

ITEM No ...8.....

REPORT TO: RECOVERY SUB-SUB-COMMITTEE – 10 AUGUST 2020

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

SUBJECT: EARLY RETIREMENT/VOLUNTARY REDUNDANCY

REPORT NO: 188-2020

1 Background

- 1.1 The Council has operated an Early Retirement/Voluntary Redundancy scheme which is linked to the Council's C2022 Programme and the annual budget. The scheme in recent years has provided an opportunity to reduce employee costs, assist with workforce planning and create opportunities for the Young Workforce.

2 RECOMMENDATIONS

- 2.1 It is recommended that Sub-Committee agree to the changes in the Early Retirement/Voluntary Redundancy Scheme for the period 1st September 2020 to 31 March 2021. The revised Scheme will increase the level of benefits available thus making it more attractive. This revision would be time limited and subject to review. Employees leaving the organisation would do so ideally by the end of June 2021 but longer periods may be considered to suit a workforce planning solution.

3 FINANCIAL IMPLICATIONS

- 3.1 The costs associated with Early Retirement and Voluntary Redundancy Scheme will be funded from Capital Receipts. Scottish Government have provide flexibility to use capital receipts from 19/20 to 21/22 to fund transformation costs which include strain on the fund costs. Clear businesses cases will be needed and it is expected any saving generated from reduced employee costs will be used to deal with financial challenges faced by the Council.

4 BACKGROUND

4.1 Workforce and Recovery Planning

- 4.1.1 Covid 19 has provided the Council with a different focus on how our workforce is deployed and the way services can be provided. This links to Our People and Workforce Strategy, which sets out ambitions to create an internal jobs market, develop digital processes with the intention that this will reduce our workforce.
- 4.1.2 Covid 19 saw the establishment of the Council's Deployment Team, within Corporate Services this was led and managed by the Council's Learning and Organisational Development (OD) Team, utilising the skills of the Youth Employability Service and other key OD team members.
- 4.1.3 The clear intention is to build on the work of this project and continue to deploy this approach within the Council when needed.
- 4.1.4 The Deployment Team now have a database containing the skills profile for over 7500 of our workforce (permanent and temporary) and it is the intention to ask the remainder of our current employees to complete their skills profile for inclusion. This would allow our recruitment focus to change to default to internal matching to suitable opportunities, including opportunities that

would require learning and development to meet the full essential requirement for the role, where this is practicable to do so.

- 4.1.5 The Deployment Team will also work to support the continuation of our support for the young workforce. This focus added to their current priorities would meet the requirements being developed by the Scottish Government as part of their recovery plan from COVID-19, as it is expected that the economic downturn will have a greater impact on the under 25 year old demographic. A separate report will be forthcoming on planned approach which will be deployed to support this.
- 4.1.6 Preparatory work has already taken place to assist this change, with the current recruitment process seeking to identify any vacancy with a recognised modern or graduate apprenticeship framework available. All recruitment will be undertaken internally in the first instance unless there is a justification which requires external advertisement.
- 4.1.7 The Council continues to have a demographic challenge, with an average workforce age of 47 years. Improvements have been made in the provision of quarterly workforce data for each Service, and regular reminders to actively consider future structures and skillsets required for service delivery. COVID-19 has provided an even greater focus on how we can work differently and on priority services but this needs more emphasis and commitment
- 4.1.8 The financial impact of COVID-19 has added to the budgetary challenges being faced by the Council. With the cost of the workforce representing 67% of the Councils net budget, a focus on how we effectively continue to reduce employee costs, improve workforce planning and create opportunities for our young people is essential.
- 4.1.9 Internal recruitment and the setting up of a jobs market is one tool which the Council is deploying however one further options being considered is the continued use of the Voluntary Early Retirement/Voluntary Redundancy Scheme..

4.2 Voluntary Early Retirement/Voluntary Redundancy

- 4.2.1 This Voluntary Early Retirement/Voluntary Redundancy Scheme will assist the effective and sympathetic management of workforce change. The operation of the Scheme will be kept under review to ensure that it is continuously achieving its aims.
- 4.2.2 It is proposed to revise the Scheme to increase the level of benefits available thus making it more attractive. This revision would be time limited and subject to review. The proposal is that the revised enhanced scheme is open from 1 September 2020 and closed on 31 March 2021 for applications. Employees leaving the organisation would do so ideally by end June 2021 but longer periods may be considered to suit a workforce planning solution.
- 4.2.3 The underpinning principles of the Scheme would be unaltered, in that it is open to all to consider and there would be no change to the sliding scale used to determine how many added years are awarded – with the maximum remaining at three. In addition, while the scheme is being open for all to consider, discussions with line managers are vital as to the likelihood of an individual being supported. It remains the case that for those 50 to 57/58 years of age, the strain on the fund cost of allowing someone to retire, particularly where they have long service, is likely to be cost prohibitive.

4.3 Proposed options for revision to generate interest

- 4.3.1 The calculation of redundancy payments due under the Scheme is currently made by application of the statutory ready reckoner table. By considering an employee's age and length of service, this table gives the number of weeks' statutory redundancy pay they should receive.

The maximum payable is 30 weeks and the Council applies the statutory cap on the maximum amount payable for each week (currently £538).

- 4.3.2 It is proposed to increase the number of weeks of redundancy pay due to the employee by applying a multiplying factor of 2 to the figure given by the table on the basis of age and service. It is not proposed to remove the cap on maximum weekly pay. Examples of the effect of applying each option are shown in the table below.
- 4.3.3 The increase would apply to each of the three categories of entitlement within the Scheme i.e. whether or not the employee was entitled to the immediate receipt of their pension benefits. For example, employees under the age of 50 do not have access to their pension benefits but would have access to the enhanced redundancy payment, which may prove attractive for someone interested in a career change/return to university. It may also be attractive to someone not in the pension scheme. However, as currently for those who opt for added years – Entitlement 1, the award of those added years would incorporate the value of the enhanced statutory redundancy payment.
- 4.3.4 The Appendix to the report shows the Voluntary Early Retirement/Voluntary Redundancy Scheme with the amendments which would be made should the proposed revision be agreed highlighted. The redundancy ready reckoner will be unchanged with the appropriate multiplying factor applied after the ‘standard’ number of weeks has been identified.
- 4.3.5 Whilst the revisions proposed would clearly mean higher payments to those released under the Scheme, the principles that applications will only be approved where it is in the Council’s best financial interests and that a retirement must result in a net saving to the Council, ideally within 12/18 months of its occurring or a business case to reflect a succession planning opportunity for a young person or an internal transfer from our current workforce, identified by the Deployment Team. The following tables give examples of the effects of the changes:

Employee salary £20,000 or c £385 per week.

Age and Service	Weeks and maximum amount payable			
	Current		X2	
	Weeks	Amount (£)	Weeks	Amount (£)
48:12	15.5	5,968	31	11,935
40:15	15	5,775	30	11,550
45:20	22	8,470	44	16,940
52:10	15	5,775	30	11,550
55:15	22	8,470	44	16,940
58:20	28.5	10,973	57	21,945
62:15	22.5	8,663	45	17,325
65:20	30	11,550	60	23,100

NB Where an employee is entitled to pension benefits and is awarded added years, the value of those years would be deemed to incorporate any entitlement to an enhanced Statutory Redundancy Payment.

Employee salary £30,000 or c £575 per week – salary cap of £538 applied

Age and Service	Weeks and maximum amount payable			
	Current		X 2	
	Weeks	Amount (£)	Weeks	Amount (£)
48:12	15.5	8,339	31	16,678
40:15	15	8,070	30	16,140
45:20	22	11,836	44	23,672
52:10	15	8,070	30	16,140
55:15	22	11,836	44	23,672
58:20	28.5	15,333	57	30,666
62:15	22.5	12,105	45	24,210
65:20	30	16,140	60	32,280

NB Where an employee is entitled to pension benefits and is awarded added years, the value of those years would be deemed to incorporate any entitlement to an enhanced Statutory Redundancy Payment.

5.0 POLICY IMPLICATIONS

5.1 This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. There are no major issues.

6.0 CONSULTATIONS

6.1 The Council Management Team have been consulted on the terms of this report. The Trade Unions have also been consulted on the terms of this report

7.0 BACKGROUND PAPERS

7.1 None

**GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

31 JULY 2020

VOLUNTARY EARLY RETIREMENT/VOLUNTARY REDUNDANCY SCHEME

The Council will grant employees voluntary early retirement and/or voluntary redundancy (VER/VR) where it would assist it to manage workforce change having regard to the following principles

Principles

- There is no entitlement to early retirement/redundancy. Approval of a request will be subject to the retention of sufficient numbers of employees with the necessary skills to maintain an effective level of service.
- Applications will only be approved where this is in the council's best financial interests.
- The retirement must result in a net saving to the Council ideally within 12/18 months of its occurring but longer timescales will be considered to suit a workforce planning solution.
- The Scheme will be used on a prioritised basis. There will be no open invitation for individuals to express an interest and applying.
- Applications may only be initiated by Services in discussion with individual employees and having regard to the affordability of any potential application
- Applications which are supported by the Service will then be considered by the Chief Executive, Executive Director of Corporate Services and Head of Human Resources and Business Support.
- There is no right of appeal against a decision to refuse an application.

Eligible Employees

Subject to the principles above, the scheme is open to all employees, except those on teaching conditions, with at least two years' continuous service. Applications will be considered in the following groups:

- A Members of the Local Government Pension Scheme aged 55 and over but under 65, (or aged 50 and over but under 65 if they were members of the LGPS on or before 5 April 2006).
- B Members of the Local Government Pension Scheme aged under 55 (or 50 if they were members of the LGPS on or before 5 April 2006).
- C Those who are not members of the Local Government Pension Scheme.
- D Members of the Local Government Pension Scheme aged 65 and over.

Entitlements

Entitlement 1

Immediate unreduced pension benefits **with** added years awarded in accordance with Table 1 below. The award of added years is deemed to include the employee's enhanced Statutory Redundancy Payment

This entitlement is open to Group A.

Entitlement 2

Immediate unreduced pension benefits **without** added years plus a Statutory Redundancy Payment calculated on the basis of age and service in accordance with the statutory ready reckoner table shown at Table 2 **then multiplied by a factor of 2, subject to a maximum of 60 weeks'** pay and the application of the statutory cap on weekly pay, currently £ 538

This entitlement is open to Group A.

Entitlement 3

A Statutory Redundancy Payment calculated on the basis of age and service in accordance with the statutory ready reckoner table shown at Table 2 **then multiplied by a factor of 2, subject to a maximum of 60 weeks'** pay and the application of the statutory cap on weekly pay, currently £538

This entitlement is open to Groups B, C and D.

Employees accepting offers will be required to sign a Settlement Agreement to access payments where the council deems this appropriate. Where this required the Council will arrange and pay for the provision of independent legal advice on the employee's rights and options.

Table 1

Years of Continuous Service	Added years awarded
Less than 15	Up to one
15 but less than 30	Up to two
30 or more	Up to three

REDUNDANCY READY RECKONER FOR CALCULATING THE NUMBER OF WEEKS' PAY DUE

Read off your age and number of complete years' service. The table will then show how many weeks' pay you are entitled to.

Service (years)	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Age (years)																			
20	1	1	1	1	-														
21	1	1½	1½	1½	1½	-													
22	1	1½	2	2	2	2	-												
23	1½	2	2½	3	3	3	3	-											
24	2	2½	3	3½	4	4	4	4	-										
25	2	3	3½	4	4½	5	5	5	5	-									
26	2	3	4	4½	5	5½	6	6	6	6	-								
27	2	3	4	5	5½	6	6½	7	7	7	7	-							
28	2	3	4	5	6	6½	7	7½	8	8	8	8	-						
29	2	3	4	5	6	7	7½	8	8½	9	9	9	9	-					
30	2	3	4	5	6	7	8	8½	9	9½	10	10	10	10	-				
31	2	3	4	5	6	7	8	9	9½	10	10½	11	11	11	11	-			
32	2	3	4	5	6	7	8	9	10	10½	11	11½	12	12	12	12	-		
33	2	3	4	5	6	7	8	9	10	11	11½	12	12½	13	13	13	13	-	
34	2	3	4	5	6	7	8	9	10	11	12	12½	13	13½	14	14	14	14	-
35	2	3	4	5	6	7	8	9	10	11	12	13	13½	14	14½	15	15	15	15
36	2	3	4	5	6	7	8	9	10	11	12	13	14	14½	15	15½	16	16	16
37	2	3	4	5	6	7	8	9	10	11	12	13	14	15	15½	16	16½	17	17
38	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	16½	17	17½	18
39	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	17½	18	18½
40	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	18½	19
41	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	19½
42	2½	3½	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½
43	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
44	3	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½
45	3	4½	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
46	3	4½	6	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½
47	3	4½	6	7½	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
48	3	4½	6	7½	9	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	23½
49	3	4½	6	7½	9	10½	12	13	14	15	16	17	18	19	20	21	22	23	24
50	3	4½	6	7½	9	10½	12	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	23½	24½
51	3	4½	6	7½	9	10½	12	13½	15	16	17	18	19	20	21	22	23	24	25
52	3	4½	6	7½	9	10½	12	13½	15	16½	17½	18½	19½	20½	21½	22½	23½	24½	25½
53	3	4½	6	7½	9	10½	12	13½	15	16½	18	19	20	21	22	23	24	25	26
54	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	20½	21½	22½	23½	24½	25½	26½
55	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22	23	24	25	26	27
56	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	23½	24½	25½	26½	27½
57	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25	26	27	28
58	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	26½	27½	28½
59	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28	29
60	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	29½
61	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30
62	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30
63	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30
64	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30

