

# CHESHIRE EAST COUNCIL

## Cabinet

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<b>Date of Meeting:</b>	1 <sup>st</sup> July 2014
<b>Report of:</b>	Julie Davies, Head of People and OD
<b>Subject/Title:</b>	Terms of Voluntary Redundancy and Voluntary Early Retirement
<b>Portfolio Holder:</b>	Councillor Barry Moran, Performance

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### 1.0 Report Summary

- 1.1 The Council continues to support voluntary redundancy and strives to avoid compulsory redundancies in all situations. Therefore, in reviewing the terms that the Council offers to employees volunteering for redundancy/ early retirement, the Council is keen to ensure that it demonstrates respect to its employees and promotes positive employee relations as well as ensuring that the terms provide value for money by enabling the Council to reduce its workforce in a way that is efficient and cost-effective.
- 1.2 The last review took place in October 2013 and in line with that review, Cabinet is now requested to review the terms once again and consider retaining the existing terms for a further period.

### 2.0 Recommendation

- 2.1 It is recommended that Cabinet retain the existing terms as outlined in paragraph 10.1 of the report and that a further review be carried out in September 2015.

### 3.0 Reasons for Recommendations

- 3.1 To enable Cabinet to continue the rapid development of the Commissioning Council which will require further significant workforce change and reduction. Also taking into account value for money alongside the importance of striking the right balance in facilitating organisational change and maintaining our constructive employee relations and levels of employee engagement.

### 4.0 Wards Affected

- 4.1 None

## **5.0 Local Ward Members**

5.1 None

## **6.0 Policy Implications**

6.1 Should Cabinet elect to change the current arrangements, this will represent a change to the Council's policy as to how it applies the Local Government (Early Termination of Employment) Discretionary Compensation) (England and Wales) Regulations 2006. In this event the policy will be updated to reflect the changes and published in accordance with the requirements.

6.2 In addition, the Council's Pay Policy Statement will need to be amended to take account of those changes and referred to Council with a recommendation that the revised Pay Policy Statement be adopted. Following any such Council decision, any amendments that the Council makes to its application of the discretionary regulations must be published for a month before any new terms are implemented. Traditionally, changes to the scheme have also been considered by Staffing Committee.

## **7.0 Financial Implications**

7.1 Each case for voluntary redundancy (VR) is scrutinised by Members and Officers, to evaluate the ongoing financial implications to the Council, and this process will remain in place. This reduces risks and promotes value for money in the process, by comparing the costs of each VR with the associated annual pay budget savings, and considering the pay-back period.

7.2 The medium term financial strategy assumes costs of redundancy will be met on existing terms, from approved budget envelopes, so the recommendation to retain existing terms will have no additional financial implications.

## **8.0 Legal Implications**

8.1 The current voluntary severance terms are in accordance with pension regulations and are therefore legally compliant.

8.2 The voluntary redundancy process is handled in such a way as to minimise the risk of employment and breach of contract claims and no settlements will be paid unless an approved settlement agreement has been put in place.

8.3 Managing workforce change through a compulsory process would inevitably result in the Authority being open to greater legal challenge. Such challenge would initially be by way of appeals/grievances from employees who consider that they have been unfairly selected for

redundancy and/or that there have been procedural flaws and thereafter by way of Employment Tribunal claims. As it would not be a voluntary process it would not be possible to minimise the risk of claims by the use of settlement agreements. All of this would lead to managers spending more time and effort on the redundancy process and on managing the staff affected by the risk of redundancy, and requiring greater support from HR and Legal Services than they would for a voluntary process.

- 8.4 The legal implications and background clarified in this report, in the face of continuing organisational change, support the recommendation to retain the existing terms until the next review.

## **9.0 Risk Management**

- 9.1 There is a risk that, if the staffing reductions which arise from organisational change are not managed or achieved in a timely way, the Council will overspend its staffing budgets.

- 9.2 Employers can manage changes to the size of their workforce through compulsory or voluntary means. The availability of and application of a voluntary scheme acts to support staff, minimise the disruption caused by organisational change and reduce the effects on staff morale during a lengthy period of organisational change. Voluntary arrangements can help to achieve the required workforce reductions through redeployment, re-skilling and voluntary redundancy. In offering voluntary terms, employers need to strike the right balance in facilitating organisational change, maintaining constructive employment relations and employee engagement, alongside managing the costs involved and demonstrating value for money.

- 9.3 The availability and use of a voluntary scheme also sets out the organisation's commitment to its workforce, supports its reputation and can minimise any prospect of industrial action.

- 9.4 Should a voluntary scheme be offered, the Council may still need to consider making staff compulsorily redundant if the voluntary terms offered are not sufficient to attract the necessary number of volunteers.

## **10.0 Background and Options**

- 10.1 On 28<sup>th</sup> May 2012, Cabinet resolved that in relation to the Council's workforce change and severance/termination arrangements, a multiplier of 1.80 times would be applied to a week's pay up to a maximum of 50 weeks, with effect from 20 August 2012. These were reviewed in October 2013 and are due to be reviewed again now.

The options available to Cabinet are to:

1. retain the existing terms and review at a later date;
  2. increase the current terms; or
  3. reduce the current terms to a more economical model e.g. to reduce the multiplier.
- 10.2 Councils have two key discretions as to how they can manage voluntary redundancies, firstly the ability to pay up to 104 weeks pay, with the Council having elected to pay up to a maximum of 50 weeks. Secondly Councils can elect to base the payment on the employee's actual weekly wage, a statutory upper limit or to use an amount in between the two. The Council applies the actual weekly wage.
- 10.3 Given the current financial situation, and the sufficient number of volunteers coming forward for redundancy in the past 12-18 months, there appears no immediate requirement to increase the current voluntary termination package and therefore this is not recommended.
- 10.4 Equally, reductions to the voluntary severance scheme would have the effect of making the scheme less financially attractive for some employees than compulsory terms (as notice payments only accrue in compulsory redundancy situations) and is likely to result in compulsory redundancies which would have a negative impact on levels of motivation and employee engagement, with the potential for industrial action. There would also be a greater risk of claims to Employment Tribunals on the grounds of unfair dismissal and a greater call on Legal Services and HR time / support which is likely to outweigh any difference in cost of offering the voluntary redundancy terms over compulsory / statutory terms. The VR approach maintains an incentive for employees to consider volunteering and helps to promote positive employment relations for staff continuing in Council employment.
- 10.5 The Council is now well underway with its programme of transformation and organisational change following the introduction of the new operating model, the review of the senior management structure and the establishment of a number of ASDVs to deliver key services. However, there is still a significant amount of change ahead and the VR scheme will be instrumental in facilitating and supporting this. Cabinet may therefore wish to continue to support the ambitious change programme with the current scheme for voluntary redundancy and review once more during September 2015. This would also provide a degree of consistency and equity for the workforce during this period of change.

## 11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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