

SELECTIVE VOLUNTARY EARLY RETIREMENT AND VOLUNTARY SEVERANCE SCHEMES

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SELECTIVE VOLUNTARY EARLY RETIREMENT AND VOLUNTARY SEVERANCE SCHEMES

1.0 INTRODUCTION

- 1.1 Due to the changing nature of Local Government there will always be the need to reorganise and restructure with the consequential reduction of posts. In the event of a likely reduction in the workforce Managers should in the first instance refer to the [Managing Change Policy](#) or in the case of teachers and schools based employees the [Managing Change for Schools Policy](#).
- 1.2 Selective Voluntary Early Retirement and Voluntary Severance form part of the Managing Change Policy and the guidance detailed below provides the principles and process that should be followed when an employee takes Selective Voluntary Early Retirement or Voluntary Severance in accordance with the approved Council schemes.
- 1.3 The Selective Voluntary Early Retirement and Voluntary Severance schemes enable the Council to reduce the size of its workforce in line with prevailing economic conditions, whilst at the same time compensating eligible employees by either immediate payment of pension benefits and/or a redundancy payment.
- 1.4 The Local Government Pension Scheme currently provides an entitlement for anyone over the age of 55 who is made redundant to receive early payment of their pension entitlements.
- 1.5 Employees and Managers should be aware that the following conditions will apply.
- If a candidate is an employee in receipt of a pension (this includes ill health pensions) from a public sector organisation including local government, civil service, teachers pensions, police (Civil or Warranted Officers), armed forces, or any other covered by the Modification Order or a redundancy/ severance payment as a result of being made compulsory redundant this will not rule them out from being employed by the authority. HR approval must be sought by managers in all cases prior to entering into discussions with individuals in receipt of a pension or redundancy/ severance payment regarding any opportunity for employment. Any such arrangements will be considered on a case by case basis and must be cost effective and provide best value in the use of Council resources.

2.0 WHO DOES THIS POLICY APPLY TO?

- 2.1 This policy applies to all Council employees including support staff employed in locally managed schools with the exception of 'Relief' employees. Teachers or other employees who are members of the Teachers Pension Scheme should refer to the [Redundancy \(Severance\) Payment and Selective Voluntary Early Retirement Scheme – Teaching Employees](#).

3.0 SELECTIVE VOLUNTARY EARLY RETIREMENT

- 3.1 SVER is available to employees on a voluntary basis subject to approval. An employee who is aged 55 or over and who is made redundant is allowed to access their accrued LGPS pension benefits and if eligible (i.e. two years continuous service with the Council or another
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body included in the Redundancy Modifications Order) they will also receive a redundancy payment in line with current Council policy.

4.0 **VOLUNTARY SEVERANCE**

- 4.1 Voluntary Severance is available to employees subject to approval who are unable to access their Local Government Pension Scheme benefits either because they are under the age stipulated by the Local Government Pension Scheme (currently age 55 or over) or they are not members of the pension scheme.
- 4.2 Employees who take Voluntary Severance are entitled to receive a redundancy payment subject to having a minimum of two years continuous service either with the Council or with another body recognised under the Modifications Order.
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5.0 **SVER RESULTING FROM A REORGANISATION (PROPOSAL A)**

- 5.1 In order for an employee to be allowed to take SVER the policy requires that the savings made from an early retirement i.e. salary savings, are equal to or greater than the cost associated with the early retirement i.e. additional pension costs (known as **strain costs**, see 5.3), redundancy payments, pay in lieu of notice. These costs are calculated over the first full 3 years following retirement.

In the case of a compulsory redundancy, the savings may not comply with the criteria detailed in section 5.1 but will be expected to achieve a net nil effect within a reasonable timeframe of the compulsory redundancy taking effect. In the cases of compulsory redundancy it is expected that no suitable alternative posts will be available in the structure.

- 5.2 The payment of pay in lieu of notice (PILON) should only be necessary in exceptional circumstances i.e. when it has not been possible to issue full contractual notice to the employee concerned.
- 5.3 **Strain costs** are the additional pension costs that must be met by the Council and are paid back in 3 yearly instalments.
- 5.4 It is Council policy that there is no entitlement to any pension enhancements when taking SVER e.g. added years of service.
- 5.5 In order for an employee outside the Efficiency Agenda process to be allowed to take SVER to assist in the avoidance of the compulsory redundancy of another employee, it is required that the savings made from the proposal i.e. salary savings, are equal to or greater than the cost associated with the early retirement i.e. additional pension costs (known as **strain costs**, see 5.3 above), redundancy payments, pay in lieu of notice. These costs are calculated over the first full 3 years following retirement (bumped redundancy). All associated costings must be carried out with the HR Business Partner.
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6.0 **SVER INDIVIDUAL RETIREMENT IN THE EFFICIENCY OF THE SERVICE (PROPOSAL B)**

- 6.1 Selective Voluntary Early Retirement in the efficiency of the service is entirely different to retirement on the grounds of redundancy and will be subject to a forensic examination of the circumstances before release is agreed. Retirement on these grounds will only be granted
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in exceptional circumstances.

6.2

Where there is a case for release in the efficiency of the service, robust evidence will need to be provided in the following areas: -

- Poor health/stress which does not fall into the scope of the 3 tiers of the ill health pension scheme, or
- Breakdown in trust and confidence which falls short of a breach of contract or
- Inability to adapt and respond effectively to the pace of change in the organisation.

6.3

There must be evidence to support the fact that the application of the Council's policies as they apply to these circumstances is not appropriate i.e. Managing Attendance Policy or Improving Employee Performance Policy.

6.4

It should be noted that an SVER agreed under this method do not carry the same requirement to achieve a saving as detailed above (see 5.1) but an assessment should be made of any cashable and non-cashable savings.

6.5

Applications for retirement on these grounds should be detailed on a **Report** and will be recommended by the Executive Director with agreement by the Chief Executive and Service Director of Human Resources and Business Support, and for approval by the Leader and Cabinet Spokesperson – Corporate Services.

6.6

In these circumstances the package would not include a redundancy payment.

6.7

However, the Council has a discretion to make an ex-gratia payment, not exceeding the cost of redundancy in circumstances where the proposal forms part of a wider restructure and the associated costs (known as strain costs, see 5.3.), ex-gratia payment, pay in lieu of notice will generate an overall net costs saving over the first full 3 years following retirement. Any such proposal will require the prior approval of the Service Director – Finance and Service Director Human Resources & Business Support.

6.8

There is no entitlement to any pension enhancements e.g. added years of service under this scheme.

6.9

Pension Augmentation will only be approved in exceptional circumstances. Approval of pension augmentation must be gained from the Service Director of Human Resources and Business Support.

7.0 **REDUNDANCY PAYMENTS**

7.1

Redundancy payments are made under the Employment Rights Act 1996, Section 227 which states that a redundancy payment should be calculated subject to a weekly earnings limit. The weekly limit is reviewed periodically.

7.2

However, current Council policy states that employees who are made redundant regardless of age will receive a Redundancy Payment based on age and length of service up to a maximum of 20 years' service and the calculation will be based on their **actual** weekly salary. Maximum payment equates to 30 weeks' pay.

7.3

To qualify for a redundancy payment an employee must have a minimum of 2 years continuous service with the Council or other body contained within the [Redundancy](#)

Payments Modifications Order.

- 7.4 A **Redundancy Calculation Table** detailing the number of week's redundancy entitlement is available via the Human Resources Intranet site or by contacting the appropriate directorate Human Resources Business Partner if access to the Intranet site is not available.
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8.0 **CONSIDERATION OF AN SVER/VS**

- 8.1 Prior to any request for SVER or VS is granted, the following factors will be taken into consideration: -
- Whether there is suitable alternative work available within the Council.
 - Whether there are any temporary appointments that might be offered pending the emergence of a more permanent solution.
 - Whether a cost /savings analysis has been undertaken and there are significant resultant savings. The cost/savings analysis will be considered for approval to release figures to the employee.
 - Whether the employee is already in receipt of an offer of employment from another employer, covered by the Redundancy Payments Modification Order, to start within 28 days of the termination of their current employment. If this is the case the employee will not be entitled to receive a redundancy payment.
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9.0 **ILL HEALTH RETIREMENT**

- 9.1 The process for effecting ill-health retirement is well established and to all intents and purposes lies outside of the control of the Council/School, with approval to release pensions being authorised by the Medical Advisor to the South Yorkshire Pension Authority.
- 9.2 In the case of a possible ill health retirement Managers should refer to the Council's Managing Attendance Policy and seek guidance from their directorate Human Resources Business Partner.
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10.0 **PROCESS TO FOLLOW FOR AN SVER/VS**

- 10.1 Managers should initially seek advice from the directorate Human Resources Business Partner when consideration is being given to allowing an employee to terminate under the SVER/VS Policy.
- 10.2 When an SVER/VS proposal is under consideration the manager should liaise with the directorate Human Resources Business Partner who will obtain the estimated pension figures from the SYPA and/or estimated redundancy figures from Financial Services.
- 10.3 These figures should only be requested if there is a clear possibility that the employee may be released for SVER/VS and that consideration has been made regarding all other options (see Section 8).
- 10.4 Employees should be made aware that any request for figures does not constitute any offer or agreement to SVER/VS.
- 10.5 When the estimated figures are received the directorate Human Resources Business
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Partner will carry out a preliminary cost/savings calculation.

- 10.6 For **Non Schools** Service Directors will be invited to discuss their proposals with the Service Director of Human Resources and Business Support and the Service Director of Financial Services.
- 10.7 For **Schools** Headteachers will be invited to discuss their proposals with The Director of People, the Schools Financial Services Manager and the Service Director of Human Resources and Business Support.
- 10.8 The Service Director/Headteacher will be asked to discuss the full implications of the proposed release, giving full details of the following:
- Associated Costs/ Savings
 - Post Deletions
 - Transfer of posts
 - Creation of new posts
 - Re-grading of existing posts
 - Honoraria payments either existing or proposed.
 - Any other associated re structuring proposal(s).
- 10.9 Under no circumstances should information be released to the employee concerned until these discussions are concluded and it has been agreed that the employee can be released.
- 10.10 If it has been agreed the employee can be released the estimates can be forwarded to the relevant Manager who should discuss the contents of the estimate (not the cost/savings information) with the individual employee.
- 10.11 If the SVER/VS is agreed the manager should ensure that the estimate/s are signed by the employee and these should then be forwarded to the directorate Human Resources Business Partner who will prepare the final Cost/Savings Form and will circulate this in turn to all necessary signatories.
- 10.12 All SVER/VS paperwork must be authorised by the following signatories:
Finance Manager responsible for the relevant Directorate/Service/School
Executive Director (**Non Schools**) or the Chair of Governors (**Schools**) for Schools
Service Director of Human Resources and Business Support.
Cabinet Spokesperson for Corporate Services.
- 10.13 Following approval the manager should issue the employee with the appropriate letter confirming the termination on the grounds of SVER or VS. Template letters are available from the directorate Human Resources Business Partner. The template letter contains an acceptance tear off slip which the employee must sign and return prior to any payment being processed.
- 10.14 Following completion of all necessary paperwork the directorate Human Resources Business Partner will forward all documents to the Business Support Services where any payments will be processed and documentation placed on the employee's personal file.
- 10.15 Managers must ensure that any changes made to the structure of the service as a result of the SVER/VS must be approved via a Cabinet report or Delegated Powers report if this change has not already been approved as part of a restructure.

- 10.16 Mangers must also ensure that the necessary Organisation Management Forms (**OM1/2/3**) are completed and forwarded to the Organisation Management Team to enable the SAP system to be updated with the structural changes.

11.0 **EMPLOYEES WHO ARE ABSENT FROM WORK DUE TO LONG TERM ILLNESS**

- 11.1 If an employee is absent from work due to long term illness then those employees should be allowed the same opportunity to be considered for SVER/VS as if they had been attending work. However, SVER/VS should not be used in place of the Managing Attendance Policy for employees who are on long term sick leave and advice regarding this should be sought from the directorate Human Resources Business Partner.

12.0 **EQUALITY AND DIVERSITY**

- 12.1 This policy has been impact assessed by Human Resources, if on reading this policy you feel there are any equality and diversity issues, please contact your Directorate Human Business Partner who will if necessary ensure the policy is reviewed.

13.0 **INCOME TAX AND NATIONAL INSURANCE CONTRIBUTIONS**

- 13.1 Redundancy payments that meet the definition of redundancy under Section 139 of the Employment Rights Act 1996 and any enhanced redundancy payments will be exempt from tax under Section 401 Income Tax (Earnings and Pensions) Act 2003 subject to the £30,000 limit available in respect of the exemption. No national insurance contributions are payable if the payment meets the redundancy condition even if the payments exceed the £30,000 limit.

- 13.2 Pay in Lieu of Notice (commonly known as PILON) is a complex area. Any PILON paid as a contractual entitlement should be subject to tax and national insurance contributions. HMRC also consider that in some circumstances tax and national insurance contributions are due on PILON even where there is no contractual arrangement. Therefore advice should be sought in connection within any PILON payments made.

- 13.3 Any other payments due such as holiday pay, unpaid wages etc. will be subject to tax and national insurance contributions at the appropriate rate.

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Document Control

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Brief Reason for Change	Insertion of provision for discretionary ex gratia payment under proposal B where the proposal forms part of a wider restructure

	and the associated costs will generate next costs savings over the first full 3 years.
Version Control	V1.0

Appendix 1 Service (Years)

Age (years)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
18* (1)	1																				
19	1	1.5																			
20	1	1.5	2																		
21	1	1.5	2	2.5																	
22	1	1.5	2	2.5	3																
23	1.5	2	2.5	3	3.5	4															
24	2	2.5	3	3.5	4	4.5	5														
25	2	3	3.5	4	4.5	5	5.5	6													
26	2	3	4	4.5	5	5.5	6	6.5	7												
27	2	3	4	5	5.5	6	6.5	7	7.5	8											
28	2	3	4	5	6	6.5	7	7.5	8	8.5	9										
29	2	3	4	5	6	7	7.5	8	8.5	9	9.5	10									
30	2	3	4	5	6	7	8	8.5	9	9.5	10	10.5	11								
31	2	3	4	5	6	7	8	9	9.5	10	10.5	11	11.5	12							
32	2	3	4	5	6	7	8	9	10	10.5	11	11.5	12	12.5	13						
33	2	3	4	5	6	7	8	9	10	11	11.5	12	12.5	13	13.5	14					
34	2	3	4	5	6	7	8	9	10	11	12	12.5	13	13.5	14	14.5	15				
35	2	3	4	5	6	7	8	9	10	11	12	13	13.5	14	14.5	15	15.5	16			
36	2	3	4	5	6	7	8	9	10	11	12	13	14	14.5	15	15.5	16	16.5	17		
37	2	3	4	5	6	7	8	9	10	11	12	13	14	15	15.5	16	16.5	17	17.5		
38	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	16.5	17	17.5	18		
39	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	17.5	18	18.5		
40	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	18.5	19		
41	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	19.5		
42	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5		
43	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21		
44	3	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5		
45	3	4.5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22		
46	3	4.5	6	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5	22.5		
47	3	4.5	6	7.5	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23		
48	3	4.5	6	7.5	9	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5	22.5	23.5		
49	3	4.5	6	7.5	9	10.5	12	13	14	15	16	17	18	19	20	21	22	23	24		
50	3	4.5	6	7.5	9	10.5	12	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5	22.5	23.5	24.5		
51	3	4.5	6	7.5	9	10.5	12	13.5	15	16	17	18	19	20	21	22	23	24	25		
52	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	17.5	18.5	19.5	20.5	21.5	22.5	23.5	24.5	25.5		
53	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19	20	21	22	23	24	25	26		
54	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	20.5	21.5	22.5	23.5	24.5	25.5	26.5		
55	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	21	22	23	24	25	26	27		
56	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	21	22.5	23.5	24.5	25.5	26.5	27.5		
57	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	21	22.5	24	25	26	27	28		
58	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	21	22.5	24	25.5	26.5	27.5	28.5		
59	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	21	22.5	24	25.5	27	28	29		
60	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	21	22.5	24	25.5	27	28.5	29.5		
61* (2)	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	21	22.5	24	25.5	27	28.5	30		

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20

18* (1) – It is possible that an individual could start to build up continuous service before age 16, but it is likely to be rare, and therefore this table starts at age 18.

61* (2) – The same figures should be used when calculating the redundancy payment for a person aged 61 and above.