

Voluntary redundancy policy

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1.0 Introduction

South Lakeland District Council recognises the importance of creating a secure working environment for employees and will take steps to ensure continuity of employment through the planning of staffing levels for effective, economic and efficient provision of service.

It is the council's policy to manage its business in such a way that compulsory redundancies are unlikely to be required. However, in the event that the authority's circumstances change and the result is that fewer employees are needed to perform the work of the council then some redundancies may become necessary.

In this case, the council will take appropriate steps to keep the number of compulsory redundancies to a minimum, whilst taking into account the needs of the business.

2.0 Scope of the policy

This Policy applies to all employees of South Lakeland District Council. To qualify for a redundancy payment an employee must have at least two year's continuous local government service or other relevant service as set out in The Redundancy Payments - Continuity of Employment in Local Government, Modification Order 1999 (as amended) up to a maximum of twenty years.

Modification Order

The effect of the Modification Order is to make Local Authorities associated employers for the purpose of the statutory redundancy provisions of the Employment Rights Act. All continuous service with local authorities and other bodies covered by the Modification Order counts towards the entitlement to, and calculation of, a statutory redundancy payment, apart from any period in respect of which a redundancy payment has already been paid.

3.0 Policy statement

The council is committed to providing a stable environment and to ensure, as far as possible, security of employment for its employees. However organisational changes, levels of funding, the need for change because of technological, legal or organisational developments may lead to a requirement for a reduction in the number of posts or the activities in certain posts.

The council recognises that as a "good employer" it is committed to making necessary adjustments to staffing arrangements in the least detrimental way. This Policy acknowledges the need for financial prudence in the use of voluntary redundancy (VR) payments as a management tool, and the need for the council to be able to respond effectively to the employee implications of change.

The council will as far as is practicable try to avoid compulsory redundancy. Natural wastage, redeployment, early retirement and voluntary redundancy are the preferred means of adjusting the council's workforce levels.

Where appropriate the council will use the discretions available in the Local Government Pension Scheme (LGPS) and under the Local Government Discretionary Payments Regulations.

In doing so, it will endeavour to ensure that:

- It exercises its discretion reasonably.
- Any redundancy payments are affordable and the savings are achievable within three years.

4.0 Criteria for voluntary redundancy

Where the need to reduce employee numbers has been identified, the council may seek volunteers for voluntary redundancy. The practicality of volunteers being supported in their application would be dependent on the needs of their particular service. Where voluntary redundancy is considered, 'redundancy' must satisfy the following statutory definition: i.e.

- The fact that the employer has ceased, or intends to cease, (i) to carry on the business for the purposes of which the employee was employed by them, or (ii) to carry on that business in the place where the employee was so employed or
- The fact that the requirements of the business (i) for employees to carry out work of a particular kind, or (ii) for employees to carry out work of a particular kind in the place where the employee was so, have ceased or diminished or are expected to cease or diminish.

The cost of accepting the redundancy application will need to be offset against any savings made. Examples of such situations are:

- The employee can be released and the resulting vacancy is offered or contributed to savings.
- The resultant vacancy is used in the restructuring process and equivalent or greater savings can be achieved.
- The resultant vacancy would create internal job opportunities or redeployment opportunities, or unblock promotion channels, which the council could fill through succession planning or internal appointment.
- Such other where the council could operate in a more economic manner as a result of the early release.
- Where it is considered the corporate priorities would be better delivered elsewhere.



- Health and compassion – where an employee’s personal circumstances suggest that early release may be appropriate.

5.0 Calculation of pay for voluntary redundancy purposes

6.1 Voluntary redundancy

In cases where employees are made voluntary redundant, the council will award redundancy entitlement to any employee, with two or more years’ continuous/recognised service. The calculation for a redundancy payment will be based on an employee’s actual contractual week’s pay.

The scheme in general will not be restricted by age limits but in practice the council recognizes that, in accordance with the Pension regulations NO immediate Pension benefits are payable to employees under 55 years of age at the date they leave the councils employment.

The method of calculating an individual’s entitlement for redundancy is detailed as per the Enhanced Redundancy Pay Ready Reckoner and will be calculated by a multiplier of 2.0 (Appendix B).

6.2 Calculating a week’s pay

Definition of a week, the employee’s current annual salary including any contractual pay elements at the time of leaving divided by 365 x 7.

Normal working hours, casual overtime is not included in normal working hours.

7.0 Financial efficiency

In the interests of the efficient exercise of the council’s functions, it is for the council to certify in each case that this is the reason the employee has ceased employment.

The council is not obliged to approve applications for VR. All applications will be considered in the light of the needs of the service and in the council’s financial interests.

Before any application for voluntary redundancy is approved, the estimated cost of the termination must be shown to be recoverable within three years of the employee’s termination date.

For each recommended voluntary redundancy, the council’s Human Resources Committee (HR) will consider a report from the Assistant Director/Director of the service.

The report will provide a statement detailing the following:



- The costs of allowing the release and the overall reduction in salary costs for the service.
- Whether the full estimated costs of any Voluntary Redundancy could be recovered within three years.
- How the proposed voluntary redundancy, fits in with the Corporate/service plans and how this will impact on the delivery of the services.

The Section 151 Officer will monitor the financial implications of all terminations made by voluntary redundancy.

8.0 Application process

Stage one

An employee can make an application for voluntary redundancy twice in a 12-month period (based on the date of any applicable decision by the HR Committee unless there is a specific request for expressions of interest from the council itself. **See the flow chart in Appendix C.**

Managers **must not** enter into any commitment on behalf of the council in any informal discussions with employees regarding the possibility of voluntary redundancy.

Stage two

The costed application for VR is submitted to the SMT who will consider the financial and service implications of releasing the employee.

If the costs of the proposed voluntary redundancy cannot be met from the appropriate budgets, or from the reduced salary, the Director/Assistant Director of the service may, with the support from the council's Section 151 Officer and the HR Services Manager, consider that voluntary redundancy is in the best interests of the efficiency of the council.

Stage three

If the application is supported by SMT

The Director/Assistant Director will submit a report to the HR Committee outlining the detail of the supported application, the HR Committee will then make a final decision on the application for voluntary redundancy.

If the application is not supported by SMT

Should SMT decide not to support the application the Director/Assistant Director will write to the employee informing them that their application is unsupported and that a report will not be submitted to the HR Committee.

Stage four

Appeal

If the employee wishes to appeal the SMT decision they or their Union representative will be given the opportunity to provide the HR Committee with a written submission to support their application for voluntary redundancy. This submission must be provided to the Human Resource Services Manager ten working days before the Committee meeting. Additionally the employee or their representative can also request to present this submission in person at the meeting.

The Director/Assistant Director must submit and present a report to the HR Committee.

8.1 Successful application

Where the council approves an application under Voluntary Redundancy, the applicant's employment will be terminated by mutual agreement and no notice period will be issued or served.

8.2 Unsuccessful application

There is no right of appeal against any decision taken by the HR Committee following their consideration of an employee's application for voluntary redundancy.

9.0 Taxable status of payments

Redundancy payments that do not exceed £30,000 will be exempt from income tax.

10.0 Re-engagements of former employees

Any employee who leaves the council by means of VR will not be permitted to be re-engaged by the council on a permanent basis within a period of three years. If for any reason a temporary/casual re-engagement is contemplated, the Human Resource Services Manager must give prior authorisation. Should a re-engagement situation occur then no previous service would be recognised.

11.0 Related policies

The following policies may be of interest to employees who are considering VR or who are faced with compulsory redundancy or ill health retirement:

- Flexible Retirement
- Sickness Absence Management

12.0 Review of the policy

This policy will be reviewed in the light of operating experience and/or further changes in legislation or financial restraints facing the council.

Any review will give particular regard to:

- The need to reduce employee numbers
- The financial constraints facing the council
- The financial effect of voluntary redundancy on the council's Revenue Accounts
- Indications from the Pension Fund of the council's future level of Pension Fund contributions

Appendices to this document

Appendix A: Statutory Redundancy Pay Ready Reckoner

Appendix B: Enhanced Redundancy Pay Ready Reckoner (times 2.0)

Appendix C: Flowchart of the application process