
Review of Discretionary Compensation for Redundancy - Summary Report

Committee considering report:	Personnel Committee
Date of Committee:	30 June 2016
Portfolio Member:	Councillor James Fredrickson
Date Portfolio Member agreed report:	02 June 2016
Report Author:	Robert O'Reilly
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1. Purpose of the Report

- 1.1 To consider a change to the way in which the Council uses its discretion to enhance redundancy payments.

2. Recommendation

- 2.1 It is recommended that West Berkshire Council reduces the multiplier it uses to calculate redundancy compensation payments, from 2 to 1.5 times the statutory number of weeks' pay, with effect from 1st September 2016. The multiplier should continue to apply to all redundancies, whether or not the individual is a volunteer or is entitled to an immediate unreduced pension.

3. Implications

- 3.1 **Financial:** There will a reduction in the cost to the Council in redundancy payments. This will vary from year, depending on the number of redundancies and the salary and length of service of those made redundant. For example, in 2015/16 this change would have saved the Council £28,351.
- 3.2 **Policy:** If agreed, the Council will need to amend its policy on the use of discretions under the relevant regulations. It is a statutory requirement to have such a policy and any changes must be published at least one month before they come into effect.
- 3.3 **Personnel:** The reduction in the multiplier will mean that it may be harder to achieve voluntary redundancies, particularly among employees under the age of 55. Employees aged 55 and over who are members of the pension scheme will continue to have access to an immediate pension, and so the change in policy will have less impact on their total 'package'.
- 3.4 **Legal:** As above – the change must be published by end July to be able be put into effect from 1st September 2016.

3.5 **Risk Management:** n/a

3.6 **Property:** n/a

3.7 **Other:** n/a

4. **Other options considered**

4.1 The Council could continue with its current policy of paying twice the statutory number of weeks' pay to redundant employees. The survey data this year suggests that a minority of LAs pay enhanced redundancy at this rate. It is more common to pay the statutory number of weeks or, where more weeks are paid, less than twice the statutory number.

4.2 The Council could reduce its multiplier to one – i.e. pay only statutory weeks. This was contained in a proposal in 2015 and proved very unpopular with the unions and would be likely to have a detrimental effect on the generally positive employee relations environment in the Council.

5. Executive Summary - introduction

- 5.1 The cost of making local authority employees redundant is based on the redundancy payment (which may be enhanced beyond the statutory minimum) and any costs incurred by the pension fund for automatic early retirement of pension scheme members aged 55 or over.

6. Discretionary payments

- 6.1 Local authorities have discretion to enhance, beyond the statutory minimum, redundancy payments made to employees. The discretions available are contained in the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006. Each local authority must publish its policy on how it will use these discretions.
- 6.2 The key discretions available are to calculate the payment using actual weekly pay rather than the statutory maximum (which is £479 per week in 2016), and to pay an amount up to 104 weeks' pay (the statutory maximum is 30). Statutory redundancy pay for each individual will depend upon age and length of continuous local government service.
- 6.3 West Berkshire Council initially used its discretion to use actual weekly pay and to multiply the statutory number of weeks by three (making the maximum payment 90 weeks' pay). In 2011, it reduced the multiplier to two, making the maximum payment 60 weeks' pay. WBC's current policy on discretionary compensation and redundancy is summarised in Appendix C.
- 6.4 In addition to these discretions, local authorities may also choose to award additional pension to employees who are members of the Local Government Pension Scheme and who are 55 or over when they are made redundant. WBC does not use this discretion under Reg. 31 of the LGPS Regulations 2013.

7. Survey of practice in other local authorities

- 7.1 In spring 2016, a survey of 33 neighbouring authorities was undertaken to establish their approach to discretionary compensation for redundancy. 20 authorities responded and the responses are summarised in Appendix D.
- 7.2 Practice varied in relation to using actual week's pay, applying any enhanced weeks to volunteers for redundancy, or those who were entitled to an immediate pension, and to whether a flat rate of weeks or a multiple of the statutory number of weeks was used. A mean average 'redundancy multiplier' was calculated using only the 13 local authorities which used actual weekly pay and a multiple of the statutory weeks. The average multiple of statutory weeks used was 1.42.
- 7.3 No local authorities actually awarded additional pension under Reg. 31 of the LGPS, although some had retained the discretion to do so in exceptional circumstances.

8. Points for consideration

- 8.1 The cost of the redundancy payment can sometimes be only a small percentage of the total cost of redundancy where employees aged 55 or over are concerned (because of the cost of the strain to the pension fund). This means that, on

average, the Council will not save 25% of the cost by making a reduction in the multiplier from 2 to 1.5. In 2015/16 the total cost of redundancies was £155,695 and included four early retirements. If the redundancy multiplier used had been 1.5 instead of 2, then the Council would have saved £28,351 (18% of the cost).

- 8.2 A relatively generous redundancy payment scheme makes it more likely that employees will volunteer for redundancy, and so the Council may see a reduction in volunteers in future when staff savings are sought. There will be less impact on those aged 55 and over who are in the pension scheme.
- 8.3 The Council may need to review its approach to redundancy compensation once the Government publishes new legislation (expected this year) on caps on severance payments and changes to the DCR and pension arrangements in the public sector. However, the timetable for this is not yet established and the Council needs to make a decision now under the current arrangements in order to be able to implement a fair and balanced approach to redundancy payments.

9. Conclusion

- 9.1 Reducing the redundancy multiplier from 2 to 1.5 times the statutory number of weeks will save the Council money on redundancy costs and bring its policy into line with the average paid by other councils with similar policies.

10. Appendices

- 10.1 Appendix A - Supporting Information
- 10.2 Appendix B – Equalities Impact Assessment
- 10.3 Appendix C – Summary of current arrangements for redundancy and severance payments
- 10.4 Appendix D – Summary of survey responses from other local authorities