

**COSTS AND SAVINGS FROM EARLY DEPARTURES FROM COUNCIL  
EMPLOYMENT FOR YEAR 2019/20**

---

**1. EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to outline to Elected Members the costs and savings associated with early retirements/redundancies that have taken place between 1 April 2019 and 30 June 2020.
- 1.2 The report has been prepared as a result of Audit Scotland's guidance early departures for public sector employers. One of the recommendations in the report is that Council is informed of the costs and/or savings arising from decisions delegated to officers to approve early retirements.
- 1.3 This report relates to those employees who left the Council's employment during the reporting period and does not include accruals for future, planned redundancies.
- 1.4 The cost of severance has been offset by the savings achieved and the overall payback period is 0.97 years. The costs of the severance packages are contained within the limit of a 3 year payback period as stipulated in the Council's Pensions Discretions Policy.
- 1.5 The total savings over 3 years are £5,392,599 and the total costs over 3 years are £1,786,365. Over 3 years, this gives a net saving of £3,606,234. The annual savings after 3 years is £1,775,873.

**COSTS AND SAVINGS FROM EARLY DEPARTURES FROM COUNCIL  
EMPLOYMENT FOR YEAR 2019/20**

---

**2. INTRODUCTION**

- 2.1 The purpose of this report is to outline to Elected Members the costs and savings associated with early retirements/redundancies that have taken place between 1 April 2019 and 30 June 2020. The reporting period has been extended as the savings agreed at the Council meeting in February 2020 were effective from 30 June. The costs associated with these savings have been included in the 2019/20 accounts.
- 2.2 The total savings over 3 years are £5,392,599 and the total costs over 3 years are £1,786,365. Over 3 years, this gives a net saving of £3,606,234. The annual savings after 3 years is £1,775,873.

**3. RECOMMENDATION**

- 3.1 Members are requested to note the content of this report.

**4. DETAIL**

- 4.1 The report has been prepared in accordance with Audit Scotland's guidance on Early Departures for public sector employers. One of the recommendations is that Council is informed of the costs and/or savings arising from decisions delegated to officers to approve early retirements.
- 4.2 This report relates to those employees who left the Council's employment during the reporting period and does not include accruals for future, planned redundancies.
- 4.3 The cost of severance has been offset by the savings achieved and the overall payback period is 0.97 years. The costs of the severance packages are contained within the limit of a 3 year payback period as stipulated in the Council's Pensions Discretions Policy.
- 4.4 The total savings over 3 years are £5,392,599 and the total costs over 3 years are £1,786,365. Over 3 years, this gives a net saving of £3,606,234. The annual savings after 3 years is £1,775,873.
- 4.5 There has been a total of 53 redundancies in the period 1 April 2019 to 30 June 2020 at a one-off cost in Year 1 of £1,743,045 and an annual ongoing

cost of £21,660. The annual salary saving achieved, including employer costs, is £1,797,533. The cost of the redundancies will be recouped within 0.97 year period.

- 4.6 On 25 June 2015, the Council approved the Policy on Discretions. This Policy details the range of discretions available to the Council and sets out the discretions which the Council will adopt. The revised Policy in Discretions is also on the agenda for this Policy and Resources Committee.
- 4.7 The Policy states that the cost of redundancy must be recouped through salary savings within a 3 year period, otherwise it cannot be approved.
- 4.8 The total number of severance packages during the year was 53 at a cost of £1,743,045. This is equal to an overall average cost per redundancy package of £32,888. There were a total of 34 employees who could access their pension at a cost of £1,503,743 and an average cost of £44,228. The ongoing annual cost of these is £21,660. There were 19 employees who received a redundancy payment only at a total cost of £239,302 and an average cost of £12,595. The table below sets out this information.

	No.	Redundancy Payments £	Strain on the fund Cost £	CAY* Cost £	Cost in Year 1 £	Ave cost per employee
Accessing pension	34	595,153	821,948	86,642	1,503,743	44,228
Redundancy Payment only	19	239,302	n/a	n/a	239,302	12,595
Totals	53	834,455	821,948	86,642	1,743,045	32,888

*\*CAY = Compensatory Added Years. The cost shown includes the one-off cost of CAY to the retirement lump sum and 1 year of CAY to pension.*

*The strain on the fund cost is the amount paid to Strathclyde Pension Scheme to compensate for the early payment of pension.*

*Year 1 costs include strain on the fund, cost of compensatory added years to retirement grant (these are one-off costs) and 1 year's cost of compensatory added years to annual pensions and redundancy payment.*

- 4.9 The savings in salary costs include an allowance of 33% on-costs for National Insurance/superannuation amount to £1,797,533. This includes an allowance where there has been some additional/consequential costs, e.g. redundant post being replaced at a lower grade. Compared to the total one-off costs of £1,743,045, this equates to an overall payback period of less than 1 year at 0.97 years.
- 4.10 It is worth noting that the information on severance costs disclosed in the Council's financial statements is different from the information in this report. This is because this report is based on staff who actually left during the reporting period whereas the financial statements are based on making a

financial provision where it is expected staff will leave and a reasonable estimate of costs can be made.

- 4.11 Nine employees who were under notice of redundancy were successfully redeployed into other posts.

## **5. CONCLUSION**

- 5.1 During the reporting period, there were 53 severance packages at a cost of £1,743,045 and an average cost per package of £32,887.
- 5.2 The payback period for when the costs will be recouped from savings is less than 1 year at 0.97 years.
- 5.3 Over the first 3 years the savings in salary costs less the cost of severance packages will be £3,606,234 and the annual ongoing saving thereafter is £1,775,873. These savings have already been built into the Council budget.

## **6. IMPLICATIONS**

- |       |  |   |
|-------|--|---|
| 6.1   | Policy                                 | This paper complies with the Council's Redundancy Policy  |
| 6.2   | Financial                              | Significant savings to the Council's wage bill have been made   |
| 6.3   | Legal                                  | All policies and procedures relating to redundancy are reviewed to ensure continuing compliance with the relevant legislation   |
| 6.4   | HR                                     | It is widely recognised that there can be a negative impact on morale of employees who remain in employment on completion of a significant redundancy exercise. HR will support managers in improving morale. |
| 6.5   | Fairer Scotland Duty                   | Equality and Social Economic Impact Assessments are conducted as part of the Service Review Process   |
| 6.5.1 | Equalities – Protected Characteristics | Considered as part of the EqSEIA when proposing savings to service delivery   |
| 6.5.2 | Socio-Economic Duty                    | Considered as part of the EqSEIA when proposing savings to service delivery   |
| 6.5.3 | Islands                                | Considered as part of the EqSEIA when proposing savings to service delivery   |
| 6.6   | Risk                                   | None directly from this report  |
| 6.7   | Customer Service                       | None directly from this report  |

**Executive Director with responsibility for Customer Support Services –  
Kirsty Flanagan**

**Policy Lead: Mary-Jean Devon**

**14 September 2020**

**For further information contact:**

Aileen McCosh

HR Project Officer

Tel: 01546 604409

Jane Fowler

Head of Customer Support Services

Tel: 01546 604466