

APPENDIX C - CONTRACT SAVINGS AND EXIT COSTS

The renegotiation of the Lancashire County Council shared services contract for Revenues Benefits and IT Services is expected to save £320,000 per year from 2017-18 onwards.

Changes to staffing arrangements will generate savings of £149,000, with the balance of £171,000 being achieved through additional income and increased economy.

To deliver £114,000 of these staff savings will require 4 voluntary redundancies to take place. The total exit costs comprising redundancy payments and pension strain for these 4 posts is £234,359, which will involve an average payback period of around 2 years. Details of the exit costs and payback period for each individual is shown below:

	Redundancy	Pension Strain	Total Exit Cost	Payback Period (years)
Individual 1	38,094	1,569	39,663	1.0
Individual 2	34,455	92,155	126,610	3.0 *
Individual 3	22,362	20,826	43,188	1.7
Individual 4	23,539	1,359	24,898	1.0
Total	<u>118,450</u>	<u>115,909</u>	<u>234,359</u>	

The Redundancy and Redeployment policy requires that the financial recovery period of a redundancy should not exceed 3 years and this requirement is met in each of these cases.

* £3,580 of these exit costs will be funded by the contractor to ensure that the payback period meets the 3 year threshold.