



FULL COUNCIL REPORT

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| Date Written | 15 th October 2018 |
| Report Author | Steve Jones |
| Service Area | Accountancy |
| Exempt/Non Exempt | Non-Exempt |
| Committee Date | 24 th October 2018 |

To: Mayor, Ladies and Gentlemen

Voluntary Early Retirement/Voluntary Redundancy

1.0 SUMMARY OF THE REPORT

- 1.1 Merthyr Tydfil's projected budget deficit for 2019/20, following the announcement of the Provisional Local Government Settlement, lies between £1.9 million and £3.8 million dependent on a number of external factors. A detailed update will be presented to Council in November 2018.
- 1.2 To prevent the requirement for significant compulsory redundancies it is proposed that the current voluntary severance package of 20% enhancement to the statutory redundancy payment be temporarily increased to either of the following enhancements, whichever results in the highest payment:
- i) 100% enhancement to the statutory redundancy payment; or
 - ii) An enhancement which results in a severance payment equivalent to 6 months' salary inclusive of the statutory redundancy payment
- 1.3 This enhanced voluntary severance package would be time limited and only available for those expressions of interest received no later than 30th November 2018. All successful applicants will be required to leave the employment of the Council by 1st April 2019.
- 1.4 For employees within salary grades 1 to 12 the average redundancy payment is an estimated £14,200 per employee with associated gross budget savings of an estimated £30,100 per employee.

2.0 RECOMMENDATIONS that

- 2.1 The revised voluntary severance payment outlined in paragraph 1.2 be approved.
- 2.2 A time restriction for all expressions of interest to be received no later than 30th November 2018 be approved.
- 2.3 The requirement for all approved applicants to leave Council employment by 1st April 2019 be approved.

3.0 INTRODUCTION AND BACKGROUND

- 3.1 The Provisional Local Government Settlement for Wales for 2019/20 was announced by the Welsh Government on 9th October 2018 and resulted in a funding increase of 0.3% for Merthyr Tydfil.
- 3.2 As a result the Council is currently faced with a significant projected budget deficit of between £1.9 million and £3.8 million for the 2019/20 financial year dependent on the following:
 - Further information in respect of specific grants outside of the settlement to be announced by the Welsh Government late October 2018.
 - Potential Central Government funding for the significant increase in Teachers' Pensions cost experienced by Welsh Local Authorities.
 - Potential further release from Council reserves and provisions.
- 3.3 Corporate Management Team has discussed a number of proposals to address the projected budget deficit including the requirement for redundancies both voluntary and compulsory. A Medium Term Financial Plan update report will be presented to Council in November 2018.

4.0 VOLUNTARY EARLY RETIREMENT/REDUNDANCY

- 4.1 The Council's 'Redundancy Policy' approved by Council on 25th November 2015 confirms the benefits entitlement of the current Voluntary Early Retirement/Voluntary Redundancy (VER/VR) scheme as *"the current scheme available to interested employees would be an additional 20% on top of the statutory redundancy payment and, if aged 55 or over, to the release of unreduced pension benefits"*. These benefits are also confirmed in the Council's Pay Policy.
- 4.2 The Council has successfully implemented the current policy over a number of years in releasing employees voluntarily thereby achieving budget savings whilst avoiding the requirement for significant compulsory redundancies. It has become evident however, that insufficient expressions of interest for voluntary severance are currently being received.

- 4.3 To prevent the requirement for wholesale compulsory redundancies it is proposed that the current policy be revised to maximise interest in the voluntary schemes within a prescribed timeframe to maximise budget savings for both the 2018/19 and 2019/20 financial years.
- 4.4 It is proposed that the current 20% enhancement to the statutory redundancy payment be temporarily increased to either of the following enhancements whichever results in the most attractive severance to the employee:
- i) 100% enhancement to the statutory redundancy payment; or
 - ii) An enhancement which results in a severance payment equivalent to 6 months' salary inclusive of the statutory redundancy element.
- 4.5 This more advantageous opportunity would only be applicable for those expressions of interest received no later than 30th November 2018 following which the policy would revert to only a 20% enhancement of the statutory redundancy payment. Each expression of interest would be considered on its merit with no guarantee of acceptance since service impact must also be considered. If accepted the employee will be required to leave the employment of the Council by 1st April 2019 with an accompanying deletion of post.

5.0 FINANCIAL IMPLICATIONS

- 5.1 For employees within salary grades 1 to 12 the average redundancy payment per employee (excluding pension strain where applicable) is estimated at £14,200. The equivalent average gross budget saving per employee (including on-costs) is estimated at £30,100.
- 5.2 Total redundancy payments will be funded through the following mechanisms:
- Capitalisation through the utilisation of capital receipts
 - Utilisation of the earmarked Redundancy Reserve
 - Revenue Budget

6.0 INTEGRATED IMPACT ASSESSMENT

| | Positive Impacts | Negative Impacts | Not Applicable |
|--|------------------|------------------|----------------|
| 1. Merthyr Tydfil Well-being Objectives | 4 of 4 | 0 of 4 | 0 of 4 |
| 2. Sustainable Development Principles - How have you considered the five ways of working: <ul style="list-style-type: none"> • Long term • Prevention • Integration • Collaboration | 5 of 5 | 0 of 5 | 0 of 5 |

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|---|---------|---------|----------|
| • Involvement | | | |
| 3. Protected Characteristics <i>(including Welsh Language)</i> | 0 of 10 | 0 of 10 | 10 of 10 |
| 4. Biodiversity | 0 of 1 | 0 of 1 | 1 of 1 |
| Summary: | | | |
| <p>The main positive impacts are that the initiative supports financial sustainability of the Council in setting balanced budgets over the period of the Medium Term Financial Plan.</p> <p>The main negative impacts are the potential service impact resulting from a reduction in employee numbers. This will be mitigated when reviewing expressions of interest received and determining which to support.</p> | | | |

GARETH CHAPMAN
CHIEF EXECUTIVE

COUNCILLOR ANDREW BARRY
CABINET MEMBER FOR GOVERNANCE
AND CORPORATE SERVICES

| BACKGROUND PAPERS | | |
|--|--|----------------------------|
| Title of Document(s) | Document(s) Date | Document Location |
| Redundancy Policy 2015 | Council - 25 th November 2015 | Council agenda and minutes |
| Does the report contain any issue that may impact the Council's Constitution? | | No |

Consultation has been undertaken with the Corporate Management Team in respect of each proposal(s) and recommendation(s) set out in this report.