FDA CIVIL SERVICE COMPENSATION SCHEME BALLOT 2016

FDA's Executive Committee is asking members to vote YES to accept the final offer on changes to the Civil Service Compensation Scheme

The Treasury announced in early February that it wanted to set new parameters for how redundancy payments should be calculated in schemes across the public sector. At the same time, the Cabinet Office announced that a review would take place of the terms available in the civil service. Public consultations were launched for both reviews and at the same time, we entered into negotiations with the Cabinet Office.

The FDA has been clear throughout that it is strongly opposed to the Government's attacks on civil service redundancy terms, whether emanating from the Cabinet Office or the Treasury. We have repeatedly argued that these are unjustified; coming just a few years after the last Government negotiated new arrangements with the FDA. Whilst robustly challenging the proposals – particularly within the FDA's formal responses to the consultations - it became evident that Ministers were intent on forging ahead with changes to the current scheme.

In these circumstances, the FDA has sought to ensure that the union was able to maximise our influence over the proposals, through mitigating some of the detrimental changes proposed and achieving improvements in the scheme where possible.

This has proved a difficult and complex process, involving many months of negotiations in two distinct phases. In June, an interim offer was made by the Cabinet Office to all of the civil service unions. Those that could agree in principle to the terms of that offer were able to access further negotiations. The FDA, – together with Prospect, Unison, GMB and the Defence Police Federation – judged that continuing in negotiations presented an opportunity for further progress and that this was therefore the best course of action for FDA members.

These negotiations proved critical and unlocked a number of key improvements on the interim offer, including:

- increasing the maximum payment from 15 to 18 months;
- introducing flexible access to pension top up – unlocking higher value compensation through a partially reduced pension which previously wasn't available;
- increasing the maximum award for limited efficiency from nine to 18 months;
- Increasing the lower paid underpin to £24,500; and
- improvements to the Protocols for avoiding redundancy, including the inclusion of the SCS in the agreement for the first time and enhanced consultation arrangements for small units of redundancy.

The Treasury has also now published its proposals for all public sector redundancy schemes and the terms the FDA has negotiated in the civil service match, or - in some vital areas - exceed those that the Treasury is recommending.

Why reach an agreement?

The FDA Executive Committee recognises that members will be dismayed that, only few years after we last reached an agreement, the Government has sought to cut the redundancy terms again. This is also taking place a time when many departments are significantly reducing the size of their workforce.

The FDA has always approached negotiations with a view to reaching an agreement. Whilst this is not always possible, it is the ability to reach an agreement and the value this holds for the employer that unlocks movement in any set of negotiations.

In this case we have made significant progress, not only over the initial terms outlined in February, but crucially over the last three months of intensive negotiations involving those unions that were prepared to engage in the final phase of discussions. This has included meeting with Ministers directly to press for improvements. These actions have unlocked barriers to progress, and generated some improvements to the existing scheme. The outcome is a scheme that exceeds the terms the Treasury is introducing for all public sector schemes.

The Executive Committee had to consider the progress that had been made in these negotiations and the consequences of rejection. The Cabinet Office was clear that, if rejected, the final offer would be withdrawn and the proposals outlined in June, which in the main are closer to the Treasury terms, would be implemented. In these circumstances, members would need to be prepared take sustained industrial action to have any possibility of persuading the Government to make changes to the scheme, beyond those already on offer.

Over the last few months we have been updating members on progress, asking for feedback and discussing the proposals at all available meetings. Whilst it is evident that members see this as a critical issue, with all of the challenges facing the civil service, it was also clear that members were unlikely to take the sustained industrial action that would be required to have any possibility of moving the Government.

The Executive Committee therefore concluded that having made significant progress in negotiations, as outlined above, the best option for members would be to recommend acceptance of the final offer, rather than see an inferior offer imposed.

The Executive Committee is therefore recommending that you vote YES to accept the final offer.

FDA CIVIL SERVICE COMPENSATION SCHEME BALLOT 2016

The negotiations

Timeline

8 February: The Cabinet Office launches formal consultation on changes

11 February - 4 May: The FDA attends the six meetings between the Cabinet Office and unions

4 May: Formal consultation closes, with the FDA and 3,000 others having submitted written responses

3 June: The Cabinet Office writes to all unions with an interim offer as the basis for further negotiations

9 June: The FDA's Executive Committee votes to continue in negotiations with the Cabinet Office to secure an improved offer

23 June - 22 September: The FDA, Prospect, GMB, Unison and the Defence Police Federation attend 14 formal negotiating meetings with the Cabinet Office

26 September: The Cabinet Office writes to all unions with the final offer negotiated by the FDA, Prospect, GMB, Unison and the Defence Police Federation

5 October: The FDA's Executive Committee votes to ballot all members with a recommendation to vote in favour of the final offer

10 October - midday on 31 October: FDA members are balloted on the proposed changes to the Civil Service Compensation Scheme

31 October: Minister for the Cabinet Office to consider which scheme to lay, depending on whether sufficient unions support the final offer

Starting point

The initial preferred offer from the Cabinet Office as set out in the formal consultation was as follows:

- Standard tariff to be three weeks' per year of service;
- Voluntary Exit at the discretion of employers but capped at 18 months' salary;
- Voluntary Redundancy capped at 12 months;
- Compulsory Redundancy capped at nine months;
- Only to allow employer funded top up for early access to pension where the member has reached the minimum pension age for a new entrant to the scheme (i.e. 55 at a minimum);
- To introduce an absolute cap on CSCS payments at £95,000 in line with legislation; and
- Set notice periods for all exits from the Civil Service under the CSCS at three months.

Interim offer

The interim offer set out in a letter to unions from the Cabinet Office on 3 June 2016 was as follows:

- standard tariff to be three weeks per year of service;
- Voluntary Exit at the discretion of employers but capped at 15 months' salary;
- Voluntary Redundancy capped at 15 months;
- Compulsory Redundancy capped at nine months;
- only to allow employer-funded top-up for early access to pension where the member has reached the minimum pension age for a new entrant to the scheme (i.e. 55 at a minimum);
- to introduce an absolute cap on CSCS payments at £95,000 in line with legislation; and
- set notice periods for all exits from the civil service under the CSCS at three months.

Following receipt of the interim offer, the FDA along with Prospect, GMB, Unison and the Defence Police Federation continued to negotiate with the Cabinet Office. These negotiations led to the Final Offer (more detail on this can be found in the Redundancy Compensation section).

FDA CIVIL SERVICE COMPENSATION SCHEME BALLOT 2016

Final offer vs alternative scheme

Final offer

The final offer sent to unions on 26 September 2016 is as follows:

- Voluntary Exit capped at 18 months' salary;
- Voluntary Redundancy capped at 18 months' salary;
- Compulsory Redundancy capped at nine months' salary;
- the standard tariff to be three weeks' per year of service;
- to maintain flexibility in Voluntary Exit terms to offer between statutory terms and the standard tariff;
- to allow employer-funded top-up to pension from age 55 and for this minimum age to track 10 years behind state pension age;

Alternative scheme

If insufficient unions support the final offer, the Cabinet Office will implement the following:

- Voluntary Exit capped at 15 months' salary;
- Voluntary Redundancy capped at 15 months' salary;
- Compulsory Redundancy capped at nine months' salary;
- the standard tariff to be three weeks' per year of service;
- to allow employer-funded top-up to pension from age 55 and for this minimum age to track 10 years behind state pension age;
- Compulsory Redundancy notice periods to be reduced to three months for new starters;

- to offer a partial buy-out option for employees above minimum pension age, where the cash value of the exit payment is insufficient to fully buy out the actuarial reduction or where the full exit payment is otherwise affected by restrictions in legislation (e.g. the introduction of the £95,000 exit cap);

- Compulsory Redundancy notice periods to be set at three months for new starters;

- increase the lower paid underpin to £24,500 (from current £23,000);

- the Inefficiency Compensation tariff to be reformed to align with Voluntary Redundancy terms (i.e. a maximum of 18 months' salary);

- a revised 2016 Protocol for Civil Service Redundancies to help speed up the exit process. Key features are:
  - stronger workforce planning upfront with an enhanced emphasis on redeployment;
  - minimum periods of formal consultation extended to cover all schemes: 45 days where there are more than 100 exits and 30 days where there are less than 100 employees;
  - the 2016 Protocol will include the Senior Civil Service.

- the Inefficiency Compensation tariff reformed to align with Compulsory Redundancy terms (i.e. a maximum of nine months' salary) and to revise the guidance; and

- the current redundancy avoidance Protocols would be removed and a new set, to be operated by departments, imposed.

FDA CIVIL SERVICE COMPENSATION SCHEME BALLOT 2016

Redundancy compensation

The tables below outline the details of the final offer, and the alternative scheme that will be imposed if the final offer is **not** agreed. Both introduce new limits on civil service redundancy compensation. This is in addition to the £95k cap that has been introduced in separate legislation.

Final offer

	Voluntary Exit (VE)	Voluntary Redundancy (VR)	Compulsory Redundancy (CR)	Efficiency Exit (EE)
Circumstances of exit/redundancy	Staff exits outside a redundancy situation	When staff are formally 'at risk' of redundancy	When staff are to be made redundant	Staff leaving due to ill health (but not retiring)
Maximum	18 months' salary	18 months' salary	Nine months' salary	18 months' salary
Tariff	Three weeks per year of service	Three weeks per year of service	Three weeks per year of service	Three weeks per year of service
Unreduced pension from age 55	At employer discretion	Yes	No	Yes (potentially)
Pension flexibility	Yes	Yes	Yes	N/A
Underpin: min salary for calculations	At employer discretion	£24,500	£24,500	£24,500
Max salary used for calculations	£149,850	£149,850	£149,850	£149,850
Notice period	Three months	Three months	Six months for existing staff, three months for new starters	Three months
Max for those over pension age	Six months	Six months	Six months	Six months

Alternative scheme

	Voluntary Exit (VE)	Voluntary Redundancy (VR)	Compulsory Redundancy (CR)	Efficiency Exit (EE)
Circumstances of exit/redundancy	Staff exits outside a redundancy situation	When staff are formally 'at risk' of redundancy	When staff are to be made redundant	Staff leaving due to ill health (but not retiring)
Maximum	15 months' salary	15 months' salary	Nine months' salary	Nine months' salary
Tariff	Three weeks per year of service	Three weeks per year of service	Three weeks per year of service	Three weeks per year of service
Unreduced pension from age 55	At employer discretion	Yes	No	No
Pension flexibility	No	No	No	N/A
Underpin: min salary for calculations	At employer discretion	£23,000	£23,000	£23,000
Max salary used for calculations	£149,850	£149,850	£149,850	£149,850
Notice period	Three months	Three months	Six months for existing staff, three months for new starters	Three months
Max for those over pension age	Six months	Six months	Six months	Six months

Illustrations

Figures are illustrative and are not intended to be an exact calculation.

Redundancy scheme example

Karen is 45 and her employer is considering redundancies. She has 23 years' service and earns £30,000 a year.

Under the final offer she would receive:
VE - up to £39,800 (depending on the employer's choice of tariff) plus three months' notice (£7,500), so in total £47,300
VR - an entitlement of £39,800 plus three months' notice (£7,500), so in total £47,300
CR - an entitlement of £22,500 plus six months' notice (£15,000), so in total £37,500

Under the alternative scheme she would receive:
VE - up to £37,500 (depending on the employer's choice of tariff) plus 3 months' notice (£7,500) so in total £45,000
VR - an entitlement of £37,500 plus three months' notice (£7,500) so in total £45,000
CR - an entitlement of £22,500 plus six months' notice (£15,000) so in total £37,500

Efficiency exit example

Stewart is 58 with 15 years' service and currently earning £65,000 but cannot continue to work in the civil service due to ill health.

He doesn't meet the criteria for ill health retirement so his employer is looking to use the efficiency exit process. The maximum he could receive under the final offer and alternative imposed scheme is as follows:

Final offer
Up to £56,250, the equivalent of the voluntary redundancy tariff and to be considered for access to an immediate, unreduced pension.

Alternative scheme
Up to £48,750, the equivalent of the compulsory redundancy tariff.

Pension access example

Sunita is 56 and a member of Premium with 20 years' service. She earns £77,000.

Final offer
Her VR offer would be £88,850 and because she's over 55 she would also be eligible for early access to pension.
Her pension without reduction would be around £25,667, if the full reduction were applied she would receive £21,175.
The buyout cost in order to get this unreduced is around £96,250. The employer will top her severance up to £95,000 and she could either contribute an additional £1,250 herself to secure an unreduced pension or put the £95,000 into the pension and have a much smaller reduction to her pension.

Alternative scheme
As the employer top up would exceed the £95k cap, Sunita would just receive her severance payment of £88,850. She would not be able to take her pension unreduced unless she could fund the additional £7,400 to buy out the full reduction.

Pension access

Existing situation

Currently, those leaving on voluntary redundancy (and sometimes voluntary exit) can receive an employer top-up to their severance payment, in order for them to be able to retire and draw their civil service pension without the usual c.5% a year reduction for early payment.

To qualify, the individual must be at least 55, or at least 50 if they were in the pension scheme before April 2006.

The minimum age for accessing an employer top-up is going to change and will be 55 irrespective of start date. Going forward, the minimum age for top-up will increase as state pension age changes, in order to remain 10 years below state pension age.

It's important to note that this does not affect other types of retirement, only those retiring in the context of the CSCS.

Members have a choice; to take their severance payment as cash, or put it towards buying out the reduction to their pension.

Normally someone retiring ten years before pension age would have their pension reduced by around 40%. The cost of buying out this reduction is significant (in some circumstances, depending on service and salary level, a 55 year old could need more than £150k to buy out the reduction).

When the severance payment itself is not enough, the employer must top it up if it is a voluntary redundancy exit and may do so in voluntary exit cases. This option is not available in compulsory redundancy cases.

The introduction of the £95k cap has made this more difficult, as the majority of those hitting the cap do so because of the employer top-up rather than the severance payment itself.

As a result of changes to legislation, all payments will be capped at £95k, so many people will not be able to take advantage of an employer top-up to buy out the reduction. The pension scheme does not currently allow partial buy-outs – either all of the reduction is bought out or none of it.

Final offer

Part of the final offer includes introducing a new flexibility for individuals to buy out part of the reduction for early payment. So, for example, a 55-year-old could see a reduction of 20% instead of 40% if they have a 65 scheme pension age. This is to mitigate the 'all or nothing' approach to buy-out that currently exists.

The employer would still be required in voluntary redundancy situations to top-up to £95k in order to buy out the reduction. If this was insufficient, either the individuals could add in further money themselves and/or take a partial reduction (i.e. a lower reduction than would otherwise be the case).

Alternative scheme

Under the alternative scheme that would be imposed if the final offer is not agreed, this flexibility does not exist. The member would receive only the severance payment of £70,000 and would not be able to access their pension unreduced until normal pension age.

How the new flexibility could work

Victoria is at risk of being made redundant seven years before her pension age of 65, with 20 years' service earning around £60,000. She would need more than £120,000 to buy out the reduction to her pension for early payment (which would be about a third of her pension). Under the final offer, her severance payment would be around £70,000.

Under the current rules, in a voluntary redundancy situation the employer could top up, to a maximum of £95,000. However, this would still be around £25,000 short and Victoria would then not be able to access her pension and would **only** receive the £70,000.

Under the terms of the final offer, she would receive the top-up, up to the maximum value of £95,000 and this would buy-out a partially reduced pension. In effect, she would be able to access a further £25,000 worth of severance. If Victoria could afford to invest £25,000 into her pension, this would enable the whole of the actuarial reduction to be bought out.

FDA CIVIL SERVICE COMPENSATION SCHEME BALLOT 2016

The Protocol: what have negotiations achieved?

Background

The Protocol for handling surplus staff situations has, since 2008, underpinned the work of civil service employers and unions in their joint endeavour to manage staff reductions effectively, with the intent of doing everything possible to avoid compulsory redundancies. The commitment and resource given to this task, by all parties, over the past eight years has helped to minimise the adverse impacts of staff reductions and made an enormous contribution to protecting the employment of those who wished to continue with a career in the civil service.

Cabinet Office's original proposals

Whist appreciating the value of, and contribution made by, the existence of the Protocol, frustrations about how it was operating in practise have emerged in recent years, particularly from employers who have felt that job reduction programmes were taking longer to implement than was absolutely necessary. This frustration generated an intention to introduce changes that would speed up the process for implementing job reduction programmes. To achieve this, during the course of our negotiations on changes to the terms of the Civil Service Compensation Scheme, the Cabinet Office proposed to remove the Protocol and replace it with a general statement of principles incorporating little more than minimum statutory requirements.

FDA objectives for improvements to the Protocol

The FDA made clear to the Cabinet Office that it would not be party to an agreement which included the removal of the Protocol, but that the union was prepared to negotiate on changes to the Protocol. Indeed, the FDA had its own agenda for improvements to the Protocol that the union was keen to discuss. These included:

- extending the protections afforded by the Protocol to the Senior Civil Service who were excluded in 2008 from its coverage, on the basis that an alternative process was in place. This alternative process has long ceased to exist;
- improving the consultation requirements when fewer than 20 employees are at risk. Currently there is no requirement for consultation where fewer than 20 employees are at risk of redundancy in line with the statutory position; and
- improving opportunities for redeployment, through better cross-civil service coordination and planning.

Achievements from negotiations

In the negotiations that followed we have - together with colleagues from Prospect, UNISON, GMB and the Defence Police Federation - worked to preserve key elements of the current Protocol; to strengthen, where possible, its provisions and to extend its coverage to all FDA members.

Our negotiations with the Cabinet Office on the Protocol have been complex, at times difficult, but ultimately they have achieved the maintenance of a Protocol that continues to provide for:

- a consistent approach across the civil service and with a requirement for employers to adhere to its terms;
- a strong commitment to a full process of consultation with unions; and
- a review process before any compulsory redundancy notices can be issued, to ensure that the requirements of the Protocol have been followed and all possible avoidance measures have been considered/taken.

Building on these foundations, the revised Protocol now:

- extends coverage, for the first time since the Protocol was introduced in 2008, to include the Senior Civil Service, thereby increasing the opportunity for redeployment for these members and enhancing their protection from compulsory redundancy. This has been a long-term objective for the FDA;
- requires employers to undertake workforce planning before the launch of any re-structuring/job reduction programme that could lead to a redundancy scheme. This will provide greater certainty at an earlier stage for employees who may find themselves at risk and should bring an end to the type of voluntary exit programmes that are in reality little more than a 'fishing' expedition. These particular voluntary exit programmes can have adverse impacts for employees by generating uncertainty and discontent, particularly when they conclude with the rejection of voluntary applications and are followed by the launch of further exit schemes;
- establishes a cross-civil service working group to help identify redeployment opportunities for employees who may become at risk of redundancy. This should bring greater co-ordination of workforce planning across the civil service and help to better match those who may find themselves at risk of redundancy with alternative employment opportunities elsewhere in the civil service;
- emphasises the need for the earliest possible consultation with unions. The FDA and other unions will continue to have a crucial role in working with employers to ensure that all possible and viable options for avoiding compulsory redundancies are both considered and taken and;
- increases the minimum period of formal consultation with unions to 30 days. Currently there is no minimum period when fewer than 20 employees are at risk of redundancy. This is particularly important for those in senior roles who are more likely to find themselves in a small redundancy pool.

Summary

The post-Spending Review 2015 environment will undoubtedly continue to present significant challenges to the job security of those working in the civil service.

From a position where the Protocol was at risk of complete removal, our negotiations have resulted in the maintenance of key aspects of the current Protocol, along with additional provisions that will assist the FDA in its primary objective of seeking to protect members from the prospect of compulsory redundancy.

FDA CIVIL SERVICE COMPENSATION SCHEME BALLOT 2016

Further details, via ballot meetings, our website and by email

We have set out in this ballot booklet:

- the key details in relation to the changes being proposed to the Civil Service Compensation Scheme and redundancy avoidance Protocol;
- an outline of the negotiations that led to the final offer you are being asked to consider in this ballot;
- an explanation of why the FDA's Executive Committee is recommending that you vote Yes to accept the final offer; and
- the potential consequences of a No vote.

Members also have the opportunity to ask further questions and find out more through our ballot meetings, website and by email.

- Ballot meetings: your chance to hear more and put your questions to the FDA

We urge all members to attend a ballot meeting, to discuss the proposed changes and the Executive Committee recommendation. Details of these ballot meetings, at various departments and venues across the country, can also be found on the FDA/Keystone websites at www.fda.org.uk/CSCSballot and www.wearekeystone.org.uk/CSCSballot

More information online and via email

Members should have received emails informing them on how to take part in the ballot. If you are a member and haven't had a notification email, please contact membership@fda.org.uk as soon as possible.

Additional ballot materials can be found on the FDA/Keystone websites at www.fda.org.uk/CSCSballot and www.wearekeystone.org.uk/CSCSballot

If you have any remaining questions or feedback, you can submit them to the FDA at CSCS@fda.org.uk

Your FDA Executive Committee is urging all members to participate in this ballot and to vote YES to accept the final offer negotiated by YOUR union.