

DECISION-MAKER:	GOVERNANCE COMMITTEE
SUBJECT:	Pay Policy – Changes to Discretionary Severance and Pensions Payment Policy
DATE OF DECISION:	22 April 2024
REPORT OF:	Executive Director Enabling Services

<u>CONTACT DETAILS</u>			
Executive Director	Title	Executive Director Enabling Services	
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STATEMENT OF CONFIDENTIALITY
None

BRIEF SUMMARY

The Council is required under the Localism Act 2011 to prepare and publish a Pay Policy Statement annually. The 2024-2025 statement was agreed by Council on 20 March 2024. Linked to this is the Severance & Pensions Payments: Discretionary Powers Policy and this report asks Governance Committee to consider changes to these discretions.

RECOMMENDATIONS:

(i)	To approve revisions to the Severance & Pensions Payments: Discretionary Powers Policy, including the Council adopting statutory redundancy payment levels for Compulsory Redundancy (CR) and Voluntary Redundancy (VR).
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REASONS FOR REPORT RECOMMENDATIONS

1.	In light of the council's financial situation, these changes will improve the affordability of transformation and will not have a detriment to the lowest graded employees.
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ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2.	The current CR and VR rates are retained or reduce CR to statutory redundancy rates and VR to the current CR rates. These options are not recommended because they are unaffordable.
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DETAIL (Including consultation carried out)

3.	It is proposed that the council adopts statutory redundancy payment levels for CR and VR. The latter is currently 1.25 x CR. Council redundancy rates already match statutory redundancy pay rates in terms of being based on the same employee's age and length of employment, and length of service being capped at 20 years. The key difference is that statutory weekly pay is capped at £643, with the maximum amount of statutory redundancy pay being £19,290.
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These changes would result in the council being aligned with other local authorities. It is a more appropriate use of public money, and ensures we continue to meet our statutory responsibility to employees going forward. It will also improve the affordability of the transformation required and will not impact the lowest graded employees.

4. The redundancy rates are specified in the Council Severance & Pensions Payments: Discretionary Powers Policy. Whilst changing these, the following amendments to the policy are also recommended to improve affordability in future:

- As we will no longer be paying above the statutory maximum, to remove allowing employees to use any redundancy payment in excess of the statutory amount to be used to buy additional pension.
- To remove the discretion to grant extra annual pension of up to £7,579 to individuals whose employment was terminated on the grounds of redundancy or business efficiency. We haven't used this discretion, and it would cost us more money to do so.

The proposed changes to the Severance & Pensions Payments: Discretionary Powers Policy are in sections 4, 6 and 7.1 of Appendix 1.

5. We have consulted the unions, who were concerned about the impact on lower paid employees. The table below demonstrates those in lower grades would be unaffected by this for CR, as shown in the 'Saving between Statutory and CR' column. This is also true for part time employees (who are predominantly female), which reduces the impact of the changes in terms of gender.

Grade	Average Statutory Redundancy Amount	Average Current CR	Average Current VR	Saving between Statutory and CR	Saving between Statutory and VR	Saving between CR and VR
GR02	£3,003	£3,003	£3,753	£0	£751	£751
GR03	£3,616	£3,616	£4,520	£0	£904	£904
GR04	£2,590	£2,590	£3,237	£0	£647	£647
GR05	£5,533	£5,533	£6,917	£0	£1,383	£1,383
GR06	£6,099	£6,099	£7,624	£0	£1,525	£1,525
GR07	£8,137	£8,192	£10,239	£55	£2,103	£2,048
GR08	£9,397	£9,987	£12,484	£590	£3,087	£2,497
GR09	£8,591	£10,111	£12,639	£1,520	£4,048	£2,528
GR10	£10,456	£13,765	£17,206	£3,309	£6,750	£3,441
GR11	£9,432	£13,892	£17,366	£4,461	£7,934	£3,473
GR12	£11,316	£18,948	£23,685	£7,633	£12,370	£4,737
GR13	£11,967	£21,826	£27,283	£9,859	£15,316	£5,457
C05	£14,628	£29,316	£36,645	£14,688	£22,017	£7,329
C04	£12,860	£25,772	£32,215	£12,912	£19,355	£6,443
C03	£8,129	£16,282	£20,353	£8,153	£12,224	£4,071

C02.3	£8,038	£16,108	£20,135	£8,070	£12,097	£4,027
C02.1	£13,182	£26,417	£33,021	£13,235	£19,839	£6,604
C01.2	£10,288	£20,618	£25,772	£10,330	£15,484	£5,154

The unions do recognise that savings are required and agree this is one of the less impactful changes that could be made and are in agreement to reopening the voluntary redundancy scheme during a restructure. This may reduce the impact on some employees of the selection processes and uncertainty.

RESOURCE IMPLICATIONS

Capital/Revenue

6. These changes will reduce the financial impact when employees are made redundant. Based on our employee's average redundancy costs, the below illustrates what could be saved per person.

Statutory Redundancy Amount	Average Current CR	Average Current VR	Saving between Statutory and CR	Saving between Statutory and VR	Saving between CR and VR
£6,601	£7,751	£9,689	£1,150	£3,088	£1,938

The one-off savings from the actual reduced costs of redundancy payments will depend on how many people are made redundant and who they are, in terms of grade, salary, length of service and age.

Property/Other

7. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

8. Local Government Act 1972 and Localism Act 2011

Other Legal Implications:

9. None

RISK MANAGEMENT IMPLICATIONS

10. Union resistance to these changes was anticipated, however, they appreciate that savings are required and these are more palatable than other options to them.
- Employees will not like this change as those that are made redundant will receive smaller payments, which for those in the higher grades could be halved from around £38k to about £19k. The alternative could be more redundancies and/or changes that affect more people negatively, though. Reinstating the option of VR during restructures will give some people the option to ask to leave if they want to go and save them from the stress of selection processes. When communicating the changes, we would explain this.

POLICY FRAMEWORK IMPLICATIONS

11.	The only policy implications are the changes to the Severance & Pensions Payments: Discretionary Powers Policy itself.
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KEY DECISION?

No

WARDS/COMMUNITIES AFFECTED:

None

SUPPORTING DOCUMENTATION**Appendices**

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| 1. | Severance & Pensions Payments: Discretionary Powers Policy |
| 2. | Equality and Safety Impact Assessment |

Documents In Members' Rooms

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| 1. | None |
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Equality Impact Assessment

Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	Yes
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Data Protection Impact Assessment

Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	No
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Other Background Documents**Other Background documents available for inspection at:****Title of Background Paper(s)****Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)**

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| 1. | None |
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