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Date: Thursday, 10 May 2012

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Dear Member

ADJOURNED ANNUAL COUNCIL - WEDNESDAY, 16 MAY 2012

I am now able to enclose, for consideration at the Wednesday, 16 May 2012 meeting of the Council, the following reports that were unavailable when the agenda was printed.

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17.	Chief Executive - Voluntary Redundancy Request	(Pages 1 - 10)

Yours sincerely

June Gurry
Clerk

Agenda Item 17



Title: **Chief Executive - Voluntary Redundancy Request**

Public Agenda Item: **Yes**

Wards Affected: **Indirectly all wards in Torbay**

To: **Adjourned Annual Council** On: **16th May 2012**

Key Decision: **No**

Change to Budget: **No** Change to Policy Framework: **No**

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1. **What we are trying to achieve and the impact on our customers**

- 1.1 As part of the reductions in public spending Torbay Council is looking to make further changes in its senior management structure, and to realign the roles to support the challenge of effectively making the necessary changes in the way it manages, delivers and commissions services during a period of rapid change. The Chief Executive mindful of the need to continue the process of change has made a request for voluntary redundancy. If Council accepts the request then alternative ways of delivering the Chief Executive role and the role of Head of Paid service will need to be agreed.

2. **Recommendation(s) for decision**

- 2.1 That the voluntary redundancy request of the Chief Executive be approved and the significant changes to the current structure (tiers 1 & 2) and Functions of the Chief Executive which will need to be made as a result be accepted.
- 2.2 That the Employment Committee work as a task force with Group Leaders and the Executive Head Business Services to develop options for consideration at the Council meeting on 12 July 2012, to ensure that there is fair inclusion and representation of Members in the development of these options.
- 2.3 To ask the Monitoring Officer to make such amendments to the constitution as maybe necessary following the decision above as required.

3. Key points and reasons for recommendations

- To reduce the expenditure on staffing (saving of over £100,000 pa).
- To retain flexibility and capacity during a period of rapid public sector change.
- To maintain focus on strategy, policy development and managerial leadership.
- To provide flexibility for future changes.
- Costs can be recovered in within the normally agreed time frame.

For more detailed information on this proposal please refer to the supporting information attached.

Mark Bennett Executive Head Business Services

Supporting information

A1 Introduction and history

Background

A1.1 The request from the Chief Executive for voluntary redundancy should be considered in the context of:-

- i) The requirement for ongoing reductions in management costs, the fact that substantial changes have been made since 2008, tackling Directors and Assistant Directors in 2008/9 the Executive Head structure in 2010/11 and commissioner structures in 2011/12.
- ii) There has been sustained improvement across most of the Council's services. Whilst challenges remain in some elements of Children's services and in funding of Adult Services, with the revised management structure in Children's, and the bringing back into the Council of the Director of Adult Services, the Chief Executive believes that with the current managerial leadership and political support the necessary changes and improvements can be made.
- iii) The Council's Mayoral system has matured, and Councillors are taking up the challenge of the changes brought about by the Local Government Act of 2000. The Mayoral system (from Oct 2005) and progressively greater expertise, professionalism and engagement of the elected member since 2000 has created a change in the nature of the role of the Chief Executive.
- iv) Over the last few years the Council has made significant changes in its operating framework moving to a commissioning model well in advance of other authorities. This has led to significant savings and improvements in services, most recently TOR2, the setting up of the Tourism Company and the Economic Development Company. By value the Council has c. 70% of its services commissioned. This means the breadth of responsibility is less (although accountability remains).

A1.2 An acceptance of the voluntary redundancy request provides the opportunity to review the current senior management structure, to reduce cost and provide flexibility for future changes. Both in the short and longer term.

A2 Voluntary redundancy – the policy position

A2.1 Due to the continuing pressure to reduce management costs, and therefore the need to further explore changes to the senior management arrangements, it is the responsibility of the Council, under its policies, to first seek to avoid compulsory redundancies. Thus the Chief Executive's request for voluntary redundancy is in line with the Council's change policies as well as best practice. A summary of the policy position and links to relevant documents are at appendix 1.

A2.2 It is however the Council's decision as to whether or not the request can be accommodated. If accepted the post, in its current form, must be deleted from

the structure, any proposals for an alternative post must be significantly different in terms of pay, hours or the nature of the role (or a combination of the same) such that the redundancy can be justified.

A3 Future options (Finance and Risk)

Costs

A3.1 If accepted the in year cost of the redundancy payments and pension strain, based on a leaving date of the 2nd October 2012. would be:

Gross Redundancy Payment	£30,554.16 (Paid to the Chief Executive)
Pension strain ¹ Costs	£102,105.52 (Paid to the pension scheme. Note the Chief Executive like any employee has also contributed to the pension fund over the years)

A3.2 Details of the calculation and the regulatory and policy basis for these payments is in Appendix 1.

A4 Recent savings from senior management changes

A4.1 The current (2012/13) operational management structure has 4 people in post (3.6 Fte's):

- Chief Executive (Full time)
- Director of Adult Services and Resources (Part time 4 days per week)
- Director of Place and Resources (Part time 4 days per week)
- Director of Children's Services (Full time)
- Director of Public health (Note NHS funded post, Not included in Head Count, Public Health will transfer to the Council in April 2013)

Current costs (including 25% on costs) = £547,000

A4.2 By comparison, in 2011/12 the operational management structure had 5 full time posts

- Chief Executive
- Commissioner of Communities & Local Democracy (Deputy Chief Executive);
- Commissioner of Children, Schools and Families (Director of Children's Services);
- Commissioner of Place and Environment; and
- Commissioner of Adults and Operations.
- Director of Public health (Note NHS funded post, Not included in Head Count, Public Health will transfer to the Council in April 2013)

2011/12 Costs (including 25% on costs) = £729,000

A5 Potential Savings

¹ Pension strain – Payment made to the pension scheme determined by actuarial calculation, and based on; (lump sum + full pension paid early) + (lost contributions to the scheme) + (interest costs arising from increase cash flow from the pension scheme)

A5.1 The actual savings will depend on the options chosen by the Council in July. However to demonstrate that savings in excess of £100,000 per annum are possible the following examples are shown for illustrative purposes:

Internal

A5.2 If an option was to have an part time Chief Executive recruited internally on 2 days per week, at £125,000 per annum (pro rata for the two days). The annual costs of tiers 1 & 2 would be approximately £389,000 (including 25% on costs) giving a saving over the current cost in the region of £153,000 per annum.

A5.3 If an option was to have an part time Chief Executive recruited internally on 3 days per week, at £125,000 per annum (pro rata for the three days). The annual costs of tiers 1 & 2 would be approximately £393,000 (including 25% on costs) giving a saving over the current cost in the region of £149,000 per annum.

External

A5.4 If an option was to have an part time Chief Executive recruited externally on 2 days per week, at £125,000 per annum (pro rata for the two days). The annual costs of tiers 1 & 2 would be approximately £416,000 (including 25% on costs) giving a saving over the current cost in the region of £125,000 per annum.

A5.5 If an option was to have an part time Chief Executive recruited externally on 3 days per week, at £125,000 per annum (pro rata for the three days). The annual costs of tiers 1 & 2 would be approximately £448,000 (including 25% on costs) giving a saving over the current cost in the region of £95,000 per annum.

A5.6 Note on the costs, the external costs are higher as they add additional resource, The internal options, assume that if one of the Directors takes on the role, then they would reduce the number of days as a “Director” with those days replaced by the part time Chief Executive role.

A5.7 In all options there may be additional cost through increased responsibilities of some officers which assist capacity.

A5.8 Any payments made must be able to be paid back within 3 years. If an option similar to the examples above is adopted than the payback period is within the 3 year period.

A6 Risk assessment

Risks	Mitigation / Advantages
Governance, the Chief Executives delegated powers and statutory function.	The current Chief Executive role has a range of delegated powers as well as those associated with the statutory role of Head of Paid service. As part of any future arrangements changes will need to made to the constitution to ensure that the delegated powers and statutory element are maintained. The roles and responsibilities of an new arrangements need to be clear
Governance, Supporting the political decision making process	In order for the Council to maximise the opportunity to revise its senior management structure, attention will need to be given to the involvement of Senior Officers in decision

Risks	Mitigation / Advantages
	making to ensure that this is as efficient as possible, The political decision making and governance arrangements may need to be revised to take into account any revised management structures.
Capacity	<p>It is acknowledged that agreement to the voluntary redundancy request reduces capacity, but this is also at a time when some of the significant commissioning activity has been completed, there is stable political and senior leadership, there is flexibility with the tier 2 roles to provide additional capacity.</p> <p>The option to separate the Head of Paid service role from the Chief Executive role and re design the role of Chief Executive to provide a narrower focus.</p> <p>The option to provide an initial interim solution may give the opportunity to test out the new arrangements before making a final permanent decision.</p> <p>The Executive Head & Director structure already provide flexibility in management cover in the event of an unforeseen crisis, or to cover the departure or absence of senior staff.</p>
The reduced capacity will make it difficult to respond to the nine Executive Leads as at present.	<p>Members will need to continue to go directly to Executive Heads for operational matters. Executive Heads will also take greater accountability for performance, supporting Executive Leads directly on delivery and scrutiny.</p> <p>Continuing to work in this way will maintain efficiency and the close working arrangements between Members and appropriate Executive Heads.</p>
In any restructure there is the possibility that customer focus is lost. (internal and externally)	<p>Any future options need to take this into account, to ensure that they are designed to disrupt service delivery as little as possible. The public should see no difference in service delivery resulting from any changes other than changes that will occur from other budget pressures.</p> <p>Internal communications are continually under review and will make any required changes in the arrangements to ensure that employees feel they are communicated with.</p>

A7 Remaining risks

A7.1 As a small Unitary Authority, the Council will always retain the risk associated with the departure or absence of key senior managers.

A8 Other Options

A8.1 If the voluntary redundancy request is rejected, and the council wishes to seek further reductions in management costs at tiers 1&2 then compulsory redundancies may be necessary.

A9 Summary of resource implications

A9.1 One off costs of redundancy and pension strain costs

Redundancy	
Gross Redundancy Payment	30,554.16
Pension Strain	
Pension Strain Cost	102,105.52
Total Cost	£132,659.68

A9.2 Future savings are dependent on the options put forward at the Council meeting in July. However it is suggested that Council should expect the annual saving to be in the order of £100,000 or greater.

A10 What impact will there be on equalities, environmental sustainability and crime and disorder?

A10.1 All the changes proposed will be carried out in accordance with approved Human Resource policies. These policies have been equality impact assessed, and have been agreed through the Council's consultation process.

A11 Consultation and Customer Focus

A11.1 If the voluntary redundancy request is accepted then consultation will commence with Members through the employment committee and group leaders task force to explore the options available for decision at the July 2012 Council meeting.

A11.2 Executive Heads and Directors will be consulted with directly as part for the process of developing options.

A11.3 Views will also be sort from staffs and key partners.

A11.4 Any appointments at Chief Officer level (Chief Executive and Directors) or reallocation of statutory duties are Member appointments through a properly constituted panel and ratification at Full Council. Other structure arrangements are the responsibility of the Head of Paid Service.

A11.5 The specific dates of any changes will be subject of agreement at a future Council meeting.

A12 Are there any implications for other Business Units?

A12.1 There are no direct implications for Business Units. However reporting lines may change depending on the future options.

Appendices

Appendix 1 – Redundancy and Pension policy – including details of calculations of redundancy and pension strain payments

Documents available in members' rooms

None.

Background Papers:

Links to

Devon Pensions <http://www.devonpensions.org/>

Torbay Council redundancy policy http://insight/redundancy_policy_updated_july_2011.doc

Appendix 1 Relevant Policies

Redundancy Policy

Under the Council's Redundancy Policy, the Council is committed to avoiding where possible the need for Compulsory Redundancies. As such it should look to seek other options such as voluntary redundancy, requests for reduced hours etc. The link to the Council's Redundancy Policy can be found here:

http://insight/redundancy_policy_updated_july_2011.doc

Voluntary Redundancy

Where, in seeking to avoid Compulsory Redundancy, an employee requests voluntary redundancy, it is the Council's decision as to whether or not such requests can be accommodated. In accepting the Chief Executive's request for Voluntary Redundancy, the post in its existing form must be deleted from the structure. Any new proposed alternative post within the structure must be significantly different and such that the redundancy can be justified.

Should the employee's request for Voluntary Redundancy be agreed, the employee will receive acceptance in writing, and arrangements for their last day of service, last day at work and any outstanding annual leave will be confirmed. The employee will then receive confirmation in writing of these agreements.

Redundancy Payments

Torbay Council has within its policy in the appendix, a redundancy calculator. Which details the payments due, depending on the employees age and length of service, Under the Local Government Pension Scheme, the Council has discretion under the 2006 regulations.

Use of discretionary powers,

The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (As Amended) the discretions used by Torbay Council are summarised below.

Part 5 -Power to Increase Statutory Redundancy Payments.

Torbay Council uses the actual weekly pay of employees, and not the current statutory maximum of £430 per week

Part 6- Discretionary Compensation. (the power to make compensatory payments up to the a maximum of 104 weeks)

This is often referred to as the redundancy multipliers when authorities chose to pay compensatory payments over and above the statutory requirements, by applying a multiplier to the statutory arrangements. Torbay Council does not make any compensation payments, redundancy payments are made on a statutory basis, but with the actual weekly pay of employees being used.

In respect of the Chief Executive, the Redundancy payment is based on age and length of service, and calculated as $10.5 \times (\text{the actual weekly pay}) = \text{£}30,554.16$.

Pension Calculations

Under the Local Government Pension Scheme, an employee who is made redundant over the age of 55 is automatically entitled to their pension benefits in full. As such, the

employer is charged a strain payment by the scheme which is determined by actuarial calculation on the basis of:-

- lump sum + full pension paid early
- lost contributions to the scheme
- interest costs arising from increase cash flow from the pension scheme

The employee then receives their pension on a monthly basis, as well as a lump sum.

In respect of the Chief Executive the pension strain is £102,105.52