Inverclyde
council

AGENDA ITEM NO. 12

Report To:	**Policy and Resources Committee**	**Date**:	**24 September 2013**
Report By:	**Head of Organisational Development, Human Resources and Communications**	**Report No:**	**HR/15/13/AM**
Contact Officer:	**Alasdair Moore**	**Contact No**:	**01475 712015**
Subject:	**Voluntary Severance Policy: Update on Various Issues Audit Scotland Report: Early Departures**		

1.0 PURPOSE

1.1 The purpose of this report is to ask the Committee to consider a report covering the following issues

Performance Appraisals
- Reinstatement of the Selection Criteria Matrix for all employees, except teachers.
- The use of interviews when selecting displaced employees

Changes to the Voluntary Severance Policy
- Added Years awarded to employees
- Amendments to the policy

Audit Scotland
- Early Departure report : Impact for the Council and the Voluntary Severance Policy

2.0 SUMMARY

2.1 Redundancy Selection Criteria Matrix (Performance Appraisal)

The Voluntary Severance Policy agreed by the Committee in November 2011 included a Redundancy Selection Criteria Matrix. This replaced Last in First Out (commonly known as LIFO) as a means of selecting a displaced employee following for example a service restructure or budget saving exercise. The selection matrix comprises Discipline, Absence, Length of Service and Performance Appraisals (but not for teachers)

The matrix became operational practice in October 2012. The period between the Voluntary Severance Policy being approved at Committee (November 2011) and October 2012 was covered by interviews being used to chose displaced employees , that is to say LIFO was replaced in November 2011.

When the introduction of the Performance Appraisal part of the matrix was introduced Unison advised, in May 2012, that they were considering boycotting with a possible ballot for industrial action and at that time the introduction was delayed. Unison has submitted their comments as an appendix.

2.2. Selection by interview (after Redundancy Selection Criteria matrix has been applied).

The last part of the selection process is where we have a number of employees who all attract the same score using the matrix. The agreed procedure is then to proceed to interview.

2.3. The Policy and Resources Committee previously agreed to extend the date to 30 September 2013 where up to 6 added years could be awarded to an employee who was being released under the Voluntary Severance Policy. Officers were also asked at that time to report back to this Committee as to whether a further extension was necessary.

2.4. A report issued by Audit Scotland on early departures was considered by the Corporate Management Team. The main issues that were considered were the factors used in the Council's Early Retirement Consideration Sheet when calculating the Value for Money aspect when releasing an employee, the cost of releases and re-employment of an employee who leaves the Council through the Voluntary Severance Policy.

2.5 The Voluntary Severance Policy has been in place since November 2011 and as we have now gone through a number of releases and exercises, e.g. the budget process, it is opportune to review the policy and to amend this where appropriate.

2.6 Submissions from the trade unions are attached as Appendices 5 and 6

3.0 RECOMMENDATIONS

3.1 That the Committee agree that Performance Appraisals for the Redundancy Selection Criteria Matrix are continued as part of the policy but that their reintroduction be considered when a report is submitted, as soon as possible, to Committee on the introduction of Performance Appraisals for Teachers.

3.2 That the Committee note that the Redundancy Selection Criteria Matrix will not be amended but will be reviewed in two years time.

3.3 That the Committee agree that the extension for up to 6 added years is not continued after 30 September 2013.

3.4 ***Changes to the Voluntary Severance Policy***

That the Committee agree to changes to the Voluntary Severance Policy including the inclusion of the Re-employment Policy, Early Retirement Consideration Sheet and guidance and changes identified through operational practice.

3.5 ***Audit Scotland; Early Years Departure Report***

That the Committee agree to the amendments to the Council's Early Retirement Consideration Sheet and the introduction of a Re-employment Policy.

Head of Organisational Development,
Human Resources and Communications

4.0 BACKGROUND

Redundancy Selection Criteria Matrix (Performance Appraisals)

4.1 The Voluntary Severance Policy approved by Committee in November 2011 included a Redundancy Selection Criteria Matrix which replaced Last in First Out (commonly known as LIFO) as a means of deciding which employee would be displaced following for example, a service restructure or a saving as a result of the budget process.

The 4 factors that are included in the Redundancy Selection Criteria Matrix are:

- Disciplinary Record
- Attendance Record
- Length of Service
- Performance Appraisal Outcome (Not applicable to teachers)

4.2 The matrix approach is adopted for three substantive reasons:

- LIFO – is on its own increasingly open to challenge on equality grounds
- Matrix – Expands the process to include other factors that are relevant
- Inclusive – the matrix applies to all employee groups except Chief Officers

4.3 In May 2012 Unison advised that they would boycott with a view to balloting for industrial action if the Performance Appraisal part of the Redundancy Selection Criteria Matrix was implemented. To avoid any industrial action the use of Performance Appraisals was delayed; all elected members were advised of this position at that time by e mail. Since then we have continued to use the Redundancy Selection Criteria Matrix without the Performance Appraisal part but require to come back to Committee to update on the position.

4.4 The OD Workforce Strategy document agreed by the Policy and Resources Committee included that Performance Appraisals be introduced for teachers as soon as practical. At this time the Redundancy Selection Criteria Matrix without the Performance Appraisal section applies to all employees of the Council but as remit to introduce Performance Appraisals for teachers is outstanding there would be an inequality if this was reintroduced.

4.5 The trade union Unison have advised that their position remains that they still oppose the introduction of Performance Appraisals as part of the Redundancy Selection Criteria Matrix. The other trade unions have also indicted throughout the discussions that they are opposed to the use of Performance Appraisals.

Selection by interview (after the Redundancy Selection Criteria Matrix has been applied)

4.6 Part of the procedure for selecting displaced employees is that after applying the matrix criteria and where employees have the same score in terms of points then an interview process is conducted to select the displaced employee.

4.7 The legal position remains that Length of Service should not be used as the sole factor however it can be used alongside other measures. While there is no foolproof approach which would remove the possibility of a challenge completely, the selection matrix approved by the Committee reduces the possibility of a challenge as LIFO is not the only criterion that is applied which is part of the Redundancy Selection Criteria Matrix.

4.8 The Redundancy Selection Criteria Matrix has been in use without performance appraisal being used for 80 % of the workforce since October 2012 and most recently throughout this budget round. The effect of re-introducing Performance Appraisals to the Redundancy Selection Criteria Matrix has still to be monitored,

4.9 The 4 measures used in the Redundancy Selection Criteria Matrix are of course independent of each other; it is when weighting and a common scoring mechanism are applied that a comparison is possible. Therefore any alteration to the make up of the matrix requires maintaining this balance.

4.10 We need to continue to use the matrix approach and to use it consistently across the Council. It is recognised that there remain differences between the terms and conditions of LGE employees and teachers however a single policy for all employees where possible promotes fairness and equality for all of our employees.

Changes to the Voluntary Severance Policy

Added Years awarded to employees

4.11 The Policy and Resources Committee previously agreed that the number of added years that could be awarded to an employee when being released under voluntary severance be reduced to from up to a maximum of 6 to a maximum of 3 added years. The date that the change was to happen was extended by Committee to 30 September 2013. Officers were also asked at that time to report back to this Committee as to whether a further extension was necessary. This report fulfils that remit.

Updating of the Voluntary Severance Policy

4.12 With the issue of the Audit Scotland report on early years departures, the added years position and that the Voluntary Severance Policy has been in place since November 2011, it is considered appropriate to review the policy and where appropriate any changes be proposed to the Committee.

Audit Scotland : Early Years Departure report

4.13 Audit Scotland has issued a report on early departures in the Public Sector. The report is attached as Appendix 1 and upon reviewing the report there were a number of issues that the Corporate Management Team considered. Recommendations agreed by the Corporate Management Team have been included in this report for consideration by elected members.

4.14 Applying Value for Money (VFM) when releasing employees or early departures

Audit Scotland has given an illustrative example on page 24 of their report on how they consider the costs of early departures should be used when calculating a VFM to release an employee.

There are four parts to the calculation, figures taken from the example:

Strain on the fund	£32,000	(cost of funding pension until employee is 65 cost supplied from pension fund)
Estimated capitalised years	£27,300	(cost of added years taken over the expected life of the employee supplied from pension fund)
Redundancy lump sum	£20,769	(calculated and paid by employer)
Added years lump sum	£4,500	(Cost of lump sum for added years paid by employer)

If we compare the above to the Council's current method of applying VFM, three out of the four figures are exactly the same. The one difference is the estimated capitalised added years figure of £27,300. What is applied by the Council is to take the cost of the added years which we fund each year and multiply by three and include as our payback period. The Audit Scotland good practice seeks for all future added years payments to be recovered within the VFM payback period.

An example of someone who has been signed up to be released by end of March 2014.

Council method: added years pension £3,463.87 x 3 = £10,391.63
Capitalised cost from pension fund = £72,135.30

Therefore if we adopt the Audit Scotland method we would increase our value for money cost by £61,743.67 (£72,135.30 - £10,391.63). In this case the employee would not have been VFM and would not have been released and as a one off post then the saving would not have been achieved. Finance Services have undertaken a review of the current release and if we were to amend to the Audit Scotland methodology then 3 employees would not have been released as they would not have been value for money.

4.15 Appendix 4 of the Audit Scotland report page 27 includes the principles of good practice and those which the CMT reviewed are listed below.

<u>Option appraisal</u>

Audit Scotland reported on when Councils consider options of releasing employees and the timing of when these options are considered. The Council mainly consider options when the budget savings are considered and as this is a three year savings then we go through the process putting a 3 year saving plan in place. Audit Scotland expressed a view if Councils planned in advance to achieve savings. This could be done by the non filing of vacancies or filling on a temporary basis, Inverclyde Council has traditionally followed these strategies. Looking to the future Audit Scotland have highlighted if Councils should be deciding where budget savings could be made in advance but as we have agreed a 3 year budget saving we have effectively planned in advance.

<u>Policies and Procedure</u>

The only issue is the restriction on the return to employment with the Council for an employee who is released. This is mentioned in the current Voluntary Severance Policy but Audit Scotland is recommending that a separate policy or guideline is put in place.

<u>Business Case (Payback Period)</u>

The Council currently has a payback period of 3 years when releasing an employee under the Council's Voluntary Severance Scheme. The Audit Scotland report did mention that some organisations apply less than a 3 year period. This issue was considered by the Corporate Management Team with the current 3 year payback period being considered as a reasonable period when applying a value for money criterion.

4.16 Submissions have been made by the trade unions, attached as Appendices 5 and 6

5.0 PROPOSALS

Proposals being made to the committee are for the following areas;

Performance Appraisals
- Reinstatement of the Redundancy Selection Criteria Matrix for all employees, except teachers.
- The use of interviews when selecting displaced employees

Changes to the Voluntary Severance Policy
- Added Years awarded to employees
- Amendments to the policy.

Audit Scotland
- Early Years Departure report : Impact for the Council and the Voluntary Severance Policy

5.1 Performance Appraisals

Reinstatement of the Selection Criteria Matrix for all employees, except teachers.

The reasons that the Redundancy Criteria Selection Matrix has 4 factors are that they are all integral to each other when selecting a displaced employee. The 4 factors and the reasons for their inclusion in the matrix are:

- Disciplinary Record: That this factor benefits those employees who have an unblemished disciplinary record.
- Attendance Record: That where an employee has a poor attendance record then this should be taken into consideration.
- Length of Service: To rely solely on a factor where an employee has been in the Council the longest is not fair and equitable method of selection.
- Performance Appraisal Outcome (Not applicable to teachers): Employees who work hard and perform well for the Council should see this as a reward.

5.2 It is being proposed that the use of performance appraisals as part of the Redundancy Selection Criteria Matrix previously agreed by the Committee continues as Council policy but to allow all employees to be treated the same it is proposed that the current practice is continued and that this is reintroduced when performance appraisals are introduced for teachers. It is also proposed that a report is brought back to the committee as soon as practical to introduce Performance Appraisals for teachers. This will ensure that a single policy is then in place for all employees.

The use of interviews when selecting displaced employees

5.3 The teachers' trade unions requested that LIFO be used when selecting teachers who are displaced through the school roles exercise.

The length of service criterion section of the matrix was reviewed to see if the current bandings used could be amended. This was not supported by the teachers' unions. The bandings that were set were the result of discussions with our external legal advisors who advised that we should have fairly wide and consistent bands. In reviewing the bands and making any proposals we have kept this advice in mind.

5.4 The Redundancy Selection Criteria matrix has been used since October 2012, although without the Performance Appraisals part, to select displaced employees. One of the issues that have arisen is that we can find that an interview is required for the final selection. This has mainly arisen when looking at situations that are a result of restructuring and the budget process.

When considering whether to change the current bandings for length of service we considered the legal advice and also that the Performance Appraisal part of the Redundancy Selection Criteria Matrix has not been used during this period. If the decision of the Committee is to agree to reinstate the Performance Appraisal part of the Redundancy Selection Criteria Matrix then this should be tested for a period of time to see if it operates successfully.

5.5 It is therefore proposed that at this time we do not amend the Redundancy Selection Criteria Matrix but that a further review is carried out after a two years.

Added Years awarded to employees

5.6 The main reason for extending added years by the Committee to 30 September 2013 was to allow time for employees who were affected by the current budget savings to be given the opportunity to have access through the Voluntary Severance Policy to the increased number of added years before it is reduced from up to a maximum of 6 to a maximum of 3. The Corporate Management Team having considered the current budget position are satisfied that affected employees have been made appropriate offers and therefore propose no extension beyond the 30 September 2013.

Amendments to the Voluntary Severance Policy

5.7 With the current Voluntary Severance Policy being in operation since November 2011 including the release of employees as part of the current budget process, the proposals being made from the Audit Scotland early years departure report and the proposal for reintroduction of Performance Appraisals as part of the Redundancy Selection Criteria Matrix, the Voluntary Severance Policy has been updated to include all of these.

Also included in the revised policy is the VFM sheet, a guidance note on the procedure followed when a voluntary severance offer is made. The revised Voluntary Severance Policy is attached as Appendix 2

Audit Scotland

5.8 The Audit Scotland report raised issues where the Council should consider reviewing both its Voluntary Severance Policy and also whether additional policies are required.

5.9 The Audit Scotland report highlights the issue of employees who leave the Council's employment through the Voluntary Severance Policy and whether the Council has a policy of reemployment in place. The current guidelines on re-employment which were included in the Voluntary Severance Policy approved by the Committee in November 2011 have been reviewed and a new policy developed which has been included in the revised Voluntary Severance Policy as Appendix 5. It is proposed that the new policy be incorporated into the revised Voluntary Severance Policy.

5.10 The Audit Scotland report did detail how Councils calculate their payback period and the value for money calculation applied when employees are considered for voluntary severance. The Council does have a value for money 3 year payback criterion in place that was again approved in the November 2011 report to Committee. The voluntary severance criterion has been reviewed by the Corporate Management Team with the following proposals being made to the Committee

Payback Period

The current payback period of 3 years is considered to be appropriate and it is not recommended that this be changed

Applying Value for Money (VFM)

As per para 4.13 the Council applies the same criteria in 3 of the 4 factors indicated by the Audit Scotland report.

The one factor that differs is how compensatory added years awarded to employees are included in the Value for Money calculation. The Corporate Management Team considered 3 options shown in Appendices 3 and 4. The 3 options included were to:

(1) Retain the current method and make no change as to how the Council includes this cost in its VFM approach

(2) Apply how Audit Scotland approached this matter and use the capitalisation figures supplied through the pension schemes. As this method includes the full cost of added years over the anticipated life of the employee being released, it tends to exaggerate the effect of this one part of the VFM calculation.

(3) Look at how the Council could justify the cost of added years by amending the salary to be used when calculating the Value for Money pay calculation to the Council. This method effectively neutralises the cost of awarding added years as it is not included in the VFM calculation. The cost of added years is mitigated by setting aside the equivalent amount of the employee's salary so that this pays for the added years for the duration of the employee's lifetime. Members should note that this cost is already met by

the Council. This option does mean that a lower salary is used to generate savings.

After considering the three options it is proposed that option 3 is being proposed to the Committee. To fund the added years the equivalent revenue costs to pay for the added years would now be set aside while the salary saving to be used will be reduced by the equivalent amount thus negating the overall cost. This proposal has been included in the revised Voluntary Severance Policy.

6.0 IMPLICATIONS

6.1 Finance: There is no financial implication in this report.

6.2 Human Resources: All Human Resources issues are contained within this report

6.3 Legal: The Head of Legal and Democratic Services has been consulted on this report.

6.4 Equalities: There are no equality impact issues as the policy applies to all employees of the Council and the amendments in respect of the VFM calculation and added years being awarded are applied across the board.

7.0 CONSULTATION

7.1 The report has been issued to all trade unions for their views.

8.0 Appendices

Appendix 1: Audit Scotland : Early Years Departure report
Appendix 2: Voluntary Severance Policy
Appendix 3 and 4 : Added years cost comparison
Appendices 5 and 6: submissions from the trade unions

APPENDIX 1

Managing early departures from the Scottish public sector

ACCOUNTS COMMISSION

AUDITOR GENERAL

Prepared by Audit Scotland
May 2013

The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, requests local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- carrying out national performance studies to improve economy, efficiency and effectiveness in local government
- issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 33 joint boards and committees.

Auditor General for Scotland

The Auditor General's role is to:

- appoint auditors to Scotland's central government and NHS bodies
- examine how public bodies spend public money
- help them to manage their finances to the highest standards
- check whether they achieve value for money.

The Auditor General is independent and reports to the Scottish Parliament on the performance of:

- directorates of the Scottish Government
- government agencies, eg the Scottish Prison Service, Historic Scotland
- NHS bodies
- further education colleges
- Scottish Water
- NDPBs and others, eg Scottish Police Authority, Scottish Fire and Rescue Service.

You can find out more about the work of the Auditor General on our website: **www.audit-scotland.gov.uk/about/ags**

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

Key messages

1 In most public sector organisations, staffing costs make up a significant proportion of the budget. Early departure schemes have been used for many years by both the public and private sectors as a way of changing the size, shape and cost of the workforce. Early retirements and voluntary redundancies, for example, can be a useful way of avoiding the delays and costs of compulsory redundancies and quickly reducing staff numbers and costs. Once the initial outlay has been recouped, they can provide significant savings for organisations.

2 In recent years, many public sector organisations have turned to a range of early departure schemes. Given the significant financial challenges facing the public sector, they can be an effective way of achieving savings. Scotland's devolved public sector has been spending about £280 million a year on early departure schemes. This has helped reduce the size of its workforce, encouraging over 14,000 staff to accept early retirement in 2010/11 and 2011/12.

3 There is evidence to show that this is leading to savings. But significant amounts of public funds are also being spent on these departure schemes and, with a continuing need to reduce public spending, they are likely to remain an important management tool. Organisations therefore need to ensure that they follow the principles of good practice in how they:

- design early departure schemes
- ensure they provide value for money
- report publicly on the costs and savings.

4 The principles of effective early departure schemes have been known for many years. In 1997, for example, the Accounts Commission published *Bye Now, Pay Later*. Based on a review of local authority schemes, this set out a series of good practice standards. It encouraged councils to have clear policies on these schemes, to consider all their costs and potential savings, and to check that these savings were delivered. These principles continue to be relevant to all parts of Scotland's public sector.

5 There is evidence to show that Scotland's public sector generally follows the principles of good practice. Many have up-to-date policies on their early departure schemes. Wider workforce strategies are used by organisations to help decide where they need to reduce staff

numbers or which grades they need to reduce. Most use some form of business case to help decide if early departure will lead to savings.

6 However, there are striking differences in how organisations design and implement their early departure schemes. For example, some look to recover their costs within a year, others within three years or even longer. The quality of the business cases used to inform decisions varies and organisations also vary in the extent to which they keep councillors or board members informed on early departure schemes. This can be particularly noticeable on proposals affecting senior managers. There is also a marked inconsistency in what information is openly provided to the public on the costs of early departures and the savings which they have generated.

7 Compromise agreements can be a useful means of protecting public sector organisations from legal challenges relating to departures. They must not, however, be used to hide the full cost of early departures from the public.

8 This report provides a reminder of the principles of good practice on how organisations should design, manage and monitor their early departure schemes. The circumstances of individual organisations will vary and it is up to managers and councillors or board members to ensure that their early departure schemes are tailored to their needs. However, the underlying principles of consistent policies, independent checks, value for money, and open reporting to the public apply to everyone.

Good practice

The main principles of good practice for early departure schemes

- Early departure schemes should be driven by the needs of organisations and their workforce plans.
- Alternatives to early departures should be considered such as redeployment, natural turnover and service redesign.
- There should be clear policies and procedures which are consistently applied.
- Proposals should be supported by business cases, showing the full additional costs of early departures and their anticipated savings.
- There should be restrictions on staff who have accepted an early departure package from being re-employed.
- Councillors or board members should approve early departure schemes, ensuring that proposals represent value for money.
- Councillors or board members should approve proposals affecting senior managers to ensure each application is independently authorised.
- Compromise agreements should not be used to limit public accountability,

for example by trying to silence whistleblowers or by hiding the full cost of departures.

- Senior managers, as well as councillors or board members, should monitor progress to help ensure that planned savings are being made.

- Senior managers, as well as councillors or board members, should use lessons learned from past and existing schemes and apply these accordingly to future proposals.

- Organisations should be open in their annual reports and accounts about the costs of early departures and the savings they have generated.

See Appendix 4 for a more comprehensive list.

Source: Audit Scotland

Part 1

Introduction

1. This report aims to remind public organisations of the principles of good practice in managing early departures of staff. It is not based on any new audit work. Instead, it uses information on costs and numbers already published in annual accounts and examples of current practice drawn from auditors' reports over the past year or two.

2. Given the significant financial challenges facing the public sector, early departure schemes can be an effective way of achieving savings. They are used in both the public and private sectors. But, with higher standards of transparency, their use is more clearly visible in the public sector, where organisations are required to disclose information in their annual accounts or in response to requests made under the Freedom of Information (FOI) legislation.

3. In recent years, early departure schemes have become a particularly important issue for public sector organisations, faced with mergers and reduced budgets and a pressing need to make savings. Staffing costs form a high proportion of the costs of most public sector organisations. But, with a Scottish Government policy to avoid compulsory redundancies in the NHS and central government, organisations have needed to look for other ways to reduce the size of their workforce. In many cases, they have turned towards early retirement schemes or voluntary redundancies as a way of quickly restructuring the workforce and reducing payroll costs. With continuing financial pressures for the foreseeable future, public sector organisations will continue to use early departure schemes to deliver recurring savings by reducing the size of their workforce.

early departure schemes can be an effective way of achieving savings

4. Reaching agreement on some form of voluntary departure package can be more straightforward and cheaper than compulsory redundancy. Initial costs can be high, but these can be quickly repaid with significant savings in payroll costs. However, organisations need to be clear about how they assess the value for money of early departure schemes. They need to consider the full costs of such deals, including the impact on pension funds as well as their own revenue budgets. They also need to ensure that schemes are transparent and subject to independent scrutiny and challenge from councillors or board members, particularly where they affect senior managers.

5. There are some differences between sectors in the details of pension arrangements and how the costs of early departures are calculated. Local government pensions, for example, are 'funded'. In essence, this means that throughout their employment, each individual and their employer set aside money to fund the pension. In contrast, NHS and central government pensions are mainly 'unfunded'. Employees and employers make contributions to pensions throughout an individual's career, but no specific fund is earmarked. When pensions become due, they are simply funded from current expenditure. A more detailed explanation of pension and redundancy payments, together with a worked example, is provided at Appendix 1.

6. These differences can affect how organisations account for the costs of their early departures. However, there are underlying principles which should apply to all parts of the public sector. Any assessment of the value for money of early departures should only take into account the additional costs associated with an early retirement or redundancy. In other words, pension entitlements which have been earned over the individual's career and would be paid in due course should not be included. The assessment of value for money should focus on additional costs, such as those associated with paying pensions early or other incentives such as added years. These should include the additional costs that will be met from pension funds and recharged to employers, as well as direct costs paid from employers' budgets.

7. This report provides a reminder of the principles of good practice in managing early departures. It is based on the standards set out in the Accounts Commission's report *Bye Now, Pay Later*, published in 1997 and which was the subject of a follow-up report in 2003. These reports focused on local government, but their underlying principles are relevant to all public sector organisations, helping them achieve the highest standards of transparency and demonstrate that their early departure schemes represent value for money.

8. Early departures, as defined in this report and outlined in Exhibit 1, include voluntary early release or retirement, voluntary redundancy and compulsory redundancy. In broad terms, this is any early release for which public sector organisations fund part or all of the departure cost. Ill health and normal age retirements are excluded as pension funds cover the full cost of these departures.

9. It should be noted that not all individuals departing under early departure schemes will be entitled to a pension. Many will not yet be of retirement age, and will receive only a redundancy payment upon their exit.

Exhibit 1
Scope of this report

Included in this report	Not included in this report
✓ Voluntary early release agreements	✗ Normal age retirement
✓ Voluntary early retirement	✗ Ill-health retirement
✓ Voluntary and compulsory redundancy	

Source: Audit Scotland

10. This report also provides information on the current level of early departure schemes across the devolved Scottish public sector. This includes:

- the Scottish Government and its agencies and non-departmental public bodies (NDPBs)
- local authorities
- NHS boards
- police, and fire and rescue.

11. The information in this report is drawn largely from the annual accounts for 2011/12 which, for the first time, require most of these organisations to disclose the costs of exit packages.

12. With a planned programme of mergers, further education colleges are also making significant use of early departure schemes. However, as there is currently only a limited requirement to disclose these in their accounts, we have not been able to obtain comprehensive information on the number of staff involved or the costs of these schemes.

13. The report also provides examples of how organisations manage these schemes and assess value for money. These are drawn from reports already published by auditors and from a limited number of case studies. These examples do not seek to provide a comprehensive assessment of early departure schemes throughout Scotland's public sector. They simply aim to illustrate some of the variations in how public sector organisations currently manage early departure schemes.

14. During 2013, the Accounts Commission and the Auditor General for Scotland will also publish a joint report *Reshaping Scotland's public sector workforce*. This report will consider whether public bodies are effectively managing changes to their workforces, using cost-effective approaches and will highlight good practice. In particular, the report will consider:

- how the size and structure of the public sector workforce is changing
- what the financial costs and benefits of changes to the public sector workforce are and whether these changes are likely to provide long-term cost reductions
- whether the workforce planning approaches being used follow good practice and assess the capability of public sector organisations to meet future needs
- what are the significant opportunities and challenges which face those managing the public sector workforce in future years.

15. In addition, the Auditor General will monitor the position of the new police and fire authorities and further education colleges with regards to workforce management.

Part 2

Numbers and costs

The number of staff employed in the Scottish public sector has fallen by about 40,000 since 2009

16. Scotland's devolved public sector in recent years has been facing significant budget cuts. This has affected all areas, including Scottish Government directorates and their associated agencies and non-departmental public bodies (NDPBs), local authorities, and NHS boards. In addition, police, fire and rescue and further education colleges have been going through significant organisational mergers. As a result, after many years of growth, the number of people directly employed in the Scottish public sector has fallen by about 40,000 since 2009. About half of this reduction is due to early departures, with some also due to staff moving to other jobs, retiring normally or retiring through ill health. While there is no reliable information on the numbers involved, a significant proportion also relates to staff being transferred from local authorities to arm's-length external organisations (ALEOs).

Public sector organisations are currently spending approximately £280 million per year on early departure packages

17. Information on the scale of early departure packages is now disclosed in the annual accounts for most public sector organisations. These show that, in the two years 2010/11 and 2011/12, over 14,000 public sector staff accepted some form of early retirement or redundancy, at an initial overall cost of £561 million[1] (Exhibit 2).

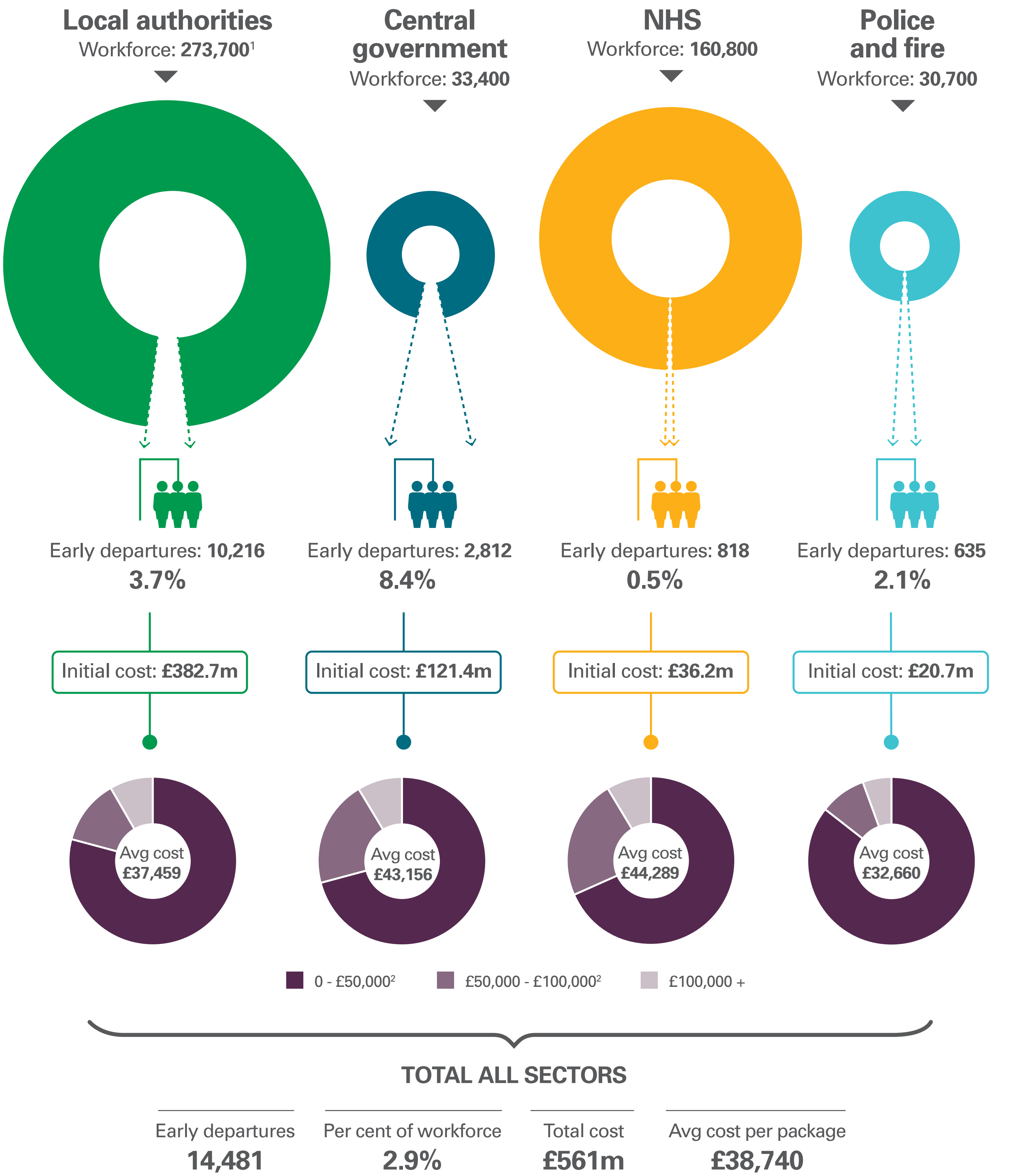
over 14,000 public sector staff accepted some form of early retirement or redundancy, at an initial overall cost of £561 million

18. Proportionately, central government organisations have made greatest use of early departures, with 8.4 per cent of staff leaving under some form of package during 2010/11 and 2011/12. This sector is very diverse, with a wide range of Scottish Government directorates, NDPBs and other agencies. As a result, it is difficult to identify any common pattern among these organisations. However, many of these organisations have undergone significant restructures or mergers, such as Education Scotland and the Care Inspectorate.

19. There has also been some variation in the cost of early departure packages. As indicated in Exhibit 2, the vast majority of individual packages have an average cost of less than £50,000. But about 8.3 per cent of packages had an average cost over £100,000, representing over 40 per cent[2] of the total expenditure on early departure packages. This can reflect a number of factors, such as the number of years service by individuals and their final salary.

20. There are also some differences between the sectors in the average cost of packages. The average cost of NHS and central government packages, at £44,289 and £43,156 respectively, is significantly higher than the costs of local government and police and fire packages. This is likely to reflect a greater focus

Exhibit 2
Early departures by sector in 2010/11 and 2011/12



Notes:
1 Workforce figures as at Q1 2010 (headcount).
2 Local authorities and police and fire figures are measured £0 - £60,000 | £60,000 - £100,000.

Source: 2011/12 audited annual accounts; Scottish Government employment statistics on reducing the number of higher-paid managers in these sectors. The NHS and Scottish Government, for example, have a target to reduce their numbers of senior managers by 25 per cent by 2015.

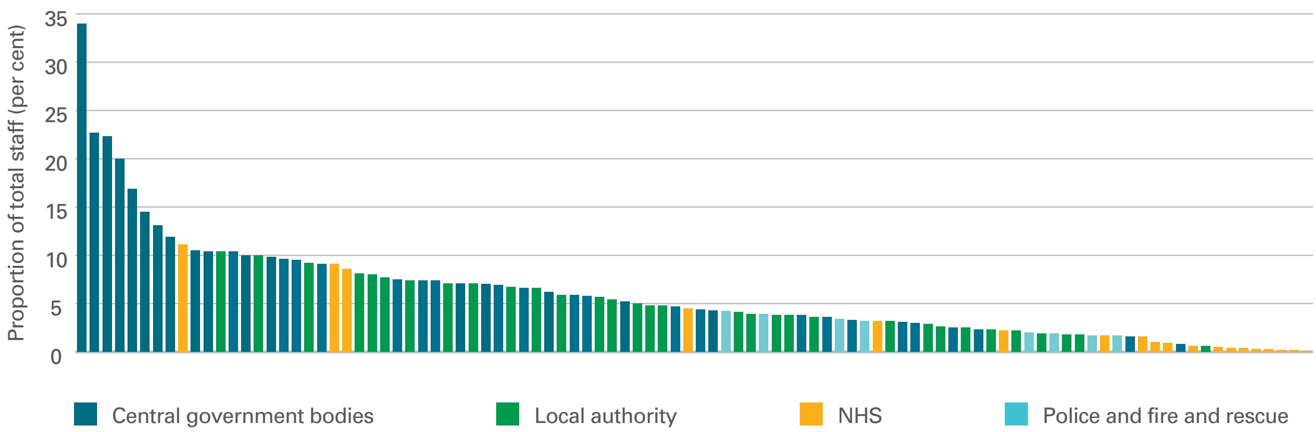
21. It is likely that Scotland's public sector will continue to use early departure schemes in order to help reduce workforce numbers. Further education colleges, for example, are facing a significant programme of mergers which will lead to reductions in the overall numbers employed. Similarly, the creation of national police and fire and rescue services, replacing regional organisations, will most likely lead to reductions in the number of support staff and senior officers.

There is significant variation between individual organisations in the use of early departures and in their average costs

22. At an organisational level, there is an even greater variation in the proportion of staff taking some form of early departure (Exhibit 3). Some organisations have made little or no use of early departures over the years 2010/11 and 2011/12. In other organisations, such as Creative Scotland, Education Scotland and Skills Development Scotland, over 20 per cent of the workforce left under some form of early departure package. This reflects the differing circumstances of individual organisations and the stage they have reached in restructuring their workforce. It can also reflect the size of the workforce in these organisations: a few people leaving a small organisation can represent a significant proportion of its workforce.

Exhibit 3
Early departures by organisations in 2010/11 and 2011/12

There are significant variations in the proportion of staff leaving organisations through some form of early departure scheme (see Appendix 2 for more details).



Source: 2011/12 audited annual accounts; Scottish Government employment statistics; and NHS Scotland employment statistics

23. There are also striking variations in the average cost of departure packages of individual organisations (Exhibit 4). There can be good reasons for this. For example, over the two years 2010/11 and 2011/12, the highest average cost packages were made by the Scottish Funding Council and Scottish Enterprise. This, at least in part, reflects a planned restructuring of their management teams and a need to reduce the number of senior and relatively highly paid managers.

Exhibit 4

Average cost of early departure

The average cost of departure deals varies significantly between organisations (see Appendix 3 for more details).

Source: 2011/12 audited annual accounts

Part 3

The principles of best practice

24. Early departure schemes are an important tool for public organisations. They are not a way of rewarding staff and should not be seen as an entitlement. But they can provide a cost-effective way of managing overall employee numbers and costs. This can be particularly important in times of budget cuts or public sector mergers, where there is a need to implement relatively quick changes in the workforce.

25. But there is a price to pay. There is a risk that some organisations are unaware of the true costs of early retirements or redundancies to revenue budgets or to pension funds. Decisions made in response to short-term pressures can lead to long-term costs.

26. Public organisations face a range of different circumstances, both in terms of their financial position and the need to restructure their workforce, and in terms of the funding of their pension schemes. However, there are a number of principles of good practice which can help all public sector organisations achieve value for money. These are discussed below and listed in more detail at Appendix 4.

early departure schemes can provide a cost-effective way of managing overall employee numbers and costs

Early departure schemes should be driven by a long-term workforce strategy, rather than by short-term budget cuts

27. In the short term, organisations can turn to early departure schemes as a way to achieve budget cuts. However, early departure schemes should be driven by the strategic needs of organisations, shaped by service needs and local and national policy decisions. This more considered approach should try to ensure that schemes and decisions are based on planned restructures and skill needs.

28. There is a risk that the timescale within which budgetary decisions are currently made can compromise the quality of decision-making by enforcing rapid, reactive decisions in the few months between the end of the calendar year and the beginning of the next financial year. If more time was available for such major decisions, it would allow better analysis, consultation and communication within organisations and between the employer and the pension fund.

29. Organisations may, for example, identify the need to reduce staff numbers in a particular department or at certain grades and should tailor their early departure schemes accordingly. The audit report for Argyll & Bute Council, for example, notes that the council has a 'workforce planning framework in place which informs a five-year workforce planning strategy. All staff reductions have taken place as part of an integrated approach to transformation/modernisation. All service reviews have addressed workloads, job descriptions and have detailed implementation plans associated with them.'

30. In addition, organisations should ensure that proposals on restructuring their workforce take into account future needs and are sustainable. There is little point in spending money on departure schemes, only to spend more money on recruiting new staff to fill these vacant posts.

31. The public sector's approach to early departure schemes has steadily evolved. While there may have been an initial focus on short-term savings, there is some evidence to suggest that greater consideration is now being given to longer-term workforce planning. For example, some organisations are tailoring early departure schemes, aiming them at specific departments or jobs where they are planning to make reductions. At NHS Greater Glasgow, proposed early departures must demonstrate how they support the organisation's programme of service redesign, as well as showing why any planned payment represents value for money.

Organisations should consider alternatives to early departures

32. Early departure schemes should not be the only option considered when facing budget cuts. They can lead to savings. But they can also reduce the effectiveness of organisations, with the loss of experienced staff and specialist skills which may take years to replace. These long-term non-financial costs may outweigh any short-term savings made.

33. Organisations should, for example, consider the possibility of redesigning services and retraining staff and redeploying them in other roles. They should also take into account the impact of natural turnover, with staff reaching retirement age or moving on to other jobs.

34. Some organisations do not make widespread use of early departure schemes. Aberdeen City Council's audit report, for example, highlights that 'there is no major programme of workforce reduction required to balance the budget'. Angus Council's audit report notes that the organisation 'has not been in the position of having to offer voluntary early release schemes in order to secure significant long-term cost savings'. The report identifies that the council 'is on track to reduce the workforce…through natural wastage, vacancy management and ad hoc voluntary redundancies and early retirements'. Similarly, at NHS Tayside, the annual audit report notes that the board 'will consider savings through natural turnover and redeployment'.

35. Organisations can also make use of other ways to reduce staffing numbers. At the Crown Office and Procurator Fiscal Service, for example, the annual audit report highlighted that the organisation also had 'a significant reduction in the number of agency, temporary/contract staff and trainees employed'.

Organisations should have clear and up-to-date policies and procedures, setting out their approach to early departures

36. Organisations should have clear policies and procedures for the use of early retirements, ill-health retirements, and compulsory redundancies. These should be regularly reviewed and updated, to help ensure that they are based on accurate management information on which to base decisions and monitor trends. Organisations should also consult with trade unions or staff representatives to help ensure that they are seen as fair and reasonable. Policies and procedures should be approved by board members.

37. In general, organisations have clear and up-to-date policies and procedures for their early departure schemes. Where these are not in place, this is generally because the organisations are seeking other ways of reducing the size of their workforce through, for example, natural turnover or restrictions on overtime.

38. There are examples where organisations could have a clearer and more consistent approach when applying their early departure policies. Scottish Enterprise's annual audit report, for example, states that the organisation 'used the 2011/12 Selective Voluntary Severance (SVS) scheme in a targeted way and therefore did not formally communicate the scheme to all staff or update their policy, which dates from 2009 and is available to staff via the intranet.' The report also identifies that 'in some circumstances the compensation payable under the terms of Scottish Enterprise's contractual severance scheme were now more than available under the recently revised Civil Service Compensation Scheme. As such the scheme did not currently meet all of the guidance set out in the revised Scottish Public Finance Manual'. The scheme was approved by the Scottish Government and payments were in line with contractual obligations. The Scottish Government also noted that, for future schemes, Scottish Enterprise should make efforts, through its normal staff engagement process, to review the terms of its compensation schemes for severance, early retirement and redundancy so as to meet the guidelines in the SPFM.

39. Organisations can also vary the terms offered to different grades of staff. This may be justified by a greater need to reduce numbers at certain levels. But, without clear and transparent policies, it can leave organisations open to accusations of inconsistency, for example if an organisation implements revised schemes each year to target sections of their workforce, and offers more favourable incentives to managers than was available to other staff.

Early departure proposals should be supported by business cases, demonstrating that they represent value for money

40. Senior managers and board members need to be fully aware of the costs and benefits when making decisions. Before approving any early departures, organisations must ensure that they represent a good use of public money. Any additional costs associated with incentives such as 'added years' or lump sums, should be offset by savings in subsequent years.

41. Business cases, setting out proposals for early departures, should be based on the full additional costs. These should include the costs to pension funds which are recharged to the employer – sometimes known as the 'strain on the fund' and 'capitalised added years' costs – as well as the costs charged to their own revenue accounts. They should not, however, include costs which were due to be paid as part of a normal retirement.

42. There may be circumstances where it makes sense for the costs of individual departures to be met by the organisation's central budget, for example, where they form part of an overall corporate policy to reduce the numbers of managers at a certain grade. In general, however, costs should be charged to the budgets of the departments which expect to make savings from the early departures.

43. There should be controls over the potential re-employment of individuals who have received an early departure deal or have chosen to retire early. Strathclyde

Fire & Rescue's decision to re-employ its chief fire officer, immediately after he took early retirement, was the subject of a report by the Accounts Commission and attracted much media attention and criticism. And similar decisions have been taken in recent years by other fire and rescue and police services. Even where there are some savings, for example in superannuation contributions, organisations need to think about public perceptions. Dumfries & Galloway Council, for example, has recently announced an intention to place restrictions on the future recruitment of individuals who have accepted any form of early departure.

44. Similarly, posts which are vacated by an individual taking an early departure package should not subsequently be filled by new recruitment at the same cost. If posts are to be filled by lower graded or lower paid staff, this should be reflected in any business plans and the assessment of value for money.

45. In terms of payment in lieu of notice, organisations should plan to avoid such payments being required. It is, however, acknowledged that such arrangements may be unavoidable in exceptional circumstances, such as contractual entitlement. However, where staff start alternative employment before the notice period has expired, the payment in lieu should be reduced accordingly.

46. Scotland's public sector organisations routinely calculate payback periods, the number of years before the initial costs are met by savings, before agreeing to early departures. But the work we have carried out suggests that there is significant variation in the payback periods that are used. For schemes that we examined, the overall payback periods ranged from between one and three years.

47. There is even greater variation in the payback periods used to justify individual packages. This can be due to the incentives provided in these packages, particularly the number of 'added years' (Appendix 1). Some pension schemes allow local authorities to offer up to ten added years. In the schemes we examined, the number of added years offered ranged from zero to six and two-thirds. Organisations are not obliged to offer 'added years' and they need to have a clear rationale for their use.

48. There can, of course, be different pressures on organisations. Where there are mergers, for example, some can have a more pressing need to reduce staff numbers and therefore a greater willingness to wait longer until early departure costs are repaid. However, the longer the payback period, the greater the risk that the anticipated savings will not be realised. Organisations need to ensure that the payback periods they are using are justified and represent value for money.

49. There can also be some inconsistency in the costs which are included in these payback calculations. Central government organisations generally account for exit costs in full, in the year of agreement. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service Pension Scheme. Similarly, councils should include capitalised added years costs where added years have been awarded. This is the additional cost of providing added years, which the pension fund pays before recharging the former employer. However, these costs are not always fully taken into account. In Fife Council, for example, the annual audit report noted that 'capitalised costs had been excluded when calculating the future "payback periods" for individual exit packages'. This may have affected decisions on the value for money of individual packages and overstated the savings that will be made from the council's workforce reduction programme.

Councillors or board members should provide independent scrutiny of early departure schemes and formally approve packages for senior managers

50. Senior managers and board members need to be fully aware of the costs and benefits when making decisions. Councillors and non-executives do not necessarily need to be kept informed on the details affecting every individual departure deal. But they do need to approve and maintain oversight of early departure schemes and assure themselves that they are delivering the planned savings and represent value for money.

51. Councillors or board members can provide an important independent check on early departure proposals, and should formally approve the departure of senior employees. This is particularly important for senior managers, who may be responsible for designing the terms and conditions of exit schemes. It will help ensure that decisions affecting senior managers conform with the organisation's policies and procedures, and provide some additional assurance to the public where large sums may be involved.

52. In general, councillors or board members approve and are kept informed about the planned costs and benefits of proposed early departure schemes. Detailed decisions on the packages for individual members of staff are, correctly, delegated to chief executives or other senior managers. But councillors or board members generally approve policies and are kept informed about matters such as 'added years' or other incentives, the proposed number of staff involved, the planned overall costs, and the anticipated savings.

53. There can, however, be less consistency in how councillors or board members review the proposals affecting senior managers. For example, in some local authorities, approvals for early departures for senior officers are delegated to the chief executive. In others, councillors are kept fully informed about the costs and savings of the overall scheme, but not provided with separate information on the packages affecting senior managers. There is also an example of proposals affecting senior managers being discussed informally with the leader of the council, but not considered formally by a wider committee.

54. Organisations should ensure that they do not commit to generous exit packages when appointing staff, and that councillors or board members approve all exit packages for senior employees. At West Dunbartonshire Council, for example, the annual audit report includes reference to the departure package of the former chief executive. The chief executive was employed on a five-year fixed-term contract which expired during 2011/12. The contractual entitlement resulted in an 'added years' pension enhancement of eight years and 236 days. The auditors highlighted a lack of transparency in the decision-making process, as 'the council was not afforded the opportunity to review the final settlement terms which…would have been consistent with good practice'.

Compromise agreements should be clear about which employment rights are being waived and should not be used to limit public accountability

55. Employers are able to offer additional payments to encourage individuals to accept voluntary redundancy or early retirement. These are sometimes known as *ex gratia* payments. In accepting the additional payments, individuals can be asked to sign compromise agreements. These are, in effect, a way of reaching an out-of-court settlement and avoiding the costs of employment tribunals. The agreements can help manage the risk and financial implications of an early departure.

56. Compromise agreements are legally binding contracts between an employer and employee. Once signed the employee waives some employment rights in return for benefits as set out in the agreement. The agreement prevents the employee from pursuing any litigation based on claims, for example of unfair dismissal or equalities arising from their employment and its termination.

57. The use of compromise agreements has attracted significant public interest, with fears that they can be used to silence whistleblowers. The Scottish Government has recently emphasised that confidentiality clauses should only be used appropriately. It is essential that in reaching compromise agreements, public sector organisations adhere to the principles of transparency and accountability. Organisations must also understand any restrictions in terms of what employment rights have been waived by the employee.

58. Payments made under compromise agreements, or *ex gratia* payments, are not subject to the same degree of public disclosure as other early departure payments. Organisations should not use these instead of other incentives, such as ‘added years’, in order to avoid public accountability.

59. Organisations must also ensure that compromise agreements are administered correctly to avoid claims from employees and former employees. Aberdeenshire Council’s annual audit report, for example, notes that ‘significant provisions may be required to reflect the costs of compensation for equal pay claims for staff who have not yet signed compromise agreements and who have progressed a tribunal claim and costs in relation to early retirement/redundancy costs where agreements have been reached prior to the year end’.

Organisations should monitor that the planned savings in early departures have been achieved and use this to help shape future proposals

60. Having carried out a programme of early retirements and redundancies, organisations should conduct a review to check that the expected benefits were delivered. Senior managers and board members should receive information on the number of staff that have taken some form of early retirement, the initial costs of these decisions, and a comparison of the planned and actual savings. This information should be used to help shape any future programmes of early retirements or redundancies.

61. Organisations should monitor the savings generated from their early departure schemes and compare these with the planned savings. In some cases, however, this monitoring is carried out by senior managers and not reported to councillors or board members. The auditors at Falkirk Council, for example, reported that, while councillors were ‘advised of the cost of compensatory payments through budget monitoring reports, they have not been informed of the most recent numbers, costs and savings attached to the voluntary departure arrangements’. Glasgow City Council reported departures for the whole workforce but did not have separate arrangements for senior employees. In January 2013, however, it was reported to the Finance & Audit

Scrutiny Committee that the chief executive had agreed to keep elected members informed of any early release or voluntary departure proposals affecting executive directors or assistant directors.

Organisations should report openly about their use of early departures and the extent to which they have delivered savings

62. Public organisations should be open about their use of public money to fund early retirements and redundancies. Since 2011/12, almost all of Scotland's public sector organisations are required to provide some information in their annual accounts on early departures. Typically, this provides details on the overall initial costs and the number of staff involved. The only exceptions are further education colleges, where there is currently only a limited requirement for any disclosure in their accounts. There is no obvious reason for this.

63. However, there is scope for organisations to go beyond their formal accounting requirements, which focus purely on the initial costs of early departures. Information can be available in committee papers or provided as a result of FOI requests. But very few organisations publish details on the actual savings that have been made from early departure schemes. This would provide a more balanced picture of early departures and allow the public to assess value for money.

64. In general, there is an expectation that organisations should be open about their use of public funds. However, they can sometimes be reluctant to publish details of individual agreements. The requirements of the Data Protection Act can be seen as preventing organisations being fully open about specific packages. However, this is not necessarily true. For example, NHS National Services Scotland agreed to the disclosure of a director's remuneration package, despite a confidentiality agreement being in place, following consultation with legal advisers.

Endnotes

1 These figures do not include further education colleges or staff retiring early due to ill health.

2 Local authorities, police joint boards and fire and rescue joint boards combined incurred 44.0 per cent of their expenditure on early departure packages in 2010/11 and 2011/12 on exits costing over £100,000.

Appendix 1

Calculating the additional costs of early departures

The main payments or charges associated with early departures

There are many variables that need to be considered when calculating the costs of offering employees early retirement or voluntary redundancy. There are, for example, differences in the details of NHS and local government pension schemes. Employee entitlements have also decreased significantly for more recent employees. In addition, employers may choose to offer additional incentives, while others may not.

However, there are four main elements common to all public sector pension or redundancy terms:

- **Pension payments:** Employees are entitled to an annual pension. The value of this will vary depending on how many years they have worked for the organisation. It may be based on their final salary or, for more recent employees, the average salary over their career. These costs are met by a pension fund, built up throughout the person's career and funded through employer and employee superannuation payments.

- **Pension lump sum:** As well as an annual pension, employees are also entitled to a lump sum. This will be based on how many years they have worked and their salary. Again, these costs are met by an individual's pension fund.

- **Added years:** An individual's annual pension and lump sum is based on how many years they have worked for the organisation and contributed towards their pension fund. As a result, they may be reluctant to accept an early retirement and reduced pension payments. Employers can choose to offer 'added years' as an incentive to individuals, adding up to ten years when calculating their annual pension and lump sum payments.

- **Redundancy lump sum:** Where they are made compulsorily redundant, employees are entitled to statutory redundancy payments. This is based on how many years they have worked for the organisation. In addition, however, employers may choose to increase these statutory payments to encourage individuals to accept redundancy or early retirement. These incentives are sometimes known as compromise agreements or *ex gratia* payments. They are, in effect, a way of reaching an out-of-court settlement and avoiding the potential costs of employment tribunals.

The additional costs of early departures

When considering offering employees early retirement or voluntary redundancy, organisations need to assess the costs and benefits. They may have an urgent need to reduce the number of employees, but organisations need to ensure that any short-term costs are outweighed by long-term savings.

In calculating these costs, there are two fundamental principles. They should:

- only focus on the **additional costs** that are incurred by an early departure package. They should not include any lump sum or annual pension payments that an employee will be entitled to if they retire normally. These have already been funded throughout the individual's career, with employer's and employee's superannuation contributions being paid into a pension fund. Additional costs such as redundancy lump sums and the impact of 'added years', however, do need to be included. The 'added years' element should be disclosed under two headings. An **additional lump sum** charge should be included to reflect the increased lump sum the individual will receive, and a **capitalised added year** charge, which is an estimate provided by the pension fund of the cost of paying an inflated pension over the employee's remaining life

- take into account the costs commonly known as the **'strain on the fund'**. In other words, the cost to the pension fund of allowing the employee to retire early without actuarial reduction. This cost is calculated by the pension fund and is based on a range of factors including the employee's age, sex and marital status. The cost is borne by the employer under early retirement and voluntary redundancy arrangements.

Illustrative example

This example is based on an employee working in local government. It shows the main costs involved when an employee retires normally and when they accept some form of early departure package. This provides a simplified picture, ignoring, for example, recent changes in pension entitlements, in order to illustrate the main principles involved. In reality such calculations are complex and take into account a number of different actuarial and other factors. While this example is based on local government, the same principle applies to all public sector organisations.

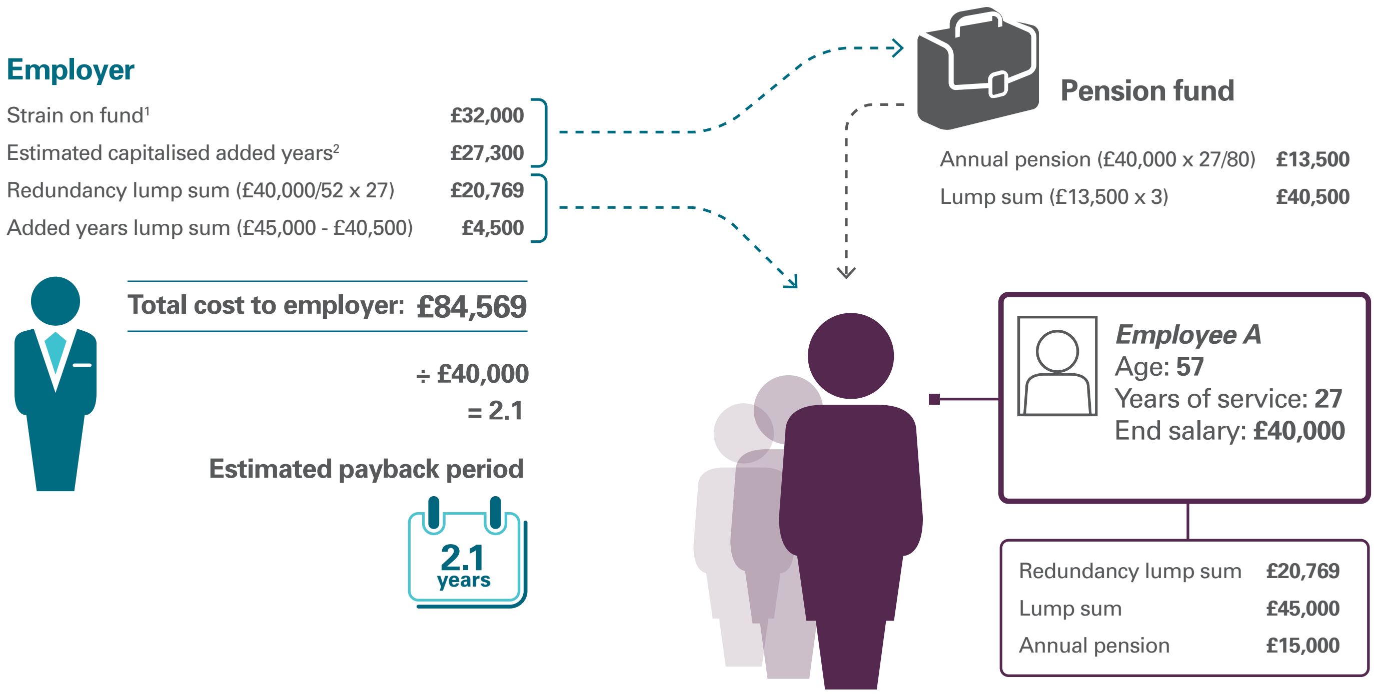
Employee A is 57 years old and currently has 27 years' service. She is due to retire at age 60 in three years' time, with a final salary of £40,000. Her pension will be based on her number of years' service, with each year contributing one-eightieth of her final salary. In addition, she will be entitled to a lump sum, calculated as three times her annual pension. In three years' time, with a total of 30 years' service, Employee A will be due to receive an annual pension of £15,000 and a lump sum of £45,000. The entire cost of this package is funded by her pension fund, built up over her career from employer and employee superannuation contributions.

In contrast, Employee A could be offered some form of early departure package. Not all public sector schemes provide additional payments. However, in this particular example, the employer has included the incentive of three 'added years' service plus a redundancy lump sum of one week's pay per year of service.

Appendix 1 illustrative example shows the payments due to Employee A and the costs met by the employer and the pension fund for this particular package. With the award of three 'additional years', she receives the same annual pension and lump sum had she worked on until she was 60. However, the cost to her

Appendix 1 illustrative example

Cost of early retirement at age 57, with 27 years' service and 3 added years



Notes:
1 Based on the cost of paying the annual pension over a longer period, and based on actuarial estimates of life expectancy.
2 The cost of adding unworked years to the length of service, and based on actuarial estimates of life expectancy.

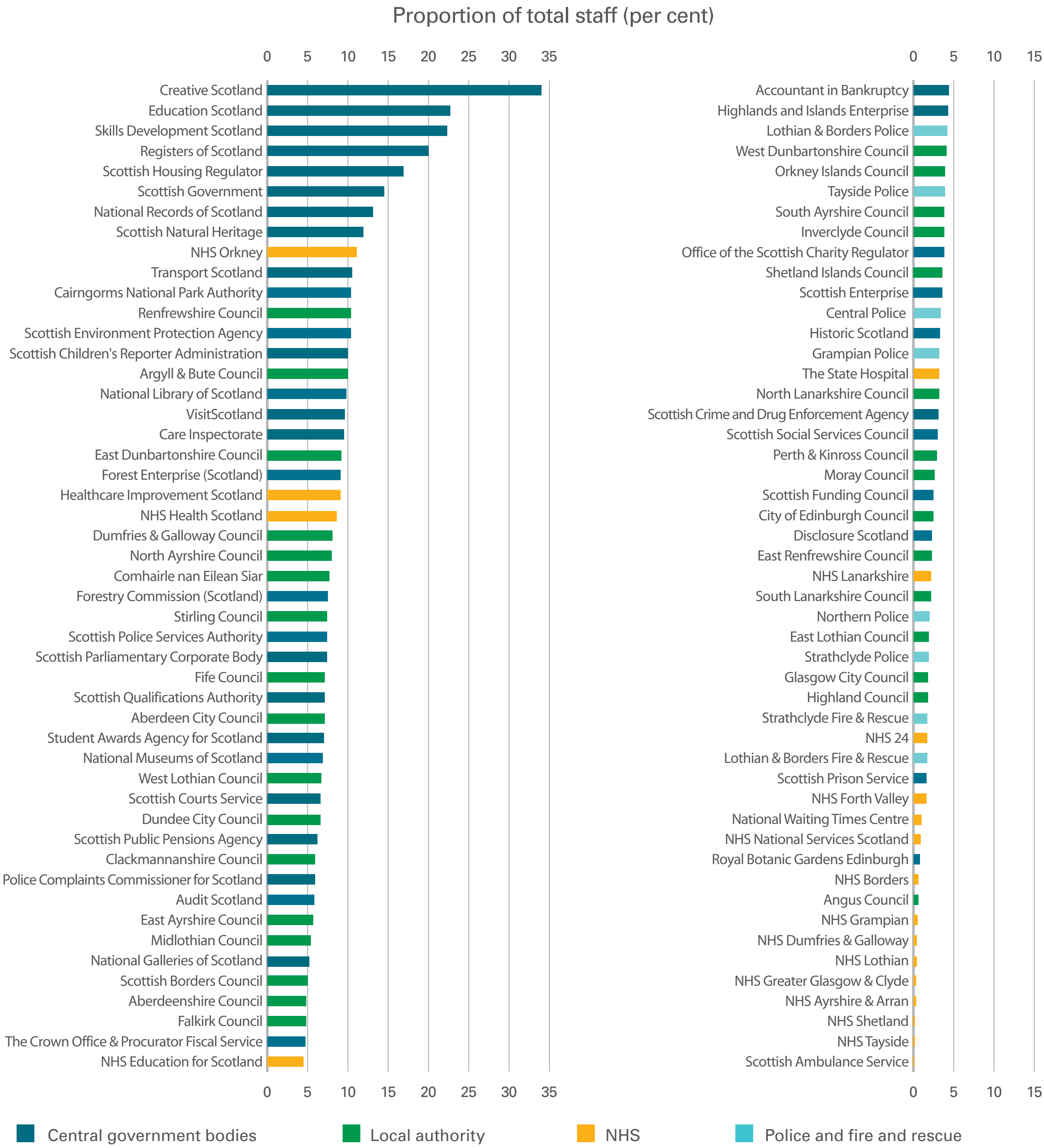
Source: Audit Scotland

pension fund is limited to the actual number of years that she has worked. The additional costs are met by the employer. The redundancy lump sum and the 'added years' lump sum are paid directly to Employee A. The costs relating to the 'strain on the fund' and the capitalised added years, which are based on actuarial estimates of life expectancy, are paid by the employer into the pension fund.

The total cost to the employer of providing this early departure package for Employee A is £84,569. Assuming that her post is not filled, the employer will now save £40,000 per year on salary costs (this is a simplification as, in reality, the employer will also save on other costs such as superannuation contributions). This would mean that, in 2.1 years, the employer will have recovered its initial outlay and will now benefit from recurring savings.

Appendix 2

Proportion of staff taking early departure

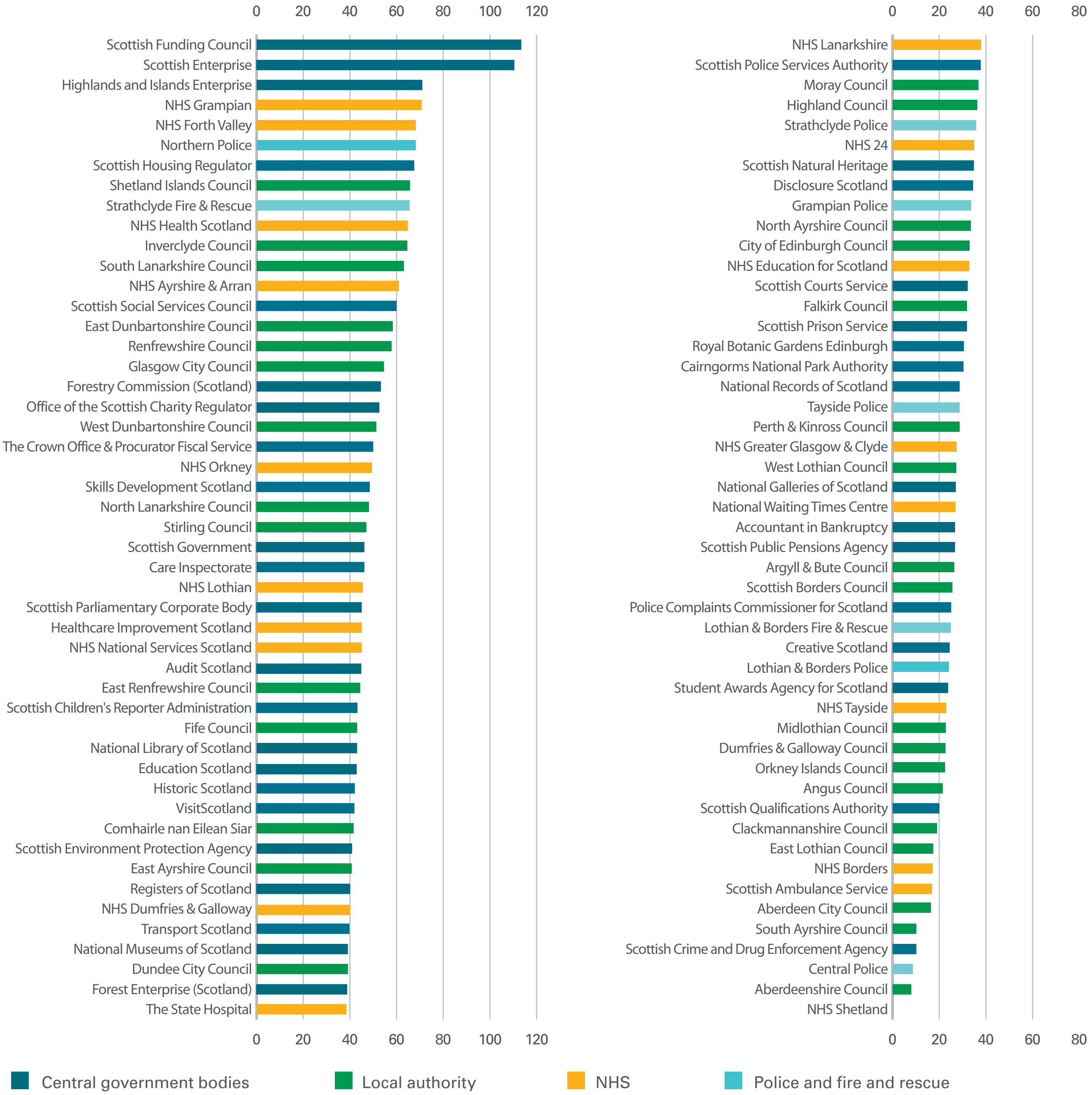


Note: The graph does not include organisations who reported no early departures, or organisations that made no disclosure.

Appendix 3

Average cost of early departure packages

Average cost per exit package (£'000)



Note: The graph does not include organisations who reported no early departures, or organisations that made no disclosure.

Appendix 4

The principles of good practice

Workforce planning

Early departure schemes should be driven by the needs of organisations, not the wishes of individuals.

Workforce and service plans should be used to help shape proposals for early departure schemes, identifying parts of the organisation or particular grades where there is greatest need for reducing the number of employees.

Organisations should ensure that they retain sufficient skills and experience before authorising individual early departures.

Option appraisal

In order to avoid unnecessary costs, alternatives to early departures should be considered. These include:

- natural turnover
- vacancy management
- reducing overtime levels
- reducing the use of agency or contract staff.

Policies and procedures

Policies and procedures for early departure schemes should be regularly updated to reflect the changing needs of organisations, the results of earlier schemes and relevant guidance.

Policies and procedures should cover issues such as:

- incentives, such as ‘added years’, that might be available
- criteria for the use of ill-health retirals
- restrictions on any return to employment within the organisation or sector.

Organisations should consult with trade unions or staff representatives to help ensure that they are seen as fair and reasonable.

Policies and procedures should be clearly communicated to all staff and be transparent to the public.

Policies and procedures should be consistently applied to all staff, except where the organisation’s programme is being targeted at specific grades or business areas.

Business cases

Proposals should be supported by clear business cases, showing the full additional costs of early departures and their anticipated savings.

There should be restrictions on staff who have accepted an early departure package from being re-employed by their previous employer.

Business cases should include ‘strain on the fund’ and ‘added years’ costs, borne by pension funds and recharged to employers, not just those costs directly charged to an organisation’s budget.

Business cases should take into account the costs of any replacement staff employed at lower pay scales.

Organisations should ensure they are using appropriate and justifiable payback periods.

Compromise agreements

Organisations should be clear about which employment rights they expect individuals to waive in return for *ex gratia* payments.

Compromise agreements should not be used to help silence whistleblowers and limit public accountability.

Independent scrutiny

Councillors or board members should oversee early departure schemes, ensuring that proposals represent value for money.

While there may be some need for confidentiality, proposals affecting senior managers should be subject to detailed formal scrutiny by councillors or board members.

Costs presented to councillors or board members should detail separately the costs borne by the organisation as a result of offering 'added years' (the 'added years' lump sum and capitalised 'added year' costs).

Monitoring

Senior managers should monitor progress to help ensure that planned savings are realised and review future proposals accordingly.

Senior managers should report regularly to councillors or board members, detailing the cost of early departure schemes, and providing assurance that business cases are accurate and that value for money has been achieved.

Openness

Organisations should be open in their annual reports and accounts about the costs of early departures and the savings they have generated.

Managing early departures from the Scottish public sector

This report is available in PDF and RTF formats, along with a podcast summary at:
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Appendix 2

Voluntary Severance Policy

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Version 1.0

INVERCLYDE COUNCIL IS AN EQUAL OPPORTUNITIES EMPLOYER

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Inverclyde council

1 AIMS OF POLICY

- To ensure that all circumstances in relation to organisational changes which lead to roles being removed from Services are managed fairly and consistently and to the best possible benefit of both the Council and its employees.

- To strive to meet all requirements of organisational change in terms of employee displacement/redundancy on a voluntary basis.

- To provide a guide to the different sets of options for employees who leave the organisation early through severance.

- To ensure that in situations resulting in roles being identified as surplus to requirements, when voluntary methods cannot achieve desired outcomes, that effective and fair selection methods are used to ensure those employees best equipped to provide effective and cost efficient services are given the opportunity to do so.

- It should be noted that where voluntary severance is not taken up or redeployment is unsuccessful then a report will be submitted to the Policy & Resource Committee for consideration in respect of any displaced employee(s).

In order to meet these Aims:

- Council employees must understand the reasons and needs for Organisational Change initiatives, and be fully conversant as to the reasons for displacement and severance arrangements.

- Council Officials and Employees must understand that voluntary methods are the preferred methods of achieving the desired outcomes of a redundancy situation, however this may not always be possible, and that compulsory selection may be required.

- Council employees must have a sound understanding of the selection criteria or method that will be used in a displacement situation as part of their day to day understanding of being a council employee.

2 SCOPE

This policy applies to all council employees and will also act as a guide for managers who have to use Selection Criteria when considering their Service requirements in respect of organisational change.

The terms of this policy cover employees whose conditions of service are laid down by: -

- The Scottish Joint Council for Local Government Employees
- The Scottish Joint Council for Craft Operatives
- The Scottish Joint Negotiating Committee for Local Authorities (Chief Officials)
- The Scottish Negotiating Committee for Teachers.

3 CONSULTATION & IMPACT ASSESSMENT

An Equality Impact Assessment will be carried out in relation to this policy and is available from Organisational Development, Human Resources and Communications on request.

4 UNDERSTANDING DISPLACEMENT/SEVERANCE AGREEMENTS & TERMS

Periods of organisational change can be complex, and various terms and agreed conditions are used during such periods which are important to understand. In the context of this policy and its application, the following terms and conditions are used, and this section seeks to explain them.

a) ***Redundant Post*** – Relates to when post becomes surplus to requirements as a result of organisational change, the Council must remove the post from the organisation, effectively, making the post redundant. Ultimately, when a post is removed/redundant, the employee (s) occupying it are directly affected in that they will somehow be displaced out of it;

b) ***Displacement situation*** - Relates to circumstances in which post(s) have been removed from the organisation as a result of organisational change as outlined above; thus the employee(s) in the post(s) find themselves in a displacement situation;

c) ***Redeployment*** - Where post (s) have been confirmed as being removed/reduced as a result of organisational change, redeployment to other suitable posts within the Council will always be the first consideration before any other exit method is offered to an employee. The Councils Redeployment Policy should be considered in this regard, essentially though, it is about working with a displaced employee to find a new post so as to avoid termination of employment. An offer of reasonable redeployment is considered under employment legislation as an alternative to redundancy pay.

d) ***Voluntary Severance Trawl*** **-** When the Council is looking to remove posts as part of organisational change, it may ask targeted groups of employees if they wish to be considered for “Voluntary Severance” and to leave the Council this will be by the specific date saving has to be achieved by or if a restructure or some form of re organisation is agreed. The release date will be the date agreed by the Council. This is essentially a situation whereby employees indicate that they may be willing to leave their post voluntarily in return for a severance package. This will normally be either a redundancy payment, and/or access to pension, depending on the employees age and pension membership duration as outlined below in Table 1.

e) ***Efficiency of the Service -*** Relates to releasing pensionable aged employees and reconsidering their posts being filled at the lower end of the salary scale. This is different from a redundancy situation as no post is being made redundant with no redundancy payment being made, rather it is being filled a more efficient way, but is still relevant to this policy as employees may volunteer to leave on this basis, or be asked to consider doing so.

***f) Severance* -** Relates to a monetary option made available to employees in terms of pension **and** redundancy pay entitlements as a result of a redundancy situation arising.

Severance in this context, due to Pensions legislation, for members of the Strathclyde Pension Fund, is only available to those employees over 50 or 55 who have more than 2 years pension membership, (over 50 or over 55 will depend on when employees joined the pension scheme as transitional rules are currently in place). The length of time an employee has been in the pension fund will also affect what options can be made available, this is governed by Pension Regulations in that of those with less than 2 years membership are unable to access their pension in a redundancy situation.

For employees who are members of the Scottish Teachers' Superannuation Scheme they must be aged 55 or over and have more than 5 year's pensionable service to be eligible for severance .

For employees who are under 50 years of age and are either members of the pension scheme or not then they are only entitled to a redundancy payment.

g) Value for Money (VFM) - Appendix 4 shows the Council's VFM early consideration sheet that is used to ensure that if an Employee is to be offered Voluntary then there is a payback to the Council within a three year period. Where the three year payback period is not achieved then NO offer of Voluntary Severance will be made. Guidelines as to how the VFM calculation is made are included in the appendix

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Table 1 – Severance Agreements

Employee Group - All Categories					
Group 1	**Weekly Pay Used to Calculated Redundancy Payment**	**Redundancy Table Used**	**Access to Pension**	**Added Years in Redundancy**	**Added Years in Efficiency**
Under 50 years of age – non members and members of pension scheme **OR** Over 50 years of age – non members of pension scheme **OR** Over 50 years of age – (< 2 years) membership of pension scheme	Average Weekly	Up to 66 Weeks	**N/A**	**N/A**	**N/A**
Group 2	**Weekly Pay Used to Calculated Redundancy Payment**	**Redundancy Table Used**	**Access to Pension**	**Added Years in Redundancy**	**Added Years in Efficiency**
Over 50 years of age (> 2 years) membership of pension scheme	Average Weekly	Up to 30 week table.	Yes	Up to 3 added years	Up to 3 added years

g) ***Added Years –*** Under the Pension Regulations, the Council maintains the discretion to offer qualifying employees (over 50 or 55 as stipulated by Pensions Regulations), and to members of the SPPA over 55, “added years” which essentially are offered as part of the enhanced severance package. The discretionary added years that the Council will consider awarding are shown in Table 2below.

Table 2 – Discretionary Added Years Provisions

	Added Years Max
From 30 September 2013	Up to 3

h) Voluntary Severance Response/Value for Money Test (VFM) - Requests by employees made under the Voluntary Severance Request /Trawl are considered against a value for money criteria calculation. If this value for money calculation establishes that it is cost effective to release the employee in some way, and/or provided access to their pension a release date will be offered to the employee based on the Council agreed decision. If the employee responds to a request for voluntary severance, but does not demonstrate value for money, the employee will be advised that they cannot be released under this method and further options will be considered. (see Section 5 - Processes)

***i) Identifying a displaced employee*- (s)**

Where a singleton post is removed by the Council then the postholder is displaced. The Council will, in the first instance, offer redeployment to the employee but where this is not successful then the employee can be offered voluntary severance. (see Section 5 – Processes)

Where more than one employee is affected by an organisational change and all options under the voluntary redeployment and voluntary severance routes are ***entirely*** exhausted, the Council will identify which employee is displaced by applying the "*Selection Criteria Matrix*", (Appendix 1) ***Note that for teachers, the matrix does not include performance appraisal at this time.***

These criteria will be applied to defined/affected groups of employees within the service (i.e. those whose roles have to become redundant or surplus to requirements). Its objective will be to retain those employees deemed best equipped to deliver the required service whilst recognising other important factors.

The details of how the criteria will be applied are also outlined in Appendix 1, but in summary, the following factors are considered:

- Disciplinary Record
- Performance
- Absence
- Length of Service

The Selection Criteria Matrix will be utilised when necessary some examples of necessary scenarios are:

- When there is more than one affected employee;

- To identify which employees are to be displaced and who should remain should there be no volunteers for voluntary severance or if voluntary severance cannot be applied due to costs;

j) ***Redundancy Pay*** relates to pay entitlements made available to employees who find themselves in a redundancy situation which ultimately resulted in them leaving the Council because of this situation. Due to employment legislation, only those employees with more than 2 years continuous service qualify for a redundancy payment in any situation. There is a statutory table for calculating redundancy pay, but the Council use an enhanced version of this (Appendix 2) , unless the employee (s) are in the Over 50 category and being granted access to their pension in which case it will be the statutory table. The Council applies discretion in Redundancy pay in that it pays at Actual Weeks Pay (i.e. what is earned), as opposed to the Statutory Rate.

Please note: Those employees under 50 or 55 (depending on when they joined the pension scheme and to which pension scheme they belong SPFO or SPPA), can **only be** offered a monetary offer in relation to **redundancy pay only** under a Voluntary Severance Request/Trawl, as pension cannot be accessed before these ages.

k) ***Compulsory Redundancy* –** The Council will attempt to avoid compulsory redundancy where practicable but where an employee (s) are displaced from their job (s), have gone through the redeployment process without success and do not wish to opt for voluntary severance, then a report will be prepared for the Policy and Resources Committee to advise of the position and to seek authority to make a displaced employee or employees compulsory redundant. Any severance payment made will be the same that is offered under voluntary severance. All appropriate notice periods will apply.

5 PROCESSES

The process outlined in the flow charts below cover each of the terms explained in Section 4, and explain various example scenarios that may occur as a result of organisational change affecting posts within the Council. There will no-doubt be scenarios that are not captured in these process charts, but the underlying aims and objectives of this policy will be applied.

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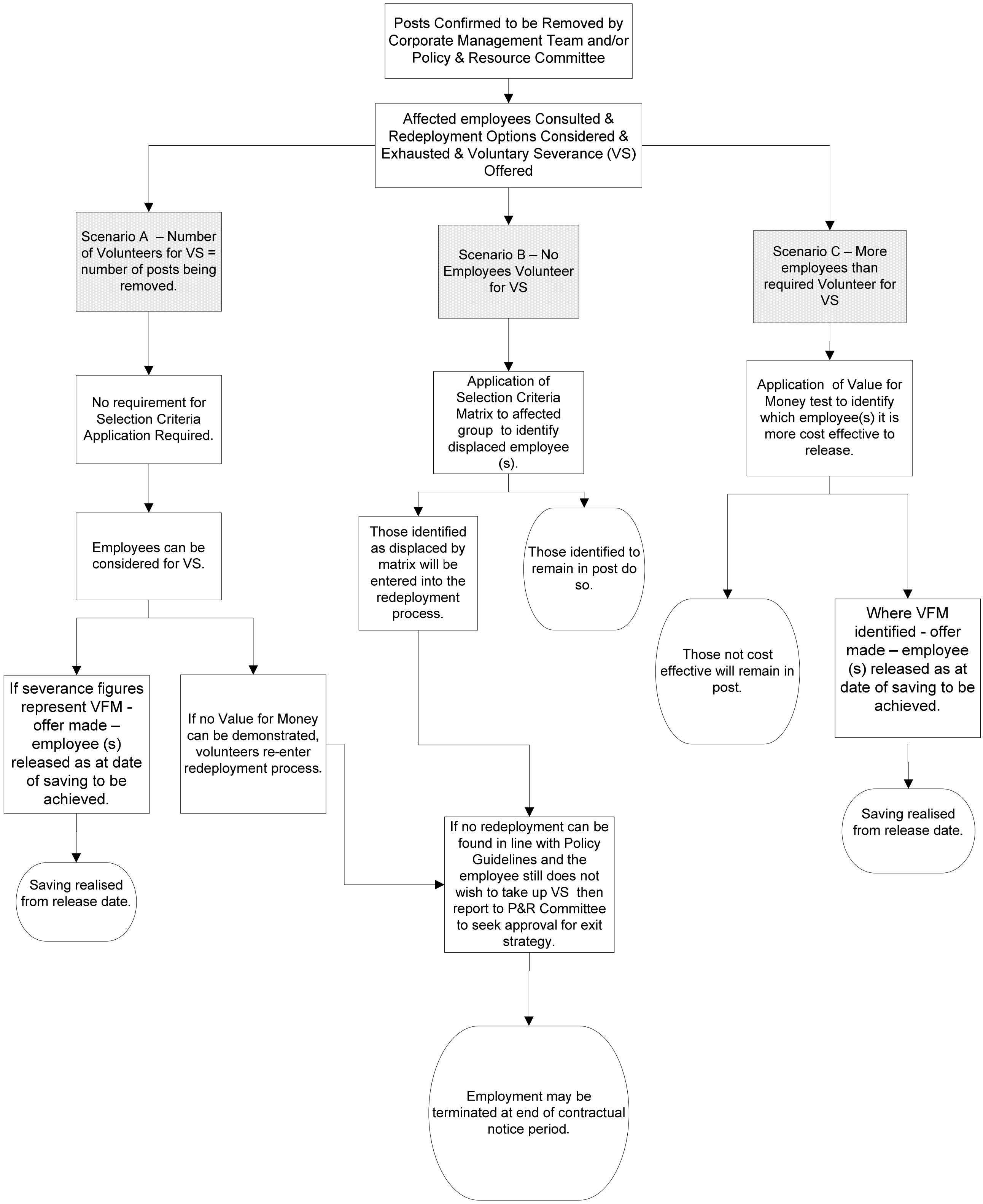
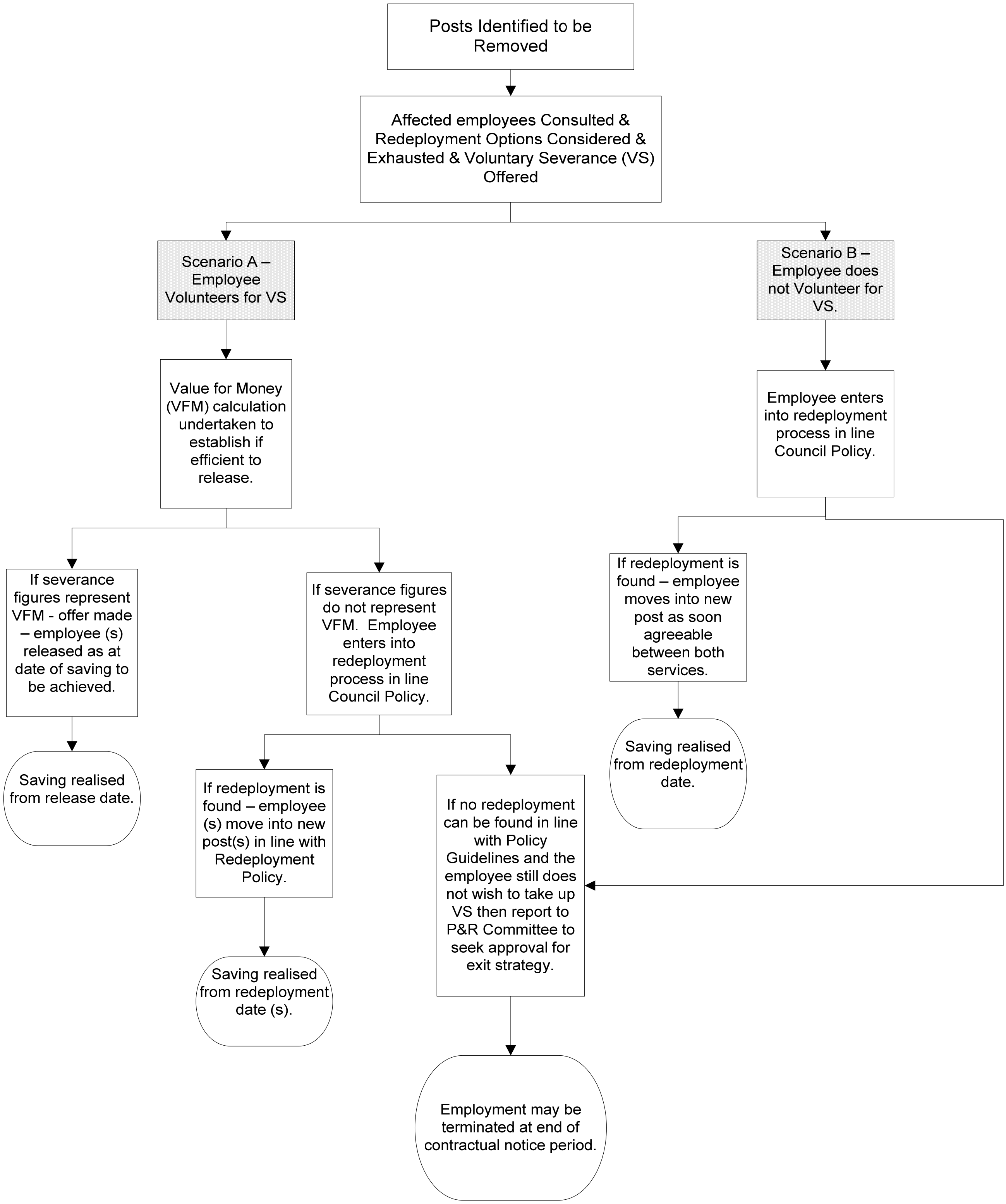
5.1 Process: More than One Employee Affected



5.2 Process – Individual Employee Only Affected



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6 ROLES & RESPONSIBILITIES IN THE PROCESS

a. Managers

- Will be responsible for considering the posts which need to be removed as a result of Organisational Change and obtaining the necessary approvals to proceed.
- Will be responsible for communicating and consulting with affected employees at each relevant stage in the process (in conjunction with Human Resources).
- Will be responsible for ensuring that posts are removed from their services on time to ensure necessary savings are achieved.

b. Human Resources

- Will be responsible for working in conjunction with managers leading organisational changes to ensure that employees are consulted with at each relevant stage in the process.
- Will be responsible for ensuring that the processes and selection criteria matrix are applied fairly and consistently across the Council.
- Will support and co-ordinate employees though the redeployment process (including sourcing suitable internal vacancies), and advise on third party employment support services for employee who require such services.
- Will ensure that legal/contractual best practice is applied in any formal correspondance/consultation with affected employees.

c. Affected Employees

- Will be responsible for ensuring that they fully understand their position during any consultation stages or responding to any requests from Managers/Human Resources during the process. This may mean gaining advice from a Manager, Human Resources , Trade Union or another third party (e.g lawyer/employment advisor etc).
- Will be responsible for playing an active role in any redeployment process that they may be entered into, including filling in necessary forms, attending interviews, and being open to alternative posts.

7 PAY PROTECTION – SALARY & PENSION

If redeployment is the outcome of the process for affected employees, there are 2 key factors that are relevant to this process ***(a & b below). Any other issues arising from redeployment should be considered under the Councils Redeployment Policy.***

a. Salary Protection

The Council has a salary protection policy that currently protects the salary of permanent employees redeployed into a post which is graded lower than the employees previous salary, as a result of organisational change, any pay protection is on a cash conserved basis for one year.

b. Pension – Certificate of Material Change

Members of Pension Funds may be eligible for a Certificate of Material Change to ensure any earning changes which impact on pension are protected for a period of approximatley 10 years. This will be discussed on an individual basis as there are numerous factors which impact the need for this certificate. All those involved in the process should ensure this point is considered and discuss with Human Resources who will liase with the pension funds and/or other colleagues to put this in place if it is applicable.

8 SUPPORT FOR EMPLOYEES

As outlined in the Roles & Responsibilies section, Human Resources will work with employees who are facing redeployment/redundancy to provide support if they are faced with re-entering the labour market. This will involved providing personal guidance on recruitment as well as working with third party organisations to ensure employees are as fully supported as possible.

9 RETURNING TO EMPLOYMENT WITH THE COUNCIL

It is not uncommon that following a severance/redundany package being agreed, former employees may look to return to employment with the Council (for example in another post which is advertised, or on a sessional/casual basis). This option remains but is subject to the Councils Re employment Policy attached as Appendix 5

10 REDUNDANCY PAY; ELIGIBILITY AND CALCULATIONS

a) ***Eligibility for Redundancy Pay***

In order to qualify for any redundancy pay, employees must be at least 17 years old and have at least 2 years continuous service with the Council.

This eligibility is derived from The Employment Rights Act (1996)

b) ***Redundancy Payment Calculations***

Statutory redundancy payments currently stand at payment up to a maximum of 30 weeks pay depending on age and length of service. The government set the statutory rates for redundancy and as such they can vary annually.

When redundancy pay is being applied as a result of a voluntary measure, the council will calculate pay using the enhanced table as shown in Appendix 2.

c) ***Actual Pay Calculations***

The Government sets the statutory upper limit on a week's pay**.** The Council has exercised its discretion to over-ride this limit and calculates pay on the basis of actual weekly pay. The amount of a week's pay to be taken into account for redundancy purposes is therefore that to which the employee is entitled under the contract of employment on date of redundancy. Actual weekly pay will be used regardless as to whether the payment is being considered as a result of voluntary or compulsory measures.

(i) Employees Working Normal Hours

Where the employee has normal working hours and the pay does not vary, for example, with the amount of work done, this is simply the basic weekly or monthly wage or salary.

(ii) Non Contractual Overtime Earning Employees

Overtime earnings are not included unless the overtime is contractual in which case , it will be taken into consideration when calculating redundancy payments as per paragraph (iii) below.

(iii) Contractual Overtime Earning Employees

A week's pay is arrived at by multiplying the number of hours normally worked in a week and the average hourly earnings over the 12 complete weeks before the date of redundancy (last working day).

Contractual overtime hours will also be taken into account in calculating the average hourly rate but their overtime premium will be included.

d) ***Employees Working Variable Hours***

Where hours under the contract vary from week to week, the week's pay is arrived at by multiplying together the number of hours normally worked in a week and the average hourly earnings over the 12 complete weeks before the date of redundancy. This calculation period is determined by the Employment Rights Act (1996).

e) ***Other Payments***

Where employees are in receipt of other payments such as:

First Aid Allowance

Standby Payments

Responsibility Payments

These will be taken into account by averaging their value over the 12 week period before the last working day when calculating a weeks pay. This list is not exhaustive and anything that has not been listed will be reviewed to ensure all earnings other than non-contractual over-time are taking into consideration when calculating a weeks pay.

f) ***Employee Working Shifts/Earning Allowances***

Where an employee works shifts, the week's pay is arrived at in a similar calculation to that described above, an average earnings over 12 weeks before the last working day.

11 SERVICE CALCULATIONS

a) ***Single Appointment Holders***

The amount of service to be taken into account for redundancy purposes for those with a single role within the Council is the actual continuous complete years of service, which have accrued at the date of redundancy irrespective of the proportion of part-time or full-time service. If any break in service is for less than a week and a day such service will be deemed to be continuous.

b) Dual/Multiple Appointment Holders

There will often be situations where employees hold more than one position within the Council, each of which may have different continuous service date.

In these circumstances, each role will be treated entirely separately, so that any redundancy calculation should be based on the length of service of the contract from which the employee is being made redundant.

The only exception to this is, if, at the time of redundancy the employee is employed under only one contract but in the past there have been one or more other overlapping contracts.

In such cases, length of service can be counted back to the start of the first contract if service has been continuous.

12 NOTICE IN A REDUNDANCY SITUATION

Where redundancy is on a voluntary basis then an employee will be required to work there contractual notice period during which they **MUST** take all outstanding annual leave as no payment will be made unless authorised by the Head of Organisational Development , Human Resources and Communications and this will only be allowed under exceptional circumstances. Where redundancy becomes compulsory, notice will be given in line with contractual terms and again all outstanding annual leave must be taken during this period. As a general principle, notice will be issued as far in advance as possible.

13 METHOD OF CALCULATION – PENSION

i. Pension and Lump Sum Calculations

For employees who ultimately receive severance and thus pension access; the calculation of the pension element will depend on when the employee joined the Pension Fund.

- Pension is calculated at the rate of 1/80th of pensionable pay for each year of reckonable service (odd days counting at 1/365th of the rate for a year) on contributions paid up until 31st March 2009.

- Thereafter, i.e. from 1st April 2009, pension is calculated at the rate of 1/60th of pensionable pay for each year of reckonable service (odd days counting at 1/365th of the rate for a year)

- Lump Sum Retirement Grant is calculated at the rate of 3/80th of pensionable pay for each year of reckonable service (odd days counting at 3/365th of the rate for a year) for service up to 1 April 2009

- Compensatory Added Years are calculated at the rate of 1/80th of pensionable pay for each year of reckonable service (odd days counting at 1/365th of the rate for a year).

- Reckonable service is the period in which contributions have been paid plus any additional service which may have transferred in from a previous pension scheme or bought by means of extra contributions or added years awarded by the employer.

- Maximum service which can be counted is 40 years at the age of 60 (although some employees at retrial date may have achieved the maximum service altogether of 45 years.

ii. Final Pensionable Pay

This is normally the pensionable pay earned in the last year before retirement, or one of the previous two years pensionable pay whichever is the higher or where pay is protected by a Certificate of Material change and is higher. For part-time employees the figure used to work out pension benefits is the pensionable pay which would have been received if the employee had worked full-time, applied against the part-time service.

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iii. Reckonable Service

Reckonable Service, for pension payments, is the number of full years and part years an individual has been in the pension scheme. For a part-time or job-share employee working half the normal full-time hours reckonable service is calculated proportionately i.e. for an employee who had worked full-time for 10 years and part-time for 6 years the reckonable service to be taken into account would be 13 years as the 6 years would be halved.

Example an employee who worked 37 hours a week for 10 years and then 18.5 hours a week for 6 years the reckonable service would be 10 + 3 = 13.

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APPENDIX 1: Redundancy Selection Criteria Matrix & Application Guidelines

Redundancy Selection Criteria Matrix											
Weighting x 3			**Weighting x 2**			**Weighting x 2**			**Weighting x 1**		
Disciplinary			**Performance***			**Absence ****			**Length of Service**		
Level of Disciplinary Action	**Points Awarded/Deducted**	**Mulitplier**	**Performance Appraisal Grade***	**Points Awarded/Deducted**	**Mulitplier**	**Absence Percentage****	**Points Awarded/Deducted**	**Mulitplier**	**Length of Service**	**Points Awarded/Deducted**	**Mulitplier**
No Record	20		1	20		<2%	20		>20 years	20	
Oral Warning	-5		2	15		<3%	15		10-20 years	15	
Written Warning	-10	x3	3	10	x2	<5%	10	x2	5-10 years	10	x1
Final Written Warning	-15		4	-5		>5%	-5		<5 years	5	

Disciplinary		Performance		Absence		Length of Service	
Possible Scores	***60***	***Possible Scores***	***40***	***Possible Scores***	***40***	***Possible Scores***	***20***
	-15		***30***		***30***		***15***
	-30		***20***		***20***		***10***
	-45		***-10***		***-10***		***5***

Max Possible		**160**
Min Possible		**-60**

Notes

Each employee in the pool starts with Zero points then is awarded/deducted points based on the above.

Basic points are based on a 20,15,10,5,-5 basis then multiplied to reflect weighting.

Lowest scoring employees are those identified for compulsory displacement/redundancy. Were relevant; if there is an equal score (draw), competitive interview will be used to determine which employee (s) remain in post and which become displaced.

An Interim Stage will arise to allow for review if there are any overlaps to ensure points are not awarded or deducted for same reasons (e.g poor absence and discipline for absence, etc). This will be done in full consulation with the affected employee (s).

* Where performance appraisal is not in place all employees in pool should be awarded 40 points to ensure consistency.

** Absence will be the best over a three year period. Exclusions to avoid discrimination are outlined in application guidance. Employees under 3 years will be based on the best period within their service.

<u>Note that for teachers, the matrix does not include performance appraisal.</u>

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Notes for Application

A representative from Human Resources will always be involved when this criteria is being applied.

Disciplinary
Consideration should be given to **live disciplinaries** only. Letters of Concern cannot be considered. If a live warning is in appeal stage it will still be considered as being live. Spent/Expired warnings are not relevant. Ongoing investigations cannot be considered either, if there is an ongoing investigation at the time the exercise is being carried out,

Performance
Last performance appraisal grades should be used to allocate points in this section. When performance appraisal is not fully operational, full points should be awarded as any performance issues must be properly managed before it is considered fair to allocate lower points.

Absence
Certain reasons for absence cannot be taken into account when considering absence on this context. Individuals may be protected by certain legislation depending on their circumstances. Key points to consider for example are disability discrimination, sex discrimination and age discrimination. Further consideration should be given to planned absences or long term manageable absences (i.e. operations/recover times, periods of personal stress), pregnancy related absence (in relation to Sex Discrimination legislation) although there may be others. Short term, frequent absence or long term un-manageable absences which are not covered by any of the current legislations are those which should be graded at the lower end of this scale. Frequent unrelated absences should reduce points awarded. One off incidences of long term absences when someone's absence record is generally good should also be considered.

Length of Service
This is a factual piece of data. The main consideration here is that it should be the anniversary of service that is used to calculate how many full years continuous service have been completed.

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Appendix 2 - Discretionary Redundancy Table

Completed years of Service

Age	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33
18																																	
19		1/2	1/2																														
20		1	1	1																													
21		1 1/2	2	2	2																												
22		2	2 1/2	3	3	3																											
23		4	6	8	10	10	10																										
24		4	6	8	10	12	12	12																									
25		4	6	8	10	12	14	14	14																								
26		4	6	8	10	12	14	16	16	16																							
27		4	6	8	10	12	14	16	18	18	18																						
28		4	6	8	10	12	14	16	18	20	20	20																					
29		4	6	8	10	12	14	16	18	20	22	22	22																				
30		4	6	8	10	12	14	16	18	20	22	24	24	24																			
31		4	6	8	10	12	14	16	18	20	22	24	26	26	26																		
32		4	6	8	10	12	14	16	18	20	22	24	26	28	28	28																	
33		4	6	8	10	12	14	16	18	20	22	24	26	28	30	30	30																
34		4	6	8	10	12	14	16	18	20	22	24	26	28	30	32	32	32															
35		4	6	8	10	12	14	16	18	20	22	24	26	28	30	32	34	34	34														
36		4	6	8	10	12	14	16	18	20	22	24	26	28	30	32	34	36	36	36													
37		4	6	8	10	12	14	16	18	20	22	24	26	28	30	32	34	36	38	38	38												
38		4	6	8	10	12	14	16	18	20	22	24	26	28	30	32	34	36	38	40	40	40											
39		4	6	8	10	12	14	16	18	20	22	24	26	28	30	32	34	36	38	40	42	42	42										
40		4	6	8	10	12	14	16	18	20	22	24	26	28	30	32	34	36	38	40	42	44	44	44									
41		4	6	8	10	12	14	16	18	20	22	24	26	28	30	32	34	36	38	40	42	44	46	46	46								
42		7	9	11	13	15	17	19	21	23	25	27	29	31	33	35	37	39	41	43	45	47	49	51	51	51							
43		10	12	14	16	18	20	22	24	26	28	30	32	34	36	38	40	42	44	46	48	50	52	54	56	56	56						
44		10	15	17	19	21	23	25	27	29	31	33	35	37	39	41	43	45	47	49	51	53	55	57	59	59	61	61					
45		10	15	20	22	24	26	28	30	32	34	36	38	40	42	44	46	48	50	52	54	56	58	60	62	62	66	66	66				
46		10	15	20	25	27	29	31	33	35	37	39	41	43	45	47	49	51	53	55	57	59	61	63	65	65	66	66	66	66			
47		10	15	20	25	30	32	34	36	38	40	42	44	46	48	50	52	54	56	58	60	62	64	66	66	66	66	66	66	66	66		
48		10	15	20	25	30	35	37	39	41	43	45	47	49	51	53	55	57	59	61	63	65	66	66	66	66	66	66	66	66	66	66	
49		10	15	20	25	30	35	40	42	44	46	48	50	52	54	56	58	60	62	64	66	66	66	66	66	66	66	66	66	66	66	66	66
50		10	15	20	25	30	35	40	45	47	49	51	53	55	57	59	61	63	65	66	66	66	66	66	66	66	66	66	66	66	66	66	66
51		10	15	20	25	30	35	40	45	50	52	54	56	58	60	62	64	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66
52		10	15	20	25	30	35	40	45	50	55	57	59	61	63	65	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66
53		10	15	20	25	30	35	40	45	50	55	60	62	64	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66
54		10	15	20	25	30	35	40	45	50	55	60	62	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66
55		10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66
56		10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66
57		10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66
58		10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66
59		10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66
60		10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66
61		10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66
62		10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66
63		10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66
64		10	15	20	25	30	35	40	45	50	55	60	65	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66	66

Inverclyde council

APPENDIX 3 – STATUTORY REDUNDANCY TABLE

Completed years of Service

Age	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
18	1.0	1.5																											
19	1.0	1.5	2.0																										
20	1.0	1.5	2.0	2.5																									
21	1.0	1.5	2.0	2.5	3.0																								
22	1.0	1.5	2.0	2.5	3.0	3.5																							
23	1.5	2.0	2.5	3.0	3.5	4.0	4.5																						
24	2.0	2.5	3.0	3.5	4.0	4.5	5.0	5.5																					
25	2.0	3.0	3.5	4.0	4.5	5.0	5.5	6.0	6.5																				
26	2.0	3.0	4.0	4.5	5.0	5.5	6.0	6.5	7.0	7.5																			
27	2.0	3.0	4.0	5.0	5.5	6.0	6.5	7.0	7.5	8.0	8.5																		
28	2.0	3.0	4.0	5.0	6.0	6.5	7.0	7.5	8.0	8.5	9.0	9.5																	
29	2.0	3.0	4.0	5.0	6.0	7.0	7.5	8.0	8.5	9.0	9.5	10.0	10.5																
30	2.0	3.0	4.0	5.0	6.0	7.0	8.0	8.5	9.0	9.5	10.0	10.5	11.0	11.5															
31	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	9.5	10.0	10.5	11.0	11.5	12.0	12.5														
32	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	10.5	11.0	11.5	12.0	12.5	13.0	13.5													
33	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	11.5	12.0	12.5	13.0	13.5	14.0	14.5												
34	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	12.5	13.0	13.5	14.0	14.5	15.0	15.5											
35	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	13.5	14.0	14.5	15.0	15.5	16.0	16.5										
36	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	14.5	15.0	15.5	16.0	16.5	17.0	17.0									
37	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	15.5	16.0	16.5	17.0	17.5	17.5	17.5								
38	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	16.0	16.5	17.0	17.5	18.0	18.0	18.0	18.0							
39	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	16.0	17.0	17.5	18.0	18.5	18.5	18.5	18.5	18.5						
40	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	16.0	17.0	18.0	18.5	19.0	19.0	19.0	19.0	19.0	19.0					
41	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	16.0	17.0	18.0	19.0	19.5	19.5	19.5	19.5	19.5	19.5	19.5				
42	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5			
43	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	16.0	17.0	18.0	19.0	20.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0		
44	3.0	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5	21.5	
45	3.0	4.5	6.0	7.0	8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	16.0	17.0	18.0	19.0	20.0	21.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
46	3.0	4.5	6.0	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5
47	3.0	4.5	6.0	7.5	9.0	10.0	11.0	12.0	13.0	14.0	15.0	16.0	17.0	18.0	19.0	20.0	21.0	22.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0	23.0
48	3.0	4.5	6.0	7.5	9.0	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5	22.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5	23.5
49	3.0	4.5	6.0	7.5	9.0	10.5	12.0	13.0	14.0	15.0	16.0	17.0	18.0	19.0	20.0	21.0	22.0	23.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0
50	3.0	4.5	6.0	7.5	9.0	10.5	12.0	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5	22.5	23.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5
51	3.0	4.5	6.0	7.5	9.0	10.5	12.0	13.5	15.0	16.0	17.0	18.0	19.0	20.0	21.0	22.0	23.0	24.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
52	3.0	4.5	6.0	7.5	9.0	10.5	12.0	13.5	15.0	16.5	17.5	18.5	19.5	20.5	21.5	22.5	23.5	24.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5	25.5
53	3.0	4.5	6.0	7.5	9.0	10.5	12.0	13.5	15.0	16.5	18.0	19.0	20.0	21.0	22.0	23.0	24.0	25.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
54	3.0	4.5	6.0	7.5	9.0	10.5	12.0	13.5	15.0	16.5	18.0	19.5	20.5	21.5	22.5	23.5	24.5	25.5	26.5	26.5	26.5	26.5	26.5	26.5	26.5	26.5	26.5	26.5	26.5
55	3.0	4.5	6.0	7.5	9.0	10.5	12.0	13.5	15.0	16.5	18.0	19.5	21.0	22.0	23.0	24.0	25.0	26.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0
56	3.0	4.5	6.0	7.5	9.0	10.5	12.0	13.5	15.0	16.5	18.0	19.5	21.0	22.5	23.5	24.5	25.5	26.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5	27.5
57	3.0	4.5	6.0	7.5	9.0	10.5	12.0	13.5	15.0	16.5	18.0	19.5	21.0	22.5	24.0	25.0	26.0	27.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0
58	3.0	4.5	6.0	7.5	9.0	10.5	12.0	13.5	15.0	16.5	18.0	19.5	21.0	22.5	24.0	25.5	26.5	27.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5
59	3.0	4.5	6.0	7.5	9.0	10.5	12.0	13.5	15.0	16.5	18.0	19.5	21.0	22.5	24.0	25.5	27.0	28.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0
60	3.0	4.5	6.0	7.5	9.0	10.5	12.0	13.5	15.0	16.5	18.0	19.5	21.0	22.5	24.0	25.5	27.0	28.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5
61	3.0	4.5	6.0	7.5	9.0	10.5	12.0	13.5	15.0	16.5	18.0	19.5	21.0	22.5	24.0	25.5	27.0	28.5	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
62	3.0	4.5	6.0	7.5	9.0	10.5	12.0	13.5	15.0	16.5	18.0	19.5	21.0	22.5	24.0	25.5	27.0	28.5	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
63	3.0	4.5	6.0	7.5	9.0	10.5	12.0	13.5	15.0	16.5	18.0	19.5	21.0	22.5	24.0	25.5	27.0	28.5	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
64	3.0	4.5	6.0	7.5	9.0	10.5	12.0	13.5	15.0	16.5	18.0	19.5	21.0	22.5	24.0	25.5	27.0	28.5	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30

Completed years of Service

Inverclyde council

Organisational Development and Human Resources **Savings Ref**

OPTION **EARLY RETIREMENT CONSIDERATION SHEET**

Name of Employee	______	Post Title	______
		Emp Ref	______
Grade	______	Service	______
		Location	______
Provisional Date of Retirement	______	Post Number	______

(1) Type of Retirement **CAY**

Redundancy	______
Efficiency	______

(2) Cost of Retirement

		£
Redundancy Payment	Revenue	
	Plus oncosts	£0.00
Lump Sum Added Years	Revenue	£0.00
Strain on the Fund	Revenue	£0.00
Total Revenue cost Year 1		£0.00
Employee Salary - less annual added years cost **(calculated using pension information)**		
Balance salary + on costs @ 25%		£0.00
Backfilling of Post (please detail in section 5)		£0.00

(3) VFM Justification

3 Years	Employee salary + on costs x 3 minus total revenue year 1	£0.00	If negative figure do not process
2 Years	Employee salary + on costs x 2 minus total revenue year 1	£0.00	

Inverclyde council

If VFM calculation is not justified for 3 years advise Head of OD & HR immediately

If justification for 2 years e-mail to Finance for verification

Where 2 year figures are justified proceed to issue provisional figures

(4) Is the post to be deleted from the establishment YES/NO

(5) Is there a requirement to backfill post (if yes please give details)

Confirm Funding	____________________	Chief Financial Officer	Dated	____________________
Signed as Approved	____________________	Corporate Director	Dated	____________________
Signed as Approved	____________________	Human Resources	Dated	____________________
Approval	____________________	Chief Executive	Dated	____________________
Committee Approval Policy & Resources			Date of Committee	____________________

Early Retirement Consideration Sheet
Guidelines for Value for Money (VFM) Calculation

1 The VFM calculation is based on a 3 year payback period for the Council, where the VFM is NOT achieved within the 3 year payback period then NO offer of Voluntary Severance will be made.

2 The VFM calculation is based on the Voluntary Severance offer which has been calculated using the Council agreed savings date or for example a service restructure agreed date For example, if the Council decides that a post is to be removed/realised as a saving by 31 March 2016 then that is the date the Voluntary Severance offer will be based on.

3 Early retirement consideration sheet

(1) Type of retirement – This identifies the reason as to why an offer of Voluntary Severance is being made.

(2) Cost of retirement – This shows how the cost of retirement is calculated for the total revenue cost for year 1 and includes any redundancy payment, lump sum to be paid if added years of service are to be awarded to the employee and the strain on the fund cost required to be met by the Council, this cost is calculated by the Pension Fund and is a one off payment. The cost of recurring compensatory added years awarded to an employee is not included in the calculation but is offset by reducing the employee salary by the added year's amount.

Strain on the fund costs are those costs, calculated by the appropriate pension fund that have to be met by the Council so an employee's pension can be paid in full until the normal retirement age of 65 is reached.

(3) VFM Justification – Using the figures in (2) cost of retirement shows the outcome of the payback period for the Council for a 2 and 3 year period.

(4) This identifies that the post is to be used to fund the Voluntary Severance.

(5) Depending upon the circumstances a post may be backfilled for a period before the saving is to be made at the agreed date.

Inverclyde council

APPENDIX 5

Re employing employees who have retired from the Council
Policy to be applied when re employing

1.0 **Purpose of the Policy**

1.1 The purpose of this policy is to set out rules when managers employ someone who has retired from the employment of the Council through normal retiral age or by some form of early departure.

1.2 Employees can leave the Council either through deciding to retire or by receiving a package to go. This policy should be applied when either recruiting for vacant or temporary posts or where the council requires to carry out a specific piece of work.

2.0 **Normal retirement**

2.1 Employees retire from the Council. There is no formal retirement age it is for the employee to decide when they wish to retire. The employee may receive an employer's pension and/or a state pension and after leaving may wish to seek employment for their own reasons.

2.2 Because they have retired from the Council through the normal retirement process there is no barrier to them applying to become a sessional worker, supply teacher or to apply for a temporary or permanent post within the Council.

2.3 The normal recruitment rules apply and if a former employee rejoins the Council they are treated as a new start.

3.0 **Employees who leave the Council through an early departure e.g. Voluntary severance /redundancy (Early Departure)**

3.1 Employees who accept an early departure package by either accessing their employee pension and or receiving a redundancy payment when leaving the Council's employ cannot be treated in the same way as an employee who has retired through normal retirement as they will have received enhancements when leaving.

3.2 For employees who receive a redundancy payment then they cannot be re employed for a period of 4 weeks and 1 day. If they are re employed then any redundancy payment will be affected and may require to be recovered.

3.3 In addition to the above the Council is setting a policy that where an employee leaves the Council as an early departure then they cannot be re employed in a permanent or temporary position for a minimum period of 6 months.

Employees who leave the Council through early departure can register for sessional or supply teacher work but must join a register no earlier than 4 weeks and a day after leaving if they have been paid a redundancy payment.

4.0 **Restricted recruitment**

4.1 When an employee leaves the Council services can sometimes see the need to bring back that employee to "help out". This is not allowed and any requirement for additional resources must go through the appropriate procedures and once a new post is agreed then a recruitment process must be followed.

4.2 If a vacancy is being considered to be used then this must be advertised in the normal way and the Councils rules set out in 3.3. apply.

5.0 **Returning in an advisory / consultancy capacity**

5.1 Where there is a need for work to be undertaken for a specific requirement, this may be based on the knowledge experience of a former employee then this must go through the following procedure.

5.2 The service must identify

- Where a former employee then they cannot return to their former post as this will have been part of a saving where a redundancy payment has been made.
- prepare a detailed description of the duties tasks to be carried out
- HR must be advised of the tasks description of the duties to ensure that the work could not be undertaken if a temporary post was established
- where the budget will come from, agreed by Finance, your Principal Accountant
- If any committee approval is required to spend the funds or to spend a specific amount on consultancy services then this must be sought before proceeding to the next stage.
- Once the above has been agreed then the appropriate information should be sent to HR Administration support to be submitted to the Finance CMT for consideration. The information will include the rate to be paid, the timescale and expected budget
- Where the work is to be carried out through a consultancy basis then the appropriate rules must be applied.

- If agreed by the CMT then HR will engage with the former employee if within the appropriate consultancy recruitment limits.

(End of Document)

Added years cost comparison **Appendix 3**

Employee A

Option	Current (1)	Audit Scotland (2)	Salary Amendment (3)
Redundancy payment	£23,473.37	£23,473.37	£23,473.37
Lump sum added years	£10,391.63	£10,391.63	£10,391.63
Strain on the fund	£94,428.47	£94,428.47	£94,428.47
Option to cost added years	£10,391.63	£72,135.30	N/A
Total Revenue year 1	£138,685.10	£200,428.77	£128,293.47
Employee salary (inc on costs)	£59,332.12	£59,332.12	£55,332.12
Payback period	2.34 years	3.37years	2.32 years
2 years	-£29,020.86	-£81,764.53	-£17,629.23
3 years	£39,311.26	-£22,432.41	£37,702.89
Comments	Current position would release	Audit Scotland would not release	Revised method would be easier to release

Added years cost comparison **Appendix 4**

Employee B

Option	**Current (1)**	**Audit Scotland (2)**	**Salary Amendment (3)**
Redundancy payment	£12,504.52	£12,504.52	£12,504.52
Lump sum added years	£5,239.35	£5,239.35	£5,239.35
Strain on the fund	£20,998.97	£20,998.97	£20,998.97
Option to cost added years	£5,239.35	£34,426.90	N/A
Total Revenue year 1	£43,982.19	£73,169.74	£38,742.84
Employee salary (inc on costs)	£28,758.21	£28,758.21	£26,575.15
Payback period	1.53 years	2.54 years	1.46 years
2 years	£13,534.23	-£15,653.32	£14,407.46
3 years	£42,292.44	£13,104.89	£40,982.61
Comments	Would be fine within two years	Would still release	Best option for release

APPENDIX 5

Unison Inverclyde Branch

Update on Voluntary Severance Policy

Comments

In November 2011 the Council approved a report recommending the introduction of a redundancy selection matrix. The purpose of the matrix was to score employees who were in a potentially redundancy situation based on four discreet categories; disciplinary history, attendance, performance and length of service. Unison wrote to all elected members setting out our objections to the proposed matrix and the inclusion of a performance category. The report was approved and the matrix agreed with the performance category included.

In February 2012 we wrote to the Chief Executive advising him that, in light of the council decision, Unison were considering withdrawing co-operation with the performance appraisal scheme including the possibility of a formal boycott of the scheme amongst members.

In May 2012 agreement was reached that when the matrix was to be introduced in October 2012 it would not include the performance category and that the three remaining categories would be used. The matrix was introduced on that basis in October 2012. You are now being asked to approve a report recommending that the performance category be included in the matrix from January 2014.

It is important therefore that we set out again what our principle objections are to a performance category being included in the redundancy matrix.

1. When the performance appraisal scheme was introduced in 2011 it was presented to employees as a tool to measure, monitor and improve performance. Unison stewards who attended various training sessions reported back that, without exception, assurances were given that the scheme was designed for that single purpose alone. These assurances were provided within the context of questions raised around the scheme being used at some future point for pay or redundancy purposes. Likewise managers reported to us that this was the clear message they took from the joint training sessions.

2. It is important to state that Unison was never persuaded by the apparent merits of the scheme or its design. In particular the crude 1 – 4 scoring mechanism which we felt would serve only as a distraction as employees would focus more on their score than on other key aspects of the process. However as we believed that the scheme would have no adverse impact on employees – materially speaking – then there was no reason for us resist its introduction. It is our belief that many employees held the same view.

3. Setting aside these very significant points, there are also serious questions to be asked as to the scheme's readiness to be used for other purposes. Especially something as important as redundancy selection. Many of our members have told us they do not receive their appraisal annually and in some cases members have told us that they haven't received an appraisal at all

since the scheme was introduced in 2011. HR's own returns demonstrate that consistently 30% of employees do not receive their appraisal each year.

4. Many members have complained to us that they have little or no input into their appraisal and that their manager awards scores without one to one meetings. In one specific case and in a large workplace all employees were advised, prior to the round of appraisals beginning, that no-one was permitted to score a 1. In other cases we know that manager's are awarding the same score to each employee to avoid conflict. Of course evidence in these instances is anecdotal since members are extremely reluctant to lodge formal complaints but it is disconcerting that these types of practices are prevalent.

5. The report is suggesting that there will be two separate matrix's in place since Teacher's will continue to be selected using the non-performance matrix. Whatever the reasons for this are, it goes completely against the Council's stated aim to have in place single, harmonised policies and procedures for all employees. It may well be unlikely that teaching and non-teaching staff will find themselves in the same pool for redundancy selection. However the point is that what is being practiced at the moment is a single, consistent approach to redundancy selection. Including performance in the matrix for only non-teaching staff is, in effect, self creating an inequality.

It was our view in 2011/2012 that the proposal to introduce a redundancy matrix had not been properly though through. Our decision to co-operate when the matrix was introduced in 2012 was broadly for two reasons. Firstly the main alternative to a matrix was to continue with LIFO (last in first out) which we recognised was challengeable in terms of the Equality Act. Secondly there was an agreement to exclude the very difficult issue of performance. Since it's implementation the use of the matrix has been largely unproblematic and has not created any disputes and it's against that background that we question the recommendation in this report.

APPENDIX 6

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Voluntary Severance Policy: Teachers' Trade Unions' submission

The revised paper is misleading in many ways. It fails to:

- Inform elected members that there is a current agreement with the teachers' side of the LNCT
- Inform elected members that the Council has unilaterally departed from that agreement
- Inform elected members that a dispute has been declared
- Inform elected members that in failing to correctly process the dispute, the Council has unilaterally breached the terms of the Recognition Procedures Agreement
- Acknowledge that while claiming to have legal advice, when questioned, officers could not produce that legal advice.

Earlier this year, at the start of the staffing exercise for teachers, we were asked to a meeting with Corporate Director Albert Henderson to see if there could be a resolution to our dispute. At this meeting Albert Henderson asked us if there was any way a compromise could be reached with regard to using the matrix. Fully understanding that compromise means both sides must give something, the representatives of the teachers' trade unions proposed that there should be a 3 part matrix:

Absence record
Discipline record
Length of service i.e. Last In First Out (LIFO).

We made this proposal as we had been assured in our discussions with officers that LIFO could be used as long as there were other factors in a matrix as well.

At the end of the discussions the teachers' side reps asked "Are we all clear that by length of service we mean last in first out?" Albert Henderson replied "Yes."

Before we even had a chance to convene a meeting of the teachers' side of the LNCT to put the proposal to it, the teachers' side secretary was contacted by 7 teachers in 2 secondary schools to say that the matrix, including banded length of service, had been applied to them and they were being called to competitive interviews to decide who would be declared surplus. We immediately re-instated our dispute and, under the terms of our Recognition Procedures Agreement, asked that the new matrix should not be used until the dispute had been settled. The Council refused to do this and unilaterally breached our RPA.

We then asked for a meeting with the Leader of the Council. At this meeting we asked Albert Henderson if he had in actual fact said that length of service would be the third part of any matrix. He replied "Yes but my definition of length of service is different from yours." We were absolutely astounded by this statement. While some legal experts might feel that LIFO on its own can be legally challenged, every one of them knows that LIFO means exactly what is says i.e. Last In First Out.

The interview process is not one where a teacher is trying to get a post within a school, it is one where a teacher may be removed from the post that they already have in that school. Using LIFO as the third part of the matrix removes what our members described as “a stressful and demoralising interview process”.

The teachers’ trade unions are still in dispute with the Council. In order to resolve this dispute we would ask the Committee, and the full Council, to endorse our perfectly reasonable compromise proposal.