

Consultation on Proposals to Change Schools Early Retirement and Redundancy Payments

- **Why we are consulting**

Norfolk County Council is undertaking a project to review Schools Early Retirement and Redundancy Payments. This project has been initiated following Norfolk's Big Conversation consultation and has been established to meet the challenge of the Comprehensive Spending Review targets set by Central Government.

The project objectives are:

- To make identified savings of £635,000 per year (£520,000 per year reduced provision for additional school staff early retirement and redundancy costs and £115,000 per year no inflation for existing early retirement costs) for three years from 2011/12 to 2013/14.
- To identify potential options for future pensions mechanisms for school teachers and school support staff
- To establish a clear process for controlling early retirement and redundancy costs for schools, considering the annual budget in totality rather than drawing down against the budget on a case by case basis.

We have developed some proposals to help meet these objectives and we now wish to gather the views of stakeholders.

- **Who we are consulting**

We will be consulting with the following groups:

- SNAPP
- NASH
- NASSH
- Schools' Forum
- Norfolk Governors Network
- JCC/JCNC
- Headteachers/ school governors
- Other stakeholders that have to be identified
e.g. HR Consultants etc.

- **How we are consulting**

We will be sending our consultation document to stakeholders. We will also be consulting stakeholders face-to-face at meetings of relevant groups.

- **When we are consulting**

- The consultation begins on Monday 2 May 2011 and ends on Friday 22 July 2011.
- The final date for receipt of written responses is Friday 29 July 2011.

- **What is already decided / what we want to find out**

Norfolk County Council has agreed to reduce the budget for school staff early retirement and redundancy related costs by £635,000 each year for three years from April 2011. We have drawn up proposals for how we think it best to make these savings and would like views on these proposals.

We would like the views of stakeholders on:

- The impact of specific, individual proposals
- Any areas we could explore for savings that we may have missed
- The balance of savings between the individual proposals

- **How can I respond to the consultation?**

Please respond in writing, either by letter or email, to:

Letter: Alison Randall, School Support Manager,
School Finance Service, Room 047,
County Hall, Martineau Lane, Norwich. NR1 2DL.

E-mail: alison.randall@norfolk.gov.uk

- **How we will feedback to you**

- The outcome of the consultation and the final decisions will be fed back to consultees early in the autumn term 2011 via Management Information sheet.

- **Who will be making the decision, how we will be making the decision and when**

- A Project Board, comprising senior LA officers, and chaired by the Assistant Director (Strategy & Commissioning) will consider all responses and take account of people's views as part of the decision-making process.
- Final recommendations will be based on the required budget savings being achieved.
- The final decision will be agreed at Cabinet.

- **Publication of responses – confidentiality and data protection**

Information provided in response to this consultation, including personal information, may be published, or disclosed in accordance with the access to information regimes (primarily the *Freedom of Information Act 2000*, the *Data Protection Act 1988* and the *Environmental Information Regulations 2004*).

If you want any information to be treated as confidential you should be aware that under the Freedom of Information Act there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential.

If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give any assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on Norfolk County Council.

Norfolk County Council will process your personal data in accordance with the Data Protection Act and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Summary of Proposals

Proposal 1a: Teaching Staff Enhanced Early Retirements.

It is proposed to remove the option for teaching staff to apply for enhanced early retirement (i.e. not actuarially reduced), with effect from 1 September 2011, except where the Local Authority would have residual powers to grant enhanced early retirements i.e. where there has been school reorganisation, amalgamation or closure.

NB No change can be made to school support staff enhanced early retirements, as the arrangements are currently mandatory.

Proposal 1b: Teachers' Pension Strain

It is proposed to increase the budget for teachers' pension strain from financial year 2011/12, in order to cover the current and ongoing annual cost.

Proposal 1c: Teaching Staff Early Retirement Lump Sums

Assuming the implementation of proposal 1a, it is proposed to reduce the budget for teaching staff early retirement lump sums in financial year 2011/12, and remove the budget for financial year 2012/13 onwards, as it is believed that it should then become obsolete.

Proposal 2: Teaching Staff Redundancy Payments.

Assuming the implementation of proposals 1a, 1b and 1c, it is proposed to increase the budget for teaching staff redundancy payments, with effect from financial year 2012/13, but use a defined protocol for assessing the cost effectiveness of applications with effect from 1 September 2011.

Proposal 3: Teaching Staff Compensation Payments.

It is proposed to reduce the cost of teaching staff redundancy payments, with effect from 1 September 2011, by ceasing to pay compensation where teachers have their contracted working hours reduced.

Proposal 4: School Support Staff Redundancy Payments.

It is proposed to reduce the budget for school support staff redundancy payments, with effect from financial year 2011/12, to bring it into line with forecasted budget requirements following the change in Norfolk County Council policy.

Proposal 5: School Support Staff Compensation Payments

It is proposed to reduce the cost of school support staff redundancy payments, with effect from 1 September 2011, by ceasing to pay compensation where support staff have their contracted working hours reduced. It is consequentially proposed to reduce the budget with effect from 1 April 2012.

Proposal 6: School Support Staff Pension Augmentation

It is proposed to remove the budget for school support staff pension augmentation, with effect from financial year 2010/11. It is envisaged that the requirement for these payments will cease, and it will therefore become obsolete.

Proposal 7: Reduce the cost of Severance Payments

It is proposed to reduce the budget for severance payments, with effect from financial year 2011/12, following the removal of the need to fund 50% of the costs associated with staff redundancy in schools that convert to Academy status.

Proposal 8: Redefine a protocol for assessing cost effectiveness of applications for redundancy

HR and Finance officers work collaboratively to identify schools at high risk of requiring staffing adjustments. It is proposed that this protocol should be enhanced by redefining it to include further challenge on the reasons for staffing adjustments, and the cost involved to the LA of any proposed course of action.

Summary of overall potential budget savings, when compared to 2010/11 costs:

		2011-12 £	2012-13 £	2013-14 £
1a	Early retirement (teaching staff)	0	-493,000	-493,000
1b	Teachers pension strain	250,000	250,000	250,000
1c	Early retirement lump sums	-50,000	-234,000	-234,000
2	Redundancy payments (teaching staff)	0	280,000	280,000
3	Removal of compensation for reduction in hours (teaching)	-25,000	-50,000	-50,000
4	Redundancy payments (support staff)	-644,000	-644,000	-644,000
5	Removal of compensation for reduction in hours (support staff)	-50,000	-100,000	-100,000
6	Support staff pension augmentation	-30,000	-30,000	-30,000
7	Severance payments	-100,000	-100,000	-100,000
Totals		-649,000	-1,121,000	-1,121,000

Further detail of proposals and technical information

Background

Norfolk County Council is undertaking a project to review Schools Early Retirement and Redundancy Payments. This project has been initiated following Norfolk's Big Conversation consultation and has been established to meet the challenge of the Comprehensive Spending Review targets set by Central Government.

The project objectives are:

- To make identified savings of £635,000 per year (£520,000 per year reduced provision for additional school staff early retirement and redundancy costs and £115,000 per year no inflation for existing early retirement costs) for three years from 2011/12 to 2013/14.
- To identify potential options for future pensions mechanisms for school teachers and school support staff
- To establish a clear process for controlling early retirement and redundancy costs for schools, considering the annual budget in totality rather than drawing down against the budget on a case by case basis.

The total cost of early retirements and redundancies for school staff had risen over the last three years from £5.3M in 2008-09 to a projected £5.7M in 2010-11).

The main areas of increase in costs have been support staff redundancy payments, which has more than doubled from £647K in 2009-10 to a projected £1,431k in 2010-11.

Correspondingly, there has been a significant decrease in the cost of redundancy payments to teachers from £592k in 2009-10 to a projected £110k in 2010-11.

The school staff redeployment budget has historically been significantly overspent, and this needs consideration in conjunction with this project.

It is envisaged that there will be an increase in the number of schools requiring staffing adjustments as a means of balancing their budgets. In 2010-11, 184 schools used the services of HR Consultancy to go through a staffing adjustment process.

Consideration of Options:

There are currently eight different budget areas to consider, and each of these has been considered separately.

There is an identified risk that the coding of individual costs to each of the budget headings has not historically been as accurate as it could have been, meaning that the comparison of year-on-year data may be skewed. However, the assumptions used have taken this into account, and therefore any projected savings should be seen as conservative estimates.

Consideration must also be given to the regulations regarding the payment of early retirement and redundancy. DfE regulations state that the default position is that premature retirement costs must be charged to a school's delegated budget, while redundancy costs must be charged to a Local Authority's budget.

In Norfolk, the Local Authority has agreed to fund all the costs for both early retirement and redundancy, unless the school is making staffing reductions which the Local Authority does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit, or in those cases where schools have not followed the Local Authority advice with regard to staff contracts.

Proposal Details and Technical Data

Proposal 1: Teaching Staff Enhanced Early Retirements.

It is proposed to remove the option for teaching staff to apply for enhanced early retirement, with effect from 1 September 2011, except where the Local Authority would have residual powers to grant enhanced early retirements i.e. where there has been school reorganisation, amalgamation or closure.

1.1 There are three budget elements relating to this category;

- early retirement,
- pension strain and
- early retirement lump sums.

The combined cost of these three areas in 2010-11 has reduced by £127k from the 2009-10 level. The ongoing early retirement element has risen by £90k in the same period, whilst the reduction in costs, which is in the region of £217k, is in the areas of pension strain and early retirement lump sums. The reason for this is likely to be the change in regulations that came into effect on 1 April 2010, when the age at which teachers may apply for early retirement rose from 50 to 55.

For 2010-11, there were 32 teachers paid early retirement lump sums, at an average cost of £5k per person. There are, however, another 12 teachers who have applied for early retirement, and whose applications are still being considered.

1.2 Data collected via the workforce census shows the following age profile for teaching staff:

Staff aged 50-59 at Sept 2010	Number	Percentage
Headteachers	204	54%
Deputy / Assistant Heads	152	33%
Teachers	1,265	22%
Totals	1,621	25%

NB The data does not show the staff aged 55-59 separately.

1.3 Ongoing commitment costs are difficult to reduce, as the regulations state that pension payments are increased annually in line with the Comprehensive Price Index (CPI) (currently 3.2%).

Cost savings in this category can therefore only be achieved by reducing the numbers of teachers that receive payments. There are currently 1,228 teachers receiving payments from the early retirement budget, at an average of £2,184 p.a. In 2010-11, there were 22 leavers, but 34 starters, plus the 12 that are waiting to start. As leavers only occur upon

the death of the person or, subsequently, their spouse, this means that the only realistic control mechanism is to reduce the number of new entrants.

1.4 The change to the regulations as mentioned above has clearly had some impact upon the cost, but the data indicates that the majority of applicants were historically in the 55 years 0 days – 59 years 364 days age bracket (rather than 50 years – 54 years 364 days). The only way to reduce this cost is to remove the Local Authority's enhancement for those teachers that apply to retire early. They would still be able to apply to retire, but would receive an actuarially-reduced pension rather than full pension.

1.5 The risks associated with this change would include;

- the potential that there would be less teachers retiring earlier than at age 60
- the potential for reduced turnover in schools
- the potential for more expensive ongoing teaching staff costs for school budgets, as these staff are often more highly paid
- a need to increase in the teaching staff redundancy budget (see section below)
- the removal of potential staffing solutions when schools reorganise, amalgamate or close
- the reaction of staff and unions to the proposal
- the lack in number of schools willing to take redeployed staff

1.6 The benefits would include;

- the potential for more staff to accept redeployment to another post
- the potential for more staff to look for alternative suitable employment
- a step change reduction in costs

1.7 In order to negate the final risk mentioned above, it is proposed that, if the option for teachers to apply for enhanced early retirements is removed, the Local Authority retains the residual power to award enhanced early retirements in cases where individual schools have not been able to plan ahead i.e. school reorganisations, amalgamations and closures.

1.8 Potential savings to the **early retirement** budgets:

The early retirement budget can only achieve savings if there is a reduction in new retirees. If we assume no new retirees at all, the final cost from 2010-11 would need inflating at 3.2% (current CPI) to give a total budget of £2,855k in 2011-12. Compared to the current budget of £3,348k, this would mean a budget saving of **£493k** summary **fig 1a**).

1.9 It is envisaged that the **pension strain** budget will not see any savings in the foreseeable future. The current budget of £18k is anomalous and is not sufficient to cover the current cost of £267k. This budget therefore needs increasing by approximately **£250k** (summary **fig 1b**).

1.10 The **early retirement lump sums** budget is difficult to predict, but if there are no early retirements, this budget would become obsolete, leading to a potential budget saving of **£234k** (summary **fig 1c(ii)**). The saving in 2010-11, when compared to 2009-10, was approximately **£50k** (summary **fig 1c(i)**), so this may be a more realistic projection of projected savings for 2011-12, with the higher figure being attained in future years.

1.11 It is important to note that the above proposals would not affect the position with regard to the early retirement of teachers through ill-health.

1.12 It is also important to note that the DfE guidelines states that schools should fund premature retirement costs from their budgets. Considerations should therefore be given to the following additional options:

- Allow enhanced early retirements, upon the schools' insistence, but recover the cost from school delegated budgets. Schools would need to be given clear guidance on the level and potential duration of the commitment.
- Allow enhanced early retirements, but partially recover the cost from school delegated budgets. Schools would need to be given clear guidance on the level and potential duration of the commitment.
- Allow enhanced early retirements, but top-slice the DSG to fund them.

Proposal 2: Teaching Staff Redundancy Payments.

It is proposed to increase the budget for teaching staff redundancy payments, with effect from 1 September 2011, but use a defined protocol for assessing the cost effectiveness of applications.

2.1 Currently, teachers aged 55 years -59 years 364 days can apply for enhanced early retirement, or actuarially-reduced early retirement. Even where applicants are in posts at risk of redundancy, successful applicants access their pension only, and are not awarded redundancy payments on top of this.

2.2 The current redundancy cost for teachers aged under 55 years is £107k for a total of 93 teachers at an average cost of £1,154 per person. This is a reduction from the cost in 2009-10, which was £592k for a total of 86 teachers at an average of £6,889 per person. It is not clear why the cost reduced so dramatically, especially as it coincided with the raising of the early retirement eligibility age.

2.3 If proposal 1a is accepted, and teachers are not awarded enhanced early retirement, it is likely that the need for increased **redundancy** payments will be required. If there is the presumption that the 40 teachers who would on average take early retirement are awarded redundancy payments instead, at an average cost of approximately £7k (assuming the higher level of payment as seen in 2009-10), the cost would be **£280k** (summary **fig 2**).

2.4 Although there is the potential need to increase this budget, the benefit is that, when compared to the cost of enhancing pensions, there is a payback period of only 4.5 years, i.e. the average redundancy payment equates to the average cost of enhancing a pension for 4.5 years, whereas an enhancement to a pension lasts for the rest of the retired employee's life.

2.5 In order to assess whether applications are costs effective, there is a requirement for the introduction of a defined protocol: see proposal 8.

Proposal 3: Teaching Staff Compensation Payments.

It is proposed to reduce the cost of teaching staff redundancy payments, with effect from 1 September 2011, by ceasing to pay compensation where teachers have their contracted working hours reduced.

3.1 Schools will, on occasion, reduce the contract of a given teacher by a percentage (e.g. reduce a 0.6 FTE teacher by 0.2 FTE to 0.4FTE). Currently, the teacher is paid compensation for the loss in hours, equivalent to the lump sum redundancy for the reduced time (e.g. in the example above, payment equivalent to 0.2 FTE redundancy).

3.2 This payment is not statutory, and is currently only used in Children's Services within Norfolk County Council, so is something of an anomaly.

3.3 The risk of this option is that there is the increased likelihood that staff will not so readily accept a reduction in hours.

3.4 It is difficult to quantify the saving to the budget by the implementation of this proposal, but anecdotal evidence from HR Consultants would suggest that this is a large part of the current teaching staff redundancy spend.

3.5 It is therefore proposed to assume a reduction in **compensation** of 50% of the current level of spending, with effect from September 2011. This equates to a reduction in expenditure of **£50k (fig 3(ii))** per full year, (**£25k (fig 3(i))** in 2011-12).

Proposal 4: School Support Staff Redundancy Payments.

It is proposed to reduce the budget for school support staff redundancy payments, with effect from financial year 2011/12, to bring it in line with forecasted budget requirements following the change in Norfolk County Council policy.

4.1 From 1 January 2011, changes were made to the amount of redundancy paid to all staff covered by the NJC conditions of service, which includes school support staff. This change includes the halving of the number of weeks paid, but also protects those on lower pay with a minimum threshold of £400 per week pro rata.

4.2 The number and cost of school support staff redundancies rose significantly from 2009-10 to 2010-11. In 2009-10, the cost was £647k for 302 members of staff (an average of £2,143 per person), whereas in 2010-11 it is £1,431k for 389 (an average of £3,679 per person). It is not clear why the average cost per person rose so significantly, but this may have been due to a record number of schools requiring staffing adjustments.

4.3 It is anticipated that, given the current economic climate, the number of schools looking to make savings by cutting staffing levels will not diminish greatly. It is also highly likely that any school budget difficulties will affect support staff in greater numbers than teaching staff.

4.4 The changes in the **redundancy payments** as mentioned above will have an impact on the budget, but, as most school support staff are paid below the protected threshold, it is unlikely that the budget will be able to be halved solely by using this method. The

projected saving is therefore calculated as 350 employees at an average amount of £1,840 (half the average cost in 2010-11), a total projected saving of **£644k** (summary **fig 4**).

4.5 Other potential ways of reducing costs include:

- Cease the 'buy-out' of part-time contracts. See proposal 6.
- Introduction of 'flexible' support staff contracts for new entrants. This would enable schools to change, by agreement, the hours worked by up to an agreed percentage. This change could be both for increases and decreases in hours.

4.6 In order to assess whether applications are costs effective, there is a requirement for the introduction of a defined protocol: see proposal 8.

Proposal 5: School Support Staff Compensation Payments.

It is proposed to reduce the cost of school support staff redundancy payments, with effect from 1 September 2011, by ceasing to pay compensation where support staff have their contracted working hours reduced.

5.1 Currently, where a support staff member agrees to reduce their hours, the reduction is deemed as redundancy, and those members of staff receive a compensatory payment commensurate with the reduction.

5.2 This payment is not statutory, and is currently only used in Children's Services within Norfolk County Council, so is something of an anomaly.

5.3 This could include the staff being given unilateral notice and then being re-engaged, with no compensation payment.

5.4 The risk of this option is that there is the increased likelihood that staff will not so readily accept a reduction in hours, leading to more compulsory redundancy of 'whole' posts. A direct result of this would be the impact on the work of the HR Consultancy service.

5.5 It is difficult to quantify the saving to the budget by the implementation of this proposal, but anecdotal evidence from HR Consultants would suggest that this is a large part of the current school support staff redundancy spend.

5.6 it is therefore proposed to assume a reduction in **compensation** in a full year of 200 employees at £500 per payment, with a 50% effect from September 2011. This equates to a reduction in expenditure of **£100k (fig 5(ii))** per full year, (**£50k (fig 5(i))** in 2011-12).

Proposal 6: Support Staff Pension Augmentation

It is proposed to remove the budget for school support staff pension augmentation, with effect from financial year 2011/12.

6.1 A budget heading related to school support staff enhanced early retirement is that of **pension augmentation**. In 2010-11, the cost of this was £39k, down by £74k from £113k in 2009-10. Most of the costs associated with this budget are due to cease, so the whole budget of **£30k** (summary **fig 6**) may be seen as a potential saving.

Proposal 7: Reduce the budget for severance payments

It is proposed to reduce the budget for severance payments, with effect from financial year 2011/12, following the removal of the need to fund 50% of the costs associated with staff redundancy in schools that convert to Academy status.

7.1 Severance payments are mainly made in cases where there is a compromise agreement agreed between the school/Local Authority and the employee/their union representative.

7.2 In recent years, this budget has also been used to pay severance in the cases of Local Authority maintained schools that have re-designated as academies, where there has been the need to facilitate staff changes. These payments are funded 50% by the Local Authority and 50% by the DfE.

7.3 The cost of these payments has increased significantly in 2010-11, to a projected spend of £671k, an overspend of £138k when compared with the budget of £533k. The cost in 2008-09 was £404k, and in 2009-10 was £434k. It is not clear why the cost should have risen by over 50%, although it is the case that the DfE contributions to academy costs are still to be received. However, it is clear that there is potential for savings in this area.

7.4 With the changes in regulations for the re-designation of new-style academies, it is unlikely that there will be the need for future **severance** payments to staff in schools becoming academies. It is therefore proposed that the budget be reduced to levels commensurate with previous years, a saving on current budget levels of **£100k** (summary **fig 7**).

Proposal 8:

Redefine a protocol for assessing cost effectiveness of applications for redundancy

8.1 Through collaborative working, and in consultation with headteachers and governors, officers from HR and Schools Finance Service have already agreed a protocol for early identification of schools at high risk of requiring staffing adjustments.

8.2 Applications will need to meet the organisational/management requirements of the schools concerned.

8.3 Equally, a consideration could be on the cost involved. For instance, if more than one volunteer is acceptable to the school, the LA would only support at the level of the least expensive option, leaving the school to consider topping up that cost to allow an alternative volunteer to leave.

8.4 Currently, applications from schools for financial support with early retirement and redundancy costs are not scrutinised in depth, or compared against the LA budget. It is proposed that a moderation panel comprising senior HR and finance officers advise the Assistant Director (Strategy & Commissioning) on cost effectiveness of applications.

8.4 If the proposals are accepted, the information currently given to schools by HR will need to be amended.

9.0 Other Considerations

9.1 A number of other budgets relating to staffing costs are funded from the Dedicated Schools Grant (DSG), and are therefore outside the scope of this project. However, as they are impacted upon by any changes to the LA-funded budgets, it is proposed that they are also given consideration, and processes for the utilisation of this funding be tightened.

9.2 The budget categories funded from the DSG are:

- the school staff redeployment budget
- the suspended staff budget,
- the maternity/paternity budget
- the supply special circumstances budget
- the disabled teachers budget.

In total, the five categories funded from DSG currently have a total budget of £2,483k, against a projected spend of £3,077k; a projected overspend of £594k.

9.3 As the funding for these categories is taken from the DSG, any increases to the budget levels must be agreed by the Schools' Forum.

9.4 Consideration was also given to removing the option for enhanced early retirement for school support staff. This category is very similar to the teaching staff, except that the numbers involved and cost of support staff enhanced early retirements is much less than that for teachers. There are currently 153 support staff receiving payments, at a cost of £180k (average cost per person of £1,176 p.a.), and in 2010-11 there were 2 leavers but only 1 new entrant. As with the teaching staff costs, this rises in line with the CPI, meaning that the only way to make any savings is by reducing the number of new entrants. As this is currently **mandatory**, no changes to the current arrangements can be made until there is a change in statute.

10.0 Recommendations

- 10.1** The Project Group recommend adoption of the 8 proposals, within the timescales identified.
- 10.2** It is also recommended that, between 1 April and 31 August 2011, there is a tightening up of the process by which staffing adjustments in schools are identified and notified to the Local Authority. This will include a more fully enunciated Business Case and cost/benefit analysis relating to the three-year budget planning process.
- 10.3** It is recommended that changes that require consultation (i.e. changes that have not already been agreed) follow the correct processes in order for them to be implemented with effect from 1 September 2011.
- 10.4** Timeline for consultation process.

Project Group final report released	3 February 2011
CSLT Meeting to agree proposals for consultation	15 February 2011
Consultation with Schools' Forum/ JCC/ JCNC/ NGN/ SNAPP/NASH/NASSH/ elected members	2 May – 22 July 2011
Consultation with wider stakeholders (heads/governors etc)	2 May – 22 July 2011
Deadline for written responses to consultation	29 July 2011
Ratification of final proposals	Asap after 29 July 2011
Implementation	1 September 2011

Further Information

Further information, if required, can be obtained from:

Letter: Alison Randall, School Support Manager,
Schools Finance Service, Room 047,
County Hall, Martineau Lane, Norwich. NR1 2DL.

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