

Policy Group – Leaving Employment

Redundancy and Severance Pay

Redundancy and Severance Pay Policy and Procedures

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Policy

The District Council recognises that it may need on occasions to make changes to the way in which it carries out its work and / or to the numbers of staff that it needs to employ to meet its organisational objectives. The reason for the change might be:

- the cessation of a part or the whole of the service;
- a review or restructuring of a team / unit / service;
- a reduction of jobs because of best practice reviews.

When this occurs it may be necessary to make compensation payments to employees in cases of redundancy and early retirements on the grounds of efficiency of service. Consideration will first be given to safeguarding employment and identifying possible alternatives to redundancy including reducing numbers through natural wastage or re-deploying staff to vacancies elsewhere if possible and to provide suitable retraining. However, circumstances may not allow such alternatives or some employees may not wish, or are unable, to be redeployed and the only alternative may be redundancy. Should this circumstance arise the Council will apply a fair procedure that is above the statutory minimum. Where practical requests for voluntary redundancy will be sought before compulsory redundancies are considered.

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Procedures

Purpose

- 1.1 The purpose of this document is to set out the principles, policies and procedures which will be adopted by South Somerset District Council in the following instances:-
- (a) leaving by voluntary agreement in the interests and efficiency of the service;
 - (b) voluntary redundancy;
 - (c) compulsory redundancy;
 - (d) ill- health retirement.
 - (e) early retirement
- 1.2 The provisions contained in this document set out what the District Council will do as good personnel management practice and are beyond the minimum requirements of the law. They will apply to all redundancies, voluntary retirements in the interests of the efficiency of the service and ill health retirements that take effect after 1st January 2011.
- 1.3 It is accepted that individual employees have the right to be represented by their trade union representative or work colleague of their choice at any time.
- 1.4 Should the Council need to make organisational changes that impact on staff numbers, consideration will first be given to safeguarding employment by use of natural wastage or redeploying staff to vacancies elsewhere if possible, and providing suitable retraining. Please refer to the Organisational Restructuring and Redeployment Policy for advice on this aspect.
- 1.5 All early retirements and redundancies are subject to approval as follows:
- Decisions on redundancies and early retirements for senior managers to be taken by the Chief Executive following consultation with the Leader of the Council.
 - All other redundancies and early retirements (other than on ill health grounds) to be jointly agreed by the Director and the HR Manager. All details of early retirements to be circulated to all members for information.

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2 Leaving by Voluntary Agreement in the Interests of the Efficiency of the Service

2.1 This provision facilitates reorganisation in staffing structures in the interests of the efficiency of the service and of the individual employee(s) concerned. It is applied entirely at the discretion of the Council and there is no right of appeal against the Council's decision.

The expression 'leaving by voluntary agreement in the interests of the efficiency of the service' is difficult to define but the application of this scheme can be justified because:-

- (a) it facilitates/encourages internal restructuring of a unit or department;
- (b) it allows for the retirement of an employee who is unable to match up to the changed requirements of his/her job;

2.2 The scheme is voluntary and is not meant to cover cases where action should be taken to dismiss an employee on grounds of discipline, ill health, lack of qualifications or capability. Application of the scheme does not imply that an employee is or has become inefficient. There will, however, be occasions when a Director may consider restructuring a unit of a department and may enquire whether any employee in the employment area concerned would wish to consider voluntary early retirement in order that all proposals can be implemented. In all instances, employees should first ensure they are eligible to receive compensation payments, by requesting a meeting with the HR Manager.

2.3 Where early retirements in the interest of efficiency of the service are management instigated, the Council will pay a lump sum compensation payment equal to the number of weeks an employee would be entitled to under the statutory redundancy formula but using their weekly salary / wage for the calculation. This payment will be subject to normal pay deductions.

3. Redundancy

3.1 An employee will be entitled to a redundancy payment if he/she has at least two years service and the circumstances meet the statutory definition of redundancy, i.e. a dismissal resulting from the cessation or diminution of the employer's requirement for employees to do work of a particular kind.

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3.2 A condition of this provision is that the redundancy or compensation payment should normally be recovered through savings made possible by the deletion of the post within a reasonable period of time.

4. Voluntary Redundancy

4.1 On occasions voluntary redundancies may be necessary to achieve a required reduction in the number of employees in any particular category of employment beyond that which can be obtained by natural wastage or normal retirement. The scheme is operated entirely at the discretion of the Council. When a request for voluntary redundancy is rejected, there will be no right of appeal against the Council's decision. Consultation will commence with the appropriate trade union(s) before the issue of a notice asking for volunteers for redundancy. The arrangements detailed in Disclosure of Information, Time Off to Look for Work and Redeployment will apply

4.2 The Council will define the categories of employees from whom it is prepared to accept volunteers. The closing date will normally be 14 days from the issue of a notice asking for volunteers for redundancy. Redundancy will be based on the work group and in the first instance volunteers will be sought in that group. Subsequently, employees from other groups may volunteer.

4.3 When there is a need to select employees from a group of volunteers, the procedure and priorities for determining selection will be decided, according to the circumstances relevant to that particular category of employment by the Director concerned and the HR Manager in consultation with appropriate trade unions. The Council reserves the right to turn down volunteers in order to maintain a viable workforce and maintain efficiency. The selection criteria may include such factors as length of service with long-serving employees having priority.

4.4 If the refusal of a volunteer would create a compulsory redundancy the Director will demonstrate to the Chief Executive that it is essential for the volunteer to be retained. Should there be no suitable volunteer for redundancy then the compulsory redundancy procedure will be implemented starting at the consultation stage.

4.5 An employee who volunteers for redundancy will be entitled to receive redundancy compensation. An employee will be informed at a very early stage of the compensation payment that he/she is likely to receive. See 5.8 Redundancy payments below.

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5. Compulsory Redundancy

5.1 There will be occasions when a necessity to reduce staffing levels may arise and in these instances, the Council may be obliged to initiate compulsory redundancy procedures but will treat employees as fairly as possible. The following set out the procedural arrangements which will apply:-

5.2 Consultation

Consultation with the appropriate recognised trade union(s) must take place at the earliest practical opportunity before any redundancy is to take effect.

This must take place even when those being made redundant are volunteers and regardless of whether they are members of the union.

5.3 Disclosure of Information

The Council will disclose to the appropriate recognised trade union the following information in writing as follows:-

- (a) reasons for redundancy;
- (b) numbers and categories of employees who are expected to be affected;
- (c) total numbers in each category of employees employed at the establishment concerned;
- (d) proposed method of selection for redundancy;
- (e) proposed method of dismissal, including the period over which the redundancies are to take effect.

5.4 Individual Notice Periods

The periods set for consultation with trade unions in a compulsory redundancy situation may run concurrently with the individual periods of notice of the employee(s) concerned. Consultation must begin before individual notices are issued. In most instances, the redundancy notice period for individuals would be their contractual notice. This means that an employee could receive as little as one week's notice or as much as 12 weeks notice. **However, in compulsory redundancy circumstances all District Council employees will receive a minimum period of notice of one calendar month.**

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5.5 Time Off to Look for Work

All employees under notice of redundancy will be entitled to reasonable time off with pay during working hours to look for new employment or make arrangements for training for future employment.

5.6 Redeployment

The provisions of the Organisational Restructuring and Redeployment Policy apply. Certain provisions are repeated and clarified in this section. The Council will strive to offer alternative employment which provides 'substantially equivalent' terms and conditions of employment. Redeployment may be to a Council establishment that is other than the one where the employee currently works. If an employee refuses the offer of alternative work without good reason, the right to redundancy payments may be lost.

All employees who accept an offer of alternative work are allowed a trial period to see if it is suitable. He or she has the right to a trial period of 4 weeks although this may be extended by agreement.

An employee who is unable to carry out the new duties or who proves to be unsuitable for training will qualify for a redundancy payment up until the end of the trial period.

5.7 Selection Criteria

If there are insufficient suitable volunteers, the selection for compulsory redundancy will be by 'fair selection'. The Council reserves the right to qualify this principle in order to maintain a viable workforce. The following criteria will be used in the redundancy selection process:-

- performance;
- knowledge;
- abilities and training;
- attendance;

The recognised trade union will be consulted at the outset. If the trade union believes the selection criteria to be unfair in the circumstances, the trade union will have the right to appeal to the Appeals Panel whose decision is final.

Due consideration and allowance will be given to employees covered by the Disability Discrimination Act should their disability have impacted on specific selection criteria.

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5.8 Redundancy Payments

- (a) The Council's scheme will provide a redundancy payment to an employee with more than 2 years service leaving on redundancy that is derived from the application of the statutory redundancy formula. The Council will calculate redundancy payments based on the greater of an employee's full weekly pay or the statutory maximum weekly pay figure for redundancy (pro-rata for part time employees) and include all previous continuous local government service in calculating redundancy payments, up to a maximum of 20 years.
- (b) The Council exercises its discretion under the Local Government (Early Termination (Discretionary Compensation) Regulations 2006 to make compensatory redundancy payments to employees being made redundant using a multiplier of 2.5 times the number of weeks an employee would be entitled to under the statutory redundancy formula in cases of compulsory and voluntary redundancy.
- (c) Subject to the approval of the Management Board, employees who are eligible for a redundancy payment and who are members of the Local Government Pension Scheme, will be given the option of converting their redundancy payment (excluding the equivalent amount in monetary terms to that which would have been received as a statutory redundancy payment) into augmented pensionable service. *It is not an option to purchase more pensionable service than the maximum allowable at age 65.*

6. Requirement to Work Notice Period

- 6.1 The employee will not be required to work during the period of notice unless the Director decides otherwise in the interests of the efficiency of the work of the Council. This will apply in all severance cases. Pay in lieu of notice will be calculated on gross pay including regular enhancements that would normally apply and be subject to normal deductions. Employees who voluntarily retire in the interests of the efficiency of the service may not be required to work their notice period but will receive pay in the usual way, i.e. inclusive of enhancements but less normal deductions (income tax, national insurance and superannuation and any other legitimate deduction).

7. III Health Retirements

- 7.1 Early retirement on the grounds of permanent ill health can be approved in circumstances where the Council's Occupational Health Physician has issued a certificate stating that the employee is

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permanently incapable of undertaking their work until normal retirement age.

7.2 The HR Manager has delegated authority to take this course of action on behalf of the authority and in doing so would have regard to:-

- (a) The length of sickness absence of the employee.
- (b) The age of the employee and the nature of the duties undertaken.
- (c) The scope for redeployment.
- (d) The nature of the sickness absence.

7.3 The Occupational Health Physician will ensure that a specialist Occupational Health Physician examines the employee and a report provided. The Council would not wish to receive a report that relied solely on the opinion of the employee's GP.

7.4 During the period of sickness absence, the employee will be visited by the HR Manager or his representative and, in most instances, it is anticipated that the decision to retire an employee on ill health grounds will be taken with the employee's agreement.

7.5 The Council has no discretion on the enhancement of superannuation benefits in circumstances of ill health retirement.

8.0 Early Retirement

8.1 Employees may elect by choice to retire early from employment under the rules of the LGPS. No compensation payment will be made in these circumstances.

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Appendix A

Summary of Severance Payments

	Redundancy Payment	Compensation Payment	Pay in lieu of notice / Work notice
Compulsory Redundancy	2.50 x statutory redundancy calculation*	N/a	Yes
Voluntary Redundancy	2.50 x statutory redundancy calculation*	N/a	Yes
Voluntary Retirement 'Efficiency of service'	N/a	1 x statutory redundancy calculation*	No
Early Retirement	N/a	None	No

* Calculation to use actual weekly pay

NB

Redundancy payments up to £30000 can normally be paid tax free.
Compensation payments are subject to tax.