Title: Update on the Voluntary Redundancy Exercise carried out in 2016

Report of: Director of Finance

Open

For Information

Wards Affected: None

Key Decision: No

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Accountable Director: Kathy Freeman, Director of Finance

Summary:
The severe reductions in funding and the Council’s ambitious transformation plans are together likely to result in a significant reduction in staffing numbers. In recognition of this and to mitigate the risks for both staff and the organisation the Council ran a process in 2016/17 to allow staff who were at risk to express an interest in taking Voluntary Severance. Staff were asked to express an interest by 31st July and a specially convened panel met and considered applications throughout the Spring and Summer. This report provides an overview of the impact of the programme including the number of staff who left under voluntary severance, the costs incurred and the consequent savings.

Recommendation(s)
PAASC is asked to:
(i) Note the information provided about the process
(ii) Note the costs and savings arising from the exercise

Background

1. The Council is facing financial challenges of unprecedented scale and has embarked on a large transformation programme. This is expected to result in a significant reduction in staff numbers and is also likely to mean changes in the kinds of experience, skills and competencies required from staff working in new ways.

2. The Council’s policy on Managing Organisational Change is to minimise the adverse effects of redundancies. A voluntary redundancy scheme is a way to facilitate this as it reduces the potential risk of compulsory redundancies.
3. It was therefore decided that in the interests of fairness there would be a Council wide scheme run in advance of any restructures and reorganisations. This mitigated against the risk of future compulsory redundancies, mean all staff were treated with fairness and openness and reduced the period of uncertainty for staff and service managers.

A Summary of the Process

4. All staff were informed of the scheme and invited to express an interest in Voluntary Severance. HR and managers offered support and guidance as necessary.

5. In line with employment legislation and Council policies voluntary severance can only be agreed where there is a genuine redundancy i.e. where a post will be deleted or restructured so that it is significantly different. The employee’s line and group manager therefore were required to evidence that this was the case and to assess whether the employee had unique skills or knowledge that the council could not afford to lose.

6. The final decision was made by a panel made up of senior officers Chaired by the CE and Strategic Directors, Director of Finance, HR and the Director of Law. This ensured that there was independent scrutiny of the recommendations from the employee’s own managers.

7. In all instances compensation was paid in accordance with the schemes terms and conditions. No additional or discretionary payments were made.

The Costs of Compensation for Voluntary Severance

8. Over the course of the scheme 239 applications had been accepted as at the end of November 2016. At that date the total cost of compensation payments was £7.45m of which £4.00m was from the General Fund and £3.45m from the HRA. In total, there were 468 applications received and 278 posts were approved by the panel. After the panel approval stage, the process allowed a further final opportunity for the employee to make a final decision. In some instances, the post holder chose to remain in employment and not proceed with their voluntary application any further.

Savings – 2016/17

9. The in-year saving is determined by the leaving date of the staff member in questions which ranges from March 2016 to December 2016. The total in year saving from the posts deleted will be £6.017m (£3.154m GF of which £136k relates to capital funded posts and £2.863m HRA.) These are gross savings – in some cases where the redundancies are part of an overall restructure the net saving will be less. (As the budget for deleted posts has been part used to create new posts.)

10. Some of the early severance was in connection with savings already planned for 2016/17 (and so would probably have been made anyway without the wider scheme.) In other instances the scheme has allowed an earlier achievement of 2017-18 savings generating an in year cash windfall which will be carried forward and used to support the 2017/18 budget. The value of this General Fund windfall is £1.8m as reported in the latest MTFS report. The HRA saving remains ringfenced to the HRA and forms part of the in-year underspend/surplus.
Savings – 2017/18

11. The total full year saving from all posts deleted will be £9.916m (£5.416m to GF and £4.500m to HRA.) This is an effective ratio of cost to full saving of 0.76:1. On average it will take 40 weeks to repay the cost of the redundancy/retirement.

12. However, £0.765m of the General Fund deletions are in relation to pre-existing savings and £1.943m has been reinvested in the services as part of an overall service restructure or redesign. This leaves £2.709m net additional savings generated to meet the new Transformation Programme savings. The total GF savings figure for 2017/18 is £9.275m of which approximately £4.74m is staff related.

Financial implications – Stephen Hinds, Chief Accountant

13. Details of the costs and savings are given in the body of the report. The costs of voluntary severance compensation were funded from a centrally held revenue budget (rather than charged to individual services). The savings have been built into the Medium Term Financial Strategy.

14. Legal implications

14.1. There are no legal implications arising from this report as it for noting only.
<table>
<thead>
<tr>
<th>Hierarchy Lookup - Level B</th>
<th>Strategic Director</th>
<th>No of People</th>
<th>Total Severance Cost</th>
<th>FULL YEAR SALARY COSTS OF EMPLOYEES AFFECTED</th>
<th>NET SAVING IN 16/17 (PART YEAR EFFECT)</th>
<th>NET SAVING IN 17/18 (after re-investment)</th>
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<tbody>
<tr>
<td>GF</td>
<td>CHIEF EXECUTIVE</td>
<td>16</td>
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<td>678,851</td>
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<td>CUSTOMER, COMMERCIAL &amp; SERVICE DELIVERY</td>
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<td>GROWTH &amp; HOMES</td>
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<td>GF Total</td>
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<td>HRA</td>
<td>HOUSING REVENUE ACCOUNT</td>
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<tr>
<td>HRA Total</td>
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<tr>
<td>Grand Total</td>
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