

**MEETING TITLE AND DATE:**

Remuneration Sub Committee  
- 15 February 2012

**REPORT OF:**

Assistant Director Human Resources

Contact officer and telephone number:

Tony Gilling – Ext. 3385

<b>Agenda - Part:</b> 1	<b>Item:</b> 4
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<p><b>Subject:</b> The Introduction of a Severance Policy</p>
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<p><b>Wards:</b> All</p>
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**1. EXECUTIVE SUMMARY**

This report proposes the introduction of a Severance Policy, another initiative which supports the drive to reduce the number of compulsory redundancies within the Council. The policy provides an opportunity for management to agree the release of staff where their post is not specifically redundant but the release will assist a restructure of the service and achieve a budget saving.

**2. RECOMMENDATION**

Remuneration Sub Committee is asked to comment on the attached policy, in advance of its referral to Cabinet for consideration and approval.

**3. BACKGROUND**

The Council faces significant budget pressures over the next three years. As the majority of the Council's budget is devoted to staff costs, it is inevitable that savings will have to be made by the deletion of posts. It is recognised that the redundancy process can be debilitating and corrosive for any organisation resulting in a loss of talent and undermining staff morale. In 2011 the Council introduced a more robust approach to redeployment and a flexible retirement policy. Both these measures have served to ensure that the number of staff made redundant as a result of cuts in Council funding are below 60 FTE. The Severance Policy (attached as Appendix 1) is another alternative measure which can be used to reduce the overall cost of the

workforce whilst at the same time minimising the number of compulsory redundancies. The policy is geared to situations where it is mutually beneficial for an employee to leave the service but there is still a requirement for the post they occupy. Their release would create an opportunity for a restructure which would reduce the overall number of posts within the service thereby achieving a budget reduction. The policy avoids the problems associated with the compulsory redundancy process as there is no compulsion for the employee to agree to leave. In addition, the policy can unblock job opportunities, thereby aiding succession planning.

The compensation terms attached to the scheme are less generous than those on redundancy. In particular the Severance Policy has a cap of £1,000 per week used for the calculations and a maximum of £20,000 payable. A decision to release a member of staff under the terms of the policy will not be supported unless there is a clear business case and it will be subject to the final approval by the Director of Finance, Resources & Customer Services. In addition, as the release may be defined as a dismissal in law it will be contingent on the employee signing a Compromise Agreement to protect the Council in any Employment Tribunal.

The trade unions have been consulted and are in favour of this initiative as it is seen as a means of minimising the number of compulsory redundancies within the Council.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

The Council already has in place a Flexible Retirement Policy and a robust Redeployment Policy with a view to avoiding compulsory redundancies. However, if the Council is to meet the objective of minimising the number of compulsory redundancies it is important that there are a range of initiatives it can implement.

#### **5. REASONS FOR RECOMMENDATIONS**

The Council has a legal obligation to endeavour to look at alternatives with a view to avoiding compulsory redundancies. The Severance Policy provides another alternative which is cost effective.

#### **6. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS**

##### **6.1 Financial Implications**

It is anticipated the cost of severance pay will be met from the individual service and not from a general reserve.

Hence the Service Department will have to ensure they have sufficient budget to cover the severance cost.

## **6.2 Legal Implications**

There is no legal requirement to introduce a severance policy. However, the policy needs to ensure that it is consistent with the provisions of the Equality Act 2010 (the Act) and the Equality Act 2010 Code of Practice. The Act requires the Council not to discriminate in setting terms of employment relating to pay; pay includes severance payments.

The severance agreement will terminate by mutual agreement the employment contract between the Council and the employee, which means that there is no actual dismissal. However, as there is a risk that the employee may argue that the termination amounts to a dismissal as defined by s.95 of Employment Rights Act 1996, the policy makes provision for a compromise agreement.

## **6.3 Property Implications**

Not applicable

## **7. KEY RISKS**

If the Council does not have alternative strategies in place there is a risk that the numbers of compulsory redundancies will increase. This could lead to an increase in the number of employment tribunal claims.

## **8. IMPACT ON COUNCIL PRIORITIES**

### **8.1 Fairness for All**

The policy provides an opportunity for managers to restructure their services by mutual agreement and provides opportunities for succession planning.

### **8.2 Growth and Sustainability**

The Severance Policy provides opportunities for succession planning which aids the development of a sustainable workforce.

### **8.3 Strong Communities**

The Severance Policy can strengthen the Council's leadership capacity by aiding more effective succession planning.

## **9. PERFORMANCE MANAGEMENT IMPLICATIONS**

Approving this recommendation may improve succession management by unlocking job opportunities which may not have become available.

### **Background Papers**

None