

## HAMPSHIRE COUNTY COUNCIL

### Report

<b>Committee</b>	Employment in Hampshire County Council
<b>Date:</b>	22 October 2019
<b>Title:</b>	Enhanced Voluntary Redundancy (EVR2) Update
<b>Report From:</b>	Director of Corporate Resources

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#### **Purpose of this Report**

1. The purpose of this report is to seek an extension of the current enhanced voluntary redundancy offer (EVR2) until 31 March 2022

#### **Recommendation(s)**

2. That EHCC agree the extension to the EVR2 Scheme to 31 March 2022, noting that changes in Exit Payment legislation may affect the ability of this scheme to achieve the intended purpose.
3. In light of the proposed changes to Exit Payment legislation, that an update is provided to EHCC if the EVR2 scheme needs to be amended.

#### **Executive Summary**

4. The current EVR2 scheme was agreed at EHCC on 11 November 2015. It is actively used throughout the organisation to facilitate reductions in the workforce through voluntary means. This paper seeks an extension to this scheme.

#### **Contextual Information**

5. As agreed at EHCC on 11 November 2015, the current Enhanced Voluntary Redundancy (EVR2) Policy was introduced in order to continue to facilitate the County Council's need to further reduce its workforce through voluntary means and contribute towards achieving the significant financial savings targets that need to be met. The scheme is subject to regular review and was extended by EHCC in November 2015 until March 2020.
6. There has been, and there will continue to be, a need to reduce and transform the workforce, the preference being that this continues through voluntary measures. EVR2 provides the organisation with a mechanism to be agile, flexible, to move at pace and manage exits in a way that reduces, as far as

possible, the unrest, uncertainty and negative impact that compulsory exits often bring about.

7. The decision on whether to utilise the EVR2 policy and approve any exits, is made through a robust business case process with governance agreement required by the relevant Director, the Assistant Head of HR, Director of Corporate Resources and the Chief Executive. The business case will have considered workforce reductions based on organisational needs, new operating model requirements including skill sets and new technology, public value and critically the commercial environment in which the Council is operating.
8. Since EVR2 was first agreed and made available, it is clear from the data in Table 1 below, that this is enabling the Council to facilitate the majority of exits through voluntary means.

Age Range	Staff Accepted (Head Count)	EVR2			Voluntary on CR Terms		
		Service (Years)			Service (Years)		
		<10	10 to 19	20+	<10	10 to 19	20+
20-29	14	13	0	0	1	0	0
30-39	40	27	13	0	0	0	0
40-49	57	28	24	1	0	0	4
50-59	69	22	12	2	1	18	14
60+	58	7	7	1	2	14	27
<b>TOTAL</b>	<b>238</b>	<b>97</b>	<b>56</b>	<b>4</b>	<b>4</b>	<b>32</b>	<b>45</b>

<b>% of Leavers</b>	<b>41%</b>	<b>24%</b>	<b>2%</b>	<b>2%</b>	<b>13%</b>	<b>19%</b>
	<b>66%</b>			<b>34%</b>		

Table 1: Number of exits through EVR 2 and Voluntary CR by length of service and age

9. Since the introduction of EVR2, 238 individuals have exited the organisation on EVR2 terms. As context, in the same time period, 41 people exited the organisation having been made compulsorily redundant. There are a number of reasons why people exit on compulsory redundancy, including ending of fixed term contracts and in situations where they choose not to apply to leave on a voluntary basis (EVR2 or Voluntary on CR Terms), and are then unsuccessful in securing a position in the new structure following a competitive or redeployment process. Of the 41 who left as a result of being compulsorily redundant, ten were as a result of a re-structure, the remainder as a result of fixed term contracts coming to an end.

10. Not easily seen from the high-level numbers, is the way in which the organisation has used EVR2 as an enabler to re-shape various delivery models, e.g. through greater use of technology, or service change. In doing so, services have required changes in skill sets, knowledge, expertise, and ways of working. In addition to which, some parts of the business are growing in headcount in order to ensure appropriate capacity as a result of partnership working, the costs of which are offset by income generation e.g. expansion of the shared services arrangements.
11. The EVR2 scheme continues to be attractive to a greater proportion of the workforce, whereas the previous EVR scheme benefitted those employees with longer service, and therefore EVR2 is enabling greater ability to effect changes to the workforce through voluntary exits.
12. This data demonstrates the success of the EVR2 scheme as 43% of those leaving under voluntary arrangements have less than 10 years' service. It is unlikely they would have applied for voluntary release if they were only eligible to receive terms equivalent to compulsory redundancy.

### **Costs**

13. When EHCC agreed to the proposal for EVR2 it was anticipated that the payback period (excluding pension strain for those aged 55+) would be in the region of 4 to 5 months, recognising that some pay back periods may be up to 18 months in some cases. The average pay back period since the introduction of EVR2 (November 2015 to date) for those who have left under the scheme is just under 4.4 months which is consistent with the forecasts.

### **EVR2 Ongoing and Future Use**

14. EVR2 continues to be a valuable and necessary tool to facilitate transformational activity, including organisational re-design and changes to operating models which often require changes to roles and / or ways of working to contribute to the delivery of the Transformation to 2021 (Tt2021) savings, and the likely successor programme.
15. Whilst any organisational change is worrying for individuals, the use of a voluntary mechanism is advantageous as it provides the opportunity for an employee to have some control over their future. Importantly, it also reduces the need for compulsory redundancies and the negative connotations this can often bring. Additional benefits to the Council are that this approach minimises the risk of destabilising critical functions and the consequential impact on the delivery of core services to our communities; and it enables the Council to maintain a positive reputation as an employer of choice which is critical in retaining and attracting talent.
16. There are existing plans as part of Tt2021 to make further workforce reductions in the remainder of 2019, 2020 and 2021. In addition to this, it is likely that plans will need to be developed across all departments as part of future change programmes that will necessitate additional workforce reductions in subsequent years.

17. Looking ahead, and taking account of the workforce profile, continuing with the option for staff to leave on a voluntary redundancy basis through either the EVR2 or voluntary CR terms will enable the organisation to facilitate voluntary exits across a range of length of service. Removal of the EVR2 scheme would mean that voluntary exits are only attractive to those with longer service (as demonstrated in Table 1 above).
18. The government has proposed further reforms to public sector exit payments that are likely to affect the design of the EVR2 scheme. These include:
  - Setting the maximum for calculating exit payments at three weeks' pay per year of service
  - Capping the maximum number of months' salary that can be used when calculating redundancy payments to 15 months
19. Depending on the outcome of the government's consultation exercise the EVR2 scheme may need to be amended. Notwithstanding this, the EVR2 scheme would continue to be an effective mechanism and an essential component of achieving efficiency savings, and subject to EHCC agreeing to the continued use of the EVR2 scheme, Officers will amend the scheme in line with legislative changes.

## **Conclusions**

20. The EVR2 scheme was introduced in 2015 to enable the Council to facilitate exits, through a fair and transparent process, via voluntary means.
21. The evidence presented in this paper demonstrates that the implementation of the scheme has been successful and aligned to expectations set out in 2015.
22. To enable the Council to continue to facilitate exits via voluntary means at the earliest date and achieve early savings, it is recommended that we continue to be able to access EVR2 for workforce reductions in HCC departments (excluding schools) where appropriate to do so. The deadline for agreeing redundancy terminations under this extension to the EVR2 scheme to be 31 March 2022. It is recognised that some exits may be after this date, however they will be no later than 30 June 2022 unless there are exceptional circumstances which would need approval by the Chief Executive; Deputy Chief Executive and Director of Corporate Resources; and the Assistant Director of HR and Workforce Development. This would then allow time for any potential Tt2021 change programmes to run through to full delivery.

**REQUIRED CORPORATE AND LEGAL INFORMATION:**

**Links to the Strategic Plan**

This proposal does not link to the Strategic Plan but potentially impacts the County Council's workforce strategy

**Other Significant Links**

**Direct links to specific legislation or Government Directives**

<u>Title</u>	<u>Date</u>
Enhanced Voluntary Redundancy (EVR2) Update	10 November 2016

**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.)

<u>Document</u>	<u>Location</u>
None	

## **EQUALITIES IMPACT ASSESSMENT:**

### **1. Equality Duty**

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

### **2. Equalities Impact Assessment:**

Equality objectives are not considered to be adversely affected by proposals in this report.