

## HAMPSHIRE COUNTY COUNCIL

### Report

<b>Committee/Panel:</b>	Employment in Hampshire County Council
<b>Date:</b>	22 March 2012
<b>Title:</b>	Progress Update on the Success of the Redundancy Arrangements
<b>Reference:</b>	3764
<b>Report From:</b>	Chief Executive, Andrew Smith; County Treasurer, Carolyn Williamson; Director of HR, Gavin Wright

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#### 1. Summary

- 1.1. The purpose of this paper is to outline the contribution that the County Council's redundancy arrangements have made in delivering savings to its staffing costs and to the reduction in the cost of running the business with the least impact to front line services.
- 1.2. Hampshire County Council is already delivering significant savings on its staffing bill taken over the next two years. Voluntary redundancy arrangements put in place to reduce the cost of running the business with least impact on frontline services are set to realise net savings of more than £46 million by the end of the financial year 2013/14.
- 1.3. Working alongside the recruitment and annual pay award freezes, the redundancy scheme has contributed to an unprecedented reduction in the costs of running the business, whilst the County Council has been able to maintain a high level of service to the public.

#### 2. Contextual information

- 2.1. A voluntary redundancy scheme was approved by this committee at its meeting of 22 September 2010 and has been operated in a series of targeted programmes across the County Council since. A summary of the scheme is appended to this report.
- 2.2. The County Council has not adopted a blanket approach to its voluntary redundancy scheme, that is, the scheme has not been available to all staff throughout that period, rather a series of targeted approaches, within set timescales, have been used to provide support to specific restructuring initiatives; for example, to support the reduction of senior management posts or particular departmental restructures. The use of the voluntary redundancy

scheme is subject to rigorous governance arrangements to ensure appropriate savings can be realised within an acceptable timescale.

- 2.3. It should also be noted that not all individuals who applied for voluntary redundancy were granted it. The scheme has allowed the County Council to make efficient management decisions about retaining essential skills and knowledge to protect critical services.
- 2.4. Although the voluntary scheme includes an element of enhancement on the statutory minimum, payments to any individual are capped. Comparison with the redundancy arrangements of other local authorities has indicated that the County Council's scheme is broadly average, with a number of them applying a more generous scheme. The County Council's scheme is significantly less generous than the NHS or civil service.
- 2.5. A comparison of the summary redundancy terms operated by a number of other public bodies in the Hampshire area is provided below:

<b>Summary of Hampshire authorities voluntary redundancy terms</b>	
<b>Organisation</b>	<b>Maximum number of weeks redundancy pay an employee can receive</b>
Public Sector Org. 1	96 weeks
Public Sector Org. 2	84 weeks
District Council A	80 weeks
District Council B	66 weeks
District Council C	66 weeks
District Council D	60 weeks
District Council C	60 weeks
Unitary Council E	60 weeks
District Council F	60 weeks
District Council G	45 weeks
<b>Hampshire County</b>	<b>40 weeks</b>
District Council H	30 weeks
Unitary Council I	30 weeks
District Council J	30 weeks
Unitary Council K	30 weeks
District Council L	30 weeks

### 3. The efficiency of the scheme itself

- 3.1. Operating the scheme has allowed the Council to take a structured approach to reducing costs, ensuring that the effect to front line services has been minimised.
- 3.2. It has ensured that vital skills are not lost and that the impact to the public has been kept to a minimum.
- 3.3. It also has allowed the Council to undertake the necessary restructuring of its services much faster than relying on a compulsory redundancy route. This has allowed savings to be made in 2010/11 that a compulsory route would not have delivered until future years.
- 3.4. The combination of the recruitment freeze and the redundancy programme has resulted in an overall reduction of 1,469 full time equivalent (FTE) posts. There has been a total of 868.54 FTE redundancies, of which 851.98 FTE have been voluntary and 16.56 FTE have been compulsory.
- 3.5. The table below outlines the numbers of those reductions broken down by grade:

Table 1: FTE reductions as a result of the efficiency restructures by grade

Grade	Number of voluntary redundancies			Number of compulsory redundancies		
	FT	PT	FTE	FT	PT	FTE
Senior management (H and Above)	146	31	165.04	3		3.00
Supervisory (E - G)	317	168	423.39	7	1	7.61
Other staff (A - D)	118	304	263.55	3	6	5.95
Totals:			851.98			16.56

- 3.6. By the end of 2013/14 financial year the County Council will have made a total of more than £46 million net savings as a result of this process and will be spending £32 million per annum less per year thereafter than would have been the case had the redundancies not occurred.
- 3.7. Individual payments under the scheme are dependant on the length of service of the person as well as their pay, and are capped at a maximum number of weeks. The average payment made to an individual under the voluntary redundancy scheme has been £20,589.

3.8. The table below shows a breakdown of the numbers receiving redundancy:

Table 2: Headcount of employees leaving through redundancy by redundancy pay groupings

Redundancy Pay Element	Headcount of employees receiving payment
£0 - £4,999	250
£5,000 - £9,999	200
£10,000 - £14,999	172
£15,000 - £19,999	140
£20,000 - £24,999	88
£25,000 - £29,999	75
£30,000 - £34,999	62
£35,000 - £39,999	34
£40,000 - £44,999	51
£45,000 - £49,999	9
£50,000 - £54,999	11
£55,000 - £59,999	7
£60,000 - £64,999	3
£65,000 - £66,000	2

3.9. The redundancy scheme operated by the County Council does not allow for the enhancement of individuals pensions. Where an individual is aged over 55 and is made redundant they have the right to access their pension. In these circumstances the employing organisation is required to meet the costs of the contributions that would have been made if the person had not left the organisation before the retirement date, this is known as pension strain. In the case of the County Council, this is met from the employing Departments existing cash resources. It should be noted that the same level of pension strain costs occur in the event of compulsory redundancy.

3.10. The table below shows the effect of the return of investment made:

Table 3: Cost of the employees taking Voluntary Redundancy and potential annual salary and on cost saving by financial year

Financial Year	FTE Redundancies	One off costs		Estimated Annual salary and on cost saving arising from redundancy
		Redundancy Cost	Pension Strain	
2010/11	185.70	5,227,560	2,854,256	9,028,582
2011/12	642.51	11,681,078	6,682,404	22,128,107
2012/13*	23.77	632,498	392,400	1,220,299

\*(Numbers known as at 01/02/12 where redundancy agreed but implementation delayed for operational purposes).

#### 4. Comparison with the costs of restructure without the voluntary scheme

4.1. The level of significant changes to the staffing of the organisation that the County Council has already delivered would have resulted in significant costs even had it decided to take the compulsory redundancy path, but would have taken considerably longer to achieve the resultant savings.

- 4.2. Significant disruption to the business and detrimental effects to its customers are a hallmark of many compulsory redundancy approaches. The County Council has avoided this through its approach, placing it in a good position to meet the aspirations that it has articulated in its “Open for Business” programme.
- 4.3. It is difficult to estimate the potential costs had the County Council adopted a non voluntary approach to redundancy. The County Council would certainly not have been able to make the size of reductions within the same short timescale using a compulsory approach largely because of the additional time that would have needed to be taken to ensure due process in selecting and justifying those who would be compulsorily redundant. Such an approach would inevitably have impacted the good will of staff with resulting disruption to services and have absorbed management time at a time of significant reductions amongst that group. This last point is significant as reducing the size of the County Council’s senior management was the first aim of the restructuring programme and using the voluntary reduction route has ensured that there has been no distraction from delivering services.
- 4.4. The cost of adopting the County Council’s predominantly voluntary redundancy approach is significantly offset by the cost of the additional management, human resources and legal costs that would have been associated with a compulsory approach. It is important to remember that any pension strain costs would be the same regardless of whether a redundancy is compulsory or voluntary.
- 4.5. In addition, the speed of the return in costs arising from the County Council’s voluntary redundancy route, has contributed to the favourable budgetary position the County Council has achieved. Without the successful and timely delivery of these savings, the County Council would not have been in the position to consider the level of capital programme investment as outlined in the budget for 2012/13.
- 4.6. The County Councils approach to reorganising its workforce, through a mainly voluntary redundancy route, has underpinned the County Councils overall delivery of transformational change.
- 4.7. The successful delivery to date of savings to its staffing costs has led to:
- Less disruption to public services
  - Less disruption to staff morale
  - No loss of productivity, as experienced by some organisations following a different approach
  - Maximum time focused on the Council’s change agenda
  - The retention of key skills
  - Enabled the Council to make budget savings in 2 years rather than 4.
- 4.8. In addition, the delivery of these savings, within this short timescale, has enabled the County Council to be in a more stable position from which to explore, at an early stage, opportunities for new ways to deliver services more efficiently. Therefore, the County Council will continue to adopt this successful approach to support forthcoming restructures, e.g. those of its corporate

services and headquarters staff in Adult Services, using the same rigorous governance procedures and targeted use of its redundancy arrangements.

## **5. Conclusion**

- 5.1. It is clear from the analysis above that the arrangements adopted to support workforce reductions approved by EHCC on 22 September 2010 have successfully delivered considerable savings, within a shorter timescale and with less impact on frontline services than could have been delivered from a compulsory redundancy approach.
- 5.2. Working alongside the recruitment and annual pay award freezes, the redundancy scheme has contributed to an unprecedented reduction in the costs of running the business, whilst the County Council has been able to maintain a high level of service to the public.

## **6. Recommendation:**

- 6.1. EHCC are asked to:

- a) note the progress as outlined within the body of the report.

6.2. Appendix 1  
Summary of Voluntary Redundancy Scheme

Current Age Groupings	Compulsory	Voluntary
	Weeks per year of service	Weeks per year of service
Service accrued up to and inc. 21	0.5	1.0
Service accrued between 22-40	1.0	2.0
Service accrued age 41 and above	1.5	3.0
Max Number of Weeks redundancy pay an employee can receive	30	40

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	yes
Corporate Improvement plan link number (if appropriate):	
<b>Maximising well-being:</b>	yes
Corporate Improvement plan link number (if appropriate):	
<b>Enhancing our quality of place:</b>	yes
Corporate Improvement plan link number (if appropriate):	

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
<b>Direct links to specific legislation or Government Directives</b>		
<u>Title</u>		<u>Date</u>

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

## **IMPACT ASSESSMENTS:**

### **1. Equalities Impact Assessment:**

- 1.1. The voluntary redundancy arrangements apply to all staff on the Employment in Hampshire County Council Agreement.

### **2. Impact on Crime and Disorder:**

- 2.1. N/A

### **3. Climate Change:**

- a) How does what is being proposed impact on our carbon footprint / energy consumption?  
N/A
- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?  
N/A