

**CABINET
24TH APRIL 2007**

**DIRECTORATE OF RESOURCES
PERSONNEL
REPORT NO. PER0703**

Redundancy and Early Retirement Policy

1. Background

This report and attached draft policy provides Cabinet with information on our current redundancy and early retirement policies and provides a number of options for decision on our future policy.

A revised policy is required to our current scheme because of changes in pension regulations and the introduction of age discrimination.

2. Our current policy – what it contains

- To calculate the statutory redundancy payment on the employee's actual week's pay.
- To award eligible redundant employees up to 6 and 2/3rd compensatory added years – if over 50 and dependant on their length of service and circumstances.
- To count all continuous service with bodies listed under the Modification Order for the purposes of calculating redundancy

3. The options we have open to us

To continue to :-

- calculate the statutory redundancy payment on the employee's actual week's pay.
- count all continuous service with bodies listed under the Modification Order for the purposes of calculating redundancy

To start to :-

- Award a one-off lump sum payment of up to 104 weeks' pay, inclusive of any statutory redundancy payment.

Within this there are two options open to the Council :-

1. Consider each case on its merits and make a decision based on the reasons for the payment and the savings to the Council. This runs the risk of being perceived to be unfair and discriminatory.

2. The Council could link compensation payments to the DTI redundancy pay calculator. The Council could then use a multiplier- i.e. multiplying the number of weeks' pay the employee would be entitled to under the statutory formula to an agreed factor. The maximum permitted factor would be approximately 3.45 – i.e. 30 (weeks) x 3.45 = 103.5. Given the Council's current policy (i.e., that we don't currently make this payment at all) it is considered that a multiplier of 1.5 would be appropriate, giving a maximum payment of 60 weeks' pay.
- Employees who are members of the LGPS could be given the option of converting compensation payments (less the statutory redundancy payment) into additional pensionable service on a strictly cost-neutral basis.

4. What the new policy contains

The new policy contains:-

- the Council's approach to redundancy and early retirement,
- the process we will follow in redundancy situations,
- the payments which will be made to those redundant,
- the rules in relation to taxation and when redundancy payments will be due.
- the Council's approach to redundancy on efficiency grounds as well as through joint appointments.

The draft policy is also attached for Cabinet's comments and approval

5. Financial implications

In recommending a multiplier of 1.5 consideration has been made in relation to a number of factors:-

- Affordability
- Fairness
- Risk (in terms of tribunals and appeals)
- Public perception
- Recruitment and retention

If the proposed policy had been used during last years restructure there would have been a small reduction in costs for the council.

6. Next steps

Consultation with Unison on the new proposals have commenced and as these increase the levels of payment made to the majority of employee it is expected that these will be agreed.

7. Recommendations

Cabinet are requested to approve the proposals below and the revised policy.

(a) In redundancy and early retirement cases

- to calculate the compensation and statutory redundancy payment on the employee's actual week's pay.

- to link compensation payments to the Government's statutory redundancy payment calculator, using a multiplier of 1.5
- to allow employees in membership of the LGPS to convert the lump-sum compensation payment into added years of service in accordance with the formula to be published by the Government, such decision to be taken before the employee's termination date.

(b) In **efficiency** cases

- consideration be given to making a one-off payment, based on the merits of each individual case, up to the maximum permitted under the new regulations (i.e. 104 weeks' pay calculated on a sum up to the employee's actual week's pay) taking into account continuous service with employees listed under the Redundancy Payments (Continuity of Employment in Local Government etc) (Modification) Order 1999).
- to allow employees in membership of the LGPS to convert the lump-sum compensation payment into added years of service in accordance with the formula to be published by the Government, such decision to be taken before the employee's termination date.

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Background papers:-

- **Draft Redundancy and Early Retirement Policy**