

**HAMPSHIRE COUNTY COUNCIL****Decision Report**

<b>Committee/Panel:</b>	Employment in Hampshire County Council
<b>Date:</b>	11 November 2015
<b>Title:</b>	Update on proposed Government policy changes
<b>Decision Reference:</b>	6988
<b>Report From:</b>	Director of Corporate Resources

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**1. Executive Summary**

1.1 The purpose of this report is to outline proposed Government policy changes.

**2. Contextual information**

2.1 Two significant Government policy changes are currently being proposed.

**£95k cap**

2.2 The government has proposed a £95k cap on the total value of an exit payment made to an individual, based on concerns about proportionality and value for money to the taxpayer. All exit related payments would be aggregated, meaning that redundancy payments *and* any pension strain charge would both count towards the cap. The proposed cap would apply across the public sector, with a Waiver process to allow exceptions, which for local authorities would need Full Council approval. The BBC, the Armed Forces, publicly owned banks, and the National Museums are specifically excluded from these provisions.

2.3 A government consultation exercise was launched on 31 July 2015, with a very short timescale for responses. The County Council responded in full to the consultation, In particular we have argued that this proposal seems counter to the Government's policy of Localism which is designed to offer authorities more flexibility and autonomy to manage locally; including their workforce.

### **3. Scope of the redundancy cap**

- 3.1 A very wide definition of exit payments would count towards the cap, reducing any potential flexibility, and would include: compulsory exits; voluntary exits; compensation packages; special severance payments (i.e. settlement agreements) and indeed any extra payments made as part of the exit process. A small number of specific items are not included, such as compensation payments due to injury, and payments following unfair dismissal litigation.
- 3.2 The government plans to apply the cap to bodies classified within the central, local government and non-financial public corporation sectors as determined by the Office for National Statistics. This will mean that the County Council will be affected, together with Hampshire schools, including Academies.

### **4. Pensions**

- 4.1 The employer cost of allowing early access to pension benefits is specifically highlighted in the proposals, despite the fact that the local government pension scheme provides for an unreduced pension for employees over 55, if they leave on redundancy or business efficiency grounds. The government view this as a financial contribution to the employee's pension, and as such the strain charge for this access will count towards the cap.
- 4.2 The proposed inclusion of employer LGPS pension strain charges may hamper our ability to develop and progress internal talent, by preventing the sensible planning of exits for older and more senior employees. The inability to exit employees who would otherwise be able to access their pension may make it more complex for us to continue to transform services, reshape operating models and achieve savings targets through a reduction in workforce, because our workforce may choose to plan their retirement in a different way.

### **5. Waiver process**

- 5.1 Exceptions outside the cap could be approved by full Council, but exceptions would have to be disclosed in the Accounts. There will also be a new Transparency requirement to publish annually details of all exit payments. The proposed waiver process is likely to be difficult to work in practice, given the fact that full Council meets infrequently, and for specific purposes.

### **6. Timescale**

- 6.1 There is significant uncertainty over when these proposals would be introduced, particularly because a change to the LGPS regulations may also be required. The Government has now published its response to its consultation on public sector exit payments, see Annex A. An enabling provision restricting the total cost of exit payments to £95K has been included in the Enterprise Bill, with the detail to be set out in Regulations to be made in due course once the Enterprise Bill becomes law. We have strongly suggested in our consultation response that any new legislation in this area is not retrospective and so will not apply where exit arrangements have already been agreed, but the government have not

clarified this point as yet.

## **7. Redundancy cap operational impact**

- 7.1 We have attempted to quantify the potential impact of the proposed cap on our workforce, looking particularly at the cohort above 55 who would be affected by the inclusion of pension strain charges within the cap. Although we estimate that the numbers involved would be relatively small, at around 1% of that group, these would be spread across our grading profile, and would not exclusively impact on the higher earners. For example, we estimate that the cap would be breached by quite middle-ranking grades, including Social Workers, Engineers, Library Managers, Teachers and Team Leaders.
- 7.2 The potential risk is that the proposed arbitrary cap could impact on the Council's ability to incentivise staff to leave through Voluntary Redundancy and lead to more compulsory exits.
- 7.3 Further work is currently being undertaken in order to identify the terms and conditions of employees and the enhanced voluntary redundancy exit applicants agreed earlier in the year in order to model any potential impact of the £95k cap should legislation be forthcoming.

## **8. Trade Union Bill**

- 8.1 The Government has published its Trade Union Bill, which sets out various reforms to the law regulating trade unions, covering industrial action ballots and ballot participation thresholds, see Annex B (summary at page 3) The proposals also cover industrial action notices and the length of ballot mandates, picketing, and the contribution to political funds from union members. We have responded to the consultation document which seeks views about impact of industrial action in the relevant services including fire, education and transport.

## **9. Recommendations**

- 9.1 That the EHCC Committee note this update, and that:
- (a) Government proposals are to introduce a £95k cap on exit payments, but timescales are uncertain
  - (b) Government policy changes are also underway with regards the Trade Union Bill

**CORPORATE OR LEGAL INFORMATION:**

**Links to the Corporate Strategy**

This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because these proposals impact the County Council's workforce strategy, and efficiency programme.

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

**IMPACT ASSESSMENTS:**

**1. Equalities Impact Assessment:**

1.1 It is too early to determine whether there is any equalities impact, as the government have not published the full details of these proposed policy changes.

**2. Impact on Crime and Disorder:**

2.1 Not applicable.

**3. Climate Change:**

(a) How does what is being proposed impact on our carbon footprint / energy consumption?

Not applicable.

(b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Not applicable.