

Report for: **General Purposes Committee**

Item number:

Title: **Organisational Change Policy - Amendment**

Report

authorised by: Dan Paul, Chief People Officer

Lead Officer: Dan Paul, Chief People Officer

Ward(s) affected: **N/A**

Report for Key/

Non Key Decision: Non Key

1. Describe the issue under consideration

This report recommends a change to the wording of Appendix 1 of the Organisational Change Policy. This appendix deals with the calculation of redundancy payments.

2. Cabinet Member Introduction

Not required for the General Purposes Committee.

3. Recommendations

3.1 That the Committee approve the following change in Appendix 1 of the Organisational Change Policy. The current wording and proposed new wording is set out below:

3.1.1 **Current wording (to be deleted):**

How a Statutory Redundancy Payment is calculated:

The payment will be using the employee's actual weekly rate of pay (rather than the statutory minimum) to calculate redundancy payments. The Statutory number of weeks used to calculate a redundancy payment is shown below: -

- 0.5 week's pay for each complete year of service where the employee's age was under 22
- 1 week's pay for each complete year of service where the employee's age was 22 or above, but under 41
- 1.5 week's pay for each complete year of service where the employee's age was 41 or above

In addition to the statutory provision, the Council will pay:

- 1 week's pay for each complete year of continuous local government service

The maximum number of years payable is limited to 20.

3.1.2 **New wording (to be inserted):**

How a Redundancy Payment is calculated:

The Statutory number of weeks used to calculate a redundancy payment is shown below:

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- 0.5 week's pay for each complete year of service where the employee's age was under 22
- 1 week's pay for each complete year of service where the employee's age was 22 or above, but under 41
- 1.5 week's pay for each complete year of service where the employee's age was 41 or above.

The maximum number of years payable is limited to 20.

The Council enhances the above statutory redundancy entitlements in two ways:

1. An additional weeks' pay is given for each complete year of local government service up to 20 years.
2. The cap used for the calculation of a week's pay is set at £950 rather than the statutory cap. From 2026, this amount will be increased every year on 1 April by the percentage increase in the consumer prices index in the previous September, rounded up to the nearest pound.

Where the Employer is required to pay an amount to a pension fund upon redundancy as part of pension scheme regulations, the enhancement in 1. above will be offset against that payment until it is fully offset (with the employee being paid any amount of enhancement that remains).

- 3.2 Amendments will be made to the Redundancy payments scheme for Teachers to apply the £950 weekly pay cap.

4. Reason for decision

- 4.1 To ensure that the Council has a redundancy payment scheme that compensates employees fairly for the loss of their employment, whilst managing costs to the Council and protecting the lower paid.

5. Background

- 5.1 Haringey Council always tries to minimise redundancies, as is our legal duty. An effective organisational change policy is one of the ways in which this is done.
- 5.2 The current policy wording has been in place for some considerable time. There is no difference between voluntary and compulsory redundancy.
- 5.3 The Council's financial position means that all costs must be reviewed. The Council spent £1,341,429 on termination payments in 2023/24 and expects to have no choice but to spend considerably more in future years if no changes are made.
- 5.4 The redundancy schemes operated by London Boroughs vary. A significant number of other London Boroughs (at least 14) operate a scheme where actual pay is used for the calculation, but there is no additional week's payment. At least 8 Boroughs (including Haringey) currently operate a scheme which is further enhanced.

- 5.5 The proposed scheme would continue to provide an additional 1 week pay per year up to 20 years local government service, but would cap the salary used for the calculation at £950 per week (index linked increases in future years). £950 per week is above the median weekly pay at Haringey, and equates to the upper end of grade PO4; and is just over the top of the main pay scale for Teachers. This would mean that officers made redundant above this cap would see a reduction in redundancy pay when compared to the current scheme. This would be modest initially, with larger proportional reductions for the higher paid. Assistant Directors, for example, would receive a redundancy payment approximately 60% lower than under the current policy.
- 5.6 The recommendations in this report would mean that the maximum possible redundancy pay as at the date of this report would be £47,500 (50 weeks at £950 per week). This compares to the highest current entitlement as at the date of writing this report of £163,000.
- 5.7 The maximum statutory redundancy payment as at the date of writing this report is £21,000 (30 weeks at £700 per week). The Government typically increases this annually.
- 5.8 Pension strain costs would be paid to the pension fund separately where the pension regulations require it.
- 5.9 The proposed scheme would also operate a “claw-back” mechanism for employees where an additional payment is required to a pension scheme upon redundancy. The additional weeks enhancement would be clawed back to fund (or part fund) this payment to the pension scheme. If the enhancement due were higher than the payment required to the pension scheme, the employee would receive the difference.
- 5.10 The revised scheme would apply to all employees where consultation on the proposed redundancy commences on or after 4 April 2025. Where no consultation is required, it will apply where notice is given on or after 4 April 2025.
- 5.11 This report and the recommendations have been negotiated with the Employee Side Secretaries for the recognised trade unions for both corporate employees and schools employees. Some corporate trade unions have balloted their membership. The result of this is not known as at the date for publishing this report, and will be reported verbally at the meeting. The National Association of Headteachers (NAHT) has submitted an individual response, which is at Appendix 1.
- 5.12 The Council and Trade Unions recognise the value of working together to avoid redundancy. Strong and detailed business cases are required for restructuring, and stringent efforts must be made to redeploy displaced employees to avoid redundancy wherever possible.

6. Alternative options considered

A significant number of alternative options were considered in the drafting of this report. Some of the more significant options are shown below, but this list is not exhaustive.

- 6.1 Alternative Option 1 – Make no change. This was discounted as no savings would be achieved.
- 6.2 Alternative Option 2 – Maintain an enhancement, but on a different basis, such as keeping the calculation based on actual pay but either remove the additional week paid or reduce it to a smaller proportion, such as 0.5 or 0.25 weeks’ additional pay per year. This option was discussed in detail with the Trade Unions, but discounted as it would not achieve the aim of protecting lower paid employees.

- 6.3 Alternative Option 3 – Maintain an enhancement, but on a different basis. Some employers use a “multiplier” – for instance multiplying the statutory table number of weeks by 1.25 or 1.5. This option was discounted because it provides little to no difference on the existing arrangements or other options; and also does not achieve the aim of protecting the lower paid.
- 6.4 Alternative Option 4 – Maintain the additional week per year pay as an enhancement, but apply the statutory weekly pay cap (currently £700 per week), rather than the higher cap proposed in this report. This was considered but discounted as it would have an impact on a larger proportion of the workforce, with a cap of £950 per week being considered more appropriate at this point.
- 6.5 Alternative Option 5 – Remove the additional week pay year, and also apply the statutory weekly pay cap (currently £700 per week), rather than the higher cap proposed in this report. Given the potential savings, this option merited serious consideration. However, it was ultimately discounted as Haringey would be the first London Borough to take such an approach and would not protect the lower paid.

If the Committee were minded to take forward any of the alternative options at 6.1-6.5 above instead of the recommendations at section 3, a decision could not be taken at this meeting because formal consultation with Trade Unions would be required.

7. Contribution to strategic outcomes

- 7.1 A redundancy payment scheme which is fair, whilst at the same time managing the cost of redundancies, will assist in delivering all strategic outcomes.

8. Carbon and Climate Change Impact

None

9. Statutory Officers' comments (Chief Finance Officer (including procurement), Head of Legal and Governance, Equalities)

9.1 Head of Legal & Governance Comments

The Assistant Director of Legal and Governance has been consulted in the preparation of this report.

Under the Employment Rights Act 1996 'ERA', a local authority may alter its redundancy policy to pay employees less. The ERA establishes the statutory minimum redundancy pay which a local authority cannot reduce. The minimum is based on the employees age, length of service capped at 20 years and weekly earnings capped at a statutory maximum. A local authority can reduce redundancy pay if it currently offers enhanced payments beyond the statutory minimum.

The ERA provides that where 20 or more employees are affected by the proposed changes, the local authority must consult with trade unions or employee representatives, provide reasons for the changes and explore alternatives.

The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 requires Councils who decide to change their discretionary policy, publish a statement of the amended policy and may not give effect to any policy change until one month after the date of publication.

The local authority has a statutory duty to ensure financial sustainability. The proposed changes revising the redundancy policy assists with the reduction of costs to the council.

9.2 Chief Finance Officer Comments

The proposed changes to the calculation of redundancy payments will inevitably save the Council money through a combination of lower redundancy payments for those staff earning above the weekly pay cap and a clawback of the additional weeks enhancement in respect of pension strain costs. It is not possible to predict how much of a saving will be made as this depends on the numbers and grades of staff being made redundant.

It is reasonable to assume, given the £29.5m of proposed savings included in the 2025-26 Budget and 2025-2030 MTFS Report (a large proportion of which target staffing reductions) that redundancies will be more likely going forward than in the past. Therefore the need to mitigate the financial impact of this whilst protecting the lower paid is imperative in order to protect the Council's financial position, not least given the Council's application for Exceptional Financial Support of £37m.

9.3 Equalities Comments

The Council has a public sector equality duty under the Equality Act 2010 to have due regard to the need to:

Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act.

Advance equality of opportunity between people who share a relevant protected characteristic and people who do not share it;

Foster good relations between people who share a relevant protected characteristic and people who do not share it;

A "relevant protected characteristic" is age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The recommendations in this report would have the following impacts:

- a. **Reduce redundancy payments to employees who are made redundant and where pension scheme regulations require a payment to be made to the pension scheme.**

These employees are exclusively over the age of 55 and therefore it has been considered whether this constitutes age discrimination. It has been concluded that it does not, because whilst the redundancy payment would reduce if the employee were in an employer pension scheme, it would not if they were not. It is not therefore the age that is the critical factor. The payment reduction is made because currently, this group are proportionally more advantaged by the current policy than those that are under 55. This proposed change goes some way to advancing equality by reducing the preferential treatment given. The Council has no option not to pay the pension strain in these circumstances as it is required by the Local Government Pension Scheme Regulations.

- b. **Cap the pay used in the redundancy calculation.**

The proposed cap is broadly equal to the higher end of PO4 grade. At higher grades, our employees are proportionally more likely to be older and more likely to be of white

ethnicity and full time. It has therefore been considered whether there are any negative equality impacts. It is considered that there are unlikely to be, and if there are that they are objectively justified by the need to make financial savings whilst protecting the lower paid wherever reasonably possible. It is important to note that the cap proposed is significantly above the statutory cap (which could be used), there is an additional enhancement of a (capped) weeks' pay per year (or pension strain equivalent as a minimum) and also that the impact of this change will be that higher paid employees receive a lower overall redundancy amount than currently, rather than the lower paid receiving a preferential calculation to the higher paid. All employees will be paid redundancy payments according to the same calculation.

10 Use of Appendices

1. NAHT response

11 Local Government (Access to Information) Act 1985

Background paper used – Draft Statement of Accounts, Haringey Council 2023/24.
[Haringey Council Draft Statement of Accounts 2023/24 – 28 June 2024](#)

Appendix 1

I am writing on behalf of NAHT to lodge a formal objection to the proposal to place a cap on the weekly amount payable to employees who are being made redundant. Clearly

these plans will have a negative impact on our members most of whom will earn in excess of the weekly cap of £950 that is currently being proposed.

Whilst we would hope that the borough would do all it can to avoid the need to make school leaders redundant, we are also currently dealing with a very challenging financial settlement for schools which is resulting or will result in a number of SLT restructures. Likewise, we are also seeing a considerable drop in pupil numbers which is already resulting in school closures. Those losing jobs as a result of the funding crisis and drop in birth rate will see a double hit in that they lose their work and they also lose the compensation to which they are currently entitled.

Please can you register NAHT's formal rejection of the proposals as part of the consultation exercise.

Please can you also confirm whether the council is prepared to review the weekly cap and increase it so as to reduce the losses that will be suffered by school leaders who find themselves in a redundancy situation.