

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet
AUTHOR: Finance & Resources Director

9 June 2005

DISCRETIONARY COMPENSATION FOR REDUNDANCY

Purpose

1. The purpose of this report is to remind Members of the Council's current provisions regarding redundancy payments and to seek Members' approval to revising the discretionary compensation for employees aged under 50.

Effect on Corporate Objectives

2.	Quality, Accessible Services	Revising the discretionary compensation will mean that the Council will generally be paying less money out in redundancy payments, which will mean that more money will be available to finance services.
	Village Life	
	Sustainability	
	Partnership	

Background

3. In the mid 1990's, the Council, recognising the threat of local government reorganisation then pertaining, and that staff under the age of 50 whose employment was terminated would not have access to their pension entitlement, agreed to make enhanced redundancy payments to employees so affected under the "Discretionary Compensation Regulations", instead of the standard amounts payable under the Employment Rights Act 1996 (ERA96). Tables showing the amounts payable under the two schemes are provided in **Appendices A and B**.
4. In common with other authorities, the Council has previously adopted a policy of calculating redundancy payments based on the actual remuneration enjoyed by the officer(s) affected, rather than the statutory amount.

Considerations

5. A comparison of the two schemes shows that, by paying the maximum allowed under the Discretionary Compensation Regulations, the Council is very generous to eligible staff in making these enhanced payments. **Appendix C** shows the difference in payments between the two schemes for relevant ages and periods of service.
6. Above 20 years service, the differences become large, as the standard scheme only goes up to 20 years service, while the Discretionary Compensation Regulations go up to a maximum of 28 years service.
7. In the East of England Region's most recent survey, 6 out of 7 of the County/Unitary authorities and 12 out of 21 of the District authorities who responded had exercised their discretion to make enhanced payments. Of those who make enhanced payments, 5 out of 6 of the County/ Unitary authorities and 10 out of 12 of the District

authorities apply the maximum payments set out in the formula. (The alternative approaches were: that each payment was analysed on its own merits; that there is a maximum of 45 weeks paid; and that no such payment has been needed to date.)

8. However, of the authorities in Cambridgeshire:
- the County do not apply the discretionary scheme (they only did for a short period during re-organisation when Peterborough became unitary);
 - Peterborough only ever pay the statutory redundancy entitlement (they did pay enhanced when the Council was undergoing reorganisation to a Unitary Authority in 1998 but have not done so since);
 - Huntingdonshire have used it on rare occasions (they do not have a policy on the number of weeks' pay they give, other than to treat each case on its merits and taking all costs into account);
 - the City do not use this part of the provisions (the only exception they make is to use actual salary when calculating payments).

Although all local authorities in Cambridgeshire were asked, replies are outstanding from the remainder.

9. The Council could make considerable savings by revising or rescinding the discretionary compensation payments.

Options

10. Members could decide to
- maintain the current redundancy compensation payment schemes; or
 - rescind the discretionary compensation payments scheme; or
 - revise the discretionary compensation payments scheme, e.g. by restricting payments to say 50% of the difference between the standard scheme and the Discretionary Compensation Regulations, instead of the maximum allowed.

Financial Implications

11. The incidence of redundancies at the authority to which the enhanced provisions have applied is extremely low and in recent times have arisen mainly as a result of either the relocation to Cambourne or the implications of the fixed term employment regulations.
12. It is not possible to assess the overall financial implications for the Council, as the amounts will depend on the salary, age and service of the individuals whose posts are being made redundant. However, apart from a few exceptions for ages 20, 21 and 22, the differences between the two schemes are at least 50%, increasing to 70% at the upper ages and to 100% where there is no standard scheme above 20 years service.
13. As an indication of the savings available, the comparative figures applied to 3 recent cases are:

No.	Salary	Age	Service	Enhanced payments given	Payments if discretionary scheme rescinded	Payments if restricted to 50% of difference
1	£19,828	49	21	£25,096	£9,126 (36%)	£17,111 (68%)
2	£37,852	48	15	£37,022	£13,429 (36%)	£25,226 (68%)
3	£8,125	39	17	£5,298	£2,649 (50%)	£3,973 (75%)
Totals				£67,416	£25,204 (37%)	£46,310 (69%)
Savings					£42,212 (63%)	£21,106 (31%)

N.B. The percentages are the amounts to which they refer, expressed as percentages of the enhanced payments given.

Legal Implications

14. The views of the Head of Legal Services have been requested. His views will be reported orally to the meeting.

Staffing Implications

15. There are no direct staffing implications resulting from this report.

Risk Management Implications

16. There are no direct risk management implications resulting from this report.

Consultations

17. Unison are in the process of being consulted.

Conclusions/Summary

18. The view of Management Team is that, in the light of the changing employment and financial position of the Council, the authority should revert to the previous practice of calculating redundancies by reference to the Employment Rights Act 1996 model scheme, based on actual remuneration at the date of termination.
19. The Discretionary Compensation Regulations were adopted at a time when there was a significant possibility of reorganisation in local government. This situation does not apply at present and the Council could return to providing compensation for redundancy under the statutory scheme only.

Recommendations

20. Cabinet is recommended to approve the Council returning to providing compensation for redundancy under the statutory scheme only, but by reference to actual remuneration at the date of termination.

Background Papers: the following background papers were used in the preparation of this report:

The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000, Statutory Instrument 2000 No. 1410 (the "Discretionary Compensation Regulations") (N.B. These update and supersede various previous regulations, including the Local Government (Compensation for Redundancy) Regulations 1994, Statutory Instrument 1994 No. 3025.)

The Employment Rights Act 1996.

Contact Officer: John Garnham – Finance Project Officer
Telephone: (01954) 713101

APPENDIX A

COMPENSATION UNDER THE ERA 1996

		Completed Years of Service																			
		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
Age	18																				
	19																				
	20		1	1	1	1															
	21		1	1.5	1.5	1.5	1.5														
	22		1	1.5	2	2	2	2													
	23		1.5	2	2.5	3	3	3	3												
	24		2	2.5	3	3.5	4	4	4	4											
	25		2	3	3.5	4	4.5	5	5	5	5										
	26		2	3	4	4.5	5	5.5	6	6	6	6									
	27		2	3	4	5	5.5	6	6.5	7	7	7	7								
	28		2	3	4	5	6	6.5	7	7.5	8	8	8	8							
	29		2	3	4	5	6	7	7.5	8	8.5	9	9	9	9						
	30		2	3	4	5	6	7	8	8.5	9	9.5	10	10	10	10					
	31		2	3	4	5	6	7	8	9	9.5	10	10.5	11	11	11	11				
	32		2	3	4	5	6	7	8	9	10	10.5	11	11.5	12	12	12	12			
	33		2	3	4	5	6	7	8	9	10	11	11.5	12	12.5	13	13	13	13		
	34		2	3	4	5	6	7	8	9	10	11	12	12.5	13	13.5	14	14	14	14	
	35		2	3	4	5	6	7	8	9	10	11	12	13	13.5	14	14.5	15	15	15	15
	36		2	3	4	5	6	7	8	9	10	11	12	13	14	14.5	15	15.5	16	16	16
	37		2	3	4	5	6	7	8	9	10	11	12	13	14	15	15.5	16	16.5	17	17
	38		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	16.5	17	17.5	18
39		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	17.5	18	18.5	
40		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	18.5	19	
41		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	19.5	
42		2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	

43	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
44	3	4.5	5.5	6.5	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5
45	3	4.5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
46	3	4.5	6	7.5	8.5	9.5	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5	22.5
47	3	4.5	6	7.5	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
48	3	4.5	6	7.5	9	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5	22.5	23.5
49	3	4.5	6	7.5	9	10.5	12	13	14	15	16	17	18	19	20	21	22	23	24
50	3	4.5	6	7.5	9	10.5	12	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5	22.5	23.5	24.5
51	3	4.5	6	7.5	9	10.5	12	13.5	15	16	17	18	19	20	21	22	23	24	25
52	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	17.5	18.5	19.5	20.5	21.5	22.5	23.5	24.5	25.5
53	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19	20	21	22	23	24	25	26
54	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	20.5	21.5	22.5	23.5	24.5	25.5	26.5
55	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	21	22	23	24	25	26	27
56	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	21	22.5	23.5	24.5	25.5	26.5	27.5
57	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	21	22.5	24	25	26	27	28
58	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	21	22.5	24	25.5	26.5	27.5	28.5
59	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	21	22.5	24	25.5	27	28	29
60	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	21	22.5	24	25.5	27	28.5	29.5
61	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	21	22.5	24	25.5	27	28.5	30
62	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	21	22.5	24	25.5	27	28.5	30
63	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	21	22.5	24	25.5	27	28.5	30
64*	3	4.5	6	7.5	9	10.5	12	13.5	15	16.5	18	19.5	21	22.5	24	25.5	27	28.5	30

Expressed in numbers of weeks pay. Maximum 20 years applies.

* The redundancy payment is reduced by 1/12th for each complete month the employee has remained in employment beyond age 64.

APPENDIX B

COMPENSATION UNDER THE DISCRETIONARY PAYMENTS REGULATIONS

Completed Years of Service

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28
---	---	---	---	---	---	---	---	---	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----	----

Age	Completed Years of Service																											
18																												
19	0.5	0.5																										
20	1	1	1																									
21	1.5	2	2	2																								
22	2	2.5	3	3	3																							
23	4	6	8	10	10	10																						
24	4	6	8	10	12	12	12																					
25	4	6	8	10	12	14	14	14																				
26	4	6	8	10	12	14	16	16	16																			
27	4	6	8	10	12	14	16	18	18	18																		
28	4	6	8	10	12	14	16	18	20	20	20																	
29	4	6	8	10	12	14	16	18	20	22	22	22																
30	4	6	8	10	12	14	16	18	20	22	24	24	24															
31	4	6	8	10	12	14	16	18	20	22	24	26	26	26														
32	4	6	8	10	12	14	16	18	20	22	24	26	28	28	28													
33	4	6	8	10	12	14	16	18	20	22	24	26	28	30	30	30												
34	4	6	8	10	12	14	16	18	20	22	24	26	28	30	32	32	32											
35	4	6	8	10	12	14	16	18	20	22	24	26	28	30	32	34	34	34										
36	4	6	8	10	12	14	16	18	20	22	24	26	28	30	32	34	36	36	36									
37	4	6	8	10	12	14	16	18	20	22	24	26	28	30	32	34	36	38	38	38								
38	4	6	8	10	12	14	16	18	20	22	24	26	28	30	32	34	36	38	40	40	40							
39	4	6	8	10	12	14	16	18	20	22	24	26	28	30	32	34	36	38	40	42	42	42						
40	4	6	8	10	12	14	16	18	20	22	24	26	28	30	32	34	36	38	40	42	44	44	44					
41	4	6	8	10	12	14	16	18	20	22	24	26	28	30	32	34	36	38	40	42	44	46	46	46				
42	7	9	11	13	15	17	19	21	23	25	27	29	31	33	35	37	39	41	43	45	47	49	51	51	51			

43		10	12	14	16	18	20	22	24	26	28	30	32	34	36	38	40	42	44	46	48	50	52	54	56	56	56				
44		10	15	17	19	21	23	25	27	29	31	33	35	37	39	41	43	45	47	49	51	53	55	57	59	61	61	61			
45		10	15	20	22	24	26	28	30	32	34	36	38	40	42	44	46	48	50	52	54	56	58	60	62	64	66				
46		10	15	20	25	27	29	31	33	35	37	39	41	43	45	47	49	51	53	55	57	59	61	63	65	66					
47		10	15	20	25	30	32	34	36	38	40	42	44	46	48	50	52	54	56	58	60	62	64	66							
48		10	15	20	25	30	35	37	39	41	43	45	47	49	51	53	55	57	59	61	63	65	66								
49		10	15	20	25	30	35	40	42	44	46	48	50	52	54	56	58	60	62	64	66										
50	5	10	15	20	25	30	35	40	45	47	49	51	53	55	57	59	61	63	65	66											
51	5	10	15	20	25	30	35	40	45	50	52	54	56	58	60	62	64	66													
52	5	10	15	20	25	30	35	40	45	50	55	57	59	61	63	65	66														
53	5	10	15	20	25	30	35	40	45	50	55	60	62	64	66																
54	5	10	15	20	25	30	35	40	45	50	55	60	65	66																	
55	5	10	15	20	25	30	35	40	45	50	55	60	65	66																	
56	5	10	15	20	25	30	35	40	45	50	55	60	65	66																	
57	5	10	15	20	25	30	35	40	45	50	55	60	65	66																	
58	5	10	15	20	25	30	35	40	45	50	55	60	65	66																	
59	5	10	15	20	25	30	35	40	45	50	55	60	65	66																	
60	5	10	15	20	25	30	35	40	45	50	55	60	65	66																	
61	5	10	15	20	25	30	35	40	45	50	55	60	65	66																	
62	5	10	15	20	25	30	35	40	45	50	55	60	65	66																	
63	5	10	15	20	25	30	35	40	45	50	55	60	65	66																	
64*	5	10	15	20	25	30	35	40	45	50	55	60	65	66																	

Expressed in numbers of weeks pay. Maximum 66 weeks' pay applies.

* NB Maximum payable must not exceed one week's pay for each complete week between the date of termination and the employee's 65th birthday.

43	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	48	50	52	54	56	56	56	
44	7	10.5	11.5	12.5	13.5	14.5	15.5	16.5	17.5	18.5	19.5	20.5	21.5	22.5	23.5	24.5	25.5	26.5	27.5	51	53	55	57	59	61	61	61
45	7	10.5	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	54	56	58	60	62	64	66	
46	7	10.5	14	17.5	18.5	19.5	20.5	21.5	22.5	23.5	24.5	25.5	26.5	27.5	28.5	29.5	30.5	31.5	32.5	57	59	61	63	65	66		
47	7	10.5	14	17.5	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	60	62	64	66				
48	7	10.5	14	17.5	21	24.5	25.5	26.5	27.5	28.5	29.5	30.5	31.5	32.5	33.5	34.5	35.5	36.5	37.5	63	65	66					
49	7	10.5	14	17.5	21	24.5	28	29	30	31	32	33	34	35	36	37	38	39	40	66							

Expressed in numbers of weeks pay difference between the two schemes.