

<p>Non-Executive Report of the</p> <p>Council</p> <p>Wednesday, 20 March 2024</p>	 <p>TOWER HAMLETS</p>
<p>Report of: Julie Lorraine, Corporate Director of Resources</p>	<p>Classification: Part Exempt (Appendix 1)</p>
<p>Agreeing ER/VR Exit Payments</p>	

Originating Officer(s)	Pat Chen, Acting Director of Workforce, OD and Business Support
Wards affected	All wards

Special Circumstances Justifying Urgent Consideration

This report was not available for publication alongside the rest of the agenda due to the time required to confirm the financial data following agreement in principle to the redundancy exits from the Corporate Management Team. The report should be considered at this meeting because it is important to ensure that the Council achieves the savings set out in the mid-term financial strategy and so that appropriate contractual notice can be given to staff.

1. Summary

- 1.1 This report seeks approval for the payment of voluntary redundancy exit packages which exceed the £100,000 threshold, as required under the statutory guidance issued by the Secretary of State under section 40 of the Localism Act.
- 1.2 These payments have arisen from the Voluntary Early Retirement/ Voluntary Redundancy (ER/VR) scheme launched in November 2023 as part of our mid-term financial strategy to achieve savings. The costs of the ER/VR can be fully recouped during the 3-year period through the savings achieved by deleting the redundant posts.

Recommendations:

Council is recommended to:

1. Note and approve the ER/VR related exit payments, including redundancy, additional severance pay and the strain cost of early payment of pension benefits. This agreement is recommended on the grounds that the costs can be recouped within the 3-year period of the MTFS through the deletion of the posts.

2. Note that the redundancy payment is part of the contractual terms and conditions of employment and the requirement for early payment of pension benefits relates to the Local Government Pension Scheme regulations.

Full details are contained in the accompanying exempt / confidential report (Appendix 1).

1. **REASONS FOR THE DECISIONS**

- 1.1 This report is to note and approve exit payments.

2. **DETAILS OF THE REPORT**

Background

- 2.1. The purpose of the report is to seek agreement from Members for exit payments of over £100,000 arising from early retirement with redundancy (ER) and voluntary redundancy (VR). All payments have been considered and agreed in principle by CMT; those with a value in excess of £100,000 must be approved by council in line with our Pay Policy and the requirements of the Localism Act.
- 2.2 The Voluntary Early Retirement/Voluntary Redundancy (ER/VR) scheme was launched in November 2023 as part of our mid-term financial strategy to achieve savings. Staff were given the opportunity to apply for ER/VR; managers considered where it was feasible to make posts redundant and achieve savings. Staff occupying posts that support a statutory function, provide essential front-line services, are hard to fill, income generating or grant funded were not eligible for consideration.
- 2.3 All redundancies are to take effect by 31 May 2024, unless there is a mutually agreed earlier departure. The costs of the ER/VR can be fully recouped during a 3-year period through the savings achieved by deleting the redundant posts.

3. **VALUE FOR MONEY**

- 3.1 Out of the 66 applications agreed in principle 11 (17%) have exit costs in excess of £100k. These 11 have an average payback period of 2.16 years.

One-off Exit Cost	£1,757,347
Ongoing savings	£813,310
Average payback period (years)	2.16

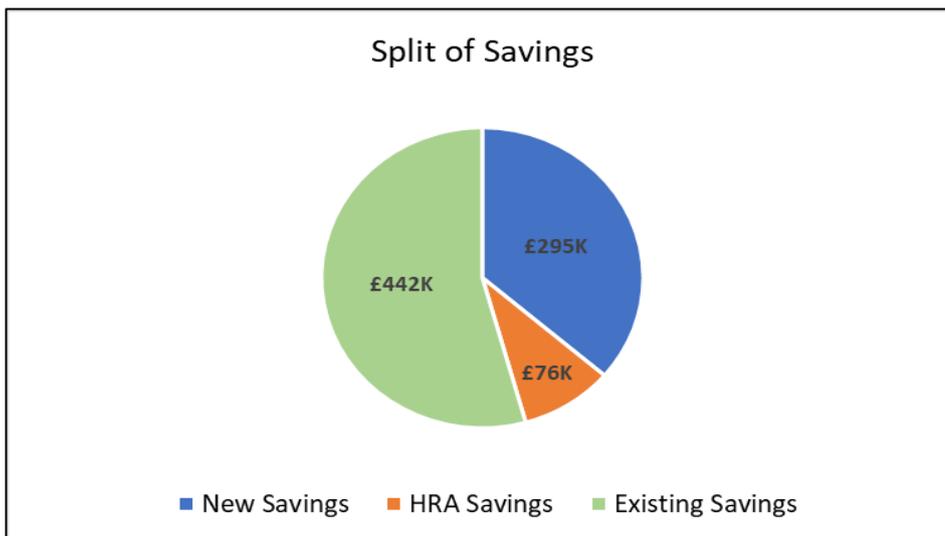
- 3.2 As the exit costs are one off but the savings are on-going there are cumulative savings that increase year on year. Over three years the cumulative saving is £2.4m, a net saving of £683k. The impact of this cumulative effect is shown in the follow graph over the life of the MTFS (3 years).

3.3 For context, the overall gross savings achieved from the ER/VR scheme over the life of the MTFs is £9.9 million.

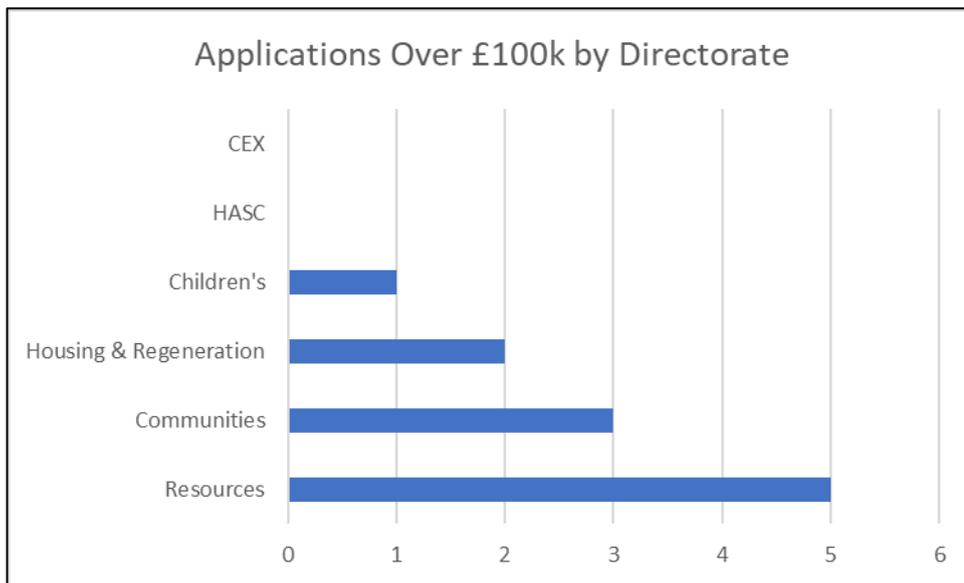


3.4 Although the graph is over three years the cumulative savings will continue into future years. The impact of pay awards and inflation have not been adjusted for in the figures.

3.5 The split of the savings between those which are new, relating to the HRA or where they will help achieve existing savings are shown below.



3.6 The Directorates where the applications over £100k have come from are as follows.



4. EQUALITIES IMPLICATIONS

- 4.1 The Council is committed to equalities and such considerations will be part of the redundancy process and informs the process. All redundancy exits and payments have been carried out in accordance with the Council's policies and procedures.
- 4.2 Equality Impact Assessments are undertaken for every restructure/change to ensure any identified adverse impact is considered with relevant mitigation put in place. An organisation wide EIA will be done specifically for exits as part of the ER/VR scheme.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
 - Consultations,
 - Environmental (including air quality),
 - Risk Management,
 - Crime Reduction,
 - Safeguarding.
 - Data Protection / Privacy Impact Assessment.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 The ER/VR related exit payments, including redundancy and the cost of the early payment of pension benefits, resulting from the deletion of the posts. This agreement is recommended on the grounds that the costs can be recouped within the 3-year period of the MTFs. The initial costs are funded from corporate budget.
- 6.2 The schedules are to follow.

7. COMMENTS OF LEGAL SERVICES

- 7.1 Approval by full Council must be given for the payment of voluntary redundancy exit packages which exceed the £100,000 threshold, as required under the statutory guidance issued by the Secretary of State under section 40 of the Localism Act and in line with the Council's pay policy.

Linked Reports, Appendices and Background Documents

Linked Report

- none

Appendices

- Appendix 1: A table of exit costs in excess of £100,000 (by Directorate and anonymised). EXEMPT

Appendix 1 is restricted through Paragraphs 1,2 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as it contains information relating to an individual and the financial affairs of that individual.

Officer contact details for documents:

- Pat Chen – Acting Director of Workforce, OD and Business Support