

BRECKLAND COUNCIL
GENERAL PURPOSES COMMITTEE – 26th March 2008
Executive Member for Cabinet Portfolio
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Redundancy Policy and Compensation

1. Purpose of Report

- 1.1 A draft Redundancy Policy which formalises the Breckland Council's current approach to redundancy and redundancy compensation has been produced.
A copy of the policy is attached for consideration and agreement.

2. Recommendations

It is recommended that the General Purposes Committee:

- 2.1 Adopt the Redundancy Policy and the existing redundancy remuneration approach incorporated in the policy.

Note: In preparing this report, due regard has been had to equality of opportunity, human rights, prevention of crime and disorder, environmental and risk management considerations as appropriate. Relevant officers have been consulted in relation to any legal, financial or human resources implications and comments received are reflected in the report.

3. Information, Issues and Options

3.1 Background

- 3.1.1 A Redundancy Policy is required to provide clarity and transparency to all those involved in organisational change. The policy should incorporate the redundancy compensation that will apply to all employees if they should find themselves in this unfortunate situation.
- 3.1.2 A draft Redundancy Policy has been produced summarising the approach that is currently used in practice in Breckland Council.
- 3.1.3 Under the Employment Rights Act 1996 an employee who has been made redundant is entitled to a statutory redundancy payment if they have completed at least 2 years continuous service.
- 3.1.4 The statutory redundancy payment is calculated by reference to age, length of service (subject to a cap of 20 years) and salary (subject to a cap of £330 per week). Under the statutory scheme the current maximum redundancy payment is therefore £9,900 (£330 x 20 x 1.5)
- 3.1.5 There is no legal requirement to provide additional compensation in the form of an enhanced redundancy payment. However some organisations provide enhancements to the statutory redundancy compensation by applying a multiplier to the statutory payment. (Appendix 1)
- 3.1.6 In terms of redundancy compensation Breckland Council has exercised its discretion to calculate the redundancy payment on the basis of an employee's actual salary as

opposed to the statutory maximum rate (£330). The multiplier applied by Breckland Council is one.

- 3.1.7 The policy has been accepted by the LJCC but UNISON believe that the redundancy remuneration provided should be enhanced by applying a higher multiplier.

3.2 **Issues**

- 3.2.1 Current practice at Breckland in redundancy cases is to follow the statutory guidelines in terms of redundancy compensation, but to allow for enhancement by removing the £330 weekly cap and using the employee's actual weekly salary for the purpose of calculating benefits.
- 3.2.2 UNISON believe that the redundancy compensation provided should be higher than that currently provided by Breckland Council. Their position is summarised in Appendix 2.
- 3.2.3 Many Authorities provide additional enhancements and these are outlined in Appendix 1.
- 3.2.4 The costs associated with the statutory scheme, the Breckland policy and other Authorities are detailed in Appendix 3. Examples of different approaches to redundancy compensation are included in this appendix which details the costs that could be incurred when applied to individual employees with different lengths of service, age and salary.
- 3.2.5 Providing further enhancements to redundancy pay is not recommended by Management but this approach will be reviewed if unitary status is pending.
- 3.2.6 Management believe that the current approach to redundancy compensation recorded in the attached policy is fair and equitable to employees and ratepayers.
- 3.2.7 Further enhancement of the redundancy remuneration could lead to significant liabilities which are unquantifiable at present but could lead to a future drain on resources. Enhancement would commit the Council to financial commitments which would grow significantly if any event in the future led to large scale redundancies.
- 3.2.8 It should also be borne in mind that when redundant employees qualify for and accept early retirement the cost of providing an early pension can be substantial.

3.3 **Options**

- 3.3.1 To adopt the draft policy and the current approach to redundancy compensation which is the current practice that has operated in recent years. This provides a fair and equitable outcome for employees and ratepayers without creating an additional financial burden on Breckland.
- 3.3.2 Re-submit the policy with the minimum statutory award (i.e. reinstating the cap to a maximum £330.00, as outlined above). This is less generous than the current practice currently operating within Breckland.
- 3.3.3 Enhance the redundancy compensation by applying a higher multiplier. This will lead to higher redundancy compensation for employees but will result in an additional financial burden which is unquantifiable and provides no obvious benefit to the Council.

3.4 **Reasons for Recommendation(s)**

3.4.1 Breckland's approach to redundancy compensation exceeds what is statutorily required under the Employment Rights Act (1996).

3.4.2 This approach is both equitable and fair to employees and ratepayers while avoiding committing the Council to future unquantifiable payments which could stretch Council finances and therefore risk services.

3.4.3 There is little benefit from offering an additional enhancement to departing employees and any additional cost incurred would have to be found from existing budgets.

4. **Risk and Financial Implications**

4.1 **Risk**

4.1.1 I have completed the Risk Management Questionnaire and this report does not require a risk assessment because the changes/issues covered by the recommendation are not significant in terms of risk

4.2 **Financial**

4.2.1 Appendix 3 provides details of the financial costs that could be incurred in a redundancy situation.

5. **Legal Implications**

3.1.8 Under the Employment Rights Act 1996 an employee who has been made redundant is entitled to a statutory redundancy payment if they have completed at least 2 years continuous service.

6. **Other Implications**

a) Equalities: None

b) Section 17, Crime & Disorder Act 1998: None

c) Section 40, Natural Environment & Rural Communities Act 2006: None

d) Human Resources: None

e) Human Rights: None

f) Other: None

7. **Alignment to Council Priorities**

7.1 None

8. **Ward/Community Affected**

8.1 None

Background Papers

Redundancy Policy

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Appendices attached to this report:

1. Summary of Redundancy Compensation Approaches of Councils
2. Unison's Position
3. Comparison of Redundancy Compensation Costs – Statutory, Breckland and Other Councils

Notes (1) & (2) - Detailed Breakdown of Costs

Appendix 1

Summary of Redundancy Compensation Approaches of Councils

| Council | Basis of Payment | Multiplier |
|------------------------|--------------------------------|-------------------|
| Statutory | Salary capped at £330 per week | 1 |
| Breckland | Actual Salary | 1 |
| Waveney | Actual Salary | 1.5 |
| Thurrock | Actual Salary | 1.5 |
| Norfolk County Council | Actual Salary | 2 |
| Suffolk Coastal | Actual Salary | 2 |
| Broadland | Actual Salary | 2.2 |
| South Norfolk | Actual Salary | 2.2 |
| North Norfolk | Actual Salary | 2.2 |
| Great Yarmouth BC | Actual Salary | 3.466 |

Appendix 2

Unison's Position

Unison expressed their views on the Redundancy Policy and the current level of redundancy compensation at the LJCC. In summary:

1. Unison agreed with the content of the policy but objected to the level of redundancy compensation which they believe should be higher than that currently provided by Breckland Council.
2. Unison believe that with the current level of redundancy remuneration does not adequately support employees who find themselves in this position and they also claim that the level of redundancy compensation adversely impacts on staff morale and recruitment.
3. Other local authorities provide much higher levels of redundancy remuneration by applying a higher multiplier to the level of redundancy compensation.
4. It is unfair that an employee with South Norfolk Council who is made redundant will receive more than double the remuneration that an employee in Breckland Council would at present.
5. As Breckland Council are financially sound there can be no financial justification for refusing to bring the level of redundancy remuneration into line with other local authorities.
6. Unison expressed concern that employees who were being made redundant were not being satisfactorily compensated at present. In addition, if the policy is not reviewed and brought into line with other local authorities in Norfolk, employees could find themselves disadvantaged in any future Local Government Reorganisation. Under the current policy it would be cheaper to for the Unitary Council to make Breckland's employees redundant than their counterparts at other authorities.

Appendix 3

Comparison of Redundancy Compensation Costs

Example payment 1 based on an individual age 35 with 10 years service, earning £20,000 per annum

Example payment 2 based on an individual age 45 with 15 years service, earning £25,000 per annum

Example payment 3 based on an individual age 50 with 20 years service, earning £25,000 per annum

Example payment 4 based on an individual age 55 with 20 years service, earning £50,000 per annum

Comparison of Statutory Redundancy Payment and Breckland Redundancy Payment

| | Statutory Redundancy Payment (Note 1) | Breckland Council Redundancy payment (Note 2) |
|-------------------|--|--|
| Example payment 1 | £ 3300 | £ 3846.20 |
| Example payment 2 | £ 5610 | £ 8,173.09 |
| Example payment 3 | £ 8085 | £ 11,778.87 |
| Example payment 4 | £ 8910 | £ 25961.88 |

Comparison of Breckland's Redundancy Compensation with other Local Authorities

| Council | Basis of payment | Multiplier used | Example Payment 1 | Example Payment 2 | Example Payment 3 | Example Payment 4 |
|--------------------------|-------------------------|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Breckland Council | Actual Weeks Pay | Statutory Redundancy scheme x 1 | 3846.20 | 8173.09 | 11778.87 | 25961.88 |
| Waveney District Council | Actual Weeks pay | Statutory Redundancy scheme x 1.5 | 5769.30 | 12259.64 | 17668.31 | 38942.82 |
| Norfolk County Council | Actual Weeks pay | Statutory Redundancy scheme x 2 | 7692.40 | 16346.18 | 23557.74 | 51923.76 |
| South Norfolk | Actual Weeks Pay | Statutory Redundancy scheme x 2.2 | 8461.61 | 17980.80 | 25913.51 | 57116.14 |
| Great Yarmouth BC | Actual Weeks Pay | Statutory Redundancy scheme x 3.466 | 13330.93 | 28327.93 | 40825.56 | 89983.88 |

Detailed Breakdown of Costs

Notes

1. Calculation of Statutory Redundancy Payment

For each complete year of service up to a maximum of 20 years employees receive:

- 0.5 week's pay for each full year of service where age was less than 22
- 1 week's pay for each full year of service where age was 22 or above, but less than 41
- 1.5 weeks' pay for each full year of service where age was 41 or above

Weekly pay is capped at £330 per week under the statutory scheme.

2. Detailed Examples of Statutory, Breckland and Norfolk CC for illustrative purposes

| Example | Statutory Calculation | Breckland Calculation | Norfolk CC Calculation |
|--|--|---|--|
| Employee aged 35 with 10 years service on £20000 p.a. | 1 x £330 x 10 years = £3,300 | 1 x £ 384.62 x 10 years = £ 3846.20 | 1 x £384.62 x 10 years = 3846.20 x 2 = 7692.40 |
| Employee aged 45 with 15 years service on £25000 p.a. | 1 x £330 x 11 years 1.5 x £330 x 4 years = £ 5610 | 1 x £480.77 x 11years 1.5 x £480.77 x 4 years = £ 8173.09 | 1 x £480.77 x 11 years 1.5 x £480.77 x 4years = £ 8173.09 x 2 = £ 16346.18 |
| Employee aged 50 with 20 years service on £25000 p.a. | 1 x £ 330 x 11 years 1.5 x £330 x 9 years = £8085 | 1 x £ 480.77 x 11 years 1.5 x 480.77 x 9 years = £ 11778.87 | 1 x £480.77 x 11 years 1.5 x £ 480.77 x 9 years = £ 11778.87 x 2 = £ 23557.74 |
| Employee aged 55 with 20 years service on £50,000 p.a. | 1 x £ 330 x 6 years 1.5 x £ 330 x 14 years = £8910 | 1 x 961.54 x 6 years 1.5 x 961.54 x 14 years = £ 25961.58 | 1 x 961.54 x 6 years 1.5 x 961.54 x 14 years = £ 25961.58 x 2 = £ 51923.16 |