

TITLE OF REPORT: **Revisions to the Council's Retirement Policy and Redundancy Policy**

REPORT OF: **Mike Barker, Strategic Director, Corporate Services & Governance**

Purpose of the Report

1. To agree a revised Retirement Policy and revised Local Government Pension Scheme (LGPS) Discretions Policy for approval by the Council as set out in appendix 2. To also agree a revised Redundancy Policy as set out in appendix 3 to this report.

Background

2. The purpose of the Council's Retirement Policy is to assist the Council when considering applications for early retirement from employees who are eligible for payment of benefits under the LGPS. This is aligned to the Council's workforce planning process and provides for consideration of retirement applications in an effective, fair and consistent manner, taking into account the financial and managerial interests of the Council.
3. The Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 introduced a legal requirement for the Council to set a policy on a number of pension discretions. The current Retirement Policy details these discretions and was approved by the Council on 17 July 2014.
4. The current Redundancy Policy was approved by the Council on 28 February 2013 following a review of the redundancy payments scheme.

Proposal

5. **Retirement Policy (Appendix 2)** – this has been revised to ensure it reflects current good practice, taking into account the Council's ongoing financial position, and the fact that releasing pension on an unreduced basis can result in a significant associated cost for the Council in the form of a 'strain on the fund'. It also reflects the most recent updates to the Local Government Pension Regulations.

The main changes are:

- Inclusion of the procedure for managing applications for flexible retirement, and providing clarity on the criteria on which applications will be considered. Notably, the policy highlights that applications for flexible retirement will only be granted in exceptional circumstances or where there is little cost to the Council.

- Inclusion of the provisions relating to ill health retirement which are currently outlined in a separate document.
- Highlighting that it is the intention of the Government to introduce legislation to provide for repayment of public sector exit payments and an exit payment cap. Note that this legislation is pending and therefore the policy may need further updating in the future.
- Providing clarity in respect of voluntary early retirement applications which are a cost to the Council – such applications will only be granted in exceptional circumstances or where there is little strain on the pension fund; each case will continue to be considered on its merits. The policy also clarifies that the Pensions and Pay Discretions Sub-Committee will consider appeals where applications for voluntary early retirement have not been agreed.
- Clarification that the Strategic Director, Corporate Services and Governance can agree the discretions relating to the non-aggregation of pension benefits i.e. where an employee requests not to aggregate their deferred benefits with new LGPS employment.

Taking into account these updates, the revised policy articulates more clearly the Council's position, particularly in relation to the discretions available to grant early retirement where there is a cost to the Council. It is anticipated that by providing this clarity will better manage employee's expectations in this respect.

6. Applications for the early release of deferred benefits which are a cost to the Council will continue to be considered by the Pensions and Pay Discretions Sub-Committee.
7. **Redundancy Policy (Appendix 3)** - in conjunction with the changes detailed above, the Council's Redundancy Policy has also been revised. The main change is in respect of consideration of applications for voluntary redundancy in cases where there is no risk of compulsory redundancy.
8. As a consequence of the Council-wide voluntary redundancy exercise undertaken in 2011 there have been high levels of expectation amongst the workforce in relation to the ability to secure voluntary redundancy at age 55. The change proposed in the revised policy should ensure that employees do not have unrealistic expectations in this regard. The main change therefore relates to providing clarification that applications for voluntary redundancy will be approved only where to do so will clearly support effective business planning and service delivery; and, will take into account the cost to the Council.

Recommendation

9. Cabinet is asked to recommend the Council to:
 - (i) approve the attached revised Retirement and Redundancy Policies, which include the Council's policy on pension discretions; and
 - (ii) authorise the Strategic Director Corporate Services & Governance in consultation with the Leader of the Council to make any minor amendments to the policies that may be required following further consultation with Trade Unions.

The above decisions have been made for the following reasons:

- (i) To ensure the Retirement Policy reflects current good practice, taking into account the Council's ongoing financial position, and the fact that releasing pension on an unreduced basis can result in a significant associated cost for the Council in the form of a 'strain on the fund'.
- (ii) To reflect in the Retirement Policy the most recent updates to the Local Government Pension Regulations.
- (iii) To ensure that employees do not have unrealistic expectations of the ability to secure voluntary redundancy at age 55 by providing clarification in the Redundancy Policy that applications for voluntary redundancy will be approved only where to do so will clearly support effective business planning and service delivery; and, will take into account the cost to the Council.

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Policy Context

1. The proposed amendments to the Retirement Policy, Discretions Policy, and Redundancy Policy update the HR framework to enable the Council to manage workforce matters in support of the objectives of the Council Plan and the Workforce Strategy.

Background

2. The Retirement Policy and Discretions Policy were approved by the Council on 17 July 2014 as a result of the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 which, in effect, brought about the implementation of a new scheme from 1 April 2014 and introduced a legal requirement to set a policy on discretions.
3. The current Redundancy Policy was approved by the Council on 28 February 2013 following a review of the redundancy payments scheme.

Consultation

4. The views of the Leader of the Council have been sought in drafting this report. The Council's recognised non-teaching Trade Unions have also been consulted extensively in relation to the proposed amendments. Although the Trade Unions acknowledge the financial pressures faced by the Council, they are concerned that the Council is taking a very restrictive approach to awarding flexible retirement and early retirement on an unreduced basis, or which is a cost to the Council. The policy does however provide for each case to be considered on its merits and allows the Council to apply its discretion as appropriate. Trade Unions have requested anonymised data be provided, on a quarterly basis, in relation to the numbers of applications and whether or not these were approved. This will ensure transparency in the application of the policy.
5. The Trade Unions are also concerned that the Council is seeking to limit the approval of applications for VR from employees not at risk of redundancy, and that VR could 'become the exception rather than the rule' and would therefore have unacceptable implications for 'bumped' redundancies. Management have assured the Trade Unions that the Council has a successful track record in redeploying staff who are facing redundancy and will continue in this endeavour which includes exhausting opportunities for bumped redundancies. However, in light of the ongoing financial challenges the Council faces and the increasing pressure on services, there needs to be certainty that by approving a VR in a not 'at risk' area the Council is acting in the best financial and managerial interests.

There are some minor issues in relation to the retirement policy which remain subject to discussion with the Trade Unions. These relate to changes made to the policies initially agreed with Trade Unions as a result of late notification of revised guidance from the Local Government Pension Scheme in respect of the exercise of discretions. However, if Cabinet agree, these can be considered by the Strategic Director Corporate Services & Governance under delegated powers.

Alternative Options

6. No alternative options have been proposed other than those presented for Cabinet approval, as they are considered to be the best way of achieving the objective of the policies: i.e. assisting the Council to consider the retirement of pensionable employees and to manage redundancies as part of its workforce planning process in an effective, fair and consistent manner.

Implications of Recommended Option

7. Resources:

- a) **Financial Implications** – The Strategic Director Corporate Resources confirms that there are no direct financial implications arising from this report. Where applications under this policy are received the financial implications will be considered on a case by case basis.
- b) **Human Resources Implications** – The objective of the retirement and redundancy policies is to allow the Council to consider the retirement of pensionable employees and manage redundancies as part of its workforce planning process in an effective, fair and consistent manner. In applying the policies, the Council reserves the right to determine how the options/discretions presented within the policy will be applied to each of its pensionable employees. The policies provide sufficient flexibility for the Council to make decisions which are in the best financial, managerial and operational interests. The policies form part of the Council's overall human resources policy framework, through which it aims to be an exemplary employer.
- c) **Property Implications** – there are no property implications arising from the recommendations within this report.

8. **Risk Management Implications** - The changes in the Council's Retirement Policy and Redundancy Policy statements as recommended in the report are not considered to introduce any new risk.

9. **Equality and Diversity Implications** – Each application submitted under the Retirement Policy is considered on a case by case basis. In doing so an application is assessed on its own facts, taking into account personal circumstances, financial and service delivery implications. Likewise, any application for voluntary redundancy is considered in the context of business objectives and the long-term delivery of the service. The Council has never received any legal challenges in connection with a retirement-related application, or an application for voluntary redundancy, where the challenge is based on a protected characteristic (race, gender, disability, sexual orientation, religion or belief, or age). However, extreme care will continue to be taken to ensure that there are no direct or indirect discrimination implications when considering each application under these policies.

Equality Impact Assessments have been completed in relation to both policies and are available within the Council's online papers.

10. **Crime and Disorder Implications** – There are no crime and disorder implications.

11. **Health Implications** - There are no health implications.
12. **Sustainability Implications** - There are no sustainability implications.
13. **Human Rights Implications** – Under the Retirement Policy employees have a right to individual representation and a regulatory appeal mechanism (the LGPS Internal Disputes Review Procedure) is in place to ensure this.
14. **Area and Ward Implications** - There are no area and ward implications.
15. **Background Information** - None