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

Report by Chief Executive

Scottish Borders Council

21 May 2015

1 PURPOSE AND SUMMARY

- 1.1 **This report seeks approval for 38 teaching 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. This was later amended to include all staff indefinitely and teachers as required. Therefore, in January 2015 an opportunity for teaching staff to access an early retirement/voluntary service scheme was opened between January and March 2015.
- 1.3 For the period January – March, 102 expressions of interest were received from **teaching staff** of which 38 applications are supported by the Service Director.
- 1.4 Of the 38 supported applications 27 have opted for a one off severance payment and 11 have opted for a compensatory pension payment. Should all 27 applications for severance be agreed, total one-off costs of £749,539 will be incurred with year 1 employee cost savings of £503,112 being delivered, demonstrating an average payback period of 1.49 years.
- 1.5 Should the 11 applications for compensatory pension payment be agreed, total one-off costs of £48,201 will be incurred with an annual recurring cost of £16,840, delivering year 1 employee cost savings of £217,722. (A compensatory pension payment is an actuarially reduced pension and lump sum based on pensionable service paid by the employer for the lifetime of the employee.)

2 RECOMMENDATIONS

- 2.1 I recommend that the Council approves the 38 teaching applications as detailed in Appendix 1 with the associated costs being met from the balance of the Voluntary Severance/ Early Retirement budget for 2015/16 of £201,949 a departmental contribution of £200,000 and the balance of £395,791 from identified corporate funding.**

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
 - a compensatory pension payment is an actuarially reduced pension and lump sum based on pensionable service paid by the employer for the lifetime of the employee
- 3.3 There have been a total of 102 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 **38 teaching** 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 16 August 2015 has been used for teaching staff.
- 4.2 **38 teaching** applications have been approved in principle. The approval of the applications specified in the report will require front line teaching posts to be filled on a permanent basis. There will be no reduction in the overall number of teachers reported to the Scottish Government in the 2014/15 census.
- 4.3 Should all the current applications above be agreed, total one-off costs of £797,740 will be incurred. This is made up of two components, a severance lump-sum and the payment of the additional cost to the Scottish Public Pensions Agency of staff retiring early. A detailed outline of these additional costs, again by department, is in Appendix 1.

- 4.4 The ongoing annual costs of £16,840 for teachers electing to take the compensatory pension option will be funded from the departmental Revenue budget.
- 4.5 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 the Department and considered against the estimated costs incurred and overall efficiency in terms of non-financial benefits. There is not sufficient funding available within the 2015/16 Early Retirement/ Voluntary Severance budget to meet the cost of these applications, without further resources to "top up" the budget. A virement from the People department and from identified corporate savings in the costs of financing capital expenditure will be required to fund the total costs envisaged.
- (b) In total, £720,834 of direct recurring employee cost savings will be delivered in year 1, should all of the above 38 applications be accepted.
- (c) The action recommended in this report if approved will utilise the full 2015/16 budget for Early retirement/ voluntary severance and any further approvals before 31/3/2016 will require further budget to be identified.

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 12th 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) Teacher's retiring from the service of the authority will require to be replaced as required by the terms of the local government funding mechanism implemented in 2015/16 by the Scottish Government which requires the absolute number of teachers and the pupil teacher ratio to be maintained at 2014/15 levels. A failure to replace teaching staff retiring will therefore result in a significant financial penalty to the Council. To avoid this risk before staff are released new replacement teachers will require to have been interviewed and appointed with contract of employment put in place for the start of the new academic year.

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

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Judith Harding can also give information on other language translations as well as providing additional copies.

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