

APPENDIX E

WAVERLEY BOROUGH COUNCIL

EXECUTIVE - 7 DECEMBER 2010

Title:

WAVERLEY'S REDUNDANCY PAYMENT POLICY

[Portfolio Holder: Cllr Mike Band]

[Wards Affected: All]

Summary and purpose:

The purpose of this report is to consider a revised redundancy payment policy following the request from Council at the 20 July 2010 meeting to review the policy, and the meetings between the employer's representatives and with staff representatives of the Joint Negotiating Committee.

How this report relates to the Council's Corporate Priorities:

Achieving value for money from all Waverley's spending requires all employment policies to be reviewed on a regular basis to ensure the appropriate balance is achieved between employees and council taxpayers and tenants and contribute to the sound financial management of the Council.

Equality and Diversity Implications:

Equalities legislation, particularly relating to age and gender, requires the Council to ensure that the scheme does not disproportionately disadvantage any particular group of employees. The proposals will ensure that all staff who have worked over two years will receive consistent payments for each year worked. The Council is able to show an objective justification for rewarding loyalty (by making higher payments to those who, by virtue of age, are able to demonstrate longer service than younger employees) and seeking to redress the balance between those employees who will receive early payment of their pension benefits, and those who are not eligible to do so. An Equality Impact Assessment has been carried out and is attached.

Resource/Value for Money implications:

If adopted, the proposals will allow the Council to reduce its redundancy costs in line with developing market conditions whilst providing staff with benefits in excess of the statutory minimum.

Legal Implications:

This report takes account of current employment law and best practice and follows one month's formal consultation with Staffside in accordance with The Local Government (Early Termination of employment) (Discretionary Compensation) (England and Wales) Regulations 2006.

Background

1. This report proposes to the Executive that Waverley changes the current severance payment scheme in the context of changes taking place in other parts of the public sector and the unprecedented economic situation. The Council has recently completed the streamlining of the senior management team and was able to limit the number of staff facing possible redundancy, and/or early retirement, to a minimum. These changes have placed the Council in a stronger financial position and should mean that the Council will avoid having to instigate redundancies this financial year and in the foreseeable future. As part of the Executive's review of all Terms and Conditions the new policy is proposed to bring it into line with changing practice and market conditions. Therefore this report recommends an appropriate reduction in the current severance payment scheme based on a reduction from 3 times actual weeks' pay (up to a maximum cap of 66 weeks) to 1.5 times actual weeks' pay with no maximum cap.

The Current Redundancy Payment Scheme

2. When the Council last reviewed its policy in 2007, along with most local authorities, it adopted a severance payment scheme that provides staff who are made redundant with compensation calculated by reference to three variables:
 - length of service;
 - actual weekly pay based on basic salary;
 - whether or not they will be eligible for immediate payment of pension benefits.
3. Currently staff receive a redundancy payment equivalent to three weeks' pay for each year of local government service (up to a maximum of 66 weeks). In exceptional cases local government redundancy legislation allows a payment of up to 104 weeks.
4. Staff over 55 who are made redundant receive a pension straight away (it should be noted that prior to the recent statutory change in the early retirement provisions, staff would have been able to retire aged 50 years, up to April 2010). Given that this results in extra immediate costs to the Council, these costs are deducted from the redundancy payment on the proviso that their final redundancy entitlement does not fall below the statutory minimum calculation. This lower redundancy payment recognises the benefit to the employee of receiving their pension immediately, before normal retirement age.

What is the statutory minimum redundancy payment?

5. These minimum guaranteed redundancy payments are calculated on weekly pay and length of service, but offer limited compensation in comparison to the contractual redundancy schemes offered by larger employers, both in the public and private sector. Individual compensation payments are calculated as follows:
 - 0.5 week's pay for each full year of service under the age of 22

- 1 week's pay for each full year of service between 22 or above, but under 41
- 1.5 week's pay for each full year of service aged 41 or above

but a week's pay is capped at £380 per week (equivalent to an annual salary of £19,769) and any service over twenty years is discounted in the calculation.

Comparison of current and proposed scheme

6. The Council has been successful in managing down the number of actual redundancies, through careful vacancy management and other recruitment controls, natural wastage, redeployment etc. Over the past three years Waverley has saved a total of £3.5 million and reduced its FTE staff numbers from 426 to 380. Whilst the Council will always endeavour to avoid compulsory redundancies, it is not possible to predict whether external factors will make some compulsory redundancies unavoidable over the medium term. Where they are necessary, the Council's aim should be to make sure that the costs of such redundancies are wholly appropriate and strike a reasonable balance between employee and council taxpayer.
7. The following table uses a "typical" employee of a 40-year-old member of staff, with nine years' service paid £31,000 (£595 per week) to demonstrate comparable costs of the statutory scheme, the current scheme with a weighting of 3 times the actual years and the proposal to change the multiplier to 1.5 times the actual years for redundancy payments. The "typical" employee calculation has been made by analysing both the age profiles and salaries of all employees and arriving at an average.

Table 1 – Calculating the number of weeks pay for a typical employee aged 40 years with nine years' service

Multiplier	Redundancy Payment
	£
Statutory minimum (9 weeks x £380)	3,420
Current scheme (3 x 9 actual weeks) x (actual weekly salary £595)	16,065
Proposed scheme (1.5 x 9 actual weeks) x (actual weekly salary £595)	8,033

8. In considering redundancy payments the Council must always be mindful of the financial case to justify any proposal. To this end the Council has used Audit Commission guidance, which suggests that redundancy costs should result in a payback within 3 years. However, in practice, the Council has usually secured a payback around one year, thereby securing financial benefits to the council taxpayer that much sooner

Maximum Caps

9. Whilst there is a maximum payment of 104 weeks under local government redundancy regulations and a range of caps used down to the statutory scheme of 30 weeks, the Council has operated a cap of 66 weeks since 2007. With the reduction in the multiplier to 1.5 week for every year of service, councillors at the recent meeting of the Joint Negotiating Committee (JNC), felt that as the cap would so seldom apply they were minded to remove the cap, i.e. an employee would have to work at least 44 years within local government before the cap would be triggered. Following detailed discussions with the recognised trade union at the JNC meeting on 4 November 2010, it was decided that the maximum cap would be removed.

Voluntary Redundancy

10. The Council has applied a multiplier of 1 week for every year of service to cases of voluntary redundancy with the proviso that this was not less than the statutory minimum and this report recommends the retention of this. However, in the event that the Council in the future needs to issue an invitation to staff to apply for voluntary redundancy, Councillors on the JNC proposed to seek prior Council approval as an exception to policy in these circumstances, to amend the voluntary redundancy payment rate from 1 week per year of service to 1.5 weeks per year. It should be emphasised that it is not anticipated that any redundancies will take place this financial year or in the foreseeable future. However, where it is necessary to make redundancies the Council may wish to increase the voluntary redundancy payment rate in this way, to create a sufficient incentive for some staff to volunteer, thereby avoiding compulsory redundancy(ies).

Retirements in the interest of the efficiency of the service

11. The current scheme requires cases to be considered on their own merits, with the expectation that any payment should not exceed that which would be payable in redundancy cases. There is no proposal to amend this policy.

Staffside Consultation

12. Staffside were informally consulted at a series of meetings during the recent streamlining restructuring process and are aware that the Council is reviewing its redundancy policy. It has been emphasised that there are no redundancy plans and redundancies will continue to be a last resort and that Waverley is committed to finding redeployment for those affected and will reduce costs, wherever possible, through alternative measures such as increasing efficiency and value for money.
13. The revised redundancy report was discussed at two recent JNC meetings where Staffside produced a formal response outlining staff opposition to the initial proposal of reducing the redundancy policy to 1 weeks pay for every year of service and the introduction of a 40 week cap.
14. Following discussions at the most recent JNC meeting on 4th November 2010 the following changes were proposed to be included in this report:-

- 1) to increase the redundancy payments under the policy from 1 week per year of service to 1.5 weeks per year*;
- 2) to remove any upper limit to the number of weeks' pay they would give in the event of redundancy (previously they had proposed a cap of 40 weeks);
- 3) in the event that the Council in the future needs to issue an invitation to staff to apply for voluntary redundancy (which there are no plans to actually do), as an exception to policy in these circumstances, to seek prior Council approval to amend the voluntary redundancy payment rate from 1 week per year of service to 1.5 weeks per year.

*NB – It should be noted that Surrey County Council reduced its redundancy payment scheme from 3 weeks' actual pay to 1.5 weeks' actual pay with effect from 30th April 2010.

Next Steps

15. Having completed formal consultation with Staffside, starting from 23 September 2010 and ending on 4 November 2010, the Council has completed the one month's formal consultation required under the Regulations. If the Executive and Council agree to the recommendations, the revised severance payment scheme will be introduced with effect from 1st January 2011.

Conclusion

16. The proposed new redundancy payment policy would provide a scheme, which gives reasonable compensation to a redundant employee, striking a fair balance between the interests of all the parties.

Recommendation

It is recommended to the Council that the revised redundancy payment scheme be adopted, as follows:

- (a) Reducing from the current 3 weeks' actual salary for every year of local government service for employees who are not entitled to early payment of pension benefits up to a maximum of 66 weeks' salary to a revised scheme based on 1.5 times actual salary for every year of local government service for employees who are not entitled to early payment of pension benefits, with no maximum cap.
- (b) For those entitled to immediate receipt of pension benefits, the redundancy payment in (a) above be reduced by the cost of any 'pension strain', on the proviso that the net payment does not fall below redundancy calculation payable in accordance with the statutory scheme.

- (c) That the policy for voluntary redundancy be maintained at 1 weeks' actual salary for every year of local government service with no maximum, however, in the event that the Council in the future needs to issue an invitation to staff to apply for voluntary redundancy (which there are no plans to actually do), as an exception to policy in these circumstances, to seek prior Council approval to amend the voluntary redundancy payment rate from 1 week per year of service to 1.5 weeks per year, and
- (d) That retirements in the interest of efficiency of the service be considered on their own merits, with the expectation that any payment should not exceed that which would be payable in redundancy cases.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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