

SUBJECT: HUMAN RESOURCES POLICIES (REDUNDANCY AND PENSIONS)

DIRECTORATE: CHIEF EXECUTIVE

REPORT AUTHOR: ALI THACKER (HR AND PAYROLL TEAM LEADER)

1. Purpose of Report

- 1.1 The purpose of this report is to seek approval from the Executive to implement the proposed policy changes, which must be made to ensure they comply with The Restriction of Public Sector Exit Payments Regulations 2020.

2. Executive Summary

- 2.1 On 4th November 2020 The Restriction of Public Sector Exit Payments Regulations came into force which puts a £95k cap on all exit payments.
- 2.2 This report provides an overview of the changes the Council must make to existing policy, in order to comply with the new regulations.

3. Background

- 3.1 On 4 November 2020, The Restriction of Public Sector Exit Payments Regulations 2020 came into force which puts a £95k cap on all exit payments.

This means that all exit payments for Council employees, will be limited to a combined total of £95,000.

Exit Payments include:

- Redundancy payments (including statutory redundancy payments),
- Severance payments,
- Pension strain costs – which arise when an LGPS pension is paid unreduced before a member's normal pension age – and other payments made as a consequence of termination of employment.

The cap applies to all exit payments that arise within a 28 day period and the regulations cover the process to follow if an individual has multiple exits from public sector employment within 28 days.

Where the total exit payment exceeds the cap the employee's enhanced redundancy payment will be reduced to ensure the total exit payment does not exceed the cap. We are however awaiting further advice and guidance on the specific details of how the new regulations will work in practice.

Essentially these regulations will affect all public service employees whose exit payment would exceed £95k - this could affect both higher earning employees as well as longer serving employees.

- 3.2 Enclosed to this report are the following policies, which are required to be amended to comply with the new regulations:

The Redundancy Compensation Payments Scheme (appendix 1)
The Pension Policy Statement (appendix 2)

The proposed changes are as follows:

Redundancy Policy

Section 5 – the following wording has been inserted:

In line with the above regulations which came into force in November 2020, all exit payments will be limited to a total combined cost of £95,000. Exit payments will include:

- *Redundancy payments (including statutory redundancy payments),*
- *Severance payments,*
- *Pension strain costs*
- *and other payments made as a consequence of the termination of employment.*

The cap applies to all exit payments that arise within a 28 day period and the regulations cover the process to follow if an individual has multiple exits from public sector employment within 28 days.

Section 6 – the following wording underlined has been inserted:

The lump sum will be subject to a maximum payment of 104 weeks' pay (or a maximum payment £95,000 - inclusive of any other exit payment outlined in section 5 - whichever is lower) and will be calculated on the basis of four weeks' pay for each complete year of service subject to a minimum of two years' service and a maximum of 26 years' service being counted.

Section 7.2 – the following wording has been inserted:

In the event where an employees redundancy and pension strain combined cost exceed the £95,000 exit cap, the employees enhanced redundancy payment will be reduced to ensure that both payments combined do not exceed the exit cap.

3.3 The Pension Policy

The following wording has been inserted:

The Restriction of Public Sector Exit Payments Regulations 2020

In line with the above regulations which came into force in November 2020, all exit payments will be limited to a total combined cost of £95,000. Exit payments will include:

- *Redundancy payments (including statutory redundancy payments),*
- *Severance payments,*
- *Pension strain costs*

- and other payments made as a consequence of the termination of employment.

The cap applies to all exit payments that arise within a 28 day period and the regulations cover the process to follow if an individual has multiple exits from public sector employment within 28 days.

The exit payment cap will not apply to:

- *Payments related to death in service or ill health retirement,*
- *Flexible retirements (as this is not an exit and is a contract variation).*

In the Regulation 30(8), Retirement below normal pension age section the following wording underlined has been inserted:

The Council will use these discretions where an employee has requested early payment of benefits on or after age 55 and before 60 on a case by case basis in accordance with the principles set out in section 4 however in line with the above regulations, these must not exceed the £95,000 exit payment cap.

Within the Regulation 30(7), Retirement on Grounds of Redundancy section the following wording has been inserted:

In the event where an employees redundancy and pension strain combined cost exceed the £95,000 exit cap, the employees enhanced redundancy payment will be reduced to ensure that both payments combined do not exceed the £95,000 exit payment cap.

Within the Regulation 30(7), Retirement on the Grounds of Business Efficiency – Employer Consent section the following wording has been inserted:

In the event where an employees retirement is on the grounds of business efficiency, the combined cost of any severance payment and pension strain cannot exceed the £95,000 exit cap, the employees severance payment will be reduced to ensure that both payments combined do not exceed the £95,000 exit payment cap.

- 3.5 As the proposed changes relate to new regulations coming into force, there were no concerns raised by JCC in relation to the proposed policy changes to the Redundancy and Pension Policies.

4. Organisational Impacts

4.1 Finance (including whole life costs where applicable)

There are no specific financial implications arising from this report.

4.2 Legal Implications including Procurement Rules

The attached policies have been updated in line with the new regulations, however the Unions, Lawyers in Local Government and Association of Local Authorities Chief Executives have issued judicial review proceedings against the Government seeking to quash the Exit Pay Cap Regulations citing procedural flaws and substantive issues on which the regulations have been made, some of which affect the draft pension regulations.

4.3 Human Resources

The enclosed policies have been updated in line with the new regulations, and the changes in regulations have been outlined to Trade Unions as part of a Union/CMT meeting.

HR will also continue to review any changes in guidance on these regulations and will review our policy again once a decision has been made on any additional reforms.

5. Risk Implications

5.1 The Council must make changes to the above policies to ensure they are compliant with the new regulations.

6. Recommendation

6.1 That the Executive note the content of the report.
That the Executive agree to the proposed policy changes.

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? 2

List of Background Papers: None

Lead Officer: Ali Thacker , HR and Payroll Team Leader
Telephone (01522) 873801