

**REPORT TO:** Policy and Resources Committee - 26 April 2010

**REPORT ON:** Dundee City Council - Voluntary Early Retirement/Voluntary Redundancy Scheme

**REPORT BY:** Head of Personnel

**REPORT NO:** 227-2010

**1 PURPOSE OF REPORT**

- 1.1 The purpose of the report is to seek approval of a proposed Voluntary Early Retirement/Voluntary Redundancy Scheme which would facilitate rationalisation and restructuring of Council services to achieve efficiencies and savings necessitated by budget reductions over the next three years.

**2 RECOMMENDATION**

- 2.1 It is recommended that approval is given to the proposed Voluntary Early Retirement/Voluntary Redundancy Scheme attached as Appendix 1 and that current arrangements for dealing with early retirements in the efficiency of the service or on the grounds of voluntary redundancy be amended to incorporate the sliding scale of added years relative to pensionable service, as shown in Appendix 1.

**3 FINANCIAL IMPLICATIONS**

- 3.1 The Council requires to achieve estimated savings of over £24 million over the next three years. It is not possible to identify the level of savings which will be achieved from this scheme as it will depend on the level of take up and the individual posts involved. It is anticipated, however, that approval of the scheme will enable the Council to rationalise and restructure its services in order to achieve net savings from 2011/12 onwards.
- 3.2 Any "strain on the fund" and "added years" costs arising from early payment of pensions will be funded from salary savings. There may be net additional costs in 2010/11 due to up front "strain on the fund" costs which will enable gross salary savings to be achieved from 2011/12 onwards. These costs will be funded from General Fund balances. Similarly any redundancy costs will be met from General Fund balances.

## 4 BACKGROUND

- 4.1 Reference is made to Report No 515-2009 submitted to the Policy and Resources Committee on 26 October 2009, which set out the medium-term financial outlook for the period 2011-2014. This report identified the following levels of savings and efficiency requirements over the financial years 2011/12, 2012/13 and 2013/14:-

2011/12	£12.6M
2012/13	£6.5M
2013/14	£5.2M

In order to achieve such extensive savings, it is anticipated that Council service provision will require to be reviewed and restructured.

- 4.2 The Chief Executive and senior managers of the Council have met with the trade unions to discuss the difficulties that lie ahead in balancing the Council's budgets over the next three years. This is likely to entail a reduction in Council jobs. However, it is hoped that this can be achieved by natural wastage. There is always turnover of employees and not all leavers will be replaced. Furthermore, where efficiencies can be made through improved methods of working or restructuring of services, eligible employees, whose posts would not require to be filled, either directly or indirectly, could be allowed to leave their employment early.
- 4.3 In order to facilitate this process, it is proposed to introduce a Voluntary Early Retirement/Voluntary Redundancy Scheme as shown in Appendix 1. Approval of applications would be required from the individual's head of department, the Chief Executive and the Director of Finance. All decisions would take account of the financial implications for the Council and approval would be subject to the retention of sufficient numbers of employees with the skills required to provide effective service levels to the citizens of Dundee. Depending on departmental circumstances, approved applicants may be offered an early termination date, or be required to continue working pending the introduction of alternative arrangements and/or restructuring. However, it is anticipated that the majority would be released by the end of financial year 2010/11. The closing date for applications under the proposed scheme would be 31 July 2010 and thereafter should the Council consider further applications for early retirement/redundancy, the number of added years offered would be reduced as detailed in Appendix 1 "Additional Information".
- 4.4 The Council has existing arrangements in place to deal with occasional early retirements of employees in the interests of the efficiency of the service or on the grounds of voluntary redundancy, eg following rationalisations or restructurings. In these circumstances, employees are awarded added years determined by their years of pensionable service.

In view of the financial circumstances and potential costs, it is considered that the current sliding scale of added years relative to pensionable service for early retirals in the interests of the efficiency of the service or on the grounds of voluntary redundancy should be amended into line with the proposed Voluntary Early Retirement/Voluntary Redundancy Scheme, as detailed in Appendix 1, up to 31 July 2010 and thereafter.

**5 POLICY IMPLICATIONS**

- 5.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti Poverty, Equality Impact Assessment and Risk Management. There are no major issues in connection with these.

**6 CONSULTATIONS**

- 6.1 The Chief Executive, the Chief Officers' Management Team and the trade unions have been consulted. The latter will not recommend the scheme to their members, but will leave it to individuals to decide on applying.

**7 BACKGROUND PAPERS**

- 7.1 None.

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Head of Personnel

21 April 2010

**DUNDEE CITY COUNCIL****VOLUNTARY EARLY RETIREMENT/VOLUNTARY REDUNDANCY SCHEME**

Where efficiencies can be achieved through improved methods of working or restructuring of services, eligible employees, who apply, may be allowed to leave their employment early with added years pension entitlement or a statutory redundancy payment.

**Scheme Principles**

In considering applications, the following principles will apply:-

- There is no entitlement to early retirement/redundancy and it may not be possible to approve all applications.
- Approval will be subject to the retention of sufficient numbers of employees with the necessary skills to maintain an effective level of service to the citizens of Dundee and all decisions will also take account of the financial implications for the Council.
- Approval will be required from the Head of Department, Chief Executive and Director of Finance.
- The closing date for applications under this scheme will be 31 July 2010

**Eligible Employees**

- A Members of the Local Government Pension Scheme aged 50 or over and under 65.
- B Members of the Local Government Pension Scheme aged under 50.
- C Non members of the Local Government Pension Scheme aged under 65.

**Entitlements**

- 1 Pension with added years of service - option applicable to A. above.
- 2 Statutory redundancy payment and pension without added years - option applicable to A. above.
- 3 Statutory redundancy payment - applicable to B and C above.

**ENTITLEMENTS EXPLAINED:-****Entitlement 1**

- Approved applicants opting for added years will be required to sign a compromise agreement/COT3 agreeing to their redundancy payment entitlement being incorporated into added years of service and will receive their pension immediately, with added years as follows:-

Number of years pensionable service	Number of added years
Less than 10	1
10 but less than 15	2
15 but less than 20	3
20 but less than 30	4
30+	5

Added years are subject to maximum service not exceeding 40 years or the total service that could be attained by age 65. The Council will arrange and pay for the provision of independent legal advice to employees on their rights and options.

## Entitlement 2

- Approved applicants opting for a statutory redundancy payment without added years (eg if they already have 40 years' service) will be entitled to a statutory redundancy payment of up to 30 weeks' pay (limited to statutory maximum £380 per week), depending on age and length of service, as detailed in the Ready Reckoner for Statutory Redundancy Payments. (See Appendix 1.)
- In addition, they will receive their pension entitlement immediately with no added years.

## Entitlement 3

- Approved applicants will be entitled to a statutory redundancy payment of up to 30 weeks' pay (limited to statutory maximum £380 per week), depending on age and length of service, as detailed in the Ready Reckoner for Statutory Redundancy Payments. (See Appendix 1.)

**NB** *Depending on departmental circumstances, approved applicants may be offered an early termination date, or be required to continue working pending the introduction of alternative arrangements and/or restructuring. However, it is anticipated that the majority would be released by the end of financial year 2010/11.*

## **ADDITIONAL INFORMATION**

Applications for the above scheme will not be accepted after 31 July 2010 and, thereafter, should the Council consider further applications for early retirement/redundancy, the number of added years offered would be reduced as below. These enhancements will also be applied to all early retirements in the interests of the efficiency of the service and voluntary redundancies in future.

Number of years pensionable service	Number of added years
Less than 15	1
15 but less than 30	2
30+	3

**Appendix 1 (Contd)****REDUNDANCY READY RECKONER FOR CALCULATING THE NUMBER OF WEEKS' PAY DUE**

Read off your age and number of complete years' service. The table will then show how many weeks' pay you are entitled to.

Service (years)	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
<b>Age (years)</b>																			
20	1	1	1	1	-														
21	1	1½	1½	1½	1½	-													
22	1	1½	2	2	2	2	-												
23	1½	2	2½	3	3	3	3	-											
24	2	2½	3	3½	4	4	4	4	-										
25	2	3	3½	4	4½	5	5	5	5	-									
26	2	3	4	4½	5	5½	6	6	6	6	-								
27	2	3	4	5	5½	6	6½	7	7	7	7	-							
28	2	3	4	5	6	6½	7	7½	8	8	8	8	-						
29	2	3	4	5	6	7	7½	8	8½	9	9	9	9	-					
30	2	3	4	5	6	7	8	8½	9	9½	10	10	10	10	-				
31	2	3	4	5	6	7	8	9	9½	10	10½	11	11	11	11	-			
32	2	3	4	5	6	7	8	9	10	10½	11	11½	12	12	12	12	-		
33	2	3	4	5	6	7	8	9	10	11	11½	12	12½	13	13	13	13	-	
34	2	3	4	5	6	7	8	9	10	11	12	12½	13	13½	14	14	14	14	-
35	2	3	4	5	6	7	8	9	10	11	12	13	13½	14	14½	15	15	15	15
36	2	3	4	5	6	7	8	9	10	11	12	13	14	14½	15	15½	16	16	16
37	2	3	4	5	6	7	8	9	10	11	12	13	14	15	15½	16	16½	17	17
38	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	16½	17	17½	18
39	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	17½	18	18½
40	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	18½	19
41	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	19½
42	2½	3½	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½
43	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
44	3	4½	5½	6½	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½
45	3	4½	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
46	3	4½	6	7½	8½	9½	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½
47	3	4½	6	7½	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
48	3	4½	6	7½	9	10½	11½	12½	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	23½
49	3	4½	6	7½	9	10½	12	13	14	15	16	17	18	19	20	21	22	23	24
50	3	4½	6	7½	9	10½	12	13½	14½	15½	16½	17½	18½	19½	20½	21½	22½	23½	24½
51	3	4½	6	7½	9	10½	12	13½	15	16	17	18	19	20	21	22	23	24	25
52	3	4½	6	7½	9	10½	12	13½	15	16½	17½	18½	19½	20½	21½	22½	23½	24½	25½
53	3	4½	6	7½	9	10½	12	13½	15	16½	18	19	20	21	22	23	24	25	26
54	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	20½	21½	22½	23½	24½	25½	26½
55	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22	23	24	25	26	27
56	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	23½	24½	25½	26½	27½
57	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25	26	27	28
58	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	26½	27½	28½
59	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28	29
60	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	29½
61	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30
62	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30
63	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30
64	3	4½	6	7½	9	10½	12	13½	15	16½	18	19½	21	22½	24	25½	27	28½	30