

**STOCKTON-ON-TEES BOROUGH COUNCIL**

**CABINET RECOMMENDATIONS**

**PROFORMA**

Cabinet Meeting .....1st February 2007

1. Title of Item/Report

Redundancy/Efficiency Scheme and Discretionary Policy Statement  
Update on New-Look Local Government Pension Scheme

2. Record of the Decision

Cabinet noted that a number of proposed changes to the Local Government Pension Scheme (LGPS) were under discussion, which would result in a New Look LGPS coming into force on 1 April 2008. Amendments had also been made to the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2000. These regulations governed the compensation that Authorities could award to an employee whose contract ended on the grounds of redundancy or efficiency. The new regulations set out to ensure that the discretionary powers to award compensation to local authority staff whose employment was terminated early would meet the requirements of the European Employment Directive.

The current and proposed provisions available to local authorities to compensate employees under the Discretionary Compensation Regulations were provided as follows:

**Current Provisions    New Provisions**

The discretionary power to remove the weekly pay ceiling placed on statutory redundancy payments under the Employment Rights Act and to calculate, instead, on pay up to the actual week's pay    Retain the discretionary power to waive the weekly pay ceiling placed on statutory redundancy payments and to calculate, instead, on pay up to the actual week's pay

The discretionary power to award a one-off lump sum payment of up to 66 weeks' pay, based on a service and age-related formula    Provide a discretionary power to award a one-off lump sum payment of up to, but not exceeding, two years' pay (104 weeks), inclusive of any redundancy payment made. Information received to date indicates that any payment of over £30,000 including any pay in lieu of notice will be subject to tax at the individual's current rate.

The discretionary power to award added years on top of the benefits

payable under the Local Government Pension Scheme (LGPS) for eligible employees aged 50 or over and under 65. Remove the power to award added years (although additional membership can still be awarded through the augmentation provisions in the LGPS).

The new regulations also contained transitional provisions to the end of the current 2006/7 financial year which meant that an employer could choose to use either the 2000 regulations or the 2006 regulations for a person whose employment with them commenced before 1 October 2006 and whose termination date was on or after 1 October 2006 and before 1 April 2007.

There was no change to the earliest age that benefits may be paid on the grounds of redundancy or efficiency, or at which an employer could agree to the early release of pension benefits, this remained at age 50 (but would have to increase to 55 by 2010).

Each Employer who participated in the LGPS was also required to formulate, publish and keep under review a Policy statement on certain discretions contained within the Regulations. The proposed Discretionary Policy Statement was provided for consideration.

Cabinet was provided with a copy of the Council's current early Retirement/Redundancy and Efficiency Scheme together with a copy of the proposed Redundancy/Efficiency Scheme. Members noted some of the key elements of the proposed scheme viz:-

- In case of redundancy a 2.2 multiplier would be used as this provided for the same maximum award as the current scheme.
- In the case of Efficiency of the Service a payment of up to 52 weeks salary would be made. The amount payable would be based on efficiency criteria (a copy of the criteria was provided to Members)

Cabinet was provided with a table comparing payments an individual would receive in a redundancy situation under the existing Scheme and under the proposed Scheme.

Members noted that formal consultation had taken place with the Trade Unions on the proposed Redundancy/Efficiency Scheme and Discretionary Policy statement. Unison made some initial comments (details were provided to Members) and a meeting was arranged to discuss their concerns. Further details were subsequently provided in respect of the efficiency gain criteria. No further comments had been received.

Standard documentation would be applied across all Services, which would be completed and signed by the Head of Service and also by the Head of Finance/Head of Operational Finance. The application would then be subject to approval by the Corporate Director of the Service in

consultation with the Head of Human Resources and appointed Cabinet Member. Approval was also required for any anticipated pay in lieu of notice together with its justification.

With regard to the proposed New Look Government Scheme Cabinet was provided with the key elements:

- Normal Pension Age (NPA) of 65 in order to obtain a release of unreduced benefit;
  - Earliest age for release of pension is to be 55 by 2010 for current members except on grounds of ill-health;
  - Earliest age for release of pension was 55 for new joiners after 1 April 2008, except on grounds of ill health;
  - Augmentation of membership/benefits on an objectively justified basis;
  - Final Salary Pension based on 1/60th of salary for each year of pensionable service, with the flexible option to commute pension at the rate of £1 of annual pension for £12 of lump sum up to a maximum tax free lump sum of 25 per cent of capital value of accrued benefit rights at date of retirement;
  - The better of the last year's whole-time equivalent salary or the 're-valued' (in line with the Retail Price Index (RPI)) average of the best three consecutive years salary in the last ten years of service;
  - Survivor benefits for life payable to spouses, civil partners and "nominated" dependent partners (opposite and same sex) at a 1/160th accrual rate;
  - Survivor benefits payable to children at a maximum accrual of 1/160th;
  - Revised ill-health retirement package with no review system - banded approach with a higher level of benefits for total incapacity and a different level of benefits for partial incapacity;
  - A death-in-service tax free lump sum of 3 times salary;
  - Scope to have post-retirement lump sum death benefit up to a maximum of 10 years;
  - Phased retirement arrangements that would enable LGPS members under specified circumstances to draw down some or all of their accrued pension rights from the scheme while still continuing to work;
  - Actuarial enhancement for those who continue in work beyond NPA of 65 without accessing their pension benefits;
  - A facility to purchase up to £5,000 of added annual pension.
- Members queried the proposal to have post retirement lump sum death benefit up to a maximum of 10 years and requested that this be clarified by officers.

Any further comments on these proposals had been requested by 28 February 2007. The last consultation exercise with employers on the

New Look Scheme took place in September 2006 and Stockton's response was circulated to all Members. It was proposed to provide a further response to the current consultation exercise and this would be circulated to all Members for any comment prior to it being submitted.

The New-Look Scheme was programmed to be fully operational from 1 April 2008. To achieve this, the Government's timetable and programme of reform required the new regulations to be in place for 1 April 2007.

RESOLVED that

1. the Redundancy/Efficiency Scheme and Discretionary Policy Statement as detailed in the report be approved with immediate effect.
2. the elements of the proposed New-Look Local Government Pension Scheme be noted for information and also a response be provided to the current consultation exercise which would be circulated to all Members for any comment prior to it being submitted.

3. Reasons for the Decision

Authorities had a range of options available to them and a decision needed to be made on what options the Council would adopt.

4. Alternative Options Considered and Rejected

None

5. Declared (Cabinet Member) Conflicts of Interest

Councillor Coleman and Johnson declared personal prejudicial interests in respect of this item as they were in receipt of a Local Government Pension. Councillor Coleman and Johnson both left the meeting for the duration of discussion and voting on this item.

Councillor Nelson, Mrs Cains and O'Donnell declared a personal non prejudicial interest in this item.

6. Details of any Dispensations

None

7. Date and Time by which Call In must be executed

Midnight on Friday 9th February 2007

Proper Officer  
06 July 2007