

## **Title of report: Voluntary Redundancy and Voluntary Early Retirement Schemes**

<b>Meeting:</b>	Joint Cabinet & Employment and General Committee
<b>Date:</b>	18 July 2023
<b>Cabinet portfolio:</b>	Customers and Business Transformation
<b>Directorate:</b>	Digital, HR and Customer Services
<b>For Publication</b>	

### **1.0 Purpose of the report**

- 1.1 This report recommends the adoption of a new Voluntary Redundancy and Voluntary Early Retirement policy which will support the Council in meeting its future savings targets. The policy supplements the position that is included within the Council's Restructure, Redeployment and Redundancy policy.
- 1.2 The report also recommends that a voluntary redundancy (VR) and voluntary early retirement (VER) scheme is launched to employees from 27 July 2023. This scheme will help to underpin future service reshapes and staff reductions.

### **2.0 Recommendations**

- 2.1 To approve the adoption of a new voluntary redundancy and voluntary early retirement policy.
- 2.2 To approve the launch of a voluntary redundancy and voluntary early retirement scheme, to be open between 27 July 2023 and 15 September 2023.

### **3.0 Reasons for recommendations**

- 3.1 Launching a voluntary redundancy and voluntary early retirement scheme will support the Council's budget strategy and help to minimise the requirement for compulsory redundancies in the future.

#### **4.0 Report details**

##### **Introduction**

- 3.2 The need to make redundancies is typically an upsetting and difficult time for any business. Offering a voluntary redundancy or early retirement process can be one way to ease the situation and help to preserve employee relations.
- 3.3 Chesterfield Borough Council has offered employees the opportunity to request voluntary redundancy or voluntary early retirement for several years. The existing scheme was 1<sup>st</sup> introduced in 2016, with an initial request from the Council to ask for volunteers to leave the organisation during a fixed period. The scheme has subsequently remained available for employees to request that their role is considered for voluntary redundancy or voluntary early retirement on an ad hoc basis.
- 3.4 In view of the significant financial pressure the Council is under, it is expected that there will be a further requirement to implement a reduced workforce by the end of 2023-24. As a result, the Council's voluntary early retirement and voluntary redundancy procedures have been reviewed and updated to support this need, with the expectation that around 30 full time equivalent posts would be saved as part of this approach.
- 3.5 It is proposed that a voluntary redundancy and voluntary early retirement scheme is implemented across the council to enable managers and elected members to have information about potential volunteers in advance of planning and implementing future service reshapes. This will also facilitate succession planning and career progression, which is currently a risk due to the age profile of the workforce, of which just under a third of employees are over 55 years old.

##### **Benefits of a successful voluntary redundancy and voluntary early retirement scheme**

- 3.6 The council has historically made commitments to Trade Unions to seek to avoid compulsory redundancies, by using voluntary redundancies or early retirements where appropriate, recognising the negative impact that compulsory redundancy can have on service performance and the distress and demotivation which can occur.
- 3.7 A voluntary redundancy or early retirement scheme is advantageous for both management and employees. It enables employees to come forward and initiate a discussion about their future without fear of committing themselves until exit figures have been finalised. For managers, it means they can plan

reorganisation of services more effectively, knowing in advance which employees are willing to leave.

- 3.8 A voluntary redundancy or early retirement scheme may also facilitate 'bumped' redundancy. A bumped voluntary redundancy is one in which an employee (whose post is not being deleted) volunteers to be made redundant, and their job is taken by a suitable potentially redundant employee whose post is being deleted. This avoids compulsory redundancy and may also provide opportunities for career progression.
- 3.9 Implementing compulsory redundancy is a significant drain on management time and is very disruptive for the wider workforce. Time is spent on individual consultation and in dealing with appeals which is saved if redundancy can be agreed on a voluntary basis.
- 3.10 Use of voluntary redundancy also reduces the risk of legal claims against the council. Implementation of compulsory processes carries with it the risk of disputes and employment tribunal claims. Even when these are successfully defended, they pose a further drain on resources and may incur irrecoverable costs.

#### **Voluntary Early Retirement**

- 3.11 Legislation changed in 2011 to remove the mandatory retirement age for employees. It is now up to the employee to decide when to retire.
- 3.12 Voluntary early retirement is a route which enables employees who are 55 years and older, to apply to leave the organisation voluntarily. If they are members of the Local Government Pension Scheme, these employees are entitled to immediate receipt of their pension benefits without reduction.
- 3.13 Pension strain costs occur when there is a shortfall in the assumed level of funding needed to provide a particular pension benefit. Often, these occur when a member draws down their pension benefits a lot earlier than expected. The pension strain costs must be paid up front, at the point that retirement occurs.
- 3.14 If the employee's voluntary early retirement request is accepted, the Council will cover the cost of any pension strain which is incurred. To ensure financial prudence, we will endeavour to ensure that pension strain costs are affordable, and that savings can be achieved within two years of the effective date of the early retirement.
- 3.15 If the employee requests Voluntary Early Retirement, a redundancy payment will not be made, as this is not classed as a redundancy dismissal.

#### **Voluntary Redundancy (VR)**

- 3.16 Voluntary redundancy differs from compulsory redundancy as the employee chooses to step forward voluntarily to end their employment in return for a fair financial package.
- 3.17 There is a statutory minimum redundancy payment which must be provided when an employee is made compulsorily or voluntarily redundant.
- 3.18 Employers can choose to enhance the statutory redundancy package to encourage employees to leave the organisation voluntarily. This is known as a discretionary redundancy payment. It is not Chesterfield Borough Council's policy to pay an additional discretionary payment to employees when implementing voluntary redundancy.

### **Calculating the Voluntary Redundancy Payment**

- 4.17 The council's redundancy payments scheme applies to employees with two or more years' continuous service with a body listed in the Redundancy Payments (Continuity of Employment in Local Government) Modification Order.
- 3.18 Calculation of the redundancy payment due is based on the Government's statutory redundancy scheme. The payment calculation is as follows:
- i. 0.5 week's pay for each full year of service aged under 22.
  - ii. 1 week's pay for each full year of service between the ages of 22 and 41.
  - iii. 1.5 week's pay for each full year of service worked from the age of 41 and over.
- 3.19 Chesterfield Borough Council applies the statutory weekly earnings cap to any redundancy calculation. For the financial year 2023-24 this is £643 per week.
- 3.20 In addition, the length of service which is used to calculate the redundancy payment due is also capped at 20 years of service. This means that the maximum redundancy payment which can be received by a Chesterfield Borough Council employee is £19,290 (30 weeks x £643).
- 3.21 Modelling of redundancy costs has been undertaken by individual and by team. The average cost of redundancy is approximately £6000 against an average salary of approximately £20,000.
- 4.22 There may also be a pension strain liability incurred if the employee is 55 years or older, as they will be eligible to receive their pension benefits immediately. To ensure financial prudence, we will endeavour to ensure that redundancy and pension strain costs are affordable, and that savings can be achieved within two years of the effective date of the redundancy.

### **Implementing a Voluntary Early Retirement or Voluntary Redundancy policy and process**

- 4.23 A new policy has been developed and is attached at appendix 1. This is structured on the basis that the VR and VER process is undertaken as a single exercise (which could be repeated in future years), rather than an ongoing process to which staff may apply at any time.
- 4.24 Chesterfield Borough Council's constitution already sets out that delegated authority to approve voluntary redundancy applications is delegated to the Chief Executive, as Head of Paid Service.
- 4.25 If approved, the scheme will be opened for applications from 27 July 2023 – 15 September 2023. Applicants will be asked to complete an online application form by the specific deadline. Immediate line managers will consider the employee's request and set out the consequences of approval. This will be considered by the council's Workforce Planning Group and S151 officer, in consultation with Trade Unions. A final decision will be taken by the Chief Executive. There will be no right of appeal against this decision.
- 4.26 Having all final requests routed through the Workforce Planning Group will ensure consistency and ensure that the scheme is affordable in the context of the council's savings requirements.
- 4.27 Each individual case will be assessed based on efficiency of the service and the longer-term financial considerations.
- 4.28 A payback period of not more than two years is expected. Only in exceptional circumstances will a voluntary early retirement or voluntary redundancy be approved where the financial payback exceeds two years.
- 4.29 Applications will only be accepted where it is appropriate to delete the employee's post (or the post of another member of staff who is suitable for the employee's post) as there must be a redundancy situation for voluntary redundancy to apply.
- 4.30 Where an employee's post is not suitable for deletion and the application is therefore rejected, they will be placed on a central register of employees willing to take voluntary redundancy, should another employee facing compulsory redundancy in the future be a suitable candidate for their post.
- 4.31 It is proposed that employees taking voluntary redundancy under the scheme continue to work through their notice period, unless another date is agreed by the Chief Executive, in exceptional circumstances.
- 4.32 A communications strategy will be developed to support implementation of the scheme, and this will be put into practice from week commencing 10 July 2023, if elected members approve the proposed policy and procedures. This will include general publicity about the scheme on the intranet and in staff and manager communications, drop-in sessions for staff to explain the scheme and written guidance for both managers and employees.

4.33 Consultation in respect of the proposed policy and processes has been undertaken with the Trade Unions prior to consideration by elected members.

4.34 Many stages of a voluntary early retirement or redundancy process mirror those of a compulsory redundancy process. Appendix 1 of this report also details the letter templates and process flow for the proposed scheme.

- i. The employer should ensure there are no alternative solutions to redundancy.
- ii. The employer must communicate that redundancies are required within the business and the reasons why. The voluntary early retirement and voluntary redundancy package needs to be clearly explained, along with the process that will be followed for those volunteering for redundancy or early retirement. A collective consultation meeting should be held if voluntary redundancies will exceed 20 people with a 90-day period. An example letter is included in Appendix 1. In addition, the Government must be notified of our intention to make redundancies.
- iii. The employer is advised to offer Voluntary Redundancy to all affected roles, regardless of the age or length of service (or any other characteristic protected by equality law such as gender or disability) of the employee. Failing to do so may appear discriminatory.
- iv. For those employees who express an interest in the scheme, a letter should be issued confirming the terms of the voluntary redundancy or early retirement package. This will set out if a redundancy payment is due, the notice period and leave date, and any additional benefits to be paid, including unused annual leave.
- v. Employees can decline the offer and withdraw from the voluntary process if they do not agree with the terms. If agreement is reached, the employee should confirm in writing that they wish to proceed. An example letter is attached at Appendix 1 of this report.
- vi. The employer must have a transparent and fair selection process when implementing a voluntary scheme. If there are more volunteers for the scheme than are needed, sound business reasoning must exist to support a decision to accept certain volunteers over others.
- vii. Dismissal meetings should be undertaken with those who volunteer to end their employment through redundancy as a voluntary redundancy must still be treated as a dismissal, rather than a choice to leave the organisation.

viii. Pay in lieu of notice can be provided if the employee is released prior to their notice period.

4.35 As this is a voluntary scheme, the employer does not have to agree to make the employee redundant or to support early retirement. The needs of the business should always be considered when making the decision to accept or decline the application. This enables the business to protect themselves from situations where losing skills and experience would place it at even further detriment.

## **5.0 Alternative options**

5.1 The council could continue to offer the rolling voluntary redundancy process which is in place. However, this does not actively encourage all employees to seriously consider the option of voluntary redundancy and its continuation means that it is uncertain that savings targets can be achieved by taking a voluntary redundancy approach. In addition, running a comprehensive scheme means that management can take a holistic and corporate view of the applications received, including any subsequent opportunities for bumping.

5.2 Consideration has been given to increasing the voluntary redundancy offer above the statutory terms, for example to remove the weekly cap which is applied to salary or to offer an additional discretionary payment in addition to the statutory offer. Whilst this may encourage many employees to volunteer for redundancy, the council is limited in the level of reserves which are available to support redundancy costs, and this approach may be cost prohibitive.

## **6.0 Implications for consideration – Financial and value for money**

6.1 The costs and benefits of the proposal are unknown at this stage as they are dependent on the number of applications. In implementing the scheme, the business case must identify how savings equivalent to the cost of the voluntary severance package will be made within two years of the post being closed. Ongoing savings created by the permanent closure of the post will also need to be demonstrated.

6.2 Given the scale of the continuing savings required by the council over the coming years, a suitably attractive voluntary redundancy scheme is a useful tool in mitigating the impact of compulsory redundancies on staff and overall will help support the achievement of savings.

6.3 Additional funds have been applied to the Budget Risk Reserve to cover immediate upfront costs of meeting the redundancy and pension shortfall payments.

## **7.0 Implications for consideration – Legal**

- 7.1 The council has the power to enhance the statutory redundancy scheme and to make severance payments to staff not eligible for that scheme under regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) regulations 2006 (as amended) where dismissal is for redundancy or efficiency reasons. It is not proposed that discretionary redundancy payments form part of the VR and VER policy currently.
- 7.2 Under the Redundancy Payments (Continuity of Employment in Local Government) Modification Order continuous service will be considered from bodies listed in the order. All continuous service with local authorities and other bodies covered by the Modification Order counts towards the entitlement to, and calculation of, a statutory redundancy payment, apart from any period in respect of which a redundancy payment has already been paid.

## **8.0 Implications for consideration – Human Resources**

- 8.1 It is expected that the Council will need to reduce the workforce during 2023 -24. It is hoped that at least 30 Full Time Equivalent posts can be removed through voluntary redundancy or voluntary early retirement, thereby reducing the need to implement compulsory redundancies later.
- 8.2 Trade Union colleagues have been consulted during the development of the new policy and scheme. Minor changes to the policy have been made following consultation.

## **9.0 Implications for consideration – Council Plan**

- 9.1 Launching a voluntary scheme will enable the Council to identify where there may be adverse impacts to council plan deliverables and to consider how resources can be redeployed, to ensure that Council Plan commitments can continue to be delivered, whilst reducing the size of the workforce on a voluntary basis.

## **10.0 Implications for consideration – Climate Change**

- 10.1 There are no climate change implications linked to this report.

## **11.0 Implications of for consideration – Equality and diversity**

- 11.1 The public sector equality duty, as set out in section 149 of the Equality Act 2010, requires the Council, when exercising its functions, to have due regard for the need to eliminate discrimination, harassment and victimisation and



other conduct prohibited under the Act, to advance equality of opportunity and foster good relations between those who have a 'protected characteristic' and those who do not share that protected characteristic. The protected characteristics are: age, disability gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

11.2 Having due regard involves the need to enquire into whether and how a proposed decision disproportionately affects people with a protected characteristic and the need to consider taking steps to meet the needs of persons who share a protected characteristic that are different from the needs of persons who do not share it.

11.3 A draft Equality Impact Assessment has been undertaken in respect of the proposed policy. The equalities impact of the policy implementation will be assessed as decisions are made.

## 12.0 Implications for consideration – Risk management

Description of the Risk	Impact	Likelihood	Mitigating Action	Impact	Likelihood
The voluntary scheme does not achieve the numbers required to enable the council to balance its medium-term budget	H	M	Close monitoring of the scheme will take place and alternative approaches will need to be implemented, where volunteers do not reach required levels.	H	L
The council loses skills and experience that result in a detrimental impact to service delivery.	H	H	Training and succession planning will be implemented. Date of redundancy or retirement may be amended to ensure there is not an unmanageable skills gap.	H	M

### Decision information

<b>Key decision number</b>	
<b>Wards affected</b>	All wards

### Document information

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**Background documents**

These are unpublished works which have been relied on to a material extent when the report was prepared.

*None*

**Appendices to the report**

Appendix 1	Voluntary Redundancy and Voluntary Early Retirement Policy