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2 October 2006

Dear Colleague

### **PROPOSED REDUNDANCY/EFFICIENCY SCHEME AND DISCRETIONARY POLICY STATEMENT**

As you are aware the Government intend to replace the current compensation arrangements within the Discretionary Compensation Regulations with effect from 1 October 2006. The Regulations are intended to come into force on 1 October 2006, which corresponds with the Employment Equality (Age) Regulations 2006.

#### **Current 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
- 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
- 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.

#### **Proposed new Provisions**

- 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
- 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.
- Remove the power to award compensatory added years. Such awards are at present only open to individuals between the ages of 50 and 65
- There is no change to the earliest age that benefits may be paid on the grounds of redundancy or efficiency, or at which an employer can agree to the early release of pension benefits, this remains at age 50 (but will have to increase to 55 by 2010).

(2)

The new regulations are intended to ensure that the discretionary powers to award compensation to local authority staff whose employment is terminated early will meet the requirements of the Employment Equality (Age) Regulations.

Each Authority needs to determine its policy and approach to the award and calculation of the discretionary lump sum payment for terminations due to redundancy and efficiency. Guidance received so far indicates that as long as schemes mirror the statutory redundancy payments scheme it will be covered by one of the limited exemptions contained in the Age regulations for redundancy schemes. One of the ways in which employers are allowed to enhance statutory redundancy payments is by using the individual's actual weekly salary in the calculation and by also increasing the amounts allowed for each year of service under the statutory scheme. This enables employers to apply multipliers that are higher than those used in the statutory scheme.

In light of the above changes and to ensure we comply with the Employment Equality (Age) Regulations it has been necessary to review our current early retirement/ voluntary redundancy Scheme (Please see Appendix 1). I have attached our proposals for a revised redundancy/efficiency Scheme for your consideration (Please see Appendix 2).

Each authority is also required to formulate, publish and keep under review their policies on compensation and also have in place a revised policy detailing any discretions they wish to adopt in the case of redundancy/efficiency. I have attached at Appendix 3 a copy of our proposed Discretionary Policy Statement.

I would request that you give consideration to the proposed redundancy/efficiency scheme and the discretionary policy statement and am writing to formally commence the consultation period, which will end on 1 November 2006. Due to the extremely tight time scales we have been given by the Government, the proposed scheme will be considered by Cabinet on 2 November 2006. I would therefore very much appreciate it if you could let me have any comments you wish to make as soon as you can.

Should you have any points you wish to clarify prior to your formal response please do not hesitate to call Cheryl Lindsay on 526990 or alternatively you can email her.

Yours sincerely

JULIE DANKS  
CORPORATE DIRECTOR OF RESOURCES

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