
Report To:	Policy and Resources Committee	Date:	6 August 2019
Report By:	Head of Organisational Development, Policy & Communications	Report No:	HR/12/19/SMcN
Contact Officer:	Steven McNab	Contact No:	2015
Subject:	Voluntary Severance & Pensions Discretions Policy		

1.0 PURPOSE

- 1.1 The purpose of this report is to advise the Committee of the proposed approach to a targeted Voluntary Severance Trawl to support the development of budget savings for 2020/23. This report also seeks the approval from the Committee to changes to the Council's Pensions Discretions Policy to further support the delivery of budget savings and give greater flexibility to release employees where value for money per the Council Policy can be demonstrated.

2.0 SUMMARY

- 2.1 The Council's current Voluntary Severance Policy was approved by the Policy and Resources Committee on 24 September 2013 and aims to ensure that any organisational changes which lead to roles being removed from services are managed fairly and consistently and to the best possible benefit of the Council and its employees. The current process for achieving savings where employee or job numbers may be affected is as follows:
- a) Review of vacant posts
 - b) Review of temporary employees
 - c) Voluntary redeployment of affected employees
 - d) Targeted voluntary severance/early retirement trawl
 - e) Use of Matrix to identify displaced employees
- 2.2 It is proposed that this process may be varied in circumstances to support workforce planning and future skills requirements providing the Council's value for money criteria (3 year pay back) can be demonstrated and where employees are released under voluntary severance/early retirement as part of an agreed saving.
- 2.3 The Council's Pensions Discretions Policy Statement was approved by the Committee on 11 August 2015 and under the Scheme of Delegation to officers, the Chief Executive has delegated authority to make changes to this policy in consultation with the Head of Organisational Development, Policy and Communications.
- 2.4 The Pensions Discretions Policy currently allows, in exceptional circumstances, an employee to voluntarily draw their pension (without it being actuarially reduced) from age 55 but before normal retirement age, providing value for money can be demonstrated. At present, final approval for such releases must be obtained by the Policy and Resources Committee. In order to support the delivery of approved budget savings it is proposed that delegated authority is given to the Chief Executive in consultation with the Chief Financial Officer and the Head of Organisational Development, Policy and Communications to approve releases in these circumstances as part of agreed savings.
- 2.5 The Council, at its meeting on 21 March 2019 agreed to give the Chief Executive delegated authority to progress relevant Voluntary Early Release trawls in order to support the development of savings proposals as part of the 2020/23 Budget. The CMT is currently identifying areas where VER trawls would assist the development of savings and it is proposed to progress these trawls in the coming months. This report also seeks the approval of an earmarked reserve detailed in section 7

of the report to provide additional support to HR to undertake voluntary severance trawls and associated work.

3.0 RECOMMENDATIONS

3.1 The Committee is asked to:

- note that targeted voluntary severance trawls will be undertaken to support the development of savings for 2020/23 and agree the use of an earmarked reserve to provide additional HR resources to support this work;
- agree the changes to the current process for achieving savings where employee or job numbers may be affected as outlined in section 5 of this report;
- agree that delegated authority is given to the Chief Executive in consultation with the Chief Financial Officer and the Head of Organisational Development, Policy and Communications to approve early payment of an employee's pension and lump sum without it being actuarially reduced where value for money can be demonstrated as per the Council's Voluntary Early Release Policy and as part of an approved saving;
- note that future reports will be brought back to update Members on the release of employees by the Chief Executive under delegated authority on an annual basis.

Steven McNab
Head of Organisational Development,
Policy & Communications

4.0 BACKGROUND

- 4.1 The Council's current Voluntary Severance Policy was approved by the Policy and Resources Committee on 24 September 2013 and aims to ensure that any organisational changes which lead to roles being removed from services are managed fairly and consistently and to the best possible benefit of the Council and its employees.
- 4.2 The Council's Pensions Discretions Policy Statement was approved by the Committee on 11 August 2015 taking account of the Local Government Pension Scheme (Scotland) Regulations 2014 and the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014. The policy outlines the Council's position in respect of the various discretions which it has the power to authorise in relation to members of the Pension Scheme. The Policy Statement does not impact on teaching staff.
- 4.3 Under the Scheme of Delegation to officers, the Chief Executive has delegated authority to make changes to the Discretions Policy Statement in consultation with the Head of Organisational Development, Policy and Communications.
- 4.4 The Council, at its meeting on 21 March 2019 agreed to give the Chief Executive delegated authority to progress relevant Voluntary Early Release trawls in order to support the development of savings proposals as part of the 2020/23 Budget.
- 4.5 This report proposes some changes to the process for achieving savings where employee or job numbers may be affected. The report also seeks delegated authority to be given to the Chief Executive in consultation with the Chief Financial Officer and the Head of Organisational Development, Policy and Communications to approve early payment of an employee's pension and lump sum without it being actuarially reduced where value for money per the approved Voluntary Severance Policy can be demonstrated.

5.0 PROCESS FOR ACHIEVING SAVINGS

- 5.1 The current process for achieving savings where employee or job numbers may be affected is as follows:
 - a) Review of vacant posts
 - b) Review of temporary employees
 - c) Voluntary redeployment of affected employees
 - d) Targeted voluntary severance/early retirement trawl
 - e) Use of Matrix to identify displaced employees
- 5.2 It is proposed that this process may be varied in circumstances to support workforce planning and releases under voluntary severance/early retirement may be considered prior to the deletion of a vacancy or the termination of a temporary member of staff, providing the Council's Voluntary Severance Policy value for money criteria can be demonstrated as part of an approved saving.
- 5.3 Recent workforce profiling reports have highlighted that the Council continues to have an ageing workforce with the percentage of employees over 55 years of age increasing each year and now sitting at 27% of the workforce. Over the past number of years the Council has also seen an increase in the number of temporary employees (approximately 17% of the workforce). Many of these temporary employees have now been with the Council for a number of years and significant investment has been made in their learning and development. Accordingly, it is proposed that the process outlined at 5.1 could be varied to best suit the needs of the Council and employees. For example, an employee may be released under voluntary severance before the termination of a temporary member of staff.
- 5.4 Any variation of this process would be discussed with the trade unions at the Joint Budget Group, would require to meet the Council's Voluntary Severance Policy value for money calculation criteria as part of an approved saving and require to be approved by the Corporate Management Team. The Council currently has a maximum payback period of 3 years when releasing an employee under the Council's Voluntary Severance Scheme. It is proposed that individuals may

be released under voluntary severance even when their specific post is not being deleted. However, their release must be linked to an agreed wider service review/restructure which can demonstrate the required value for money.

6.0 CHANGE TO PENSIONS DISCRETIONS POLICY STATEMENT

- 6.1 The Pensions Discretions Policy allows, in exceptional circumstances, an employee to voluntarily draw their pension (without it being actuarially reduced) before normal retirement age providing value for money can be demonstrated. Recent changes to pension regulations allow employees to apply to leave the service of the Authority in these circumstances from the age of 55. There is normally a cost to the Council in releasing an employee in these circumstances (strain on the fund) and at present final approval for such releases must be obtained by the Policy and Resources Committee.
- 6.2 In order to support the delivery of approved budget savings it is proposed that delegated authority is given to the Chief Executive in consultation with the Chief Financial Officer and the Head of Organisational Development, Policy and Communications to approve releases in these circumstances. This delegation to officers will allow the employee impact of savings to be addressed more effectively and give greater certainty to employees who are subject to budget savings. Any decisions to release employees under this delegated authority will be reported to the Committee as part of the annual report to update Members on released employees under the Chief Executive's delegated authority.
- 6.3 Below are a couple of examples of the cost implications associated with releasing employees and comparing the costs between voluntary severance (Option 1) and an employee voluntarily drawing their pension with no actuarial reduction (Option 2).

Example 1 -

58 year old employee, 23 years' service and on £35k salary

<u>Option</u>	<u>Strain Costs</u>	<u>Compensatory Added Years - Lump Sum</u>	<u>Redundancy Payment</u>	<u>Total Cost to Employer</u>
Option 1 - retirement on redundancy grounds	£45,031.13	£3,954.34	£18,875.92	£67,861.39
Option 2 - employee voluntarily drawing their pension	£45,031.13	£0.00	£0.00	£45,031.13

Example 2 -

56 year old employee, 34 years' service and on £21k salary

<u>Option</u>	<u>Strain Costs</u>	<u>Compensatory Added Years - Lump Sum</u>	<u>Redundancy Payment</u>	<u>Total Cost to Employer</u>
Option 1 - retirement on redundancy grounds	£42,742.08	£2,400.38	£11,048.94	£56,191.40
Option 2 - employee voluntarily drawing their pension	£42,742.08	£0.00	£0.00	£42,742.08

- 6.4 In addition to the higher one off costs under Option 1 it should be noted that the Council would be liable to pay extra ongoing pension costs equating to 1/3 of the added years lump sum.
- 6.5 Releasing employees under Option 2 may also assist to create redeployment opportunities for any employees affected by an agreed savings who wish to remain in employment. The redeployment process involves being matched into available vacancies and is therefore dependent on natural employee turnover which cannot always be planned. Releasing employees under Option 2 and creating planned vacancies may allow the redeployment process to be facilitated quicker and give greater certainty to those employees affected by savings who wish to remain in employment. As outlined earlier in this report, any decision to release employees under Option 2 will require to

meet the Council's value for money criteria and be part of an approved saving.

7.0 IMPLICATIONS

Finance

7.1 One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
Earmarked Reserve		2019/2020	£30		Additional support for HR to support Trawls and associated work (HR advisor + Part Time support post for 18 months)
		2020/2021	£60		
Earmarked Reserve	VER				As at 31.3.19 there is a balance of £3,638,000 for future releases.

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (if Applicable)	Other Comments

Legal

7.2 The Head of Legal and Property Services has been consulted on this report.

Human Resources

7.3 All Human Resources issues are included in the report.

Equalities

7.4 Has an Equality Impact Assessment been carried out?

YES

NO - This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

Repopulation

7.5 Not applicable.

8.0 CONSULTATIONS

8.1 The proposals in this report have been discussed with the Trades Unions at the Joint Budget Group and at the Members' Budget Working Group. Both Groups support the proposals as outlined in the report.

9.0 LIST OF BACKGROUND PAPERS

9.1 Equality Impact Assessment.