



## NORTH YORKSHIRE EDUCATION PARTNERSHIP

<b>Date of meeting:</b>	Thursday, 17 May 2018
<b>Title of report:</b>	<b>Schools Redundancy Report</b>
<b>Type of report:</b> Delete as required	For Information
<b>Executive summary:</b> Including reason for submission	
<b>Budget / Risk implications:</b>	
<b>Recommendations:</b>	To note the report
<b>Voting requirements:</b>	Schools members only / Schools and non-schools
<b>Appendices:</b> To be attached	Appendices 1 & 2
<b>Report originator and contact details:</b>	Penny Yeadon – Head of HR (CYPS)
<b>Presenting officer:</b> If not the originator	Howard Emmett – AD Strategic Resources (CYPS)

## 1.0 PURPOSE OF THE REPORT

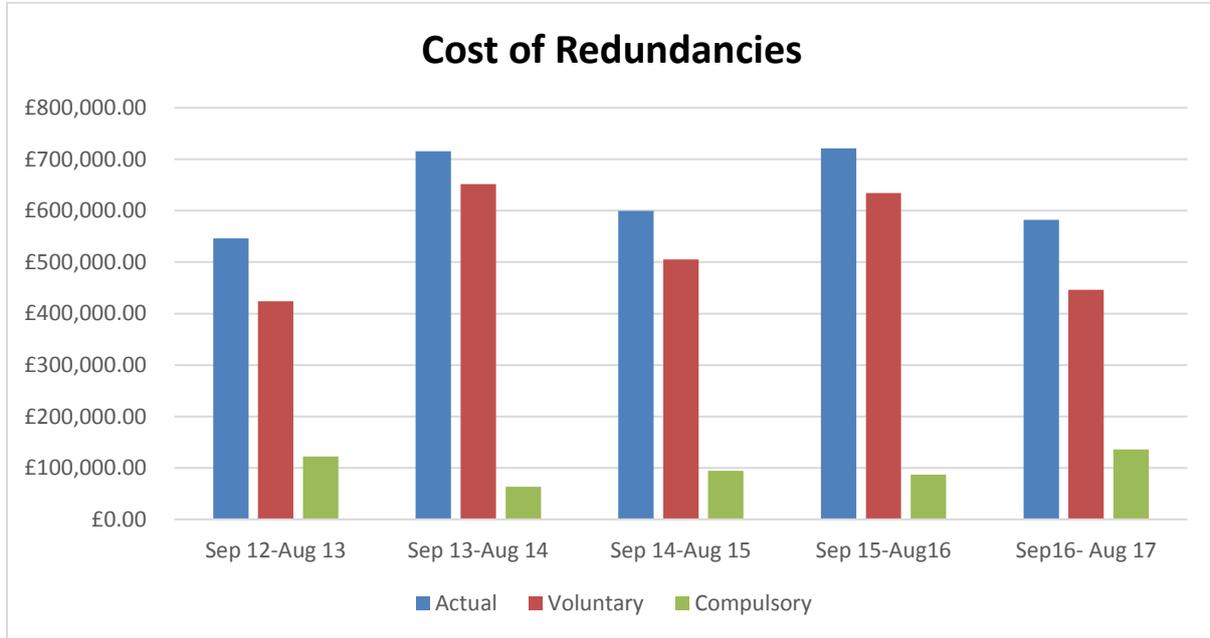
- 1.1 Local Government is continuing to face unprecedented change with regard to how it delivers its services and how it is financed both locally and from central government. It is in the context of this changing landscape that this paper is presented to the NYEP to inform them, prior to informing schools and unions the change in the way that the Local Authority (LA) propose to meet the future cost pressures associated with redundancy. Given the significant financial challenge facing the authority, the recommendations are being made in order to minimise spend as far as possible.
- 1.2 Schools will look at redundancies for a number of reasons, including school closure, reduction in pupil numbers leading to reduced number of classes, restructures and re-organisation linked to budget pressures or organisational needs.
- 1.3 The redundancy fund was a cash limited reserve and no longer contains any funds. Given the financial scenario for the future, the LA does not have the resources to provide the same level of financial assistance to schools going forward and needs to revise their current arrangements.

## 2.0 BACKGROUND

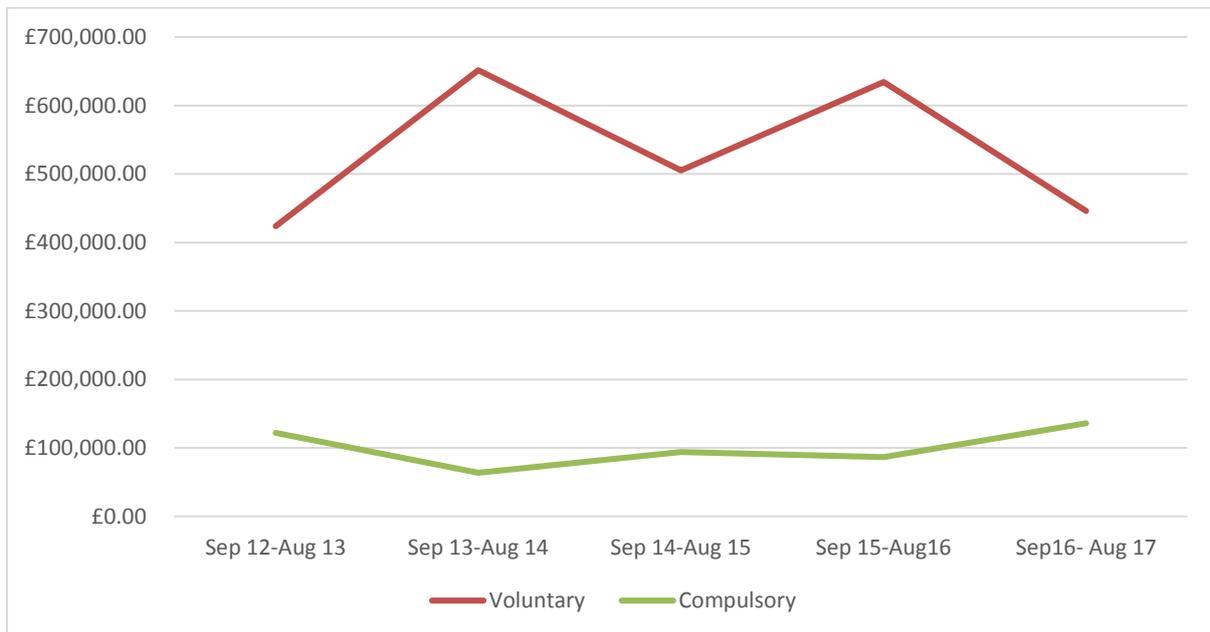
- 2.1 The LA historically had an annual budget of £850,000 to cover severance payments to school employees. A decision was taken in 2009 to remove this budget and seek to move to a position where necessary reductions in a school's staffing establishment were managed through other mechanisms. It was recognised that an alternative approach would take time to establish and a reserve was created to enable redundancy payments to continue to be met outside of the school's budget during this interim period. The redundancy reserve was fully depleted in 2015-16. There is a planned £788k use of General DSG reserve in 2017-18 (but this is forecast to be fully depleted by 2018-19).
- 2.2 Redundancy payments for school based teaching staff are based on either a voluntary or compulsory calculation. The payment is based on a maximum of 20 years' service. For volunteers the calculation is:
- Up to the age of 21 years – ½ a week's pay for each completed year of service
  - 22-40 yrs – 1 week's pay for each completed year of service
  - 41 yrs plus – 1 ½ weeks' pay for each completed year of service.
- 2.3 For compulsory redundancies the statutory limit of £508 per week is applied to the calculation of a week's pay and service is capped at 20 years. For support staff the calculation is made on actual salary. Pension strain costs for support staff are met by the school except in exceptional circumstances.

2.4 The cost of redundancies over the previous 5 academic years is as follows:

(Figure 1)



(Figure 2)



2.5 The actual total cost of redundancies over a 5 year period has been just over £4 million. In 2011 the cost of voluntary redundancies stood at £800,625 with compulsory redundancy costing £413,273. Whilst in the Academic year 2012/13 the Voluntary Redundancy costs stood at £453,658 and the compulsory redundancy cost was £143,693. For the academic year 2013/14 the Voluntary Redundancy cost stood at £652,068.28 and the compulsory redundancy cost stood at £101,371.47. Finally, in the academic year 2014/15, the voluntary Redundancy cost stood at £570,088, and

**Schools Redundancy Report**

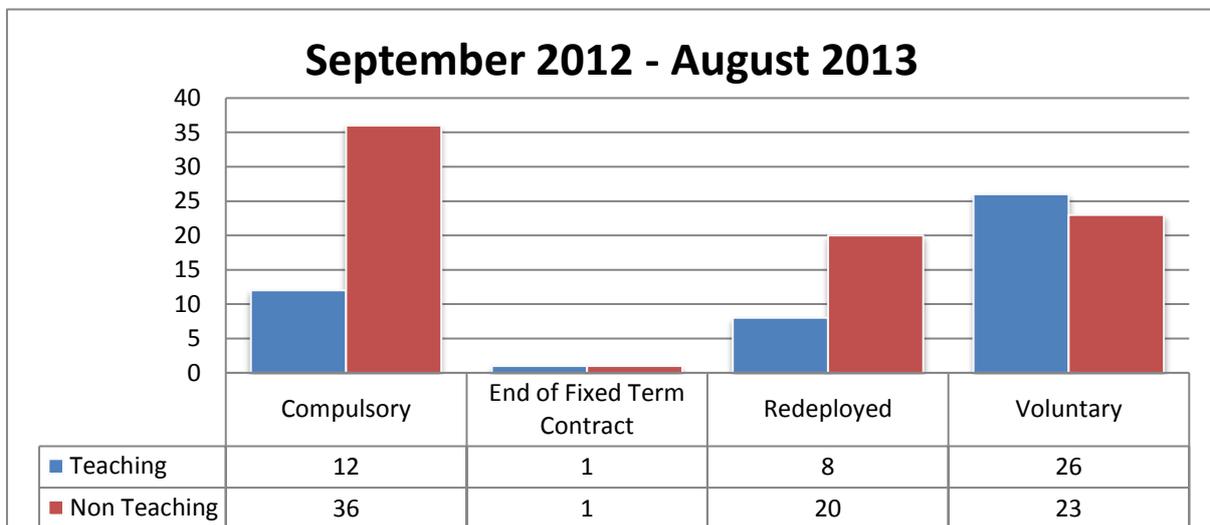
the compulsory Redundancy cost was £158,385. The total number of redundancies over the previous 5 academic years stands at 611.

2.6 The LA reserves have been fully utilised, therefore action needs to be taken to revise the current arrangements for dealing with the requirement to reduce staffing levels in a school. The local authority needs to find a sustainable funding source to meet future liabilities.

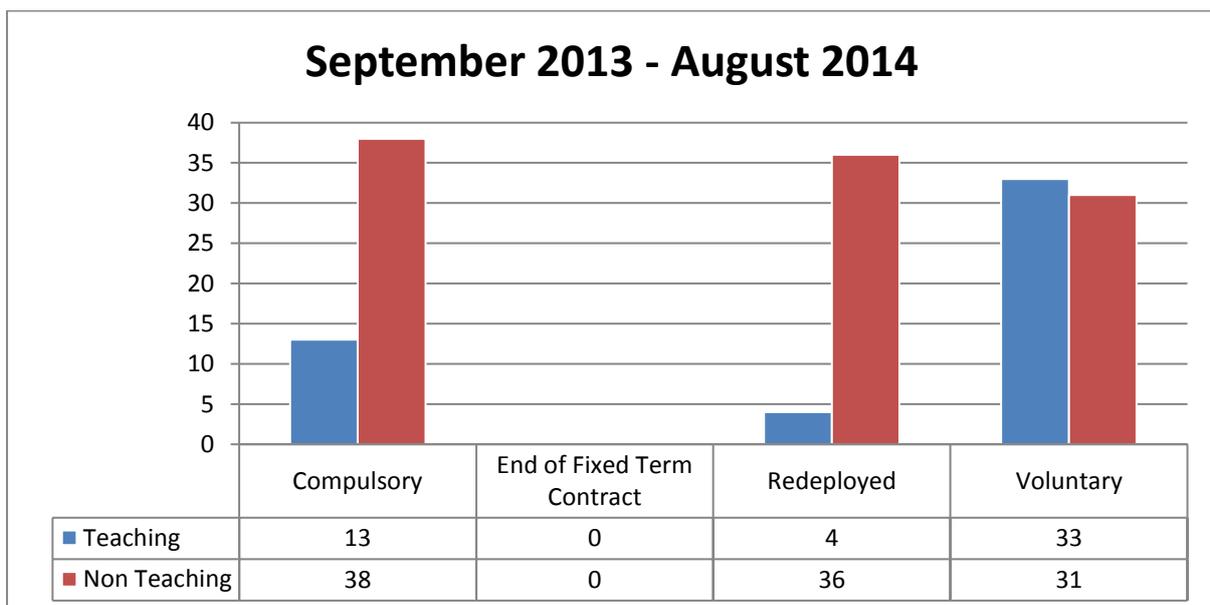
3.0 COMPULSORY VS. VOLUNTARY

3.1 The split in terms of compulsory and voluntary redundancy over the last 5 academic years can be seen below:

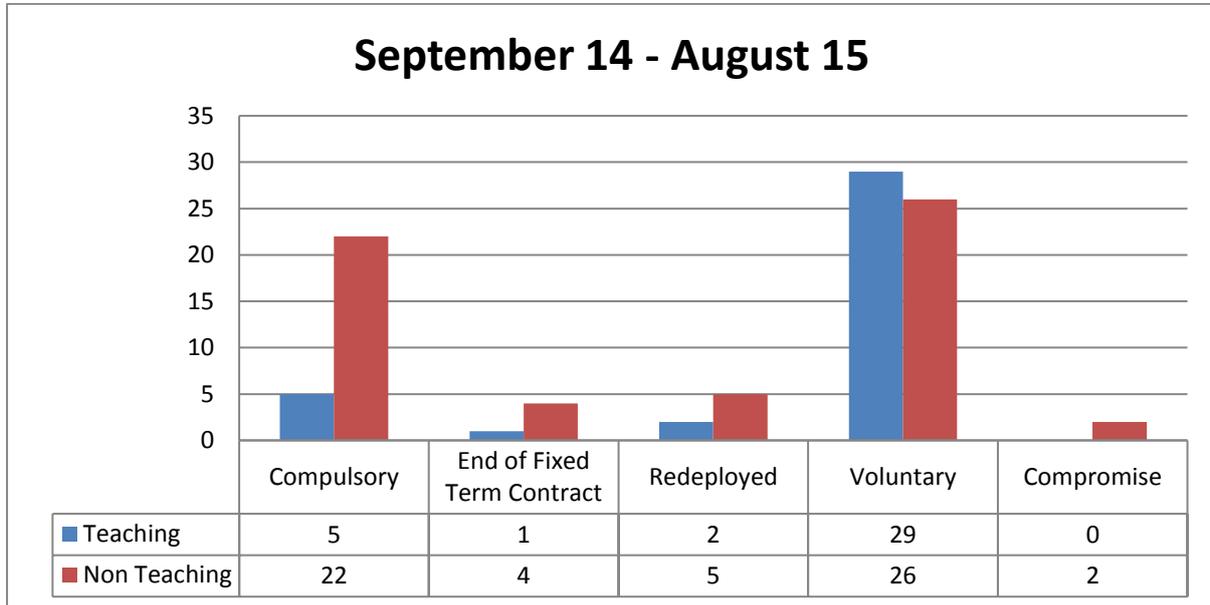
(Figure 3)



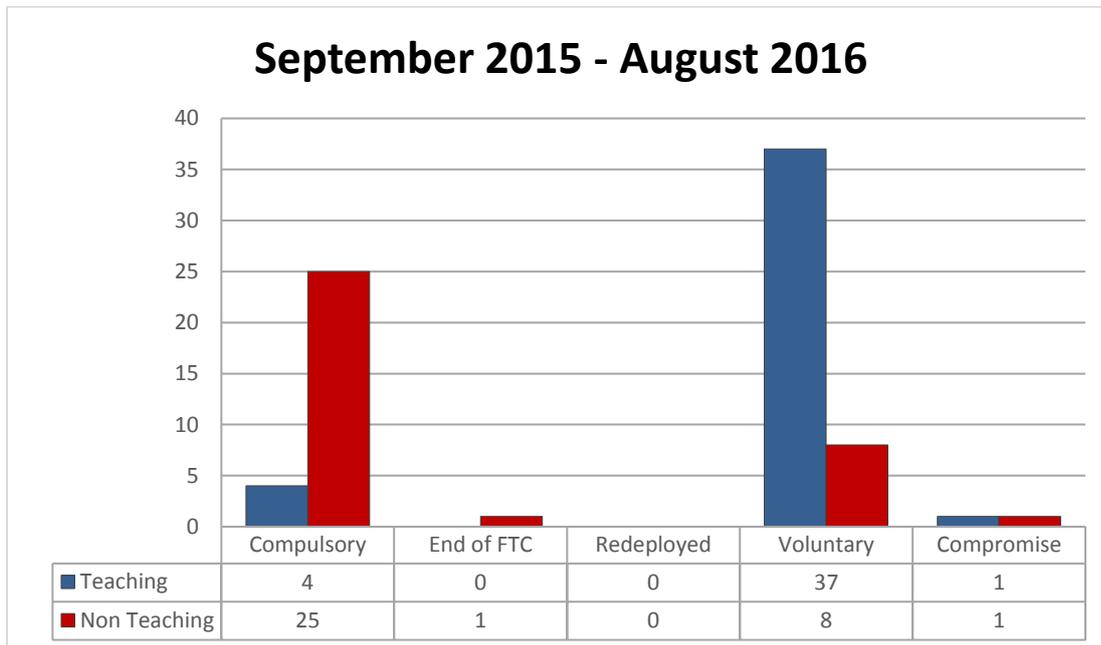
(Figure 4)



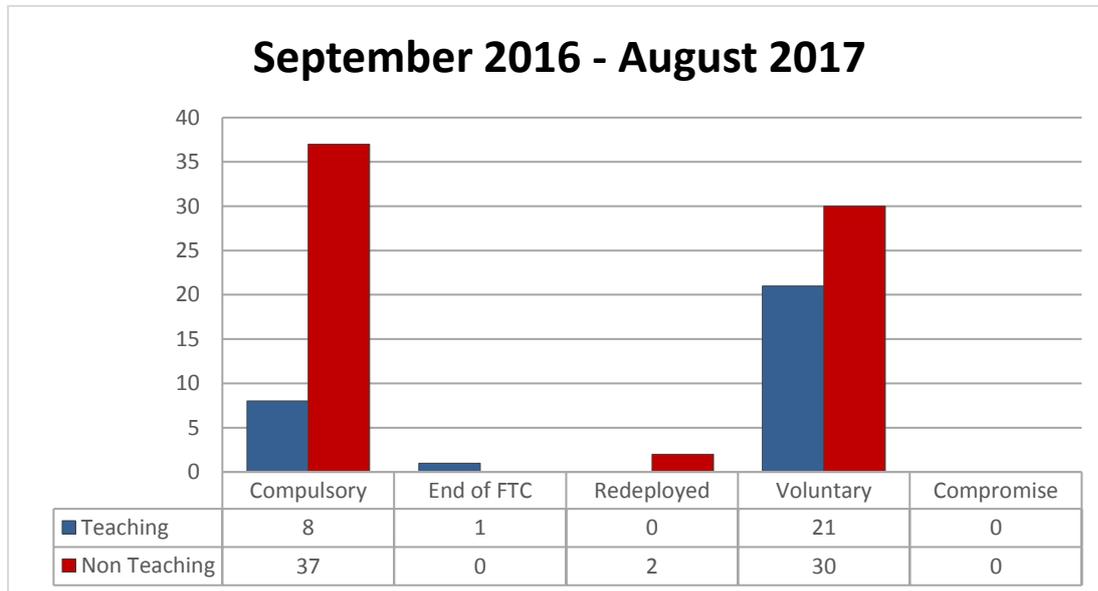
(Figure 5)



(Figure 6)



(Figure 7)

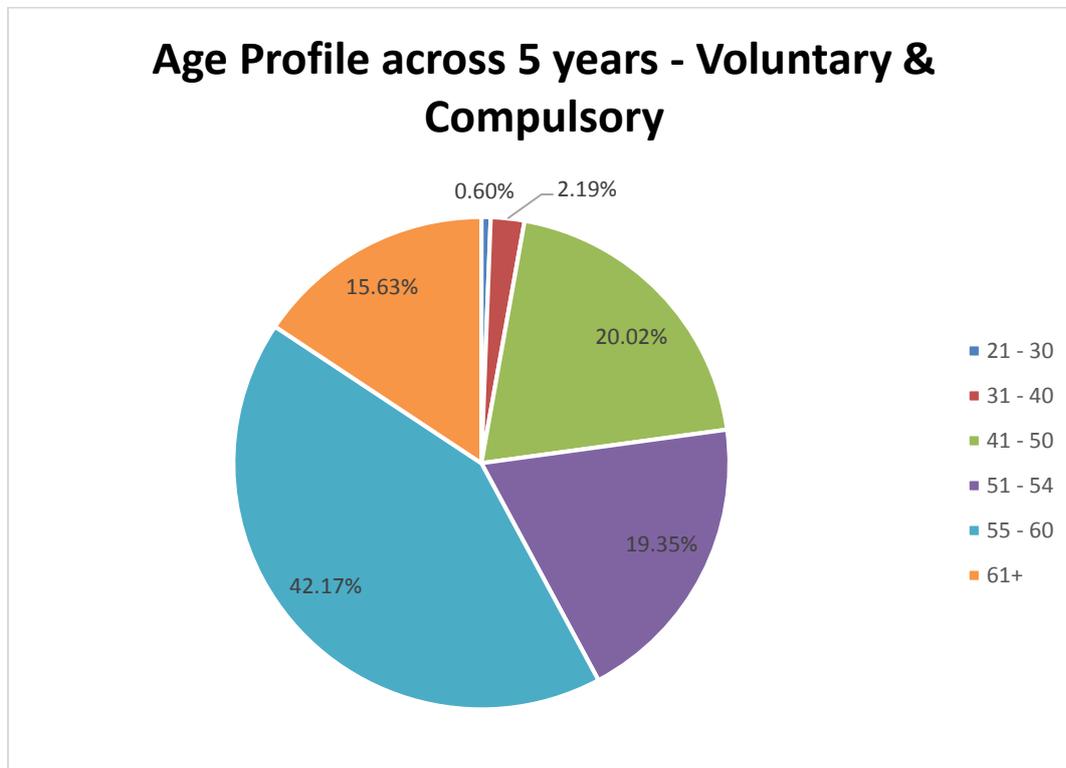


- 3.2 From the data in figures 3-7 it is apparent voluntary redundancies play a key role in helping manage redundancies. If you only consider the information pertaining to compulsory and voluntary redundancies over the previous 5 academic years, over 50% of redundancies were on voluntary grounds. Historically School Leaders and Professional Association colleagues prefer to resolve matters via voluntary means and generally it's seen as the preferred option as it allows individuals to make their own decision and for teaching staff it can be more financially beneficial to accept voluntary redundancies instead of compulsory.
- 3.3 The majority of leavers in terms of teaching staff are volunteers rather than compulsory redundancies. For school based teaching staff voluntary redundancy calculations are based on actual salary rather than the statutory calculation and so for the majority of teaching staff it is financially more beneficial to volunteer if an individual feels they may be at risk of compulsory redundancy. For support staff there is no difference in how the calculations are made and so there is no financial incentive to volunteer.
- 3.4 The data shows voluntary redundancies have a clear link to age. It is usually staff who are over the age of 55 with longer service history and who may be earning a higher salary who apply for voluntary redundancy as they are able to access their pension benefits in addition to a redundancy payment. Ultimately Governing Bodies have to determine whether they can release the skills, knowledge and experience of staff who volunteer. In most cases this is an acceptable solution to achieving the reduction.

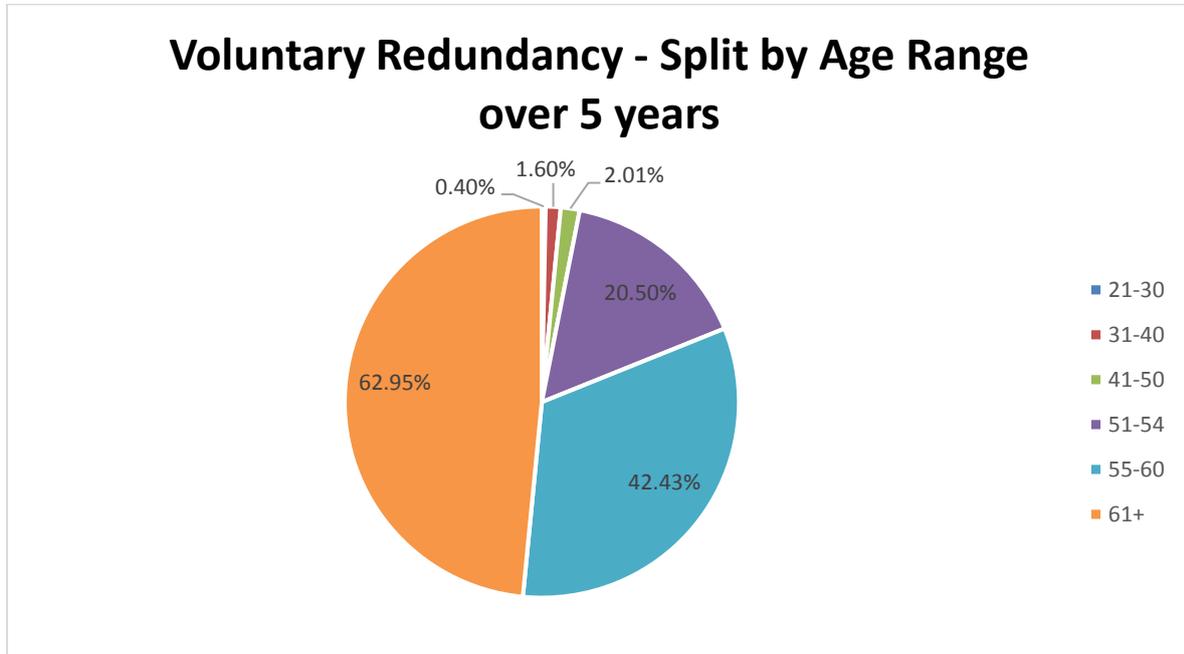
(Table 1)

Age Range	Sept '16 - Aug '17	Sept '15 - Aug '16	Sept '14 - Aug '15	Sept '13 - Aug '14	Sept '12 - Aug '13	Total
21 - 30	£1,408.48	£4,727.87	£3,703.68	£0.00	£8,357.34	£18,197.37
31 - 40	£13,200.95	£16,277.76	£16,765.93	£16,459.09	£2,450.58	£65,154
41 - 50	£132,258.04	£137,601.48	£118,989.71	£154,849.30	£51,114.33	£594,812.86
51 - 54	£133,687.85	£162,701.25	£104,706.46	£103,214.96	£70,809.05	£575,119.57
55 - 60	£156,585.47	£338,848.66	£205,153.21	£243,994.59	£308,537.09	£1,253,119
61+	£145,045.34	£52,844.96	£120,769.67	£133,550.34	£12,389.94	£464,600.25

(Figure 8)

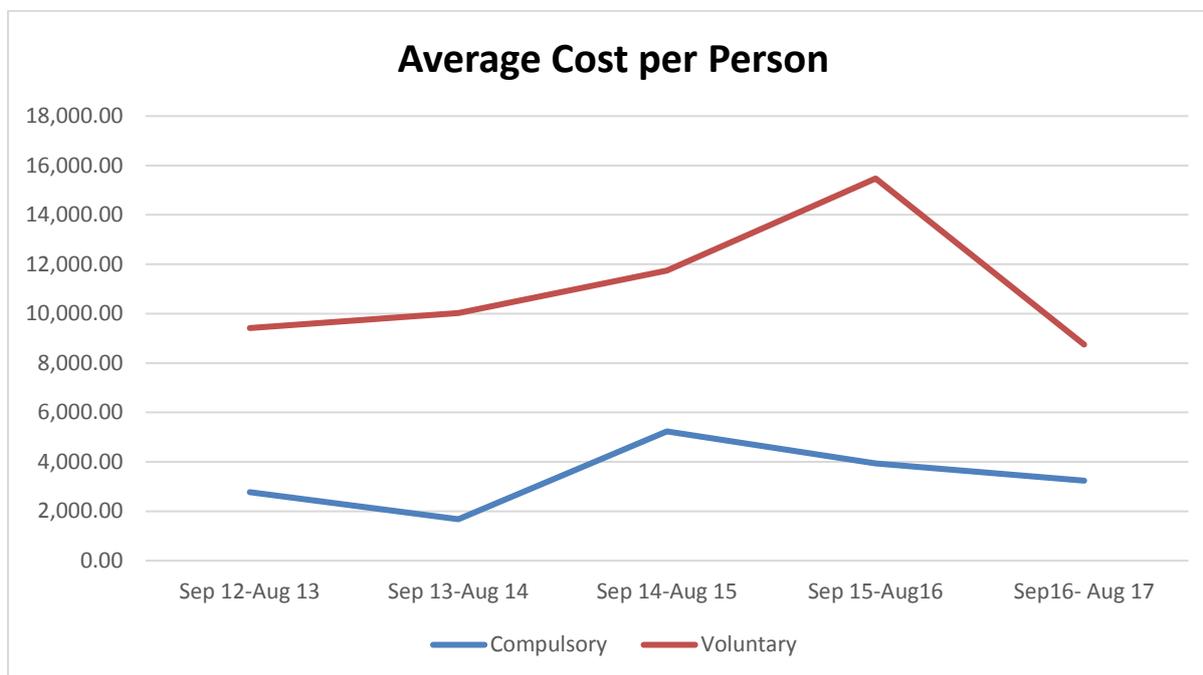


(Figure 9)



- 3.5 Half of all voluntary redundancies over the previous 5 academic years are taken up by those between the age of 55-60 with the cost for this group standing at over £1.4M between September 2010 and August 2015. The vast majority (67%) of those made redundant on voluntary grounds are aged between 51-60 years. Any recommendations pertaining to voluntary redundancy costs are likely to have the greatest impact on staff over the age of 50.
- 3.6 The chart below shows the average cost of redundancy per person over a 5 year period. It demonstrates the additional cost of supporting voluntary redundancy vs. compulsory redundancies for the LA.

(Figure 10)



3.7 Decisions regarding the staffing complement at schools are a matter for individual governing bodies. There is a clear LA policy and procedure to follow to reduce staffing levels in schools. The process in summary consists of a consultation period, selection of staff against agreed criteria by a selection committee consisting of governors and a HR representative and a right of appeal to a different panel of governors. Staff will then be given notice of their dismissal in line with the terms and conditions.

#### 4.0 LEGAL POSITION

4.1 Redundancy costs are a charge to the LA budget under the provision of the 2002 Education Act. However there are some situations where costs can be charged to a schools budget if the LA has good reason to do so. The DfE guidance states costs can be made to delegated schools budget in the following circumstances:

- If a school has decided to offer more generous terms than the authority's policy, then it would be reasonable to charge the excess to the School
- If a school is otherwise acting outside the LA's policy
- Where the school is making staffing reductions which the LA does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit
- Where staffing reductions arise from a deficit caused by factors within the School's control

- Where the school has excess surplus balances and no agreed plan to use these
- Where a school has refused to engage with the LA's redeployment policy

## 5.0 CURRENT FINANCIAL CONTROLS

5.1 Since 2014, HR with the financial climate in mind, introduced a Redundancy Business Case pro-forma. Where the business case is approved, all costs associated with a redundancy will be met from the reserve.

5.2 The form is usually completed by the school and authorised by the Principal HR Advisor and the Finance Manager for Schools and Early Years The financial controls in the current School Business Case document state that:

- Finance has confirmed that the school is in financial difficulty and the school has a licensed deficit budget which requires staffing reductions.
- The Governing Body has confirmed in writing, by completing the Business case proforma, that: Vacancy management and other voluntary measures (eg reduction in working hours and redeployment) has Failed; the number of similar posts in the school is not anticipated to increase within one year after the effective date of termination and that there is a headcount reduction in the schools staffing establishment.

The LA will not be in a position to fund redundancies where:

- The school has an excess surplus balance.
- The school is not deemed to be in financial difficulty.
- The school has not followed advice from CYPS's Human Resources which may have avoided the need to make redundancies.

5.3 With the average cost of redundancies to the LA for Primary schools standing at £7,400 and for Secondary's at almost £40,000, the introduction of the pro-forma has resulted in estimated savings over £100,000.

5.4 In addition Employment Support Services monitor new starters to ensure that individuals do not return to the same or similar post either at the same or a different school, within specified timescales. If any cases are highlighted than the LA recovers the redundancy pay-out from the schools budget.

## 6.0 REDUNDANCY AND OTHER LOCAL AUTHORITIES

6.1 Before making our recommendations we have considered similar Local Authorities arrangements for redundancies, the information can be seen in Appendix 1

6.2 From the analysis of other Local authorities, most continue to pay some or all of the redundancy costs, although one local authority has moved completely away from this approach.

6.3 In terms of Academies, it might be useful to understand how staffing reduction costs are treated. For a sponsored “old style” Academy, the Secretary of State will meet the costs. In the case of a school which is converting to Academy status under the latest legislation, the cost of redundancies will need to be met by the Academy from its General Annual Grant or its own resources. The Secretary of State has no obligation to provide any funding, although the Academy can submit a business case for extra funding.

## 7.0 REDEPLOYMENT INCENTIVES

7.1 Historically the LA did not offer incentives to schools who took on redeployed staff. In an effort to encourage schools to take on staff that were at risk of redundancy, an incentive scheme was introduced in 2012/13 academic year. Schools were written to asking them to help minimise the level of redundancies by making the LA aware of any upcoming vacancies prior to advertising.

7.2 The LA offered a financial incentive to schools if those at risk of redundancy were successfully redeployed. The incentive amount would be lower than the actual redundancy cost and would be offset against the potential redundancy payment and therefore would not result in any extra cost to the LA. The LA can only ask schools to consider staff at risk of redundancy under Local Management of Schools, ultimately they have the final say on whether they will consider a potential redeployment.

7.3 Over the last 5 academic years the authority has had limited success in terms of redeployment of staff. In total the total number of teaching staff that have avoided redundancy due to redeployment stands at 35 employees, for non-teaching the figure is considerably higher at 111 employees.

7.4 The benefits of offering redeployment incentives are we retain good performers within the school workforce and to save on an element of the redundancy costs. It is however accepted that not all those in a redundancy situation would wish to move or indeed be suitable for redeployment and so there would still be a redundancies and the impact of any redeployment scheme is therefore limited.

7.5 Unfortunately the take up of the incentive scheme has not been successful to date, with no schools taking up the incentive even where redeployments have been accepted. To ensure we maximise the potential of the scheme, the report would recommend that the Schools team and the Redeployment team work collectively to identify a pro-active approach to increase the number of redeployees and promote the incentive scheme further.

## 8.0 PROPOSALS AND RECENT CHANGES

8.1 The current arrangements for funding redundancy costs are not sustainable therefore no change is not an option. Therefore the following two options have been considered by the LA.

## 8.2 OPTION 1 – The costs are shared between the LA and Schools

8.3 With this option, where schools meet the criteria for redundancy, the LA (in line with its statutory obligations) will cover the costs for compulsory redundancies only. Schools will have the option, where appropriate, to cover the difference between compulsory and voluntary redundancy from their own budget.

8.4 The financial savings for the LA would be approximately £185k per annum. If those teaching staff who left on voluntary redundancy grounds at the higher rate had been paid at the lower compulsory rate the difference over the last 5 academic years can be seen below:

(Table 2)

	Actual Cost of Voluntary to LA	If LA covered Compulsory element only	Difference
Sept 16 – August 17	£446,161.66	£343,063.58	£103,098.08
Sept 15 – August 16	£634,385.76	£401,227.76	£233,158.00
Sept 14 – August 15	£570,088.66	£433,524.71	£136,563.95
Sept 13 – August 14	£544,599.46	£230,557.41	£314,042.05
Sept 12 – August 13	£363,377.57	£221,899.20	£141,478.37
		<b>Total Saving</b>	<b>£928,340.45</b>

### Advantages:

- Schools will share the financial responsibility for their decisions regarding staffing
- Longer term it will help schools to plan more effectively in advance of a redundancy situation
- Early planning and decision making required from schools
- Reduced LA costs in line with reducing reserve

### Disadvantages:

- Schools may have to make other short term savings to meet redundancy costs.
- There would still be a requirement for the LA to fund approximately £400,000 per annum – there is no budget provision for this.
- Some schools will not be able to afford the additional cost of the voluntary element, potentially creating a two tier system. This may mean that the LA, on occasions decides for sustainability reasons, to take on this additional voluntary element cost.
- If schools are unable to support voluntary redundancies, this will likely result in more compulsory redundancies.

## 8.5 **OPTION 2 - Funding agreed for Voluntary and Compulsory Redundancies for Vulnerable schools only**

8.6 One of the recent changes follows a decision by the Education Partnership who agreed for DSG reserves to support schools who have sustainability issues as a result of changes to the funding formula. With this agreement, the LA can continue to fund both Voluntary and Compulsory redundancies in the most vulnerable schools.

8.7 Support for schools in this position is through a variety of ways, such as:

- Assisting schools with transitional organisation costs in the light of funding changes
- Assisting school facing short-term financial pressures where there is evidence or a strong likelihood that additional funding will eventually flow through to the school.

### Advantages

- The schools with the greatest need for support will have a separate budget for redundancies
- Alleviates some of the pressure on the main redundancy budget

### Disadvantages

- Could be perceived as inconsistent approach for schools
- Perception those schools who may have mis-managed their resources are seen to benefit from the LA funds
- No LA funds or DSG funds available leading to potential budget reductions as a consequence

Regardless of the option chosen funding for vulnerable schools will be taken from DSG reserves as has been agreed previously (although the DSG reserve will be fully depleted by April 2018).

## 9.0 PROPOSED OPTION

9.1 The LA recommends that Option 1 is taken forward, along with the introduction of additional financial controls and criteria in the redundancy business case process at Appendix 2.

9.2 It would be advisable to have a review period built in at the 3-year mark due to the fact a number of schools are taking the Academy route, therefore the impact on the LA budget should see a reduction. The annual estimated cost to the LA is £400k.

9.3 To aid a smooth transition to this arrangement it is recommended the change would come into effect from September 2018.

**10.0 NEXT STEPS**

10.1 To communicate changes to schools and unions over the summer term

10.2 To make available to schools the revised redundancy business processes

STUART CARLTON

Corporate Director – Children and Young People’s Service

**Report prepared by Penny Yeadon Head of HR – CYPS for  
Howard Emmett – AD Strategic Resources (CYPS)**

Local Authorities:	Current Arrangements
West Berkshire	Where the school consults with HR and Finance, LA satisfied the redundancy is unavoidable and in the long term interests of the school and LA then LA funded.
Cheshire West and Chester	Last academic year stopped paying redundancies. LA only meet costs in exceptional circumstances i.e. school not financially sustainable if it was to meet the costs of redundancies.
Cheshire East	All premature retirement costs and redundancy costs are met from the schools budget share in the first instance. Only in certain cases will the LA pay additional Voluntary redundancy costs i.e. school vulnerable.
Essex	Generally yes for both VR and CR. In more recent years more vigorous in ensuring schools have planned to avoid and must show 3 year financial plans to this effect.
Worcestershire	Only statutory element paid by LA.
York	Not automatic - depends on budget situation (must be in deficit) and costs being 'recovered' soon, so not too high. School pays pension costs also.

Additional financial controls and criteria will be introduced to provide more rigour to the business case process and to potentially limit the demands on the redundancy support fund.

These additions will also provide a mechanism of using the fund to promote the proactive management of budget deficits within schools.

The proposed financial controls are:

- Stipulating that the school has to be forecasting an overall cumulative budget deficit in the current or next financial year in order to receive redundancy support funding.
- Requiring the forecast savings from the restructure to address the cumulative budget deficit of the school or to form part of a wider plan to address the cumulative budget deficit (the school would be required to provide details of any wider cost reduction plan as part of the business case).
- Setting a maximum 'payback period' of the redundancy costs and any pension strain costs compared to the net savings of the restructure in order for redundancy support funding to be provided e.g. within 1 year.