

TO:	Personnel Committee		
DATE:	1 October 2015	AGENDA ITEM:	5
TITLE:	REDUNDANCY PAYMENT OPTIONS		
LEAD MEMBER SERVICE:	CLLR LOVELOCK		PERSONNEL COMMITTEE CHAIR
	CORPORATE SUPPORT SERVICES	WARDS:	BOROUGHWIDE
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JOB TITLE:	MANAGING DIRECTOR/HR PARTNER	E-MAIL:	denise.buston@reading.gov.uk

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to seek Committee approval to start formal consultation on a proposal to reduce the redundancy pay calculator because of the Council's financial position.

2. RECOMMENDATIONS

That you consider this report and approve commencement of formal consultation to reduce the payment calculator to X1 of the statutory calculator.

3. BACKGROUND

- 3.1 Salaries and other staffing costs represent a significant area of spend for the Council. Last financial year we spent about £75m on staff costs which was approximately 60% of the net budget. As a result of service reviews across the Council to deal with the impact in reductions in our Government grant and to also pay for service pressures, we have had to reduce the number of staff and this is likely to form part of future service and budget proposals to reduce overall budgets.
- 3.2 There will need to be a shift in staff resources, with a likely reduction in overall numbers. The need to retrain and reskill staff will be important and in particular in areas where the Council is struggling to recruit or retain staff. Programmes of work will be in

place to support this aspect of the changes but there will inevitably need to be an overall reduction in staff numbers and the costs and compensation relating to this will have an impact on budgets.

Calculation

- 3.3 Redundancy compensation is made up of 4 elements:
- **Mandatory payment of compensation** equivalent to the statutory redundancy compensation scheme (age/years of service = weeks pay (up to a maximum of 30 weeks and a limit of currently £464 in 2013/14, £475 in 2015/16 per week's pay);
 - **Discretionary** enhancement of No of weeks compensation paid up to 104 weeks (the 'statutory weeks multiplier');
 - **Discretionary** enhancement of a week's pay from £464 in 2013/14 to £475 in 2015/16 (statutory maximum) to actual weeks' pay (AWP); and
 - For staff **55 years or older and members of a statutory pension scheme** there may be **mandatory** release of unreduced pension and associated 'capital costs' - the capital costs are paid by the Council.
- 3.4 In 2011 the Council agreed to set a framework where it pays X2 statutory weeks pay (up to a maximum of 52 weeks) and AWP. This was a reduction from the X3 statutory weeks paid up to that time.

Costs

- 3.5 The full costs associated with **compensation** payments are met by the Council. In addition, where a member of staff is over 55 and a member of the local government scheme (LGPS), then they are statutorily entitled to release of their pension on an unreduced basis. There is an additional cost which the Council has to pay which is the 'capitalised cost' of early release of the pension. This payment is made to the Pension Fund.
- 3.6 The Local Government Pension Scheme (LGPS) have recently confirmed that although previously there had been a scheme to pay capitalised costs over 3 - 5 years, this has been removed and there is no longer a provision to offset these costs in an attempt to reduce them or defer over a longer period of time.

4. BENCHMARKING COMPENSATION FRAMEWORKS

Nationally

- 4.1 From the most recent LGA survey 2013 'Early Retirement and Compensation Survey':

- 89% of Councils use **actual salary** to calculate compensation payments;
- 4% use the **statutory maximum** (where actual salary exceeds the statutory maximum)
- 28% of Councils use a **1.5 multiplier**; 23% use a **X2 multiplier**; 4% a **X2.5 multiplier** and 1% a **X3 multiplier**.
- 43% of Councils used a range of different frameworks - a mixture of different rates, tapers, caps or individual discretion.

Locally

4.2 Comparison locally across Berkshire shows us that:

- Wokingham - actual weeks pay / statutory weeks
- Royal Borough of Windsor & Maidenhead - actual weeks pay / statutory weeks
- Bracknell - actual weeks pay and statutory redundancy for those who can access pension. If an individual cannot access pension - enhanced redundancy payment based on 1.75 times the number of weeks payable under statutory (up to a maximum of 52.5)
- Slough - actual weeks pay / 1.5 multiplier

5. OPTIONS & COSTS

Total Costs for 14/15 Redundancies/efficiencies/VRS

5.1 The total Pension/capital costs for all retirements in 2014/2015 is £514,303.43. The following figures/tables **exclude** any pension costs as these are fixed and do not change irrespective of the redundancy compensation figures.

Costs - Redundancy - 34 in 2014/15

X 2 multiplier	(a) X 1.5 multiplier	(b) X 1 multiplier	(c) X 2 using statutory weeks pay not AWP	Combination of (a) and (c)	Combination of (b) and (c)
£472,790	£367,209 a 22% reduction	£244,815 a 48% reduction	£368,706 a 22% reduction	£286,154 a 39% reduction	£190,778 a 60% reduction

5.2 The minimum total individual payment was £1,091.34 and the maximum was £52,771.16, with the average payment being £13,905.60.

Costs - Efficiencies/VRS - 22 in 2014/15

X 2 multiplier	(a) X 1.5 multiplier	(b) X 1 multiplier	(c) X 2 using statutory weeks pay not AWP	Combination of (a) and (c)	Combination of (b) and (c)
£697,929	£561,113 a 20% reduction	£374,075 a 46% reduction	£450,207 a 35% reduction	£361,165 a 48% reduction	£240,776 a 65% reduction

5.3 The minimum total individual payment was £5,039.84 and the maximum was £59,046.52, with the average payment being £31,724.07

5.4 It is estimated that the proposed changes to the redundancy payments outlined within this report would help the council avoid costs of approximately £5m.

5.5 Officers have considered the following:

- The numbers of staff we forecast to lose (as outlined in the Corporate Plan and Budget Report to Policy Committee and Council in February 2015);
- The amount of money that is held in Organisational Change Reserve (which is approximately £5m); and
- A forecast of average redundancy costs based on our current multiplier.

5.6 Therefore, we forecast that based on our current multiplier we would need to significantly increase the Organisational Change Reserve to meet these potential liabilities. Considering the significant financial pressure the authority faces due to reductions in Government Grant and service pressures, as Members are aware, this means the council must save a further £30-40m over the next 3 years.

5.7 Based on this assessment and our financial context, our advice is that we should seek to consult to reduce the redundancy multiplier so that we have a better chance of paying for potential redundancy costs without the need to significantly increase the Organisational Change Reserve as this will divert resources way from service delivery.

6. OTHER IMPACTS

6.1 What cannot be measured accurately are the non-cost / indirect impacts of the above reduction options - in particular the affect that such reductions may place on employees volunteering for redundancy or efficiency releases in the course of change or other programmes.

6.2 Any change to existing redundancy compensation may create, depending on timing, issues of overlap between the start of one scheme and the ending of another.

7. TIMESCALE TO DELIVER

7.1 There are contractual and legal issues to be taken into account when considering the reduction in redundancy compensation:

- Terms and conditions of employment are incorporated into employment contracts. In Reading, these Ts&Cs include the provisions of the national conditions of service (e.g. the Green Book for NJC staff);
- There are two 'levels' of national conditions of service e.g. the NJC for Local Government Employees or Green Book (covering the majority of our workforce) defines these under **Part 2 'Key National Provisions'** (for application by all local authorities to all employees covered by the NJC - basic provisions and standard throughout the UK); and **Part 3 'Other National Provisions'** (which may be modified by local negotiation); and
- These national conditions are supplemented by **local RBC Ts&Cs** (including joint agreements) which have developed over time e.g. additional annual leave entitlements; maternity / paternity and adoption pay and leave; compassionate leave; severance terms etc.

7.2 A proposal to reduce the redundancy compensation can therefore be considered, and this will not impact on, or require a departure from the Council's decision to remain within the NJC national conditions.

7.3 In 2011 when the redundancy compensation was last reduced, this was as part of a package which included a car mileage allowance. Individual staff consultation was carried out followed by the issue of 3 months' notice of the change.

7.4 Any proposal to amend the existing provision will require some difficult decisions and challenging conversations and it could have a significantly negative effect on a workforce that may already feel under pressure and erode the good will which still exists with staff. But this needs to be considered alongside the difficult budgetary constraints the Council faces.

7.5 In terms of good practice there will need to be a period of staff consultation followed by a reasonable requirement of 3 months' notice.

8. INITIAL EQUALITY IMPACT ASSESSMENT

- See attached - Appendix A

Extract from EqIA:-

Although any reduction would have a greater effect on women than men this is a result of the percentage difference between the number of women and men in our employment, not as a result of women being selected/volunteering for redundancy compensation.

The reduction to x1.5 or x1 could have an impact/differential effect on lower paid, part-time female staff. Further feasibility work could be carried out.

**Appendix A Equality Impact Assessment -
Redundancy Compensation**

Name of proposal/activity/policy to be assessed

Directorate: Corporate Support Services

Service: Human Resources

Name and job title of person doing the assessment

Name: Denise Burston

Job Title: HR Partner

Date of assessment: 19 May 2015

Scope your proposal

What is the aim of your policy or new service/what changes are you proposing?

To consider the need for a reduction in redundancy compensation for staff, from a x2 multiplier to another option given the budgetary constraints and future budget pressures.

Who will benefit from this proposal and how?

No benefit to staff from the proposal but overall council reduction in compensation costs would be achieved.

What outcomes does the change aim to achieve and for whom?

The reduction in redundancy compensation costs to reduce council expenditure.

Who are the main stakeholders and what do they want?

Elected members, all staff at Reading Borough Council - likely to want to retain the existing level of compensation payments.

Assess whether an EqlA is Relevant

How does your proposal relate to eliminating discrimination; promoting equality of opportunity; promoting good community relations?

Do you have evidence or reason to believe that some (racial, disability, gender, sexuality, age and religious belief) groups may be affected differently than others? (Think about your monitoring information, research, national data/reports etc.)

No

Is there already public concern about potentially discriminatory practices/impact or could there be? Think about your complaints, consultation, and feedback.

No

If the answer is **Yes** to any of the above you need to do an Equality Impact Assessment.

If **No** you **MUST** complete this statement

An Equality Impact Assessment is not relevant because:

Although any reduction would have a greater effect on women than men this is a result of the percentage difference between the number of women and men in our employment, not as a result of women being selected/volunteering for redundancy compensation.

The reduction to x1.5 or x1 could have an impact/differential effect on lower paid, part-time female staff. Further feasibility work could be carried out.

Signed: Denise Burston

Date 19 May 2015

Signed (Lead Officer)

Date