

Title of Report:	Review of the Redundancy Multiplier
Report to be considered by:	Personnel
Date of Meeting:	5 October 2015
Forward Plan Ref:	PC3040

Purpose of Report: To review the current multiplier of 2.0 used in redundancy calculations at West Berkshire Council to ensure that it is set at an appropriate level compared to other local authorities.

Recommended Action:

1. This report recommends that the multiplier is reduced from 2.0 to 1.5 on 1st December 2015 and reduced again to 1.0 on 1st December 2016.
2. This recommendation to reduce the multiplier is presented to the Personnel Committee for a formal decision.

Reason for decision to be taken: To ensure that the multiplier provides value for money and that WBC is in line with other local authorities on this issue.

Other options considered: None

Key background documentation: Employer Statement of Policy on the Local Government Discretionary Compensation Regulations

The proposals contained in this report will help to achieve the following Council Strategy priority:

MEC1 – Become an even more effective Council

The proposals contained in this report will help to achieve the above Council Strategy priority by:
ensuring that the Council is able to achieve necessary savings on staffing costs efficiently and effectively

Portfolio Member Details	
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Date Portfolio Member agreed report:	01 September 2015

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Implications

- Policy:** The recommendation in this report would change the Council's policy on the Local Government Discretionary Compensation Regulations. □□□□
- Financial:** There will be some savings, as future redundancy payments will be smaller.
- Personnel:** The recommended reduction in the level of the multiplier will be subject to consultation with the unions.
- Legal/Procurement:** The maximum possible level of the multiplier is set by law at 3.46 (possible maximum payment of 104 weeks' pay).
The Council must publish a policy on the use of the discretions available to it under the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006. If the policy is changed as a result of this report, employees must be given one month's notice of the introduction of the new policy.
- Property:** none
- Risk Management:** none

Is this item relevant to equality?	Please tick relevant boxes		Yes	No
Does the policy affect service users, employees or the wider community and:				
• Is it likely to affect people with particular protected characteristics differently?			<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Is it a major policy, significantly affecting how functions are delivered?			<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Will the policy have a significant impact on how other organisations operate in terms of equality?			<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Does the policy relate to functions that engagement has identified as being important to people with particular protected characteristics?			<input type="checkbox"/>	<input checked="" type="checkbox"/>
• Does the policy relate to an area with known inequalities?			<input type="checkbox"/>	<input checked="" type="checkbox"/>
Outcome (Where one or more 'Yes' boxes are ticked, the item is relevant to equality)				
Relevant to equality - Complete an EIA available at http://intranet/EqIA				<input type="checkbox"/>
Not relevant to equality				<input checked="" type="checkbox"/>
Is this item subject to call-in?	Yes: <input checked="" type="checkbox"/>	No: <input type="checkbox"/>		

Executive Report

1. Introduction

1.1 The Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 provide for the Council to:

- (1) use an amount up to actual weekly pay rather than the statutory maximum (currently £475 as at Feb 2015) for the purpose of calculating a redundancy payment; and
- (2) Make lump sum compensation payments of up to 104 weeks' pay to employees whose employment ends by reason of redundancy or efficiency.

1.2 Councils, on LGA advice, enhance redundancy pay by multiplying the number of weeks' pay that an employee is entitled to under the statutory redundancy scheme. Redundancy pay is worked out on a combination of age and years of continuous service; the maximum number of weeks' pay for a redundancy payment under the statutory scheme is 30 weeks. To get to the maximum of 104 weeks pay the multiplier would be set at 3.46.

1.3 Until October 2011 WBC used a multiplier of 3.0 times the statutory number of weeks' pay. The Personnel Committee then made a decision to reduce the multiplier to twice the statutory payment. It has remained at 2.0 since October 2011.

1.4 In the May 2015 Queen's speech the Government announced plans for new regulations, to be contained in an Enterprise Bill, to cap severance payments for senior public sector staff who are made redundant. The government is currently consulting on a proposal to limit exit payments in the public sector to £95,000. This could adversely affect higher paid, long serving staff who are made redundant after the age of 55 (as exit costs in the consultation includes the compensation paid to the LGPS fund for the early release of the pension of the employee).

1.5 The multiplier applies to support staff in schools, but not to teachers (defined as employees paid under the provisions of the School Teachers' Pay & Conditions Document, STP&CD). Teachers over 55 have the possibility of receiving added years of pensionable service under the Teachers' Pension Scheme at the discretion of the governing body.

1.6 The multiplier used in WBC is compared to other local authorities in section 2 below. The potential savings by reducing the multiplier are considered in section 3 below.

1.7 The Council has a redundancy policy which seeks to redeploy staff to other posts rather than make them redundant. The policy is contained in the Organisational Change Policy and Procedure (on the HR intranet). A summary of the Council's Redundancy Policy is shown at Appendix C.

2. Comparative data

2.1 HR has conducted a survey of 23 local authorities (LAs) to compare the level of multiplier at WBC with a range of other LAs (including the Berkshire LAs). The

results from the survey are shown at Appendix A. The mean average of all the multipliers in the survey is 1.54. There are 12 local authorities out of 23 in the survey with a multiplier of 1.0.

2.2 Almost all LAs use actual week's pay rather than the statutory definition of a week's pay to calculate redundancy payments.

3. Potential savings if the redundancy multiplier is reduced

3.1 The actual savings from a reduction in the multiplier are impossible to quantify with certainty because future redundancies are not yet known. However, it is possible to predict the level of savings from the redundancy figures from previous years.

3.2 At the end of 2014/15 the cost to the Council for redundancy payments (and compensatory payments to the LGPS for the early release of pension benefits for employees aged over 55) was £305,634 for 9 employees. If the multiplier had been reduced from 2.0 to 1.5 this cost would have been reduced by £43,165. If the multiplier had been reduced from 2.0 to 1.0 this cost would have been reduced by £86,330.

3.3 A summary of the notional savings over the last four years if a multiplier of 1.5 had been used is shown at Appendix B.

4. Discussion

4.1 The costs to the Council of some employees being made redundant seem high. However, this is because these employees have long service and are over the age of 55 when they were made redundant. Under the LGPS regulations, where an employer makes a member of staff aged 55 or over redundant, it triggers automatic payment of the pension rights that the employee has accrued in the scheme. The cost to the Council of the compensation paid to the pension scheme for the early release of the pension can be high. So if the Personnel Committee decides to reduce the multiplier to 1.5 and then to 1.0 there will still be some redundancies which are still high cost, albeit they will be less expensive than if the multiplier remained at 2.0.

4.2 The high cost redundancies must show value for money in terms of business benefits and payback on any savings from changed structures. It is therefore proposed that if the total cost of a redundancy (which will be a combination of redundancy pay and compensation for early release of LGPS pension) will be over £95,000 the Head of HR conducts an investigation into the costs and benefits of the severance package. The result of this investigation will be subject to consultation with the Chief Executive, the Head of Legal Services and the Head of Finance before the redundancy costs are sent to the Executive for approval. However, if the government's consultation leads to legislation preventing the total exit cost being over £95,000 this will be unnecessary.

4.3 There was a hostile reaction to the last reduction in the multiplier in 2011 with a large number of employees attending the Personnel Committee and full time officials of Unison and GMB in attendance to argue for a continuance of the higher multiplier of three. However, under the regulations the rate set for the redundancy multiplier is a discretionary power and does not constitute a contractual right for employees.

- 4.4 The current multiplier of 2.0 means that staff in a redundancy 'pool' are more likely to volunteer for redundancy which obviates the need for a selection process and compulsory redundancy. This reduces organisational conflict and leads to a more positive employee relations environment. However, this benefit needs to be set alongside the financial position of the Council and the potential savings that could be made by a reduction in the multiplier.
- 4.5 The comparative data shows that WBC is generous using a multiplier of 2.0. The comparative data suggests that a reduction to 1.5 and then to 1.0 can be justified.
- 4.6 The timing of any reduction in the multiplier is important. A change should occur before any redundancy notice letters are sent to employees. For the 2015/16 round of redundancies the notice letters will be sent out by HR on 18th December 2015 (to terminate employment on the grounds of redundancy on 31st March 2016). Some notice letters may be sent out on 1st April 2016 after public consultation ends. The Personnel Committee will meet on 5th October 2015 and there needs to be a one month waiting period before any changes to the Council's policy on discretionary payments can come into force. This makes 1st December the most logical date for implementation. This report therefore recommends that the multiplier is reduced from 2.0 to 1.5 on 1st December 2015.
- 4.7 Operation Board would like to see the multiplier reduced to 1.0 and recognise the importance of timing as discussed above. Therefore this report recommends that the reduction to 1.0 is delayed until 1st December 2016.

5. Recommendation

- 5.1 Personnel Committee is asked to support the recommendation in this report to reduce the redundancy multiplier from 2.0 to 1.5 on 1st December 2015; and from 1.5 to 1.0 on 1st December 2016.
- 5.2 Personnel Committee is asked to support the recommendation that if the total cost of redundancy pay and compensation for early release of LGPS pension will be over £95,000 the Head of HR conducts an investigation into the costs and benefits of the severance package. The result of this investigation will be subject to consultation with the Chief Executive, the Head of Legal Services and the Head of Finance before the Head of HR decides whether to send the redundancy/pension costs to the Executive for approval.
- 5.3 Operations Board considered and recommended the two stage reduction in the multiplier at its meeting on 24th September 2015. The final decision will be taken by the Personnel Committee on 5th October 2015.

Appendices

Appendix A - Survey of the level of multiplier used in other LAs

Appendix B - Summary of notional savings if lower multiplier used over last four years

Appendix C - summary of Redundancy Policy in West Berkshire Council

Consultees

Local Stakeholders: Not applicable

Officers Consulted: Corporate Board

Trade Union: Will be consulted before Personnel Committee on 5th October 2015