

Paper to : **TEL Board**
Subject : **tie Ltd - Voluntary Redundancy Package**
Date : **25th July 2011**
Author : **Susan Clark**

Background

On 8th June 2011 **tie** announced that it required to reduce the size of the organisation by around 50%. This had resulted from alterations to working methods following the Tram Project mediation discussions held during March 2011. In its announcement **tie** indicated that it would seek interest through a voluntary redundancy scheme prior to deciding whether it required to move to a compulsory redundancy scheme. The VR process and principles had been agreed with CEC's Director of Development and Planning in advance of the announcement being made.

This paper seeks approval for the voluntary redundancy package which contains:

- 1) Individual packages for each employee
- 2) Package of outplacement support for those leaving the organisation
- 3) Funding to enter into a compromise agreement prior to departing the company.

Individual Packages

The package agreed with CEC and offered to employees as part of seeking expressions of interest was as follows:

- Payment in lieu of contractual notice period
- 1 months salary per each year (pro-rata) worked with the company
- Payment of any deferred bonus already earned
- Payment of any other contractual obligations (eg outstanding leave).
- Payment of any pension strain costs and early retirement costs where appropriate.

Outplacement Support

As part of the voluntary redundancy process, **tie** has offered to provide outplacement support to those who are leaving the company. 121 HR have been appointed to provide this service which is provided by giving each employee a number of "credits" to use with 121.



Compromise Agreements

tie will require all those who are offered and accept the Voluntary Redundancy package to enter into a compromise agreement before leaving the company. This is required primarily to protect **tie** Ltd against any future employment tribunal claims. Each employee leaving the company will be entitled to have legal fees up to £300 + VAT paid directly to their chosen legal representative to negotiate such agreements on their behalf.

In most cases this will be a standard compromise agreement. However, in a small number of cases this compromise agreement may contain specific clauses relating to, for example, the ability to work for the Infraco Consortium. In such instances it has been agreed with CEC that a higher level of legal fees is appropriate and this will be agreed on specifically with CEC and the individual.

Costs & Funding

For the total package of voluntary redundancy the anticipated final costs are as follows:

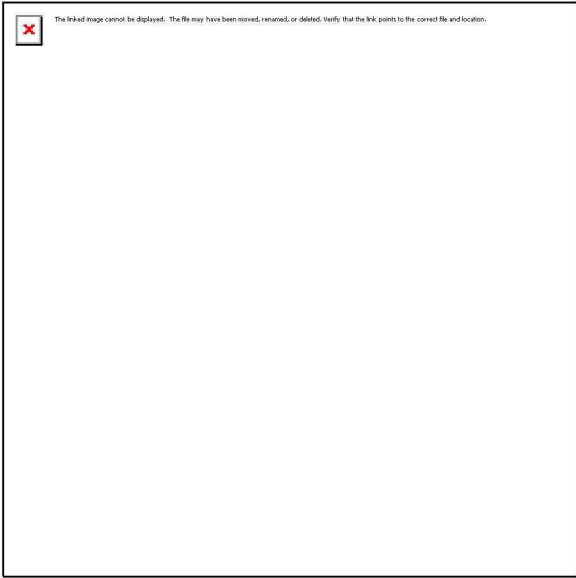
Item	Costs
Individual packages	£1.27m
Outplacement & 121 HR support costs	£20,000
Compromise agreements	£15,000
Total	£1.3m

A payback analysis has been conducted for these costs. It is attached as an appendix and in summary the payback period is as follows:

Including contractual notice payments	37 weeks
Excluding contractual notice payment	25 weeks

Payback for the total cost of the VR scheme is 37 weeks (including pension strain costs), and 25 weeks including only incremental compensation costs. The current proposed restructure and package would cost **tie** £1.3m (excl. pension strain £1.1m). The proposed restructure would reduce the 30-month Staff PM costs bill by -£4.1m. In short, at a maximum cost of £1.3m the current proposed package will deliver savings of -£4.1m.

It is anticipated that these costs will be funded by the project through TS/CEC and will be part of the overall funding purification process ongoing at present. If approved, these costs then become a formal Tram Project commitment which must be considered as part of the overall funding available (considering delegated authorities) and dealt with as a formal Change request.



Remuneration Committee

The remit of the TEL Remuneration Committee includes the responsibility to approve any redundancy packages and offers. It is proposed that the TEL board approves the creation of a Special Remuneration Committee to approve the package and the details of who is to be offered this package and timescales. This committee will consist of:

- Vic Emery
- Steven Bell
- Dave Anderson (who has given Bob McCafferty delegated authority to attend and act on his behalf)
- Susan Clark
- Lynda McIlwraith.

Recommendation

The Board is requested to:

- 1) Approve the package recommended
- 2) Approve incurring the costs associated with this package as a formal change & agree that this is a formal funding commitment which must be regularised through the delegated authority process from TEL.
- 3) Approve the creation of the Special Remuneration Committee to approve the details of the package and approve offers of VR to be made.

Approved

TEL Chairman : Vic Emery

Date :