

**ROTHERHAM BOROUGH COUNCIL**  
**REPORT TO CABINET MEMBER**

<b>1. Meeting:</b>	<b>Deputy Leader</b>
<b>2. Date:</b>	<b>16<sup>th</sup> December 2013</b>
<b>3. Title:</b>	<b>Voluntary Severance</b>
<b>4. Directorate:</b>	<b>Resources</b>

**5. Summary**

This report provides an update on what voluntary severance has created in terms of savings.

**6. Recommendations**

**Cabinet Member is asked to:**

- **Note outcomes achieved**
- **Note new window for volunteers**
- **Confirm delegation to corporate approvals panel to continue**

## 7. Proposals and Details

### Background

In a report presented to SLT on 3<sup>rd</sup> June, the Director of Human Resources set out the full range of workforce efficiency measures that have been undertaken since 2010/11 and the savings that had been achieved by each of these measures. In particular, it was noted that the use of voluntary severance as a means to reduce the size of the workforce had resulted in recurrent annual savings of approximately £25 million.

A range of statistical data illustrating the extent of the impact of voluntary severance on achieving workforce reductions is attached in the appendices at the end of this report.

The key headlines from these figures are: -

- As intended, proportionately, the greatest reductions have been in management/back office functions
- Age/pension scheme membership have a significant influence on the attraction of voluntary severance with the proportion of employees aged 55+ taking voluntary severance being greater than any other age range
- The success of voluntary severance in reducing employee numbers has been such that only 72 compulsory redundancies have had to be made since April 2010 despite the Council reducing by over 1200 posts.

### Influencing Factors

- The high numbers of employees leaving on voluntary severance compared to the very low number of compulsory redundancies illustrates the benefit of adding some form of inducement to encourage take up. This is especially significant if the Council still wishes to retain an objective of seeking to achieve job loss by voluntary means wherever possible.
- At present 849 employees are aged 55+ representing 14% of the workforce. Each year, approximately 200 employees join the category of being within 12 months of reaching age 55.
- Evidence indicates approximately 5%-6% of the 849 employees in the 55-59 cohort leaves the organisation under a 'typical' year (approx 50 leavers) whereas with the window and enhanced discretionary scheme in operation resulted in 113 leaving (62 of which were voluntary severance).
- In the over 60 category of 471 employees a normal leaving quotient of 69 might have been expected but in reality 159 left of which 66 were voluntary severance.
- The 12 week discretionary payment scheme is more cost effective than paying statutory notice or pay in lieu of notice as the Council saves employer NI and Pension contributions totalling 22.4% (10.4 NI + 12% LGPS, ) this is because the discretionary payment is classified as non taxable like the redundancy payment. Compulsory redundancy requires the employee to be served notice which they work or be given pay in lieu of notice. However in order to 'protect' the tax free nature of discretionary payments, these must not become the norm. They must remain justifiable and focused on needs to reduce the workforce at specific times and/or in specific areas or otherwise run the risk of HMRC sanctions.
- The 2 year recovery business case was set following a District Audit report 'Retiring Early' criticising the lack of discipline over achieving savings from early release within reasonable timescales. However the Council chose itself to set the recovery period at 2 years and there is no formal requirement to apply this timescale.
- Opening Council-wide windows of opportunities to leave under the terms of the discretionary voluntary severance scheme has undoubtedly created opportunist savings that have fallen outside of the review areas and would otherwise have been missed.
- Trends in terms of savings achieved to date indicate that if £20 million is required to be saved each year, a quarter of this has to come from job reductions which equates broadly to 300 jobs lost per year. Natural turnover has to date generated around 100 job reductions per

year which means that each year the Council will have to achieve around a further 200 voluntary severances/compulsory redundancies.

In light of the continued £20m budget reduction situation being faced for the next two years a new window for voluntary severance accepting applications until the 30<sup>th</sup> November has been opened which includes the inducement of a 12 week discretionary payment.

Cabinet Member is asked to confirm whether they would support the continuation of the current delegation for approval for early release to the Corporate Approval Panel comprising the Chief Executive, Director of Human Resources and Director of Legal Services to continue.

## **8. Finance**

A failure to reduce employment costs will impact on the Councils ability to deliver services. Areas of known pressure such as the removal of the National Insurance rebate which will cost £3.4m are already being factored into the MTFS.

Increased HMRC liability and Employer Pension contributions may accrue if contractual notice pay is paid instead of the 'tax-free' status of the 12 weeks additional payment. In the windows for voluntary severance operated since 2010 this would have amounted to over £750,000.

Calls continue to be faced to pay or work towards paing the 'Living Wage'. Full implementation of this rate would cost in excess of £1m in the immediate term.

## **9. Risks and Uncertainties**

Government continues to target Public Sector spending for reduction whilst at the same time increase employer on costs.

## **10. Policy and Performance Agenda Implications**

The way we do business: Right people, right skills, right place, right time, reducing bureaucracy and getting better value for money.

## **11. Background Papers and Consultation**

- a) SLT Budget Reports
- b) Management Review meetings with Strategic Directors
- c) Trade Union consultation meetings and formal JCC meetings
- d) 'By Mutual Agreement' March 2010 Audit Commission report on severance payments to Council Chief Executives
- e) District Audit Report of 2002 on RMBC Management Restructuring.
- f) 'Retiring Nature' Audit Commission report March 2000 on early retirement practices in Local Government.

### **Contact Name:**

**Phil Howe**

**Director of Human Resources**

**Ext. 23716**

**6<sup>th</sup> November 2013**

Severance by Directorate and Management Level Sept 10 – 30<sup>th</sup> September 2013

Directorate	M4	M3	M2	M1	Non Management	Total	Annual Salary Saving
Children & Young People's	2	8	76	35	77	198	£5,985,015
Environment & Development	-	6	56	26	118	206	£5,344,183
Neighbourhoods & Adults	1	5	41	32	237	316	£6,431,657
Resources*	-	17	79	37	69	202	£6,295,323
<b>Total</b>	<b>3</b>	<b>36</b>	<b>252</b>	<b>130</b>	<b>501</b>	<b>922</b>	<b>£24,056,178</b>

Category	Number Approvals	Number of group in workforce	% of group in workforce	% reduction of group	Annual Salary Saving
M4	3	24	0.3%	12.5%*	£263,313
M3	36	98	1.4%	37%	£2,225,557
M2	252	1242	17%	20%	£9,936,034
M1	130	925	13%	14%	£3,619,863
All Management	420	2284	33%	18%	£16,044,767
Non Management	501	4743	67%	10.5%	£8,011,411
<b>Total</b>	<b>922</b>				<b>£24,056,178</b>

\*Actual group reduction 39% when deletion of vacant posts taken into account

#### Notes

Figures include: 72 compulsory redundancies made 2010-2012 in initial service reviews

In addition: 44 applications for flexible retirement have been approved generating recurrent annual salary savings of £580k

12 Senior Management Posts becoming vacant deleted generating recurrent annual salary saving of £910k

Vacant posts disestablished, 65 identified by HR deleted generated recurrent annual salary saving of £1.4m

\*Includes Services that reported to Strategic Director of Resources post

## VER/VS Statistical Information

Leavers since Sept 2010			922 (plus 44 flexible retirements)			
Management Level						
Category	Number Approvals	Vacant posts deleted	Number of group in workforce*	% of group in workforce*	% of group in approvals	% reduction of group
M4	3	6	24	0.3%	0.3%	39%
M3	36	5	98	1.4%	4%	42%
M2	252	-	1242	17%	27%	20%
M1	130	-	925	13%	14%	14%
All Management	421	-	2284	33%	46%	18%
Non Management	501	-	4743	67%	54%	10.5%
Equalities						
Category	Number Approvals	Number of group in workforce	% of group in workforce*	% of group in approvals	% reduction of group	
Female	679	5138	73%	74%	13%	
BAME	29	233	3.3%	3%	12%	
Disabled	97	410	5.8%	10%	23%	
Age 16-24	8	287	4%	1%	3%	
Age 25-39	122	1769	25%	13%	7%	
Age 40-49	203	2334	33%	22%	8%	
Age 50-54	97	1163	17%	10%	8%	
Age 55-59	299	939	13%	32%	32%	
Age 60-65	209	503	7%	23%	42%	
Age 65 plus	22	87	1.2%	2%	25%	

\*Number & percentage of group as at 31<sup>st</sup> August 2010 (excludes Schools employees)

## Severance by Tax Year and Management Level Sept 2010-2013

Tax Year	M4	M3	M2	M1	Non Management	Total	Annual Salary Saving
2010/11	2	14	106	45	174	341	£9,346,323
2011/12	1	16	88	49	120	274	£7,640,666
2012/13	0	6	56	29	157	248	£5,997,716
2013/14	0	0	2	7	50	59	£1,071,473
<b>Total</b>	<b>3</b>	<b>36</b>	<b>252</b>	<b>130</b>	<b>501</b>	<b>922</b>	<b>£24,056,178</b>

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## Voluntary Severance by Service Sept 2010-Sept 2013

Directorate	Service	Support	Front Facing	Reduction
CYPS	Safeguarding Children & Families	6	13	3.8%
	Schools & Lifelong Learning	86	81	15.8%
EDS	Planning Regeneration & Culture	53	67	21.5%
	Internal Audit & Asset Management	40	29	5.7%
	Streetpride	7	66	14.9%
NAS	Health & Wellbeing	16	235	17.9%
	Housing & Neighbourhoods	19	29	11.8%
	CPP	98	0	39%
RES	Finance	46	0	16.9%
	Human Resources	9	0	8.2%
	Legal & Democratic Services	22	0	21%
<b>Total</b>		<b>402</b> (28% Group reduction)	<b>520</b> (11% Group reduction)	<b>17%*</b>

\*Percentage reduction in workforce increases to 22% if exclude transfers to the Council from Grounds Maintenance, 2010 Rotherham Ltd, Rother Valley Country Park, Connexions, Doncaster HR & Payroll and Public Health