

# **Cabinet**

## **2 March 2021**

### **Review of Redundancy Multiplier and Exit Pay Cap Update**

#### **For Decision**

**Portfolio Holder:** Cllr P Wharf, Corporate Development and Change

**Executive Director:** A Dunn, Executive Director, Corporate Development

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**Report Status:** Public

#### **Recommendation:**

- (a) That the current 1.75 redundancy multiplier be extended for a further 12 months. This rate will be introduced for all employees.
- (b) That a further review of the redundancy multiplier takes place towards the end of 2021, to ensure any agreement of a new rate of redundancy multiplier from 1 April 2022 takes into consideration any potential reintroduction of an Exit Pay Cap or reforms to the Local Government Pension Scheme.

#### **Reason for Recommendation:**

- a. The impact of Covid-19 has seen some delays in progressing convergence activity across the council and which will result in employees being made redundant after 31st March 2021. If the council introduces a reduction to its level of redundancy multiplier this will result in employees in these areas being treated less favourably than those that have been included in reviews already taken forward.

- b. A continuation of the existing multiplier for 12 months will enable all reviews currently underway or due to commence to be completed prior to any change in multiplier being introduced and provide managers and leaders with appropriate notice of any reduction should redundancy processes be in the early stages of planning.
- c. The recent revocation of the Exit Pay Cap was unexpected. However, HM Treasury have said that they will “bring forward proposals at pace to tackle unjustified exit payments”. This leaves us with uncertainty about whether and what legislation will be introduced in the future or if MHCLG will continue to progress reforms of the LGPS. Any future changes could impact on the attractiveness of the council’s redundancy payment terms for employees, impacting on our ability to secure volunteers when seeing to bring about organisational change.

## **1. Executive Summary**

- 1.1 When Dorset Council was formed, the Shadow Executive Committee agreed to the introduction of a single redundancy multiplier for all employees transferring into the new council. This introduced parity, as previously the former County Council offered a lower level of enhancement (1.5 times) than the former District and Borough Councils (1.75 times). A redundancy multiplier of 1.25 was put in place for all new employees recruited into Dorset Council on or after the 1<sup>st</sup> April 2019.
- 1.2 The higher level of enhancement was initially agreed until 30 September 2020, after which it was expected to be brought into the line with the level of redundancy multiplier in place for newly appointed employees (1.25 times).
- 1.3 Due to delays in progressing planned convergence activity, Cabinet agreed to a further extension of the protected higher level of multiplier until 31<sup>st</sup> March 2021.
- 1.4 During the subsequent period the Exit Pay Cap legislation was introduced (4<sup>th</sup> November 2020), preventing exit costs of public sector workers from exceeding £95k. This legislation has recently been revoked and it remains unclear as to if and when revised legislation will be introduced or if MHCLG will continue to take forward its reforms of the Local Government Pension Scheme (LGPS).

## **2. Financial Implications**

2.1 An assessment of the future costs of redundancy payments and pension strain costs has been set out in Appendix 1. The modelling is based on redundancy payments made during 2020.

2.2 During 2020, the total costs of all redundancy related payments was just over £1.8m. Using 2020 as a guide, Appendix 1 sets out the potential difference in costs to the council of any change in multiplier, ranging from a reduction of around £148k with the introduction of a 1.5 multiplier to a reduction in costs of £645k if no multiplier is offered and all redundancy payments are made in line with the statutory minimum.

2.3 Whilst it is now uncertain as to whether the changes will be introduced, modelling of the proposed impact of the MHCLG's LGPS reforms (Appendix 2) suggests this would have reduced costs by around a third (in the region of £625k) through the payment of statutory redundancy only where early access to pension is taken up and a reduction in strain costs equivalent to the value of any statutory redundancy payments.

### **3. Well-being and Health Implications**

3.1 None

### **4. Climate implications**

4.1 None

### **5. Other Implications**

5.1 The opportunity to facilitate organisational change through the use of voluntary redundancy will be lessened if a lower redundancy multiplier is introduced.

### **6. Risk Assessment**

6. 1 Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk:

Residual Risk:

### **7. Equalities Impact Assessment**

7.1 The recommendation is to not change the current redundancy multiplier, so a continuation of the existing policy.

## 8. Appendices

Appendix 1: Assessment of the future costs of redundancy payments and pension strain costs.

### 2020 Redundancy Overview

No. of redundancies	36	
Total cost of redundancies	£1,041,422	
Average redundancy payment (1.75 multiplier)	£28,928	
No. of cases with early access to pension	21	
Total cost of early access to pension	£786,126	
Average cost of pension access	£37,434	
<b>Total Costs of Exits</b>	<b>£1,827,548</b>	

Appendix 2: Modelling of the proposed impact of the MHCLG's LGPS reforms.

### Modelling of Redundancy Costs

		Savings
Costs of Redundancies at 1.75 (as is)	£1,041,422	
cost of redundancies at 1.5 multiplier	£892,647	£148,775
cost of redundancies at 1.25 multiplier	£743,873	£297,549
cost of redundancies with no multiplier	£595,098	£446,324
cost of statutory redundancy payments	£395,674	£645,748

## 9. Background Papers

9.1 None

### Footnote:

Issues relating to financial, legal, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.