmental Services Total | 11 | 6 | | | 17 |

| | | | | | |
|--------------------|-----------|-----------|-----------|-----------|------------|
| Grand Total | 57 | 32 | 13 | 14 | 116 |
|--------------------|-----------|-----------|-----------|-----------|------------|

| Scheme Agreed - Withdrawn Posts | | | | |
|---------------------------------|-----|--------|----|-------|
| VR | VER | VR/VER | FR | Total |
| | | | | |
| | | | | |
| 2 | | | | 2 |
| 2 | | | | 2 |
| | | | | |
| 2 | 2 | 1 | 1 | 6 |
| 6 | 2 | 1 | 1 | 10 |

| | | | | |
|---|---|--|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| 2 | 1 | | | 3 |
| 4 | 1 | | 1 | 6 |
| | | | | |
| 6 | 2 | | 1 | 9 |

| | | | | |
|---|--|--|--|---|
| | | | | |
| | | | | |
| 1 | | | | 1 |
| | | | | |
| 1 | | | | 1 |
| | | | | |
| 2 | | | | 2 |

| | | | | |
|---|---|--|--|---|
| 1 | | | | 1 |
| 2 | 2 | | | 4 |
| 3 | 2 | | | 5 |

| | | | | |
|---|---|--|--|----|
| 6 | 1 | | | 7 |
| 1 | 1 | | | 2 |
| 1 | 1 | | | 2 |
| | 1 | | | 1 |
| 8 | 4 | | | 12 |

| | | | | |
|----|----|---|---|----|
| 25 | 10 | 1 | 2 | 38 |
|----|----|---|---|----|

Notes

Withdrawals are illustrated separately and are not included in the final totals

1 employee included in 'live' applications is awaiting the return of the agreement

| 2014/15 | | | | |
|----------------------|---|--|---|---|
| Department | Workforce Reduction Figs. (excl. turnover) Projected Job Losses (FTE) | Workforce Reduction Figs. (inc. turnover) Projected Job Losses (FTE) | Business Cases (BCs) Projected Job Losses (FTE) | Notes |
| ADULT CARE | 7.30 | 143.10 | 159.00 | WFR figs. inc. turnover for 14/15 (143.1 FTE) plus voluntary leavers from 13/14 (44 headcount) comes to a larger figure than 14/15 BCs as some of the voluntary leavers relate to BCs from 15/16, 16/17 & 17/18 |
| CAYA | 63.00 | 97.00 | 130.50 | WFR figs. lower than business cases; primarily due to revisions to C5 Mgmt information, C6 Education improvement consultants, C13 Safeguarding, C16 Childrens centres, & C17 Education welfare. |
| CRD | 2.80 | 9.70 | 4.00 | |
| ETE | 17.00 | 23.40 | 53.00 | Figures identified in business cases, particularly the general staff reductions one (E1), were a worst case scenario and they have / are managing to make savings via means other than directly on staff. |
| Health & Communities | 15.00 | 27.00 | 27.00 | WFR figs. revised slightly for 14/15 |
| TOTALS | 105.10 | 300.20 | 373.50 | |