



AGENDA FOR THE AUDIT COMMITTEE AND AUDIT COMMITTEE (ADVISORY)

Members of the Audit Committee and Audit Committee (Advisory) are summoned to a meeting, which will be held in Committee Room 4, Town Hall, Upper Street, N1 2UD on, **6 October 2015 at 7.30 pm.**

**John Lynch
Head of Democratic Services**

Enquiries to : Jackie Tunstall
Tel : 020 7527 3068
E-mail : democracy@islington.gov.uk
Despatched : 28 September 2015

Membership

Councillor Satnam Gill (Chair)
Councillor Olly Parker (Vice-Chair)
Councillor Raphael Andrews
Councillor Richard Greening
David Bennett

Substitute Members

Councillor Alex Diner
Councillor Clare Jeapes
Councillor Robert Khan
Councillor Alice Perry

Quorum: is 3 Councillors



A. Formal Matters

Page

1. Apologies for Absence
2. Declaration of substitute members
3. Declarations of interest

If you have a **Disclosable Pecuniary Interest*** in an item of business:

- if it is not yet on the council's register, you **must** declare both the existence and details of it at the start of the meeting or when it becomes apparent;
- you may **choose** to declare a Disclosable Pecuniary Interest that is already in the register in the interests of openness and transparency.

In both the above cases, you **must** leave the room without participating in discussion of the item.

If you have a **personal** interest in an item of business **and** you intend to speak or vote on the item you **must** declare both the existence and details of it at the start of the meeting or when it becomes apparent but you **may** participate in the discussion and vote on the item.

***(a) Employment, etc** - Any employment, office, trade, profession or vocation carried on for profit or gain.

(b) Sponsorship - Any payment or other financial benefit in respect of your expenses in carrying out duties as a member, or of your election; including from a trade union.

(c) Contracts - Any current contract for goods, services or works, between you or your partner (or a body in which one of you has a beneficial interest) and the council.

(d) Land - Any beneficial interest in land which is within the council's area.

(e) Licences- Any licence to occupy land in the council's area for a month or longer.

(f) Corporate tenancies - Any tenancy between the council and a body in which you or your partner have a beneficial interest.

(g) Securities - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

This applies to **all** members present at the meeting.

B. Items for Decision - Audit Committee

1. Review of Voluntary Redundancy Scheme

1 - 16

C. Urgent non-exempt items

Any non-exempt items which the Chair agrees should be considered

urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

D. Exclusion of press and public

To consider whether, in view of the nature of the remaining item on the agenda, it is likely to involve the disclosure of exempt or confidential information within the terms of the Access to Information procedure rules in the Constitution and, if so, whether to exclude the press and public during discussion thereof.

E. Urgent exempt items (if any)

Any exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

The next meeting of the Audit Committee and Audit Committee (Advisory) will be on 28 January 2016

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Report of: Assistant Chief Executive, Governance and HR

Meeting of:	Date	Ward(s)
Audit Committee	6 October 2015	All

Delete as appropriate	Exempt	Non-exempt

SUBJECT: Review of Voluntary Redundancy Scheme

1.0 Synopsis

The Audit Committee recently considered proposals to increase the amount of the additional payment available under the council's redundancy scheme for 2015/16. A further report has been requested to enable further consideration of this matter. This report provides additional, more detailed, information for the committee.

2.0 Recommendations

- 2.1 To note the information in the report in Appendix 1 and the further information contained in this report.
- 2.2 To agree that the additional payment offered to volunteers accepted under the voluntary redundancy scheme be increased to £5,000 on a pilot basis for the 2015/16 scheme.

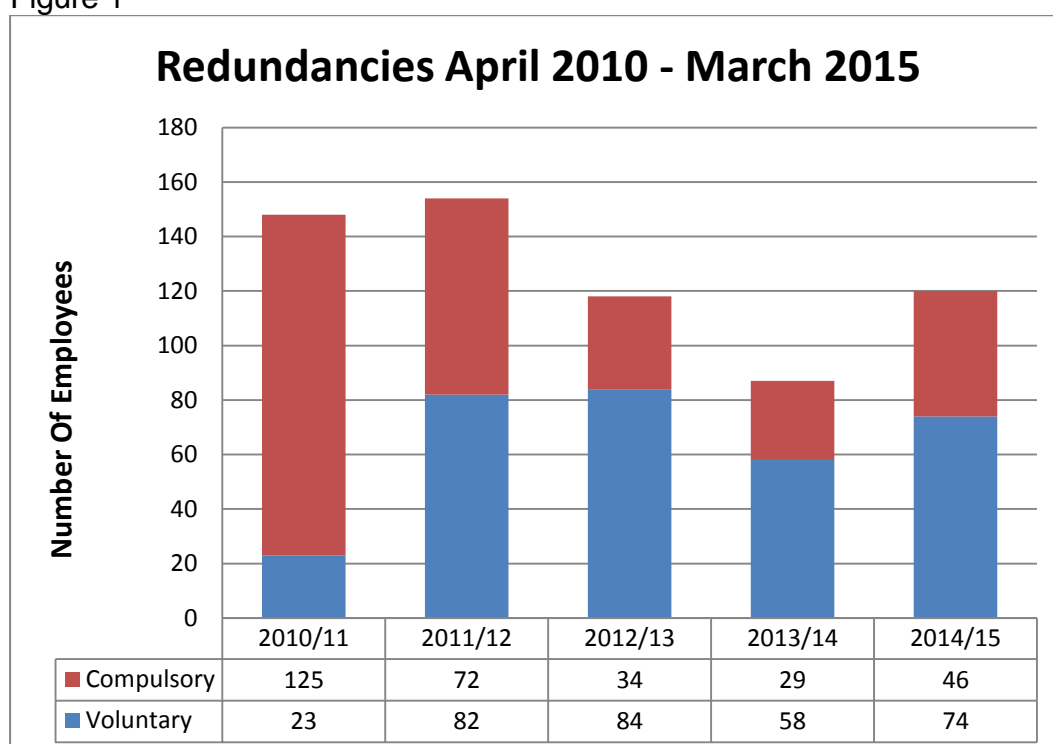
3.0 Background

- 3.1 The committee considered a report at its meeting on 21 September recommending an increase in the additional enhancement of £500 available under the scheme to £5,000 (the First report). This report is included for reference in Appendix 1. On the basis of the information then before it the

committee only felt able to agree an increase to £2,500. This report contains further information to enable the committee to consider whether a further increase in the amount would be appropriate.

- 3.2 The committee raised concerns about the financial implications of increasing the additional enhancement to £5,000. In particular there was a concern that the available budget might be exceeded because of the difficulties in predicting the number of redundancies likely to be needed in the year and the difficulty in predicting the take up of the scheme.
- 3.3 As set out in the First Report, between April 2010 and March 2015 (inclusive) 627 staff exited the council by way of redundancy, 322 of whom were voluntary.

Figure 1



- 3.4 Assuming, a higher uptake of voluntary redundancies from this proposal, if 100 staff take the offer this would mean the total cost of the additional enhancement compared to the £500 enhancement previously in place would be £450,000.
- 3.5 Some mention was made at the committee of the possibility of imposing a financial cap on the scheme. This would potentially mean that once when the scheme closed and applications are considered, some employees might be refused voluntary redundancy because the cap has reached even though their post is to be deleted in a restructure. Making a fair selection in those circumstances would be challenging. An alternative might be to reduce the period for which the scheme is open initially, which is likely to reduce the number of applicants, and for consideration to be given to re-opening it at a later stage if once decisions have been made on the first tranche of applicants it

appears that there remains sufficient scope in the budget for a further stage. Members may feel this is unnecessary in view of the details provided in the Financial Implications section of this report..

- 3.6 As set out in the First Report, the enhancement agreed by this committee will only apply for the 15/16 scheme and the enhancement will revert back to £500 for subsequent years. Any future report to the committee to consider the 17/18 scheme would be to consider whether the incentive should be increase for £500 for that year, and, if so, what would be the appropriate amount. The council's budget position at that point and the experience of the 2015/16 scheme would inform that decision.
- 3.7 As also set out in the First report, the trades unions have expressed their support of the scheme and of the proposal to increase the enhancement to £5,000 for the 2015/16 scheme.

8.0 Legal implications

- 8.1 The council has power to enhance the statutory redundancy scheme and to make severance payments to staff not eligible for that scheme under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations 2006 (as amended) where dismissal is for redundancy or efficiency reasons.
- 8.2 Under the Redundancy Payments (Continuity of Employment in Local Government) Modification Order continuous service with bodies listed in the Order is included in the calculation of an employee's continuous employment for redundancy purposes.

9.0 Financial implications

- 9.1 The proposal to increase the voluntary redundancy amount to £5,000 is affordable. The Annual Statement of Accounts presented to the Audit Committee on showed that at 1 April 2015 £2.7m was held in an earmarked redundancy reserve to fund redundancy and associated costs. The proposal on its own would only increase the drawn down from this reserve by £450,000 if 100 staff take up this proposal. There is sufficient in the reserve to cover this. The voluntary redundancy incentive is only one element of the cost of a member of staff leaving and even at £5,000 it would often be the smallest element, especially if the staff member is 55 or over and can access their pension, triggering a pension strain cost.

10.0 Resident Impact Assessment

- 10.1 An equalities analysis of the operation of the scheme over the past 5 years is included in the First Report. It is anticipated that the increased additional payment will make the scheme attractive to a more representative group of staff.

11.0 Conclusion

11.1 The Audit Committee is asked to consider whether a further increase to the additional enhancement available under the scheme should be agreed to bring the total enhancement to £5,000.

Appendices:

Voluntary Redundancy Scheme Report to Audit Committee 21 September 2015

Background papers:

None

Final report clearance:

Signed by:



28 September 2015

Debra Norman
Assistant Chief Executive (Governance and
HR)

Date

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Report of: Assistant Chief Executive, Governance and HR

Meeting of:	Date	Ward(s)
Audit Committee	22 September 2015	All

Delete as appropriate	Exempt	Non-exempt

SUBJECT: Review of Voluntary Redundancy Scheme

1.0 Synopsis

The Council has run council-wide voluntary redundancy schemes for the last five financial years. The schemes have offered a payment of £500 to those accepted under the scheme in addition to the entitlement they would receive under the council’s standard compulsory redundancy scheme. This report investigates the take-up and financial impact of the scheme and invites the committee to consider whether it would be appropriate to offer an increased additional payment in the 2015/16 scheme.

2.0 Recommendations

- 2.1 To note the information in the report concerning the voluntary redundancy schemes run over the past five years.
- 2.2 To agree that the additional payment offered to volunteers accepted under the voluntary redundancy scheme be increased to £5,000 on a pilot basis for the 2015/16 scheme.

3.0 Background

- 3.1 The council has run a voluntary redundancy scheme in each of the last five financial years. Invitations to apply were issued to all directly employed

council staff. The voluntary redundancy payments have been based on the council's standard redundancy scheme with an additional enhancement of £500. The standard redundancy payments scheme applies only to employees with two or more years' continuous service with a body listed in the Redundancy Payments (Continuity of Employment in Local Government) Modification Order. Based on the average (Mean) salary of council employees, being £30,748.39, the current incentive of £500 amounts to only one week's pay (average weekly pay is £572) for the average LBI employee.

- 3.2 Calculation of payments under the council's standard scheme is based on the statutory scheme but actual salary rather than the statutory weekly maximum is used for this calculation. The calculation is as follows:
- 0.5 week's pay for each full year of service aged under 22
 - 1 week's pay for each full year of service between the ages of 22 and 41
 - 1.5 week's pay for each full year of service worked from the age of 41 and over

This is subject to a maximum 20 years of service (30 x a week's pay is therefore the maximum available).

- 3.3 The scheme has been agreed each year with the trade unions which support the principle of making voluntary redundancies before making any compulsory redundancies. The council's Organisational Change procedure states that the council will seek to avoid compulsory redundancy by considering voluntary redundancy if this is appropriate.

4.0 How the scheme works

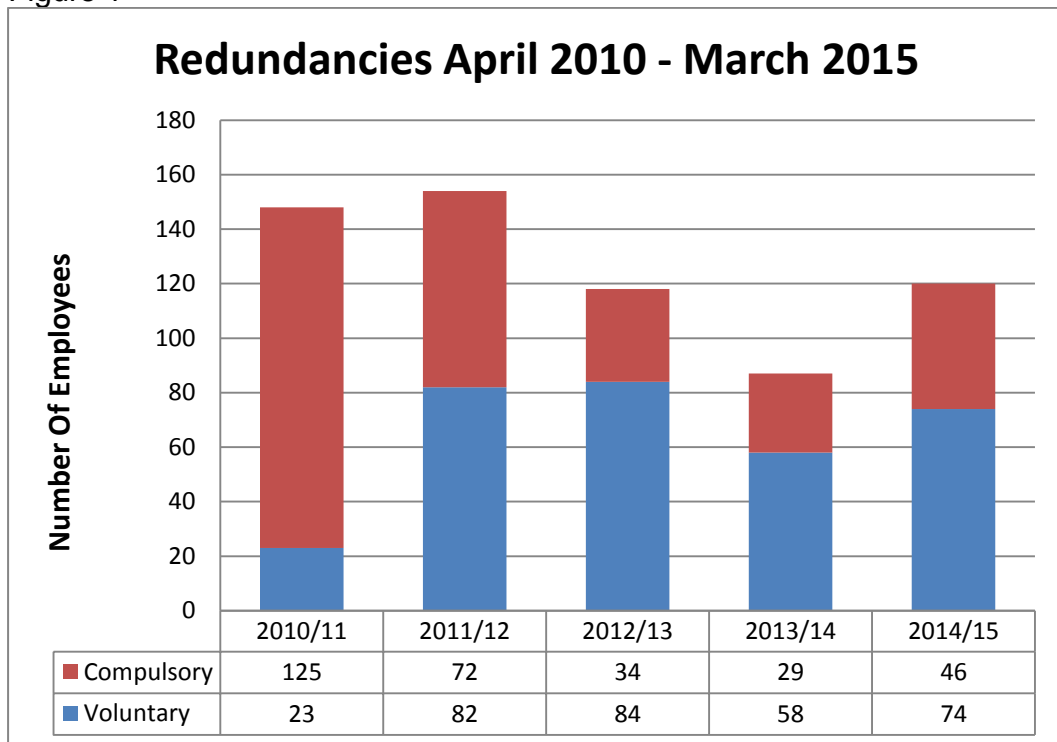
- 4.1 A copy of the draft scheme for 2015/16 is in Appendix 1.
- 4.2 The scheme is usually open for applications for a 4 week period either before or after the main summer break. Applicants complete an online application form by the specified deadline and all applications completed are submitted to the relevant line manager and departmental management team for consideration. The Corporate Director or Assistant Chief Executive makes the final decision. Applications by Chief Officers are considered by CMB. There is no appeal of this decision.
- 4.3 Each individual case is assessed in the interests of the efficiency of the service and longer term financial considerations. Applications can only be accepted where it is appropriate to delete the employee's post. However, an unsuccessful employee may be placed on a central register of employees willing to take voluntary redundancy should another employee facing compulsorily redundancy in the future be a suitable candidate for their post. This is known as a 'bumped' redundancy.

- 4.4 The proposed timing for this year's scheme is:
- 25 September – open for applications
 - 23 October – close applications
 - w/c 26 October – DMTs to make decisions on applications
 - w/c 9 November – employees advised on outcome of applications
 - Employees to leave any date up to 31 March 2016

5.0 Take-up of the scheme

5.1 Between April 2010 and March 2015 (inclusive) 627 staff exited the council by way of redundancy, 322 of whom were voluntary. Typically, in the region of 25% of voluntary redundancy applications are accepted. The remainder are declined or put on the central register.

Figure 1



3.3 The balance of redundancies has shifted over the last four years from a position where the majority were compulsory to the current situation where the majority of redundancies are voluntary. In 2010/11, only 16% of redundancies were voluntary whereas in 2014/15 62% of redundancies were voluntary.

3.4 The distribution between departments is as follows:

Compulsory Redundancy Voluntary Redundancy All Redundancies	Chief Executive's	Children's Services	Environment & Regen	Finance & Resources	HASS	Public Health	
	46	108	65	56	27	3	305
	37	44	91	65	81	4	322
	83	152	156	121	108	7	627

4.0 Equalities Analysis

4.1 The average age of an employee leaving via voluntary redundancy is 51 compared to 45.15 for those leaving via compulsory redundancy and 44.98 for existing council employees. Older employees are usually more expensive to make redundant as the compensation calculation takes in to account length of service and age. If an employee is aged 55 or over on their last day of service they are entitled to access their pension where applicable. This has additional financial implications known as a "pension strain".

The average age of an employee leaving has increased from 47.3 in 2010/11 to 52.7 in 2013/14 but was lower in 2014/15 at 49.6.

Table 1

Year	2010/11	2011/12	2012/13	2013/14	2014/15
Average age of VR leaver	47.3	49.2	52.2	52.7	50.48

Source: HR Systems 2015

49.6% of voluntary redundancy leavers are aged 55 or over compared to 22.5% of compulsory redundancy leavers and 18.7% of the existing workforce. This trend has increased markedly since 2010/11 and in the 2013/14 scheme 58.6% of leavers were over 55, again with a slight fall in 2014/15.

Table 2

Year	2010/11	2011/12	2012/13	2013/14	2014/15
% VR Leavers over 55	17.4%	41.5%	58.3%	58.6%	54.66%

Source; HR Systems 2015

- 4.2 White staff are more likely to leave via voluntary redundancy, accounting for 66% of voluntary redundancies compared to 54% of compulsory redundancies and 66% of the workforce as a whole.
- 4.3 A higher proportion of employees with a disability leave via voluntary redundancy (9.6%) than compulsory redundancy (5.2%). This compares to 5.4% for the organisation as a whole.

5.0 Financial Analysis of take-up

- 5.1 Taking a sample in July 2015 of the last 20 staff to exit the organisation via voluntary redundancy and comparing it to the last 20 staff who exited the organisation via compulsory redundancy reveals an average payment of £12,355.48 for the voluntary cohort (including the £500 per person incentive) versus an average payment of £7,746.73 for the compulsory cohort. Average redundancy payments are thus noticeably higher for voluntary leavers, although this is a fairly small sample.
- 5.2 The voluntary redundancy scheme attracts a higher proportion of higher graded staff with 19.2% of leavers at PO6 or above compared to 16.2% of compulsory redundancy leavers and 11.0% of the Islington workforce in the period up to 31 March 2015. A combination of grade and age (length of service) are the primary factors behind the higher payments.
- 5.3 The cost of the additional payments of £500 to the 332 volunteers over the past 5 years of the scheme has been £166,000. An increased enhancement to redundancy payments to volunteers will be at a higher cost to the council. However, if the increased additional payment attracts more with lower standard redundancy entitlement and/or staff not entitled to early retirement on redundancy, this may be offset to some extent.

6.0 Benefits to the council of a successful voluntary redundancy scheme

- 6.1 The voluntary redundancy scheme is advantageous for both management and employees. It enables staff to come forward and initiate a discussion about their future without fear of committing themselves until all the paperwork has been agreed once exit figures have been finalised. For managers, it means that they can plan reorganisations more effectively knowing in advance about who is thinking of leaving. It provides management with much more flexibility in planning aided by the “bumped” redundancy scheme.
- 6.2 Implementing compulsory redundancies is a significant drain on management time and is very disruptive for the wider workforce. Time is spent on individual consultation and in dealing with appeals which is saved if redundancy can be agreed on a voluntary basis.
- 6.3 The council has made a commitment in its Organisational Change policy to seek to avoid compulsory redundancies by using voluntary redundancy where appropriate. This commitment and its implementation is likely to have a

positive effect on staff engagement and reduce the negative impact on service performance which can result from the distress and demotivation sometimes experienced by continuing staff whose colleagues have been made compulsorily redundant.

- 6.4 Use of voluntary redundancy also reduces the risk of legal claims against the council. Implementation of compulsory processes carries with it the risk of disputes and to employment tribunal claims. Even where these are successfully defended, they pose a further drain on management resource and on HR and Legal Services resources and may incur irrecoverable costs, for example in respect of the use of counsel in more complex cases.

7.0 Why make changes?

- 7.1 The council is facing a further period of change as a result of reductions in funding from central government. This will inevitably require redundancies to be made. The benefits of a successful voluntary redundancy scheme have been identified above and so the scheme has been reviewed to see whether changes could be made to increase take-up and reduce the number of compulsory redundancies required and to attract a more representative cross section of the workforce.

- 7.2 As indicated earlier, the current additional payment is only a week's pay for the average employee. It is proposed that an increased additional payment of £5,000 be made under the 2015/16 scheme. £5,000 amounts to approximately two months' pay for the average employee. It is considered that this should be a sufficient period to attract employees who are considering volunteering, but are concerned it might take them longer than their notice period to find a new job. As those with less than 2 years' continuous employment are only entitled to this additional scheme payment and not to a payment under the standard scheme, this £5,000 payment will make it more likely that staff in this category will consider applying for voluntary redundancy. It is also anticipated that this will make the scheme more attractive to lower graded staff who are currently under-represented amongst volunteers. This will enable fewer compulsory redundancies to be made amongst this staff group.

- 7.3 It is possible that increasing the additional payment for 2015/16 will mean a surge in interest and generate additional work within HR and for managers in administering the scheme. It is anticipated that this extra work will be offset by reduced time being spent on compulsory processes as described at section 6 above.

- 7.4 Consultation with the trades unions has taken place concerning the proposal to increase the additional payment under the existing scheme just for 2015/16 as a pilot and they have indicated their support for the proposal.

- 7.5 The scheme will revert to an additional payment of £500 for 2016/17 unless a further report is brought to the Audit Committee.

8.0 Legal implications

- 8.1 The council has power to enhance the statutory redundancy scheme and to make severance payments to staff not eligible for that scheme under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations 2006 (as amended) where dismissal is for redundancy or efficiency reasons.
- 8.2 Under the Redundancy Payments (Continuity of Employment in Local Government) Modification Order continuous service with bodies listed in the Order is included in the calculation of an employee's continuous employment for redundancy purposes.

9.0 Financial implications

- 9.1 The financial specifics of the proposal are set out in the report. The financial context for this proposal is that, after having to make £150m of savings over the past five years, the Council predicts it may well have to make up to a further £90m of savings over the coming three to four years. Inevitably this level of savings will result in redundancies. Voluntary redundancy is preferable to compulsory redundancy and this proposed one year pilot could support the achievement of the savings target.
- 9.2 At 1 April 2015 £2.7m was held in an earmarked redundancy reserve to fund redundancy and associated costs. The reserve is kept under regular review.

10.0 Resident Impact Assessment

- 10.1 An equalities analysis of the operation of the scheme over the past 5 years is included in the body of the report. It is anticipated that the increased additional payment will make the scheme attractive to a more representative group of staff.

11.0 Conclusion

- 11.1 The council's voluntary redundancy scheme has been successful over recent years. In order to maintain and extend its success, the Audit Committee is asked to agree that the additional payment available to volunteers under it be increased from £500 to £5,000 for the 2015/16 scheme on a pilot basis.

Appendices

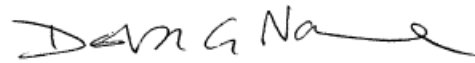
Draft Voluntary Redundancy Scheme

Background papers: (available online or on request)

None

Final report clearance:

Signed by:



11 September 2015

Debra Norman
Assistant Chief Executive (Governance and
HR)

Date

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DRAFT Voluntary Redundancy Scheme 2015

September 2015

BACKGROUND

1.1 CONTEXT

The council is faced for a further year with the need to make substantial savings which will inevitably entail some job losses. In order to minimise the need for compulsory redundancies, the council has decided to introduce a voluntary redundancy scheme which will operate for the 2015/16 financial year.

1.2 SCOPE OF THE PROCEDURE

This procedure applies to most non-school council employees. Those who are not eligible for a redundancy payment because they will not have completed 2 years continuous employment at the time of their departure may apply under the Scheme and will be eligible to receive a payment of £5,000 in the event that their employment is terminated pursuant to the Scheme.

1.3 Applications under this Scheme will not be considered unless they are received by the closing date of 23 October 2015. It will still be possible for employees directly affected by a specific re-organisation to volunteer for redundancy during the consultation process concerning the specific reorganisation in the ordinary way but the special payment of £5,000 mentioned at 3.1 below will not be available.

PROCEDURE

2.0 Application for Voluntary Redundancy

2.1 To make a formal application for voluntary redundancy, you should complete the Voluntary redundancy application form which is available online at: http://voluntary_redundancy/. Paper applications or e-mails saying you wish to apply will **not** be accepted. If you do not have access to a computer, please call the HR Express on 020 7527 6070. As a courtesy, you should inform your line manager if you submit an application for voluntary redundancy.

2.2 Before you apply you should calculate your redundancy entitlement using the online calculator available on izzi. You can also contact the HR team on 020 7527 6070 or email hr.express@islington.gov.uk. If you require pensions

figures as part of this calculation you should allow 5 working days for a response.

- 2.3 Requesting redundancy figures is not a formal application and does not commit you or the council to anything; it will simply trigger the production of a personal redundancy payment estimate for you. Your line manager is not notified of your interest in voluntary redundancy at this stage, although you may have already told them as a courtesy that you are interested in it.
- 2.4 Should you need formal estimate of pension entitlement, you should make this clear in your email requesting a redundancy estimate.
- 2.5 Once you have received the estimate of your redundancy figures, if you decide to proceed and make a formal application for redundancy you should apply as soon as possible but no later than midnight on **Friday 23 October 2015**.

3.0 Voluntary redundancy pay

- 3.1 Under the council's current severance arrangements you will receive:
- a statutory redundancy payment based on your contractual weekly gross pay, rather than the statutory maximum of £475 per week;
 - immediate and unreduced payment of your benefits if you are a member of the Local Government Pension Scheme and provided that you:
 - have at least 2 years membership **AND**
 - are 55 years of age or over on your last day of service (assumed to be 31 March 2016 for the purpose of this exercise);

In the event that you are accepted for redundancy under this scheme, you will be entitled to a payment of £5,000 whether or not you qualify for a redundancy payment.

- 3.2 If you apply under this Scheme you will initially be provided with estimated figures with a last day of service of 31 March 2016. More precise figures will be supplied should your application for redundancy be successful.
- 3.3 Figures will be estimated based on:
- your age: as at the last day of service (in this case 31 March 2016)
 - length of local government service: completed years (maximum length 20 years)
 - weekly pay: based on your contractual gross weekly pay.

The amount of week's pay awarded is in accordance with the following:

- **0.5 week's pay** for each full year of service aged under 22
- **1 week's pay** for each full year of service between the ages of 22 and under 41
- **1.5 week's pay** for each full year of service worked from the age of 41 and over.

4.0 Consideration of applications

- 4.1 Shortly after the closing date of **Friday 23 October 2015**, Human Resources will notify all Corporate Directors, Assistant Chief Executives, Service Directors and Heads of Services of the applications that have been made within their areas. The relevant Departmental Management Team (DMT) will consider your application. Your line manager will also be formally made aware of your application at this stage.
- 4.2 The DMT may accept or reject your application and has complete discretion in this respect (other than as set out at 4.3) based on business considerations. There is no appeal of the decision.
- 4.4 Applications by Chief Officers will be considered by CMB.
- 4.5 Where your application is not accepted because it is not appropriate to delete your post, it may, if the DMT considers appropriate, be entered into a central register of employees willing to take voluntary redundancy should another employee facing compulsorily redundancy in the future be a suitable candidate for their post. This is called a “bumped” redundancy. Suitability will be assessed through the normal interview process for redeployment.
- 4.4 If your application is accepted a confirmation e-mail will be sent out.
- 4.5 You may accept or decline the offer.
- 4.6 If you wish to accept the offer, you must confirm by return e-mail that you accept the offer. Appropriate letters setting out the arrangements for leaving, including notice period and last day of service will then be issued and you will be made redundant.
- 4.7 You should be aware that if you obtain a position with this council or another body covered by the Redundancy Modification Order within a month of receiving your redundancy pay you will need to repay your redundancy payment.

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