

Item No. 21.	Classification Open	Date: 17 March 2015	Meeting Name: Cabinet
Report title:		Review of the Voluntary Redundancy Offer	
Ward(s) or groups affected:		All Wards	
Cabinet Member:		Cllr Fiona Colley, Finance, Strategy and Performance	

FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR FINANCE, STRATEGY AND PERFORMANCE

Since 2010, the council has been subject to unprecedented cutbacks in government funding. This has meant that the council has had to make significant efficiency and other savings that have impacted across the whole of the organisation. Inevitably these changes have had an effect on the workforce.

While on occasions the workforce has grown during this period as services have been insourced to improve delivery and reduce costs, in other areas the workforce has shrunk.

Throughout this difficult time, the council has done all that it can to protect those staff most affected; agency staff and consultants' numbers have been cut, compulsory redundancies have been kept to a minimum, redeployment opportunities have been exploited wherever possible and natural turnover has been used to reduce impact.

These same tools will continue to be used to help us achieve the savings targets set for 2015/16, but the task gets more and more difficult for the council to manage and with further funding reductions likely in future years this means that we must introduce new techniques that enable further savings to be made, modernise our ways of working and most importantly soften the impact of funding cuts and reductions in the headcount on both the staff and managers who will be affected.

This report proposes the introduction of a voluntary redundancy scheme for the council, based on a final payment that enhances the statutory minimum entitlement. This approach has already been adopted by a number of London authorities on a number of discretionary bases. The time is now right for Southwark to follow the same course.

I will be asking the chief executive as head of paid service to spend the next few weeks working up an agreed basis for the scheme, with support from statutory officers and the director of human resources, ready to roll out in April 2015. This will of course be in consultation with the local trades unions.

As part of these deliberations, I understand that issues will need to be considered, including:

- Duration and scope of the scheme;
- Terms of enhancement, including reference to the varying levels of staff pay and/or years of service;
- How individuals would be invited to apply;

- How individual members of staff would apply, including details of the application from individuals wishing to accept the offer;
- Criteria for accepting or rejecting individual applications, including rights to appeal;
- Communication with staff and managers;
- Review and reporting arrangements for the scheme.

Considerations will also need to include reference to section 31 discretionary provisions and options to reinstate these arrangements, not only for pensionable but also for non-pensionable staff.

As part of the roll out of the scheme, there will need to be both comprehensive communications with all staff and managers and clear guidance.

RECOMMENDATIONS

Recommendations for cabinet

That cabinet:

1. Note the summary benchmark information for London boroughs.
2. Note the continued pressures on the council budget for 2015/16 and the likelihood of further pressures in future years impacting on council services and the work force in particular.
3. Agree to the creation of an enhanced voluntary redundancy scheme to be introduced in April 2015.
4. Delegate to the head of paid service (chief executive) responsibility for the detailed preparation and publication of the scheme in consultation with the cabinet member for finance, strategy and performance
5. Notes that the chief executive as head of paid service will ensure appropriate consultation with trades unions is completed.

Recommendations for the leader

6. That the leader delegate final approval of the voluntary redundancy scheme to the cabinet member for finance, strategy and performance.

BACKGROUND INFORMATION

7. In February 2015 council assembly agreed a one-year budget for 2015/16. This budget included total savings in excess of £30 million for the year in order to deliver council priorities in the context of further reductions in government funding.
8. The funding reductions in 2015/16 represented the fourth year of significant cuts in government funding as reported in a series of policy and resourcing strategy reports to both cabinet and council assembly. A one year budget was considered appropriate given the current uncertainty over the level of funding for Southwark beyond 2015/16, although the chancellor's autumn statement made clear the future spending targets for the local government sector. These suggest

still further cuts in funding although the distribution of these will not be known until late in 2015.

9. In order to sustain a balanced budget position since 2010/11, savings have been consistently achieved. This has inevitably impacted on the workforce as services have been subject to efficiency challenges and in some cases cut backs to support a reduction in available resources. Wherever possible compulsory redundancy has been avoided but given the scale of lost resources, some redundancies have been inevitable.
10. This challenge for the workforce continues through 2015/16 and is likely to become more acute in future years as further cuts in funding take place and the organisation modernises services through initiatives such as digital by default and multi agency working.
11. At the February cabinet meeting and following a number of issues raised by the overview and scrutiny committee as part of their budget scrutiny, the chief executive was requested to report to this cabinet on matters relating to the introduction of a Southwark voluntary redundancy scheme.
12. This report proposes that the council proceed with the introduction of an enhanced voluntary redundancy scheme with effect from April 2015 on a basis to be established by the head of paid service (chief executive) in consultation with relevant stake holders including relevant trades unions.
13. The report notes that the introduction of the scheme will require an appropriate assessment of equalities impact with special reference to those staff on lower pay scales and limited years of local government service.

BENCHMARKING ANALYSIS

14. At their meeting on 10 February 2015, cabinet requested that the chief executive undertake benchmarking with other London local authorities and report back to the next meeting.
15. A desktop exercise has been carried out by the director of human resources with reference to London Councils survey data from March 2014. From the thirty authorities surveyed, it was concluded that twelve offered simply a statutory redundancy package.
16. Of the remainder, six were paying statutory minimum redundancy payments plus a discretionary element; twelve had an explicit enhanced entitlement to the minimum statutory element.
17. For information, the statutory payments referred to are related to redundancy regulations which stipulate the conversion for any individual of their length of service and age to weeks paid. This is known as the 'ready reckoner'. This refers to a maximum of 20 years service – 30 weeks pay. Under statute, there is a discretionary cap on earnings. At the current time, it is understood that no London borough applies the cap and pays on the basis of actual earnings. Redundant staff are also entitled to statutory notice which is often paid in lieu.
18. The enhancement applied locally takes a number of different forms; some simply uprate the ready reckoner (range between x 1.25 and x 2) while others remove the cap so service over 20 years continues to count up to a new maximum.

19. Soft market intelligence indicates that these schemes are regularly reviewed and sometimes suspended by authorities, depending on local circumstances.

CURRENT ARRANGEMENTS FOR STAFF REDUNDANCY

20. At present arrangements for redundancy are published on the Source and clear guidance given on entitlements for those who may be impacted by redundancy.
21. To date, for the most part redundancy has tended to have arisen as a consequence of service restructuring, rationalisation or reorganisation. As new structures are established, those in posts declared redundant become entitled to statutory minimum compensation subject to appropriate consultation. Wherever possible, redeployment options are pursued.
22. Currently there are no arrangements for enhanced voluntary redundancy for those wishing to leave the organisation.
23. The current Southwark scheme allows for a statutory entitlement plus a discretionary element (section 31). This discretionary element was universally suspended with effect from 1 April 2012. Section 31 is calculated as one week's pay for each year of pensionable service up to a max of 10. Additionally all staff over 55 in the pension scheme who are redundant have an automatic right to their pension as earned. Given that those aged over 55 are more likely to have longer service histories, in some cases this can represent a larger value.
24. The option remains for the discretionary element to be unfrozen should the circumstances arise. An example might be where the council considers that there is a need to incentivise voluntary redundancy to support council objectives or budget priorities. This strategy is reviewed regularly by the director of human resources, taking account of the prevailing circumstances to judge the need to encourage volunteers. These circumstances may consider the scale of financial savings required, the likely number of posts to be lost, the number of vacancies and natural turnover (e.g. resignations, retirements, etc.), and agency use.
25. Any change is reflected in the council's approved pay policy; for 2014/15 the pay policy states that no discretionary elements are paid.

KEY ISSUES FOR INTRODUCTION OF NEW SCHEME

26. It is a financial incentive offered by an organisation to help those employees wishing to do so to voluntarily leave the organisation. Typically it is used in downsizing or major restructuring situations, both circumstances being especially relevant to the council during this period of austerity which is likely to continue for some years.
27. Subject to the cabinet's agreement to proceed with an enhanced voluntary redundancy scheme, details will need to be agreed by the chief executive as head of paid service in consultation with the director of human resources and statutory officers.
28. Further consultation will be required with trades unions representatives as part of this process.

Resource implications

29. Introduction of a voluntary redundancy scheme, either on a short term or permanent basis or council wide or division specific will require additional resourcing for human resources and pensions administration in support of staff and their managers. This resource requirement is likely to be particularly intense in the earlier phases of the scheme.
30. The enhanced packages would inevitably be at a cost to the council but would clearly be assessed in the context of the efficiency of the service and longer term financial considerations. At present any compulsory redundancy costs are incurred in the year in which the payments are made to the individual from either revenue budgets or reserves earmarked for the purpose. These financial arrangements are unlikely to change as part of any new enhanced scheme and are not possible to quantify in advance of understanding the likely take up.
31. The full timetable for the introduction of the scheme is set out below:

Cabinet approve introduction of voluntary redundancy scheme	17 March 2015
Consultation with trades unions to be completed	31 March 2015
Scheme to be published	17 April 2015

POLICY IMPLICATIONS

32. This report proposes the introduction of an enhanced voluntary redundancy scheme and to delegate to the head of paid service (chief executive) responsibility for the detailed preparation and publication of the scheme in consultation with the cabinet member for finance, strategy and performance. This will be a new policy, supplementing existing HR policy and procedures.

COMMUNITY / EQUALITY IMPACT STATEMENT

33. The scheme devised will be subject to a full equalities impact assessment and monitored accordingly to ensure that there is no disproportionate impact on any staff group.

TRADE UNION CONSULTATION

34. Following February cabinet, the director of human resources has held a preliminary consultation meeting with trades unions. Consultation will be completed with the chief executive and the director of human resources as details of the scheme are drawn up over the coming weeks.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

35. The report seeks cabinet approval to develop an enhanced voluntary severance scheme and delegates final approval of the scheme to the cabinet member for finance, strategy and performance. The scheme will be developed in consultation with the Trade Unions.

36. The council does not have the power under section 31 of the London County Council (General Powers) Act 1921 as amended to grant a discretionary severance payment to employees who are not active members of the pension scheme. The report notes that this scheme disadvantages those staff who are not in the Pension Scheme.
37. The council does have power under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (which also extend application beyond redundancy to other types of termination, notably "termination in the interests of the efficiency of the service" and ending a joint appointment when one joint employee is no longer employed
38. Any enhanced Voluntary Severance scheme developed by the council will need to have regard to the provisions of the Equality Act and objectively justify it with real evidence and accordingly a full equality analysis should be undertaken. The director of legal services will provide on going legal advice as the scheme is developed.
39. Under Part 3C of the constitution approval of major terms and conditions of employment outside the national and provincial schemes are reserved to cabinet for approval. The leader can delegate the final approval of the scheme to the cabinet member for finance, strategy and performance by individual decision.

Strategic Director of Finance and Corporate Services

40. The proposal for the introduction of a voluntary redundancy scheme is noted. The financial impacts of the scheme will be monitored closely as the details are finalised and as the scheme is implemented. It is noted that the scheme is subject to affordability, criteria to be set as appropriate as part of the detailed consultation exercise.
41. Costs will need to be contained within existing budgets and from earmarked reserves that are available either directly or indirectly that support the scheme.
42. In summary, there are no financial implications arising directly from this report although the costs of any final scheme approved will need to be properly assessed and monitored.

REASONS FOR URGENCY

43. A voluntary redundancy scheme needs to be introduced as soon as possible in order to help support the implementation of budget plans for 2015/16 and beyond.

REASONS FOR LATENESS

44. The request from cabinet to the chief executive to was made at cabinet on 10 February 2015.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
None	

AUDIT TRAIL

Cabinet Member	Cllr Peter John, Leader of the Council	
Lead Officer	Eleanor Kelly, Chief Executive	
Report Author	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
Version	Final	
Dated	9 March 2015	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	13 March 2015	