

Highland Council
15 December 2016

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| Agenda Item | 13 |
| Report No | HC/54/16 |

Employee Early Release Scheme (EERS)

Report by Depute Chief Executive/Director of Corporate Development

Summary

This report presents proposals for an Employee Early Release Scheme (EERS) to enable the Council to make reductions in its workforce in a way that is affordable and in line with the reductions in funding available for the 2017/18 revenue budget.

1. Background

- 1.1 The Pre-Budget Statement reported to the Council on the 27 October 2016 stated that it is anticipated that Local Government can expect a grant settlement in line with that for 2015/16, suggesting that the Council could see its grant reduced, in cash terms, by a further 4%. It went on to confirm that the scale of uncertainty, and the potential for significant funding cuts, means that the Council will require to address the situation and provide options for budget savings in a very short timescale if a balanced budget for 2017/18 is to be achieved.
- 1.2 Consequently officials have been undertaken budget planning based on the need for significant cuts in budgets and the need to stop delivering some services. It is inevitable that a further significant reduction in budgets will require the Council to reduce the size of its workforce.
- 1.3 The Highland Council remains committed to minimising the requirement for compulsory redundancies wherever possible, and in order to achieve this a number of measures have already been put in place including recruitment controls, reduced usage of agency staff and a managed programme to reduce overtime. All of these measures are intended to increase the pool of redeployment opportunities and to support a programme of redeployment and retraining which will be launched early in the new year.
- 1.4 The Voluntary Redundancy Scheme launched in January 2016 was effective in delivering workforce reductions and savings required for the 2016/17 budget. It did, however, require significant funding. This paper sets out proposals for an Employee Early Release Scheme, to achieve further reductions in 2017/18 but at a reduced cost which is within the Council's level of affordability.

2. Employee Early Release Scheme (EERS)

- 2.1 The Employee Release Scheme (EERS) allows employees to leave employment of the Council on the basis of mutual consent and receive a compensation payment. Compensation would be tax free up to £30,000 (as set in legislation) based on the premise that the employee gives and works their full contractual notice (4, 8 or 12 weeks).
- 2.2 It is proposed to offer employees a one-off compensation payment of 26 weeks salary or early access to unreduced pension (for staff ages 55 and over at the time of the Scheme and subject to meeting the eligibility criteria). The proposed scheme is set out at appendix 1.
- 2.3 In order to maximise potential uptake it is proposed to offer the scheme to all employees with more than one year's continuous service, other than those on teaching or NHS conditions of service.
- 2.4 Further to Council approval a communication would be sent to staff in December 2016, giving notice that the Scheme will open on 5 January 2017 and close to applications on 26 January. A recommendation regarding which applications are to be accepted would then be made to Council on 16 February 2017.
- 2.5 Early access to pensions will require a change to the current discretionary policy to allow the Council to consider applications from employees to access their pension at age 55 (subject to eligibility criteria). The current scheme requires employees to be aged 60 before they can retire with access to their pensions. Going forward it is proposed to handle applications (under age 60) on a case to case basis in a similar way to the existing flexible retirement policy.
- 2.6 Consultation has been initiated with relevant trade union representatives on the detail and the proposed operation of the scheme.
- 2.7 The opportunity for employees to choose to leave the Council will have the effect of creating redeployment opportunities for those employees whose positions are being removed as a result of budget reductions. Thereby enabling the Council to fulfil its obligation of avoiding compulsory redundancies wherever possible.

3. Voluntary & Compulsory Redundancy Policy

- 3.1 The Council's current Redundancy & Redeployment Policy contains a scheme of compensation payment which, although similar to other Scottish Local Authorities, is significantly more generous than the statutory entitlement. Although every effort will be taken to minimise the need for future redundancies, if these are required in the future, the cost based on the current provision may be considerable.
- 3.2 It is therefore the case that the current policy is not affordable within the current financial environment and it is intended that, through negotiation with the recognised trade unions, to reduce the cost of potential future redundancies, with the effect of saving jobs and protecting essential services. Consultations

have therefore been initiated with the relevant trade unions representatives to change the terms of the policy and any proposals will be brought to the appropriate Committee for approval.

4. Implications

4.1 Financial

The cost of operating the voluntary redundancy exercise in 2016 was c.£12M and led to a reduction of c.350 posts. For comparison, if the same employees had left the organisation under the proposed scheme the cost would have been c.£4-5m; a saving of c.£7-8M. The exact cost of operating the EERS will depend on the pay grade of staff that apply to leave under the Scheme and balance of those leaving with compensation payments and those leaving with their pension. However, it will provide an affordable way to reduce the workforce while minimising the need for compulsory redundancies.

4.2 It is proposed that the scheme be funded from the Council's reserves, within an affordable total cost limit, by using any year end underspends and by releasing some ear-marked reserves using a risk based approach. The affordability limit will depend on the anticipated year end balances position once the current year outturn is taken into account. The funding of the Scheme will be reported to the Council in February 2017 and will inform the final decision on the number of applications to be accepted.

4.3 Equalities

The Scheme would be open to all employees (with the exceptions noted). However, depending on the make-up of the population of leavers, the proposals could be seen as age discriminatory and this risk would be mitigated by structured decision making based on agreed criteria.

4.4 Legal

EERS is not a voluntary redundancy scheme, instead employees are choosing to resign and will be compensated. In order to formalise this employees would be required to sign settlement agreements and re-employment would not be allowed within an agreed period of time.

5. Risks

5.1 The resignation of a significant number of employees through EERS could risk employee engagement, morale and service delivery if the outcomes are not managed carefully. To mitigate this it is advised that Service Senior Management Teams carefully consider impacts and plan for the necessary changes as part of the decision making process.

5.2 The Council's current level of reserves is at a low level, and just under 2% of the net revenue budget. This is a level lower than desired, but still provides balances at a level sufficient to meet any significant and unforeseen event. Delivering a balanced budget will require a reduction in existing staff numbers, and a one-off cost against reserves is a necessary step to achieve this financial requirement. The impact on balances will be mitigated by action taken now with regards to staff recruitment and non-essential spend, which should deliver a year end underspend and increase in existing balances. There is also some

scope to review other earmarked reserves should this prove necessary.

- 5.3 There is a risk that uptake could be low, rendering the scheme less effective in allowing savings.
- 5.4 Finally there is a risk that there will be an impact on service delivery where staff are being redeployed and require a period of training and support in order to undertake their new role.

6. Recommendations:

Members are asked to approve the:

- Launch of the Employee Early Release Scheme as set out in Section 2;
- Change to the current discretionary policy to consider applications from employees leaving the organisation to access to their pension at 55 (subject to eligibility criteria) on a case to case basis;
- Final decisions on the applications to be accepted and confirmation of the funding of the Scheme be reported to Council in February 2017.

Members are asked to note the:

- Proposed funding of the EERS scheme as detailed at para 2.4;
- Early negotiation with the trade unions on the voluntary and compulsory redundancy compensation under the Redundancy & Redeployment Policy

Designation: Depute Chief Executive /
Director of Corporate Development

Date: 07 December 2016

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APPENDIX 1 – Employee Early Release Scheme

Highland Council

Employee Early Release Scheme

5th January 2017 to 26th January 2017

1. Introduction

- 1.1 The Highland Council is looking at ways to minimise the number of compulsory redundancies across the organisation. In response to this the Council has decided to ask for volunteers to apply for an Employee Early Release Scheme. This scheme enables individuals to consider if the time is right for them to move on and explore new opportunities, if doing so meets their personal circumstances and the ongoing needs of the Council. The scheme offers employees to resign by mutual consent and the employee will receive the associated benefits of the scheme, outlined below.

2. Criteria for eligibility

- 2.1 The scheme is voluntary and is open to all employees with more than one year's continuous service, with the exception of Teachers and employees delivering NHS commissioned services under our integration scheme.

3. Benefits associated with the scheme

- 3.1 There will be two options available under the Employee Early Release Scheme:

- Receive 26 weeks basic pay as a compensation payment and access to actuarially reduced pension entitlement , if applicable

OR

- Access to unreduced pension, if applicable and no additional compensation payment

Compensation payments up to £30,000 are not subject to deductions for tax.

- 3.2 An online estimate is available for eligible employees that will calculate compensation payments and pension options.
- 3.3 Compensation benefit estimates will be based on the employee's basic pay.
- 3.4 Pension estimates will be based on an employee's length of membership and pensionable pay up to the proposed future employment end date.

4. Procedure

- 4.1 The Council recognise that making this decision will be difficult for employees. Full information and guidance is available on the Highland Council Employee Early Release scheme web pages. Employees who have specific concerns or require assistance with the procedure can speak to an adviser who can assist them by calling the Helpline on (01349) 886669.
- 4.2 Applying for Employee Early Release means that an employee's application will be considered by the Service.
- 4.3 Employees who wish to consider this early release should view the online estimate.
- 4.4 Once the estimate figures have been obtained and the employee wishes to progress their application, the employee will apply for Employee Early Release through the Workforce Change web pages.
- 4.5 Where an employee making an application is employed in more than one post they will be required to leave all their posts to take advantage of the scheme.
- 4.6 Once the period of this scheme is closed, Service Senior Management Teams, advised by their Finance Manager and HR Business Partner, will consider the applications.
- 4.7 Applications will be considered based on savings and the impact on service provision, including the ability to reorganise services within budget, and the impact on other posts.
- 4.8 Directors will collate details of applications, business cases and proposals in a standard report and submit these to the Director of Finance for consideration before full scrutiny by the Executive Leadership Team. These reports should include:
- Details of applications and proposals
 - Details of business cases (where required – see section 4.9)
 - Details of financial savings
 - Impact on Service delivery
 - Details on any equality impact assessment
 - Impact on other staff post removal of posts
- 4.9 If the employee's application is accepted for the Employee Early Release scheme then the employee will resign and sign a settlement agreement. The employee will be required to work their full contractual notice to receive the benefits, as outlined above.
- 4.10 Approved applicants who wish to withdraw their application from the scheme must do so before they sign a settlement agreement.

5. Period of the Scheme

5.1 This Employee Early Release Scheme will be open to applications from eligible employees for the period from 5th January 2017 to 26th January 2017

6. Further information

6.1 Full information and guidance are available on the Highland Council Workforce Change web pages. Employees who have specific concerns or require assistance should speak to an adviser who can assist them by calling the Workforce Change Helpline on (01349) 886669.