

WIRRAL COUNCIL

COUNCIL EXCELLENCE OVERVIEW AND SCRUTINY COMMITTEE

16 MARCH 2011

SUBJECT	EARLY VOLUNTARY RETIREMENT / VOLUNTARY SEVERANCE FUNDING
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR JEFF GREEN
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

1.1 This report provides Cabinet with information on the cost and funding of the Early Voluntary Retirement / Voluntary Severance Scheme.

2.0 RECOMMENDATION

2.1 That the report be noted.

3.0 REASON FOR RECOMMENDATION

3.1 This report was requested by the Committee.

4.0 BACKGROUND AND KEY ISSUES

4.1 Based upon information supplied by the Director of Law, Human Resources and Asset Management the position regarding those who have left the Council, or have indicated an intention to leave as at the time of preparation of the budget, is shown below. As some individuals have a future leaving date this will be subject to change.

Department	Numbers	Severance Payments £000	Statutory Redundancy £000	Savings pa (Gross) £000	Savings pa (Budget) £000
Adult Social Services	443	8,073	2,779	10,571	10,528
Children & Young People	282	5,058	1,602	5,953	5,343
Corporate Services	37	954	314	1,078	892
Finance	176	3,493	1,225	3,928	3,511
Law, HR & Asset Management	64	1,386	490	1,671	1,634
Technical	109	2,687	889	2,888	2,096
TOTALS	1,111	21,651	7,299	26,089	24,004

4.2. The elements of the table are;-

- a) Severance payments are based upon the former scheme. All employees were given a final opportunity to leave before it was amended.
- b) Statutory redundancy element of the severance payments. This is important as only this element can be classed as capital spend.
- c) Savings pa (gross) are net of any on-going pension strain / liability. The early release of pension brings a liability that can be spread over five years.
- d) Savings pa (budget) are the revenue savings. Not all leavers realise a General Fund budget saving e.g. some Children and Young People staff are funded by the Schools budget, some Finance staff occupy Pension Fund and Schools IT funded posts and some Technical Services staff are charged against capital schemes.

4.3 Chief Officers are assessing any increased costs resulting from re-structuring in order to maintain delivery of services. Restructuring proposals are to be considered by the Director of Finance, the Head of HR and the Interim Chief Executive before any additional funding is allocated from the provision included in the budget.

SOURCES OF FUNDING - CAPITALISATION

4.4 Capitalisation is the relaxation of the normal accounting requirement that long-term borrowing or capital receipts should only be used to fund capital expenditure. The Local Government Act 2003 allows the Secretary of State to issue capitalisation directions. These permit specified items of expenditure that would normally be classified as revenue expenditure to be treated as capital expenditure.

4.5 The Government recognises that capitalisation provides financial flexibility to Councils in managing one-off unexpected costs and thereby easing the pressure on Council Tax and on services. For 2010/11 capitalisation continued to be subject to an application process. The guidance note supporting the 'Capitalisation directions (excluding equal pay) 2010-11 :Policy and procedures' allows revenue spend to be capitalised but subject to strict criteria; one of which is for one-off costs such as statutory redundancy costs (under the Employment Rights Act 1996 Part 11 which would not include enhanced costs, lump sum pension payments for added years or the elimination of pension fund deficits resulting from premature retirements) and applicable only for the year of submission.

4.6 In accordance with the criteria and timescales Wirral applied for a capitalisation direction in 2010/11 of £9 million in respect of statutory redundancy payments. On 17 December 2010, clarified on 24 January 2011, the Department for Communities and Local Government (DCLG) advised that Wirral could capitalise up to £3,420,000 on properly incurred spend in 2010-11. The Council must formally confirm the amount that was actually capitalised by 15 July 2011.

- 4.7. The DCLG has announced that £200m will be available for capitalisation in 2011-12 but has yet to announce the bidding process or timetable.

SOURCES OF FUNDING - REVENUE AND BALANCES

- 4.8 Officers commenced leaving the Council on 31 December 2010 with further departures planned to take place until 30 June 2011. At this stage the costing of future departures is estimated and will be subject to review and to confirmation that the individuals will indeed take up the offer.
- 4.9 Those leaving the Council before 31 March 2011 will realise a part year saving in the financial year 2010/11 which can be used to offset the cost of implementing the scheme. This equates to £1.9 million.
- 4.10 No pay award has been offered for 2010/11 but there was an amount of £1.4 million included within the original Estimates 2010/11 in respect of a pay award from April 2010. This sum has been removed from departmental budgets and returned to the General Balance in order to partially meet the cost of the Scheme.
- 4.11 The Efficiency Investment Budget is available to support initiatives that Cabinet approve which will lead to the delivery of future efficiencies. The balance presently remaining for 2010/11 is £3.5 million.
- 4.10 The minimum recommended level of General Fund balances for 2010/11 is £6.5 million. The latest position shows projected balances at 31 March 2011 of £14 million, after the use of £2.6m. An additional £4.4m is projected to be used from balances in 2011-12.

5.0 RELEVANT RISKS

- 5.1 In terms of the funding the costs of the Scheme the risk relates to the potential bid for Capitalisation in 2011/12. Otherwise the funding is available, including the use of one-off reserves and balances.
- 5.2 The loss of the number of individuals will have implications for future service delivery which are being addressed by Chief Officers.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 The funding options for meeting the cost of the Early Voluntary Retirement / Voluntary Severance Scheme as set out in section 4 of this report.

7.0 CONSULTATION

- 7.1 No specific consultation has been undertaken with regard to this report.
- 7.2. Where these reductions have service implications then Chief Officers are undertaking consultation.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 There are no direct implications arising from this report.

9.0 RESOURCE IMPLICATIONS

FINANCIAL

9.1 Cabinet on 9 December 2010 agreed savings of £24.3 million from the Early Voluntary Retirement / Voluntary Severance Scheme. This was prior to the announcement of the Provisional Local Government Finance Settlement for 2011/13, and was subject to individuals confirming their acceptance of an offer, and a review by Chief Officers of service implications to include an assessment of the cost of any necessary restructurings.

9.2 The proposed funding of the severance payments is:

	2010/11 £m	2011/12 £000
Cost of severance payments	12.8	8.8
Funding from capital		
Statutory redundancy element	3.4	3.0
Funding from Revenue		
From part year savings	1.9	0
From pay award not needed 2010/11	1.4	1.4
From Efficiency Investment Budget	3.5	0
From General Balances	2.6	4.4
Funding	12.8	8.8

STAFFING

9.3. The budget for 2011-12 was prepared on the assumption that 1,100 individuals will have taken up the Scheme offer and will have left the employment of the Council by 30 June 2011.

10.0 LEGAL IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 There are none arising directly from this report.

11.2 Equality Impact Assessment (EIA) is not required for this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising directly from this report.

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APPENDIX - None.

REFERENCE MATERIAL

Capitalisation directions (excluding equal pay) 2010-11: Policy and procedures - A guidance note. Department for Communities and Local Government July 2010.

SUBJECT HISTORY

Council Meeting	Date
Cabinet	9 December 2010
Cabinet	21 February 2011