

<b>SHADOW EXECUTIVE</b>
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<b>16 DECEMBER 2008</b>
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<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>Report of</b>	<b>Director of Corporate Resources</b>
<i>Contact Officer: Steve James, Interim Human Resources Lead (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>	No

<b>OTHER DOCUMENTS RELEVANT TO REPORT</b>
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<b>RECOMMENDATION(S):</b>
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1. That, in line with current practice amongst predecessor authorities, Central Bedfordshire should not operate the discretion available under Regulation 52 of the Local Government Pension Scheme ("added years").
2. That the Shadow Executive adopt a strategy that makes use of the available discretion under the redundancy compensation scheme to award up to 45 weeks in 2009/10.
3. 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 2.

**4. 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 the requirement for Central Bedfordshire to determine a policy with regard to redundancy and early retirement payments and the background to such a decision. In so doing it identifies the potential options that could be considered and proposes a specific recommendation for such a policy in on 1 April 2009 and beyond.

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 enabling 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.

**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 1].**

The Staffing Guidance Notes issued with the LGR Staffing Regulations underpin the Regulations. This guidance advises the Shadow Executive 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,
- ◆ have regard to the extent to which the exercise of such arrangements, unless properly limited, could lead to a serious loss of confidence in public services; and
- ◆ 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 that 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.

Specific consideration has therefore been given to possible policy alternatives that align with either 104 weeks or 45 weeks. A mid range alternative of 66 weeks was also considered in line with arrangements adopted by some Councils during LGR in the 1990s.

### **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 (existing employees plus those transferring from the County Council) 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 further 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.

## **Financial impact 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 (or 55 for new members) years.

In the December 2007 bid document submitted to DCLG, Central Bedfordshire estimated its share of savings as £6.5m per annum through a reduction in the total number of employee posts resulting from the move 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. An estimated cost of change provision of £7.4m to cover severance and actuarial strain was also included in the bid. The financial objective is to ensure that 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.

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 still subject to detailed mapping and redeployment of staff into the structure and will not be known for many months. However 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 up to 30 weeks pay, at a maximum of £330 per week (£350 per week from April 2009).

In a stable business environment, during which potential redundancies would not be significant, an appropriate scheme, for a unitary with Central Bedfordshire's size workforce, is likely to be one with a maximum of 45 weeks actual pay. This is more than 1.5 times the statutory redundancy provision.

In the transitional period, during which a significant number of staff are to be transferred from three entities that currently adopt different policies and during which there are likely to be an exceptional number of redundancies when compared to a normal business period, it is important to consider both the organisational and financial consequences of this policy.

To adopt a policy of 104 weeks would;

- ◆ align with Bedford Borough and meet the guidance to seek harmonisation,
- ◆ provide continuity of District policy for District staff displaced during the reorganisation; and
- ◆ provide for consistent treatment of Bedford County Council staff made redundant by either Unitary.
- ◆ It would however mean that any former County employee made redundant on or after 1 April 2009 would do so on significantly better terms than would have been the case had they been made redundant by the County Council between now and 31 March 2009.

Whilst the organisational advantages of such a policy flow from the points above, the financial consequences are significant, both in terms of inflating the individual cost of making Bedfordshire County Council staff redundant and the likely total cost to Central Bedfordshire of multiple redundancies during 2009/10. It is therefore important to balance the outcomes of adopting a policy of 104 weeks against the cost of achieving them. Point 6 below expands on these financial consequences.

To adopt a policy of 45 weeks would make significant savings against the alternative above and would provide continuity of County policy for County staff disaggregated to Central Bedfordshire and subsequently made redundant. It would not achieve any of the advantages of 104 weeks as set out above.

Whilst this is a significant reduction in the maximum payment currently available to Mid and South Bedfordshire to use in redundancy circumstances, it is important to recognise that the maximum payment has rarely been paid by either Council. In addition any redundancies in Central Bedfordshire after April 2009 would be selected from a pool of staff, the vast majority of whom would be from the County. The likelihood is therefore that only a small proportion of actual redundancies in 2009/10 would be of staff from Mid and South Bedfordshire.

Since the bid was produced and the transition costs budget estimated, economic circumstances across the County have become significantly more strained impacting both on Council Tax payers and the likely financial position of the new authority. This must be balanced against the desire to put in place a fair and equitable scheme for employees in order to develop a solution which meets both objectives.

### **Financial Consequence of Change**

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

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 would be operated through the change process as appointments to the structure are made and individual employee circumstances are evaluated. It is envisaged at this time that all such cases will be voluntary redundancy and early retirement.

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.

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, the following tables set out figures based on two typical scenarios of a Senior Officer and Section Manager under each of the alternatives presented above. These are based on two people; both aged 44 years with 15 years service.

Policy	Salary	Weekly wage	Statutory Redundancy	Actuarial Strain	Redundancy Cost
<b>104 weeks</b>	£27.5k	£529	£5,445	£0	<b>£30,201</b>
<b>45 weeks</b>	£27.5k	£529	£5,445	£0	<b>£13,092</b>

Policy	Salary	Weekly wage	Statutory Redundancy	Actuarial Strain	Redundancy Cost
<b>104 weeks</b>	£55k	£1,058	£5,445	£0	<b>£60,384</b>
<b>45 weeks</b>	£55k	£1,058	£5,445	£0	<b>£26,178</b>

Should any employee in the example above be able to retire early, a further actuarial strain cost associated with the pension element would be payable.

### 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

- Although careful consideration has been given to the Staffing Guidance Notes and the possibility of harmonising Central Bedfordshire's arrangements with those of Bedford Borough, both in the short and long term, the significant financial implications of doing so indicate that it is neither reasonable nor affordable to do so.

On this basis the recommendation is for Central Bedfordshire to adopt a policy for 2009/10 and beyond that provides for redundancy payments up to a maximum of 45 weeks. **[Recommendations 2, 3 and 4]**. These recommendations are considered affordable based on the modelling data used.

### Consultation on Policy proposals

- Consultation on the alternative approaches has taken place with senior management and has begun with the trade unions. The outcome of the latter consultation will be presented to the Shadow Executive at the meeting.

***Background Papers:***           None

***Location of Papers:***           N/a

***File Reference:***                N/a