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Ward/s

Name of Group:	COUNCIL
Meeting Date:	26 March 2007
Directorate:	People, Planning & Regeneration
Corporate Manager:	Howard Crabtree
	Public

Report Title	EARLY RETIREMENT / SEVERANCE SCHEME
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Key Decision	YES
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1. Recommendations

1. The Council adopts and implements the attached Early Retirement / Severance Scheme (Appendix 1) for implementation from the 1 April 2007 as recommended by Cabinet on the 5 March 2007.
2. The Council adopts and implements the attached Statement of Discretions (Appendix 2) for implementation from the 1 April 2007 as recommended by Cabinet on the 5 March 2007.

2. Purpose and Summary of the Report

1. The purpose of this report is to seek Council approval to change the Council's Severance Policy, first adopted in 2004 to the scheme shown at Appendix 1. Cabinet at its meeting on the 5 March 2007, having considered the options, recommended the adoption of this scheme to Council. The scheme as recommended by Cabinet is attached at Appendix 1, the only changes have been three points subsequently recommended by the District Auditor which are clearly identified in the text.
2. The Council's Policy must be revised. The recent changes (29 November 2006)

in the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 have amended the 2000 Severance

Regulations this Council's current scheme is based on. The Government changed the 2000 regulations as a result of the Employment Equality (Age) Regulations, which came into force in the UK on 1 October 2006. Councils must now change their policies by the 1 April 2007.

3. Other considerations regarding pensions and severance that are relevant include:

3.1 The removal of the 85 year rule (with transition arrangements up to 2020).

3.2 Plans by the Local Government Pension Scheme (LGPS) to introduce a new look pension scheme from 1/4/2008.

3.3 The Council's 'Scheme of Discretions' needs to be amended to support the changes to the Severance Policy.

3.4 There is a requirement that any severance scheme retains public confidence. The published scheme must be 'workable, affordable and reasonable, having regard to foreseeable costs'. Affordability is defined in relation to each individual Local Authority and the scheme it adopts, and can be challenged on a case by case basis. A published scheme enables a consistent approach to be taken by an Authority but should reflect the pressures and resource assumptions of the Medium Term Financial Plan and any other relevant resource constraints / risks that relate specifically to that Authority. The District Auditor will consider all these factors in reviewing the application of an Authority's Severance Scheme

4 The Consultative Group meeting held on 20 February 2007 reviewed in detail the options and associated costings in relation to changing the Council's Severance Scheme.

5 Full Council on the 21 February 2007 made a decision as part of setting the 2007/8 budget to replicate as far as possible a comparable scheme to the current severance scheme adopted in December 2004, with a review in September 2007.

6 This was felt to be an equitable decision as it would ensure similar treatment for staff affected by budget changes / efficiency measures compared to staff affected by Root and Branch in 2005/6.

7 Appendix 1 sets out such a scheme for immediate adoption by the Council as recommended by Cabinet. Revisions have only been made where necessary to ensure compliance with the law and the 2006 Regulations.

8 Statement of Discretions: The Local Government Pension Scheme (LGPS) allows each Administering Authority (in this case it is Northamptonshire County Council) and each individual Employing Authority to exercise certain discretions in relation to the pension scheme.

- 9 Appendix 2 updates this Council's Statement of Discretions in order to;
 - a. Bring them in line with the scheme in Appendix 1,
 - b. Include a statement concerning the discretion of granting flexible early retirement, a new provision which Authorities must incorporate by 1 April 2007.
- 10 Flexible Early Retirement gives employers the power to grant to an employee who is 50 or over and a member of the LGPS the right to request a reduction in hours or grade and take pension benefit. This may assist individuals with retirement planning etc. The newly published rules are complex and there are circumstances where granting such a request would incur additional cost to the Council. In any event it is anticipated non-discretionary regulations covering this will come into force next year and it is recommended that the Council applies these, as required, at that time.
- 11 The Trade Unions have been sent a copy of this report and received a copy of it prior to Cabinet. They are aware of the Council resolution of the 21 February 2007. A comment was inserted at their request concerning Appendix A 3.1 and the Trade Unions made a statement at Cabinet about this. It expressed their concern that the issues concerning affordability may create difficulties in achieving staff reduction by voluntary means. A copy of the Cabinet report was forwarded to the District Auditor and his comments have been included in the scheme.
- 12 Implementation: As this is the Council's first policy under the 2006 Regulations the rule that a change in policy cannot be implemented until one month has elapsed from the date of publication does not apply. The recommendation is for the Policy at Appendix 2 and the Statement of Discretions to apply from 1 April 2007.

3. Relevant Background

1. A 'new look' Pension Scheme will be launched nationally in 2008.
2. New transitional arrangements have been announced for the removal of the '85 year rule' and these have been incorporated into the scheme as a requirement.

4. Options

1. Alternative approaches to making severance payments were considered by Consultative Group
2. The Council decision on 21 February 2007 provides direction to adopt the

Severance scheme at Appendix 1.

5. Evaluation of Options

Various options have been identified, evaluated and costed prior to this report and discussed at Consultative Group - these covered having a broadly comparable scheme, a scheme that reduced overall costs and a scheme that changed the long/short term balance of costs.

6. Consultees (Internal and External)

Internal	<ul style="list-style-type: none">• Trade Unions• Interim Director of Finance
External	<ul style="list-style-type: none">• District Auditor• Administering Body

7. Compliance Issues

A: Links to relevant Council Priorities

Recovery Plan
Non direct
Corporate Plan
Non direct

B: Other Implications

Other Strategies
Links to 2007/8 Budget and Medium Term Financial Strategy

Finance Implications
<ul style="list-style-type: none">• Detailed in costings to Consultative Group.• Considered as part of 2007/8 budget setting.• The Administering Authority, changed in 2006, the way employers repay the actuarially assessed costs of augmented pension service. The costs are now to be repaid at the beginning of each financial year commencing from the financial year following that in which payment commences. The period over which the costs of augmentation are repaid is now a maximum of three years. Previously the repayment cost of added years was spread over the life of the ex-employee (and potentially at a 50% rate to any surviving spouse after their death). This means potentially significant increased short term costs to the Council that will now need to be taken into account as part of the affordability criteria for accepting VR cases.

Legal Implications
Advice was sought from the Council's Legal Team and the QC involved in advising on the 2004 scheme to ensure compliance with statutory regulations and the 2006 Discretionary Compensation Regulations.

Crime and Disorder Issues
N/A

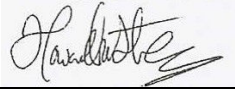

Children's Act Issues
N/A

Risk Management Issues
Failure to change the policy from the 1 April 2007 would mean the Council could not award Compensatory Added Years on Redundancy as the power to do this is removed under the 2006 regulations. Failure to adopt a replacement policy would jeopardise realisation of the full savings incorporated into the 2007/8 budget.

Equality Compliance Issues
The policy follows explicit advice on compliance with new Age Discrimination Regulations. The policy was originally written to comply with other equalities issues such as Sex and Race Discrimination. An Equality Impact Assessment has been completed (Appendix 3).

8. Background Papers

Title	Description	Source
New Employee Early Retirement / Severance Scheme	Sets out the case for the current scheme	Report to General Purposes Committee 9 December 2004.
Revision to Council Severance Policy and Statement of Discretions	Set out costed options	Consultative Group 20 th February 2007

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