



Securing the future... • *Improving services*
• *Enhancing quality of life* • *Making the best use of public resources*

Council Building
The Atrium
137 Glover Street
Perth
PH2 0LQ

Friday, 19 August 2016

A Meeting of the **Executive Sub-Committee of Strategic Policy and Resources Committee** will be held in the **Board Room, Dewars Centre, Glover Street, Perth, PH2 0TH** on **Tuesday, 23 August 2016** at **14:00**.

If you have any queries please contact Committee Services on (01738) 475000 or email Committee@pkc.gov.uk.

BERNADETTE MALONE
Chief Executive

Those attending the meeting are requested to ensure that all mobile phones and other communication devices are in silent mode.

Members:

Councillor Ian Miller (Convener)
Councillor Alan Grant (Vice-Convener)
Councillor Peter Barrett
Councillor Alistair Munro
Councillor Mac Roberts

Executive Sub-Committee of Strategic Policy and Resources Committee

Tuesday, 23 August 2016

AGENDA

MEMBERS ARE REMINDED OF THEIR OBLIGATION TO DECLARE ANY FINANCIAL OR NON-FINANCIAL INTEREST WHICH THEY MAY HAVE IN ANY ITEM ON THIS AGENDA IN ACCORDANCE WITH THE COUNCILLORS' CODE OF CONDUCT.

- 1 WELCOME AND APOLOGIES/SUBSTITUTES**
- 2 DECLARATIONS OF INTEREST**
- 3 VOLUNTARY SEVERANCE SCHEME 2016 5 - 22**
Report by Depute Chief Executive (Corporate and Community Development Services) and Chief Operating Officer (copy herewith 16/362)

If you or someone you know would like a copy of this document in another language or format, (on occasion, only a summary of the document will be provided in translation), this can be arranged by contacting the Customer Service Centre on 01738 475000.

You can also send us a text message on 07824 498145.

All Council Services can offer a telephone translation facility.

PERTH AND KINROSS COUNCIL**EXECUTIVE SUB-COMMITTEE OF THE STRATEGIC POLICY & RESOURCES
COMMITTEE****23 August 2016****VOLUNTARY SEVERANCE SCHEME 2016****Report by Depute Chief Executive (Corporate and Community Development
Services) and Chief Operating Officer****PURPOSE OF REPORT**

This report updates the Executive Sub-committee on the promotion of a further Voluntary Severance Scheme to all staff, except teachers, as part of the Council's workforce management measures. It also seeks approval for the enhancement of payments available to staff who are not in the Local Government Pension Scheme and who would only be entitled to a severance payment, with no immediate access to pension.

1. BACKGROUND

- 1.1 Voluntary severance helps the Council to reshape its workforce to meet financial challenges and facilitate service redesign, transformation and efficiencies. The provisions for operating voluntary severance are contained within the approved Framework For Managing Workforce Change, Retirement Scheme and Employing Authority Pension Discretions.
- 1.2 The Council has successfully used voluntary severance schemes since 2010 as part of a suite of workforce management measures which also includes vacancy management, reducing sickness absence and enhancing performance. The Voluntary Severance Scheme provides employees with additional choices regarding their future employment and helps the Council to support people and manage change in a consensual way in partnership with employees and trade unions.
- 1.3 The last Voluntary Severance Scheme which was promoted in 2015 will result in a total of 120 employees leaving the Council's employment on various dates from February 2016 through to March 2018. Every request was rigorously assessed against the Scheme assessment criteria which examined affordability and the impact on service delivery through retaining a balanced workforce. The last Scheme approved voluntary severance requests at a cost of £3.5 million and will result in a cumulative saving of £13.9m by 2020/21.

2. PROPOSALS

- 2.1 Voluntary severance has been an effective workforce management tool. Within the Council's Unaudited Accounts for 2015/16 the sum of £15.966m is earmarked in General Fund Reserves to support the Transformation Programme (including Workforce Management), which includes future voluntary severance schemes. The Council's 2017/18 Provisional Revenue Budget includes a saving of £500,000 from voluntary severance for which proposals have not yet been identified. Therefore, it is anticipated that voluntary severance will continue to be an important tool in dealing with financial pressures in the forthcoming budget review process.
- 2.2 There continues to be interest from staff to explore options to leave their employment as they consider the range of options and opportunities through organisational change and personal circumstances. The additional turnover from voluntary severance facilitates workforce reduction and change as the Council plans for managing the anticipated continuing significant reduction in public service funding. Arrangements are therefore in hand to promote a further Voluntary Severance Scheme in August 2016 in order to encourage more staff to apply. Progress in developing transformation projects across all Services means this year, there is now a greater awareness of how services will be transformed and the likely workforce impact, thereby creating additional interest from staff and from their trade unions to explore all possible options. The scheme would not be available to teachers at this time because of the lock on teacher numbers.
- 2.3 The Voluntary Severance Scheme provides two types of benefits depending on whether the employee is eligible to access their Local Government Pension Scheme (LGPS) benefits. Those in the LGPS and eligible to retire in the interests of efficiency of the service can apply to access their pension without actuarial reduction, with a discretionary award of added years, subject to the provisions of the Retirement Scheme. This benefit is relevant to staff who are aged 50 and above, although since April 2006, new LGPS members are only eligible to access their pension from age 55.
- 2.4 The other type of benefit is a voluntary severance payment which is calculated on the same basis as a statutory redundancy payment, using actual week's pay and using a sliding scale which takes account of age and length of continuous service. There is a maximum payment of 30 weeks' pay. Those eligible for this benefit are staff aged under 50 and not eligible to access their pension, or over 50 and not in the LGPS. Of the 27 employees who have received only a severance payment since 2010, 9 employees were aged under 50. This compares with 273 employees who have retired in the interest of efficiency of the service and had immediate access to an unreduced pension.
- 2.5 A recent benchmarking exercise of other Scottish councils showed that most councils offer significantly more attractive terms to staff who are not in the LGPS, with a variety of different schemes which offer severance payments of up to 66 weeks' pay.

- 2.6 Our workforce profile confirms we have an ageing workforce. Almost the same proportion of our workforce is in the 40-49 age category when compared to the 50-59 age category. This means 30% of our single status, craft and chief officer workforce (1,218) is in the 40-49 age category compared to 32% (1,296) in the 50-59 age category. The benefits payable to those who are able to access their pension on an unreduced basis are significantly more attractive than those benefits payable to employees who cannot access their pension either because of age or not being in the LGPS. From the Council's perspective, it is normally significantly cheaper to release staff with a voluntary severance payment rather than approving access to an unreduced pension, with an award of added years where payable under the Voluntary Severance Scheme.
- 2.7 In order to ensure that voluntary severance remains as effective a tool as possible, we have considered ways of improving the attractiveness of the benefits to staff while optimising affordability, best use of resources and business benefits. The benchmarking analysis has identified an opportunity to enhance the benefits payable to employees who would not be able to access the LGPS pension on leaving the council.
- 2.8 Therefore, it is proposed that the voluntary severance terms are enhanced for employees aged under 50 and employees aged 50 and over who do not have access to a LGPS pension, and whose voluntary severance request is approved after the date of this meeting and with a leaving date through to 31 March 2018.
- 2.9 The proposal is to increase the voluntary severance payment by a factor of 2 at all levels for eligible staff. This results in a maximum payment of 60 weeks' pay rather than 30 weeks' pay. Appendix 1 details the calculation table. The effectiveness of the increase in payment in relation to interest from staff and ability to generate savings will be kept under review.
- 2.10 The change in the maximum payment under voluntary severance requires a change to one of the Employing Authority Pension Policy Discretions exercised by this Council. Under the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 as amended by the 2009 Amendment Regulations of the same name, the Council has discretion to make a lump sum payment to employees who cease to be employed by reason of redundancy or business efficiency of up to 104 weeks' pay. The proposal within this report is to use this discretion to apply a maximum payment of up to 60 weeks' pay for voluntary severance and voluntary redundancy, as described in 2.9 above. If approved, this change would be updated in relevant policy documents. For the avoidance of doubt, the maximum 30 weeks' pay calculation table would continue to apply when working out redundancy payments for staff who qualify for a redundancy payment on expiry of fixed term contracts and who are made compulsorily redundant.

- 2.11 The Voluntary Severance Scheme 2016 is being promoted to all staff groups with the exception of teachers. However, particular emphasis will be placed on marketing the scheme to groups of staff who will be covered by service reviews or transformational change. For information, the timetable and communication plan for the scheme are attached as Appendices 2 and 3.
- 2.12 The promotion of voluntary severance would invite employee requests to leave on grounds of voluntary severance or retirement in the interests of efficiency of the service up until 31 March 2018.
- 2.13 The Assessment Criteria are shown in Appendix 4. The criteria remain the same as those used in the 2015 scheme and are affordability and impact on service delivery through retaining a balanced workforce. The affordability criterion means requests must produce a saving within 5 years with a maximum weighting where the payback is achieved within 2 years.
- 2.14 Consistent with the current policy, the Executive Officer Team will make the final decision on whether or not to accept voluntary severance requests from individual employees, except for chief officers where the decision would be taken by the Executive Sub-committee of Strategic Policy & Resources Committee. The overall financial impact of these decisions will be contained within the report on the revenue budget which will be considered by the Council in February 2017.

3. CONCLUSION AND RECOMMENDATIONS

- 3.1 This report sets out the implementation arrangements for a further voluntary severance scheme. The Executive Sub-committee is asked to:
- Note the promotion of a voluntary severance scheme to all staff, excluding teachers;
 - Approve the use of the Pension Discretion available under the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 as amended by the 2009 Amendment Regulations of the same name to apply a maximum payment of 60 weeks' pay, as detailed within the report.
 - Agree the increased payment will be available to staff who are approved to leave on grounds of voluntary severance or voluntary redundancy through to 31 March 2018.
- 3.2 The outcomes from the voluntary severance scheme will be reported to Council in February 2017.

Author

Name	Designation	Contact Details
Karen Donaldson	Corporate Human Resources manager	(01738) 475430 kadonaldson@pkc.gov.uk

Approved

Name	Designation	Date
John Walker	Depute Chief Executive and Chief Operating Officer	17 August 2016

If you or someone you know would like a copy of this document in another language or format, (on occasion only, a summary of the document will be provided in translation), this can be arranged by contacting Karen Donaldson



Council Text Phone Number 01738 442573

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	Yes
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	Yes
Asset Management (land, property, IST)	No
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	No
Sustainability (community, economic, environmental)	No
Legal and Governance	Yes
Risk	Yes
Consultation	
Internal	Yes
External	Yes
Communication	
Communications Plan	Yes

1. Strategic Implications

The proposals in this report will support the delivery of the Perth & Kinross Community Plan/Single Outcome Agreement and Corporate Plan.

2. Resource Implications

Financial

- 2.1 The sum of £16 million is earmarked in the Council's Reserves for Workforce Management, which includes voluntary severance. The Council's 2017/18 Provisional Revenue Budget includes a saving of £500,000 from voluntary severance for which proposals have not yet been identified.

The criteria for assessing voluntary severance requests remain the same as those used in the 2015 scheme and are affordability and impact on service delivery through retaining a balanced workforce. The affordability criterion means requests must produce a saving within 5 years with a maximum weighting where the payback is achieved within 2 years.

The Head of Finance is involved in all decisions taken in relation to voluntary severance, with advice and support from Service Accountants throughout the process.

All outcomes from the voluntary severance scheme will be report to Council in February 2017. Any retirements in the interests of efficiency of the service will also be included within the Savings Arising From Early Retirement Decisions report which is submitted annually to the Strategic Policy & Resources Committee.

Workforce

- 2.2 The proposals contained within this report will facilitate effective workforce management and enable the Council to plan for workforce changes associated with transformation, service reviews and meeting the financial challenges over the next few years.

The Corporate Human Resources Manager is involved in all decisions taken in relation to voluntary severance, with advice and support from Human Resources Officers throughout the process.

Asset Management (land, property, IT)

- 2.3 There are no land, property and IT implications arising from this report.

3. Assessments

Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties. The Equality Impact Assessment undertaken in relation to this report can be viewed clicking [here](#).

The Equality Impact Assessment has been considered under the Corporate Equalities Impact Assessment (EQIA) process and is assessed as **relevant**, with the following positive outcomes expected following implementation:

The enhancement to the calculation of the severance payments for employees who are neither active nor deferred members of the LGPS applies to all employees, irrespective of age. Therefore, this may make requests for voluntary severance or voluntary redundancy more attractive to employees, particularly those with no immediate access to any pension provision on leaving the Council's employment.

Strategic Environmental Assessment

- 3.2 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals. No further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

Sustainability

- 3.3 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. Under the Climate Change (Scotland) Act 2009 the Council also has a duty relating to climate change. The information contained within this report has been considered and no action is required as the Acts do not apply to the matters presented in this report.

Legal and Governance

- 3.4 The Head of Legal and Governance has been consulted on the proposals contained within this report.

Risk

- 3.5 A risk log has been prepared as part of the preparation for launching the voluntary severance scheme. The key risk relates to the ability of the Pension Team in Dundee City Council as the Administering Authority for the Tayside Pension Fund to prepare and return timeously estimates of pension benefits to employees and estimated costs for the Council as employer. Actions have been identified to help mitigate the impact of this risk and will be kept under review.

Voluntary severance is an effective management tool which will help the Council manage the risks associated with achieving a balanced budget and delivering the required workforce changes in a way which mitigates the need for compulsory redundancies as far as possible.

4. Consultation

Internal

- 4.1 The Executive Officer Team has been consulted in the preparation of this report.
- 4.2 The trade unions who represent our employees have been advised of the launch of a further voluntary severance scheme and consulted on the proposed changes to the terms payable to staff who are aged under 50.

External

- 4.3 The Pension Team in Dundee City Council have been consulted on the launch of a further voluntary severance scheme because of the workload implications relating to preparation of pension estimates.

5. Communication

- 5.1 A communication plan has been prepared for the launch of the voluntary severance scheme and promotion to the workforce and is shown as Appendix 3.

2. BACKGROUND PAPERS

- Framework For Managing Workforce Change (HR Policies – Workforce Change and Fairness At Work Report No. 16/271)
- Retirement Scheme (Report No. 09/70)
- Employing Authority Pension Discretions (Report No. 09/187)

3. APPENDICES

Appendix 1 – Redundancy Payment Calculation Table
Appendix 2 – Timetable
Appendix 3 – Communication Plan
Appendix 4 – Assessment Criteria

Statutory Redundancy Table

To calculate the number of weeks' redundancy pay, cross reference the person's age and years of service and then multiply that number by the weekly salary.

Proposed For Voluntary Severance and Voluntary Redundancy: As per above, then multiply by 2. This give a maximum payment of 60 weeks' pay.

Redundancy Calculator																			
Service (complete years)																			
Age	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
17	1																		
18	1	1½																	
19	1	1½	2																
20	1	1½	2	2½															
21	1	1½	2	2½	3	-													
22	1	1½	2	2½	3	3½	-												
23	1½	2	2½	3	3½	4	4½	-											
24	2	2½	3	3½	4	4½	5	5½	-										
25	2	3	3½	4	4½	5	5½	6	6½	-									
26	2	3	4	4½	5	5½	6	6½	7	7½	-								
27	2	3	4	5	5½	6	6½	7	7½	8	8½	-							
28	2	3	4	5	6	6½	7	7½	8	8½	9	9½	-						
29	2	3	4	5	6	7	7½	8	8½	9	9½	10	10½	-					
30	2	3	4	5	6	7	8	8½	9	9½	10	10½	11	11½	-				
31	2	3	4	5	6	7	8	9	9½	10	10½	11	11½	12	12½	-			
32	2	3	4	5	6	7	8	9	10	10½	11	11½	12	12½	13	13½	-		
33	2	3	4	5	6	7	8	9	10	11	11½	12	12½	13	13½	14	14½	-	
34	2	3	4	5	6	7	8	9	10	11	12	12½	13	13½	14	14½	15	15½	-
35	2	3	4	5	6	7	8	9	10	11	12	13	13½	14	14½	15	15½	16	16½
36	2	3	4	5	6	7	8	9	10	11	12	13	14	14½	15	15½	16	16½	17
37	2	3	4	5	6	7	8	9	10	11	12	13	14	15	15½	16	16½	17	17½
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

VOLUNTARY SEVERANCE SCHEME 2016

Summary of Key Dates

	2016
Soft Launch of VSS 2016	17 August
Main launch of VSS 2016 (and changes in terms)	24 August
Deadline for employees to request estimated voluntary severance figures payable	By 9 September
HR and Pension Team provide estimated voluntary severance figures	By 4 November
Deadline for employees to formally apply for voluntary severance	18 November
Senior Management Team assessments	By 2 December
Executive Officer Team assessment	6 December
HR inform employees of EOT's final decision	9 December
	2017
Deadline for employees to formally accept voluntary severance	13 January 2017
Council Meeting	mid-February
HR advise employees of final outcome	Following Council meeting

VOLUNTARY SERVICE SCHEME 2016 - COMMUNICATION PLAN

Appendix 3

Communications Channel and Activity		Purpose		Outcome		Tasks		Lead	Timescale
Meeting/Conversation with Pensions	To agree timings for the production of estimates	Finalised dates for inclusion in our VS information						HR	
Trade Unions	To advise of VSS launch and consult on proposal to increase terms	Trade unions aware ahead of launch						HR	16 and 23 August
Spotlight on eric	Front page of eric announcing VSS is coming to stimulate interest	Employees aware that another VSS is about to be launched						HR	17 August
EOT to cascade message	Announce VSS is coming to stimulate interest	Managers aware that VSS is about to be launched						EOT	17/19 August
Corporate Management Group	Update on VSS terms and assessment process. Stress importance of initial assessment.	Heads of Service aware of terms, timetable and assessment process.						KAD	23 August
Spotlight on eric	Front page of eric announcing VSS is open for applications	Employees aware VSS 2016 has launched and are encouraged to apply						HR	24 August
Inside News Bulletin on eric (inc HR on the Road)	Announcement of VSS and to provide contact details	Employees aware VSS 2016 has launched and are encouraged to apply						HR	24 August onwards
Posters	Announcement of VSS and to provide contact details	Employees aware that VS is available and are encouraged to apply						HR	24 August onwards
Learning Lunches	To provide details of scheme and the process	Employees have enough information to make a decision						HR	August - October
VSS Pages on eric	To provide details of scheme, process and make relevant forms available	Employees have enough information to consider if they wish to express an interest in VSS						HR	24 August
Acknowledgements emailed to employees		Employees are reassured their request has been received						HR	
Pension/Severance information emailed to employees		Employees have information to make a final decision						HR	
EOT decisions emailed to employees		Employees submit signed formal agreement to leave under VSS						HR	
VSS pages on eric	Advise employees of decision of Council and that the Scheme is now closed	Employees aware of number of applications, numbers approved and arrangements for new requests						HR	Mid February and after individuals are advised of outcome

Criteria For Assessment

The following criteria and weightings will be applied in assessing all requests for voluntary severance.

		Weighting
1	Sustainable Revenue Budget Savings	12
2	Impact on service delivery and balanced workforce	6

Each criterion is described in detail, along with the points to be awarded following assessment. The weighted score for each criterion will be calculated by multiplying the points awarded by the weighting. A total weighted score for each employee will be calculated by adding together the weighted scores for both criteria. A higher score will indicate a more favourable assessment. Each service will be asked to rank their employees according to their total weighted scores. Services must highlight employees who are linked by being in the same team.

Criteria

1 **Sustainable Revenue Budget Savings** – evidence must be detailed in the Financial Assessment Form.

- 0 Payback period of > 60 months
- 2 Payback period of > 48 months ≤ 60 months
- 4 Payback period of > 24 months ≤ 48 months
- 6 Payback period of ≤ 24 months

A lesser amount of added years may be offered to make requests affordable.

2 **Impact on Service Delivery and Balanced Workforce** – assess impact on ability to deliver efficiencies, improvement & transformation, impact on effective service delivery, impact on workforce, impact on customer, impact on partners or other Council services. Please provide examples/evidence to support assessment.

- 2 Significant adverse impact on customer, service delivery, workforce, partners, other Council services, impedes improvement, transformation, efficiency
- 2 Neutral impact
- 4 Significant positive impact on delivering efficiencies, improvement or transformation; providing opportunities for redeployment, entry level posts eg Modern Apprentices, Professional/Graduate Trainees; significant positive impact on customer or service delivery, partners, other Council services.

