

HAMPSHIRE COUNTY COUNCIL

Report

Committee	Employment in Hampshire County Council
Date:	18 March 2022
Title:	Enhanced Voluntary Redundancy (EVR2) Update
Report From:	Director of Human Resources, Organisational Development and Communications & Engagement

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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 2025.

Recommendation(s)

2. That EHCC agree the extension to the current EVR2 Scheme to 31 March 2025, to support the Council in achieving its Savings Plan 2023 targets as detailed in the Medium-Term Financial Strategy, and anticipated Savings Plan 2025 targets.
3. That EHCC note that if any changes in Exit Payment legislation are implemented by government, this may require amendments to the EVR2 scheme and this may affect the ability of the scheme to achieve its intended purpose. If the EVR2 scheme requires changes to ensure it remains legally compliant, it is recommended that EHCC delegate the ability to make these changes to the Director of Human Resources, Organisational Development and Communications & Engagement, in consultation with the Chairman of EHCC. If the resultant changes require significant change to the EVR2 scheme, then proposals would be brought back to EHCC.

Executive Summary

4. The current EVR2 scheme was initially agreed at EHCC on 11 November 2015. It is actively used by the Council 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 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 details of the scheme are provided in Appendix A. The scheme is subject to regular review and was extended by EHCC in October 2019 until March 2022.

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 where possible and appropriate to do so. 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 appropriate governance agreement, the level of which is determined by the exit costs. 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 has enabled the Council to facilitate a significant number of exits through voluntary means across age ranges and different lengths of service.

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	21	20	0	0	1	0	0
30-39	53	32	20	0	0	1	0
40-49	80	37	30	1	0	1	11
50-59	125	32	16	2	1	31	43
60+	113	16	10	1	2	25	59
Total	392	137	76	4	4	58	113

% of leavers	35%	19%	1%	1%	15%	29%
	55%			45%		

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

9. Since the introduction of EVR2, 392 individuals have exited the organisation on EVR2 terms. As context, in the same period, 81 people exited the organisation having been made compulsorily redundant. There are a number of reasons why people exit on compulsory redundancy, for example, staff leaving at the end of their fixed term contracts may, under certain

circumstances be legally entitled to a redundancy payment, or where employees 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 81 people that left as a result of being made compulsorily redundant, 18 were due to the ending of a fixed term contract.

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 to ensure appropriate capacity because of partnership working, the costs of which are offset by income generation e.g., expansion of the shared services arrangements.
11. Voluntary exits on either EVR2 or compulsory terms continues to be attractive to our workforce across age ranges and lengths of service.

Costs

12. 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) is between 4 and 5 months, which is consistent with the forecasts.

EVR2 Ongoing and Future Use

13. There has been significant transformation year on year across the Council since 2015 when the current EVR2 scheme was first introduced. The transformational programmes have enabled the Council to save £420m, the Savings Plan 2023 requires the Council to save a further £80m, and we know there will be the potential for further savings required by 2025.
14. Transformation of our services continues and the need to reduce cost becomes ever more challenging. There will be a continued need to reduce headcount to achieve the 2023 and potentially subsequent 2025 Savings Plans.
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 SP2023 to make further workforce reductions in the remainder of 2022 and 2023. 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 implemented and then withdrawn legislation in relation to exit payments (as reported to EHCC in March 2021). It is anticipated that an announcement will be made imminently on further steps the government intend to take in this area. Depending on this announcement the EVR2 scheme may need to be amended.
19. It is recommended that EHCC delegate, to the Director of HR, OD and CE, in consultation with the Chairman of EHCC, the authority to make amendments to the EVR2 scheme if required, following any changes to legislation. If this delegated authority is agreed, and amendments to the scheme are made to ensure compliance with legislation, an update will be provided to a future EHCC.

Consultation and Equalities

20. The proposals in this paper do not alter the scheme and therefore the Equalities Impact Assessment has not been reviewed.

Climate Change Impact Assessment

21. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience impacts of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

Climate Change Adaptation and Carbon Mitigation

22. The carbon mitigation tool and climate change adaptation tools were not applicable on this occasion because the decision relates to a programme that is strategic/administrative in nature.

Conclusions

23. The EVR2 scheme was introduced in 2015 to enable the Council to facilitate exits, through a fair and transparent process, via voluntary means.

24. The evidence presented in this paper demonstrates that the implementation of the scheme has been successful and aligned to expectations set out in 2015.
25. 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 use EVR2 for workforce reductions in HCC departments (excluding schools) where appropriate to do so. The deadline for agreeing redundancy terminations under the EVR2 scheme will be extended to 31 March 2025. It is recognised that some exits may take place after this date, however they will be no later than 30 June 2025 unless there are exceptional circumstances which would need approval by the Chief Executive; Director of Corporate Operations and the Director of HR, OD and CE. This would then allow time for any potential SP2023 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	October 2019

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:

The proposals in this paper do not alter the scheme and therefore the Equalities Impact Assessment has not been reviewed.

Appendix A

The key design principals of the scheme are:

- To provide the Council with a scheme that, with appropriate governance and approvals, enables members of our workforce to request an exit under voluntary terms.
- To enable the organisation to make decisions taking account of future capacity, service needs and skill requirements, applying sound business return on investment criteria.
- To enable the organisation to take an approach that combines an ethos of public value with an understanding of commerciality.
- To treat staff with dignity and respect, balanced with best use of public money.
- For the policy to be easily calculated, understood and managed without the need for significant resource and application.

The details of the EVR2 scheme are:

- A single lump sum based upon 20 weeks salary, regardless of age or length of service.
- Excludes staff with less than 2 years' service as they are not entitled to a redundancy payment if they have less than 2 years' service.
- Excludes staff on temporary contracts if they have less than 4 years' continuous service.
- Staff aged 55+ would continue to access their LGPS pension if leaving within the terms of redundancy [this is the case in all exits where there is a redundancy and is not an additional entitlement due to the EVR2 scheme].
- Staff aged 55+ in the Teachers Pensions Scheme cannot receive an unreduced pension and an enhanced redundancy payment under the TPS scheme rules, so staff in this situation are provided with options in this regard.
- The option to exit under HCC Compulsory Redundancy policy terms remains where, due to age and/or length of service, the severance lump sum under Compulsory Redundancy terms would be more than 20 weeks salary.