
**Manchester City Council
Report for Resolution**

Report to: Human Resources Subgroup – 26 September 2013

Subject: Update on the Time Limited Voluntary Early Retirement & Voluntary Severance Scheme

Report of: Assistant Chief Executive (People)

Summary

This report provides the Committee with an updated on the impact of the time limited Voluntary Early Retirement and Voluntary Severance Scheme (VER/VS) which was open for applications from Council Employees between 6th December 2012 and 15th February 2013 in support of the required workforce savings associated with the Council's 2013/15 budget. It summarises details of applications under the scheme and decisions to date and provides an analysis of changes in the organisational size and composition in this context.

Recommendations

The Finance Scrutiny Committee – HR Sub Group is asked to note the content of this report.

Wards Affected:

All

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Background documents (available for public inspection):

Report to Council, Executive & Personnel Committee, 5 December 2012:
2013/15 Budget Workforce Implications

Report to Executive & Personnel Committee, 23 January 2013:
2013/15 Budget: Workforce Implications Update

1. Introduction & Background

- 1.1 As projected in the report to Council, Executive and Personnel Committee on 5 December 2012 and confirmed in the report to Executive and Personnel Committee on 23 January 2013, delivery of the agreed budget for 2013-15 requires a significant reduction to the City Council workforce. These savings, as set out within the Council's agreed budget, total circa. £24M.
- 1.2 To support this, a time limited amendment to the Council's Voluntary Severance Policy was agreed by Personnel Committee on 5 December (the VER/VS scheme). The intention of this scheme is to support the required structural and functional changes and reductions in workforce numbers and cost, in accordance with the principles of *m people*.
- 1.3 The scheme opened for applications on 6th December 2012 and closed on 15th February 2013, with applications made during this window eligible for consideration of release and the award of severance and/or early retirement benefits greater than those which would be awarded through the Council's Business as Usual Schemes. The amended scheme increased the maximum amount of severance payable to 36 weeks actual pay based on three weeks pay per year of service up to 12 years. For those over 55 by 31 December 2013 this package was made available in addition to the early release of pension benefits, where the total cost of this package to the authority fell within the agreed affordability parameters of the scheme.
- 1.4 The consideration and analysis of applications made through the scheme began immediately to gather the relevant intelligence to support the ultimate corporate decisions around individuals. This decision making process is governed by two criteria, as agreed by the Personnel Committee:
- a. The total cost of the severance package.** Release will only be agreed where this does not exceed the equivalent of 18 months salary including any capital costs for the Council associated with early pension payment and where the release of the individual would enable the organisation to realise a financial saving.
- b. Impact on business continuity and delivery.** Release will only be agreed where it will not have an adverse impact on delivery of the organisation's priorities and transformation in line with the agreed delivery model and design principles.
- 1.5 Unlike the 2011 VER/VS scheme individual letters were not sent to every employee with details of their indicative severance offer. Instead electronic communication methods were maximised with email broadcasts and online expressions of interest and applications utilised. For those without internet access alternative means of communication were utilised and managers supported to ensure employees without internet access were fully briefed and those on maternity leave or absent due to sickness contacted.

- 1.6 In practical terms a significant amount of analysis takes place before final decisions are made corporately, by a panel consisting of the City Treasurer and Executive Member for Finance and Human Resources supported by the Assistant Chief Executive (People). This activity focuses on understanding the skills and affordability of applications and ensuring appropriate hand-over and transition arrangements are aligned with proposed leaving dates. Where relevant, the potential to backfill posts where applications are from individuals currently in posts which will not be removed through the transformation process is also given active consideration in line with the principles of *m people*.
- 1.7 An Equality Impact Assessment (EIA) was undertaken on the policy change and its operation prior to the agreement of the time limited amendment and has been published on the Council's website. An initial overview of the equality impacts of the scheme was reported to the Communities Scrutiny Committee earlier this month. This analysis supported by the actions outlined within the EIA demonstrated that the time limited scheme has had no significant adverse equality impacts.
- 1.8 It is worth highlighting that the VER/VS scheme made a voluntary offer to staff to apply to leave the organisation. Given this individuals were free to make their own decisions around application and are able to reject any offer of severance made by the authority.

2. Applications under the Time Limited Scheme.

- 2.1 When the scheme closed on 15th February 2013 a total of 1,074.17 FTE of applications were received. An overview of these applications, by grade is provided in table 1 below.

TABLE 1: VER/VS Applications by Grade

Grade	FTE of Applications
1	0.29
2	66.64
3	141.42
4	205.9
5	128.65
6	150.76
7	159.05
8	77.88
9	61.48
10	41.8
11	11
12	11.7
Special	17.6
TOTAL	1074.17

2.2 Since the scheme closed 73.17 FTE of the initial applicants have either withdrawn their application or left the authority through other means, leaving a total of 1,001 FTE where a decision has either already been made or is pending.

3. Decisions Made to Date

3.1 To date corporate decisions have been made regarding 763.91 FTE VER/VS applications with 675.46 agreed and 88.45FTE rejected leaving a total of 237.09 FTE where a decision is outstanding. This means that 675.46 FTE (763 employees) have received an offer of VER or VS from the authority and 88.45 FTE (113 employees) have had their application to leave rejected. An overview of these decisions, by grade is provided in table 2 below.

TABLE 2: Corporate VER/VS Decisions by Grade

Grade	FTE of Applications Corporately Agreed	FTE of Applications Corporately Rejected
1	0	0
2	37.15	7.73
3	102.13	0.86
4	103.46	8.99
5	83.2	3.6
6	117.4	9.65
7	100.42	27.82
8	55.28	10
9	40.12	7.5
10	19.6	6.3
11	2	3
12	7.7	0
Special	7	3
TOTAL	675.46	88.45

3.2 For those applications which are not granted by the authority, a clear review process is in place for individuals to challenge this decision. To date 6 review requests have been received with the corporate decision overturned in 2 cases and the employees application subsequently granted. The remaining 4 review requests are still under consideration.

3.3 As set out above, once an offer of VER/VS is made individuals are free to accept or decline this. To date 577.43 FTE have accepted the offer made and 60.76 FTE have declined with 38.27 FTE of offers still awaiting a decision from the individual. This means 577.43 FTE (655 individuals) have or will definitely leave the authority under the scheme. This represents a current rejection rate of circa. 9%, significantly lower than the 18% under the 2011 scheme. An overview of these decisions, by grade is provided in table 3 below.

3.4 When employees agree to leave under the scheme, a leaving date is agreed with the aim of ensuring effective business continuity and transition whilst

maximising the delivery of workforce savings. In some cases these leaving dates will after an individuals contractual notice period, whilst in others it will be further into the budget period to account for the phasing of service changes. To the end of September 423.16 FTE will have left the organisation under the scheme, representing 73% of those who have currently agreed to leave. A further 113 FTE are due to leave by the end of the calendar year and 35.58 by the end of March 2014 with the remainder scheduled to end their employment in 2014/15.

TABLE 3: Individual VER/VS Decisions by Grade

Grade	FTE of Applications Agreed by the Individual	FTE of Applications Rejected by the Individual
1	0	0
2	32.37	1.36
3	86.64	9.14
4	90.96	11
5	75.34	6.86
6	95.1	8.3
7	84.82	11.1
8	41.28	10
9	35.62	2
10	19.6	0
11	2	1
12	6.7	0
Special	7	0
TOTAL	577.43	60.76

4. Impact on the Organisation

- 4.1 As the above analysis shows, the impact of the VER/VS scheme will significantly reduce the overall size of the organisation's workforce. However, it should be stressed that these reductions and the delivery of associated savings will not be delivered through the scheme alone. The deletion of vacancies, natural turnover and the continued successful operation of **m people** to move staff to the areas of greatest need will also support this.
- 4.2 Between December 2012 and September 2013 the overall size of the organisation has fallen by 682.34 FTE from 7,563.45 FTE to 6,881.11 FTE with future leavers anticipated to further reduce this number over the coming months.
- 4.3 Whilst 446.22 FTE of the 577.43 FTE who have agreed to leave the authority to date will support the transformation of the organisation and delivery of savings through the direct deletion of their post (representing 77%), as highlighted above and in alignment with the **m people** principles, consideration has been given to where release can be supported through internal movement. 131.21 FTE of those who have already left the authority or who will do so over the coming months will be supported to do so through

internal movement and backfill. 87.22 FTE of this backfill will take place at the same grade, 18 FTE will result in pay protection and 26 FTE will result in the movement of an individual to a higher graded post. It should be highlighted that in all cases backfill arrangements at a higher grade are subject to a competitive selection process in accordance with the Council's policies and procedures. As requested by Members, a more detailed analysis of this backfill through the scheme which has involved movement to a higher grade is provided within table 4. It is worth highlighting that this 26 FTE represents only 4.5% of those accepting an offer to leave under the scheme.

TABLE 4: Summary of Movements to a Higher Grade

Posts Backfilled	Former Grade of Backfilling Staff	Number of backfills
Grade 4	Grade 3	8
Grade 5	Grade 4	1
Grade 6	Grade 5	7
Grade 7	4 from Grade 6, 1 from Grade 5	5
Grade 8	Grade 7	3
Grade 9	Grade 8	1
Grade 10	Grade 9	1
Grade 12	Grade 10	1

- 4.4 A key objective of the VER/VS scheme is to support the delivery of the organisation's required mainstream workforce savings which will be delivered through a combination of the scheme, natural turnover and the deletion of mainstream funded vacancies. Current analysis suggests that the scheme will contribute circa. £14.243M to this target. In addition, it will also support the alleviation of other cost pressures in areas of grant and income funding and will mitigate future risk through the release of individuals in areas where funding is ending, for example Early Years.
- 4.5 It is important that internal movement to support VER/VS releases is set in the context of the overall transformation of the organisation and reduction in posts in alignment with the new operating models agreed as part of the budget setting process. Based on employee decisions to date, the overall size of the organisation will reduce by circa. 7.6% through leavers under the time limited scheme when set against the baseline workforce in December 2012. In senior grades (Grade 10 and above) this reduction will be slightly greater at 8.5%.

5. Remaining Decisions

- 5.1 As highlighted above, a total of 237.09 FTE of decisions remain under consideration under the scheme. Where decisions have not yet been made on applications, a clear timeline is in place linked to decision making and the progress of service redesigns in most cases. This includes circa. 60 applicants in scope for the technical services redesign and circa. 80 within the Direct Delivery functions in the Directorate for Families, Health and Wellbeing. A small number of applications are held pending further work on an individual

basis, for example the identification of suitable backfill. Where decisions are outstanding clear communications have been undertaken to individuals through line managers and the Trade Unions.

6. Conclusion

- 6.1 The time limited VER/VS scheme is a key mechanism through which the organisation is supporting the delivery of the required workforce savings as set out within the Council's 2013/15 budget and the overarching transformation of the authority aligned to the principles of *m people*. Decision making under the scheme has and continues to operate aligned to the framework agreed by Personnel Committee.
- 6.2 Whilst a number of applications are still under consideration by the authority, decisions have been made on around 76% of those applications received under the scheme with a significant number of individuals already leaving the Council aligned to the timelines for key service changes.
- 6.3 The outstanding decisions will be made over the coming weeks and months and the impact on the overall workforce savings target and the transformation of services will be kept under constant review.
- 6.4 The Finance Scrutiny Committee – HR Sub Group is asked to note the content of this report.