

WEST DUNBARTONSHIRE COUNCIL

Report by the Chief Executive

Corporate Services Committee: 28 March 2007

Subject: Voluntary Severance/Voluntary Early Retirement Exercise - 2007

1. Purpose

- 1.1** To provide Committee with an update on the Scheme of Voluntary Early Retirement and Voluntary Severance which was agreed at Corporate Services Committee on 28 November 2006, and to ask Committee to note the contents of the report.

2. Background

- 2.1** The Council's financial position presents significant challenges, which will be intensified by the potential costs of the implementation of the single status agreement. A voluntary severance/voluntary early retirement scheme was introduced in January 2007 to provide a mechanism for managing staff resources in a way, which would meet the Council's goals and objectives whilst being fair to employees.
- 2.2** The generation of vacancies would enable Directors/Heads of Service to facilitate the reorganisation of their services or Department and create a more effective structure.
- 2.3** An implementation timetable was agreed with the Scheme being launched in December 2006. The formal application process was available during the month of January and Directors/Heads of Service reviewed the applications during January/early February. Employees were notified of the outcome of their application at the end of February.
- 2.4** Any case for agreement to voluntary early retirement or voluntary severance required to demonstrate that the release of the post would be in the financial interest of the Council, and where approval was reached the employee would leave the service of the Council between 30 April and 30 June 2007.

3. Main Issues

Response to Scheme

- 3.1** There was a low response to the Scheme with just under 200 applications being received. A similar exercise carried out in the previous year attracted approximately 600 applications of interest. This year supporting guidance was provided to employees clearly outlining employees who would be eligible

for consideration, and this meant that there was not a large volume of applications from front-line staff whose posts could not be released.

- 3.2** Taking into account financial constraints the Council offered up to 6 2/3rds added years for employees over 50 who were in the pension scheme. This reflects the practice of a number of other local authorities that are not utilising their discretion to award the full 10 years. This did not deter applicants, as the main group who expressed interest in the Scheme were those aged over 50.

Early Retirement with Added Years

- 3.3** The largest volume of applicants (74%) were from employees aged 50 or over who have access to their pension and would be awarded early retirement with added years. However, any associated costs with early release from the pension fund require to be met by the Council and this includes strain on the fund costs if the employee is under 60, additional lump sum costs and an ongoing cost for additional added years. If the employee is over 60, there are no strain on the fund costs and this can be beneficial in the case of flexible early retirement where hours or grades are reduced and the employee remains with the Council, thus utilising key skills which the employee has acquired.

Voluntary Severance

- 3.4** The remaining applications (26%) were from employees who were either not in the pension scheme or under age 50 who would be eligible for a severance payment.
- 3.5** The severance package was calculated using the statutory redundancy calculator of up to 30 weeks multiplied by 2 and is based on age and length of service. This can appear more attractive to longer serving employees who would accrue a higher severance payment. However, this means that the Council not only incurs costs in terms of higher severance payments but also the loss of skills and knowledge which have been acquired over a longer period of time. Depending on how the loss of skills is managed this may impact on service delivery.

Release of Employees

- 3.6** A longer application period was set this year, however until all applications were received it proved difficult for Directors/Heads of Services to be in a position to fully consider the impact of releasing a post. Any delay in seeking costs meant that it was difficult for the Pension Office to provide the associated costs to meet the February deadline and not all information was received by the w/c 26th February 2007.

4. Personnel Issues

- 4.1** Consideration should be given for future early release schemes to be part of the Council's strategic workforce plan. Corporate Personnel should work closely with Departments to focus on the needs of service delivery and to consider underlying reasons for early release schemes. In turn schemes can be developed to meet both the financial and business need of the Council.

5. Financial Implications

- 5.1** Any costs associated with early release are borne by the Council. In the case of early retirement the additional lump sum is met in the first year and strain in the fund costs are spread over a maximum of 9 years. Costs for additional added years awarded are ongoing. Severance payments are met in the first year.
- 5.2** A further report will be submitted to Committee in September when full costs and projected long terms savings are known.

6. Risk Analysis

- 6.1** The underlying reason for the voluntary severance/voluntary early retirement scheme was to generate savings through reduced staffing. However there is a risk that voluntary schemes will not attract sufficient interest, or interest from both short and long term employees, and more flexible strategies require to be developed to support the Council's overall workforce plan.

7. Conclusions

- 7.1** Early release schemes require to be part of the Council's workforce strategy with a clear focus on the reason for the trawl. The main applicants to the current Scheme were over 50's who were members of the pension scheme, however these applicants also tended to be longer serving employees who have built up their skills base and knowledge over a period of time.
- 7.2** Future schemes require to be developed to attract applicants from employees with short service through a more effective severance package which meets financial and business needs.
- 7.3** The loss of key skills and knowledge has to be managed to support the service and flexible retirement options for over employees over 60's help retain key skills with lower associated costs.

8. Recommendations

- 8.1 Committee is invited to note the contents of this report and that a further report will be submitted in September 2007 providing details on the costs/savings associated with the Scheme.**

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Date: 15 March 2007

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Appendices: N/A

Background Papers: N/A

Wards Affected: All wards are indirectly affected.