

**COSTS AND SAVINGS FROM EARLY DEPARTURES FROM COUNCIL
EMPLOYMENT FOR 1ST JULY 2020 – 30TH JUNE 2021**

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 July 2020 and 30 June 2021. The costs associated with these savings have been included in the 2020/21 accounts.
- 1.2 The report has been prepared as a result of Audit Scotland's report on early retirements entitled 'Bye Now Pay Later'. 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 0.75 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 £1,278,731 and the total costs over 3 years are £443,794. Over 3 years, this gives a net saving of £834,937. The annual net savings after 3 years is £568,901.

2. RECOMMENDATIONS

- 2.1. Note that the numbers and costs of severance packages during the period 1st July 2020 – 30th June 2021 and the resulting savings.
- 2.2. Note that this report ensures that the Council is compliant with the Audit Scotland recommendation in its report 'Bye Now, Pay Later'.

3. DETAIL

- 3.1. There have been a total of 21 redundancies in the period 1 July 2020 to 30 June 2021 at a one-off cost in Year 1 of £433,794 and an annual ongoing cost of £5,274. The annual salary saving achieved, including employer costs, is £574,175. The cost of the redundancies will be recouped within 0.75 year period.
- 3.2. On 25 June 2015, the Council approved the Policy on Discretions and approved the updated policy on 25 February 2021. This policy details the range of discretions available to the Council and sets out the discretions which the Council will adopt.
- 3.3. The Policy states that the cost of redundancy must be recouped through salary savings within a 3 year period, otherwise it cannot be approved.
- 3.4. The total number of severance packages during the year was 21 at a cost of £433,246 in year 1. This is equal to an overall average cost per redundancy package of £20,631. There were a total of 14 employees who could access their pension at a cost of £376,415 and an average cost of £26,887. The ongoing annual cost of these is £5,274. There were 7 employees who received a redundancy payment only at a total cost of £56,831 and an average cost of £8,119. 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	14	172,772	182,548	21,095	376,415	26,887
Redundancy Payment only	7	56,831	n/a	n/a	56,831	8,119
Totals	21	229,603	182,548	21,095	433,246	20,631

*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 grants (these are one-off costs); 1 year's cost of compensatory added years to annual pensions and redundancy payments.

- 3.5. The savings in salary costs include an allowance of 33% oncosts for National Insurance/superannuation amount to £574,175. Compared to

the total one-off cost of £433,246, this equates to an overall payback period of less than 1 year at 0.75 years.

- 3.6. 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 a making a financial provision where it is expected staff will leave in and a reasonable estimate of costs can be made.
- 3.7. Fourteen employees who were under notice of redundancy were successfully redeployed into other posts as an alternative to redundancy. Therefore no redundancy costs were incurred for them.

4. CONCLUSION

- 4.1 During the reporting period, there were 21 severance packages at a cost of £433,246 and an average cost per package of £20,631. The payback period for when the costs will be recouped from savings in less than 1 year at 0.75 years. Over the first 3 years the savings in salary costs less the cost of severance packages will be £834,937 and the annual ongoing netsaving thereafter is £568,901. These savings have already been built into the Council budget.

5. IMPLICATIONS

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| 5.1 POLICY | This paper complies with the Council's Redundancy policy. |
| 5.2 FINANCIAL | Significant savings to the Council's wage bill have been made |
| 5.3 LEGAL | All policies and procedures relating to redundancy are reviewed to ensure continuing compliance with the relevant legislation |
| 5.4 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. |
| 5.5 FAIRER SCOTLAND DUTY: | |
| 5.5.1 Equalities | Equality and Socio Economic Impact Assessments are conducted as part of the |
| 5.5.2. Socio-economic duty | Service Review process. |
| 5.5.3. Islands | None directly from this report |

5.6 RISK None directly from this report

5.7 CUSTOMER SERVICE None directly from this report

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