

Committee/Meeting: HR Committee	Date: 18 July 2012	Classification: Unrestricted	Report No: 7.3
Report of: Corporate Director (Resources) Originating officer(s) Simon Kilbey, Service Head (Human Resources & Workforce Development)		Title: Benchmarking of London Borough Severance Schemes Wards Affected: All	

Lead Member	Cabinet Member for Resources
Community Plan Theme	All
Strategic Priority	Work efficiently and effectively as one Council

1. **SUMMARY**

- 1.1 At its meeting on 29th February, the HR Committee requested that a report be submitted to the next meeting on the current severance policy and terms, together with relevant benchmarking data.
- 1.2 The Council has discretion under the Redundancy Payments (Continuity of Employment in Local Government) (Modification) Order 1999, as to the policy it applies to redundancy payments. The purpose and aims of the policy are set out later in the report.
- 1.3 The Council's current practice has been in place since December 2006.
- 1.4 Table 1 (set out at section 6.3 below) shows relevant benchmarking data from other Boroughs.

2. **DECISIONS REQUIRED**

- 2.1 HR Committee is recommended to note the report

3. **REASONS FOR THE DECISIONS**

- 3.1 The report is for information and to provide Members with details of the Council's Severance scheme and how this compares to other Boroughs.

4. ALTERNATIVE OPTIONS

4.1 This report is a noting report.

5. BACKGROUND

- 5.1 The Council's Severance Policy has been in place since December 2006. Through the 2010/11 Lean / Transformation programmes, the use of a voluntary redundancy / early retirement scheme at its current level was particularly successful. Of the total number of staff who left, less than 1% of the workforce suffered compulsory redundancy as a result of budget decisions made by the Council. The initial call for volunteers saved the 3 month notice period. A number of other Boroughs have indicated that they have not used a voluntary scheme and that therefore, any redundancies were classed as compulsory.
- 5.2 Table 1 (section 6.3) shows that the Council's Severance scheme is currently the highest of all London Boroughs as many Boroughs have recently consulted with unions and staff on changes as part of budget cuts.

6. BODY OF REPORT

- 6.1 **Aims of the scheme** – The severance scheme must meet statutory minimum requirements. However, the Council has exercised discretions to pay redundancy at a higher level in order to encourage volunteers to mitigate the level of compulsory redundancies, and to help managers deliver organisational change. It effectively 'cushions the blow' for individuals, helps the Council to maintain a constructive and effective employee relations climate, enables those impacted to plan for their futures, secures co-operation during organisational change, and assists with 'survivor syndrome' i.e. those who remain with the Council perceive that those who have left have been fairly treated..
- 6.2 **Benefits of current level of payments** –The current scheme has successfully facilitated a high number of voluntary redundancies at the end of 2010/11. The current MTFP through to 2014/15 does not require staffing reductions of the magnitude experienced in the latter part of the 2010/11, however, there will still be a need through service reviews to secure volunteers for early retirement / redundancy, and to generate savings as quickly as possible mitigating the risk of compulsory redundancies. Future years of the MTFP may well see the need for further significant reductions in head-count. The trade unions have repeatedly asked for a 'no compulsory redundancy' guarantee, and although the Council has not provided this guarantee, officers have sought to avoid compulsory redundancies. The desire to avoid compulsory redundancies is strongly supported by the Executive.
- 6.3 It is worth noting that the average redundancy payment in the last 12 months has been £22k. Additionally, the Council's approach to redeployment has

been particularly successful, with 89 staff redeployed into alternative posts in the last 12 months, and a total of 148 since 2010. This approach has reduced compulsory redundancies and saved the Council redundancy costs of around £3.25m since 2010. Taking the approach to redeployment together with the application of the severance policy at its current level, the Council has had one of the best and most effective approaches of all London Boroughs to the necessary staffing cuts precipitated by the Central Government funding shortfall in 2010/11 and maintained good employee relations. Our approach to change management and transformation has recently been recognised the MJ and LGC at national awards shortlisting.

6.4 Pan London comparisons – the table below sets out the range of discretions applied across London Boroughs. Since 2010, some Boroughs have reduced the level of payments made, but have done this as part of a wider review of terms & conditions of service which in some cases required dismissal and re-engagement of the whole workforce. Every Borough continues to calculate payments based on actual week’s pay, rather than the statutory weekly amount (currently £430). In addition, the Council pays 3 months notice rather than the statutory number of weeks’ notice which is often less. The Borough specific data is generally shared confidentially between Heads of HR, and has therefore been anonymised. However, where Boroughs have set out details of their schemes in their pay policies, these are highlighted in the table. Additionally, Heads of HR have been asked if they are willing to comment on the impact of their schemes i.e. during major organisational change, the balance found between compulsory and voluntary redundancy. Should data be provided which can be shared, this will be circulated separately.

Max number of weeks / multiplier	Number of Boroughs	Comments
66 weeks (2.2)	1	Tower Hamlets
60 weeks (2)	4	Includes Lewisham
52.5 weeks (1.75)	1	Harrow (one of 2 levels paid)
51 weeks (1.7)	1	
45 weeks (1.5)	9	Includes Bexley (reducing to 1.25 in 2014)
42 weeks (1.4)	1	Camden
30 weeks (stat level)	16	Includes K&C, Haringey, Ealing, H&F, Croydon

7. COMMENTS OF THE CHIEF FINANCIAL OFFICER

7.1 There are no financial implications as a direct result of this report.

8. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)

8.1 There are no legal implications arising from this report.

9. ONE TOWER HAMLETS CONSIDERATIONS

9.1 The Severance Policy was reviewed to ensure it complies with equalities requirements.

10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

10.1 There are no implications.

11. RISK MANAGEMENT IMPLICATIONS

11.1 There are no direct risks as a result of this report.

12. CRIME AND DISORDER REDUCTION IMPLICATIONS

12.1 There are no implications.

13. EFFICIENCY STATEMENT

13.1 No changes to service delivery or the use of resources are proposed.

14. APPENDICES

None

**Local Government Act, 1972 Section 100D (As amended)
List of "Background Papers" used in the preparation of this report**

Brief description of "background papers"	Name and telephone number of holder and address where open to inspection.
Discretionary Payments for Loss of Employment Scheme	Simon Kilbey, Service Head (HR/WD) 020 7364 4922