

A separate report is submitted in the private part of the agenda in respect of this item, as it contains exempt information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it refers to information relating to individuals, information which is likely to reveal their identities and information relating to the financial or business affairs of individuals and the Council. The public interest in maintaining the exemptions under Schedule 12A outweighs the public interest in disclosing the information.

Audit and Procurement Committee

20 February 2017

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources Councillor J Mutton

Director Approving Submission of the report:

Executive Director of Resources

Ward(s) affected:

None

Title:

Report on the outcome of the 2016/7 Early Retirement Voluntary Redundancy programme

Is this a key decision?

No

Executive Summary:

At its meeting on 25 January 2017, the Audit and Procurement Committee considered a report regarding the interpretation of the Council's Constitution and the determination of any salary or severance package for an employee of the Council of £100,000 or over, or such other sum as determined by legislation in respect of any new appointments or severance package, in light of recent and impending changes in the Enterprise Act 2017. The Committee requested that officers report all exit packages to the Committee, where the benefits payable to the employee and the costs to the Council exceed £100,000.

The Committee also requested that the total costs of agreed exits under the current ER/VR are reported to the Committee.

Recommendations:

The Audit and Procurement Committee are requested:-

1. To note the anticipated cost and savings of the agreed ER/VR applications below the £100k threshold, as set out in Appendix 1
2. Subject to the consideration of the private report to agree the exit payments in principle, as set out in Appendix 2 to the private report.

List of Appendices included:

Appendix One: Total ER/VR agreed applications, with anticipated overall costs and savings

Appendix Two: Proposed ER/VR applications over £100,000

Other useful background papers:

none

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report title:

Report on the outcome of the 2016/17 Early Retirement Voluntary Redundancy programme

1 Context (or background)

- 1.1 In the last six years the Council has had its government funding cut by more than £95m per year, and will need to make further savings rising to an additional £36m per year by 2020. The workforce is by far the biggest area of Council spend and has a significant impact on Council's budget. Therefore, in November 2016, the Council launched an ER/VR programme as part of plans to help meet the Council's budget gap. This programme is the sixth round of ER/VR that the Council has launched since 2010.
- 1.2 Applications for ER/VR were invited from across the Council and all staff were eligible to apply. The scheme closed on 31 January 2017. The applications have been considered by the Directorate Management Teams and approved by the respective Executive Directors.
- 1.3 Managers were asked to consider the deletion of posts where there were anticipated service redesign / transformation projects or service remodelling that would seek to reduce the number of posts required in the future.
- 1.4 In order to support management decision making, a workforce planning tool was made available to assist managers to consider and decide whether or not an ER/VR application could be approved.
- 1.5 Where there were multiple applications from a particular service area the criteria set out in our Security of Employment was adopted.
This is:
 - Qualification(s) – only if essential to the job
 - Sickness Absence
 - Disciplinary Record
 - Performance
- 1.6 Applications were less likely to be approved in service areas where service redesign or modelling did not anticipate imminent deletion of posts. Where the deletion of a post could incur costs elsewhere, such as use of temporary staff or additional honoraria payments, overtime or where the service already has a high number of vacancies, expressions of interest for ERVR were unlikely to be approved.
- 1.7 All applications were moderated by a panel of representatives from Corporate Leadership Team (CLT), the applications that have been accepted for approval are shown by Directorate in the below table. In total, 307 applications were made of which 83 proposals have been approved and 224 were not approved because they did not meet the criteria explained in paragraph 1.3. All the severance costs are calculated in accordance with Coventry City Council's terms and conditions currently in force.

Directorate	Number of Applicants	Proposed Approvals	Not approved Applications
People	159	37	122
Place	62	12	50
Resources	86	34	52
Total	307	83	224

2 Options considered and recommended proposal

- 2.1 Operational staffing matters such as the approval of ER/VR applications would normally be a matter for Officers rather than Members. However, the provisions referred to in the executive summary were introduced to ensure transparency and openness in respect of exit packages over £100k. The requirements were intended to ensure that high value payouts to the most senior and high paid officers received appropriate scrutiny. However, less senior officers who have long service with the Council may be entitled to an exit package which amounts to £100,000 when pension strain is taken into account, despite the fact that the payment the employee actually receives is less than £100,000.
- 2.2 When calculating the value of an exit package, a local authority needs to calculate and include the costs to the authority as well as payments/benefits to the employee. This means that pension strain costs will need to be added to the redundancy cost for the total cost of severance. Pension strain is an additional one-off sum that an employer is required to pay to the Pension Fund in order to allow the early release of pension benefits without actuarial reduction.
- 2.3 The Committee need to consider the following options:
- Note the cost and savings of the agreed ER/VR applications, below the £100,000 as set out in Appendix 1.
 - Determine the exit payments and approve the applications to make the posts listed in Appendix 2 redundant. The total of these payments are £ 1,191,148 and is calculated in accordance with Coventry City Councils Security of Employment Policy; or
 - Reject the applications for ER/VR and retain the posts.
- 2.4 The Committee is recommended to approve option (bullet) two and the applications for ER/VR. The subsequent deletions of the listed posts will realise a saving of around £2,152,000 ongoing, which will contribute an overall savings target to the Council. The deletion of the posts will support current service redesign and transformation programmes where it is already anticipated that these posts would be deleted.
- 2.5 Refusal of the applications for ER/VR would limit the Councils ability to achieve such savings going forward. If the applications were to be declined then the savings generated from any service redesign would be limited. If the severance packages outlined in Appendix 2 were to be refused or the amount agreed to be lower than calculated under the current rules, individuals could bring a claim against the Council in respect of the remainder of the entitlement.

3. Results of consultation undertaken

- 3.1 Consultation has taken place with Trade Union colleagues on the ER/VR process. The consultation document was widely publicised and published on Beacon, the Council's intranet. A series of well attended (in excess of 500 employees) face to face briefing sessions were held from November 2016 to January 2017.
- 3.2 No formal response was received from Trade Union colleagues and the management formal response to the consultation was published on 17 January, 2017.
- 3.3 The number of applications was shared with Trade Union colleagues on 14 February 2017. The proposals to delete posts, including where the exit payment is over £100,000, have been considered by the Corporate Leadership Team (CLT) and have been recommended for approval.

4. Timetable for implementing this decision

- 4.1 Should the ER/VR applications be agreed, the posts will be deleted. It is expected that all leavers within current ER/VR scheme will have left their employment with the Council by the 31st May 2017. When the posts are deleted, including the high cost posts, there will be a continuation of service redesign service transformation work and potential for further organisational change to realign services.

5. Comments from Executive Director, Resources

5.1 Financial implications

The proposed deletion of all the posts, including those where the cost of exit is over £100,000, will realise a saving of £2,152,000 per annum. These savings will be used to meet the Council's savings targets for 2017/18 that were built into the medium term financial strategy as part of the 2015/16 budget setting process. Approximately £240,000 of the estimated saving relates to posts funded from external or trading income and the saving available for this element will depend on the precise way in which service redesign is undertaken.

It should be noted that one-off exit payments are generally met from reserves and on-going revenue budgets which have been specifically set aside for the purpose of meeting these costs. This then allows immediate savings to be made in revenue budgets once posts have been deleted.

5.2 Legal implications

The Guidance "Openness and accountability in local pay" was introduced by the Secretary of State for Communities and Local Government in accordance with section 40 of the Localism Act 2011. Local Authorities are required to have regard to this guidance in performing their functions in preparing and approving pay policy statements.

Part 2 of the Council's Constitution "Functions of the Audit and Procurement Committee" reflect the requirement for Members to approve exit packages which reach the threshold of £100,000.

6. Other implications

- 6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

A key objective of the council is to meet its financial obligations and remain within budget. This proposal contributes towards that obligation by releasing significant savings of at least £2,152,000.

6.2 How is risk being managed?

The ER/VR scheme was discussed with Trades Union colleagues and they have been kept informed of developments including the need for Audit and Procurement Committee to approve exit packages in excess £100,000.

Scrutiny via the Audit and Procurement Committee reduces the risk of criticism as the governance arrangements are strengthened. In addition this practice is in line with the expected provisions in future regulations and legislation associated with public sector exit payments. These changes are expected this year.

6.3 What is the impact on the organisation?

The process has provided sufficient time for managers to consider the expressions of interest and agree to the deletion of posts that are aligned to service re-design programmes.

6.4 Equalities / EIA

An equality impact assessment is not required for the purposes of this report. However, all ER/VR applications and Human Resources activity are conducted in accordance with the Council's Equal Opportunities policy and the Public Sector Equality Duty.

6.5 Implications for (or impact on) the environment

None identified

6.6 Implications for partner organisations?

None identified

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Appendix One – Agreed Redundancies under £100,000 threshold

The table below contains information on the agreed redundancies set out by directorate. The costs are aggregated to prevent personal identifiable information.

Under £100k	Number of Cases Approved	Salary Budget of Approved individuals £000	One-Off Cost (Redundancy plus Pension Strain) £000	Average One-Off Cost £000
People	33	627	837	25
Resources	31	799	982	32
Place	11	277	400	36
Total	75	1,703	2,219	30