

## Executive Board – 20 October 2020

<b>Subject:</b>	Voluntary Redundancy Programme
<b>Corporate Director(s)/Director(s):</b>	Hugh White Corporate Director for Covid Response and Recovery
<b>Portfolio Holder(s):</b>	Councillor Eunice Campbell-Clark, Portfolio Holder for
<b>Report author and contact details:</b>	Richard Henderson, Director, HR and Customer Tel: 0115 87 3443, Email: <a href="mailto:richard.henderson@nottinghamcity.gov.uk">richard.henderson@nottinghamcity.gov.uk</a>
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<b>Subject to call-in:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Key Decision:</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Criteria for Key Decision:</b>	
(a)	<input type="checkbox"/> Expenditure <input type="checkbox"/> Income <input checked="" type="checkbox"/> Savings of £1,000,000 or more taking account of the overall impact of the decision
<b>and/or</b>	
(b)	Significant impact on communities living or working in two or more wards in the City <input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Type of expenditure:</b>	<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Capital
<b>Total value of the decision:</b>	£2.3million
<b>Wards affected:</b>	All
<b>Date of consultation with Portfolio Holder(s):</b>	Throughout June to October
<b>Relevant Council Plan Key Theme:</b>	
Nottingham People	<input checked="" type="checkbox"/>
Living in Nottingham	<input checked="" type="checkbox"/>
Growing Nottingham	<input checked="" type="checkbox"/>
Respect for Nottingham	<input checked="" type="checkbox"/>
Serving Nottingham Better	<input checked="" type="checkbox"/>

**Summary of issues (including benefits to citizens/service users):**

Following on from the 'Interim Budget 2020/21, Medium Term Financial Outlook and Draft Strategy 2021/22 to 2023/24' report that was considered at Executive Board on the 22 September 2020, this report provides an update on the Council's Voluntary Redundancy ('VR') programme, including the further associated budget proposals as was indicated in that report

This report sets out a number of budget proposals that will support the Council's plans to work to present a balanced budget for 2021/22, which will be facilitated by accepting 113 VR applications submitted by employees of the Council.

The budget proposals presented total savings of £2.3m.

**Exempt information:**

None

**Recommendation(s):**

To approve the budget proposals outlined at Appendix A

**1 Reasons for recommendations**

- 1.1 On 21 July 2020 Executive Board approved the Council Financial Position – 2020/21 Budget Update report. The report considered the following:
  - An 'in-year' budget gap at the time of **£62.272m** based on period 1 forecasting
  - New in year savings proposals of **£12.505m**
  - Update on funding from Government
  - Use of reserves
  - Continuation of spending controls including vacancy freeze and ceasing of all non-essential spend
- 1.2 A follow up report to Executive Board, titled 'Interim Budget 2020/21, Medium Term Financial Outlook and Draft Strategy 2021/22 to 2023/24', was presented on 22 September and confirmed the outcome of consultation on the above proposals and that the **£12.505m** savings had been achieved. The report identified a remaining budget deficit of **£1.202m**, which was to be met from general reserves.
- 1.3 Whilst the in-year budget position for 2020/21 was concluded within the 22 September report, significant savings will still need to be made from the Council's budget for 2021/22.
- 1.4 Running in parallel to the above budget process, the Council made available a Voluntary Redundancy programme for employees to submit their interest against. The first set of VR applications that were accepted have been used as part of balancing the budget for 2020/21 and it is recommended that the remaining surplus applications for Voluntary Redundancy that were received be used to help support the savings target for 2021/22.

## **2 Background (including outcomes of consultation)**

- 2.1 As detailed in section 1, the Council was facing a significant in-year budget gap, based on period 1 forecasting, as a direct result of the impact of the Covid pandemic. A number of strategies were implemented to address this issue, which included a decision to invite expressions of interest in a Voluntary Redundancy programme.
- 2.2 On 19th June 2020, a report titled 'Revisions to the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 – Policy Statement' was submitted to ACOS to implement changes to the Council's Discretionary Compensation Regulations policy. The proposals within the ACOS report included an enhanced redundancy package, based on the following terms;
- Double the current statutory redundancy payment for those employees on grades A to K and under the age of 55 years
  - Use of actual weekly wage for calculations for those employees on SLMG terms and conditions under the age of 55
  - Statutory redundancy payments (with cap of £538 maximum weekly wage applied) for those employees aged 55 years and over, plus release of pension entitlement without reductions.
- 2.3. On 29 June, employees of the Council were invited to 'express interest' in the Voluntary Redundancy programme. Approximately 1,200 expressions of interest were received.
- 2.4 Following the expressions of interest process, 578 employees submitted formal applications to leave under the terms outlined in section 2.2. 88 of those applications have been approved in support of the 21 July Executive Board report proposals. This left a further 490 Voluntary Redundancy applications for the Council to consider as part of supporting balancing the budget work for 2021/22.
- 2.5 The remaining 490 applications have been considered by Officers and recommendations and proposals put forward to Executive Members. These proposals contain changes to service delivery, which would deliver a financial saving for the Council and see a further 113 Voluntary Redundancy applications supported. The proposals are outlined at **Appendix A**.

## **3 Other options considered in making recommendations**

- 3.1 Throughout the period of review, a number of individual cost reduction, income and investment options are considered. These in turn impact on the level of reserves. If the proposals are not supported, employees affected would need to be advised that their Voluntary Redundancy applications are not supported.

#### 4 Finance colleague comments (including implications and value for money/VAT)

- 4.1 The Council has been operating in a challenging financial environment for a number of years and from 2010/11 to 2019/20 has had to make cumulative budget savings of **£271.4m** and the 2020/21 budget included new savings of **£15.623m**. The 2020/21 budget and Medium Term Financial Plan was approved by Full Council in March 2020 prior to the start of the pandemic. The pandemic has resulted in the Council incurring significantly increased costs and reduced income and the funding from Government isn't sufficient to cover the impact of Covid-19. This changing financial environment has resulted in three financial reports being presented and approved by Executive Board, each report highlighting the financial impact of Covid-19. The third report was the Interim Budget for 2020/21, Medium Term Financial Outlook and Draft Strategy 2021/22 to 2023/24 and was approved by September 2020 Executive Board and October 2020 Full Council.
- 4.2 The Interim 2020/21 budget presents a balanced in year position. The strategy for achieving a balanced position required the use of **£70.022m** of reserves and represents a **49.3%** reduction on earmarked reserves from the previous year. Of the **£70.022m** usage of reserves **£38.718m** are to be permanently released and not replenished and **£31.304m** are to be replenished and therefore will add to the budget gap for future years. This usage of reserves to support the 2020/21 position has significantly reduced future budget flexibility.
- 4.3 The latest Medium Term Financial Outlook for 2021/22 without further Government funding shows a budget gap in the range of **£39m** to **£54m** rising to **£53m** to **£64m** in 2023/24. The budget gap for 2021/22 has increased from **£25m** as reported to Executive Board in February 2020 to **£39m** to **£54m**, this is predominately due to pressures resulting from the pandemic of continued increased expenditure and reduced income.
- 4.4 The Medium Term Financial Plan has an annual provision of **£1.500m** for redundancy and associated exit costs. The redundancy and associated pension strain costs from the Interim Budget savings are estimated to be **£2.963m**. Exit costs from the latest proposals within this report are estimated to be **£2.919m**, year to date costs of redundancies as at the end of September 2020 are **£0.034m**. Therefore the total cost of redundancy and associated costs is **£5.916m**, the 2020/21 budget is **£1.500m**, resulting in an adverse variance of **£4.416m**. This **£4.416m** will be funded from the 2021/22 **£1.500m** budget for redundancies with the remaining **£2.916m** balance to be funded from reserves via the reserves prioritisation process and S151 approval.
- 4.5 These exit costs will exhaust the 2020/21 and 2021/22 revenue budgets for redundancies and also the redundancies reserve, consequently any future costs of redundancy in 2021/22 will result in a budget pressure and increase the budget gap for 2021/22.

- 4.6 The savings put forward in the latest proposals have been aligned to the latest budgets, are net of PILON payments and do not impact any external income or grants currently budgeted for.

Ceri Walter, Head of Commercial Finance, 12 October 2020

## **5 Legal and Procurement colleague comments (including risk management issues, and legal, Crime and Disorder Act and procurement implications)**

- 5.1 The Voluntary Redundancy Programme is linked to the definition of redundancy which is contained in section 139 of the Employment Rights Act 1996 (“ERA”). Amongst other things, section 139 of the ERA states:-

- *(1) For the purposes of this Act an employee who is dismissed shall be taken to be dismissed by reason of redundancy if the dismissal is wholly or mainly attributable to—*
- *(a) the fact that his employer has ceased or intends to cease—*
  - *(i) to carry on the business for the purposes of which the employee was employed by him, or*
  - *(ii) to carry on that business in the place where the employee was so employed, or*
- *(b) the fact that the requirements of that 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 employed by the employer, have ceased or diminished or are expected to cease or diminish.*

Nottingham City Council (“NCC”) has not ceased or intend to cease carrying on business as outlined in section 139(1)(a) of the ERA. Therefore, we are really looking at section 139(1)(b) of the ERA. If the roles of employees who have applied for voluntary redundancy are to be reallocated or redistributed then the employee is ‘at risk’ of redundancy i.e. an internal reorganisation to make more efficient use of roles and duties would satisfy the requirements of section 139(1)(a) ERA. Such a determination would allow for the conditions of NCC’s Voluntary Redundancy programme to be met i.e. a voluntary redundancy programme that is linked to corporate budget proposals and budgetary savings.

Aman Patel

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## **6 Strategic Assets & Property colleague comments (for decisions relating to all property assets and associated infrastructure)**

- 6.1 Not applicable

## **7 Social value considerations**

7.1 None

**8 Regard to the NHS Constitution**

8.1 None

**9 Equality Impact Assessment (EIA)**

9.1 Has the equality impact of the proposals in this report been assessed?

Yes



Attached as **Appendix B**, and due regard will be given to any implications identified in it.

**10 List of background papers relied upon in writing this report (not including published documents or confidential or exempt information)**

10.1 None

**11 Published documents referred to in this report**

11.1 None