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## **MANAGING OUR WORKFORCE: PROPOSALS TO SECURE EARLY RETIREMENTS AND VOLUNTEERS FOR SEVERANCE IN THE SCOTTISH BORDERS COUNCIL**

**Report by Chief Executive**

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**Scottish Borders Council**

**21 May 2015**

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### **1 PURPOSE AND SUMMARY**

- 1.1 **This report seeks approval for 15 members of staff who have requested early retirement and voluntary severance. These volunteers have the support of the Chief Executive, Depute Chief Executives and Service Directors.**
- 1.2 Council agreed a revised policy for both compulsory redundancy and voluntary severance/early retirement schemes in August 2010. The scheme was open to all staff, except teachers.
- 1.3 For the period, January – April, 34 expressions of interest were received from **staff** of which 15 applications are supported by Service Directors. Should all 15 applications be agreed, total one-off costs of £516,051 will be incurred and total direct recurring employee cost savings of £320,763 will be delivered each year, demonstrating an average payback period of 1.61 years which is an attractive proposition for the Council.

### **2 RECOMMENDATIONS**

- 2.1 **I recommend that the Council approves the current 15 staff applications as detailed in Appendix 1 with the associated costs being met from the Voluntary Severance/ Early Retirement budget for 2015/16 of £718,000.**

### 3 EARLY RETIREMENTS AND VOLUNTEERS FOR SEVERANCE BACKGROUND

- 3.1 At its meeting of 19 August 2010, Scottish Borders Council agreed a revised policy for both compulsory redundancy and voluntary severance/early retirement schemes, including the creation of a budget provision to fund such applications in future years. Following this, the Executive agreed that in order to enable the Council to deliver an affordable balanced financial plan for 2012/13 and beyond, this revised policy would be open to all staff indefinitely and teachers as required, which would allow the organisation to reduce its overall staff numbers.
- 3.2 Definitions
- early retirement: voluntary retirements in the interests of efficiency for staff over the age of 50 who can access pension
  - voluntary severance: where staff are allowed to volunteer to leave the organisation with a compensation payment but without their posts being declared redundant and where there is no access to pension.
- 3.3 There have been a total of 34 expressions of interest for voluntary early retirement or voluntary severance for this period.
- 3.4 All volunteers were evaluated against a number of criteria, including length of service, skills held, cost and financial payback, by the appropriate departmental Service Director. Of the original expressions of interest, currently **15** applicants remain interested, with their application being supported by their Service Director.

### 4 PROPOSALS

- 4.1 Following Council approval offers will be confirmed to individuals. It has been made clear that final release dates will be dependent on operational needs and in many cases, this date has not yet been finalised and will range over a period of up to 15 months, commencing immediately. For the purposes of cost / benefit analysis, a severance date of the 30 June 2015 has been used for all services.
- 4.2 15 applications have been approved in principle, reducing FTE posts by 12. A summary of the approved applications by department and the FTE equivalent is summarised in Table 1 below.

Table 1 – Summary of current applications FTE reduction by department

<b>Department</b>	<b>FTE Reduction</b>	<b>FTE Replaced</b>	<b>Final FTE Reduction</b>
Chief Executive's	1.0	1.0	0.0
People – non teaching	7.0	0	7.0
Place	4.0	0	4.0
<b>Total</b>	<b>12.0</b>	<b>1.0</b>	<b>11.0</b>

- 4.3 Should all the current applications above be agreed, total one-off costs of £516,051 will be incurred. This is made up of two components, a severance lump-sum and a payment of the additional cost to the Local Government Pension Scheme of staff retiring early. A detailed outline of these additional costs, again by department, is in Appendix 1.
- 4.4 Each individual application has been closely examined and evaluated in terms of whether there is a robust business case supporting the application. None of the applicants is currently a subject of either the Managing Absence or Poor Performance Policy. Whilst taking due account of non-financial aspects such as performance improvement or increased structural flexibility, the financial benefits of accepting the application, including the length of time of financial payback, formed the main consideration.

## 5 IMPLICATIONS

### 5.1 Financial

- (a) The purpose of this exercise is to facilitate the reduction in overall employment costs to the Council. As detailed above, an assessment has been made of potential savings in each Department and considered against the estimated costs incurred and overall efficiency in terms of non-financial benefits. There is sufficient funding available within the 2015/16 Early Retirement / Voluntary Severance budget to meet the cost of these applications.
- (b) In total, £320,763 of direct recurring employee cost savings will be delivered in year 1, should all of the above 15 applications be accepted. A breakdown of the expected net annual staffing savings by department is detailed in Table 2 below.

Table 2 – Expected employee cost savings Year 1

<b>Department</b>	<b>Employee cost savings nearest £</b>
Chief Executive's	11,624
People – non-teaching	205,051
Place	104,088
<b>Total</b>	<b>320,763</b>

- (c) The financial payback associated with each of the proposals above varies however; the average payback period for all staff is 1.61 years, which is an attractive proposition for the Council. The associated costs of £516,051 will be met by the 2015/16 Early Retirement/Voluntary Severance provision.

## 5.2 **Risk and Mitigations**

- (a) Failure to agree the attached voluntary severance/early retirement proposals or a significant proportion thereof will result in an inability by the Council to deliver a number of its commitments within the 2015/16 financial plan, agreed by Council on 12<sup>th</sup> February 2015. The scheme is a valuable enabler in ensuring that the Council continues to deliver savings and the financial plan is affordable and sustainable.
- (b) It is also essential that agreement by Members is secured as a matter of urgency in order that the necessary arrangements are put in place quickly and a plan of implementation developed in order that the maximum financial benefit from the scheme can be accrued as soon as possible.
- (c) As part of the monitoring of Early Retirement/Voluntary Severance decisions it is important that members are aware of the impact on the composition of scheme membership, arising through people granted Early Retirement/Voluntary Severance leaving the service of the Council.
- (d) Should the balance of pension fund membership change substantially due to Early Retirement/Voluntary Severance decisions there may be a need to change the funding strategy of the pension fund towards more income generating investments.
- (e) The Local Government pension fund continues to keep the composition of membership under review to ensure that the future funding strategy is optimised with respect to the relative number of active scheme members to pensioners drawing benefits.

## 5.3 **Equalities**

- (a) An Equalities Impact Assessment has been carried out on this proposal and is not discriminatory in terms of protected characteristics.

## 5.4 **Acting Sustainably**

- (a) Not Applicable.

## 5.5 **Carbon Management**

- (a) No effect on carbon emissions are anticipated from the recommendations of this report.

## 5.6 **Rural Proofing**

- (a) Not Applicable.

## 5.7 **Changes to Scheme of Administration or Scheme of Delegation**

- (a) No changes to either the Scheme of Administration or the Scheme of Delegation are required as a result of this report.

## 6 CONSULTATION

- 6.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit and Risk, the Chief Officer Human Resources and the Clerk to the Council have been consulted and their comments have been reflected in this report.

### Approved by

**Tracey Logan**  
**Chief Executive**

**Signature .....**

### Author(s)

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**Background Papers:** Nil

**Previous Minute Reference:** Council 18 December 2014

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