



CABINET REPORT

Report Title

COUNCIL'S SEVERANCE POLICY

AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	1 October 2007
Key Decision:	YES
Listed on Forward Plan:	YES
Within Policy:	YES
Policy Document:	YES
Directorate:	People, Performance and Regeneration
Accountable Cabinet Member:	Cllr Brian Hoare
Ward(s)	ALL

1. Purpose

- 1.1 To recommend to the General Purposes Committee for approval, rejection, or amendment a revised Early Retirement and Severance Scheme (including Statement of Discretions) based upon the option(s) endorsed by Cabinet on 3 September 2007.

2. Recommendations

- 2.1 That the attached Severance Scheme (Appendix 1) and Statement of Discretions (Appendix 2) be recommended for adoption by General Purposes Committee.
- 2.2 To recommend to General Purposes Committee that the provisions of the existing Severance Scheme adopted by Council on 26 March 2007 apply to 2

members of staff still at risk as a direct result of the budget / efficiency savings, unless the provisions of the new scheme are more favourable to them.

3. Issues and Choices

3.1 Report Background

3.1.1. The Cabinet Report of 3 September 2007 provided detailed background covering;

- The revisions to the scheme which took place in March 2007
- The likely changes to the Local Government Pension Scheme (LGPS) due on 1 April 2008
- Consultation with stakeholders
- Options for the future
- Tests of public confidence and consistency with the medium term plan

3.1.2 Cabinet decided that Option 2, should be taken forward. This was the option to reduce the overall cost of the scheme.

3.1.3 Cabinet also requested consideration of Option 4, which would be an additional provision in the scheme allowing employees to convert enhanced redundancy payments into additional pension at no cost to the Council.

3.1.4 These decisions form the basis of the documents at Appendices 1 and 2 which provide for a scheme whereby;

- Redundancy payments are based on the statutory formula and actual pay
- There is no provision to grant augmented pension service ('added years').

3.2 Issues

3.2.1 In proposing this scheme to Cabinet to recommend to General Purposes Committee consideration has been given to medium term financial pressures faced by this Council;

- i. The Council's current financial position as reported to Cabinet on 3 September 2007
- ii. The Comprehensive Spending Review 2007 (CSR2007) is expected to apply a real terms funding freeze
- iii. On going Best Value requirements for all services and activities
- iv. CLG efficiency targets of 3% per annum from 2008/9
- v. Government pressure to keep Council Tax increases below 5% and the risks of capping
- vi. Significant changes to the demographic profile of the Borough result of the growth agenda
- vii. Increasing legislative frameworks within which the Council operates
- viii. The need to finance unavoidable growth, priority services and potential 'invest to save' schemes
- ix. The requirement to repay to the pension fund the actuarially estimated life time costs of augmented added years over a maximum of 3 years considerably increases the financial pressures of augmenting service in the short-medium term.

- 3.2.2 The report to Cabinet on 3 September 2007 highlighted the need to protect the severance payments with regard to two members of staff whose futures have not been resolved as a direct consequence of the 2007/8 Budget and Efficiency Savings. Any other members of staff formally declared 'at risk' between now and the date of a revised scheme becoming effective (one month after a final decision by General Purposes Committee) would, of course, also be dealt with under the existing scheme.
- 3.2.3 Consultation. This has taken place as follows:
Local Pensions Authority – They have been sent a copy of this Cabinet Report and the draft for their comments.
External Auditor – Has been sent a copy of this Cabinet Report and the draft scheme for comment
Trade Unions – The Trade Unions have received a copy of this Cabinet Report and the draft scheme.
- 3.2.5 Trade Union Consultation – Trade Unions were first notified on the planned revision of the scheme and the indicative timetable on 22 August 2007, and received a copy of the September report for Cabinet on 23 August 2007. Following Cabinet on the 3 September 2007 they were informed at the Management and Trade Union Consultation Meeting (MTUCM) held on 5 September 2007 of Cabinet's decisions. The comments of the Trade Unions at that meeting are reproduced in 3.2.6 below.
- 3.2.6 Trade Union responses at MTUCM 5 September 2007;
- The Trade Unions would want to involve their Regional Officers
 - The Trade Unions would like details of the survey of other authorities and their severance schemes undertaken in February 2007
 - There were 2 other staff who should be 'protected' under the current scheme making a total of 4 (these have subsequently been dealt with hence the number remains at 2 in 3.2.2 above).
 - Would the current policy on retirement on compassionate grounds change? (Answer was no, but would need to be reviewed under new look LGPS); in addition consultation with the Pensions Authority subsequently identified the need to state our policy and criteria for compassionate grounds, (see 3.2.8)
 - Any revision must be considered in relation to the medium not short term financial outlook for this Authority.
- 3.2.7 There was further discussion with Trade Unions at the MTUCM on 19 September 2007 where a draft of this report / appendices was discussed. The Trade Unions have submitted their own proposal for a reduced costs scheme which is attached as Appendix 5. This has been written by the Trade Unions.
- 3.2.8 The Trade Unions' proposal includes applying a multiplier of 1.5 to the statutory redundancy formula (with the amount still calculated on actual weekly pay) for staff not in receipt of a pension. For staff over 50 and in the LGPS they propose to augment pension by 1 added year for every 5 years continuous NBC Service to a maximum of 20 years service (ie 4 added years).
- 3.2.9 The Trade Unions stated their intention was to propose a scheme close to the scheme considered in February 2007, making the point that this could

therefore be considered affordable. Appendix 3 includes estimated costs of applying the Trade Union proposal to each of the severance examples.

3.2.10 Due to timescales at the time of writing this report, legal, pension and audit views of this Trade Union proposal are not available. They will be made available when received.

3.2.11 Northamptonshire County Council Pensions Authority have reviewed both this report and the Officer-recommended scheme. It has been pointed out that under Pension Scheme Regulations this Council needs to state its policy on granting early retirement on compassionate grounds. A policy statement, based on the criteria used by the County Council, has been inserted into the Scheme at Appendix 1 (Section 4.6.5) and in the Statement of Discretions (Appendix 2; Section 4).

3.2.12 With regard to a provision allowing employees to convert an enhanced redundancy payment to pension service this can only occur when an additional cash sum is provided above redundancy paid at actual weekly pay. As it is not proposed to grant additional sums beyond actual weekly pay this option cannot be included in this Council's Severance Scheme.

3.2.13 The External Auditor has commented that the Council's current scheme continues to be out of line with the overall pattern he observes in other Authorities and has noted that on two recent occasions the Council has, exceptionally, had to apply for capitalisation to manage the costs of the severance awards made indicating the difficulty in managing costs within revenue budgets.

4. Implications (including Financial Implications)

4.1 Policy

4.1.1 Adoption of a revised scheme as recommended in this report would be a significant change of policy. It would reduce the overall cost to the Council and as such reduce the benefits payable to employees both in terms of redundancy payments for many and in terms of pension for those whose service would have been augmented.

4.1.2 Further policy change will be required from 1 April 2008 when a 'New Look LGPS' is adopted nationally. The appendices highlight where these changes are likely to have an impact, although other sections of the scheme could change as well depending on the final scope of the revised regulations.

4.1.3 Following the conclusion of national consultation on the transition arrangements for the abolition of the 'Rule of 85', further policy amendments may be needed.

4.2 Resources and Risk

4.2.1 Financial Implications. These would be to reduce overall cost to the Council

on severance. Appendix 3 illustrates this by way of a number of hypothetical examples. Financial implications will need further review when the 'new look' LGPS is introduced.

4.2.2. Risk and other implications. These were identified in the report to Cabinet of 3 September 2007 and have been addressed through consultation.

4.3 Legal

4.3.1 These were identified in the report to Cabinet of 3 September 2007 and have been addressed through consultation.

4.3.2 A Severance policy that was not considered to be affordable could be challenged on the basis it contravened the requirement in the 2006 regulations to retain public confidence.

4.3.3 Further legal advice will be required when the 'new look' LGPS is introduced.

4.4 Equality

4.4.1 An Equality Impact Assessment is contained in Appendix 4. It notes that monitoring of the application of the scheme in practice will be required.

4.5 Consultees

NCC Pensions Office
Trade Unions (and their Regional Officers)
External Auditor
Finance and Legal (Internal)

4.6 How Proposals Deliver Priority Outcomes

Securing a reduction in the costs of severance will benefit the Councils' overall financial position and ability to deploy resources to direct service delivery

4.7 Other Implications

None

5. Background Papers

5.1 New Employee Early Retirement / Severance Scheme; Report to General Purposes Committee 9 December 2004.

5.2 Revision to Council Severance Policy and Statement of Discretions; Consultative Group 20 February 2007.

5.3 Early Retirement / Severance Scheme; Council 26 March 2007.

5.4 LGE Summary of Local Authority Severance Schemes February 2007.

5.5 Councils Severance Policy; Cabinet 3 September 2007.

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