

report

meeting	NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY HUMAN RESOURCES COMMITTEE	
date	5 October 2007	agenda item number

REPORT OF THE CHIEF FIRE OFFICER

DISCRETIONARY COMPENSATION PAYMENTS POLICY

1. PURPOSE OF REPORT

To report on the policy of the Fire and Rescue Authority in respect of severance payments in the event of termination of employment on the grounds of redundancy, efficiency or early retirement, as required by Regulation 7(1) in relation to Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) payments 2006.

2. BACKGROUND

- 2.1 The above regulations were amended from 30 October 2006. This placed a requirement on all public bodies aligned to the Local Government Pension Scheme to formulate, publish and keep under review the policy that they apply in the exercise of their discretionary powers under regulations 5 and 6. Such a policy to ensure that there is "local and accountable value for money and transparency principles are clearly demonstrated to taxpayers and auditors" (Communities and Local Government (CLG) guidance note). Also, that any policies took into account the provisions of the Employment Equality (Age) Discrimination Regulations 2006.
- 2.2 Regulation 5 relates to the power of the Authority to increase statutory redundancy payments in the event of the termination of employment due to redundancy (compulsory or voluntary).
- 2.3 Regulation 6 relates to the power of the Authority to make a discretionary compensation payment to a person, under Regulation 4, whose employment is terminated:
- I. by reason of redundancy ;
 - II. in the interests of the efficiency exercise of the employing authority's functions, or ;
 - III. in the case of a joint appointment.

- 2.4 The original Discretionary Compensation Scheme adopted by the Authority was that applied by the Nottinghamshire County Council. It was therefore determined by the Human Resources, at its meeting on 5 January 2007, that any agreement made by the Nottinghamshire County Council would be considered for adoption by the Authority, with consideration also being given to alternative schemes.
- 2.5 This matter was first considered by the Human Resources Committee on 5 January 2007 and referred on to the Policy and Strategy Committee on 30 March 2007.
- 2.6 A formal policy was adopted by the Authority on 7 September 2007, subject to consultation on any issues raised by the Fire Brigade's Union as part of the consultation process. This document is attached as Appendix A.
- 2.7 Under arrangements agreed by the Authority, the Human Resources Committee would have delegated power to consider and decide upon compensation payments under the Discretionary Compensation Policy, and report back to the Authority.

3. REPORT

- 3.1 The Policy adopted by the Authority is based upon the key principles that:
- Agreement to applications for voluntary redundancy would be considered individually in the context of business and service needs;
 - Any approach to the consideration of compensation benefits would be unfettered, for payment purposes, will be considered on its own merits, taking into account individual circumstances;
 - Redeployment would always be sought as an alternative to redundancy;
 - Any level of enhancement would subject to a normal "payback" period of 2.5 years.
- 3.2 Application of the Policy would result in the following compensation benefits in the case of redundancy, efficiency or early retirement:

3.4.1 Redundancy

The redundancy payment would be based upon the statutory formula and use gross pay rather the minimum statutory redundancy payment to calculate the redundancy payment.

Additionally, employees under 50 or over 50 not in a pension scheme will normally be awarded compensatory weeks pay in excess of redundancy entitlement on a % basis, up to the maximum available to the individual under Compensation Regulations (up to 104 weeks). However, unless exceptional personal circumstances apply, this would be capped at 66 weeks.

Employees over 50* will normally be considered for an award of added years (to their pensionable service) in accordance with the factor score matrix set out in the guidance document.

3.4.2 Efficiency Termination

Each case would be considered on its own merits in accordance with the factor score matrix set out in the guidance document

3.4.3 Early/Flexible Retirement

The Authority will consider applications for early retirement for employees aged 50-60 on a case by case basis. The Authority may agree to the early retirement either with actuarial reduction or, on exceptional compassionate grounds, without actuarial reduction. In the latter case, the Authority would incur the cost of pension strain in effecting an early retirement. In making its determination it is advised that the Authority would take account of extenuating personal circumstances such as severe ill health, immediate caring responsibilities, evidence of serious financial hardship.

4. RISK MANAGEMENT IMPLICATIONS

4.1 The Authority is required to formulate, publish and issue its policy on the application of the discretionary elements of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006. This Policy meets this statutory requirement. The Policy itself has been the subject of consultation with representative bodies and has undergone legal scrutiny.

4.2 The overview provided by the consideration of each individual case by a Compensation Board, and the final scrutiny by this Committee, provides a robust mechanism for ensuring compliance with the stated Policy and for an unfettered approach to the application of the Regulations.

5. FINANCIAL IMPLICATIONS

On the basis that under the previous Discretionary Compensation Scheme, the Authority had a stated policy of maximising compensation benefits, the proposed scheme will not, in the majority of cases, increase the cost of effecting redundancies or early terminations of service. It is likely that the cost will actually be less than that available under the previous scheme. The only variance to this will be where the Authority agrees to a compensation payment above the cap of 66 weeks pay in cases involving exceptional personal circumstances. In most cases of redundancy, the discretionary enhancement will be matched by savings achieved over a 2.5 year period. This means that there will be additional costs in the short term, however in the medium to long term there will be no overall financial implication apart from the potential for savings

6. PERSONNEL IMPLICATIONS

The Discretionary Compensation Scheme policy forms part of the terms and conditions of service for members of the Local Government Pension Scheme i.e. non-uniformed and control staff.

7. EQUALITY IMPACT ASSESSMENT

The policy has been designed to meet changes to the regulations arising from age discrimination legislation and reduce the likelihood of legal challenge. The discretionary element of the application of the policy ensures that individual circumstances are taken into account when considering applications equally and fairly from all employees irrespective of their race, gender, disability, religion or sexual orientation. It has been recognised and accepted that the policy does differentiate in terms of age, in that certain benefits are only available to those employees aged over 50, however this is justified by the application of Local Government Pension Scheme regulations relating to the early payment of pension benefits.

8. RECOMMENDATIONS

8.1 That the adoption of the Discretionary Compensation Scheme is noted by the Committee, subject to consultation on any issues raised by the Fire Brigade's Union as part of the consultation exercise. Any significant revisions to the Policy to be reported to this Committee at the end of the consultation period.

8.2 That the Committee determine the application of the Policy under delegated authority, on advisement from the recommendations of the Compensation Board, and report back their decisions to the Fire Authority.

9. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

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