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Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Managing early departures across Welsh public bodies



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU





I have prepared and published this report in accordance with the Government of Wales Act 1998 and the Public Audit (Wales) Act 2004

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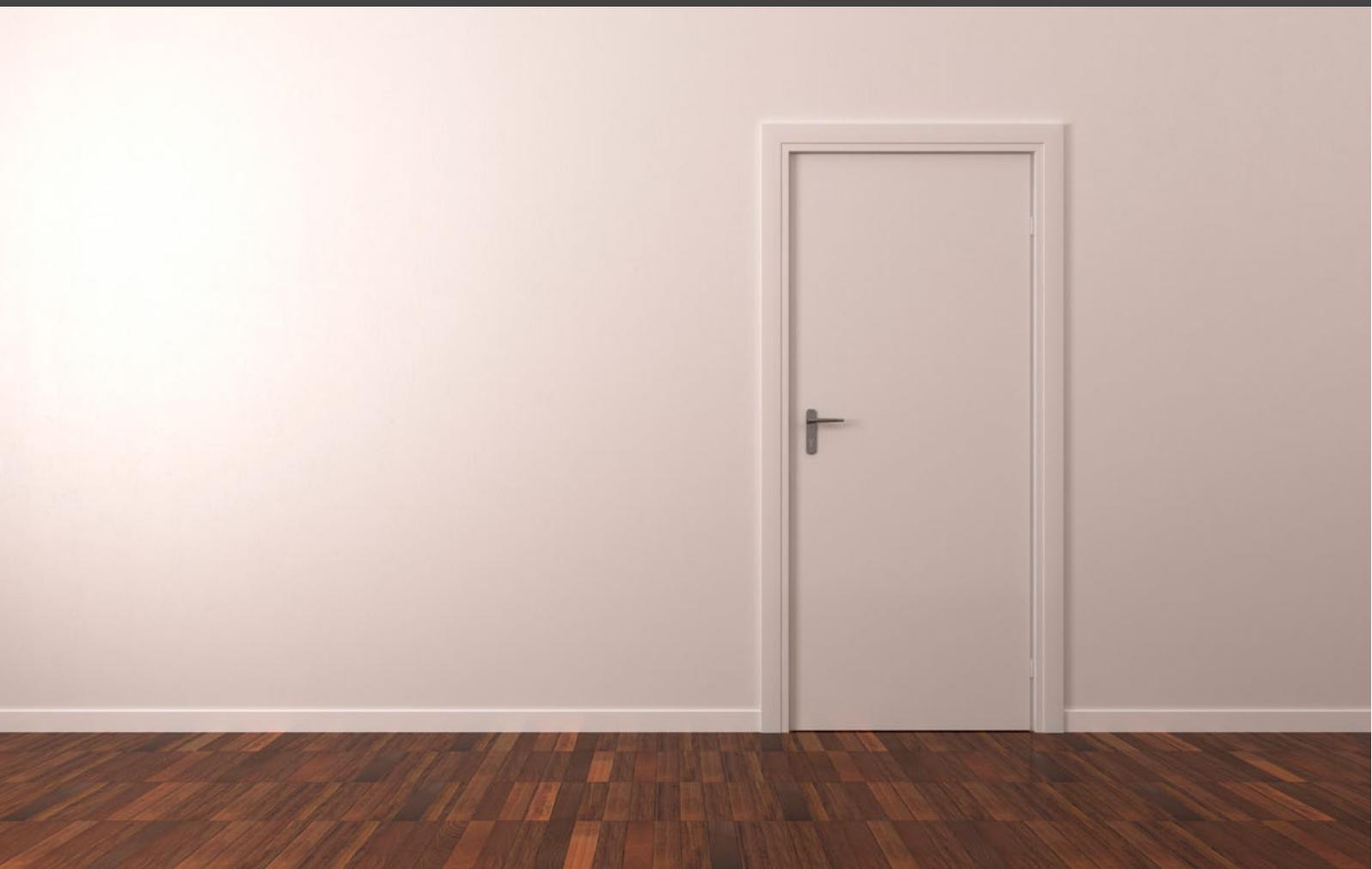
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# Summary report



# Summary

- 1 Public sector organisations have faced continued financial pressure and the requirement to make significant cost savings following the 2010 and 2013 UK Government spending reviews. Between 2010-11 and 2015-16, the Welsh Government's budget allocated by the UK Government reduced by £1.7 billion in real terms<sup>1</sup>.
- 2 For most public services, their main controllable cost is their wage bill. As a result, public services have inevitably had to consider ways of cutting staff costs to contribute to wider financial savings targets, whether by reducing pay and/or reducing the number of employees or their working hours. One means of reducing staff numbers is to promote 'early departure' by providing a financial incentive or 'exit package' for employees to exit the organisation, with the expectation that the employing organisation would then realise a longer-term saving.
- 3 The Auditor General's *Picture of Public Services 2011*<sup>2</sup> report noted that public-sector wage and recruitment freezes and early departures would help bridge the financial gap facing public services in Wales, but that effective workforce planning and communication were needed to manage related risks. Those risks include the potential for skills gaps arising from these schemes – which may then need filling at additional cost – and the general impact on service delivery. The report also noted that there are significant up-front costs involved in such approaches and that it can take time for the savings to outweigh the initial costs.
- 4 In practice, early departures go by a variety of names. This report uses the terms voluntary exit, voluntary redundancy, compulsory redundancy and early retirement to refer to the four main types of early departures (Box 1). However, organisations may use their own terms to describe these four types of departure. Voluntary exit generally offers more favourable terms than voluntary redundancy, which in turn would offer more favourable terms than compulsory redundancy.

## Box 1 – Types of early departures

**Voluntary exit:** Voluntary exit can be offered in the interests of workforce efficiency and where employers wish to reduce staff numbers, or to support organisational changes. There is no compulsion on individuals to accept the offer. Public bodies have greatest flexibility in the arrangements and payments offered. This is sometimes referred to as voluntary early release.

**Voluntary redundancy:** Voluntary redundancy is offered to staff at risk of redundancy, with formal consultation through trade unions. There is no compulsion on individuals to apply, however, they may be made compulsorily redundant at a later stage. This is sometimes referred to as voluntary severance or flexible severance.

**Compulsory redundancy:** Individuals may be selected for compulsory redundancy following an offer of voluntary redundancy. The payment terms are typically the least favourable.

**Early retirement:** Individuals may be able to retire before the standard age and receive a lump sum payment and/or enhancements on their pension.

Source: *Wales Audit Office and Civil Service Compensation Scheme Guidance*

1 *Written Statement – The UK Government's Spending Round of 26 June 2013*, Welsh Government, June 2013. Accessed at <http://wales.gov.uk/about/cabinet/cabinetstatements/2013/spendinground2013/?lang=en>.  
2 *A Picture of Public Services 2011*, Wales Audit Office, October 2011.

- 5 The UK Government Financial Reporting Manual (FReM) introduced new financial accounts disclosures on all early departure 'exit packages' from 2010-11, applicable to the Welsh Government and its sponsored bodies. These require the disclosure of the number of early departure packages by cost band and total cost in each financial year. The 2010-11 CIPFA/LASAAC Code of Practice on Local Authority Accounting<sup>3</sup> also adopted this requirement and the Welsh Government has incorporated this requirement in its accounting guidance for Welsh NHS bodies from 2010-11.
- 6 In May 2012, the Welsh Government published *Working Together for Wales – A Strategic Framework for the Public Service Workforce in Wales*. The strategy outlines how the workforce is at the heart of enabling the Welsh Government's future vision for public services and set out the principles by which the Welsh Government will operate in relation to workforce matters. The two main priorities set out in the strategic framework are 'building an engaged, motivated and high performing workforce' and 'attracting and retaining talent'. Well managed, early departures could support these objectives.
- 7 Recently, the National Audit Office<sup>4</sup> and Audit Scotland<sup>5</sup> have reported on early departure arrangements across UK central government and the Scottish public sector respectively. The National Audit Office has also reported on such arrangements for senior BBC executives<sup>6</sup>. House of Commons Public Accounts Committee and Scottish Parliament Public Audit Committee reports have reinforced the findings of the NAO and Audit Scotland. These reports have pointed variously to weaknesses and inconsistencies in the management of early departures.
- 8 In Wales, there has been negative publicity about early departures at a number of public bodies. In 2011, a report by the National Assembly's Finance Committee<sup>7</sup> on the Welsh Government's staff numbers and costs criticised the Welsh Government's early departure arrangements. The report concluded there was little evidence that Welsh Government departments gave adequate consideration around early departures to ensure that no department was unduly affected by staff reduction.
- 9 There has also been recent negative publicity around the use of settlement agreements<sup>8</sup> and 'gagging clauses' within early departure arrangements. A 2013 National Audit Office report found a lack of transparency, consistency and accountability in the use of settlement agreements in the public sector and little is being done to change this<sup>9</sup>.

3 The Chartered Institute of Public Finance & Accountancy (CIPFA), and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).

4 *Managing early departures in central government*, National Audit Office, March 2012.

5 *Managing early departures from the Scottish public sector*, Audit Scotland, May 2013; *Scotland's public sector workforce*, Audit Scotland, November 2013.

6 *Severance payments and wider benefits for senior BBC managers*, National Audit Office, June 2013.

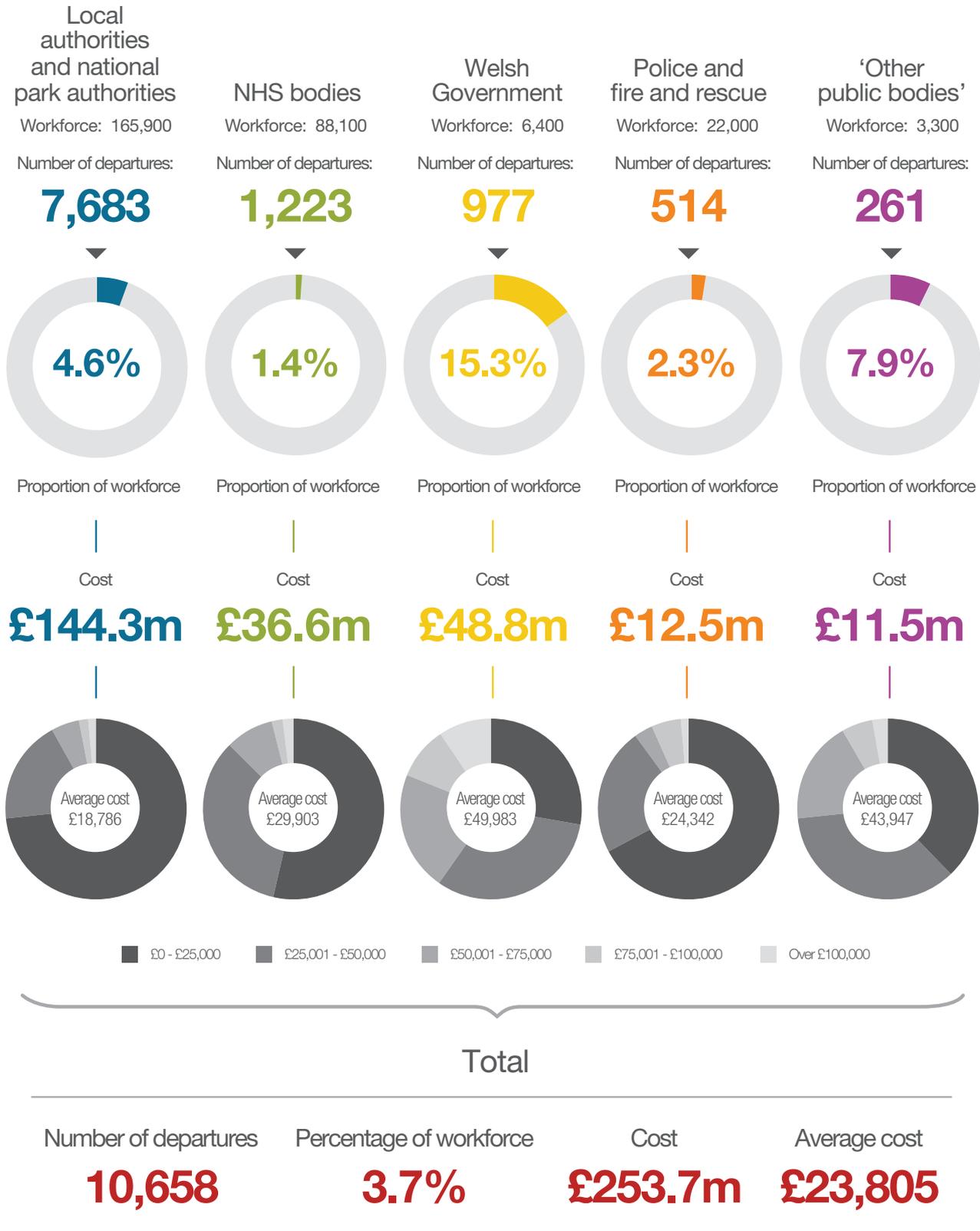
7 *Inquiry into Welsh Assembly Government staff numbers and costs*, National Assembly for Wales Finance Committee, March 2011.

8 Settlement agreements were previously known as compromise agreements until Section 23 of the Enterprise and Regulatory Reform Act came into force on 29 July 2013.

9 *Confidentiality clauses and special severance payments*, National Audit Office, June 2013.

- 10 On behalf of the Auditor General for Wales, a team from the Wales Audit Office examined whether Welsh public bodies can demonstrate that they are securing value for money from the use of early departures to control or reduce workforce costs. Between February and June 2014, we surveyed 58 Welsh public bodies audited by the Auditor General including Welsh Government, local government, the NHS, national park authorities, police, fire and rescue authorities and 'other public bodies'. Our survey sought information on the use of early departures and the wider approach that these bodies had taken to reduce or control workforce costs over recent years. We also requested data about all individual early departure packages agreed between 1 April 2010 and 31 December 2013. Full details of our methods are at [Appendix 1](#).
- 11 This report presents a high-level review based largely on the findings of that survey but supplemented where relevant with other evidence arising from our regular audit work. We have not examined the regularity or propriety of individual early departure packages as part of the work undertaken to produce this report. There have, however, been some isolated but widely reported examples where auditors have reviewed arrangements for certain individual departure packages for senior officers.
- 12 **We found that Welsh public bodies have made extensive use of early departures to support workforce cost reduction, alongside a range of other approaches. Between April 2010 and December 2013, 10,658 staff left employment through early departure at a cost of around £254 million (Figure 1). Figures reported in public bodies' end of year accounts for 2013-14 suggest that, when compared with data reported to us for the period to the end of December 2013, there were around 2,300 more early departures in the final quarter of 2013-14.**
- 13 **Assuming staff were not directly or indirectly replaced, public bodies would start making cost savings from early departures after 10 months. Once the payback period has elapsed, public bodies can start making a net saving on the salary, national insurance contributions and pension contributions that would otherwise have been paid to departing staff. Based on our survey data, these potential savings amount to around £305 million per year, although public bodies might not realise these savings in full for a variety of reasons. While the exact contribution of early departures is unclear, staff salary costs across Welsh public bodies reduced by around £447 million in real terms between 2009-10 and 2013-14.**
- 14 **Overall, the governance of early departures appears to have been satisfactory, although not all schemes complied fully with good practice principles. For example, while Welsh public bodies have been largely mindful of the impact of early departures from a workforce planning perspective, some have applied more rigorous business case criteria than others.**

Figure 1 – Early departures by sector, April 2010 to December 2013



Source: Wales Audit Office survey of 58 Welsh public bodies

# Recommendations

## Recommendation

We found that not all public bodies were using business cases for all individual early departures and that where public bodies are using business cases, some are applying more rigorous criteria than others ([paragraphs 2.18-2.20](#)).

**R1 Public bodies should use business cases to support all individual early departures. Business cases should identify the cost and service delivery implications of the individual leaving and take account of relevant wider workforce planning.**

For voluntary exits and voluntary redundancies, local authorities have discretion to set their own early departure arrangements and, in practice, have applied a range of different terms and conditions ([paragraph 1.13](#)). Given the Welsh Government's desired reduction in the number of local authorities in Wales, early departures are likely to be a feature of any future merger agreements.

**R2 Working with local government, the Welsh Government should seek agreement on some common principles to underpin any early departure arrangements arising from local government mergers.**

Scrutiny of early departures is important in ensuring that proposals for both schemes and individual early departures represent value for money. We found that more than three quarters of public bodies had councillors or board members involved in some way in ensuring value for money for their early departures ([paragraphs 2.25-2.26](#)).

**R3 We recommend that public bodies:**

- **Ensure that councillors or board members have the opportunity to examine the value for money of early departure schemes through established scrutiny/governance arrangements.**
- **Ensure that councillors and/or board members approve higher value packages, such as those for senior management.**
- **Consider using internal audit to provide assurance on overall management of early departure schemes.**

We found that around one in five early departures have involved some form of settlement agreement, with seven per cent of these cases including an enhancement payment. However, not all public bodies could tell us whether their early departures involved a settlement agreement or an enhancement payment ([paragraphs 2.29-2.32](#)).

**R4 Public bodies should ensure where settlement agreements are used, their records clearly identify whether a package includes an enhancement payment and if so, its value and the reason for the enhancement payment.**

## Recommendation

We found that not all public bodies that ran an early departure scheme undertook some form of equality impact assessment. Equality impact assessments should ensure that those with protected characteristics are not subjected to unfair disadvantage or exclusion ([paragraphs 2.27-2.28](#)).

**R5 Public bodies should give due consideration to the equality impact of all early departure arrangements, in particular where a public body is running a specific scheme covering multiple possible departures.**

We found that, assuming staff were not directly or indirectly replaced, public bodies would, on average, start to have made cost savings from early departures after 10 months. We found that once this payback period elapsed, public bodies stood to save around £305 million per year. However, public bodies might not realise any of these savings in full for a variety of reasons ([paragraphs 1.18-1.23](#)).

**R6 Public bodies should monitor and report as part of their internal governance arrangements on expected and achieved savings as a result of early departures. This will help inform future cost reduction plans.**

We found the quality of data held by public bodies on early departures was inconsistent. Several public bodies were not able to provide us with some key information we requested ([paragraph 2.37](#)).

**R7 Public bodies should review their record keeping for early departure arrangements, so that they can more readily identify key information including the number and costs of early departures in a given period, payback period information based on salary and employers' National Insurance and pension costs, and settlement agreements.**

## Part 1

Welsh public bodies have made extensive use of early departures to support workforce cost reduction



- 1.1 This part of the report sets out an analysis of the extent and cost of early departures across 58 Welsh public bodies for the period April 2010 to December 2013 inclusive. It also considers the contribution that early departures, and other approaches, have made to public bodies' efforts to control their workforce costs. We have based this analysis on information reported to us by Welsh public bodies between February and June 2014, along with data from annual accounts disclosures.
- 1.2 **Appendix 1** provides further details about our audit methods and explains why there may be some discrepancies between figures reported to us by public bodies for specific periods and the figures disclosed in previous years' accounts. **Appendix 2** provides some additional supporting data for individual public bodies. Our analysis represents our best estimates based on the data available to us.

## **Between April 2010 and December 2013, 10,658 staff left employment through early departure, equivalent to around one in 25 of the workforce**

- 1.3 Between April 2010 and December 2013, there were 10,658 early departures from Welsh public bodies, equivalent to around four per cent of the workforce as at April 2010 (**Figure 2**). The majority of early departures (72 per cent) were from local authorities and national park authorities. NHS bodies and the Welsh Government accounted for 11 and nine per cent of early departures respectively.
- 1.4 However, the 977 staff leaving the Welsh Government over this period through early departures is equivalent to around 15 per cent of its April 2010 headcount. By contrast, only around one per cent of the NHS workforce left employment through an early departure. There is also some variation within sectors, with the equivalent calculation for 'other public bodies' ranging between 0 and 27 per cent, and for local authorities and national park authorities between one and eight per cent.

Figure 2 – Early departures by sector, April 2010 to December 2013<sup>1</sup>

	Local authorities and national park authorities	NHS bodies	Welsh Government	Police and fire and rescue	'Other public bodies' <sup>3</sup>	All sectors
Number of departures	7,683	1,223	977	514	261	10,658
Opening workforce – April 2010 (headcount estimate) <sup>2</sup>	165,900	88,100	6,400	22,000	3,300	285,800
Number of departures as a percentage of April 2010 workforce	4.6%	1.4%	15.3%	2.3%	7.9%	3.7%

Notes:

- 1 We calculated this figure using the data returns submitted to us by the 58 public bodies we surveyed, with the exception of Carmarthenshire County Council for which we used the annual accounts disclosures from 2010-11 to 2012-13. We have therefore not included any departures for Carmarthenshire County Council for the period April to December 2013.
- 2 We have calculated an estimate of the April 2010 headcount using full-time equivalent staff numbers from audited annual accounts and Whole of Government Accounts returns, and applying a conversion factor based on Office for National Statistics data for UK public sector employment. We used opening full-time equivalent figures from April 2010 for local authorities and national park authorities, Welsh Government and police and fire and rescue. This data was unavailable for NHS and 'other public bodies', so we used average 2009-10 staff numbers as a best estimate.
- 3 The 'other public bodies' number and cost of early departures includes departures from Natural Resources Wales, which was created on 1 April 2013 with the abolition of Countryside Council for Wales, Forestry Commission for Wales and Environment Agency Wales. The opening workforce includes staff numbers for Countryside Council for Wales and Forestry Commission for Wales; however, Environment Agency Wales is not included as data was not available separately from Environment Agency as a whole (Appendix 1).

Source: Wales Audit Office survey of 58 Welsh public bodies

- 1.5 At 2,202, the number of early departures reported by public bodies in 2012-13 was substantially lower than in 2010-11 and 2011-12 (Figure 3). The data we requested from public bodies for 2013-14 only covered early departures agreed up to 31 December 2013. However, we also collated data on the overall number of early departures for 2013-14 from the disclosures within public bodies' annual accounts. The accounts disclosures suggest a substantial increase in the number of early departures in the final quarter of 2013-14, particularly across local authorities and national park authorities. The accounts disclosures record a total of 4,033 departures in 2013-14 compared with the 1,643 departures reported to us for the period to the end of December 2013<sup>10</sup>.
- 1.6 When compared with previous years, the higher number of early departures across 'other public bodies' between April and December 2013 reflects the creation of Natural Resources Wales on 1 April 2013 and subsequent restructuring within that organisation.

<sup>10</sup> A small part of the difference is in relation to Carmarthenshire County Council, for which we did not have data on early departures for the nine months to December 2013. Their annual accounts show 197 early departures for 2013-14.

Figure 3 – Number of early departures by financial year, April 2010 to December 2013<sup>1</sup>



Notes:

- 1 This analysis is based on 10,653 of the 10,658 early departures reported by public bodies for which financial year data was provided.
- 2 The data we collected from public bodies only covered departures for the first three quarters of 2013-14 (April to December). Figures reported in annual accounts disclosures for the whole of 2013-14 indicate that there were, overall, 4,033 early departures.

Source: Wales Audit Office survey of 58 Welsh public bodies

1.7 We asked public bodies to categorise their early departures as voluntary exit, voluntary redundancy, compulsory redundancy, early retirement or other (Box 1 on page 7). NHS bodies and ‘other public bodies’ described most of their departures – 96 per cent and 75 per cent respectively – as voluntary exits and the Welsh Government described all departures in these terms (Figure 4). Local authorities and national park authorities, and police and fire and rescue authorities described the majority of their departures as voluntary redundancies (both 48 per cent) or compulsory redundancies (27 per cent and 16 per cent respectively).

Figure 4 – Number of early departures by type and sector, April 2010 to December 2013<sup>1</sup>

	Local authorities and national park authorities	NHS bodies	Welsh Government	Police and fire and rescue	'Other public bodies'	All sectors
Voluntary redundancy	3,697	-	-	247	46	3,990
Voluntary exit	446	1,170	977	23	196	2,812
Compulsory redundancy	2,172	51	-	83	15	2,321
Early retirement	633	-	-	136	1	770
Other <sup>2</sup>	301	2	-	25	3	331
Not stated	434	-	-	-	-	434
Total	7,683	1,223	977	514	261	10,658

Notes:

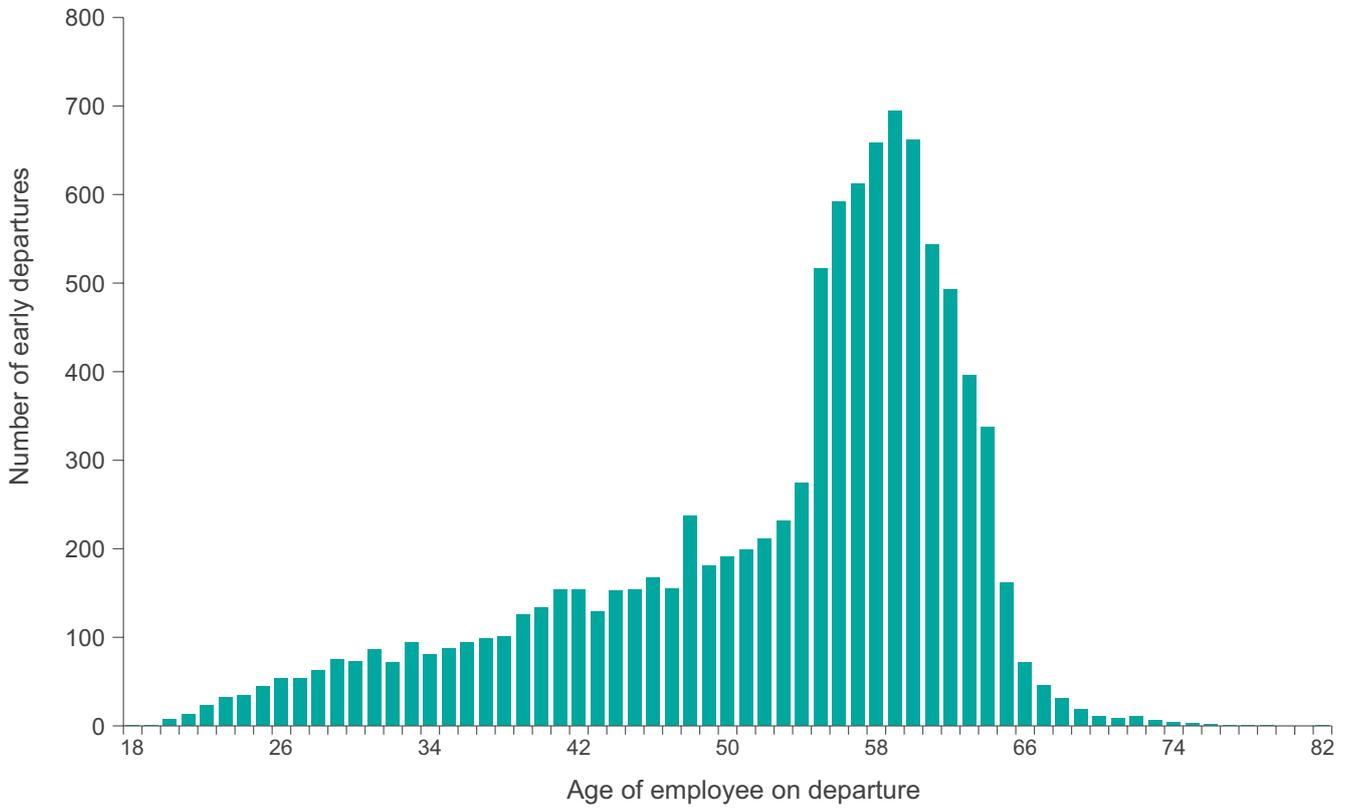
1 This analysis is based on all 10,658 early departures reported by public bodies, as per Figure 2.

2 The 'other' category includes departures such as the end of a fixed contract, or departure due to ill health, where the employee was still entitled to a departure payment under that organisation's policies.

Source: Wales Audit Office survey of 58 Welsh public bodies

1.8 We found that 59 per cent of staff who left through early departures were reported by public bodies to have been age 55 or over (Figure 5). There is a sharp rise in the number of departures at age 55, reflecting the fact that many early departures arrangements allow early access to pension benefits from this age. A further 11 per cent of staff were aged between 50 and 54, with 30 per cent aged less than 50. Compulsory redundancies affected a broader age range than other types of early departures. Only 37 per cent of staff leaving through compulsory redundancy were age 55 or over, compared with 63 per cent of voluntary redundancies and voluntary exits combined. While older staff may be more likely to volunteer for early departure, they could also have knowledge, skills, and experience which public bodies may find difficult to replace.

Figure 5 – Age profile of early departures, April 2010 to December 2013<sup>1</sup>



Note:

1 This analysis is based on 9,915 departures (93 per cent) of the 10,658 early departures reported by public bodies for which age data was provided.

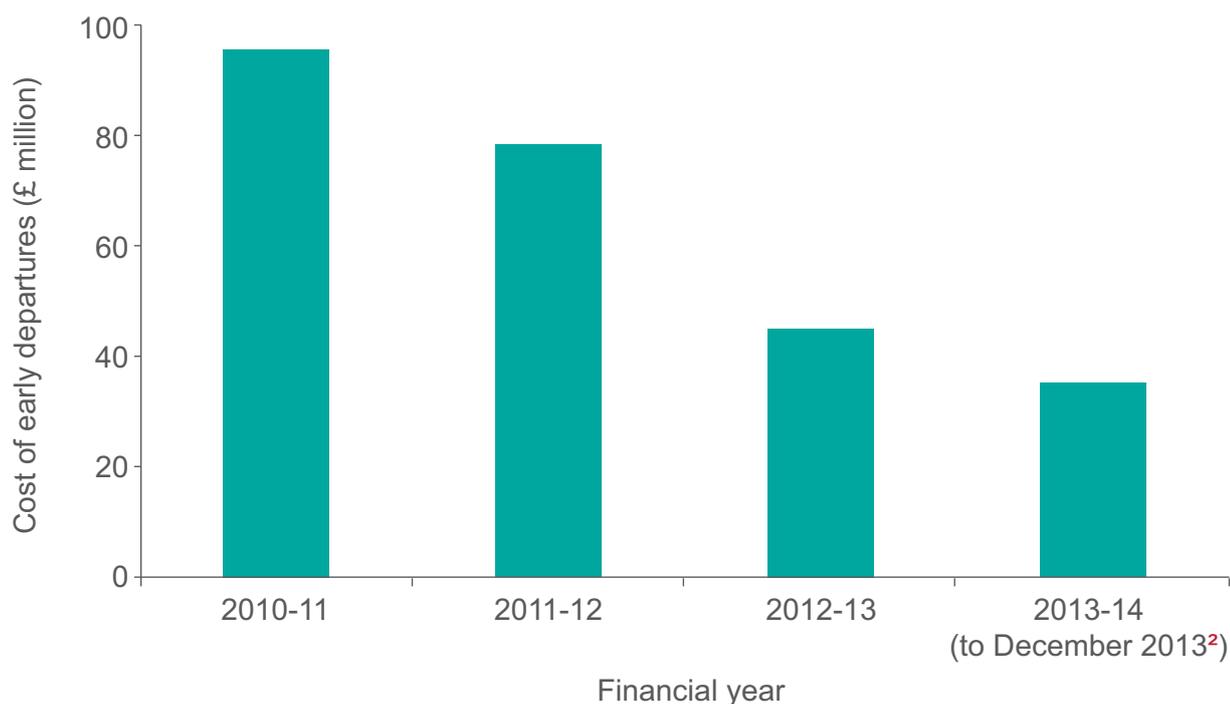
Source: Wales Audit Office survey of 58 Welsh public bodies

## The costs of early departure packages totalled £254 million between April 2010 and December 2013

Early departure packages have cost a total of £254 million, at an average of just under £24,000 but with individual costs ranging as high as £492,000

- 1.9 The cost to Welsh public bodies of early departure packages between April 2010 and December 2013 was £254 million<sup>11</sup>. The total costs reported by public bodies had fallen back considerably between 2010-11 and 2012-13 (Figure 6). However, annual accounts disclosures indicate that early departures cost public bodies around £89 million in 2013-14, reflecting the apparent substantial increase in the number of early departures for the year as a whole when compared with 2012-13 (paragraph 1.5).

Figure 6 – Cost of early departures by financial year, April 2010 to December 2013<sup>1</sup>



### Notes:

- 1 This analysis is based on 10,653 of the 10,658 early departures reported by public bodies for which financial year data was provided.
- 2 The data we collected from public bodies only covered departures for the first three quarters of 2013-14 (April to December). Figures reported in annual accounts disclosures for the whole of 2013-14 indicate that early departure packages cost public bodies around £89 million.

Source: Wales Audit Office survey of 58 Welsh public bodies

<sup>11</sup> These costs include the package received by the individual and any additional contributions to the pension fund borne by the employer. These costs, known as pension strain costs, occur if the employee is entitled to early access to their pension or if the employer agrees to pay into the pension fund as if the employee was still in post. The costs above do not include potential wider costs to public bodies of the resources involved in administering early departures, including in some cases contributions to employees' legal advice costs.

1.10 The average early departure package cost across all sectors between April 2010 and December 2013 was £23,805. However, the cost of these early departure packages ranged from under £100<sup>12</sup> to as much as £492,000. Figure 7 shows the number of packages by cost bands:

- a 66 per cent of early departure packages were £25,000 or under, of which just over half were below £10,000.
- b A further 22 per cent were between £25,001 and £50,000.
- c Only two per cent of packages (222) cost more than £100,000, most of which were across either the Welsh Government or local government, and only five packages cost more than £250,000.
- d The highest package was for a compulsory redundancy in 2012-13. The £492,000 package comprised a redundancy payment and payment in lieu of notice based on a final annual salary of around £200,000. This departure resulted from the post holder being displaced as a consequence of organisational restructure associated with the reorganisation of NHS Wales in 2009.

Figure 7 – Early departure packages by cost band, April 2010 to December 2013<sup>1</sup>



Note:

1 This analysis is based on 10,224 (96 per cent) of the 10,658 early departures reported by public bodies for which individual cost data was provided.

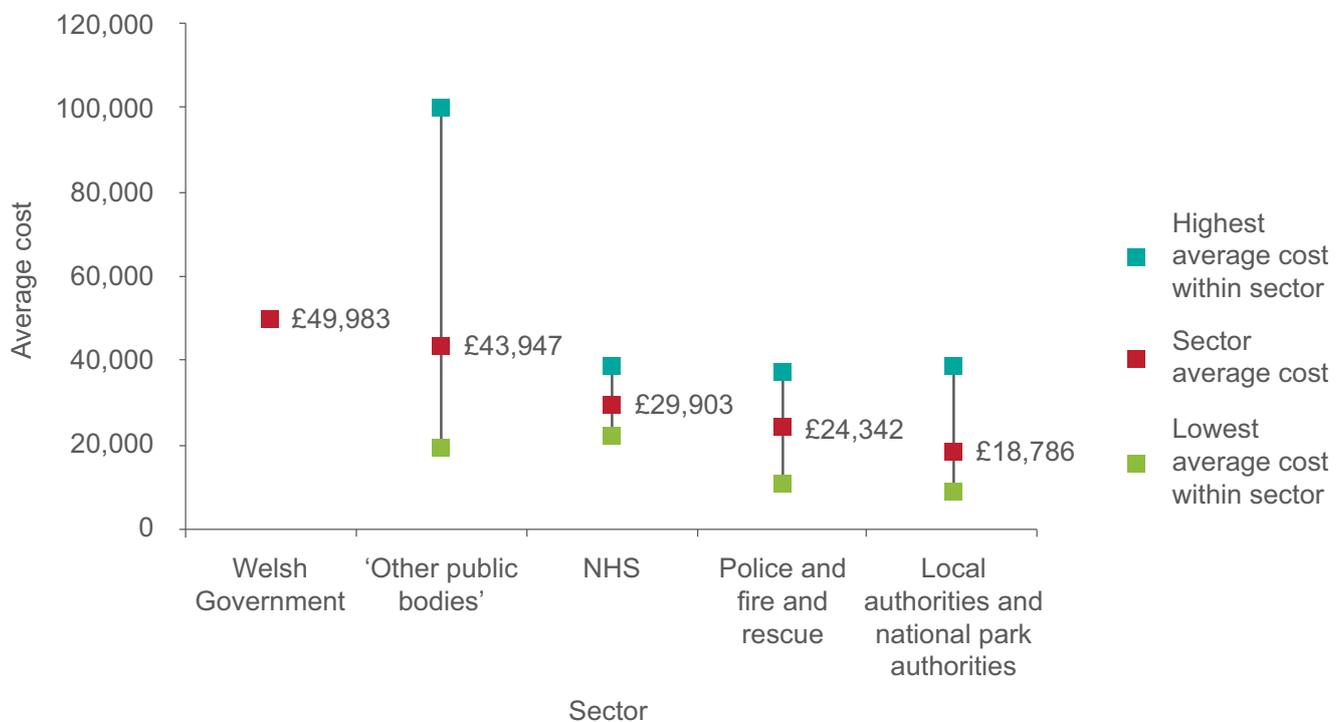
Source: Wales Audit Office survey of 58 Welsh public bodies

12 There were 104 packages under £100, which typically related to compulsory redundancies of staff with very low salaries. These may be staff on low or fluctuating hours. Some of these packages had nil cost, however we have included them in our analysis as public bodies would also have included them within annual accounts disclosures.

While there is some evidence that the average cost of early departures in Wales has been lower than reported for Scottish public bodies, it is difficult to draw comparison and the average cost of Welsh Government departures has been higher than reported for UK Government departments

- 1.11 At £23,805, the average cost of early departures in Wales is lower than has been reported for Scottish public bodies. Audit Scotland reported that there were 14,481 early departures across Scottish public bodies between 2010-11 and 2011-12, at an average cost of £38,740<sup>13</sup>.
- 1.12 There are significant variations in the average cost of early departures across different parts of the Welsh public sector and within specific sectors (Figure 8). The Welsh Government had the highest average sector cost of £49,983. This is substantially higher than the average cost of £33,700 reported by the National Audit Office for 17,800 early departures across UK Government departments between December 2010 and December 2011<sup>14</sup>. However, Audit Scotland’s analysis showed an average cost of £46,233 for Scottish Government departures. The average cost of early departures across local authorities and national park authorities in Wales was £18,786. This is significantly lower than the average of £37,459 that Audit Scotland reported for Scottish local authorities.

Figure 8 – Average cost of early departures by sector, April 2010 to December 2013<sup>1</sup>



Note:

1 Our analysis is based on all 10,658 early departures reported by public bodies as per Figure 2.

Source: Wales Audit Office survey of 58 Welsh public bodies

<sup>13</sup> Managing early departures from the Scottish public sector, Audit Scotland, May 2013.

<sup>14</sup> Managing early departures in central government, National Audit Office, March 2012.

1.13 However, it is difficult to draw direct comparisons and there are numerous reasons why early departure package costs vary between sectors and individual public bodies. In particular:

- a Redundancies – both voluntary and compulsory – typically offer lower payments than voluntary exits. Both local authorities and national park authorities, and police and fire and rescue, had a much larger proportion of redundancies, which may account for their lower average package cost. At Ceredigion County Council, which reported the lowest average cost of all public bodies at £9,341 per package, 82 per cent of departures were redundancies.
- b Public bodies typically calculate early departure packages based on age, length of service and annual salary. Differences in the profile of leavers at any public body on any of these factors could therefore explain differences in the average package cost. For example, the average salary of staff leaving the Welsh Government through early departures was £35,700, compared to the average salary of £24,000 across all Welsh public bodies.
- c Some public bodies offer more generous departure packages than others. By law, all public bodies must pay at least a statutory redundancy payment of up to 30 weeks' pay at £464 a week<sup>15</sup>. However, it is up to each individual public body whether they offer more than this. While it may be necessary for some public bodies to offer higher packages to attract applications, based on local conditions and demand, we found a wide variation in terms and conditions. For example for voluntary redundancy, South Wales Police enhance the number of weeks of pay by a factor of 1.73 when compared with the statutory requirements and with a maximum payment of 52 weeks' pay. By contrast, North Wales Police enhance the number of weeks of pay by a factor of 3.33 with a maximum payment of 66 weeks' pay, while National Museum Wales do not cap the weekly pay figure and multiply the statutory payment by four. At £100,042, the National Museum Wales reported the highest average package cost for all public bodies.
- d Some public bodies offer early access to pension schemes with pension strain costs incurred by the public body. Between April 2010 and December 2013, 20 of the 29 early departures from the National Museum Wales included pension strain costs, making up 42 per cent of the total costs (£1.2 million out of £2.9 million). The National Museum Wales is currently negotiating on a replacement scheme with the aim of significantly reducing the cost of exit packages and eliminating pension strain costs.

<sup>15</sup> The current minimum redundancy payment by law is calculated at 0.5 week's pay for each full year of service if under 22, 1 week's pay for each full year of service between 22 and 41 and 1.5 week's pay for each full year of service if 41 and older. The weekly pay is capped at £464 and length of service capped at 20 years. This gives a maximum statutory payment of £13,920.

## Two per cent of early departures were reported to be from senior management positions, at an average cost per package of just under £71,000

- 1.14 We asked public bodies to indicate which early departures were from 'senior management'. We defined senior management as 'anyone who has authority and responsibility for directing or controlling the major activities of the entity (and as such would be disclosed within the Remuneration Report in the annual accounts)<sup>16</sup>. This therefore relates to the highest tier of management within each organisation.
- 1.15 Public bodies reported 199 early departures from senior management between April 2010 and December 2013, accounting for two per cent of all early departures. The proportion of early departures that were reported to be from senior management was highest for NHS bodies and 'other public bodies', at four and five per cent respectively. The Welsh Government has noted that the proportion of senior management departures in NHS bodies is likely in part to reflect a direct and delayed consequence of the 2009 NHS Wales reorganisation.
- 1.16 The total cost of senior management departures was £14.1 million (six per cent of the total cost), at an average cost of £70,930. As noted in [paragraph 1.13](#), factors such as age, length of service and final salary will have influenced the average cost of senior management departures. The average salary on departure of those staff reported to be leaving from senior management positions was £66,720.
- 1.17 We asked public bodies if they had run any early departure scheme specifically for senior management. Only one public body, Ceredigion County Council, reported doing so. The Council did not report any significant variations in the terms of this scheme from their standard arrangements.

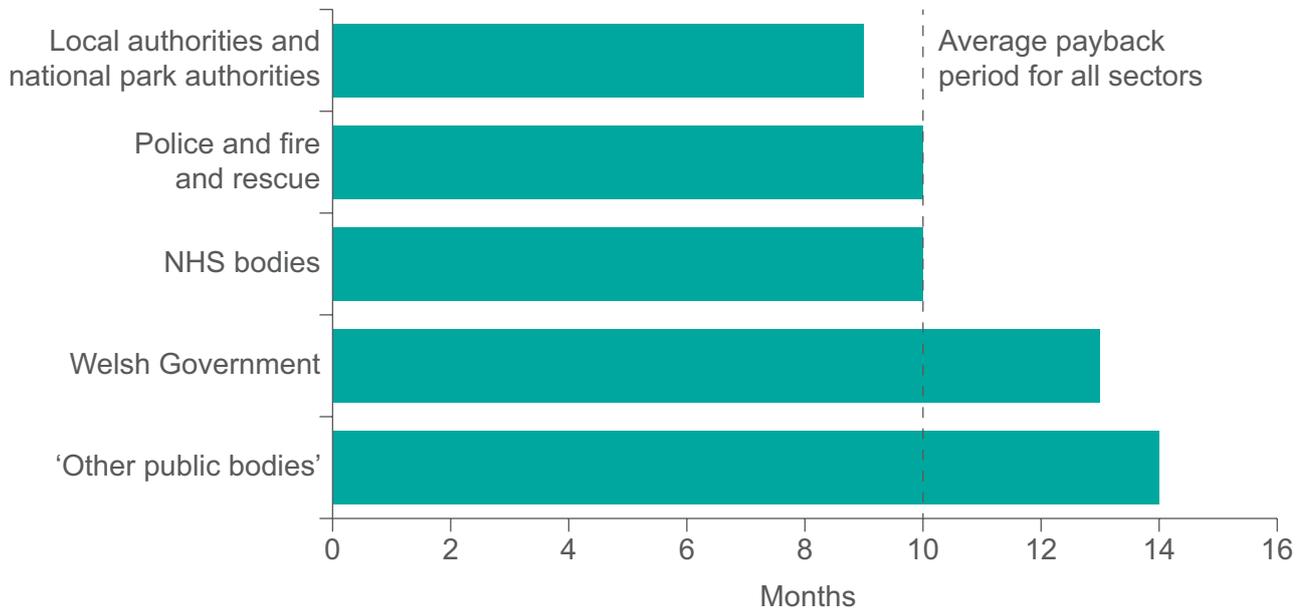
## Assuming staff were not directly or indirectly replaced, public bodies would, on average, start to have made cost savings from early departures after 10 months

- 1.18 We calculated the payback period for individual early departures as the period of time after which the package cost equals the savings that might have been realised through the non-payment of salary and any employers' national insurance and pension contributions. In practice, public bodies may realise other savings, for example in the costs of ICT equipment, accommodation and travel and subsistence. However, public bodies might not realise any of these savings in full. For example:
- a public bodies may have used early departures as a means of restructuring to remove roles no longer required and employ new staff in areas of need; or to employ staff at a lower grade; and
  - b public bodies may have found that they have since needed to replace employees, or employ temporary staff or consultants, to backfill skills or capacity lost because of early departures.

<sup>16</sup> Government Financial Reporting Manual 2013-14, HM Treasury, January 2014.

- 1.19 In addition, the longer the payback period, the greater the possibility that natural turnover may have otherwise provided an opportunity to realise workforce cost reduction without the need for an early departure payment. For example, the age profile of staff leaving through early departures indicates that many would have been approaching, if not already at, an age where they could draw a full pension in retirement. However, many public bodies have been under pressure to realise workforce savings in short timeframes without necessarily being able to rely on natural turnover. In addition, following changes introduced by the UK Government in 2011, employers can no longer set a default retirement age unless it can be objectively justified.
- 1.20 Once the payback period has elapsed, public bodies can start making a net saving on the salary, national insurance contributions and pension contributions that they would otherwise have paid to departing staff. Based on our survey data, these potential savings amount to around £305 million per year (£248 million for salary costs and £57 million in national insurance and pension contributions).
- 1.21 The average payback period for early departures across all Welsh public bodies between April 2010 and December 2013 was 10 months (Figure 9). Seventy-six per cent of packages had a payback period of 12 months or less and a further 21 per cent of between 13 and 24 months. Figure 10 shows the range in the number of early departures by payback period.
- 1.22 'Other public bodies' had the highest average payback period of 14 months; local authorities and national park authorities had the lowest at nine months. Across individual public bodies, the highest average payback period was 28 months and the lowest was three months.
- 1.23 The average payback period for compulsory redundancies was six months, whereas voluntary exits, voluntary redundancies and early retirements had an average payback period of 11 months. This difference reflects the typically less favourable package terms for compulsory redundancy; and contributes to the lower payback period for local authorities and national park authorities, who have reported more compulsory redundancies than other sectors (Figure 4).

Figure 9 – Average payback period for early departures by sector, April 2010 to December 2013<sup>1,2</sup>

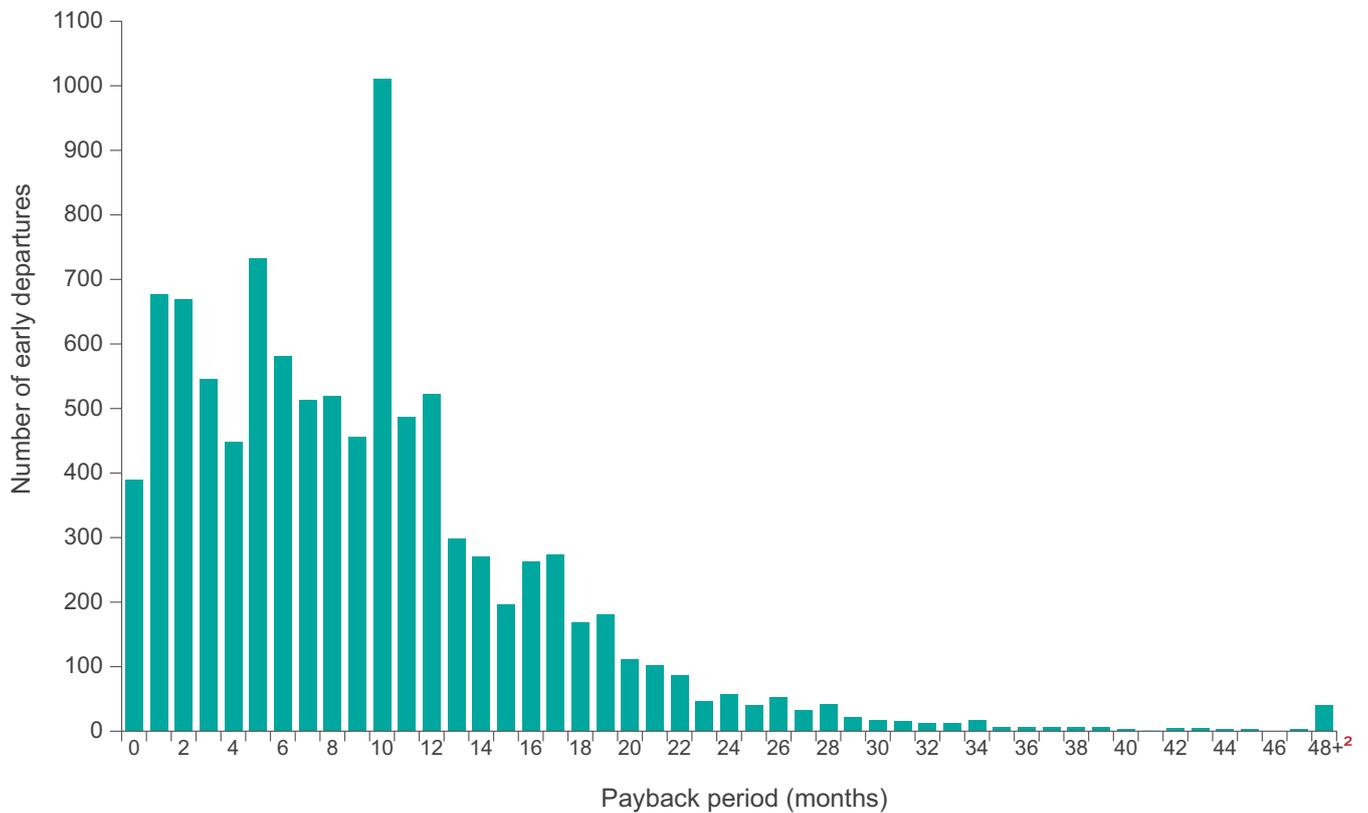


Notes:

- 1 We calculated the payback period based on the costs of the departure package and the cost savings that might have been realised through the non-payment of salary and any employers' national insurance and pension contributions for that member of staff.
- 2 This analysis is based on 9,928 (93 per cent) of the 10,658 early departures reported by public bodies for which the relevant data was provided to calculate the payback period.

Source: Wales Audit Office survey of 58 Welsh public bodies

Figure 10 – Early departure numbers by length of payback period, April 2010 to December 2013<sup>1</sup>



Notes:

- 1 This analysis is based on 9,928 (93 per cent) of the 10,658 early departures reported by public bodies for which the relevant data was provided to calculate the payback period.
- 2 The majority of packages with a payback period of more than 48 months are low value packages (under £25,000), but with very low annual salaries.

Source: Wales Audit Office survey of 58 Welsh public bodies

## While the exact contribution of early departures is unclear, staff salary costs across Welsh public bodies reduced by around £447 million in real terms between 2009-10 and 2013-14

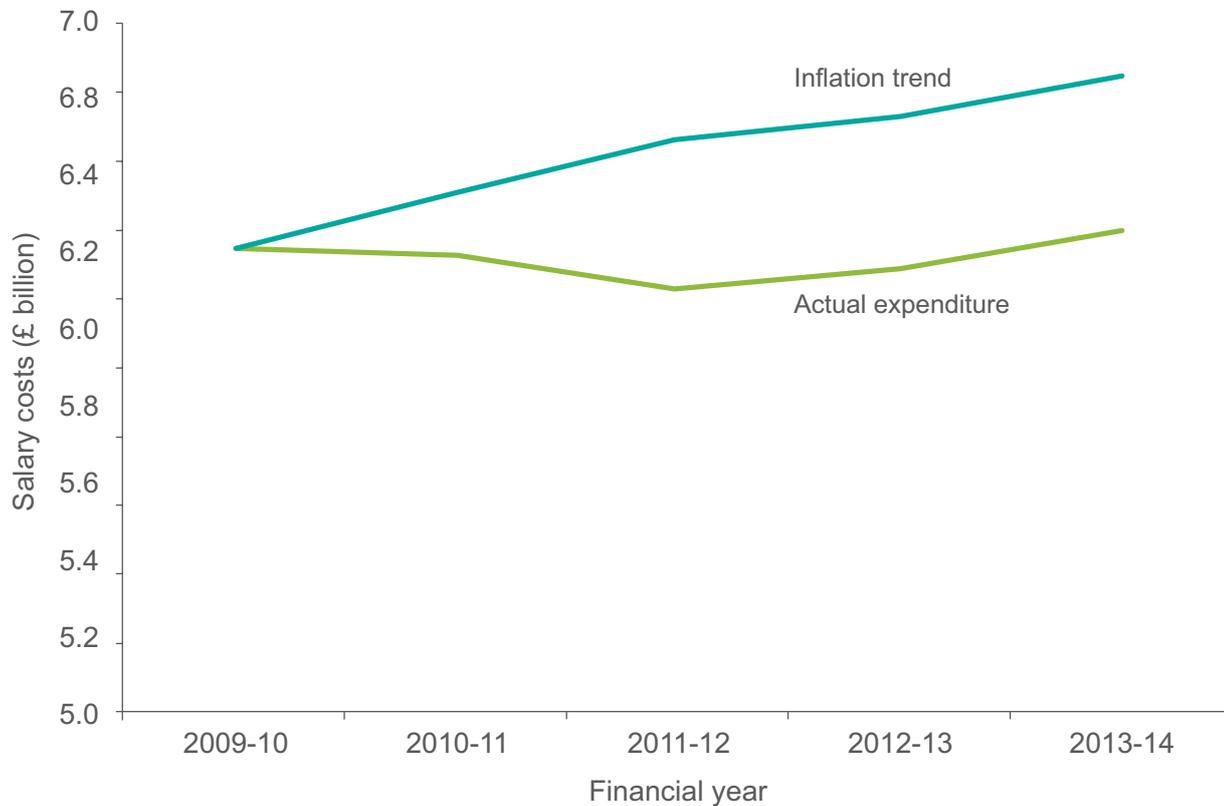
Staff salary costs reduced by around £447 million in real terms, with staff numbers falling by around six per cent

- 1.24 We collated staff salary costs for 2009-10 to 2013-14 from Welsh public bodies' audited annual accounts and from Whole of Government Accounts returns<sup>17</sup>. Staff salary costs for Welsh public bodies increased by one per cent in cash terms between 2009-10 and 2013-14, from £6.35 billion to £6.40 billion, but decreased by £447 million (seven per cent) in real terms when adjusting for inflation. The biggest real terms reduction was between 2010-11 and 2011-12 (Figure 11).
- 1.25 From 2011-12, the UK Government introduced a two year pay freeze for public sector workers earning above £21,000, which applied to most of the 58 public bodies we surveyed. However, many workers earning over £21,000 would still have been eligible for pay increases within their pay band. There have been other upward cost pressures on total staff costs for Welsh public bodies due to increases in employer national insurance contributions and pension contribution changes.
- 1.26 Public bodies that have seen a larger proportion of their workforce leave through early departures have typically reported larger reductions in staff costs. The largest proportional reduction in staff costs in real terms – 24 per cent between 2009-10 and 2013-14 – is at the Welsh Government. Conversely, NHS bodies have seen only a one per cent decrease in real terms over the same period. Our data shows 'other public bodies' increased their staff costs by 33 per cent in real terms from 2009-10 to 2013-14. However, this is largely due to the creation of Natural Resources Wales in April 2013, which saw some staff costs transferring from the Welsh Government, as well as from the Environment Agency Wales<sup>18</sup>. However, 'other public bodies' staff costs represented only two per cent of the total costs for 2013-14.

<sup>17</sup> We used data from audited annual accounts for NHS bodies, Welsh Government, and 'other public bodies'. We used Whole of Government Accounts returns for local authorities and national park authorities, and police and fire and rescue. This was due to the annual accounts not including breakdowns of staff costs for these public bodies. The Whole of Government accounts return is a set of spreadsheets provided to HM Treasury to consolidate the audited accounts of the UK public sector.

<sup>18</sup> We were unable to separate out from the Environment Agency as a whole the costs of staff working for the Environment Agency in Wales to include in our analysis for the period between 2009-10 and 2012-13.

Figure 11 – Staff salary costs 2009-10 to 2013-14<sup>1,2</sup>



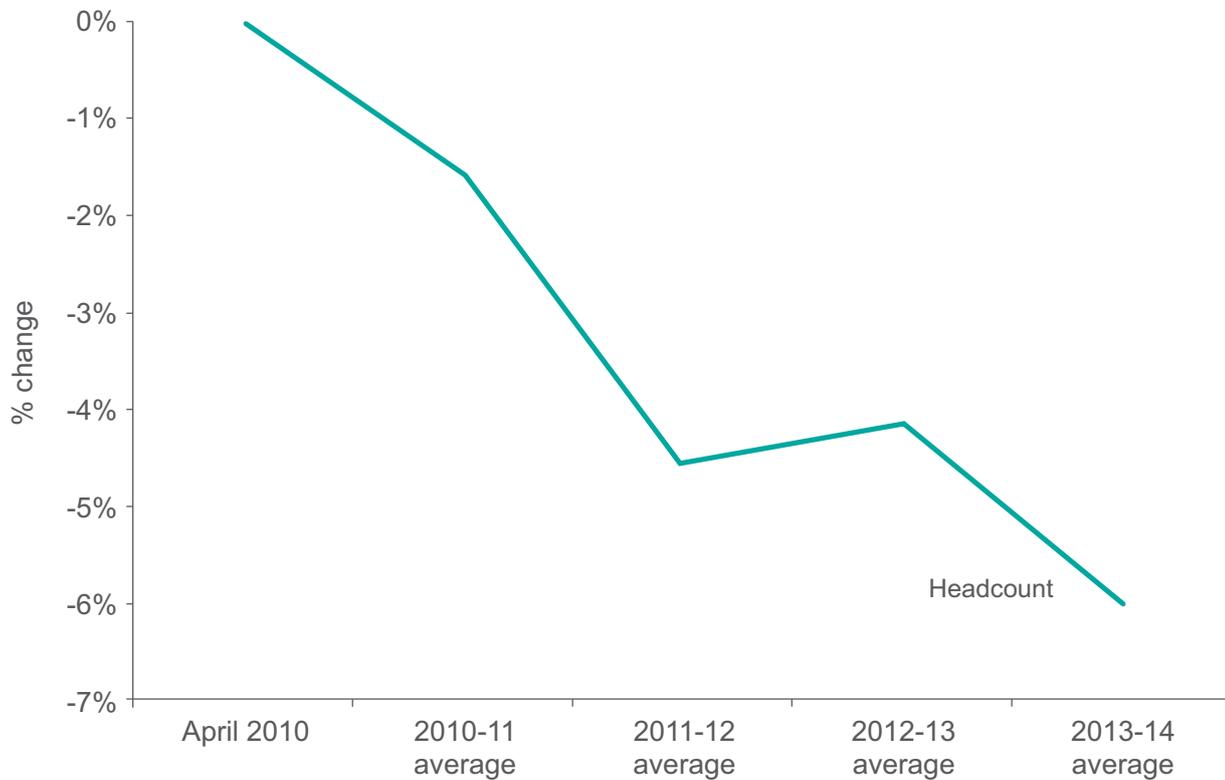
Notes:

- 1 We obtained the GDP deflator index from the HM Treasury publication *GDP deflators at market prices, and money GDP: June 2014 (Quarterly National Accounts)* for each of the five years. We used these to increase the 2009-10 staff costs in line with inflation for comparison against actual costs.
- 2 For the purposes of this analysis, salary costs means salaries and wages for permanent employees, and total 'temporary/other staff' costs.

Source: *Annual accounts for NHS, Welsh Government and 'other public bodies'; Whole of Government accounts returns for local authorities and national park authorities, police and fire and rescue.*

1.27 We estimate that, comparing the position at April 2010 with the average for 2013-14, the total staff headcount across Welsh public bodies fell by six per cent (Figure 12), from around 285,800 to 268,500 staff. As with our analysis of staff costs, the figures for staff headcount across 'other public bodies' were affected by the impact of the creation of Natural Resources Wales (paragraph 1.26). All other sectors had reported an overall reduction in headcount between April 2010 and 2013-14, although there has been some fluctuation between individual years, as shown for example in the overall trend between 2011-12 and 2012-13. The overall reduction in headcount between 2012-13 and 2013-14, which contrasts with the overall increase in salary costs (Figure 11), is due mainly to the reduction in headcount reported for local authorities and national park authorities.

Figure 12 – Movement in estimated average headcount, April 2010 to 2013-14<sup>1,2</sup>



Notes:

- 1 We collated average employee and other staff full-time equivalent numbers for 2010-11 to 2013-14 from public bodies' audited annual accounts and from Whole of Government Accounts returns. For April 2010, we used data from Whole of Government Accounts returns for local authorities and national park authorities, Welsh Government and police and fire and rescue. This data was unavailable for NHS and 'other public bodies', so we used average 2009-10 staff numbers as a best estimate, as per Figure 2.
- 2 We used Office for National Statistics data for UK public sector employment headcount and full-time equivalents to convert the data to provide an estimate of headcount. This allows a comparison between staff number movement and the number of early departures. The exception was for the Welsh Government, for whom we used their published monthly headcount figures; and for Bridgend County Borough Council for 2010-11 as the data was for headcount rather than full-time equivalent figures.

Source: Annual accounts for NHS, Welsh Government and 'other public bodies'; Whole of Government accounts returns for local authorities and, national park authorities, police and fire and rescue.

1.28 Total staff headcount consists of employees (permanent staff) and other staff (including temporary and agency staff). The data shows a larger decrease in the number of employees offset in part against an increase in other staff for the NHS, Welsh Government, and 'other public bodies'. This may be an indication of public bodies employing more temporary staff to fill gaps left by the departure of permanent staff (paragraph 1.18).

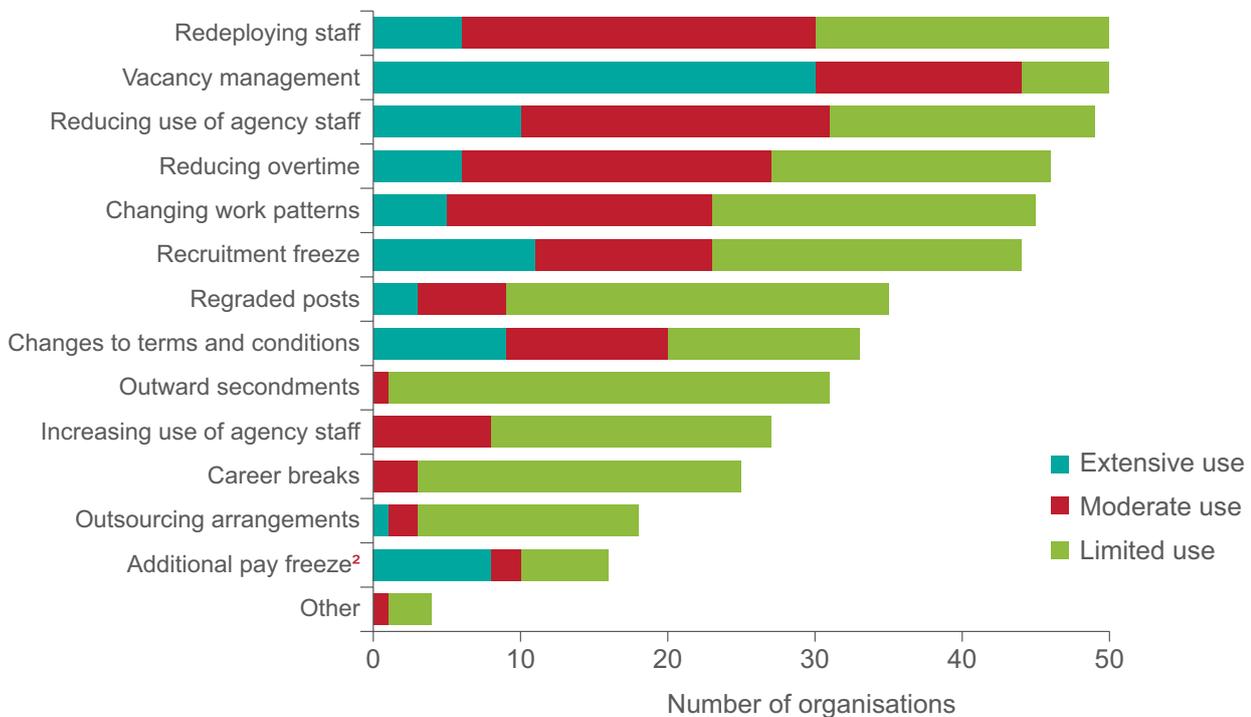
1.29 We compared the movement in headcount from the April 2010 headcount with the number of staff leaving through early departures for each sector. Whilst there may be some timing differences in the data, the data shows a greater fall in headcount than the number of early departures in local authorities and national park authorities, NHS bodies and police and fire and rescue. However, in the Welsh Government and 'other public bodies', headcount has decreased by less than the number of early departures.

### **Public bodies have deployed a range of approaches, in addition to early departures, to control or reduce workforce costs, with vacancy management being the most extensively used**

1.30 We asked public bodies whether they had made extensive, moderate, limited or no use of a range of other methods in order to control or reduce workforce costs (Figure 13). The most widely reported methods were an increased focus on vacancy management and redeployment of staff, both used by 50 public bodies (86 per cent), followed by reductions in the use of agency/temporary staff, reductions in overtime or changes in working patterns.

1.31 More than half of those public bodies who selected vacancy management described this approach as being used extensively. Vacancy management should encourage public bodies to consider the need for each post in the context of wider workforce planning. However, vacancy management may not offer recurring financial savings. In addition, if essential vacancies are not filled simply to realise savings, staff in post could have to carry an additional workload which could result in an increase in sickness absence and may impact negatively on staff morale.

Figure 13 – Public bodies’ use of alternative methods to early departures, April 2010 to December 2013<sup>1</sup>



Notes:

- 1 We did not define extensive, moderate and limited use to allow public bodies to use their judgement of the relative importance of each method based on the size of their individual body.
- 2 We used the definition 'pay freeze/restrictions on earnings for some or all employees additional to the general public sector pay freeze'.

Source: Wales Audit Office survey of 58 Welsh public bodies

1.32 When asked to indicate which method had contributed the most in terms of helping to control or reduce workforce costs, 29 public bodies (50 per cent) selected an early departure method. However, 25 public bodies (43 per cent) said that an alternative to early departures had made the most contribution, with vacancy management the most frequently selected alternative<sup>19</sup>. **Case Study 1** describes some examples of approaches that public bodies have adopted to control or reduce workforce costs.

**Case Study 1 – Examples of public bodies’ use of methods other than early departures to control or reduce workforce related costs**

Method	Organisation	Detail
Redeployment of staff	Caerphilly County Borough Council	The Council enters employees at risk of redundancy into the redeployment pool for between 12 and 24 weeks. While in the pool, the Council provides employees with redeployment opportunities on a weekly basis. Employees in the redeployment pool receive prior consideration for all vacancies. If there are any suitable vacancies that they express an interest in and are appointed to, they are offered a trial period, which is generally four weeks. If the trial period is successful, the Council will confirm the employee in post. If the trial period is unsuccessful, the employee returns to the redeployment pool. If the employee has not been successful in obtaining a post by the end of the period, they will be made redundant with a redundancy payment, if appropriate.
Vacancy management and redeployment of staff	Cwm Taf University Health Board	A panel of Assistant Directors (clinical and non-clinical) scrutinise all vacancies on a fortnightly basis. For any vacancy to be approved a detailed vacancy requisition needs to be completed and signed by the relevant directorate manager or director. The vacancy panel scrutinise the forms, paying due diligence to departments which have used voluntary exits, the workforce plan, and the financial position of the department. The panel also considers the vacancies against a redeployment list maintained by HR, for employees affected by organisational change. If the panel approve the vacancy and there is a suitable candidate for redeployment, the post is not advertised and that individual is offered a trial.
Vacancy management and recruitment freeze	North Wales Police	There is a general recruitment freeze on all external recruitment. However, where external recruitment is necessary, such as for new police staff vacancies, a monthly People Management Panel assess and approve these before advertising. North Wales Police is also trialling a more robust approach in one business area of these requests going first to the Business Manager to assess how the vacancy can be covered internally.
Changing employees’ work patterns	Estyn	Estyn’s inspection staff moved from being office-based (at Cardiff or Mold) to being home-based. Although the main savings from this were in relation to accommodation costs (closure of a regional office and down-sizing of the head office), it has also provided opportunities to reduce staff-related costs by cutting staff travel-time and expenses. Home-based working has supported greater flexibility in working patterns, widening the pool of potential employees and reducing potential staff relocation costs.

Source: Wales Audit Office survey of 58 Welsh public bodies

<sup>19</sup> Four public bodies did not respond to this question.

## The majority of public bodies anticipated running early departure schemes in 2014-15 alongside other approaches to control or reduce workforce costs

- 1.33 Public bodies indicated that early departures will continue to be a popular method for controlling or reducing workforce costs. Of the 58 public bodies surveyed, 45 (76 per cent) anticipated running an early departure scheme in 2014-15.
- 1.34 Twenty-seven public bodies (47 per cent) said they were planning to use methods other than early departures to play a significant role in controlling or reducing workforce costs in 2014-15. The top three alternative methods selected were reducing the use of overtime (21 public bodies), increased focus on vacancy management (20 public bodies) and redeploying staff to a new area of work (18 public bodies).
- 1.35 We asked public bodies for their forecast staff numbers at March 2014 and March 2015, and for the forecast cost of salaries and wages for 2013-14 and 2014-15. Depending on when they responded to our survey, some public bodies would have been in a position to provide actual staff numbers at March 2014 and actual salary cost figures for 2013-14. Of those public bodies that provided the necessary data for comparison, we found that the majority (28 of 39) were forecasting a decrease in staff numbers between 2013-14 and 2014-15, but that similar numbers (23 of 44) were forecasting an increase in salary costs. An increase in salary costs could be due to a number of reasons:
- a inflationary pressures on wages, with the relaxation of the public sector pay freeze;
  - b exhaustion of alternative methods of cost control;
  - c the reduction of too many staff through early departures; and
  - d increasing staff to change the skills or cost mix of the existing workforce.

## Part 2

Overall, the governance of early departures appears to have been satisfactory, although not all schemes complied fully with good practice principles



- 2.1 This part of the report considers how public bodies have managed their early departure arrangements, drawing on their responses to our survey, our follow-up of those responses and, where relevant, any available secondary evidence.
- 2.2 Of the 58 public bodies we surveyed, 47 reported running at least one specific time-limited early departure scheme in the period from April 2010 to December 2013. Where public bodies had operated more than one scheme over this period, they did not report any significant differences in the way those schemes operated, other than some inevitable differences in terms and conditions depending on whether schemes operated on a voluntary or compulsory basis. In addition, some public bodies had offered less favourable terms for equivalent types of departure packages in more recent schemes.
- 2.3 Some public bodies have instead had more open arrangements for individual applications for early departure throughout the period. Much of the analysis in this part of our report relates to the arrangements described by the 47 public bodies that indicated that they had operated a specific time-limited scheme and, where they had operated more than one scheme, to the scheme that saw the greatest number of staff depart.

## Most early departures operate within the context of sector specific guidance or legislation, supported by local policies and procedures

- 2.4 Early departures in the Welsh Government and most other central government public bodies must follow the rules of the Civil Service Compensation Scheme<sup>20</sup>. That scheme sets the terms which the Welsh Government use when paying compensation to eligible staff working in the Welsh Government Civil Service and associated employments who are made compulsorily or voluntarily redundant. Any scheme run under the Civil Service Compensation Scheme must have Cabinet Office approval before the scheme is launched.
- 2.5 In considering any proposed early departure package, NHS bodies must ensure that they adhere to set principles developed by the Welsh Government<sup>21</sup>. The requirements cover the following areas:
  - a regularity, propriety and value for money;
  - b powers to incur expenditure; and
  - c accountability and conflicts of interest.

<sup>20</sup> A new Civil Service Compensation Scheme (CSCS) took effect on 22 December 2010. By way of example, the new scheme caps exit packages for those below pension age at 21 months' pay for voluntary exits and voluntary redundancies and 12 months' pay for compulsory redundancies. Tariffs for voluntary and compulsory redundancy are set at one months' pay per year of service.

<sup>21</sup> These requirements were set out in a letter from the then Director of NHS Wales to Health Authority Chief Executives and NHS Trust Chief Executives in April 2002.

- 2.6 Aside from these principles, individual NHS bodies have the discretion to use their own early departure arrangements, subject to scrutiny and approval by board members as part of their governance arrangements. However, NHS bodies use the Model Voluntary Early Release Scheme, introduced in 2009 and revised in 2012. The scheme is based on the principles of the Welsh Government's scheme. A key principle of these now well-established arrangements is that NHS bodies must remove each post accepted for early departure, or an equivalent amount of funding, in order to achieve a recurrent saving. All the NHS bodies in Wales use this scheme for voluntary exits, which made up almost all (96 per cent) of their early departures (Figure 4).
- 2.7 The Welsh Government, central government and NHS bodies also follow a high-level guide in handling public money called Managing Welsh Public Money. This is derived from HM Treasury's Managing Public Money. Managing Welsh Public Money sets out the main principles for dealing with resources used by public sector organisations in Wales and states that it is important that early departure payments 'are made in the public interest, objectively and without prejudice'. It also provides factors to consider when offering an enhancement or 'special severance payment' in individual cases.
- 2.8 Local authorities and national park authorities have discretion to set their own voluntary early departure arrangements. They generally rely on sections 111 and 112 of the Local Government Act 1972 to provide them with the necessary power to make voluntary arrangements. Payments made under a voluntary arrangement will be governed by what:
- a the individual will accept; and
  - b the employer can justify on the grounds of value for money to the residents and council tax payers.
- 2.9 Local Government regulations<sup>22</sup> govern the compensation that authorities can award to an employee whose contract ends on the grounds of redundancy. The regulations allow payments of up to 104 weeks' pay.
- 2.10 Local Government regulations also apply to back office staff at police, and fire and rescue bodies, who are part of the Local Government Pension Scheme. For police officers, regulations for police forces allow voluntary exit schemes, substantially based on the terms of the Civil Service Compensation Scheme<sup>23</sup>. These regulations also allow for the compulsory early retirement of police officers below Chief Officer rank with at least 30 years' service. Fire and rescue authorities have discretion to set their own early departure arrangements for fire fighters.
- 2.11 Nine of the 10 NHS bodies in Wales, together with the National Library of Wales, Natural Resources Wales and Sport Wales, have received repayable funding for early departure packages from the Welsh Government's Invest to Save scheme. This requires additional monitoring and reporting to the Welsh Government (Case Study 2).

<sup>22</sup> Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006  
<sup>23</sup> The Police Pensions Regulations 1987 and The Police Pensions (Amendment No. 2) Regulations 2012

## Case Study 2 – Invest-to-Save scheme funding of early departures

Between 2010-11 and 2012-13, Invest to Save contributed £17 million to the overall £30 million up-front cost of NHS bodies' early departure schemes. These schemes are estimated to have generated recurrent savings of approximately £33 million (57 per cent attributable to Invest to Save). An additional £13 million was granted for 2013-14 and 2014-15 for on-going NHS schemes.

Natural Resources Wales received £3.75 million of funding in 2013-14 and an additional £3 million for 2014-15. The National Library of Wales has approved funding of £1.5 million across 2014-15 and 2015-16, and Sport Wales has been awarded funding of £156,000 across 2014-15 and 2015-16. As an example, Sport Wales' funding, repayable over three years, will pay for early departures which should generate annual savings of £500,000 within three years.

One of the conditions of the Invest to Save funding is monthly or quarterly reporting by the individual public bodies to the Welsh Government. Bodies must initially provide comments on individual early departure schemes including funding assumptions, required repayments and planned savings. Details should be provided on the implementation of the early departure scheme and the achievement of the objectives of individual approved schemes, including achieved and forecast savings compared to the original savings forecast in the Invest to Save submission. In addition, commentary should be provided to outline any actions taken to recover reported shortfalls to ensure that the agreed repayment profiles are achieved.

*Source: Welsh Government*

- 2.12 In addition to any sector-wide provisions, most public bodies had developed their own internal policies. These typically set out the administration of the departures, procedures on how employees should make applications for early departures, such as the use of business cases, and how the public body will process applications.
- 2.13 We asked local auditors if they had considered early departure arrangements at individual public bodies, whether as part of the annual audit of accounts or, where relevant, through programmes of local performance audit work. Most of the accounts work undertaken by local auditors on behalf of the Auditor General examined and evaluated the effectiveness of the administrative and system controls in the redundancy process and to ensure that public bodies adhered to statutory and internal processes during the early departure process. In some public bodies, this included the testing of payments made each year and that they were in accordance with the public bodies' arrangements.
- 2.14 Our audit teams have not identified any specific concerns about the overall governance of public bodies' early departure arrangements. There have, however, been some isolated but widely reported examples where auditors have reviewed arrangements for certain individual departure packages for senior officers.

## While public bodies have been largely mindful of the impact of early departures from a workforce planning perspective, some have applied more rigorous business case criteria than others

- 2.15 We asked public bodies if they had set targets for workforce cost reduction at any time between April 2010 and December 2013. Of the 31 public bodies that had set organisation-wide targets, only 15 reported that the targets had been fully met. Particular factors that hindered the achievement of targets included increased activity, the need to retain appropriate skills, and cost pressures of pension liabilities and pay increments.
- 2.16 We also asked whether public bodies had set a specific cost budget, targets for cost savings or targets for the number of employees leaving through the most widely used early departure scheme. Rather than setting formal targets and budgets, most public bodies had adopted a more flexible approach, mainly based on the use of individual business cases to support a case for early departure.
- 2.17 Of the 32 public bodies that were able to provide the necessary data, nine accepted more than 80 per cent of all formal applications for their most used scheme. Six of these public bodies accepted all of the applications received. However, in some cases, line managers would receive initial expressions of interest. Formal applications could not be made without line manager support, and applications would not have been supported if the line manager had said that they needed to retain the post. Twelve public bodies reported to us that they had put restrictions on who could apply under the most used scheme, for example only particular departments, staff of a certain age or those with a particular length of service. Nevertheless, the proportion of applications accepted still varied.
- 2.18 A clear business case should support any proposal for an individual leaving as an early departure. The business case approval process should, ideally, take the following into consideration:
- a the full additional costs of an early departure and the anticipated financial saving;
  - b any 'strain on the fund'<sup>24</sup> and 'added years' costs<sup>25</sup> borne by pension funds and charged back to employers, not just those costs directly charged to a public body's budget;
  - c the costs of any replacement staff to backfill work;
  - d a calculation of payback periods; and
  - e the impact of the loss of skills and experience of the individual.

<sup>24</sup> Pension strain costs (often also called capital costs) occur when there is a clear shortfall in the assumed level of funding needed to provide a particular pension benefit. Often, strain costs occur when benefits are drawn earlier than expected.

<sup>25</sup> An individual's annual pension and lump sum is based on how many years they have worked for the organisation and contributed towards their pension fund. As a result, they may be reluctant to accept an early retirement and reduced pension payments. Employers can choose to offer 'added years' as an incentive to individuals, adding up to 10 years when calculating their annual pension and lump sum payments.

- 2.19 Of the 47 public bodies that had operated a specific early departure scheme, 38 required a business case for all individual applications, four completed a business case for some but not all applicants and five – generally smaller bodies with few early departures – did not complete business cases. For example, North Wales Fire and Rescue Authority did not complete business cases and took the view that if the up-front cost of an early departure was affordable then it was approved to assist with other cost pressures. By contrast, Pembrokeshire Coast National Park Authority reported only agreeing requests that met their cost benefit process, based on both salary savings and departures that opened up opportunities for organisational/service changes.
- 2.20 Where business cases were used, the nature of the information considered by public bodies varied, particularly with regard to the consideration of costs other than the direct cost of the departure package. However, all of the public bodies that reported using business cases indicated that these should have considered the general impact on service delivery and, with one exception, the loss of the employee's specific skills.
- 2.21 The Assembly Commission's internal audit service reviewed the organisation's early departure schemes from 2010 and 2012, which resulted in the exit of 25 staff in 2010-11 and 17 staff in 2011-12. Internal audit noted that the 2010-11 scheme had been delivered under severe time pressure in response to the need for budgetary cuts. However, the review found that file records did not provide evidence of a detailed business case for the overall scheme, and that individual business cases did not consider the full range of costs and savings for each employee. There were also no clear linkages with wider HR strategies or workforce plans. For the 2011-12 scheme, the internal audit review recognised that there was a detailed business case for this scheme, but recommended that stronger cost models should be considered for future schemes. The Assembly Commission reported to us that they allowed all staff who expressed an interest and they could afford to let go, subject to each individual case, to leave the organisation. The Assembly Commission stated to us that they had given an assurance to staff that there would be no compulsory redundancies and releasing people under the voluntary schemes helped to achieve this.
- 2.22 In October 2012, the Welsh Government's Permanent Secretary commissioned an internal review on Resources, Skills and Flexibility. The final report stated that 'voluntary exit arrangements had been designed with reference to workforce planning information' and 'applications for voluntary early exit were considered against criteria including business continuity, their ability to be replaced and individual skills'. However, on resource profiling and workforce planning, the review report stated that 'the review team found that little evidence is captured that

demonstrates any proactive strategic management or coherent forward planning at a corporate level to identify hotspots, skills gaps and remedial measures' and that 'true workforce planning has not been conducted in most departments'. The review found that, over time, less focus had been paid to the skills and experience of staff leaving the Welsh Government. While early departure arrangements had supported rapid downsizing, the review concluded that this had resulted in a 'patchy and disproportionate distribution of numbers, skills and experience in most areas'.

- 2.23 The Auditor General has reported previously on some specific examples of the impact of Welsh Government early departure arrangements:
- a Glastir – a September 2014 report on the Glastir agri-environment scheme noted that the Welsh Government reduced the number of Glastir Advanced contracts that it aimed to award in the first year of the scheme (from 1 January 2013), from 500 to 300, because of the voluntary exit of six project officers.
  - b Care and Social Services Inspectorate Wales (CSSIW) – audit work in 2011-12 found that CSSIW had deployed additional staff to strengthen management arrangements in the Mid and South Wales region and to address staff shortages. However, a residual concern about capacity and workloads remained in all regions, exacerbated by the impact of the Welsh Government's location strategy and voluntary severance initiatives. CSSIW officers had noted that the impact of voluntary severance arrangements had been largely outside of their direct control and that they would have preferred not to have lost some of the staff who left as part of the Welsh Government-wide arrangements<sup>26</sup>.
- 2.24 Staff headcount figures for the Welsh Government fell sharply through 2010-11 and early 2011-12 (Figure 14), reflecting in large the volume of early departures (Figure 3). However, staff numbers have since been climbing steadily, increasing by nine per cent between January 2012 and June 2014, from 5,376 to 5,853. In September 2014, the Public Accounts Committee queried the increase in staff numbers with the Welsh Government's Permanent Secretary. In response, the Permanent Secretary noted that the increase was due, among other things, to the creation of Welsh Government apprenticeships and an increase in legal resources to deal with increased legislation.

<sup>26</sup> Letter from Auditor General for Wales to the Chair of Public Accounts Committee, 30 March 2012

Figure 14 – Headcount of staff employed by the Welsh Government, April 2010 to June 2014



Source: Welsh Government website

## Most public bodies used councillors or board members in some way to scrutinise early departure arrangements

- 2.25 We asked public bodies about their arrangements for the approval and scrutiny of their most used early departure scheme, including how they involved councillors or board members in ensuring schemes provide value for money.
- 2.26 Of the 47 public bodies that had an early departure scheme, 39 reported that non-executives or councillors had had some level of involvement in ensuring value for money. Arrangements varied including having councillors or board members as part of the approval process for individual departures, for example, by sitting on the Remuneration Committee; and/or having councillors or board members approve the scheme initially ([Case Study 3](#)).

### Case Study 3 – Approaches for approval of individual early departures

#### **Arts Council of Wales**

The same process applied to all staff members. Formal proposals were submitted to a specially convened Panel, comprising the Chair of Council, one other Council member and the Chief Executive. A professional trades union officer was in attendance at the meetings.

#### **Abertawe Bro Morgannwg University Health Board**

Until 2012, voluntary exit cases were approved at a minimum of Executive Director level for low value cases escalating through the Chief Executive to the Remuneration Committee for cases where the package was over £25,000. Packages over £50,000 had to be approved by the Welsh Government as per NHS Voluntary Early Release Scheme rules. Since 2012, all applications for voluntary exit are approved by the Remuneration Committee, with packages over £50,000 still requiring separate approval by the Welsh Government.

#### **South Wales Fire and Rescue Authority**

The individual's line manager establishes a business case which has to be presented to senior management for consideration and progression if appropriate, along with consultation with trade unions. The Fire and Rescue Authority receive a report detailing background, business case, equality impact assessment, costs and benefits and financial impact (including pension strain costs where relevant) and authorise the early departure as appropriate.

*Source: Wales Audit Office survey of 58 Welsh public bodies*

### Only 55 per cent of public bodies reported that they had undertaken some sort of equality impact assessment on their most used early departure scheme

- 2.27 A key part of the Equality Act 2010 is the public sector Equality Duty, which came into force in April 2011. It requires public bodies to consider the needs of all individuals in their day-to-day work in shaping policy, in delivering services, and in relation to their own employees. The Equality Duty does not impose a legal requirement to undertake formal equality impact assessments; however, Welsh public bodies have a specific duty to make arrangements for assessing the likely impact of their activities on their ability to comply with the Equality Duty<sup>27</sup>.
- 2.28 In our view, public bodies should consider the impact of their early departure schemes to ensure that those with protected characteristics are not subjected to unfair disadvantage or exclusion. We asked public bodies if they undertook an equality impact assessment on the most used early departure scheme. Of the 47 public bodies who provided an answer, 26 (55 per cent) had carried out some sort of equality impact assessment ([Case Study 4](#)).

<sup>27</sup> The Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011.

## Case Study 4 – Approaches to equality impact assessment

### **Arts Council of Wales**

The Arts Council of Wales presented its equality impact assessment to Council alongside the proposals for its organisational review, which included an early departure scheme. Council was therefore able to see the analysis of the impact prior to reaching a final decision on the design of the review. The impact assessment followed an agreed format and started from an assumption that the proposals might have a differential impact (in equalities terms) on both the staff of the Arts Council and the services that Council provides. The impact assessment set out to examine these issues against the Arts Council's Equalities Strategy. The impact assessment found that there were no material reasons to suggest that the Organisational Review proposals would have a differential impact upon people because of their race, disability, gender, age, religion/belief or non-belief, sexual orientation or language.

### **Welsh Government**

The Welsh Government offered its early departure scheme on a voluntary basis. The Welsh Government monitored diversity rates in order to consider (and if appropriate) address any disproportionate impacts and incorporated findings into an equality screening exercise. The results concluded that the diversity of the scheme was proportionate to the diversity of the wider workforce.

### **Rhondda Cynon Taf County Borough Council**

Rhondda Cynon Taf County Borough Council carried out an initial screening to identify whether a full equality impact assessment was required or not. The Council's internal guidelines state that if the screening process identifies a high or medium negative impact that cannot be justified, then the Council must carry out a full equality impact assessment. The screening process identified that there was no need to carry out a full equality impact assessment on the early departure scheme as the impacts identified were low.

*Source: Wales Audit Office survey of 58 Welsh public bodies*

## Around one in five early departures have involved a settlement agreement but only seven per cent of these cases have involved some form of enhancement payment with an average cost of around £20,000

2.29 In their 2013 report on early departures across the Scottish public sector, Audit Scotland explained that settlement agreements (Box 2) can be a useful means of protecting public bodies from legal challenges relating to early departures. However, public bodies must not use them to hide the full cost of early departures from the public and public bodies should be clear about which employment rights they expect individuals to waive in return for ex gratia payments. In addition, Audit Scotland's report emphasised that public bodies should not use settlement agreements to help silence whistleblowers and limit public accountability. The National Audit Office's 2013 report on confidentiality clauses and special severance payments found that settlement agreements are widely, and often legitimately, used across the UK public sector. However, the report noted there is a lack of transparency, consistency and accountability in their use.

### Box 2 – Settlement agreements

A settlement agreement is a legally binding agreement either during or following the termination of your employment, and which brings your employment to an end. It is recognised by statute and is the only way you can validly 'contract out' of your employment law rights. It usually provides for a severance payment, in return for which you agree not to pursue any claim or grievance you may have in an employment tribunal.

*Source: Chartered Institute of Personnel and Development*

- 2.30 Of the 47 public bodies that had operated a specific early departure scheme, only 13 (28 per cent) stated they had used settlement agreements in all cases. This included all ten NHS bodies. The other public bodies that reported using settlement agreements in all cases were Cardiff Council, North Wales Fire and Rescue Authority, and Sport Wales. Cardiff Council stated to us that, from January 2015, it is no longer using settlement agreements on a routine basis. Another 14 public bodies (30 per cent) stated that they used settlement agreements in some cases, and a further five public bodies (11 per cent) allowed settlement agreements but had not, in practice, used them.
- 2.31 Of the 32 public bodies that had made some use of settlement agreements, 22 (69 per cent) stated they had established a clear policy on their use. Based on the individual early departure data reported to us, we found that 21 per cent of individual early departures involved a settlement agreement (Figure 15).

Figure 15 – Public bodies’ use of settlement agreements for early departures

	NHS bodies	‘Other public bodies’	Police and fire and rescue	Local authorities and national park authorities	Welsh Government <sup>1</sup>	All sectors
Yes	951	55	19	1,205	-	2,230 (21%)
No	26	206	495	5,672	-	6,400 (60%)
Information not readily available	-	-	-	-	977	977 (9%)
Did not answer	246	-	-	806	-	1,052 (10%)
Total	1,223	261	514	7,683	977	10,658

Note:

1 The Welsh Government reported to us that information on settlement agreements for their 977 early departures was not readily available, although they reported in our survey that they did not allow settlement agreements under their most used early departure scheme, which accounted for 539 of their departures.

Source: Wales Audit Office survey of 58 Welsh public bodies

2.32 We asked public bodies whether individuals received an additional or ‘enhancement’ payment as part of their settlement agreement. Of the 2,230 early departure packages which were said to have included a settlement agreement, public bodies reported that 166 (seven per cent) included some form of enhancement payment. The reported value of those enhancements ranged between £300 and £84,000 and averaged £19,970. Nearly all of the examples of enhancement payments reported by public bodies were in local government. There are a wide variety of reasons why public bodies make these payments, some of which arise from complex circumstances. The highest payment of £84,000 arose following a complicated disciplinary process and the council concerned considered it better value for money to make an enhancement payment to avoid a time-consuming and costly employment tribunal.

## Various different restrictions apply to the re-employment of people leaving Welsh public bodies through early departures

2.33 Policies and procedures for early departures should clearly state if there are restrictions on any return to employment within the public body or sector. We asked public bodies what re-employment restrictions, if any, they imposed as part of their most used early departure scheme. We found that there was a range of sector-specific restrictions (Figure 16).

Figure 16 – Re-employment restrictions imposed as part of early departure arrangements

Sector/scheme	Restriction
Civil Service Compensation Scheme	If a person is re-employed in a public body covered by the Civil Service pension and compensation arrangements within 28 days of leaving their current employer, their compensation will be cancelled and service will be treated as continuous and they will have to repay the full compensation amount. If they are re-employed in a public body covered by the Civil Service pension and compensation arrangements outside the 28 day period, but within the lesser of: a) six months, and b) the notional period of the compensation payment; they will have to pay back the compensation payment pro-rata.
NHS	NHS Wales has placed restrictions on people returning to work at an NHS body in Wales. As a condition of any voluntary exit, the individual concerned must agree not to seek to return to employment within the NHS (in Wales) within a period equal to the number of months' pay their compensatory payment equates to (compensatory payments are based on one month's pay for each completed year of reckonable service with the NHS, with a maximum of 12 months' pay) plus three months, subject to a minimum period of four months.
Local authorities, fire and rescue authorities and national park authorities	These sectors are subject to the Redundancy Payments (Continuity of Employment in Local Government, etc.) (Modification) Order (Amendment) Order 2010 (known as the Redundancy Modification Order). This places a restriction on redundancy payments to people who take up employment with another public body subject to the Redundancy Modification Order. The legislation states that if an employee who is under notice of redundancy receives an offer of a job from another RMO employer (e.g. another local authority) before the termination of their employment and takes it up within four weeks of the end of the old employment, there will be no redundancy payment and continuity of employment will be preserved in the new job. If the employee takes a redundancy payment and commences work for the next RMO employer after four weeks have elapsed, then continuous service will be broken.

Source: Wales Audit Office

- 2.34 Some local authorities reported to us that they have imposed further restrictions. Rhondda Cynon Taf County Borough Council have developed rules which say that anyone taking voluntary early retirement with pension cannot return to employment with the Council. If the individual leaves through voluntary early retirement but with no pension, they cannot return to employment with the Council for a two-year period. Torfaen County Borough Council has imposed no re-employment for those leaving through an early departure. The Council does however use flexible retirement and in a few specific cases in recent years, the Council has made a specific decision to re-employ a 'specialist' on a short-term task and finish basis.
- 2.35 In October 2014, following a period of consultation, HM Treasury confirmed proposals for the recovery of early departure payments when an individual returns to public sector employment<sup>28</sup>. This was partially because the House of Commons Public Accounts Committee expressed their concern that one of the key risks to value for money associated with early departures was that individuals who have received a payment to leave the civil service are then re-employed in some form within central government departments. Under the plans to alleviate this risk, public sector employees with a salary of over £100,000 would be required to repay exit payments on a pro-rata basis should they return to the same part of the public sector within 12 months. The stated aim of the proposals is to introduce consistency and fairness, and ensure value for money for the taxpayer. The UK Government incorporated the proposals into its Small Business, Enterprise and Employment Bill.
- 2.36 The National Assembly agreed a legislative consent motion<sup>29</sup> in January 2015 to implement these arrangements for Welsh public bodies if the law is passed by the UK Parliament. The final salary data reported to us by public bodies indicates that there were just 28 early departures (0.3 per cent) between April 2010 and December 2013 for individuals earning an annual salary of over £100,000. The cost of these departures was £3.6 million<sup>30</sup>.

## The quality of data across the public bodies for early departures was inconsistent

- 2.37 While some public bodies were able to provide us with information about individual early departures in a timely manner, including some with a large number of early departures, several public bodies explained that they had to look at individual records, collect the information from multiple systems, or that they were simply unable to provide some details (Appendix 1). Officers from one local council informed us they were going to look at improving the way they kept information about early departures following our request. One particular issue that some public bodies faced was reconciling data held by human resources, finance and individual departments.

<sup>28</sup> *Recovery of public sector exit payments: government response to the consultation*, HM Treasury, October 2014. Accessed at <https://www.gov.uk/government/consultations/recovery-of-public-sector-exit-payments>

<sup>29</sup> The National Assembly for Wales agrees a legislative consent motion to give consent to UK Parliament to legislate on a subject matter which is ordinarily devolved to the Assembly.

<sup>30</sup> This analysis is based on 9,928 (93 per cent) of the 10,658 early departures reported by public bodies for which salary data was provided.

# Appendices

Appendix 1 - Audit methods

Appendix 2 - Breakdown of early departures data



# Appendix 1 - Audit methods

## The overall scope of our work

This report presents findings and conclusions based on our high-level review of public bodies' use of early departures to control or reduce workforce costs. The key areas considered were:

- the role that early departures have played, and may continue to play, in public bodies' efforts to control or reduce workforce costs;
- the extent to which early departure schemes have delivered the expected results; and
- whether early departure schemes have been managed in accordance with good practice principles.

We asked our internal financial and performance audit colleagues for any relevant information collected through their own regular audit work at individual public bodies. This report has not examined the regularity or propriety of early departure arrangements for specific individuals. However, our financial audit teams would scrutinise early departure arrangements as part of their audit work where:

- a large number of staff are involved and which gives rise to significant or material amounts in the accounts;
- a senior officer is involved giving rise to a transaction that could be material by context;
- there is an appreciable risk that the case of early departure will result in a question or challenge to the auditor; and/or
- concerns exist that the body might be acting unlawfully.

## Survey of Welsh public bodies

We surveyed 58 of the larger Welsh public bodies audited by the Auditor General including Welsh Government, local government, the NHS, national park authorities, police, fire and rescue authorities and 'other public bodies'. Our survey sought information on the use of early departure schemes and the wider approach that these bodies had taken to reduce or control workforce costs over recent years. We engaged with the Heads of Human Resources at the Welsh Government, Cardiff and Vale University Health Board, and Vale of Glamorgan Council and with the Welsh Local Government Association as part of our initial scoping and to assist us in the design of our survey.

We piloted the survey at Cardiff and Vale University Health Board and Vale of Glamorgan Council in December 2013. We then surveyed the following public bodies between February and June 2014 with a 100 per cent response rate.

Sector	Public bodies
Local authorities and national park authorities	All 22 local authorities All three national park authorities
NHS	All 10 NHS bodies
Police and fire and rescue	All four police forces All three fire and rescue authorities
Welsh Government	Welsh Government
'Other public bodies'	<ul style="list-style-type: none"> <li>• Arts Council of Wales</li> <li>• Assembly Commission</li> <li>• Care Council for Wales</li> <li>• Children's Commissioner for Wales</li> <li>• Estyn</li> <li>• General Teaching Council for Wales</li> <li>• Higher Education Funding Council for Wales</li> <li>• Local Democracy and Boundary Commission for Wales</li> <li>• National Museum Wales</li> <li>• National Library of Wales</li> <li>• Natural Resources Wales</li> <li>• Older People's Commissioner for Wales</li> <li>• Public Services Ombudsman for Wales</li> <li>• Sport Wales</li> <li>• Welsh Language Commissioner</li> </ul>

We asked a range of questions relating to the organisation's most used early departure scheme on:

- scheme objectives and costs;
- scheme design including use of guidance and consultation;
- application processes including the use of business cases;
- governance and approval processes;
- departure package and payback policies; and
- use of settlement agreements (Box 2).

We also asked questions on:

- approach to workforce targets;
- alternative methods used to manage workforce costs; and
- future approaches to controlling or reducing workforce costs.

Where necessary to clarify answers and to gain further information, we followed up on survey responses either by email or by telephone.

### Analysis of individual early departure packages

We asked the same public bodies to provide an anonymised breakdown of all staff leaving under early departures in each financial year from 2010-11 to 31 December 2013.

We asked for a range of data for each departure including:

- financial year departure was agreed;
- month and year of departure from work;
- age on departure;
- type of departure as voluntary exit, voluntary redundancy, compulsory redundancy, early retirement or other (Box 1);
- final annual salary, employer National Insurance and employer pension contributions;
- cost of departure package and public bodies own assessment of the payback period;
- if the employee was part of senior management;
- for local authorities, if the employee was schools-based; and
- if the employee signed a settlement agreement and if so, whether they received an enhancement to their package for this.

We received a 100 per cent response rate. However, not all organisations could provide all the data requested. We have noted throughout the report where the analysis is not based on the total number of departure packages.

Where possible, we tried to reconcile the data from our data collection exercise with exit package disclosures in the audited accounts of the public bodies we surveyed. The data for around half of all organisations matched the accounts disclosures or had an insignificant difference. Where the data was different, variances ranged in size. We asked public bodies for clarification with most able to provide further explanations or a formal reconciliation. There was a wide variety of reasons given for the differences including:

- timing differences between the two sets of information, with departures being included in one year in the spreadsheet and either the former or latter year in the accounts;
- people who were approved for exit packages at year end subsequently withdrawing, dying or leaving for other reasons;

- errors in accounts, which would not have been material enough for financial auditors to request a change; and
- payment in lieu of notice being included on spreadsheet and not in accounts. Our data request asked for all payments included within the exit package, as the true cost of the early departure.

### Review of staffing information and early departure costs/numbers from audited accounts

We collected data on staff numbers and staff costs for each organisation that we surveyed, from their audited accounts and Whole of Government Accounts returns for 2009-10 to 2013-14. The exception was Natural Resources Wales, which was created on 1 April 2013 therefore only had 2013-14 data. At this time, Countryside Council for Wales, Forestry Commission for Wales and Environment Agency Wales were abolished. We collated staff numbers and staff costs for Countryside Council for Wales and Forestry Commission for Wales for 2009-10 to 2012-13; however, we could not obtain Environment Agency Wales data as it was not available separately from Environment Agency as a whole.

We converted staff number data from full-time equivalent to headcount using a conversion rate. We based the conversion rate on Office for National Statistics data for UK public sector employment headcount and full-time equivalents (Public Sector Employment statistics, June 2014) for each sector of central government, local government, and NHS. The exception was for the Welsh Government, for whom we used their published monthly headcount figures; and for Bridgend County Borough Council for April 2010 and average 2010-11 as that data was for headcount rather than full-time equivalent figures.

### Literature review

To inform our work, we have reviewed a range of other audit and scrutiny reports related to early departure arrangements and workforce cost reduction, including:

- Audit Scotland, Managing early departures from the Scottish public sector, May 2013.
- Audit Scotland, Scotland's public sector workforce, November 2013.
- House of Commons Committee of Public Accounts, Managing early departures in central government, July 2012.
- House of Commons Committee of Public Accounts, BBC severance packages, December 2013.
- House of Commons Committee of Public Accounts, Confidentiality clauses and special severance payments, December 2013.
- National Audit Office, A framework for managing staff costs in a period of spending reduction, August 2010.
- National Audit Office, Managing early departures in central government, March 2012.

- National Audit Office, Severance and wider benefits for senior BBC managers, July 2013.
- National Audit Office, Confidentiality clauses and special severance payments, October 2013.
- National Assembly for Wales Finance Committee, Inquiry into Welsh Assembly Government staff numbers and costs, March 2011.

We spoke with colleagues at Audit Scotland and the National Audit Office to identify any lessons learned from their similar work.

We have also reviewed relevant sector guidance on early departures for NHS Wales, the Civil Service Compensation Scheme, and relevant legislation relating to statutory redundancy payments.

## Appendix 2 - Breakdown of early departures data

### Number of early departures by financial year and sector, April 2010 to December 2013<sup>1</sup>

	Local authorities and national park authorities	NHS bodies	Welsh Government	Police and fire and rescue	'Other public bodies'	Total
2010-11	2,196	356	628	236	49	3,465
2011-12	2,394	390	322	160	77	3,343
2012-13	1,772	308	16	85	21	2,202
2013-14 (to December 2013)	1,318	168	11	33	113	1,643
Not stated	3	1	-	-	1	5
Total	7,683	1,223	977	514	261	10,658

### Cost of early departures by financial year and sector, April 2010 to December 2013<sup>1</sup>

	Local authorities and national park authorities £ million	NHS bodies £ million	Welsh Government £ million	Police and fire and rescue £ million	'Other public bodies' £ million	Total £ million
2010-11	47.7	10.9	29.6	5.2	2.1	95.6
2011-12	42.4	11.4	17.5	3.8	3.0	78.1
2012-13	31.4	9.6	1.1	1.8	0.9	44.9
2013-14 (to December 2013)	22.7	4.6	0.7	1.7	5.3	35.0
Not stated	0.1	0.1	-	-	-	0.2
Total	144.3	36.6	48.8	12.5	11.5	253.7

#### Notes:

<sup>1</sup> We calculated these figures using the data returns submitted to us by the 58 public bodies we surveyed, with the exception of Carmarthenshire County Council for which we used the annual accounts disclosures from 2010-11 to 2012-13. We have therefore not included any departures for Carmarthenshire County Council for the period April to December 2013.

Source: Wales Audit Office survey of 58 Welsh public bodies

Number, cost, average cost, and average payback period of early departures by individual public body, April 2010 to December 2013

Public body	Number of early departures	Cost of early departures (£)	Average cost per departure <sup>1</sup> (£)	Average payback period <sup>2</sup> (months)
<b>Local authorities and national park authorities</b>				
Blaenau Gwent County Borough Council	385	8,191,444	21,276	9
Brecon Beacons National Park Authority	6	193,550	32,258	15
Bridgend County Borough Council	203	3,292,923	16,221	8
Caerphilly County Borough Council	103	1,369,078	13,292	4
Cardiff County Council	1,071	26,964,937	25,177	14
Carmarthenshire County Council <sup>3</sup>	434	8,407,066	19,371	Note 4
Ceredigion County Council	292	2,727,456	9,341	3
City and County of Swansea	579	10,259,320	17,719	7
Conwy County Borough Council	223	2,631,286	11,799	4
Denbighshire County Council	266	4,293,621	16,141	6
Flintshire County Council	216	3,445,147	15,950	Note 4
Gwynedd Council	184	2,733,217	14,854	9
Isle of Anglesey County Council	99	2,535,593	25,612	13
Merthyr Tydfil County Borough Council	225	4,532,421	20,144	11
Monmouthshire County Council	273	4,956,176	18,154	8
Neath Port Talbot County Borough Council	428	7,296,682	17,048	10
Newport City Council	446	10,403,136	23,325	10
Pembrokeshire Coast National Park Authority	11	267,707	24,337	9
Pembrokeshire County Council	153	2,269,005	14,830	6
Powys County Council	303	4,129,291	13,628	9
Rhondda Cynon Taf County Borough Council	892	17,354,227	19,455	8
Snowdonia National Park Authority	7	272,885	38,984	13
Torfaen County Borough Council	474	7,607,003	16,049	8
Vale of Glamorgan Council	67	1,564,165	23,346	7
Wrexham County Borough Council	343	6,632,395	19,336	7
	<b>7,683</b>	<b>144,329,732</b>	<b>18,786</b>	<b>9</b>

Public body	Number of early departures	Cost of early departures (£)	Average cost per departure <sup>1</sup> (£)	Average payback period <sup>2</sup> (months)
<b>NHS bodies</b>				
Abertawe Bro Morgannwg University Health Board	135	5,245,639	38,857	11
Aneurin Bevan University Health Board	114	2,660,479	23,338	9
Betsi Cadwaladr University Health Board	325	10,096,223	31,065	10
Cardiff and Vale University Health Board	242	7,925,445	32,750	10
Cwm Taf University Health Board	163	3,739,563	22,942	10
Hywel Dda University Health Board	40	1,385,518	34,638	10
Powys Teaching Health Board	44	1,460,018	33,182	10
Public Health Wales	39	1,165,394	29,882	8
Velindre NHS Trust	95	2,107,893	22,188	9
Welsh Ambulance Service NHS Trust	26	785,493	30,211	10
	<b>1,223</b>	<b>36,571,664</b>	<b>29,903</b>	<b>10</b>
<b>Welsh Government</b>	<b>977</b>	<b>48,833,797</b>	<b>49,983</b>	<b>13</b>
<b>Police and fire and rescue</b>				
Dyfed Powys Police	94	2,691,459	28,633	11
Gwent Police	63	701,442	11,134	5
Mid and West Wales Fire and Rescue Authority	6	115,358	19,226	7
North Wales Fire and Rescue Authority	11	153,870	13,988	8
North Wales Police	141	5,287,494	37,500	14
South Wales Fire and Rescue Authority	21	726,638	34,602	14
South Wales Police	178	2,835,487	15,930	8
	<b>514</b>	<b>12,511,747</b>	<b>24,342</b>	<b>10</b>

Public body	Number of early departures	Cost of early departures (£)	Average cost per departure <sup>1</sup> (£)	Average payback period <sup>2</sup> (months)
<b>'Other public bodies'</b>				
Arts Council of Wales	19	482,875	25,414	9
Assembly Commission	48	1,894,567	39,470	14
Care Council for Wales	-	-	-	-
Children's Commissioner for Wales	3	68,669	22,890	7
Estyn	3	123,388	41,129	9
General Teaching Council for Wales	4	113,957	28,489	8
Higher Education Funding Council for Wales	10	532,729	53,273	11
Local Democracy and Boundary Commission for Wales	1	20,000	20,000	3
National Library of Wales	-	-	-	-
National Museum Wales	28	2,801,186	100,042	28
Natural Resources Wales <sup>5</sup>	96	3,557,826	37,061	13
Older People's Commissioner for Wales	6	148,649	24,775	5
Public Services Ombudsman for Wales	-	-	-	-
Sport Wales	33	1,211,933	36,725	10
Welsh Language Board <sup>6</sup>	10	514,350	51,435	12
Welsh Language Commissioner <sup>7</sup>	-	-	-	-
	<b>261</b>	<b>11,470,129</b>	<b>43,947</b>	<b>14</b>
<b>All sectors</b>	<b>10,658</b>	<b>253,717,069</b>	<b>23,805</b>	<b>10</b>

Notes:

- As noted in the main body of this report – paragraphs 1.12-1.13 – there are significant variations in the average cost of early departures across different parts of the Welsh public sector and within specific sectors. However, it is difficult to draw direct comparisons and there are numerous reasons why early departure package costs vary between sectors and individual public bodies. Factors that will influence the average cost include the type of early departure, the terms offered, and the age, length of service and salary profile of departing staff.
- We calculated the payback period based on the costs of the departure package and the cost savings that might have been realised through the non-payment of salary and any employers' National Insurance and pension contributions for that member of staff. In practice, public bodies may realise other savings, for example in the costs of ICT equipment, accommodation and travel and subsistence. However, public bodies might not realise any of these savings in full for a variety of reasons (paragraph 1.18).
- The figures for Carmarthenshire County Council relate to the period April 2010 to March 2013 based on the annual accounts disclosures from 2010-11 to 2012-13. We have therefore not included any departures for Carmarthenshire County Council for the period April to December 2013.
- This payback analysis is based on 9,928 (93 per cent) of the 10,658 early departures reported by public bodies for which the relevant data was provided to calculate the payback period. Relevant data was not provided for Carmarthenshire County Council and Flintshire County Council.
- The figures for Natural Resources Wales relate to early departures from 1 April 2013 when it was created with the abolition of Countryside Council for Wales, Forestry Commission for Wales and Environment Agency Wales.
- The Welsh Language Board was abolished on 31 March 2012. The data relating to departures at the Welsh Language Board was supplied to us by the Welsh Language Commissioner's office.
- The Welsh Language Commissioner has operated since 1 April 2012.

Source: Wales Audit Office survey of 58 Welsh public bodies

## Wales Audit Office arrangements for managing early departures

The analysis presented in this report covers 58 Welsh public bodies audited by the Auditor General and does not include early departures from the Wales Audit Office. For the purpose of transparency, we have summarised below details of the Wales Audit Office's arrangements for managing early departures over the same period covered in this report (April 2010 to December 2013).

All early departures for Wales Audit Office staff were through voluntary exit programmes. All exits were managed under the formal Civil Service Compensation Scheme rules in place at the time of departure and involved agreement by the UK Government Cabinet Office.

All exits were determined by workforce planning and approved by the Wales Audit Office's Management Committee based on the recommendation of relevant senior managers. Any senior manager applying for early departure would require approval from the Wales Audit Office's Remuneration Committee. All applications for early departure were made through a business case, taking into account whether the loss of key skills would impact on service delivery.

	Number of early departures	Cost of early departures (£)	Average cost per departure (£)	Average payback period (months)
Wales Audit Office	22	1,489,702	67,714	14



Wales Audit Office

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