
Report To:	Inverclyde Council	Date:	14 December 2010
Report By:	Head of Organisational Development, Human Resources and Performance	Report No:	HR/12/10/AM
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Subject:	Severance: Additional benefits awarded to employees under the Council's Severance Scheme at the discretion of the Council		

1.0 PURPOSE

- 1.1 The purpose of the report is to propose to Council amendments to the additional benefits awarded to employees at the Council's discretion as part of the Voluntary Severance Scheme.

2.0 SUMMARY

- 2.1 The Council currently has a Severance Policy which was agreed at the former Policy and Strategy Committee in September 2003. The policy has operated successfully with employees being awarded additional benefits under the Council's discretion.
- 2.2 While the current policy maximises benefits to be applied for added years, the report also includes the option for the Council to amend the level of benefits awarded to an employee. This has been done for Chief Officers as part of the last two Corporate Management restructure reports, initially in 2006.
- 2.3 Pensions in the Public Sector are viewed as being generous, in addition to this the cost of releasing employees has increased significantly through changes to how the Strain on the Fund charges are calculated and this factor has been the main driver for a review of the added years provision awarded to employees.
- 2.4 The Council's workforce will reduce over the next few years and it will become increasingly difficult to redeploy employees or to rely upon them volunteering to be released. The method of selection will become increasingly important and the current method where the emphasis is on length of service may not be the most effective method going forward.
- 2.5 Where an employee who is less than 50 years of age or aged over 50 and not a member of the Pension Scheme the Council then currently an employee can be paid up to 66 weeks redundancy depending upon their age and length of continuous service in local government. The Council is able to increase the number of weeks from 66 to up to 104 weeks under the pension regulations. Any increase would help incentivise specific employee groups in requesting Voluntary Severance if a change was introduced for a limited period. This is also more cost effective to the Council when managing the reduction of the workforce and assists in avoiding compulsory redundancies having to be made as a result of savings.

3.0 RECOMMENDATIONS

- 3.1 That the Council agree to the added years benefits awarded to employees who leave under the Council's Severance Scheme being reduced from a maximum of 10 added years for Efficiency and a maximum of $6\frac{2}{3}$ added years for Redundancy to a maximum 6 added years with effect from 1 June 2011 for either Efficiency or Redundancy.
- 3.2 That the Council agree that the redundancy payment awarded to employees who are under 50 years of age or over 50 years of age and not in the Pension Scheme be increased from 66 weeks to 90 weeks, as per Appendices 3 and 4, for the period to 31 December 2011, reverting back to 66 weeks on the 1 January 2012 as per Appendices 1 and 2.
- 3.3 That the Council agree how the increased savings be applied in respect of any savings agreed by the Council as per paragraph 5.4 and as detailed in Appendix 5.
- 3.4 That the Council agree to give delegated authority to the Chief Executive to award the additional redundancy payment to employees under exceptional circumstances as outlined in paragraph 5.5 of the report.
- 3.5 That the Council note that a further report will be brought to the Policy & Resources Committee by April 2011 to include proposals for a further review which may include further changes to the number of added years awarded to employees, the introduction of a selection criteria matrix to be used when employees require to be identified as being displaced from their job with the Council and an updated Severance Policy to include the proposed changes.

Head of Organisational Development,
Human Resources and Performance

4.0 BACKGROUND

- 4.1 A Severance Policy was agreed at the former Policy and Strategy Committee in September 2003. The policy has operated successfully with employees being awarded additional benefits at the Council's discretion.
- 4.2 When an employee leaves the Council as part of a budget savings exercise, restructuring exercise or for some other reason and their job has been made redundant, the Council has the discretion to award added years for pension rights or to increase the redundancy payment for employees who are under 50 years of age.
- 4.3 The report approved at the Policy and Strategy Committee in September 2003 agreed that the maximum benefits should be applied for added years but the report also included the option for the Council to have the discretion to amend the level of benefits awarded to an employee.
- 4.4 The Council has maintained this policy for the majority of employees since the report was agreed, however amended the added years given to Chief Officers in the last two Corporate Management Restructure reports, initially in 2006, by reducing the number of added years that could be awarded from a maximum of 10 added years for Efficiency and $6\frac{2}{3}$ added years for Redundancy to a maximum of 6 added years for either Efficiency or Redundancy. The number of added years was further reduced depending upon length of continuous service.
- 4.5 The changes made in respect of Chief Officers were implemented after full consultation with all trades unions.
- 4.6 The current public perception of pensions being paid in the Public Sector is that they are too generous and should be reduced. In addition the cost of releasing employees has increased significantly through increased Strain on the Fund charges and this has been one of the main factors in determining that a review of the added year's provision awarded to employees be undertaken.
- 4.7 For employees who are less than 50 years of age or aged over 50 and not a member of the Pension Scheme the Council currently have a policy where up to 66 weeks redundancy can be paid depending upon their age and length of continuous service in local government, refer to Appendices 1 and 2. The Council has the discretion to increase the number of weeks from 66 to up to 104 weeks under The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Amendment Regulations 2009. This would help incentivise specific employee groups in requesting voluntary severance for a limited period.
- 4.8 With the increasing costs of releasing employees through the Pension Scheme it is more cost effective for the Council to release employees who are not in the Pension Scheme and aged over 50 years or who are under 50 years of age.
- 4.9 The current procedure for reducing the size of the workforce is to redeploy an employee into another job within the Council or where appropriate offer voluntary severance to employees subject to any release being within the Council's agreed 3 year value for money policy.

Where a selection criterion is required then this has been based on length of continuous service with local government with the employee with the least service being identified as being displaced. This is commonly applied and known as "Last in first Out"

- 4.10 With the size of the Council workforce reducing over the next few years the options of redeployment for employees and relying on employees volunteering to be released will become more difficult. This will lead to more emphasis being placed on the selection of employees than solely rely on continuous length of service. This selection criteria is not

a practical solution for selecting employees in the future.

5.0 PROPOSALS

- 5.1 With the cost of releasing employees through the Pension Scheme increasing due to increased strain on the fund costs and to bring all employee groups in line with the changes made in respect of Chief Officers it is proposed that the added years discretion for employees be changed with effect from 1 June 2011.

The proposed change is that for both Efficiency and Redundancy the maximum number of added years that can be awarded to employees be reduced to a maximum of 6 added years.

- 5.2 That due to the increasing costs for the release of employees through the Pension Scheme and with the current financial position that the Council faces over the next number of years it is being proposed that a further report be brought to the Policy and Resources Committee by April 2011 with a further review of the added years provision which may include further changes.
- 5.3 It is further proposed that a revised selection criteria procedure and an updated Severance Policy be included in any future report to the Policy and Resources Committee.
- 5.4 It is being proposed that for a period the number of week's redundancy payment be increased from the current maximum payment of 66 weeks, refer to Appendices 1 and 2, to 90 weeks, refer to Appendices 3 and 4, after which the number of week's payable will revert back to 66 weeks from the 1 January 2012. The proposed increases will apply to employees who are under 50 years of age or are over 50 years of age and **not** in the pension scheme. The reasons for making the proposal are the increasing costs of releasing employees through pension schemes and also to offer an incentive to employees whose can only be made a redundancy payment.

It is further proposed that:

- The increase is applicable until 31 May 2011 for savings agreed by the Council and categorised for 2011/12
- That the increase is applicable until 31 December 2011 for savings agreed by the Council and categorised for 2012/13
- The Council has also agreed a number of savings work streams and it is being proposed that the increase is applicable until 31 December 2011 for these savings.

Appendix 5 outlines the savings to be included in the above categories.

- 5.5 There may be limited occasions where discretion may required in respect of releasing employees who may be unable to be released by the specific cut of date of 31 May 2011 and to allow savings to be made it is being proposed that the Chief Executive be given delegated authority to exercise his discretion to award the additional increase if justified.

6.0 IMPLICATIONS

- 6.1 Finance:

The extra one off costs arising from the increase in redundancy costs will be contained in the Voluntary Severance Earmarked Reserve whilst the reduction in added years will overtime lead to a reduction in payments to the Pension Fund.

Financial Implications – One off Costs

Cost Centre	Budget Heading	Budget Year	Proposed Spend this Report	Virement From	Other Comments

Financial Implications – Annually Recurring Costs/ (Savings)

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

- 6.2 Human Resources: Human Resources issues have been included in the report.
- 6.3 Legal: The Head of Legal and Democratic Services has been consulted on the report and any comments received have been included.
- 6.4 Equalities: There are no equality issues in respect of the report as all employees will be treated in the same manner.

7.0 CONSULTATION

- 7.1 Consultation on the proposed changes contained within this report has taken place with the trades unions as part of the Joint Budget Group discussions. The trades unions will not agree to reducing a benefit that employees receive but have indicated that although they cannot agree to the reduction in the number of added years from 10 to 6 they are willing to proceed with participating in a review and to the other recommendations contained within the report.

**OVER 50 - NOT IN PENSION
66 WKS**

Age	Completed Years of Service										18	19	20							
	1	2	3	4	5	6	7	8	9	10				11	12	13	14	15	16	17
50	5	10	15	20	25	30	35	40	45	47	49	51	53	55	57	59	61	63	65	66
51	5	10	15	20	25	30	35	40	45	50	52	54	56	58	60	62	64	66	66	66
52	5	10	15	20	25	30	35	40	45	50	55	57	59	61	63	65	66	66	66	66
53	5	10	15	20	25	30	35	40	45	50	55	60	62	64	66	66	66	66	66	66
54	5	10	15	20	25	30	35	40	45	50	55	60	62	66	66	66	66	66	66	66
55	5	10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66
56	5	10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66
57	5	10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66
58	5	10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66
59	5	10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66
60	5	10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66
61	5	10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66
62	5	10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66
63	5	10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66
64	5	10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66

OVER 50 - NOT IN PENSION
90 WKS

Age	Completed Years of Service																			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
50	7	14	20	27	34	41	48	55	61	64	67	70	72	75	78	81	83	86	89	90
51	7	14	20	27	34	41	48	55	61	68	71	74	76	79	82	85	87	90	90	90
52	7	14	20	27	34	41	48	55	61	68	75	78	80	83	86	89	90	90	90	90
53	7	14	20	27	34	41	48	55	61	68	75	82	85	87	90	90	90	90	90	90
54	7	14	20	27	34	41	48	55	61	68	75	82	85	90	90	90	90	90	90	90
55	7	14	20	27	34	41	48	55	61	68	75	82	89	90	90	90	90	90	90	90
56	7	14	20	27	34	41	48	55	61	68	75	82	89	90	90	90	90	90	90	90
57	7	14	20	27	34	41	48	55	61	68	75	82	89	90	90	90	90	90	90	90
58	7	14	20	27	34	41	48	55	61	68	75	82	89	90	90	90	90	90	90	90
59	7	14	20	27	34	41	48	55	61	68	75	82	89	90	90	90	90	90	90	90
60	7	14	20	27	34	41	48	55	61	68	75	82	89	90	90	90	90	90	90	90
61	7	14	20	27	34	41	48	55	61	68	75	82	89	90	90	90	90	90	90	90
62	7	14	20	27	34	41	48	55	61	68	75	82	89	90	90	90	90	90	90	90
63	7	14	20	27	34	41	48	55	61	68	75	82	89	90	90	90	90	90	90	90
64	7	14	20	27	34	41	48	55	61	68	75	82	89	90	90	90	90	90	90	90

Savings with Employee Impacts (Non-Teaching)

Proposed Cut Off for Enhanced Redundancy Package

Cut off 31/05/11

December Savings – ED 08, ED14*, FIN 02*, FIN 04*, ODHR02*, CS&BT 01*, PAFM 02, ECS 02, ECS 05, LDS 01, SW 01, SW 04.

February Savings – SC 10, SC 11, ED 17, ECS 01, ECS 03, ECS 06, ECS 08, ECS 11, ECS 12, ECS 13, SW 07, SW 16.

Cut off 31/12/11

December Savings – CE 02, ED 09, ED 13, ED 18, ODHR 03, CS & BT 02, LDS 03, LDS 04,

February Savings – SC 14, SC 15, SC 17, SC 19, ED 10, ED 12, ED 16, ECS 04, RAP03, LDS 02.

Note: Those savings marked with an asterisk have employee impacts for both 2011/12 and 2012/13 savings proposals therefore after the 2011/12 saving is achieved the cut off date for the enhanced redundancy package will be extended to 31/12/2011.

Workstreams

Taking on board the Union concerns around timescales and looking at the high level timescales for savings delivery in the workstreams then it could be proposed that the 90 week period be extended to 31/12/11 for the following workstreams.

1. Transformation Programme (Post BSS & residual restructure phases).
2. FM/Cleaning.
3. 37 hour working week implementation.
4. Commissioning – 2012/13 saving.
5. Home Care Review
6. Street Scene