

SLOUGH BOROUGH COUNCIL

REPORT TO: Employment & Appeals Committee

DATE: 24th March 2015

CONTACT OFFICER: Chief Executive

WARD(S): All

PART 1 **FOR APPROVAL**

CHANGES TO STAFF REDUNDANCY PAYMENTS

1 Purpose of Report

To consider a proposal to amend the discretionary elements of the Council redundancy payment scheme.

2 Recommendation(s)/Proposed Action

2.1 That Employment & Appeal committee agree the proposed changes to the redundancy payment schemes notably:

- **Reducing the levels of redundancy payment through reducing the current redundancy multiplier of 2.5 to 1.5**
- **A capping of the maximum number of weeks payable from the current 75 weeks to 30 weeks**

OR

- **Taking note of feedback from the Trade Unions, adopt a different model.**

3 Supporting Information

3.1 On the 5th February 2015 a consultation on proposed changes to the council redundancy payments scheme was issued to affected staff across the organisation and in schools. Trade Union representatives were also sent a copy of the proposals. The consultation, which is attached to this report, sets out the need to ensure a balance between a fair employment offer for staff and the financial realities of a reducing Council budget. The proposal was based on an independent report by the Council's internal auditors and advice had also been taken from an external HR specialist.

3.2 At the close of the consultation a very limited number of replies were received. These included a request from Trade Unions, on behalf of their members. This request sought a considerable enhancement to the proposal which would have meant that the Council remained an outlier from the significant majority of local authorities within the benchmark report. Following discussions with the Trade Unions they are to survey their members on an alternative proposal.

This proposal has two choices:

A) Reducing the levels of redundancy payment through reducing the current redundancy multiplier of 2.5 to 1.75 and capping the maximum number of weeks at 30

Or alternatively:

B) Reducing the levels of redundancy payment through reducing the current redundancy multiplier of 2.5 to 1.65 and capping the maximum number of weeks at 35

3.3 To allow for sufficient time for TU members to be canvassed, an update and results of the TU survey will be circulated at the committee as a supplementary paper.

CONSULTATION DOCUMENT

PROPOSED CHANGES TO REDUNDANCY PAYMENTS

Date: 5 February 2015

Circulation:

All staff

Corporate Consultative Forum Members

Schools based staff via Gatekeeper

Headteachers via Gate Keeper

Regional Trade Union Representatives:

- Ruth Smith UNISON
- Bob Middleton, UNITE
- Donna Dowling GMB

ARVATO, Cambridge Education

PLEASE TAKE THE TIME TO READ THIS DOCUMENT AS IT MAY CONTAIN PROPOSALS WHICH WILL AFFECT YOU IN RESPECT OF YOUR ENTITLEMENT TO RECEIVE REDUNDANCY PAY

1. INTRODUCTION

This document details the proposals for:-

- Reducing the levels of redundancy payment through reducing the current redundancy multiplier of 2.5 to 1.5 and capping the maximum number of weeks payable from the current 75 weeks to 30 weeks
- the implementation of the above change

2. AFFECTED STAFF

The proposals affect all directly employed staff within the Council. The majority of staff are employed under the National Joint Council 'Green Book' Conditions of Service. These and Joint National Committee for Chief Officers Conditions of Service will be affected by the proposals within this document.

Slough school-based support staff, where the Local Authority is the employer i.e. community and voluntary controlled schools, are also affected by these proposals.

Staff of Arvato and Cambridge Education may be affected by these proposals and should seek advice from their HR service.

A copy of these proposals will be provided via email and available on the intranet to all affected staff and the relevant recognised independent trade unions as part of the consultation process.

Staff are encouraged to make any comments on the proposals before the deadline to enable them to be considered before the final proposals are provided to Employment & Appeals Committee in the week beginning 23 March 2015

Staff information sessions to go through these proposals will be held in the week beginning 9 February 2015.

3. BACKGROUND - THE NEED FOR CHANGE

As a modern council, which in future will be expected to continue to respond to the changes of reduced budgets and increased demand for services, it is important we ensure our limited financial resources are available to meet the needs of the Council in the future. To be responsive to this we need to be agile and cost effective. This will also include the benefits and terms and conditions on which we employ staff, striking a balance between a competitive employment offer and value for money for local taxpayers.

Across the Council staff have successfully delivered savings approaching £50 million since 2010. Consequently the organisation is very different in size, shape and in what we deliver directly or through partners. In the years 2015 to 2019 we must make further savings of more than £35m.

The Council has made every effort to reduce cost without reducing staffing, particularly in frontline services. Savings have been achieved through service transformation, partnering arrangements, accommodation changes, restructuring the Council's finances, increasing tax and rate collection and significantly reducing the Council's management structure. Where services have been reorganised and reduced, the Council has avoided compulsory redundancies, wherever possible, by pursuing natural change, redeployment and voluntary redundancy.

The Council in the years 2010, 2011 and 2012 undertook a Planning for the Future exercise (PFTF), inviting all staff to express interest in early retirement, redundancy, reduced hours etc. In the first two years PFTF achieved significant voluntary staff change and organisational change whilst avoiding large numbers of compulsory redundancies. PFTF was successful in recovering the total severance costs within about one year. The redundancy payments and associated access to pension where applicable were very attractive in comparison with the statutory minimum and were valuable in stimulating voluntary change. Yet this change came at a high one-off charge on the Council's budget. In 2012 fewer staff applied for redundancy and only a very few were in roles which could be discontinued and where a financial case could be made for their release. PFTF was a valuable exercise for both staff and the organisation. In a much smaller, less flexible organisation it cannot now achieve the level of change we may want. Meanwhile service restructures have been necessary to achieve greater levels of change. Every year staff have been advised the redundancy payments are likely to be revised. Many staff will be aware other councils have reviewed and reduced their redundancy payments in recent years.

The need to find further savings over forthcoming years has led to a review of costs associated with the workforce. The cost of redundancies, specifically redundancy payments, even if eventually recoverable through savings, is a significant charge on the budget. Although redundancy payments can be used to stimulate necessary change, in a climate of austerity high sums can attract criticism. There is a national statutory formula for calculating redundancy payments however employers can enhance the formula.

An initial report to CMT showed the Council's redundancy payments were falling out of step with some other authorities and there was an opportunity to reduce redundancy costs. Since all officers of the Council have a potential interest in the payments scheme, an independent report was commissioned from the Council's internal auditors.

The auditors were asked to recommend a revision to the redundancy payments which balanced a number of issues including offering a scheme affordable to the local taxpayer as well as ensuring staff retention and recruitment issues are mitigated wherever possible.

4. TECHNICAL INFORMATION

Within any redundancy policy there are a range of options and terms and these are summarised below. The broad method used for working out redundancy payment is to complete the calculation:

Weekly pay x redundancy multiplier (no. of weeks) = Redundancy paid

Statutory redundancy pay applies to employees with 2 years or more service and is based on the following:

- half a week's pay for each full year if aged under 22
- 1 week's pay for each full year if aged 22 or older, but under 41
- 1 and half week's pay for each full year if aged 41 or older
- Length of service is capped at 20 years and weekly pay is capped at £470.

The report benchmarked the Council's payment scheme against more than 40 other local authorities and public sector bodies. It considered

- Weekly pay. This can be the actual weekly pay, or the statutory minimum of £470 per week.
- The redundancy multiplier and in particular a discretionary factor. Multiplying a discretionary factor with the statutory weeks' pay as defined for the age bands above generates the number of weeks pay paid by the employer.
- Whether to apply statutory age bands or to have a standard multiplier irrespective of age.
- Capping. Some schemes cap the number of applicable years included in the redundancy multiplier at higher than the statutory 20 years. Some schemes also cap the maximum number of weeks included in the redundancy multiplier.
- Some schemes cap the total sum of money payable.
- Some schemes have alternative schemes for compulsory and voluntary redundancies.

The Council's current payment scheme is significantly above the statutory minimum that can be used. It uses actual weekly pay and has a discretionary redundancy multiplier of 2.5. The scheme is capped at 20 years of service and 75 weeks. It applies the statutory age bands.

5. OPTIONS CONSIDERED

The independent analysis generated the options below and proposals for consideration. The discretionary multiplier and any cap make the primary differences to the redundancy payment. Some councils have adopted a lower option for one and higher for the other or vice versa. Some councils have opted for lower for both or higher for both. The options ultimately recommended for consideration allow for some variation whilst all offering a reduced cost.

Policy area	Current approach	Recommended approach	Rationale
Weekly pay	Applies weekly pay	Apply weekly pay	Used by most Councils and applies directly to the current pay for each individual member of staff

Discretionary redundancy multiplier	2.5	1.5 or 1.75	1.5 is the average amount used by Councils. It is above the statutory minimum and so can assist in recruitment and retention, but will reduce the cost to the local taxpayer
Variable multiplier for statutory age bands	1.25 before aged 22 3.75 after aged 41	Retain age bands so if multiplier is 1.5: 0.75 before aged 22 2.25 after aged 41	To retain the statutory age bands, but to keep these under review. With no retirement age and an increasing point at which staff can take their pension, the age of 41 appears quite arbitrary now. Of the 44 Council policies reviewed, 39 retain the multiplier
Cap on years	20	20	Retain the current cap
Cap on weeks	75	Options of 30 or 45	Decrease the weekly cap. This will mean that the maximum any member of staff can claim is 30 or 45 weeks (redundancy multiplier). Of the 44 policies reviewed, 25 had a cap of 30 weeks. The others ranged from 45 to 70 with two outliers at the maximum of 104 weeks.
Change rate for over 55 year olds (as would have access to pension)	Treat the same	Treat the same, but review	Continue as current policy but seek to review to see how this progresses in the next two years

The auditors' report highlighted some other options. These were considered and rejected on the following basis and as not meeting the council's objectives:

Proposal	Commentary
Retain current scheme	SBC currently an outlier. The current financial climate restricts the finances available for redundancy costs. The current policy does not protect the taxpayer's interests as much as it could

£30k limit	This would not be equitable across the board. Staff who have been at SBC for a longer period of time or who had higher earnings would be penalised more
20 years / 30 weeks only (keep current multiplier)	Does not address SBC being an outlier with a much higher multiplier than others
Multiplier 1.5 (0.75 for under 22, 2.25 for staff over age of 41) and 20 year cap only	On its own, this does not address some of the overall sizes of redundancy packages as there could be up to a multiplier of 45 weeks' pay in this proposal
Statutory multiplier of 1 and actual weekly pay	This could have detrimental recruitment and retention issues (e.g. staff coming from other local authorities would be concerned that if they were made redundant there wouldn't be sufficient protection in place). Also not in line with statutory entitlements for aged over 41
Multiplier of 1.75 and 45 weeks cap	Multiplier would be above the average of the other council policies considered and the 45 week cap would be outside the mode average. There would be a benefit to staff across the piece / an increased cost to the Council
Statutory minimum	See the above

This analysis generated three options for consideration:

Multiplier of 1.5 and 20 years' service and 30 weeks' cap	Multiplier would be at the average; however the 20 years'/30 week cap would put limits on overall pay. It offers the lowest cost to the Council of these three options
Multiplier of 1.75 and 20 years' service and 30 weeks' cap	Multiplier would be above the average; however, the 20 year / 30 week cap would put limits on overall pay. There would be a benefit to those staff who have been here for a shorter period of time and an increased cost to the Council
Multiplier of 1.5 and 20 years' service and 45 weeks' cap	This option, compared to the first, would mean staff with longer service would see a comparative benefit to option 1 through this / an increased cost to the Council

6. PROPOSAL

On review of the options, the proposal is for the discretionary multiplier of 1.5 and a cap of 20 years and 30 weeks. The average of the schemes reviewed by the independent report showed an average multiplier of 1.5 and it is proposed that the Council move to this average. This is still above the statutory minimum level for the multiplier (and the Council is not proposing to change to the statutory minimum weekly pay). The 20 year / 30 week

cap is also the most common combination with 25 of the 44 schemes using this. This generates the redundancy ready reckoner attached.

The revised scheme still enables the Council to provide a significantly enhanced level of redundancy payment above the statutory minimum, but also reduces the financial burden on the local taxpayer arising from future redundancy costs.

7. IMPLEMENTATION AND TRANSITIONAL ARRANGEMENTS

It is proposed that this new payment scheme will take effect from the 1st April 2015. However, for this to occur and ensure consistency, the Council would need to apply some transitional arrangements for those consultations which have already commenced or are about to commence which would apply under the old scheme.

It is proposed therefore that the restructure consultations which have been fully launched (i.e. approved by CMT and sent to staff) by **6 February 2015** *and* where the respective members of staff receive their redundancy payments **before or on 30 June 2015** will be considered under the existing redundancy payment scheme.

It is also proposed that any member of staff who identifies that:

- by 28 February that their post could be redundant
- and that can occur by 30 June
- and there is a sound business case that must demonstrate a genuine redundancy and a financial case
- and the redundancy can be achieved within the period without disruption to the service.

will be eligible to be considered under the existing redundancy payment scheme. There will be no guarantee that such an application will be approved and all cases will be treated on their merits, and these will be approved by CMT.

8. COUNTER PROPOSALS

Any counter-proposals or concerns around the proposals from individuals or groups of affected staff and the trade unions should be put in writing to **Ruth Bagley, Chief Executive by 10 am on 9 March 2015** via **Surjit Nagra**, HR, Ground Floor West, St Martins Place, 51 Bath Road, Slough, SL1 3UQ marked 'Response to Consultation'.

Counter-proposals should aim to meet the objectives of helping to achieve the budget savings required as outlined in Section 3.

Subject to the results of the consultation and the consideration of counter-proposals, it is intended to implement these proposals from **1 April 2015** with the transitional arrangement set out.

9. PURPOSE OF CONSULTATION

The purpose of this consultation is:

- to listen to your comments and suggestions
- to consider alternatives that meet the identified objectives

It will not be possible to reply to every individual response, however, all will be considered and generic responses will be added to the 'Frequently Answered Questions (FAQs)' section on SBC Insite.

10. PROPOSED IMPLEMENTATION TIMETABLE

During the consultation and implementation it is proposed to take steps to ensure staff are dealt with fairly and consistently, and to minimise uncertainty for all concerned.

Dates	Action
5th February 2015	Commencement of formal consultation. Proposals issued to all affected staff and Regional Trade Unions
Wednesday 11 th February 2015 and Thursday 12 th February 2015	Staff Information sessions by senior managers supported by HR Representatives will take place in the Small Hall at the Centre, Farnham Road as follows Wednesday 11 th Feb at 9.30 am Thursday 12 th Feb at 2pm . For Individual HR Surgeries. Appointments can be arranged by contacting Andleeb Akhtar on 01753 875774
9th March 2015	End of formal consultation period and any formal responses to have been submitted in writing to Ruth Bagley, Chief Executive by 10 am on 9 March 2015 via Surjit Nagra , HR, Ground Floor West, St Martins Place, 51 Bath Road, Slough, SL1 3UQ marked 'Response to Consultation
11 th March 2015	Consideration of received responses by Corporate Management Team supported by internal auditors
Week beginning 23 March 2015	Report to Employment & Appeals Committee
Week Beginning 30 th March 2015	Outcome of Consultation sent by all user email / letter to all staff.
1st April 2015	Implementation of proposals with transitional arrangement

11. CONCLUDING REMARKS

The Council's redundancy payment scheme, specifically the factors contributing to the multiplier, has not been reviewed for more than seven years. Over this period, whilst the Council's redundancy package has been a useful tool in enabling organisational change,

there have been some significant changes to the financial and operational environment in which the Council operates. The proposal reduces costs whilst remaining above the statutory minimum the Council could opt to approve. It remains in line with comparator authorities. In so doing it balances the interests of staff and taxpayers.

Staff are encouraged to make any comments on the proposals before the deadline to enable them to be reflected in the report to the Employment & Appeals Committee via e-mail or by post addressed to **Ruth Bagley, Chief Executive by 10 am on 9 March 2015 via Surjit Nagra**, HR, Ground Floor West, St Martins Place, 51 Bath Road, Slough, SL1 3UQ marked 'Response to Consultation.

Ruth Bagley
Chief Executive
Date 5 February 2015