

ITEM NO.....



VOLUNTARY EARLY RELEASE ARRANGEMENT

4 February 2011

1 PURPOSE OF REPORT

1.1 The purpose of the report is to ask the Board to approve the Voluntary Early Release Arrangement.

2 SUMMARY

2.1 The Joint Board has prepared this policy to achieve business efficiencies and ease budget pressures. Voluntary early release may be approved where it can be shown to achieve business efficiencies, the costs are affordable and can be met from existing budgets.

3 MAIN REPORT

3.1 The Voluntary Early Release Arrangement is available to all Joint Board staff who have at least 1 year's continuous local government service and are aged below the Joint Board's normal retirement age of 65 at the date of leaving. A voluntary early release can only take place when the Joint Board and employee mutually agree to end the employment contract for efficiency savings on a specified date.

4 FINANCIAL IMPLICATIONS

4.1 When voluntary early release is approved, the employee will be eligible for a payment. The minimum payment is 1.5 weeks pay and the maximum is 45 weeks pay, subject to an overall cap of £30,000 (the tax free limit for severance payments).

5 ENVIRONMENTAL IMPACT

5.1 There are no adverse environmental impacts arising from this report.

6 RECOMMENDATIONS

6.1 Lothian Valuation Joint Board is recommended to:

- a) Approve the Voluntary Early Release Arrangement Policy.

Appendix

1. Draft Voluntary Early Release Arrangement

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4 February 2011

DRAFT



VOLUNTARY EARLY RELEASE ARRANGEMENT

Personnel & Office Services
January 2011

VOLUNTARY EARLY RELEASE ARRANGEMENT
(covering all employees)

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VOLUNTARY EARLY RELEASE ARRANGEMENT

(covering all employees)

1 INTRODUCTION

- 1.1 The Joint Board has to explore ways to achieve business efficiencies, ease budget pressures and improve the employment situation for newly qualified staff. A voluntary early release may be approved where it can be shown that:-
- it is in the Joint Board's interests and achieves business efficiencies
 - the costs are affordable and can be met.
- 1.2 Early release is not automatic and is subject to agreement between the Joint Board and the employee.
- 1.3 Voluntary early release will **not** be used in a formal redundancy situation.

2 SCOPE & KEY STAKEHOLDER RESPONSIBILITIES

- 2.1 The policy is available to all employees who have at least 1 year's continuous local government service and are aged below the Joint Board's normal retirement age of 65 at the date of leaving.
- 2.2 The key stakeholders who can help to progress a voluntary early release include the employee, the Assessor and the Human Resources Manager and their main responsibilities are outlined in Appendix A.

3 PRINCIPLES

- 3.1 A voluntary early release takes place when the Joint Board and an employee mutually agree to end the employment contract for efficiency reasons on a specified date.
- 3.2 There is no dismissal in law and the employee has no entitlement to notice or a payment in lieu of notice.
- 3.3 Early release may result from an approach by the Line Manager or in response to an employee's request.
- 3.4 The Joint Board will only consider an early release where there is a sound business case and the costs are affordable and can be met.

4 EARLY RELEASE PAYMENT

- 4.1 Where a voluntary early release is approved, the employee will be eligible for a payment. The minimum payment is 1.5 weeks' pay and the maximum 45 weeks' pay, subject to an overall cap of £30,000 (the tax-free limit for severance payments).
- 4.2 /....

- 4.2 The actual payment level will be subject to the case satisfying the Joint Board's costs/savings test and payment may be reduced where that is necessary to provide the required saving.
- 4.3 At least 1 year's continuous local government service at the date of leaving is needed to qualify for a payment. The payment is based on:-
- a) 1.5 weeks pay for each completed year of continuous local government service ★1 (up to a maximum of 30 years will count);
 - b) the employee's actual week's pay ★2.
- 4.4 Appendix B has a quick reference table to work out payments and a sample calculation.

Eligibility for payment of pension

Local Government Pension Scheme (LGPS) members

- 4.5 Under the relevant Pension Regulations an employee, who is aged 55 or over ★3 and who meets the criteria of the Scheme, is **automatically entitled** to receive the immediate release of unreduced pension benefits. This means pension benefits already earned in the scheme are released with no actuarial reduction providing an employee qualifies. Where a "Strain on the Pension Fund" cost is incurred this will be included in the overall affordability of a case.
- 4.6 The Joint Board will not pay other compensation in addition to the early release payment (eg redundancy payment, "added years" etc.). Also, an employee cannot receive compensation for any period of service that they have previously received enhanced benefits on (ie periods of service will not count more than once).

5 FINANCIAL ASSESSMENT

- 5.1 An early release payment is a direct cost to the Joint Board. In some cases there may also be an immediate cost associated with the early release of pension. This is the amount the Joint Board must pay to the Pension Fund to compensate for the early payment of benefits.
- 5.2 A maximum period of up to 3 years will be used to assess the costs and savings and each case must provide a financial benefit equivalent to 25% of annual pay/salary. A case may progress on a reduced level of payment only where that is necessary to ensure the 25% financial benefit is provided. Support may not be given if the required financial benefit cannot be achieved.
- 5.3 /....

★1 *Continuous local government service is service without a break with this Joint Board, other Scottish local authorities and other bodies named in a document called the 'Modification Order'. Generally, continuity of service will be broken if an employee does not have a contract in a particular week (running from Sunday to Saturday).*

★2 *A week's pay is determined by provisions in the Employment Rights Act 1996. Generally, for staff whose pay does not vary, a week's pay will be annual salary ÷ 52. If pay varies with the amount of work or time work is done then a week's pay will be the average weekly pay in the last 12 weeks.*

★3 *In the Local Government Pension Scheme, access to pension at age 50 is protected for an employee who was a member on 31 March 2009 and will leave before 31 March 2010 or who was a member of the 1998 Scheme on 5 April 2006. For all other members access to pension is from age 55 onwards.*

- 5.3 A financial assessment will be carried out for each case to:-
- identify the actual costs
 - determine if these costs are affordable and can be met
 - identify proposed savings
 - establish the financial benefit to the Joint Board.
- 5.4 Where a case incurs a “strain”/mandatory compensation cost, the financial assessment will be subject to approval by the Treasurer.
- 5.5 The Joint Board may approve, in exceptional circumstances, the inclusion of “other securable savings” as part of the above financial assessment for a case. Such a proposal by the Assessor will require to be submitted to the Joint Board for consideration. The Assessor will detail the exceptional circumstances of the case for special consideration and identify the source(s) of the proposed “other securable savings”.

6 CONSIDERATION & APPROVAL

- 6.1 An employee’s interest in voluntary early release will be kept confidential. Where support is a possibility, the Human Resources Manager will provide an estimate of the payment and obtain an estimate of pension benefits and costs (if appropriate) from the relevant Pension Scheme to help the employee and the Assessor decide whether or not to proceed with an application.
- 6.2 Where the employee decides to proceed with an application, the Assessor will consider if:-
- a) there is a sound business case;
 - b) there is a requirement to retain the employee’s knowledge, qualifications and experience to meet business needs and maintain organisational balance;
 - c) the financial assessment has been undertaken and is satisfactory; and
 - d) the required overall financial benefit is provided.
- 6.3 Where the Assessor has to decide between competing cases, due regard will be given to the Joint Board’s interests, cost and affordability.
- 6.4 A case will only proceed for final consideration where the Assessor has given his/her support in principle and the financial assessment provides a satisfactory outcome.
- 6.5 The arrangements for the final approval of a case are as follows:-
- a) cases with a salary up to £50,000 will be approved by the Assessor on the Joint Board’s behalf
 - b) cases that exceed a salary of £50,000 must be considered by the Chief Executive and Treasurer, in consultation with the Convener of the Joint Board.
 - c) a case involving the Assessor will be submitted for consideration and approval by the Chief Executive through a formal committee process.
- 6.6 /...

- 6.6 All approved cases will be reported to the Joint Board and included in an annual report to the Joint Board.
- 6.7 Where a case is approved, the line manager will arrange for the employee to be notified in writing of the decision, the compensation payable and how it has been calculated. The Human Resources Manager will then initiate the release arrangements.
- 6.8 Where a decision is taken not to proceed, the Human Resources Manager will advise the employee of the decision and the reasons in writing.

7 GENERAL

- 7.1 Where a voluntary early release is agreed, the employee will not have to repay the equivalent of 6 weeks maternity/adoption pay if the release is during maternity/adoption leave or before the end of the 3 months following a return to work.
- 7.2 The Joint Board may withhold an early release payment where the employee is dismissed for reasons of misconduct or the employment otherwise ends before the mutually agreed release date.
- 7.3 The Joint Board will not normally re-engage an employee who has benefited from this arrangement in a similar role or as a consultant in the 6-month period after leaving. However, it is recognised that individuals may apply for other advertised vacancies through the normal recruitment and selection process.

8 SUPPORT

- 8.1 Help and support will be available, as necessary, to employees as they come to terms with the transition out of Joint Board employment, for example help from the Human Resources Manager with completing application forms, interview skills and outside job search and support as available and appropriate.

9 RAISING A CONCERN

- 9.1 An employee who is concerned about the application of this policy should talk it over informally with their line manager or another manager as early as possible to see if a solution can be found.
 - 9.2 If the matter cannot be resolved informally, the employee can raise the concern formally through the Joint Board's Procedure for Hearing Employee Grievances.
- 10 /....

10 REVIEW

- 10.1 The Policy will be reviewed, as required, by the Assessor and in consultation with the recognised Trade Unions.

KEY STAKEHOLDERS RESPONSIBILITIES

The **Assessor** will consider a case in the first instance to decide if support in principle can be given on the basis that financial and/or operational benefits will be achieved and the associated costs are affordable and can be met.

The **employee** who has expressed an interest in voluntary early release should give serious consideration to the estimate of payment/benefits that is provided and seek independent advice on the implications of leaving employment early before making a final decision.

In certain cases the **Chief Executive, Treasurer and Convenor to the Board** will consider supported cases to decide if approval can be given. Their decision is final and there is no further right of appeal.

The Human Resources Manager will liaise with all parties involved and facilitate the process.

EARLY RELEASE PAYMENT - CALCULATION

The minimum payment is **1.5 weeks' pay** and the maximum payment is **45 weeks' pay**, subject to an overall cap of £30,000.

The completed years of continuous local government service at the date of leaving are multiplied by 1.5 to get a number of weeks pay. This total is then multiplied by the employee's actual week's pay to give the early release payment amount.

Example: a person with 4 completed years' of continuous service and pay of £350 a week would be eligible for 6 weeks pay (ie $4 \times 1.5 = 6 \times £350 = £2,100$)

Complete Years of Continuous Local Government Service	Calculation	No. of weeks pay
0	-	0
1	1 x 1.5	1.5
2	2 x 1.5	3
3	3 x 1.5	4.5
4	4 x 1.5	6
5	5 x 1.5	7.5
6	6 x 1.5	9
7	7 x 1.5	10.5
8	8 x 1.5	12
9	9 x 1.5	13.5
10	10 x 1.5	15
11	11 x 1.5	16.5
12	12 x 1.5	18
13	13 x 1.5	19.5
14	14 x 1.5	21
15	15 x 1.5	22.5
16	16 x 1.5	24
17	17 x 1.5	25.5
18	18 x 1.5	27
19	19 x 1.5	28.5
20	20 x 1.5	30
21	21 x 1.5	31.5
22	22 x 1.5	33
23	23 x 1.5	34.5
24	24 x 1.5	36
25	25 x 1.5	37.5
26	26 x 1.5	39
27	27 x 1.5	40.5
28	28 x 1.5	42
29	29 x 1.5	43.5
30	30 x 1.5	45

Cont'd Over/....

Notes:

- a) Only completed years of service count. **Continuous local government service** is defined by the Redundancy Payments (Continuity of Employment in Local Government, etc.) (Modification) Order 1999 (as amended). For this purpose service includes service with this Joint Board and other bodies named in the Modification Order. Generally, continuity of employment will be broken if an employee does not have a contract in a particular week (running from Sunday to Saturday); and

- b) **An actual week's pay** is defined by the Employment Rights Act 1996 and will generally be determined by reference to the employee's actual basic pay plus any contractual allowances (eg contractual overtime, shift allowance, etc.) at the date of leaving. Generally for staff whose pay does not vary, a week's pay will be annual salary ÷ 52. If pay varies with the amount or time of work then a week's pay is the average weekly pay in the last 12 weeks.