



**Chester-le-Street**  
District Council

**REPORT TO:** Council

**DATE OF MEETING:** 24th July 2008

**REPORT OF:** Director of Corporate Services

**SUBJECT:** Proposed Countywide Common Early Retirement and Voluntary Redundancy Policy

**ITEM NUMBER:**

---

**1 Purpose and Summary**

- 1.1 On the 1<sup>st</sup> April 2009 Chester-le-Street District Council will cease to exist. On that date a new single tier unitary council will be established. While the majority of staff will be transferred over to the new unitary authority with TUPE transfer rights, there may be some staff that may be subject to redundancy and early retirement. There will be a need to resolve the futures of such individuals both before and after vesting day. Across the eight councils there are a range of different policies with different benefits. Chester-le-Street's policy is one of the best for employees, the existing County council's being one of the worst for employees. In order to address this, the Joint Implementation Team have agreed a harmonised policy that forms Appendix 1 to this report. This policy is now being considered by all councils in the county and has recently been approved by the County Council. This includes an agreement to extend the policy to 3 years after vesting day.
- 1.2 The purpose of this report is to seek Member's agreement to the adoption of a common and harmonised policy on early retirement and voluntary redundancy to aid transition to the new unitary authority.
- 1.3 The policy has been discussed with the Trade Unions both regionally and locally. In respect of Regional representation the unions would like to see a scheme which has a lifespan further than that proposed and which allows all schemes to be harmonized up to the best existing scheme i.e. Chester-le-Street's. The Unions would also like to see a no detriment clause written into the policy for employees who might suffer detriment. It is understood that the unions understand that councils would be looking for agreement within each authority. The local branch of the GMB have no issues with the proposals.
- 1.4 It is considered that while the proposed policy would not provide the maximum benefits within this council's current policy the council has never actually implemented all the discretionary benefits possible under the policy in the past and therefore there is a limited effect on potential employees 'at risk' that could be accommodated by a no detriment compromise agreement based upon any individual circumstances if

indeed any detriment existed. An assessment has been made on potential 'at risk posts' and there may be a limited number of people in the organisation that could be affected detrimentally as a result of the change. However the County Council have advised that in such circumstances any detriment would be resolved through compromise agreements prior to vesting day. It is considered that there is some benefit to employees in respect of the scheme. It will help re-organisation to move forward on management of change. Those employees who are particularly at risk may be provided with more clarity on their futures with greater security by being in a position to financially manage the transition with the agreement of the County Council. At the moment the County Council may not agree to resolve the futures of those people at risk under the councils existing policy, and particularly should all other councils agree to the harmonised proposal. There are some potentially negative impacts because the proposed scheme is not as good as the councils' existing policy. However as indicated above an assessment of impact has shown that a very small number of employees would suffer detriment and by only a limited amount. As the county council have indicated that they would offer protection to such cases overall it is considered to be of benefit to the council's employees. The council is currently seeking legal advice in terms of when redundancy could take place and the need for compromise agreements to allow redundancy but this relates as much to the council's existing policy as it does to the proposal which is the subject of this report. Should the council approve the policy it will not take effect until a month after the scheme is published.

1.5 Members are recommended to agree to:

- 1) The adoption and publication of the harmonised scheme as proposed subject to an assurance that there will be no detriment to employees as result what would have been the normal implementation of the council's own policy

## **2. Consultation**

2.1 Trade Unions have been consulted regionally through current Programme arrangements with the Trade Unions. Their views are:

- The new scheme should be applied for 5 years after vesting days rather than 2 in the proposed policy; (Three years was agreed by the county council)
- All schemes should be harmonised up to the best in the County, i.e. Chester-le-Street;
- A no detriment clause ought to be written into the policy for employees who might suffer detriment; and
- There should be consistency in application of discretion across the organisations once agreed.

2.2 Trade Unions have been consulted locally. The local branch of the GMB have no issues with the proposals.

## **3. Transition Plan and People and Place Priority**

- 3.1 The Transition Plan, in effect, replaces the Corporate Plan 2007/2010. The Transition Plan includes a schedule of proposals from the previous seven priorities which ought to be and can be achieved in the remaining life of the council.
- 3.2 The council's choice to move towards a single priority of '**People and Place**' priority was considered as part of the budget setting process and forms a firm part of the Transition Plan.
- 3.3 The report proposals have no specific implications to the implementation of the Transition plan and the '**People and Place**' priority. It could however have an impact on employee morale which could positively or negatively affect priority achievement based upon the retention of staff and capacity for us to deliver our priorities. It is felt that these proposals will largely be positive as it will assist in securing the futures of employees affected by potential redundancy should sufficient safeguards to prevent against detriment be implemented.

#### **4. Implications**

##### **4.1 Financial implications and value for money statement**

It is likely that the ultimate cost of early retirement and voluntary redundancy would be met by the new unitary authority. The County Council made provision for early retirement and redundancy in their bid document. Discretionary elements of the policy are subject to affordability. Any exercising of the policy by this council would be based on the likely costs to this councils and its ability to afford them. The acting Section 151 officer has been consulted and supports the report contents and recommendations. The Government Guidance also supports this approach.

##### **4.2 Local Government Reorganisation Implications**

The Transition Plan and the '**People and Place**' Delivery Plan is the council's response to the challenges it faces in the final year of its existence. It is considered that the plan commits the council to working within its capacity to provide human and financial resources to help establish the council while delivering 'Business as usual'. It is considered that the Plan meets the guidance and recommendations provided by the Audit Commission set out in their Annual Audit and Inspection Letter. This report specifically arises from the need to harmonise early retirement and voluntary redundancy policies as a direct result of Local Government re-organisation.

##### **4.3 Legal**

All councils are considering the revised policy. It is not felt that there are any specific legal issues to draw to the attention of members. The council is currently seeking legal advice in terms of when redundancy could take place and the need for compromise agreements to allow redundancy but this relates as much to the council's existing policy as it does to the proposal which is the subject of this report. The Head of Legal and Democratic Services has been consulted and supports the contents of the report and recommendations

##### **4.4 Personnel**

How the council supports its employees through the transition process is a key part of Transition Plan. Clearly the report will have an impact on the rights and conditions of employees of the council.

#### 4.5 Other Services

The implementation of any agreed policy will have an impact and relevance to all services.

#### 4.6 Diversity

There are no specific diversity issues in respect of the report..

#### 4.7 Risk

There are clear risks to the organisation in failing to continue to maintain and improve on its progress in its remaining year. The council remains committed to improving its services although it faces difficult capacity challenges through the transition period. The council will be undertaking a strategic risk assessment once the delivery plans in relation to '**People and Place**' have been developed. A key risk to delivery of business as usual next year is the capacity of the organisation to deliver. The council is faced with depleting human resources and account will be taken as to the ability of the council to deliver by regularly reviewing the strategic planning documents. The timelining and cross cutting work currently being undertaken is intended to help evaluate the councils ability to deliver on its '**People and Place**' priority while continuing to deliver improving services to communities within the District. Securing the futures of those affected by potential redundancies should help retain such individuals within the organisation.

#### 4.8 Crime and Disorder

It is not felt there are any specific implications of the report on Crime and Disorder.

#### 4.9 Data Quality

Every care has been taken in the development of this report to ensure that the information and data used in its preparation and the appendices attached are accurate, valid, reliable, timely, relevant and complete. The council's Data Quality Policy has been complied with in producing this report.

#### 4.10 Other Implications

The report does not relate to a key decision. It is considered that the information will be communicated to employees and relevant stakeholders by inclusion on the web-site.

### 5. **Background, Position Statement and Options Appraisal**

5.1 As a result of Local Government Reorganisation Chester-le-Street will cease to exist as a council from April 2009. The Durham County Council unitary proposal document states that savings will be achieved via 139 staff reductions in specific areas prior to

the transfer date (1 April 2009). It assumes that these reductions will consist of 84 redundancies and 55 early retirements. One-off transitional costs include a budgeted £5.455m for early retirements and £1.284m for redundancy costs. These sums are based on an average service of 20 years and have been calculated via the application of Durham County Council's own Early Retirement/Voluntary Redundancy (ER/VR) Policy. It is not yet clear whether this is an accurate reflection of actual numbers until detailed work is carried out on structures. A key message is that the majority of staff will transfer to the new unitary with TUPE protection of terms and conditions. However it is also clear that duplication will exist in a number of posts as the appointment processes take place and that redundancy situations will arise on a phased basis.

5.2 This initially raised the question of whether ER/VR for these posts should take place under the existing employer's scheme, or whether an attempt should be made to harmonise discretions across the authorities. Research has been undertaken into the implications of these options, the findings of which are discussed below. Subsequently, in June 2008, the Government has published guidance on staffing issues related to Local Government Restructuring. This document encourages Implementation Executives to consider a co-ordinated early retirement and voluntary redundancy scheme for redundancies and early retirements occurring prior to the transfer date. The final decision on approving an early retirement and voluntary redundancy application would remain with the employing authority, however, the Government expects all authorities to co-operate fully, if it is decided that a harmonised scheme is appropriate.

5.3 All Councils within Durham have implemented their own scheme outlining how they will deal with cases of redundancy and early retirement. Many issues associated with early retirement and voluntary redundancy are statutory, for example, the age at which an employee can access their pension. Therefore all the schemes are similar in these respects. The key differences between the schemes are how each authority has implemented their discretion to enhance the payment made to an employee retiring early or being made redundant. Chester-le-Street's policy is one of the best for employees, the existing County council's being one of the worst for employees

5.4 The following table demonstrates the discretions of each authority and their cost relativity, with 100% representing the most costly scheme. These figures are based on 14 fictional example cases. Costs of ER/VR vary according to different personal factors such as gender, age, length of service and current grade. Therefore the figures are purely illustrative. However, additional calculations, provided by the Head of Pensions using a wider basis of actual cases, broadly supported the cost relativity of schemes. It should be noted that assumptions have been made in respect of the discretions exercised by each authority's scheme.

**Table 1: Current ER/VR Scheme Discretions**

Authority	Added Years (Max)	Discretionary (multiplier)
Chester-le-Street	5	3.467
Derwentside	Payment convert	3.4

Wear Valley	0	3
Durham City	5	1
Easington	0	2.4
Teesdale	Payment convert	2.4
Durham County (SCP 41 redundancy cap)	4	2
Sedgefield	3	2

5.5 The table shows that there is a disparity of discretions across the authorities. If a harmonised scheme is not developed, authorities will be required to deal with early retirement and voluntary redundancy cases according to their existing scheme. Using a variety of different schemes to deal with early retirement and voluntary redundancy cases related to Local Government Re-Organisation could be challenged on the grounds of fairness and equality, and may lead to adverse employee and industrial relations. In addition, without any central agreement or control over which discretions are used, authorities will be able to exercise their rights to alter their schemes. This could lead to costs over and above those laid out in the original proposal and place strain on the pension fund. It could also lead to an increase in average discretions across the authorities, which may have implications for the new policy adopted by the unitary authority. Therefore it is reasonable that a harmonised scheme be developed and implemented by all authorities.

5.6 The potential problems of retaining existing policies could be avoided by creating a new policy to be adopted by the County and all districts prior to the transfer date. This policy would guide all authorities on the application of early retirement and voluntary redundancy and ensure common discretions were applied. However, the final decision on approving an early retirement and voluntary redundancy application would remain with the employing authority. As an early retirement and voluntary redundancy policy will need to be produced for the new authority in the future, this option merely brings this task forward and could ensure fairness and consistency, while saving effort in the long-term. The main issue associated with developing a harmonised scheme is implementing discretions which are both fair and affordable. A series of options have been considered by the Joint implementation Team. These have been costed, based on the 14 fictional example cases and average current discretions across authorities. The preferred option is a one which gives a maximum discretion of up to 5 added years and a multiplier on redundancy payments of 2.75.

5.7 In terms of comparison to Chester-le-Streets Scheme the following differences in areas of discretion are of note:

- Chester-le-Streets Policy allows a redundancy payment of up to 104 weeks salary in exceptional circumstances compared with the proposed policy of a maximum of only 82.5 weeks. However it is noted that this level of discretion has never been exercised since the policy was approved and the maximum agreed previously has been 66 weeks well within the maximum of the proposed policy. It is accepted however that LGR has been imposed upon the Authority and is indeed a major reorganization. It is considered that only a

limited number of Chester-le-Street employees could be adversely affected by this based upon our past practice and current knowledge of potential at risk areas.

- The proposed policy proposes a redundancy payment of 2.75 times the statutory redundancy payment. Worked out on a maximum of 104 weeks this would be equivalent to a multiplier of 3.467 in the Chester-le-Street Policy. However, as indicated above discretion to this level has never been exercised
- As now proposed the policy will be in place for 3 years after vesting day which will afford some protection from staff (although the unions would prefer 5 years)
- There is a Waive right to notice in the policy. The council has in the past made payments in lieu of notice.
- There is difference in the approach to added years. The proposed policy has a clearer sliding scale based on years' service ( see paragraph 2.3 of Appendix 1) whereas the councils policy sets out percentage discretionary payments based on bands of years' service.
- Both schemes are based on an actual weeks pay with no cap ( the County Council's existing scheme has a salary cap)

5.8 It is considered that while the proposed policy would not provide the maximum benefits within this council's current policy the council has never actually implemented all the discretionary benefits possible under the policy in the past and therefore there is a limited effect on potential employees 'at risk' that could be accommodated by a no detriment compromise agreement based upon any individual circumstances if indeed any detriment existed. An assessment has been made on potential 'at risk posts' and there may be a limited number of people in the organisation that could be affected detrimentally as a result of the change. However the County Council have advised that in such circumstances any detriment would be resolved through compromise agreements prior to vesting day. It is considered that there is some benefit to employees in respect of the scheme. It will help re-organisation to move forward on management of change. Those employees who are particularly at risk may be provided with more clarity on their futures with greater security by being in a position to financially manage the transition with the agreement of the County Council. At the moment the County Council may not agree to resolve the futures of those people at risk under the councils existing policy, and particularly should all other councils agree to the harmonised proposal. There **are** some potentially negative impacts because the proposed scheme is not as good as the councils' existing policy. However as indicated above an assessment of impact has shown that a very small number of employees would suffer detriment and by only a limited amount. As the county council have indicated that they would offer protection to such cases overall it is considered to be of benefit to the council's employees. The council is currently seeking legal advice in terms of when redundancy could take place and the need for compromise agreements to allow redundancy but this relates as much to the council's existing policy as it does to the proposal which is the subject of this report. Should the council approve the policy it will not take effect until a month after the scheme is published.

5.9 It is considered that the council ought to progress towards a harmonized scheme. It is felt that the option under consideration is a reasonable one. It is expected that the County Council should provide assurances that anyone who could potentially suffer detriment as a result of the normal implementation of the policy will be compensated

to avoid such detriment occurring. In such circumstances it is considered that the harmonized scheme as proposed ought to be supported and adopted by the council

**6. Recommendations**

6.1 Members are recommended to agree to:

- 1) The adoption and publication of the harmonised scheme as proposed subject to an assurance that there will be no detriment to employees as result what would have been the normal implementation of the councils own policy

**7. Background Papers/Documents referred to**

- 7.1 Transition Plan March 2008
- 7.2 Corporate Plan 2007/2010 – June 2007
- 7.3 Local Government Restructuring Staffing Guidance
- 7.4 Chester-le-Street Management of Change Document

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**1<sup>st</sup> July 2008**  
**Version 2.0**

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## **Appendix 1**

**Strategic Human Resources**

# **Early Retirement Policy and Procedure**

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## **1. Policy Outline**

### **1.1 What is the policy about?**

The purpose of this document is to outline the Council's policy on early retirement, with or without redundancy. The key objective is to manage in a business orientated way issues related to the rationalisation of services and staff reductions, and to minimise the extent to which the Council has to resort to compulsory redundancy.

### **1.2 Who does the policy apply to?**

This policy covers all employees except for school-based employees where schools need to give consideration to their own procedures. Consideration by school governing bodies will be made in the context of the Council's policy on the funding of severance cases in schools.

### **1.3 Confidentiality**

All information will be handled sensitively and used only for its proper purpose.

Under the Data Protection Act 1998 individuals have the right to see their own personal data held subject to the rights of confidentiality of any third parties involved in that information.

### **1.4 Publicising/distribution of the policy**

A copy of this policy is available from key personnel within the services and will be made available to employees on request. A copy can also be viewed via the Intranet.

New employees will be informed of the existence of this policy in recruitment and induction information.

### **1.5 Reviewing the policy**

The Strategic Human Resources Policy Team will keep the operation of this policy under review and will make such changes to the policy as deemed appropriate following necessary consultation with the trade unions.

### **1.6 Equality and diversity**

One of the primary values that underpins everything we do while working towards this statement is that we promote equality of opportunity. This applies both in the delivery of our services and in relation to our employment practices. We are committed to including equalities in everything we do. This includes the elimination of unlawful discrimination, promoting diversity as a positive force and valuing & celebrating our diverse workforce and community.

If necessary, an equality impact assessment will be carried out in the preparation of this policy and the assessment will be reviewed on an ongoing basis.

## 1.7 Alternative formats

Where any alternative format is required, any initial enquiry should be made through your line manager or by following the instructions below:

If you need this information summarised in another language or format such as Braille or talking tape, please call the number below.

إذا اردت معرفت ملخص هذه المعلومات باللغة العربية اتصل علي الرقم التالي

Arabic

Jezeli potrzebujesz streszczenia tych informacji w jezyku polskim zadzwon prosze na ponizszy numer

Polish

আকারে এই তথ্যটি পেতে নিচের নম্বরে ফোন করুন:

Bengali

ਜਾਂ ਤੁਸੀਂ ਇਹੁ ਖਬਰੁ ਦਾ ਨਿਚੋੜ ਪੰਜਾਬੀ ਵਿਚ ਚਾਹੁੰਦੇ ਹੋ, ਤਾ ਕਿਰਪਾ ਥੱਲੇ ਦਿੱਤੇ ਹੋਏ ਨੰਬਰ ਤੇ ਸੰਪਰਕ ਕਰੋ ।

Punjabi

假如您需要這份資料的中文摘要，請致電下面的號碼。

Chinese

यदि आप यह जानकारी का संक्षेप हिन्दी में चाहते हैं, तो कृपया निचे दिए हुए नम्बर में सम्पर्क करें ।

Hindi

اگر آپ کو یہ معلومات اردو میں درکار ہیں تو اس نمبر پر کال کیجیے۔

Urdu



(0191) \*\*\* \*\*\*\*

## 1.8 Further information

If you would like any further advice on this document you can contact the Strategic Human Resources Employee Relations Team on either 0191 \*\*\* \*\*\*\* or 0191 383 \*\*\*\* (Internal - Ext. \*\*\*\*/\*\*\*\*).

## **2. Procedure**

### **2.1 Powers**

The Council will use where appropriate the powers available to it under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations 2006 (known here as the Compensation Regulations) and the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (all as amended) (known here collectively as the LGPS Regulations).

### **2.2 Coverage of the policy and procedure**

This policy and procedure covers both types of early retirement proposal that the Council as an employer has to deal with. These are early retirement on the grounds of redundancy or efficiency, and those that are initiated by the employee.

### **2.3 Redundancy or efficiency grounds**

Proposals involving voluntary redundancy will be made where this is the only reasonable alternative to compulsory redundancy, i.e. where attempts to find alternative employment of a similar and appropriate type have been exhausted. For proposals based on redundancy the Head of Strategic Human Resources would need to confirm that a post is redundant and that this post is deleted from the establishment of the service.

Redundancy for the purposes of the LGPS Regulations includes retirement in the interests of efficiency, and, where it is confirmed that these circumstances are met, accrued pension benefits under the LGPS Regulations are payable immediately.

In these circumstances, in order to provide sufficient encouragement for employees to volunteer for redundancy, the following benefits will be offered, with the essential proviso that each proposal results in clear and demonstrable savings to the Council after taking into account all the costs involved (in some circumstances, in order to achieve a saving, a lesser offer may be made):

- A voluntary redundancy payment calculated by reference to the redundancy payment matrix under the Employment Rights Act 1996. This provides for a payment based on 30 weeks statutory redundancy pay, and the Council will exercise its power to use actual pay in the calculation of weekly pay. The voluntary redundancy payment would be inclusive of the statutory redundancy sum that would otherwise have been paid in the event of a redundancy; and
- For those employees who are members of the LGPS, augmentation of service (added years) in accordance with the scale below based on the aggregate local government service of the employee.

Years of Local Government Service	Added Years
0 - <5	0
5 - <10	1
10 - <15	2
15 - <20	3
20 - <25	4
25 and over	5

- Normally in circumstances where sufficient volunteers for redundancy cannot be obtained following an offer of voluntary redundancy together with augmentation of pension under the Local Government Pension Scheme Regulations, or where such an offer is not likely to be effective or cannot be made, discretionary compensation for redundancy may be payable. The Council may exercise its discretion to pay compensation not exceeding a sum equivalent to 82.5 weeks actual pay.
- The calculation of the number of weeks of actual pay in each case would be based on the redundancy payment matrix under the Employment Rights Act 1996 (also used in the calculation of voluntary redundancy payments as above). However, in the discretionary compensation calculation, the number of weeks derived from this table would be multiplied by 2.75, and then applied to unrestricted actual weekly pay.
- Discretionary compensation if awarded would be inclusive of any statutory or voluntary redundancy payment, and is only payable where there is no proposal to augment (award added years to supplement) pension under the LGPS.

If an employee under notice of redundancy receives an offer of employment in local government or a related employer starting work within 4 weeks of leaving Council employment they are not entitled to a redundancy payment or an award of added years under this Scheme. Related employers are as set out in the Redundancy Payments (Continuity of Employment in Local Government, etc) (Modification) Order 1999 (as amended).

#### **2.4 Applications initiated by the employee**

A small number of early retirement requests arise on compassionate grounds or where an employee has other personal reasons to retire early. As the employees concerned initiate these, they usually do not involve efficiencies for the service and therefore normally do not involve savings. It is the Council's policy that these applications are considered individually on merit.

Where there are no savings for the Council it is not possible to consider compensation payments or added years. There is often, however, depending on the circumstances of the applicant, a cost to the pension fund of allowing early release of pension, borne ultimately by the employer, and so each case needs to be carefully justified and considered.

Where pension benefits would potentially be reduced because the applicant is under age 65 and does not fully meet the age and service criteria required to be eligible for unreduced benefits under the LGPS Regulations, applications may be considered with the option of waiving on compassionate grounds the potential reduction, under the provisions of the LGPS Regulations, but this would add to the cost of the proposal.

Applications made by employees on compassionate grounds or otherwise must be backed by supporting evidence, including medical evidence where appropriate, and these will not proceed for decision until such evidence is made available.

## **2.5 Reporting and decision making**

In accordance with Audit Commission guidance, the Early Retirement Sub-Committee of Human Resources Committee determines each application for early retirement, with or without redundancy. Each application is considered on its merits.

In cases involving redundancy and efficiency, proposals are unlikely to be agreed unless there are clear and demonstrable savings arising from service rationalisation and/or a reduction in the number of posts. There needs to be net savings from each proposal, after allowing for consequential costs and the costs of severance. The cost of severance may include:

- Initial costs, i.e. the cost of redundancy or of discretionary compensation in lieu of redundancy and added years.
- Annual costs, i.e. the annualised costs, calculated actuarially, of early access to pension and of added years.

In accordance with good practice, together with a statement of the annual costs and savings arising from a proposal, the estimated payback period will be reported in each case. This represents the predicted time it will take for net annual savings to repay the initial costs of termination, calculated in years. Each case should normally report a payback period of less than three years, except in exceptional circumstances where a payback period of up to five years may be allowed.

## **2.6 Eligibility**

The following eligibility restrictions apply, based on existing legislation:

- Applicants must have two years continuous local government service before a redundancy payment or a related discretionary compensation payment can be made.
- An augmentation (added years) award cannot be made unless applicants are members of the LGPS.
- Applicants who are under 50 cannot have pension benefits released (but they can be awarded added years, which would be deferred along with accrued pension). Applicants

who are under 55 can only have pension benefits released if the leaving date is before 1 April 2010 and they joined the LGPS before 1 April 2008.

## **2.7 Notice waiver**

Where any early retirement is agreed in accordance with this Scheme, either on the basis of redundancy or efficiency, or where it is has been initiated by an employee, it is on condition that the employee so volunteering for early retirement will waive her/his rights to the notice period stated in her/his contract of employment, and agree to a termination date set by the Council.

## **2.8 Relevant definitions**

- The definition of 'weekly pay' in the calculation of voluntary redundancy and discretionary compensation payments will be as laid down in the Employment Rights Act 1996, but with the modifications set out in the Compensation Regulations.
- The definition of 'continuous local government service' in the calculation of voluntary redundancy and discretionary compensation will be as laid down in the Redundancy Payments (Continuity of Employment in Local Government, etc) Modification Order 1999.
- The definition of 'local government service' in the calculation of augmentation of service (added years) will be service with all employers specified in the Redundancy Payments (Continuity of Employment in Local Government, etc) Modification Order 1999. Service will be aggregated and does not need to be continuous for this purpose.

## **3. Statement of policy on discretions which may be granted under the Compensation Regulations 2006**

### **3.1 Purpose**

The above regulations require the Council to formulate, publish and keep under review the policy that it maintains in the exercise of its discretionary powers under paragraphs 5 and 6 of the Regulations.

This policy document explains how the Council will exercise the discretions available to it under these regulations effective from 1st October 2006.

The objective is to properly manage the severance arrangements for employees in circumstances where voluntary redundancy and early retirement in the interests of the efficiency of the service need to be considered.

In formulating the statement below, regard has been taken of the need to ensure that the policy is workable, affordable and reasonable.

### **3.2 Eligibility**

All Council employees who are Local Government Pension Scheme members, or who would be but for a relevant disqualification (as defined in the regulations), and whose employment is terminated by reason of redundancy, are eligible to be considered for benefits in accordance with the policy discretions set out below.

Where there are clearly demonstrable savings arising from an efficiency proposal that does not involve redundancy, employees may also be entitled to compensation in these circumstances, but each case would be considered on its merits.

### **3.3 Power to increase statutory redundancy payments**

Entitlement to a redundancy payment under the Employment Rights Act 1996 is subject to a ceiling on the weekly pay element of the calculation. In cases of voluntary redundancy the County Council will exercise its discretion to base entitlement on actual salary.

In circumstances of voluntary redundancy, payment would normally be calculated on the basis of weekly pay; continuous local government service up to a maximum of 20 years; and a maximum of 30 weeks pay in accordance with the statutory redundancy pay table. The voluntary redundancy payment would be inclusive of the statutory redundancy sum that would otherwise have been paid in the event of a redundancy.

### **3.4 Discretionary compensation for redundancy**

The Council will exercise its power to pay discretionary compensation for redundancy in appropriate cases. This will normally be in circumstances where sufficient volunteers for redundancy cannot be obtained following an offer of voluntary redundancy together with augmentation of pension under the Local Government Pension Scheme Regulations, or where such an offer is not likely to be effective or cannot be made.

In order to provide sufficient encouragement for volunteers for redundancy or where termination would be in the interests of the efficiency of the service, the Council may exercise its discretion to pay compensation not exceeding a sum equivalent to 82.5 weeks actual pay.

The calculation of the number of weeks actual pay in each case would be based on the statutory redundancy table (also used in the calculation of voluntary redundancy payments). However, in the discretionary compensation calculation, the number of weeks derived from the statutory redundancy table would be multiplied by 2.75, and then applied to actual weekly pay.

Discretionary compensation is inclusive of any statutory redundancy payment, and is only payable where there is no proposal to augment (award added years to supplement) pension under the Local Government Pension Scheme Regulations.

### **3.5 Notice waiver**

Where any voluntary redundancy or discretionary compensation payment is agreed in accordance with this policy statement, it will be on condition that the employee volunteering for severance will waive rights to the notice period stated in the relevant contract of employment.

### **3.6 Determination of severance proposals**

All proposals for severance arrangements involving County Council employees, where voluntary redundancy or discretionary compensation payments are being recommended, will be determined by the Council's Early Retirement Sub-Committee of the Human Resources Committee.

### **3.7 Definition of 'weekly pay'**

The definition of 'weekly pay' in the calculation of voluntary redundancy and discretionary compensation payments will be as laid down in the Employment Rights Act 1996, but with the modifications set out in the Discretionary Compensation Regulations 2006 referred to in the title of this document.

### **3.8 Definition of 'continuous local government service'**

The definition of 'continuous local government service' in the calculation of voluntary redundancy and discretionary compensation will be as laid down in the Redundancy Payments (Continuity of Employment in Local Government, etc) Modification Order 1999.

## **4. Exercise of Employer Discretion under the Local Government Pension Scheme**

### **4.1 Regulation 12: Power of employing authority to increase total membership of active members and Regulation 13: Power of employing authority to award additional pension**

Decisions regarding the use of regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) will be made on the merits of each case.

The Council will only consider increasing total membership ('augmentation') under regulation 12 either:

- As part of an exercise involving the potential voluntary redundancy of scheme members and/or
- On occasion where staff rationalisation is being carried out in the interests of the efficiency of a service the Council provides.

Augmentation will only be granted where the County Treasurer and the Director of Corporate Services deem it to be in the interests of the Council and there are sound financial reasons for doing so.

The Council will only consider awarding additional pension under regulation 13 where an individual voluntarily accepts a reduced redundancy payment and the cost of awarding the additional pension does not exceed the amount of the reduction.



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