

DEVON & SOMERSET FIRE & RESCUE AUTHORITY



REPORT REFERENCE NO.	HRMDC/14/3
MEETING	HUMAN RESOURCES MANAGEMENT & DEVELOPMENT COMMITTEE
DATE OF MEETING	22 JANUARY 2014
SUBJECT OF REPORT	REDUNDANCY COMPENSATION RATES
LEAD OFFICER	Director of People and Commercial Services
RECOMMENDATIONS	<p>(a) <i>That the Committee recommends to the Devon and Somerset Fire and Rescue Authority that there should be no change to the current redundancy compensation rates (a multiplier of 2), and;</i></p> <p>(b) <i>That the Committee continues to monitor progress with reduction in staff numbers associated with the implementation of the Corporate Plan, and how the use of voluntary redundancies can support this, with a view to further reviewing the redundancy compensation rates in the next financial year.</i></p>
EXECUTIVE SUMMARY	<p>At the Authority meeting on 14 February 2011 (Minute DSFRA/60 refers), a redundancy multiplier of 2 was determined. This was subject to an annual review taking into account budgetary and financial issues and the organisational planning needs of the Service. At the Human Resources Management and Development (HRMD) Committee meeting on 19 March 2012 (Minute HRMDC/36 refers) it was resolved that it should be recommended to the full Authority that the multiplier should remain unchanged but that this should be subject to annual review.</p> <p>This paper sets out the background on how the redundancy compensation payments are applied and includes comparisons with other public sector organisations within the South West.</p>
RESOURCE IMPLICATIONS	Dependent upon the number of redundancies and multiplier that is used.
EQUALITY RISK & BENEFITS ASSESSMENT	The redundancy compensation rates are in accordance with the statutory formula relating to age and service.
APPENDICES	A. Redundancy Compensation Rates within the South West

LIST OF BACKGROUND PAPERS	None
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1. **INTRODUCTION**

1.1 At its meeting held on 19 March 2012 the HRMD Committee considered the matter of Redundancy Compensation rates to apply and resolved (Minute HRMDC/36 refers):

that it be recommended to the Devon and Somerset Fire and Rescue Authority that there should be no change to the current redundancy compensation rate (a multiplier of 2) and that this matter should continue to be reviewed at least annually.

1.2 The review should be undertaken by the HRMD Committee with a recommendation made to the full Authority. This paper includes an explanation of how redundancy compensation is applied and makes comparisons with other authorities in the South West.

2. **REDUNDANCY MULTIPLIER**

2.1 The Service employs the majority of staff on two sets of terms and conditions which are commonly referred to as:

- the 'Grey Book' and
- the 'Green Book'.

2.2 There are also three different pension schemes which are the Firefighters' Pension Scheme (FPS), which is closed to new members; the New Firefighters' Pension Scheme (NFPS) and the Local Government Pension Scheme (LGPS). The FPS/NFPS are available to operational staff and the LGPS for all other support (non-uniformed) employees and also the Control Room staff.

2.3 The rules of the LGPS require a service to have a policy on pension discretions to apply in certain situations including that of redundancy. As such, the Devon & Somerset Fire & Rescue Service has a policy on pension discretions and following the previous Authority decision and consultations with trade unions, the multiplier was set at a rate of 2 for staff who are eligible to join the LGPS. The FPS does not include any such requirement for a policy on pension discretions and does not contain any reference to discretions for enhanced redundancy pay.

2.4 As a reminder, the statutory redundancy pay for an employee with at least 2 years' continuous service, is based on the employee's age, salary (subject to a salary maximum) and the length of service.

- Up to the age of 21: 0.5 week's pay for each completed year of service.
- 22–40 years of age: 1 week's pay for each completed year of service.
- 41+ years of age: 1.5 weeks' pay for each completed year of service.

* A "week's pay" is subject to the statutory maximum (currently £450).

2.5 For staff within the LGPS, there is additional legislation in relation to redundancy payments in the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 ("the Regulations"). Almost all public sector organisations and many in the private sector have previously introduced schemes which offer more than the statutory redundancy pay referred to above, however, in recent years organisations have regularly reviewed their schemes and have reduced the multipliers that are applied. The maximum payment permitted under the Regulations is 104 weeks.

- 2.6 Most enhanced redundancy schemes in the public sector use the actual week's pay in the calculation (rather than the £450 statutory limit) and apply a multiplier to the number of weeks calculated using the statutory redundancy pay formula referred to above ("the multiplier"). This was modified in 2006 as the previous calculation of enhanced redundancy pay was not acceptable under the Age Discrimination Regulations.
- 2.7 The Authority is currently committed to using the actual weekly pay levels in its Reorganisation, Review, Redeployment and Redundancy ("4Rs") policy agreed with all the recognised unions and approved by the Authority on combination. This policy, however, is silent on any multiplier to be used since it was envisaged this would be included in a future redundancy policy. Such a policy was not introduced since the 4Rs policy has been sufficient for the organisational changes that have been made.
- 2.8 Prior to combination, staff currently within the Service were employed either by Somerset Fire and Rescue Service (FRS) (which was part of Somerset County Council - SCC) or by Devon FRS which was an independent Combined Authority. From 1 April 2007, all staff within the Service became part of the newly constituted and independent Devon & Somerset Fire & Rescue Authority, a combined fire and rescue authority with its own stated position for redundancy payments. This was originally set at a multiplier of 2.5 but was subsequently reduced to a multiplier of 2. Had those staff that were within Somerset FRS continued their employment with SCC then the multiplier would be a current level of 1. For those staff in the former Devon FRS, the multiplier had previously been based on the rate used by Devon County Council (DCC) who used an enhanced redundancy payment in accordance with the Regulations by applying a multiplier of 2.
- 2.9 The Regulations state that the maximum number of weeks of redundancy compensation is limited to 104 weeks. Since the statutory weeks of redundancy compensation is limited to 30 weeks, the maximum multiplier that could be applied would be 3.46. Appendix A to this report details the multiplier and weekly pay calculation currently in use by other South West public sector organisations.
- 2.10 For this Authority, it was previously determined that a balance had to be struck between the lowest cost to the Authority, what would be suitable compensation for staff whose positions were at risk of redundancy on a compulsory basis and what might be considered as a level likely to be attractive to staff who may be willing to consider voluntary redundancy. At this time, the Service is progressing with the implementation of the Corporate Plan and, from a Service perspective, it would be preferable to maintain the existing levels for the time being with the option to further revisit the position in the next financial year.

3. REDUNDANCY MULTIPLIER FOR OPERATIONAL STAFF

- 3.1 As set out in paragraph 2.3 above, the FPS does not require any pension discretions policy or for enhanced redundancy pay to be provided. The advice from the National Employers own in-house employment law advisers is that the discretionary compensation regulations exclude operational firefighters as shown in the extract below:

"The compensation provisions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 currently apply in relation to:

a) *Employees of bodies listed in Part 1 of Schedule 2 to The Local Government Pension Scheme (Administration) Regulations 2008 (as amended). This includes local government employees and, among others, employees of police authorities, fire and rescue authorities, and further and higher education corporations (**but excludes** councillors, the Mayor of London, a member of the London Assembly, teachers, **operational firefighters** and uniformed police officers);”*

- 3.3 There are no powers in the Firefighters' Pension Schemes or any related statutory provisions along the lines of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations. This means that Fire & Rescue Authorities have no powers to increase a redundancy payment over and above that provided for under the Employment Rights Act 1996 or to augment pensions.
- 3.4 Where the Service has uniformed staff who have retired and been re-employed then if they are at Station Manager or above they become eligible to join the Local Government Pension Scheme and therefore are also eligible to the enhanced redundancy compensation for periods of employment where they are re-employed.
- 3.5 Nationally, there have been discussions as to whether the redundancy compensation for uniformed staff could be enhanced. The last communication on this matter was from the National Employers in July 2013 (Circular EMP/08/13). Within the circular it was stated that “if there were agreement to implement enhanced redundancy rates then Authorities would have the discretion to determine whether to introduce this locally”. Since DSFRS has already set a level for the Service this would be applied to uniformed staff with a multiplier of 2 and the actual weekly rate of pay. The maximum redundancy payments for a Firefighter would therefore increase from the statutory level of £13,500 to £33,100.

4. CONCLUSIONS

- 4.1 The Service needs to review the current level of our redundancy multiplier as set out in this paper. The rate applied would be for those staff that are eligible to join the LGPS. All other uniformed staff are currently only entitled to the statutory redundancy pay.

JANE SHERLOCK
Director of People and Commercial Services

REDUNDANCY COMPENSATION RATES WITHIN THE SOUTH WEST

APPENDIX A TO REPORT HRMDC/14/3

Organisation	Redundancy Compensation Dec 2010	Redundancy Compensation Feb 2012	Redundancy Compensation Jan 2014
Devon and Somerset FRS	The 4R's policy commits the Service to using the actual week's pay rather than the statutory limit but is silent on what multiplier should be used.	Initially a multiplier of 2.5 was used and this was reduced from Apr 2011 to a multiplier of 2 using the actual week's pay.	Currently a multiplier of 2 using the actual week's pay.
Devon County Council	Multiplier of 2 using the actual week's pay.	Multiplier of 2 using the actual week's pay.	No change
Somerset County Council	Multiplier of 2 using the actual week's pay but under review.	Reviewed in April 2011 and reduced to a multiplier of 1 using the statutory weekly pay for compulsory redundancies and the actual weekly pay for voluntary redundancies. A min payment of £1500 is applied.	No change
Plymouth City Council	Multiplier of 2	Reviewed in Nov 2011 and reduced to a multiplier of 1 using the statutory weekly pay ie no additional enhancement.	No change
Torbay Council	Multiplier of 1 using the actual week's pay but under review.	Multiplier of 1 using the actual week's pay.	No change
Cornwall Council	Up to April 2010 multiplier of three times actual weeks pay. Post April 2010 it is 1.75 times based on the actual week's pay.	Reviewed in May 2011 and kept to a multiplier of 1.75 using the actual week's pay.	No change
Dorset County Council	Multiplier of 2.5 using the actual week's pay but under review.	Reviewed in Apr 2011 and reduced to a multiplier of 1.75 using the actual week's pay.	No change

Gloucestershire County Council	Multiplier of 2.2 using the actual week's pay.	Reduced to a multiplier of 2 and from Apr 2012 will be a multiplier of 1.75 using the actual week's pay.	No change
Wiltshire FRS	Multiplier of 1 with actual week's pay	Reviewed in 2011 and modified to a multiplier of 1.75 using the actual week's pay.	No change but NB Voluntary Redundancy is with a multiplier of 1.75 and a limit of 52 weeks, Compulsory Redundancy is with a multiplier of 1. Both use the actual week's pay.
Dorset FRS	Multiplier of 2.5 using the actual week's pay.	Multiplier of 2.5 using the actual week's pay.	Multiplier reduced to 1.75 using the actual week's pay.
Avon FRS	Multiplier of 2.5 using the actual week's pay (maximum compensation equivalent to 75 weeks pay).	Multiplier of 2.5 using the actual week's pay (maximum compensation equivalent to 75 weeks' pay).	No change