

<b>SHADOW EXECUTIVE</b>
-------------------------

<b>28 OCTOBER 2008</b>
------------------------

<b>SUBJECT</b>	<b>CENTRAL BEDFORDSHIRE UNITARY COUNCIL'S SEVERANCE/EARLY RETIREMENT POLICY</b> (To consider and determine the Severance/Early Retirement Policy for Central Bedfordshire Unitary Council to be effective from 1 April 2009).
	<b>Human Resources Lead Officer</b>
	<i>Contact Officer: Martin Williams (01462 611064)</i>

**IMPLICATIONS**

<b>SUSTAINABILITY</b>	N/A
<b>FINANCIAL</b>	The policy that is determined will impact on the transitional costs.
<b>LEGAL</b>	Employment Legislation, Statutory Regulations and Terms and Conditions of Employees Contracts.
<b>PERSONNEL/EQUAL OPPORTUNITIES</b>	The redundancy policy will take note of all relevant employment legislation.
<b>COMMUNITY DEV/SAFETY</b>	N/A
<b>TRADES UNION</b>	Have been consulted and their views will be reported to the Shadow Executive.
<b>HUMAN RIGHTS</b>	Will be taken account of
<b>KEY ISSUE</b>	Yes
<b>BUDGET/POLICY FRAMEWORK</b>	N/A

<b>OTHER DOCUMENTS RELEVANT TO REPORT</b>
---

Bedford Borough Implementation Executive 7 October 2008
---

<b>RECOMMENDATION(S):</b>
---------------------------

1. In line with managing the transition of services the Shadow Executive adopt a strategy that makes use of the available discretion under the redundancy compensation scheme to award up to 104 weeks in 2009-10, up to 66 weeks in 2010-11 and up to 45 weeks in 2011-12.
2. In recognising that the costs of change and the savings to be achieved are a critical part of the over-all financial strategy for Central Bedfordshire that the scheme be reviewed during 2009-2010 to enable any necessary changes to take effect from 1<sup>st</sup> April 2010.

3. That Central Bedfordshire should not operate the discretion available under Regulation 52 of the Local government Pension Scheme (“added years”).
4. That the Interim Chief Executive, in consultation with the Portfolio holder for Corporate Resources, be authorised to implement the severance/early retirement policy with effect from 1<sup>st</sup> April 2009 in accordance with recommendation 1.
5. That the policy in respect of severance and early retirement be included in the suite of employee policies for the new Council.

*Reason for Recommendation: Central Bedfordshire is required to determine a policy for Severance/Early retirement which is effective from 1 April 2009.*

### **Purpose of Report**

1. The report sets out a strategy to enable the Shadow Council to put in place arrangements that:
  - In line with the Bedfordshire People Management Protocol seek to ensure that any employee displaced with the re-organisation process is treated consistently irrespective of the authority making the redundancy.
  - Maintain the corporate objective that the overall business case requirements are met and that the short-term risks are mitigated whilst achieving long-term savings, and
  - Do not fetter the new Council in any necessary review of the policy in the future.

At previous meetings the Shadow Executive has considered the programme of service transition over the first three years of the new Council. That programme has recognised the need to establish a solid base from which to prioritise reviews of service arrangements including those shared with Bedford Borough by agreeing lead authority responsibilities. It is believed that the strategy proposed in this report will facilitate the management of the transition before introducing the wider business transformation that Central Bedfordshire plan.

## **Background**

2. Central Bedfordshire as a new authority is required to determine a policy relating to redundancy and early retirement payments and the operation of the discretionary powers available to them under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 and the Local Government Pension Scheme Regulations.

The regulations no longer provide for the award of compensatory added years but employers may still augment a member's local government pension by virtue of regulation 52 of the LG Pension Scheme Regulations. The augmentation provisions under the scheme were amended from 1 April 2004 and allow employers to award a member of the scheme an additional period of membership at any time during active membership of the scheme.

**None of the constituent Councils operate such a scheme and it is recommended that Central Bedfordshire should take the same position. [Recommendation 3].**

The Staffing Guidance Notes issued with the LGR Staffing Regulations underpin the Regulations and encourage the Shadow Executive of a new authority to explore with predecessor Councils whether it may be desirable to harmonise discretionary compensation arrangements in advance of 1 April 2009, in consultation with the trade unions, and in accordance with TUPE and relevant employment law.

The objective is that any employee displaced through the reorganisation process should be treated consistently within the one policy framework.

All four Councils in Bedfordshire directly involved in LGR have recognised that managing the process of change as it affects employees is a crucial part of the successful transition of services between now and 1<sup>st</sup> April and in the early months and years of the new Councils. The purpose of this report is therefore to provide the Shadow Executive with alternatives to consider to enable them to determine and publish the policy position regarding Severance/Early Retirement Policy for Central Bedfordshire that it wishes to operate with effect from 1 April 2009.

In agreeing its strategy, the Shadow Executive must under the 2006 Compensation Regulations be satisfied that the policy is workable, affordable and reasonable having regard to the foreseeable costs.

As a new authority Central Bedfordshire needs to be aware of the existing policy arrangements within the other authorities affected by LGR in Bedfordshire. Mid and South Bedfordshire District Councils and Bedford Borough Council have policies which enhance the statutory redundancy payment based on age and service up to the maximum 104 weeks subject to the merits of the business case in achieving the Councils' objectives. The County Council's current provision is normally to pay up to 30 weeks but a maximum of up to 45 weeks is available to facilitate change management where there is a supporting business case.

### **Bedford Borough Council policy from 1 April 2009**

3. Bedford Borough Council at their Implementation Executive dated 7 October 2008 determined to continue their existing policy of up to 104 weeks' pay to eligible employees based on service and age for the new Bedford Borough Unitary Authority and that this policy would be reviewed during 2009/2010 to enable any change to be effective from 1 April 2010.

Bedford Borough also confirmed that their existing policy not to operate the discretion available under Regulation 52 ("added years") would continue.

### **Cost of Redundancies**

4. The future costs to Central Bedfordshire of both severance (redundancy) and actuarial strain are determined by the policy option chosen. Actuarial strain costs are the costs of the early payment of pension to any member of staff made redundant who is over the age of 50 years.

In the December 2007 bid document submitted to DCLG, Central Bedfordshire estimated its share of savings as £6.5m per annum by reducing the total number of employee posts in moving from four Councils to two new unitaries. At its meeting in June the Shadow Executive made decisions on the senior structure to commence the realisation of these savings. The costs of change provision of £7.4m to cover severance and actuarial strain was also included in the bid. The primary objective here is to ensure the payback of these costs charged to the transition budget, is achieved by the savings flowing from the reduction in posts within an acceptable timeframe.

Members should bear in mind that the original model of transitional costs were based on prices that are now at least two years old and that the level of severance and actuarial strain will have increased in that period in line with inflation.

However this is unlikely to affect overall payback criteria since the level of savings that Central Bedfordshire is now required to achieve will also have inflated in the period.

The actual number of redundancies that may ultimately be necessary following TUPE transfer of staff from Mid and South Bedfordshire District Council and the disaggregated staff from Bedfordshire County Council is unknown at this time. All three authorities and Bedford Borough Council have tried to minimise the amount of recruitment to permanent posts during this transition period, so providing maximum opportunity for redeployment of staff who may be at risk of redundancy.

### **Alternatives**

5. The statutory redundancy scheme provides for 30 weeks pay. In the 1990s LGR a scheme of up to 66 weeks operated. This was at a time when 'added years' compensation was also widely utilised.

In the longer term a more appropriate scheme, for a unitary with Central Bedfordshire's size workforce, is likely to be one with a maximum nearer to 45 weeks. This is 1.5 times the statutory redundancy provision.

The management of the transition of employees from the constituent authorities to the new Central Bedfordshire Council needs to be as responsive as possible to service requirements. It is therefore proposed that in order to meet the unprecedented change resulting from LGR in Bedfordshire that a transition strategy be adopted as follows:

Up to 104 weeks in Year 1	2009 - 2010
Up to 66 weeks in Year 2	2010 - 2011
Up to 45 weeks in Year 3	2011 – 2012

This strategy could be subject to review by the new Council, in parallel with the Bedford Borough intended review, during 2009-10. With the proposed strategy in place the new Council, as part of agreeing priorities for action would have the opportunity to continue the strategy as thought appropriate.

### **Financial Consequence of Change**

6. A key element of the financial case for change in moving from four Councils to the two new unitary Councils is the opportunity to reduce the overall employee cost base notably at senior management levels.

There is an inherent risk, in the short term in particular, through the loss of skills and experience and the timing of this can be mitigated, in part, through the strategy for compensation arrangements for redundancy and early retirement.

The Council in meeting its duties to not only the employee but also to the taxpayer and the wider community will require that any scheme meets the usual business case requirements and long-term objectives of the Council.

In normal circumstances individual cases can be costed and the payback period can be clearly measured. In these circumstances the scheme will be utilised through the change process as appointments to the structure are made and individual employee circumstances are evaluated.

The overall cost of change and the overall savings achieved through the reduction in posts will be monitored and controlled to ensure that budgets are managed effectively and the required payback is achieved.

As reported to the Shadow Executive in June significant savings are being made by reducing the total number of senior posts. At Corporate Management Team level the savings are currently estimated to be some £1.5m.

This will leave a balance of approximately £5m to be saved as staffing budgets are put together.

For illustration purposes it is assumed that an average employer cost of £50k (employer cost is salary + on-cost) per employee can be used. This would mean around one hundred posts need to be saved in making the change and it is currently assumed through, careful vacancy management, that half of these posts can be achieved. This would leave some fifty posts to be saved by the Council making use of the voluntary redundancy scheme.

The compensatory redundancy payment is based on the age of the employee and the length of service. The overall costs are not only dependent on the compensation scheme chosen but also on the sum of all the individual circumstances.

To give members an indication of the size of possible costs per individual redundancy with payback periods, the following tables set out figures based on two typical scenarios. These are based on the maximum discretion of up to 104 weeks.

The first table is a model based on 2 posts both aged 52 years with 15 years service:

<b>Post</b>	<b>Salary</b>	<b>Weekly Wage</b>	<b>Redundancy Using 3.46 (max 104 weeks)</b>	<b>Actuarial Strain</b>	<b>Total</b>	<b>Payback period including on costs</b>
Section Manager	£55k	£1,058	£75,044	£91,685	£166,729	2.42 years
Senior Officer	£27.5	£529	£37,522	£45,842	£83,364	2.42 years

The second table is a model based on 2 posts both aged 55 years with 20 years service.

<b>Post</b>	<b>Salary</b>	<b>Weekly wage</b>	<b>Redundancy Using 3.46 (max 104 weeks)</b>	<b>Actuarial Strain</b>	<b>Total</b>	<b>Payback period (including on costs)</b>
Section Manager	£55k	£1,058	£98,838	£70,945	£169,783	2.46 years
Senior Officer	£27.5	£529	£49,419	£35,472	£84,891	2.47 years

### **Policy for Schools' based staff**

- The Council's proposed severance and early retirement policy for schools' based staff (teaching and non-teaching) will be the subject of a separate report which will be submitted to a future meeting of the Shadow Executive. This approach is also being taken by Bedford Borough.

### **Conclusions**

- As part of the Shadow Executive's transition planning it is proposed that a strategy for the period 2009-2012 is put in place. The new Council will have the opportunity to review this during 2009-2010

### **Consultation on Policy proposals**

- Consultation on the alternative approaches has taken place with senior management and with the trade unions.

**Background Papers:** N/A

**Location of Papers:** N/A

**File Reference:** N/A