

## Northumberland County Council

### Redundancy/Severance Scheme

- 1 This scheme will apply in cases of redundancy and replaces all previous schemes appertaining to redundancy, severance and early retirement.
- 2 This policy does not apply to employees who are the responsibility of School Governing Bodies or those eligible to join the Teachers Pension Scheme (other than those cases as determined by the Executive in January 2004); or, those eligible to join the Fire-fighters Pension Scheme; nor will it normally apply to employees on fixed term or temporary contracts.
- 3 This Scheme will only apply to situations where the termination meets the criteria of being in the **“financial and managerial interests of the Council”**.
- 4 The Council will maintain a severance scheme in line with the statutory table. The scheme will apply only in cases of redundancy and will not normally apply in “interests of the efficiency of the service” cases. The current rules **do not** allow severance to be paid in “rule of 85” cases. The scheme will be based upon the statutory redundancy payments matrix to produce a maximum severance award of 30 weeks pay **inclusive of any statutory redundancy payment**. Only continuous local government service (i.e. service with employers listed in the RPMO) applies to the redundancy matrix. An exception will be made for an employee who has had a break in service for maternity or reasons concerned with caring for children or other dependents. In such cases, previous service will be taken into account providing that the break in service does not exceed eight years and no permanent paid full time employment has intervened (and no redundancy payment has been made in respect of previous service).
- 5 An employee who qualifies for the early payment of their pension benefits on being made **redundant** will be entitled to a severance award calculated on the scheme as above.
- 6 Any lump sum severance payment will be based upon the employee’s contractual weekly rate of pay, as at the “calculation date” for the purpose of calculating a redundancy payment. Any benefit in kind will not be taken into account when determining the amount of a week’s pay. For the avoidance of doubt, goods and services provided via the Council’s SMART benefits scheme are not considered to be benefits in kind under the current SMART benefits scheme.
- 7 The Council will not grant augmented (added) years under the provisions of the Local Government Pension Scheme. Employees who are members of the Local Government Pension Scheme and aged 55 will, however, still retain their statutory right to receive the payment of their accrued pension and lump sum should they be dismissed on redundancy grounds. Augmented (added years) of an equivalent value may be agreed as an alternative to any severance payment made by the Council. As the Council is still required to pay the minimum statutory redundancy payment, the augmented years would have a maximum value of the severance payment due under this scheme, less the statutory redundancy payment due. This could be tax efficient for the employee and will be nil cost to the employer. It will be a decision of the employee as to whether they choose added years and it will be their responsibility to take appropriate independent advice as to the merits of doing so.
- 8 The Council will continue to exercise its discretion, where appropriate, to agree requests for early retirement “in the interests of the efficiency of the service”. However, employees who are members of the Local Government Pension Scheme and aged 55, will only receive payment of their accrued pension and lump sum should they be dismissed on these grounds. There will be no award of augmented (added) years and normally no award of lump sum severance in these circumstances.
- 9 The Council will no longer maintain an early retirement scheme in relation to employee requests to be granted early retirement under the “rule of 85”. The Council will however still retain the right to consider such applications under the statutory provisions contained within the Local Government Pension

Scheme Regulations. The early release of pension rights will however only be considered, where the early retirement is in the ***financial and managerial interests of the Council***. Where actuarial reductions would apply to the person's pension benefits, the Council may consider waiving those reductions, where they believe that there are compelling compassionate grounds for so doing. There would however be no award of augmented (added) years or lump sum severance in "rule of 85" cases.

- 10 Where a deferred beneficiary requests the early release of their benefits, the Council may consider granting their request only where the Council believes that there are compelling compassionate grounds for so doing. The Council may further determine that any actuarial reductions should not be applied to the pension benefits, where the nature of the case would warrant the exercise of this further discretion e.g. where the person was suffering considerable hardship or there are other material factors.
- 11 In **all** circumstances, a financial case for the redundancy, early retirement (including retirement on "efficiency" grounds) or severance must be made by the relevant Corporate Director and agreed by both the Head of Transformation and the Corporate Director of Finance. Cases involving employees of either the Transformation or Finance Groups will also be agreed by another Corporate Director. The standard approval form must be used for this process.
- 12 The impact of this policy will be monitored and any subsequent changes required will be consulted upon in the normal way. However when applying the criteria of "*the financial and managerial interests of the Council*" the budgetary implication of the award will be a significant consideration. For the avoidance of doubt, this scheme is not contractual, and the County Council may vary the discretionary terms of the scheme as required.
- 13 Any disputes under this Scheme will be considered jointly by the Head of Transformation and the Corporate Director of Finance who will be the final arbiters.
- 14 The abatement rules are set by the Pension Fund and the rules in force will apply to the pension of any employee who takes up employment with an employer who participates in the Local Government Pension Scheme

#### **Effective from 1<sup>st</sup> April 2011**

- (a) For the avoidance of doubt, this scheme applies to anyone who is issued with notice to terminate their employment when such notice is dated on or after 1<sup>st</sup> April 2011. In addition, any employee who was at 7<sup>th</sup> February 2011 subject to a section 188 redundancy consultation process in respect of staffing reductions in their service area will be eligible for the 1.75 multiplier applicable to the previous severance scheme. This exceptional circumstance will only apply in cases of compulsory redundancy. Volunteers will be subject to this new scheme, with no multiplier, from 1 April 2011.
- (b) Any discretionary elements of this scheme are subject to Staff Committee approval.