

Agenda Item	9
Report No	RES 25/16

## Voluntary Redundancy Scheme – Financial Implications

### Report by Director of Finance

#### Summary

This report updates the Committee on the results of the Voluntary Redundancy Scheme, highlighting near final numbers of staff accepting VR, the revenue budget implications, and the financing of redundancy payments.

#### 1. Background

- 1.1 A Voluntary Redundancy Scheme (VRS) was launched on 21 December 2015 with a closing date of 29 January 2016. At the Council meeting on 17 December 2015 the Chief Executive and the Director of Finance were given delegated authority to approve or refuse straightforward applications, with the applications exceeding a three year payback period being presented to the Employment Release Sub Committee (ERSC).
- 1.2 The full year staffing cost saving that will be delivered by the scheme is £10.86m. This saving reflects the staffing cost of the 340 staff members leaving under the scheme.
- 1.3 A corporate savings target from the VRS of £5.9m was agreed by Council as part of its 2016/17 revenue budget. This figure reflects the net saving target required from the VRS once the savings from staff relating to service specific savings proposals, savings from “bumped redundancies” and adjustments from service restructurings are taken into account.
- 1.4 At the time the budget was agreed in February 2016 the VRS was not finalised and further work was required to confirm final staff numbers and financial savings, taking into account other revenue budget savings and options for staff to change their minds. This work is now largely complete and it is now possible to provide clarification and assurance to the Committee that the corporate savings target required from the VRS has been achieved.

#### 2. Voluntary Redundancy Scheme - Discussion

- 2.1 The report to Council on 25 February indicated the total number of applications, and the number of applications that had been accepted by Officers. Staff had until the 29 February to accept the offer of voluntary redundancy.
- 2.2 The VRS was necessary in the short term to deliver the budget savings in a managed way that reduced the impact on services. The principle condition applied was that deleting posts, covering all services of the Council, would result in reduced service capacity, but would still allow for the provision of safe and effective services within available resources.

- 2.3 The delegated authority to the Chief Executive and Director of Finance allowed scrutiny and challenge of Service proposals, and provided assurance that policies and procedures had been applied as consistently as possible.
- 2.4 Five posts were referred to the Employment Release Sub Committee as they exceeded delegated powers. In all these cases the financial payback exceeded three years, but was under four years, and all five were approved by the Committee.
- 2.5 Staff had the option of selecting two departure dates, 31 March and 30 April, although a small number have had their departure dates deferred until later in the year for service delivery issues. In financial terms this means that there is a part year saving for 2016/17 but a larger saving from 2017/18 on a recurring basis.
- 2.6 A few applications have been accepted from Non General Fund Services, principally staff charged to the Housing Revenue Account. These have been considered and some accepted using the same criteria as for all other staff.
- 2.7 Voluntary Redundancy Scheme has been a major factor in providing certainty around the delivery of Service Specific savings, as well as the additional general savings target.
- 2.8 The table below shows that in total, 340 staff have accepted Voluntary Redundancy. A number of these staff are part time, so the Full Time Equivalent (FTE) reduction is estimated at 250 staff. The table below shows the breakdown by service. A full lists of posts vacated through the VRS was circulated previously to Group Leaders, and all members can access the list that way. The document contains privileged information that readily identifies individuals. Sharing this with external third parties may be considered a breach of privacy under the Data Protection Act and it should therefore be treated in confidence.

<b>Service</b>	<b>Number of Employees</b>
Care & Learning	95
Chief Executive's Office	8
Corporate Development	28
Community Services	47
Development & Infrastructure	54
Finance	94
<b>General Fund Total</b>	<b>326</b>
Non General Fund (HRA Building Maintenance)	14
<b>Total</b>	<b>340</b>

- 2.9 Work is still ongoing in relation to applications received from teachers as well as to deliver the element of the Voluntary Redundancy saving relating to Additional Support Needs (ASN). This work will tie in to preparing staffing establishments for the 2016-17 educational session.

### 3. Financial Implications – Revenue Budget

3.1 The table below shows the financial savings achieved through Voluntary Redundancy Scheme for both 2016/17 (part year) and 2017/18 onwards (full year recurring saving). The information is shown per service.

3.2 The full information is shown for completeness, but this report focusses on the impact on the General Fund, where the saving target was required. The implications for the HRA will be addressed separately through reporting to Community Services Committee. Staff charged to the HRA comprised a very small proportion of applications accepted for VR due to the separate financial requirements of the HRA.

3.3

<b>Service</b>	<b>Ongoing Salary Savings</b>	<b>2016/17 Savings</b>	<b>2017/18 Full Year Effect Savings</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Care & Learning	2.895	2.541	0.354
Chief Executive's Office	0.304	0.281	0.022
Corporate Development	0.962	0.882	0.080
Community Services	1.729	1.539	0.190
Development & Infrastructure	2.163	2.034	0.129
Finance	2.264	1.901	0.364
<b>General Fund Total</b>	<b>10.317</b>	<b>9.178</b>	<b>1.139</b>
Non General Fund (HRA Building Maintenance)	0.543	0.392	0.151
<b>Total</b>	<b>10.860</b>	<b>9.570</b>	<b>1.290</b>

3.4 Taking the above total savings, the key is now to exclude savings that have been included as specific Service Savings proposals in order to negate any potential double counting. This is the key aspect of evidencing that the budget savings target has been achieved.

<b>Service</b>	<b>2016/17 VRS Savings not included in Service Savings proposals</b>	<b>2017/18 Full Year Effect of VRS Savings not included in Service Savings proposals</b>
	<b>£m</b>	<b>£m</b>
Care & Learning	1.624	0.139
Chief Executive's Office	0.058	0.005
Corporate Development	0.459	0.040
Community Services	1.338	0.081
Development & Infrastructure	1.369	0.079
Finance	0.753	0.256
<b>General Fund Total</b>	<b>5.601</b>	<b>0.600</b>

3.5 The above tables indicate that, for General Fund Services, total savings from

staffing budgets was £9.178m. Once Service Specific savings are excluded then the net saving from the Voluntary Redundancy Scheme was £5.601m. This is slightly short of the £5.9m target, but once the exercise is completed for the remaining Care and Learning staff it is anticipated the full saving will be deliverable in 2016-17.

- 3.6 The table also shows however that there are additional full year savings of £0.6m that will be delivered on a recurring basis from 2017/18. These additional savings are not currently factored into future years' budget forecasts.

#### **4. Financial Implications – Revenue Balances**

- 4.1 The report to Council in February 2016 indicated that the total cost of the VRS would be in the region of £12.458m. This was based on estimates, at that time, of the total cost of staff who had applied and been accepted for voluntary redundancy.

- 4.2 The latest indications, subject to finalisation, suggest that the cost of the VRS in 2015-16 will be slightly higher, at £13.4m. There may be further VR costs in 2016-17 once the final position regarding teachers and ASN staff is clarified. Section 14 of the February Council report contained a proposal, through using earmarked and non-earmarked balances, to meet this one-off cost.

- 4.3 This higher figure will require a greater call on balances, but it is anticipated that this can be achieved through a higher year end underspend which is the subject of a separate report on today's agenda. The final position will be clarified in June when the 2016/17 accounts are presented for audit.

- 4.4 £13.4m is a significant figure, and represents a material reduction in the level of balances. However this is essential to fund the VRS and deliver the scale of revenue budget savings required. The figure therefore needs to be viewed in the context of the ongoing salary savings of £10.86m as identified in paragraph 3.3 above. The revenue savings could not have been achieved in any other way, given the time available, and represents a payback of 1.25 years on this use of reserves.

#### **5. Implications**

- 5.1 Resource implications are clarified in Sections 3 and 4 above.

- 5.2 Staffing implications are covered in Sections 1 and 2 above.

- 5.3 Legal implications – there are no specific issues to highlight. Applications have been considered under the Council's approved scheme and under delegated powers. Audit Scotland will undertake an independent review of the VRS as part of their work on the 2015/16 audit.

- 5.4 Climate Change/Carbon Clever – there are no specific implications to highlight.

- 5.5 Equalities Implications – the Council is committed to equal opportunities in all its activities. The VRS, and applications, were considered in full compliance of

the Equalities Act 2010. Members were provided with full equality impact assessments for specific budget savings proposals as part of the Council Budget report in February.

- 5.6 Rural Implications – rural implications were a factor under which all applications for voluntary redundancy were assessed.
- 5.7 Risk Implications – the results of this detailed appraisal means that the financial risks identified in February have largely been addressed. The significant use of balances does however place the Council’s finances in a weaker position. However reserves are still deemed adequate to address any unforeseen situations.
- 5.8 Gaelic Implications – there are no specific implications to highlight.

### **Recommendations**

The Committee is asked to note and consider:-

1. the staffing implications as identified in Section 2;
2. ongoing revenue savings of £10.86m arising from successful applications for voluntary redundancy, with initial savings of £9.57m in 2016/17;
3. that, once service specific savings are accounted for, that the general savings target from the Voluntary Redundancy Scheme of £5.9m will have been exceeded on a full year basis.
4. the required use of balances of £13.4m to fund the lump sum cost of voluntary redundancies, but that, on average, this achieves a payback of 1.25 years;
5. the risk around the remaining level of reserves, and that this will be reviewed once the accounts are finalised for 2015/16.

Designation: Director of Finance

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Background Papers: Council Report Revenue Budget and Council Tax 2016/17, 25 February 2016