

Funding for Redundancy Payments

This circular details funding arrangements to assist agencies meet the specific one-off costs associated with redundancies. It outlines changes to the funding mechanism to make it faster and easier for agencies to access funding for redundancy payments. This circular withdraws and replaces NSW TC 11/10 and must be read in conjunction with Premier's Memorandum M2011-11 *Changes to the Management of Excess Employees*.

Purpose and scope

This circular replaces NSW TC 11/10 and details funding arrangements to assist agencies meet the specific one-off costs associated with redundancies. It outlines changes to the funding mechanism to make it faster and easier for agencies to access funding for redundancy payments.

Support for the cost of redundancy payments has been put in place to assist agencies achieve savings required through efficiency dividends, wage offsets, other savings programs and Government directives.

The circular outlines the requirements for any submissions seeking funding for redundancy payments.

This circular must be read in conjunction with Premier's Memorandum M2011-11 Changes to the Management of Excess Employees.

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Funding for Redundancy Payments

Purpose and scope

This circular details funding available to assist agencies meet the specific one-off costs associated with redundancies. Funding is only available where the redundancy will result in a permanent reduction in the expenses of an agency. This circular outlines changes to the funding mechanism to make it faster and easier for agencies to access funding for redundancy payments.

Support for the cost of redundancy payments has been put in place to assist agencies achieve savings required through efficiency dividends, wage offsets, other savings programs and Government directives.

The assistance is available to all general government sector agencies. Where there is justification, assistance may also be available to agencies which receive significant operating subsidies or budget-funded grants to deliver programs.

This circular withdraws and replaces NSW TC 11/10 and must be read in conjunction with Premier's Memorandum M2011-11 *Changes to the Management of Excess Employees*.

Submission and approval

Approval of redundancy payments is a two-step process. The first step is to gain approval to the redundancy program before costs are incurred. A submission is to be made by the relevant cluster Director General to the Treasury. It will be reviewed to verify that the program and supporting calculations are consistent with M2011-11 and this circular.

Where the application relates to a non-budget sector agency, the submission must be endorsed by the agency that oversees and funds the operating subsidy or program.

Once approval is obtained, the redundancy program can be implemented. The second-step is to request reimbursement of payments or adjustments to cash allocations which are to be forwarded to the Treasury analyst as required. Agencies can seek reimbursement as soon as there is certainty of the final redundancy payments. A grant from the Crown, equivalent to the redundancy payment, will then be provided to the agency.

Content of the submission

Submissions seeking approval for a redundancy program should detail the arrangements for managing the process, and the timelines for the redundancy program. This includes:

- a schedule showing the positions that are expected to be abolished, the associated salaries and estimated redundancy payments
- the dates on which employees are expected to exit via voluntary redundancy and/or be made excess
- confirmation that the positions are being deleted from the agency organisational structure and will not be re-established and consequently that there is an ongoing expense reduction to the agency. The redundancies must result in a genuine reduction in positions that leads to long term savings.

Where the savings are to be applied to meet an existing savings target (e.g. for efficiency dividends), the agency forward estimates will already have been adjusted to reflect the savings. The submission must be clear that the savings are being applied for this purpose.

The calculations included in the submission are to show both the estimated annual savings and the expected redundancy costs.

Agency payments eligible for redundancy funding

Costs eligible for funding include:

- payments in lieu of notice
- severance payments
- standard incentive payments.

Costs not eligible i.e. they are to be borne by the agency:

- annual leave payments (it is not a redundancy cost)
- retirement fund (superannuation) benefits.

Arrangements for long service leave payments, which are paid out as part of a redundancy, are as per the usual funding arrangements (TC10/04) i.e. as a separate claim. Long service leave is not a redundancy cost.

Reimbursement and reporting

Once approval for the program has been obtained, requests for reimbursement must provide sufficient detail to support the claim. The supporting detail to the calculations includes the relevant employees wage rate, age and length of service and associated redundancy payments.

Requests for reimbursement are to be forwarded to the Treasury analyst as required. Funding will now be provided to agencies as a grant from the Crown (and therefore be shown as agency revenue) rather than a transfer of appropriation.

For reporting purposes, redundancy payments (excluding annual and long service leave) are to be shown against TOES line item E0500120. Projected expenditure is to be reflected in agency monthly reviews of their Budget position.

Further Information:

Please contact your agency's Treasury analyst.