

AGENDA ITEM 11**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL****CABINET****25TH JUNE 2015****REVIEW OF THE COUNCIL'S VOLUNTARY EARLY RETIREMENT AND
VOLUNTARY REDUNDANCY SCHEME****REPORT OF THE DIRECTOR OF HUMAN RESOURCES****Author: Richard Evans, Human Resources****1. PURPOSE OF THE DISCUSSION PAPER**

The purpose of the paper is to seek Cabinet's view on whether to amend the Council's current Voluntary Early Retirement (VER) and Voluntary Redundancy (VR) Scheme in light of the current financial issues facing the Council.

2. RECOMMENDATIONS

It is recommended that Members:-

2.1 Determine to either:

2.1.1 reduce the current Council VER/VR Scheme from 50 weeks to 30 weeks discretionary enhancement.

2.1.2 retain the existing Council Discretionary Scheme at 50 weeks but apply a cap to the weekly wage currently used in the calculations, to reflect the statutory weekly wage used for redundancy calculations (currently £475 per week).

2.1.3 reduce the current Council VER/VR Scheme from 50 weeks to 36 weeks discretionary enhancement.

2.1.4 reduce the current Council VER/VR Scheme from 50 weeks to 40 weeks discretionary enhancement.

2.1.5 reduce the current Council VER/VR Scheme from 50 weeks to 45 weeks discretionary enhancement and apply a cap to the weekly wage currently used in the calculations, to reflect the statutory weekly wage used for redundancy calculations (currently £475 per week).

2.2 If so determined, to agree an implementation date for the revised Policy to take effect and authorise the Director of Human Resources to publish a statement of the amended Policy.

- 2.3 Note that the implementation of the Policy change cannot take effect until one month after the date of publication of the statement.

3. BACKGROUND

- 3.1 At the Cabinet meeting of 16th December 2014, Members determined to defer consideration of the decision on any amendment to the existing VER/ VR scheme, for a six month period and requested that the responsible officer undertake a further 'Expressions of Interest' (EOI) exercise.
- 3.2 This EOI exercise has now been completed and where appropriate, applications for VER/ VR are currently being progressed. However as the six month period agreed at the last Cabinet meeting is now coming to an end, there is a need for the report to be reconsidered.
- 3.3 Members will recall from the last report that the ability to utilise VER/VR schemes is an integral part of any Change Management initiative such as restructures, downsizing exercises or service reviews. If there are resultant job losses then individuals can apply under specific criteria for each scheme and effectively 'volunteer' for redundancy. This helps to 'soften the blow' associated with redundancy and also avoids any legal challenge that a compulsory redundancy situation may bring. The Council's VER/ VR schemes have been available since 1996 with a major review in 2007 as a result of changes in respect of age legislation and pension regulations. The whole basis of any VER/VR scheme is that there must be a redundancy situation and the post must be deleted from the departmental structure with resultant savings to the departmental budget.
- 3.4 With the continued austerity measures and service cuts programme having to be adopted, the Council agreed on the 27th November 2013, to reduce the Scheme introduced in 2007, moving from a discretionary maximum of 74 weeks to 50 weeks. This reduced costs associated with the Scheme at the time by 32%.

4. REVIEW OF SCHEME

- 4.1 In light of the ongoing budgetary gap being faced by the Council, all avenues for cost reduction are being explored and the VER/ VR Schemes cannot be excluded from consideration.
- 4.2 The maximum statutory redundancy entitlement is 30 weeks and this is factored into any discretionary scheme operated by local authorities. The current Scheme is based on a maximum of 80 weeks payment, with the discretionary element accounting for 50 weeks of the total payment.
- 4.3 If Members were of a view to amend the current scheme, then in terms of an impact cost wise, the option previously reported in December 2014, would be to reduce the discretionary element from 50 weeks to 30 weeks to give a maximum overall payment to an employee facing redundancy within the Council of 60 weeks pay. Based on the applications that have been approved by the VER Panel over the last 12 months, then it is estimated that if this option was introduced, costs to the Council would have been reduced by 25%.

- 4.4 However during the deferment period, a further four options have also been explored which are detailed below for Members consideration.
- 4.5 The first option would be to retain the current discretionary element at 50 weeks but the weekly wage used would be capped to reflect the statutory weekly wage used for redundancy calculations (currently £475 per week). Such a cap would impact on those roles paid at a salary equivalent of Grade 9 and above viz £27,123. In terms of the Council's current workforce 77% fall within Grade 8 and below. Based on the applications that have been approved by the VER Panel over the last 12 months, then it is estimated that if this option was introduced, costs to the Council would have been reduced by 30%.
- 4.6 The second option would be to reduce the discretionary element from 50 weeks to 36 weeks to give a maximum overall payment to an employee facing redundancy within the Council of 66 weeks pay. Based on the applications that have been approved by the VER Panel over the last 12 months, then it is estimated that if this option was introduced, costs to the Council would have been reduced by 17%.
- 4.7 The third option would be to reduce the discretionary element from 50 weeks to 40 weeks to give a maximum overall payment to an employee facing redundancy within the Council of 70 weeks pay. Based on the applications that have been approved by the VER Panel over the last 12 months, then it is estimated that if this option was introduced, costs to the Council would have been reduced by 12%.
- 4.8 The fourth option would be to reduce the discretionary element from 50 weeks to 45 weeks to give a maximum overall payment to an employee facing redundancy within the Council of 75 weeks pay and also include that the weekly wage used would be capped to reflect the statutory weekly wage used for redundancy calculations (currently £475 per week). As highlighted in paragraph 4.5 above, the introduction of a cap would impact on those roles paid at a salary equivalent of Grade 9 and above viz £27,123. Based on the applications that have been approved by the VER Panel over the last 12 months, then it is estimated that if this option was introduced, costs to the Council would have been reduced by 6% for staff at the salary equivalent of GR8 and below and 34% for posts at the salary equivalent of GR9 and above.
- 4.9 In line with the previous report, attached at Appendix 1 for comparison purposes are details of schemes within other Welsh Authorities. However since the deferment in December 2014, based on the information available, one local authority has recently reviewed its scheme.
- 4.10 In this case Cardiff Council has reduced the discretionary element from a maximum of up to 66 weeks, to a maximum of up to 45 weeks but they still apply the statutory weekly wage used for redundancy calculations. That change was effective from April 2015.

APPENDIX 1

DISCRETIONARY COMPENSATION COMPARISON				
AS AT 31/10/13		AS AT 29/10/14		
Category	Authorities	Category	Authorities	
Up to 75 Weeks (Pembroke)	1	Up to 75 Weeks (Pembroke)	1	Pembroke
Up to 74 Weeks (RCT)	1			
Up to 66 Weeks	2	Up to 66 Weeks	2	Cardiff Gwynedd
Up to 60 Weeks	4	Up to 60 Weeks	2	Newport Torfaen
Up to 52 Weeks	1			
		Up to 51 Weeks	1	Monmouth
		Up to 50 Weeks (RCT)	1	RCT
Up to 49.5 Weeks	1	Up to 49.5 Weeks	1	Vale of Glamorgan
Up to 45 Weeks	8	Up to 45 Weeks (Multiplier of 1.5 wks)	10	Anglesey Carmarthen Ceredigion Denbighshire Flintshire NPT Powys Swansea Conwy Wrexham
		Up to 45 Weeks (but 60 wks if no access to pension)	1	Blaenau Gwent
Up to 30 Weeks	1			
Statutory Only	1	Statutory Only Whilst not included within their formal scheme, Merthyr Tydfil Council currently allow a 20% enhancement for Volunteers.	1	Merthyr
Others		Others		
Under 55 = 55 wks Over 55 = 36 wks	1	Under 55 = 55 wks Over 55 = 36 wks	1	Bridgend
Under 55 = 60 wks Over 55 = 30 wks	1	Under 55 = 60 wks Over 55 = 30 wks	1	Caerphilly
Total	22	Total	22	

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