

Item No. 15.	Classification: Open	Date: 15 March 2016	Meeting Name: Cabinet
Report title:		Extension of the Voluntary Redundancy Offer	
Ward(s) or groups affected		All wards	
Cabinet Member:		Councillor Fiona Colley, Finance, Modernisation and Performance	

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

The council has been faced with major cutbacks in government funding over the past few years and this situation will continue into the foreseeable future. We have needed to achieve significant savings throughout the organisation, and this has affected the workforce through a reduction in staff resources. The Chancellor's autumn statement made it clear that budgetary pressures will continue to impact upon local government and that we must continue to make further savings.

The council is committed to protecting those staff most affected wherever possible and to keep the level of compulsory redundancies to a minimum. We must continue to look at opportunities to re-deploy affected staff and make savings through the natural turnover of staff. This approach sits alongside our desire to attract talent where it is needed and modernise our ways of working.

This report proposes the extension of the voluntary redundancy scheme for the council. There are some revisions that reflect forthcoming changes in government legislation and, importantly, uphold integrity in the application of the scheme.

As was the case last year, I will ask the chief executive, as head of paid service, to refresh the scheme with support from statutory officers and the head of human resources, and then implement from April 2016. Effective consultation with the local trades unions will be an important step in this exercise.

I am mindful that the scheme that cabinet approved last year proved attractive to staff and that it was effective in supporting staffing re-organisations. I welcome the recommendation from overview and scrutiny committee that the scheme should be extended and agree that extension of the voluntary redundancy scheme will help to achieve further efficiency savings in 2016/17.

As part of the roll out of the scheme, there must be comprehensive communications with all staff and clear and consistent guidance available to managers.

RECOMMENDATIONS

That cabinet:

1. Agree to extend the provisions of the enhanced voluntary severance scheme for a further six months, up to 30 September 2016.

2. Allow employees to apply for Voluntary Severance until 30 June 2016, with applications considered on a monthly basis by Chief Officers for final decision by the Chief Executive. Where an application is agreed the employee must leave on or before 30 September 2016.
3. Note that the terms of the amended scheme will include a clause advising that employees will not be permitted to undertake paid work for the council; including work through an employment agency, as an interim or consultant, or on a temporary or permanent contract, for at least twelve months after their last day of service.
4. The scheme will also be updated to allow approval of applications for other valid business reasons that relate to an individual employee.

Background information

5. The council's Voluntary Redundancy Offer was considered at cabinet on 17 March 2015. Cabinet agreed to the creation of an enhanced voluntary redundancy scheme for introduction in April 2015.
6. Cabinet delegated 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, modernisation and performance.
7. The scheme approved by the chief executive set out the redundancy policy that would operate for the financial year 2015-2016. Continuance of an enhanced voluntary scheme beyond 31 March 2016 is subject to further review and agreement by the cabinet.
8. The enhanced Voluntary Scheme applies to staff in two specific scenarios (scheme 1 and scheme 2):
 - An employee who is directly affected by a reorganisation or organisational change process during the period 1 April 2015 to 31 March 2016 (Voluntary Redundancy Scheme)
 - An employee who is not directly affected by a reorganisation or organisational change during the period 1 April 2015 to 31 March 2016 but who volunteers for voluntary redundancy on the basis of there being an opportunity to delete a post or to avoid a compulsory redundancy of another employee (Voluntary Severance Scheme).
9. Whilst the benefits on offer are the same for each of these schemes, different time-frames apply. The Voluntary Severance Scheme closed on 31 July 2015, whereas the Voluntary Redundancy Scheme remains open for three months from the initial staff consultation for a reorganisation or organisational change process up to 31 March 2016.
10. A total of 243 employees have left under the enhanced redundancy scheme since it was introduced. 65 people left through the Voluntary Redundancy Scheme and 178 left under the Voluntary Severance Scheme. The annual salary savings for these employees is £10.0m (inclusive on-costs).
11. The total cost of employees leaving under the scheme has been £10.3m. These are considered as exceptional "one-off" costs; comprised of redundancy

and severance payments made to former employees, and where applicable pay in lieu of notice and associated capital costs (one-time pension adjustment costs). This figure can be considered against the annual savings in salary.

12. The Directors Forum group has considered the enhanced voluntary severance scheme. They commented that the scheme has some clear advantages in that the scheme allows staff to leave who were no longer making a full contribution to the council, it has enabled re-organisations to be managed more effectively and that it has rewarded the loyal service of staff. However the disadvantages are that the scheme can be expensive, the rules were sometimes difficult to apply, and that there had been varying approaches in applying the scheme and reaching decisions.

Key issues for consideration

13. The council has a firm commitment to adopting measures that will avoid compulsory redundancies wherever possible and appropriate. The cabinet member for finance, modernisation and performance has advocated this approach, commenting that the council has done all it can to protect those staff most affected. Continuing to provide staff with an opportunity to be considered for voluntary redundancy has certainly proved effective as a measure of keeping the number of compulsory redundancies to a minimum.
14. Over the past five years the council has been subject to significant cutbacks in government funding. This has meant that the council has had to make major savings across the whole of the organisation. This has impacted upon the workforce as staff resources have been reduced to make the required levels of savings.
15. Following the Chancellor's autumn statement it is clear that budgetary pressures will continue across the local government sector and council assembly agreed further efficiency savings in 2016/17. The £1.7m per annum precept agreed by council assembly is a welcome, but very modest measure, when compared to the cuts that Local Authorities have experienced and are facing from government.
16. The government's Enterprise Bill proposes to establish a £95,000 cap on the total value of exit payments made to an individual in relation to their exit from public sector employment. This will include the aggregate of:
 - any payment whether contractual or non contractual made in consequence of loss of employment which includes pay in lieu of notice;
 - all redundancy and severance payments (including any enhancements in excess of statutory limits);
 - payments to reduce or eliminate an actuarial reduction to a pension on early retirement;
 - payments to discharge liability under a fixed term contract
17. Payments which would not be included in the aggregate proposed cap of £95,000 would be:

- payments made for incapacity or death as a result of accident, injury or illness;
 - payments of accrued but untaken holiday;
 - payments made in damages ordered by a court;
 - payments to employees with protected terms following a TUPE transfer.
18. In its consultation government has recognised that there may be legitimate exceptions to the £95,000 cap. The intention is that local authorities would be required to publish a policy on the circumstances where an exception might be considered and agreement of the full council would be required in individual cases. All exemptions would then be required to be published in the authorities annual Statement of Accounts. In addition employers will be required to keep records and publish annually details of all exit payments during the financial year.
 19. The council's approach towards exemption will require further consideration. The initial view is that this will impact on many long-serving employees on mid-range salaries, potentially affecting staff from grade 9 and above or at equivalent salary level.
 20. Further government regulations, due to take effect from April 2016, will allow for the recovery of redundancy and other exit payments made to any employee who returns to the council or any other public sector employer to take up a post with a salary of £80,000 per annum or more within 12 months of leaving their previous employment. This will include payments made as a consequence of leaving employment and include the "pension strain" generated from the early unreduced payment of Local Government Pension Scheme benefits.
 21. There will be a tapered approach towards recovery of payments, with the sum reducing proportionately throughout the 12 month period. Anyone returning to public sector employment after 12 months or more will not face an exit payment recovery.
 22. If there is a need to recover some or all of the exit payment the previous employer must make arrangements to recover the appropriate amount by means of a lump sum, a series of instalments over a period of up to three months or other suitable means.
 23. Whilst there is provision for the exit payment recovery to be waived by full council, details of any such waivers must be recorded and published in the annual Statement of Accounts. The council's approach will require further consideration.
 24. To ensure that employees continue to express an interest in the Voluntary Scheme a reasonable financial incentive must remain on offer. The level of applications submitted during 2015/16 provides a firm indication that the redundancy package on offer through the enhanced scheme is attractive to staff.
 25. The current voluntary severance scheme considers requests on the following criteria:

- The post occupied can be removed and savings accrued
 - A compensatory post in the same business unit can be removed and savings accrued
 - The post occupied can be offered for redeployment thus reducing compulsory redundancies elsewhere.
26. Consideration should be given to extending the scheme so that chief officers may submit a business case to the chief officer recommending Voluntary Severance for other valid business reasons.
27. A benchmarking exercise undertaken with other London local authorities concluded that a number have a Voluntary Redundancy scheme in place and that the majority of authorities offered enhanced entitlements to the statutory requirement.
28. It is important to maintain the integrity of any Voluntary Redundancy scheme adopted and ensure that it adheres to the council's Fairer Futures principles in relation to spending money. Employees should not be seen to take advantage of the scheme provisions by taking redundancy payments and then returning to work for the council under different circumstances for a reasonable period.
29. The amended version of the scheme will include a provision that employee will not be allowed to undertake any paid work for the council for at least twelve months after they have left under the enhanced redundancy scheme. This will extend to work undertaken as an interim or agency worker, as a consultant, or through a temporary or permanent contract. The specific wording for this element of the scheme will be reviewed and agreed in advance of implementation, with proper processes established to ensure this is effectively managed.

Policy implications

30. This report proposes the extension of the council's enhanced voluntary redundancy offer through an amended version of the scheme. Responsibility for the detailed publication of the revised scheme to be delegated to the head of paid service (chief executive) in consultation with the cabinet member for finance, modernisation and performance. The revised scheme will be supplemented by existing HR policy and procedures.

Community impact statement

31. The new scheme will be subject to a full equality analysis and monitored accordingly to ensure that there is no disproportionate impact on any staff group. Information collated on people leaving through Voluntary Redundancy under scheme 1 and scheme 2 indicates that there has not been any disproportionate impact to date. The profiles of those leaving are broadly reflective of the overall workforce in terms of disability, ethnicity and gender. However there has been a higher proportion of employees leaving who are aged 55 and above. This is understandable as the pension benefits make the scheme more attractive to employees who are over 55 years of age.

Resource implications

32. Extension of the voluntary redundancy scheme specific will require additional resourcing for human resources and pension's administration in support of staff and their managers. This resource requirement is likely to be particularly intense during the initial phase of the scheme.
33. The enhanced packages come at a cost to the council but would be subject to assessment in the context of the efficiency of the service and longer term financial considerations. 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 the revised scheme and are not possible to quantify in advance of understanding the likely take up.
34. Decisions on accepting applications for voluntary severance must be taken in the light of the impact on and risks for service continuity, and with hand over arrangements as necessary.

Legal implications

35. The report seeks cabinet approval to extend an updated version of the enhanced voluntary severance scheme and delegates final approval of the scheme to the cabinet member for finance, modernisation and performance.
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.
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. The enhanced voluntary severance scheme implemented by the council will need to have regard to the provisions of the Equality Act 2010 and objectively justify it with real evidence and accordingly a full equality analysis should be undertaken.

Financial implications

39. The financial impacts will be monitored closely throughout implementation of the scheme. It is noted that the scheme is subject to affordability, criteria to be set as appropriate as part of the consultation exercise.
40. Costs will need to be contained within existing budgets and from earmarked reserves that are available either directly or indirectly that support the scheme.
41. 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.

Consultation

42. The head of human resources has consulted with trade unions about extending the scheme. The trade unions would like the Enhanced Voluntary Redundancy scheme to apply to all re-organisations, but the head of human resources advised that this approach should not be necessary at this stage. There will be further consultation as details of the scheme are updated in advance of implementation.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

43. The report seeks cabinet approval to extend the enhanced voluntary severance scheme for a further 6 month period up to the 30 September 2016 and amend the scheme to restrict employees from undertaking paid work for the council for 12 months after their last day of service. The revised scheme will also include a provision to allow approval of applications for other valid business reasons that relate to an individual employee.
44. Under the provisions of the London County Council Act 1921 as amended and the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006, the council has the power to make discretionary severance payments to employees and to terminate employment in the interest of the efficiency of the service.
45. The revised scheme must have regard to the Equality Act 2010 and the protected characteristics, an equalities analysis of the impact of these changes should be undertaken and kept under review.
46. 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.

Strategic Director of Finance and Governance (FC15/055)

47. The Strategic Director of Finance and Governance notes the recommendations in this report for the extension of the voluntary redundancy offer into the financial year 2016/17. The costs arising will need to be met within existing budgets as agreed by cabinet in January 2016 for the Housing Revenue Account, and council assembly in February 2016 for the general fund.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Report presented to Cabinet on 17 March 2015	Southwark Council 160 Tooley Street London SE1 2QH	Marie Rance Acting Head of HR 020 7525 0714
http://modern.gov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=4868&Ver=4 (item 21)		
Current Voluntary Redundancy Policy	Southwark Council 160 Tooley Street London SE1 2QH	Marie Rance Acting Head of HR 020 7525 0714

APPENDICES

No.	Title
Appendix 1	Summary of employees leaving through the enhanced Voluntary Scheme in 2015/16

AUDIT TRAIL

Cabinet Member	Cllr Fiona Colley, Cabinet Member for Finance, Modernisation and Performance	
Lead Officer	Eleanor Kelly, Chief Executive	
Report Author	Marie Rance, Acting Head of Human Resources	
Version	Final	
Dated	4 March 2016	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		4 March 2016