



**NORTHAMPTON**  
BOROUGH COUNCIL

# **COUNCIL**

## **29<sup>th</sup> August 2018**

**Agenda Status: Public**

**Directorate: Chief Executive**

<b>Report Title</b>	<b>Proposed Director redundancy payment</b>
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### **1. Purpose**

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- 1.1 The purpose of this report is to seek Full Council's approval of a proposed severance payment to be made to a Director of the Council upon their proposed redundancy in furtherance of the proposed savings as highlighted in paragraph 3.1.

### **2. Recommendations**

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Full Council is recommended to:

- 2.1 approve the proposed severance package in respect of the proposed redundancy of the Director of Customers and Communities, as detailed in paragraph 3.1.4; and
- 2.2 delegate authority to the Chief Executive to take any actions necessary to implement the severance package if approved.
- 2.3 approve the use of the Medium Term Financial Plan (MTFP) Cashflow reserve to cover the costs of the redundancy detailed in paragraph 3.1.4.

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

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#### **3.1 Report Background**

- 3.1.1 As part of the Medium Term Financial plan for the Council, savings have been identified as £150,000 for 2018/19 and £250,000 for the next financial year. The Chief Executive was invited by the Leader to consider an appropriate

senior management restructure The Chief Executive took the opportunity to share his initial draft proposals with Cabinet members informally in May 2018. The Chief Executive has now proposed and consulted on a new senior management structure, which deletes the two current Director roles. One of the Director roles, the Director for Regeneration and Enterprise, is currently vacant. The other is the Director for Customers and Communities which is currently occupied.

- 3.1.2 The consultation process, which has now concluded, has been undertaken in line with the Council's Redundancy Policy, HR038POL (Appendix 1). No alternative structures were put forward as part of the consultation process that included the post of a Director.
- 3.1.3 Redeployment has been considered. However the proposed new structure does not contain a suitable alternative role to redeploy the Director of Customers and Communities into. Therefore it is proposed that to enable the Council to meet its savings targets, that the Director of Customers and Communities be made compulsorily redundant.
- 3.1.4 The costs to the Council associated with the proposed redundancy would be as follows:

**1) Redundancy pay:**

**£62,139.00**

*In accordance with The Managing Organisational Change, Restructures and Redundancy Procedure, (Appendix 2) redundancy pay is calculated using the statutory calculator, and actual week's salary (rather than the statutory capped weekly salary amount). Continuous service is 39 years. However, in accordance with the Procedure, the cap of a maximum of 20 years' service has been applied.*

*This amount would be payable by the Council.*

**2) Pension Entitlements:**

**Capital cost: £237,086.71**

*If the redundancy did proceed, the Council would need to make this payment to the Pension Fund to cover the capital cost of the pension entitlement. This capital cost refers to the amount that becomes payable by the employer in specific situations set out in the Local Government Pension Scheme Regulations, to cover the pension strain cost that occurs when a member of the pension scheme is entitled to immediate unreduced pension. This pension strain cost should be considered as part of the overall cost to the Council of the proposed redundancy.*

*The annual pension and pension retirement grant lump sum that the individual is entitled to, would be paid from the Pension Fund.*

### 3) Payment in lieu of notice (PILON)

Contractually a period of 6 months' notice is required to be given either by the Council or the employee to terminate the employment. The Council's Redundancy Policy explains that depending on the circumstances, the Council may waive its right to insist on employees working their notice and instead give payment in lieu of notice. In this case, it is intended to pay the Director 3 months in lieu of notice which equates to **£28,929.57** and agree that the remainder of the notice period does not apply.

**Total: £328,155.22**

3.1.5 As the total value of the severance package exceeds £100,000, in accordance with the Council's Pay Policy Statement, Full Council is being asked to approve the proposed payment.

3.1.6 The Localism Act 2011 contains the requirements for the Council to prepare, approve and publish a Pay Policy Statement ('PPS'). Section 38 sets out what information the PPS must contain.

3.1.7 Section 40 of the Localism Act states that an authority, in performing its functions under section 38 or 39, and has regard to any guidance issued or approved by the Secretary of State.

3.1.8 NBC's 2018/19 Pay Policy Statement accords with the Localism Act and Statutory Guidance which states, "*any severance package of £100,000 or more requires Full Council approval. The components of a severance package may include salary paid in lieu, redundancy compensation, pension entitlements (excluding the capital value of any pension entitlement), holiday pay and any bonuses, fees or allowances made*".

3.1.9 While NBC's Pay Policy Statement states that the capital value of any pension entitlement is excluded as a component of a severance package (when considering whether the £100,000 threshold has been reached), this exclusion is **not** contained within the statutory guidance. Therefore the full amount of payment will be as follows:

- Redundancy Pay: **£62,139.00**
- Pension Capitalisation: **£237,086.71**
- Payment in lieu of notice: **£28,929.57**

Total: **£328,155.22**

### 3.2 Decision details

3.2.1 Full Council is recommended to:

Approve the proposed severance package in respect of the proposed redundancy of the Director of Customers and Communities, as detailed in paragraph 3.1.4.

- 3.2.2 In accordance with NBC's Pay Policy Statement and the statutory guidance, Full Council is being asked if it approves the payment of a severance package in excess of £100,000. Therefore, Full Council has the ability to choose not to approve the payment.
- 3.2.3 If the severance payment is not approved, the proposed redundancy would not be able to go ahead because, save for any payment made in lieu of notice, the amounts of each element of the severance payment are not discretionary and Full Council could not therefore choose to substitute a different severance sum. The proposed redundancy payment is based on NBC policy, the pay of the individual and the length of service and is therefore a fixed entitlement if the individual is made redundant. The pension strain amount would be payable pursuant to and calculated in accordance with the Pensions Regulations.
- 3.2.4 It should be noted that the Council's HR department have run the consultation process subject to Full Council's decision on this matter.

#### **4. Implications (including financial implications)**

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##### **4.1 Policy**

- 4.1.1 The Council's Redundancy Policy applies to the proposed redundancy of the Director of Customers and Communities.

##### **4.2 Resources and Risk**

- 4.2.1. The redundancy costs of £328,155 detailed in paragraph 3.1.4 are the one-off costs associated with implementing the senior management restructure. The total on-going savings resulting from this restructure are £377,042 per annum. This compares to the 2019/20 savings target of £250,000. The savings are associated with the deletion of the following three posts:

<b>Post no.</b>	<b>Post Title</b>	<b>2018/19 total employee budget</b>
XXX17	Director of Regeneration, Enterprise & Planning	140,950
XXX39	Director of Customers & Communities	149,538
SPYC995001	Head of Human Resources	86,554
<b>Total</b>		<b>377,042</b>

- 4.2.2. The saving resulting from the senior management restructure for 2019/20 will meet its target of £250,000. The saving in 2018/19 will be £219,941 as there will only be a part year effect. The payback period for these costs is less than twelve months.

4.2.3. There are no additional on-going costs resulting from the restructure, the redundancy costs detailed in the report above will be one-off costs. This report recommends that these one-off redundancy costs are met from the MTFP Cashflow reserve.

#### **4.3 Legal**

This report is required to be in compliance with the relevant provisions of the Localism Act 2011 and the contents of statutory guidance in relation to decision making about severance packages for Senior Officers in local authorities. In considering and making a decision in respect of the recommendations in this report, the council is acting in accordance with the said legislation and statutory guidance.

#### **4.4 Equality**

4.4.1 A restructure business case was completed and presented at MTUCM on the 12<sup>th</sup> June 2018 which included an equality impact assessment.

#### **4.5 Other Implications**

4.5.1 None.

### **5. Background Papers**

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#### **5.1**

*Openness and accountability in local pay: Guidance under section 40 of the Localism Act, February 2012, Department for Communities and Local Government*

*Openness and accountability in local pay: Guidance under section 40 of the Localism Act: Supplementary Guidance, February 2013, Department for Communities and Local Government*

*Restructure Business Case presented to MTUCM on 12/6/2018*

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