

## **Report to Appeals and Retirements Committee**

**Subject** Redundancy: Compensation Payments - Discretionary Arrangements and Pension Release

**Date** 24 March 2014

**Author** Chief Executive  
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### **1. Purpose of the Report**

1.1 To seek authority to delegate to the Chief Executive, decisions relating to the release of pension and to the payment of the maximum compensatory payments in cases of voluntary and compulsory redundancy as a consequence of the current organisational restructuring relating to the 2014-2017 budget proposals.

### **2. Background**

2.1 The Council is currently going through a review of its service delivery arrangements. As a result of this, a re-structuring of most services is likely over the next three years. Arising from these changes there will almost certainly be redundancies, both voluntary and compulsory.

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 material in nature, and having the potential to create potential redundancy situations, the service reviews in themselves are not otherwise "exceptional". Indeed, it is likely that over the coming three years, an additional 20 posts will need to be dis-established. It may be the case that redeployment of some affected employees will be possible, but this is unlikely to be the case for all.

2.7 Any employee dismissed through reason of redundancy (voluntary or compulsory) will have applied to them the terms of the Early Retirement and Redundancy scheme which makes available the potential for additional discretionary payments and, if aged 55 or over, release of pension. Consent for payment of discretionary benefits and the release of pension is gained through this committee.

### **3. Proposal**

In order to enable decisions to be made swiftly and to facilitate the implementation of new structures, it is proposed for the purpose of this current programme of service reviews, in all cases of redundancy that authority be delegated to the Chief Executive, following consultation with the Section 151 Officer, as follows:

3.1 To authorise release of pension to employees age 55 and above who are members of the Local Government Pension Scheme. In cases where release of pension is not recommended, the decision would be referred back to this committee for final decision.

3.2 To authorise the award of discretionary compensatory redundancy payments made within the terms of the Council's local scheme equivalent to, and in addition to statutory payments. In cases where payment of the maximum discretionary award is not recommended, the decision would be referred back to this committee for final decision.

#### **4. Resource Implications**

4.1 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 3 March 2014 supported budget proposals, part of which was to set aside a fund to cover such expected additional costs arising from these reviews. It is not possible to be more specific about costs since these 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 pension strain cost to be met by the Council. The costs of the strain again may vary depending on the individual's age, length of service and salary; these costs have to be made directly to the pension scheme.

4.2 Overall the proposals made for service review are designed to generate savings of around £2.5million over a three year horizon. Costs arising from redundancy or pension release will be taken into consideration when delivering these necessary savings and have been accounted for in recommendations made by the Council's 151 Officer.

#### **5. Recommendation**

It is **recommended** that with immediate effect and for the period of the service review programme between 2014-2017 that in all cases of redundancy, authority be delegated to the Chief Executive, following consultation with the Section 151 Officer, as follows:

- 5.1 To authorise release of pension to employees age 55 and above who are members of the Local Government Pension Scheme. In cases where release of pension is not recommended, the decision would be referred back to this committee for final decision.
- 5.2 To authorise the award of discretionary compensatory redundancy payments made within the terms of the Council's local scheme equivalent to, and in addition to statutory payments. In cases where payment of the maximum discretionary award is not recommended, the decision would be referred back to this committee for final decision.