



Report to Appeals and Retirements Committee

Subject Redundancy Compensation Payments - Discretionary Arrangements

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1. Purpose of the Report

1.1 To seek confirmation of the payment of the maximum compensatory payments in cases of voluntary and compulsory redundancy as a consequence of the management restructuring and in accordance with the agreed policy.

2. Background

2.1 The Council is currently going through a review of its management arrangements. As a result of this, a re-structuring of the top two tiers of management will take place. In accordance with good practice, requests for voluntary redundancy should be considered in order to facilitate the implementation of the changes.

2.2 The current Early Retirement and Redundancy Scheme of the Council allows for some discretion in the payments made through dismissal relating to redundancy. It is this committee that has the remit for determining how such discretion is applied.

2.3 Statutory redundancy payments are based on a number of weeks' pay - the actual number being determined in law by a combination of age and length of continuous service. Our local policy allows for additional payment up to the same amount again as the statutory payment, in effect doubling the compensatory payment to be made.

2.4 The maximum number of weeks on which the statutory payment can be made is 30 weeks and payments at this level can only be made for older employees (age 41 and above) who have long service (20 or more years). So,

with discretion applied to award the maximum number of weeks' compensatory pay, this raises the total potential maximum payment to 60 weeks' pay.

2.5 The wording of our policy states, "Under exceptional circumstances, the ... committee may agree variation to the normal payment scheme, but still within the 60 week maximum." This would allow discretionary payment to be reduced or removed, or increased so long as the total payment did not exceed 60 weeks pay.

2.6 Although fundamental, and generating potential redundancy situations, the management review in itself is not otherwise "exceptional". Volunteers for redundancy will undoubtedly help the organisation to achieve its ambitions in an effective and more humane way, and at the same time individuals who do volunteer will receive compensatory payment and, potentially, release of pension benefits if they are age 55 or over. Again, consent for the release of pension is gained through this committee.

2.7 It is proposed that for the purpose of the current management review, in all cases of voluntary redundancy that are accepted and acted upon, pension release be granted to employees age 55 and above who are members of the Local Government Pension Scheme and discretionary compensatory redundancy payments are made equivalent to, and in addition to, the statutory payments

2.8 Again, in terms of ensuring a fair and equitable approach, it is proposed that the same arrangements identified above be applied to any compulsory redundancies that arise from the implementation of the current management review.

2.9 As described above, this Committee has the delegated authority to exercise its discretion to agree to the release of pension benefits and the level of compensation payments. For the purposes of the management re-organisation, it is proposed that these decisions be delegated to the Chief Executive, to enable decisions to be made swiftly and to facilitate the implementation of the new structure.

3. Resource Implications

3.1 The release of pension benefits and the payment of compensatory sums will have financial implications for the Council. The report agreed at Full Council on 6th July 2011 identified potential redundancy and retirement costs between £325,000 and £570,000 arising from the proposals for management re-structuring. It is not possible to be more specific since the costs will depend on the personal situation of individuals made either voluntarily or compulsorily redundant. Where employees are over 55 and take their pension benefits there will be an actuarial strain of early release to the Council. The costs of the strain again vary depending on the individual's age, length of service and salary; these

costs have to be made directly to the pension scheme. The estimated costs of the restructuring have taken these into account.

3.2 Overall the management restructuring is estimated to save £160,000 to £225,000 per annum and therefore the payback period for the changes is likely to be in the range of 1.9 - to 2.8 years which the Council's 151 Officer considers to represent a sound business case for change.

4. Recommendation

4.1 It is **recommended** that the Chief Executive, in consultation with the Head of Corporate Services, is authorised to exercise the following discretions, in all cases of redundancy arising from the current management review, after consideration of a fully costed report in each case:

- 4.1.1 that for officers age 55 and above who are members of the Local Government Pension Scheme, early retirement pension release will be granted with effect from the effective date of dismissal.
- 4.1.2 that in all cases, a discretionary compensatory payment will be made based on the individual's age and length of service calculated at twice the statutory compensation amount