

**LAA1 EXIT COSTS**

**UPDATED PROTOCOLS**

**6<sup>th</sup> SEPTEMBER 2006**

**Purpose**

1. This report aims to establish a protocol so all partners are aware how both the exit costs and unexpected costs arising from time limited reward and non reward funding will be treated within the LAA.

**Background**

2. The existing protocol was agreed by SSOG in September 2006.

**Unexpected Costs**

4. Each LAA block, with the exception of cleaner/greener, has a budget that can consist of up to three funding sources; pooled funds, reward target funding and non reward target funding. In addition these funds could be supplemented by grants received during the year or other mainstream funds.
5. The LAA protocol allows both virement within each block and between certain blocks. There is also a very small central contingency.
6. Unexpected costs are costs that are not budgeted for and clearly were not expected when the original scheme was developed. Examples of such costs might be maternity or long-term sickness absence cover. It does not include costs associated with changes to the way in which LAA targets will be delivered.
7. It is proposed that in the first instance each block should seek to meet any unexpected costs from within the overall 'block' budget by using underspends that have arisen elsewhere. This is likely to require the movement of resources from one organisation to another. If this is not possible a request will be considered by the LAA Leads Group and funding could be made available from the contingency and/or underspends from other blocks. This should be considered very much a last resort and funding will only be made available if the case is strong.

**Exit costs**

8. As part of the transition from LAA1 to LAA2 consideration in which priorities from April 2009 has been considered. This may result in some existing outcomes and initiatives being supported beyond the end of the initial LAA period. Potential sources of ongoing funding might arise from mainstreaming activity or from the use of rewards if outcomes for stretch targets are met. It is acknowledged however that

there may be exit costs in the event of activity not continuing in some form.

9. The main exit costs are likely to relate to staff who at the end of the LAA funding are made redundant:
  - Redundancy is payable to all staff after two years service and the amount payable depends upon the age and number of years continuous local government service of the employee.
  - Pension costs will arise if any employee is made redundant and that employee has at least 2 years LGPS membership and is aged over 50 (likely to be phased increase in minimum age).
10. To a certain extent there is little that can be done to mitigate these costs which can be significant if the employee is aged over 50 as the same eligibility arises if staff are employed under fixed term, temporary or permanent contracts. In any event it may be difficult to recruit and employ staff for fixed term.
11. There are, however, a couple of possibilities
  - Secondment. If a post is backfilled with someone on a temporary contract so a secondment to the LAA can be arranged. At the end of the LAA the temporary employee would not be eligible for redundancy if the person seconded to the LAA returned. This approach should be considered for LAA posts but it is likely that scope to use will be limited.
  - At the end of the LAA one possibility would be to develop redeployment procedures that operate across LAA partners. These would need to be voluntary and disturbance and protection costing need to be considered. Even with these procedures there are likely to be exit costs.

### **Meeting Exit Costs**

12. Across the LAA around 37 posts are likely to be created, funded by 'reward' and 'non rewards' funding. Not all of these are full time. The main areas are within the Healthier Communities block with 14 posts and Economic Development with 11 posts.
13. It is proposed that funding will be made available for these staff to continue in post for up to a maximum of six months after the end of the LAA. It is difficult to quantify the financial impact of this as not all posts will require this funding. However, the 'worst case' scenario that all posts are funded for the full six months shows that this could be in the region of £280,000. Posts covered by this would need to be agreed in advance following consideration of the 'exit strategy'. This will be met from anticipated reward funding. In the unlikely event that the funds are not available this will not be underwritten by the County Council. This will have the advantage that staff will not be looking to leave the 'LAA'

towards the end of its initial three year life thus jeopardising the achievement of targets and there will be time to redeploy staff.

14. At the end of the LAA all employing organisations will need to:
  - Seek to redeploy within existing organisation
  - Seek wider redeployment across LAA organisations within a protocol to be developed
15. The question then arises - If following this process staff are still made redundant does Leicestershire Together or the employing organisation pick up the cost?
16. The proposal is that where employing organisations can clearly demonstrate that they have taken all possible steps to redeploy staff Leicestershire Together will meet 50% of the exit costs excluding added years to a maximum of £25,000 per person (if it can). I.E. the maximum payable per person from LAA funds will be £12,500. The rationale for 50% is that an incentive remains for organisations redeploy if at all possible. It is also likely that the skills of that particular member of staff are likely to be best suited to the employing organisation. Partner organisations could decide to have separate agreements to share exit costs if one organisation is hosting a service on behalf on others (for example all districts working together or police and probation).
17. The costs to Leicestershire Together are difficult to quantify given that it is not possible to calculate exit costs for staff who have not yet been employed and it is impossible to calculate how many staff would be made redundant. A broad brush calculation based on £10,000 per full time equivalent and 20% of staff are made redundant would indicate costs of around £60,000.
18. Leicestershire Together will not meet any non-staff exit costs or any staffing exit costs associated with staff paid for by 'pooled' funding.

### **Recommendations**

19. The LAA personnel officer develops a redeployment protocol.
20. The proposed treatment of both unexpected costs and exit costs set out in the report be approved.