

Appendices  
attached: 6



Item No.

4

## GENERAL PURPOSES COMMITTEE

<b>Report Title</b>	<b>COUNCIL'S SEVERANCE POLICY</b>
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**AGENDA STATUS: PUBLIC**

<b>Committee Meeting Date:</b>	15 October 2007
<b>Policy Document:</b>	YES
<b>Directorate:</b>	People, Performance and Regeneration
<b>Ward(s)</b>	ALL

### 1. Purpose

- 1.1 To recommend to the General Purposes Committee for adoption by the Council a revised Severance Scheme and Statement of Discretions as attached at Appendix 1 and 2 following consideration by Cabinet on the 3 September 2007 and 1 October 2007.

### 2. Recommendations

- 2.1 That the attached Severance Scheme (Appendix 1) and Statement of Discretions (Appendix 2) be adopted by the Council with effect from 16 November 2007.
- 2.2 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.

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### **3. Issues and Choices**

#### **3.1 Report Background**

3.1.1. The Council adopted a revised severance scheme in March 2007. This was broadly comparable with the 2004 scheme which had to be changed to conform with updated Pension Regulations. Council determined that it was equitable for staff affected by the 2007/08 budget and efficiency savings to be treated in the same way as managers who had left under a corporate reorganisation and 'Root and Branch' to be offered the same terms. Council decided that the revised scheme should then be reviewed again after six months. The options for such a review were put before Cabinet on 3 September 2007 and a specific recommendation was considered by Cabinet on 1 October 2007. At that meeting Cabinet also considered, but chose not to recommend, an option put forward by the Trade Unions.

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

- The revisions to the severance scheme which took place in March 2007
- The likely changes to the Local Government Pension Scheme (LGPS) due on 1 April 2008 (a summary of these is provided at Appendix 3)
- Consultation with stakeholders
- Options for the future, including reducing the overall costs, shifting the balance of costs or maintaining the existing scheme.
- Tests of public confidence and affordability of the severance policy against the medium term plan

3.1.2 Cabinet decided that the second option in that paper should be taken forward. This was the option to reduce the overall cost of the scheme.

3.1.3 Cabinet also requested consideration of an Option whereby employees over 50 and in the pension scheme could convert enhanced redundancy payments into additional pension at no cost to the Council. Further work demonstrated that this was only possible if the number of weeks of redundancy payment were enhanced (rather than just applying actual weekly pay) and is therefore not an option under the recommended scheme.

3.1.4 At Cabinet on 1 October 2007 a report to introduce a low cost scheme was received. The scheme provides for a redundancy calculation based on actual weekly pay and the statutory formula for calculating reckonable weeks. It ceases the provision of augmented pension service (ie granting discretionary added years). This is the scheme attached in Appendices 1 and 2.

3.1.5 Cabinet also considered the proposal put forward by Trade Unions (Appendix 4a) and decided not to recommend it.

#### **3.2 Issues**

3.2.1 In proposing this scheme 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 and 1 October 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
- 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.
- x. The accumulated cost to the Council of funding added years which is currently £66k per month

3.2.2 The reports to Cabinet on 3 September 2007 and 1 October 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, be dealt with under the existing scheme.

3.2.3 Consultation. This has taken place as follows:

Local Pensions Authority – Has been sent a copy of the Cabinet Reports and a draft of this report for comments.

External Auditor – Has been sent a copy of the Cabinet Reports and a draft of this report for comment

Trade Unions – The Trade Unions have received a copy of the Cabinet Reports and a draft of this report for comment. Further details of Trade Union consultation follows below.

3.2.4 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 3.2.5 below.

3.2.5 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.

3.2.6 There was further discussion with Trade Unions at the Management & Trade Union Consultation meeting on 19 September 2007 where a draft of this report / appendices was discussed. The Trade Unions submitted their own proposal for a reduced cost scheme to Cabinet on 1 October 2007.

3.2.7 The Trade Unions were informed they could speak at Cabinet on 1 October 2007, but did not attend. The Trade Union proposal applies 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 as against the current maximum of  $6\frac{2}{3}$ ). These staff would only receive a redundancy payment calculated on the statutory formula as regulations prohibit enhancing both redundancy and pension entitlements.

3.2.8 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 5 includes estimated costs of applying the Trade Union proposal to each of the severance examples which illustrate the cost of redundancy for hypothetical employees under the current and proposed schemes.

3.2.9 The Trade Unions were informed of the decision taken by Cabinet on the 1 October 2007 on the morning of the 2 October 2007 and the item was discussed at the consultative meeting on the 3 October 2007. This led to the Trade Unions submitting for General Purposes to consider a covering report (Appendix 4) to their proposal to Cabinet (which is attached as Appendix 4a).

3.2.10 It should be noted that whilst the Trade Unions state in Appendix 4 that it has not been demonstrated that this Council's policy is out of line with other Councils they have not taken into account all the factors that were considered when coming to this conclusion. The national survey quoted was only one piece of the information contained in the reports at the time which also stated that within Northamptonshire only two other Councils continued to pay added years, and that comments received from the external auditor indicated clearly that the award of added years, particularly at the maximum rate of  $6\frac{2}{3}$ , was against the pattern he was observing. Discussion also took place with the Pensions team at Local Government Employers and also within LGEM (Local Government East Midlands) and together all this information led to a conclusion the Council's current scheme was out of line. Ultimately it is, of course, for each Council to determine its own policy within the regulations and in relation to its own financial position.

3.2.11 Consultation has also taken place with the Council's External Auditor. He 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 future 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. Whilst the Trade Unions have argued that this would impact negatively on recruitment and retention it is doubtful whether the severance policy currently in force is a key contributor to recruitment. The Trade Unions have also argued that as a result of implementing this scheme it would put the Council in the position of having to make employees compulsory redundant and that there is an agreement between Councillors and Trade Unions not to do this (See Appendix 4). The Council stated in the 2004 scheme and subsequently in the March 2007 scheme that it would make every effort to avoid compulsory redundancies and this commitment is repeated in Section 1.2 of the latest revision. However, in making these efforts the Council is still required to consider costs and the confidence of the public in the scheme.
- 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 4 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 with the key stakeholders to ensure the principles behind the revision of the scheme were communicated and that alternative views/proposals could be considered.

### **4.3 Legal**

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

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.

The proposals put forward by the Trade Unions were considered by Counsel to ensure they complied with regulations concerning Age Discrimination. Counsel confirmed compliance.

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 6. 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.
- 5.6 Councils Severance Policy; Cabinet 1 October 2007.
- 5.7 Budget Monitoring Period 5 2007/08; Cabinet 1 October 2007