

CHESHIRE EAST COUNCIL

Staffing Committee

Date of Meeting:	14 th January 2015
Report of:	Peter Bates
Subject/Title:	Terms of Voluntary Redundancy & Voluntary Early Retirement
Portfolio Holder:	Councillor Paul Findlow

1.0 Report Summary

- 1.1 The Council continues to support voluntary redundancy and strives to avoid compulsory redundancies in all situations. 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 This report recommends that the Council retain the current voluntary redundancy terms for the financial year 2016/2017 and that the next review should take place in October 2016, looking ahead to 2017/2018.
- 1.3 However, as part of the context for this review, it should be noted that in August 2015 the Government consulted Local Government and other public sector employers, on the proposal to cap exit payments at £95,000. This cap was proposed to include severance payments, the actuarial cost of any early release of pension, notice pay and payment for any annual leave not taken. The Government has responded to the consultation and confirmed that it proposes to continue to legislate to introduce a cap on exit payments. There will be some change from the original proposal in that payment for annual leave not taken will be excluded from the cap, but most of the original proposal will be progressed. It might be necessary to review the Council's policy before October 2016 once the timing and detail of the legislation are available.

2.0 Recommendations

- 2.1 It is recommended that the Council retain the current terms of voluntary redundancy until 31 March 2017 and carry out a further review in October 2016, looking ahead to 2017/18.

3.0 Reasons for Recommendations

- 3.1 To enable the Council to continue the rapid development of the Commissioning Council which will require further significant workforce change and reduction in the coming two years. 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. The terms currently offered by Cheshire East Council are more generous than those offered by some other Local Authorities in the region but less generous than those offered by Cheshire West and Chester. As closer collaboration with CWAC is anticipated there may be value in not differentiating too much between the two Authorities.

4.0 Wards Affected

- 4.1 None

5.0 Local Ward Members

- 5.1 None

6.0 Policy Implications

- 6.1 Any change to the current arrangements would 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 would be updated to reflect the changes and published in accordance with the requirements.
- 6.2 In addition, the Council's Pay Policy Statement would 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 a panel including an Elected Member and two senior Officers, to evaluate the ongoing financial implications to the Council, and to check that alternative employment has been explored as an alternative to redundancy. 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 savings, and considering the pay-

back period. Cases proposed which involve a pay-back period of over a year are particularly carefully scrutinised.

- 7.2 The medium term financial strategy assumes the 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 proposed 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 Tribunal 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 demand significantly more formal consultation with individual employees and formal meetings to give notice of dismissal. It would also 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.

9.0 Risk Management

- 9.1 The Council has achieved major headcount reductions over the past six years and the approach of offering enhanced terms for voluntary redundancy has facilitated this change.
- 9.2 Further staffing reductions will be required to achieve the savings required over the next two years, and support restructuring. In particular the reduction of in-house care services, closer integration with health partners and the need to reduce support services will all be facilitated by continuing to have a clearly differentiated offer for voluntary redundancy.
- 9.3 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.

- 9.4 The 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.
- 9.5 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.
- 9.6 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 28th 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 July 2014 and are due to be reviewed again now.

The options available are to:-

- 10.1.1 Retain the existing terms and review at a later date.
 - 10.1.2 Increase the current terms; or
 - 10.1.3 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 Reductions to the voluntary severance scheme would make the scheme less financially attractive for some employees than compulsory terms, as notice payments only accrue in compulsory redundancy situations. It is highly likely that reductions to the voluntary redundancy terms would lead to an increase in compulsory redundancies with the

associated risks. The greater calls on HR and Legal services are likely to outweigh any difference in cost of offering the voluntary redundancy terms over compulsory / statutory terms.

- 10.5 The workforce reductions expected in care in the coming two years are likely to involve a large number of lower paid staff. Reducing the terms at this point is likely to be perceived as detrimental to these staff compared with the terms offered to colleagues in other restructuring projects including the Senior management Review in 2013. In view of the need to achieve significant savings by the end of 2016/2017 it is recommended that the current terms be maintained at least until 31 March 2017. This would 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:

Name: Peter Bates
Designation: Chief Operating Officer
Tel No: 01270 860135
Email: peter.bates@cheshireeast.gov.uk