



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

M. Pearson
CLERK TO THE AUTHORITY

To: The Chair and Members of the Human
Resources Management & Development
Committee

(see below)

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HUMAN RESOURCES MANAGEMENT & DEVELOPMENT COMMITTEE **(Devon & Somerset Fire & Rescue Authority)**

Thursday, 10th March, 2016

A meeting of the Human Resources Management & Development Committee is to be held on the above date, **commencing at 10.00 am in Conference Room B, Somerset House, Service Headquarters, Exeter** to consider the following matters.

M. Pearson
Clerk to the Authority

A G E N D A

PLEASE REFER TO THE NOTES AT THE END OF THE AGENDA LISTING SHEETS

- 1 **Apologies**
- 2 **Minutes of the meeting held on 7 December 2015 attached (Pages 1 - 4)**
- 3 **Items Requiring Urgent Attention**
Items which, in the opinion of the Chair, should be considered at the meeting as matters of urgency.
- 4 **Interim Results of the Employee Survey 2015**
The Equalities Manager to give a presentation at the meeting in respect of the interim results from the Employee Survey 2015.

5 Absence Management (Pages 5 - 10)

Report of the Director of People and Commercial Services (HRMDC/16/1) attached.

6 Applications for Retirement/Re-employment (Pages 11 - 14)

Report of the Director of People and Commercial Services (HRMDC/16/2) attached.

7 Consultation on the Reform of Public Sector Exit Payments (Pages 15 - 42)

Report of the Director of People and Commercial Services (HRMDC/16/3) attached.

8 Exclusion of the Press and Public

RECOMMENDATION that in accordance with that, in accordance with Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in the following Paragraph(s) of Part 1 of Schedule 12A (as amended) to the Act:

- Paragraph 1 (information relating to an individual) (Agenda item);
- Paragraph 2 (information likely to reveal the identity of an individual);
- Paragraph 3 (information relating to the financial and business affairs of a particular person);
- Paragraph 4 (information relating to consultation or negotiations or contemplated consultation or negotiations in connection with a labour relations matter arising between the Authority or a Minister of the Crown and employees of or office holders under the Authority);
- Paragraph 5 (information in respect of which a claim to legal professional privilege could be maintained in legal proceedings);
- Paragraph 6 (information which reveals the Authority proposes (a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or (b) to make an order or direction under any enactment);
- Paragraph 7 (information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).

9 Pension Discretion (Pages 43 - 46)

Report of the Director of Corporate Services (HRMDC/16/4) attached.

10 Update on Trade Union Facilities (Pages 47 - 48)

Report of the Director of People and Commercial Services (HRMDC/16/5) attached.

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors A Bown (Chair), P Burridge-Clayton, C Chugg (Vice-Chair), A Horsfall, J Knight, D Thomas and G Wheeler

NOTES

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| 1. | <p><u>Access to Information</u></p> <p>Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact the person listed in the “Please ask for” section at the top of this agenda.</p> |
| 2. | <p><u>Reporting of Meetings</u></p> <p>Any person attending a meeting may report (film, photograph or make an audio recording) on any part of the meeting which is open to the public – unless there is good reason not to do so, as directed by the Chairman - and use any communication method, including the internet and social media (Facebook, Twitter etc.), to publish, post or otherwise share the report. The Authority accepts no liability for the content or accuracy of any such report, which should not be construed as representing the official, Authority record of the meeting. Similarly, any views expressed in such reports should not be interpreted as representing the views of the Authority.</p> <p>Flash photography is not permitted and any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chairman or the Democratic Services Officer in attendance so that all those present may be made aware that is happening.</p> |
| 3. | <p><u>Disclosable Pecuniary Interests (Authority Members only)</u></p> <p>If you have any disclosable pecuniary interests (as defined by Regulations) in any item(s) to be considered at this meeting then, unless you have previously obtained a dispensation from the Authority’s Monitoring Officer, you must:</p> <ul style="list-style-type: none">(a) disclose any such interest at the time of commencement of consideration of the item in which you have the interest or, if later, as soon as it becomes apparent to you that you have such an interest;(b) leave the meeting room during consideration of the item in which you have such an interest, taking no part in any discussion or decision thereon; and(c) not seek to influence improperly any decision on the matter in which you have such an interest. <p>If the interest is sensitive (as agreed with the Monitoring Officer), you need not disclose the nature of the interest but merely that you have a disclosable pecuniary interest of a sensitive nature. You must still follow (b) and (c) above.</p> |
| 4. | <p><u>Part 2 Reports</u></p> <p>Members are reminded that any Part 2 reports as circulated with the agenda for this meeting contain exempt information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Committee Secretary at the conclusion of the meeting for disposal.</p> |
| 5. | <p><u>Substitute Members (Committee Meetings only)</u></p> <p>Members are reminded that, in accordance with Standing Order 35, the Clerk (or his representative) must be advised of any substitution prior to the start of the meeting. Members are also reminded that substitutions are not permitted for full Authority meetings.</p> |

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HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT COMMITTEE

(Devon and Somerset Fire and Rescue Authority)

7 December 2015

Present:-

Councillors Bown (Chair), Burrridge-Clayton, Chugg, Dyke (vice Thomas), Radford (vice Horsfall), Redman (vice Knight) and Wheeler

***HRMDC/14. Minutes**

RESOLVED that the Minutes of the meeting held on 16 September 2015 be signed as a correct record.

***HRMDC/15. Equalities Strategy - 'Safer Lives, Brighter Futures' Monitoring Report June 2015 to November 2015**

The Committee received for information a report of the Director of Operations (HRMDC/15/9) that provided an update in respect of the work undertaken in accordance with the Equalities Strategy 'Safer Lives, Brighter Futures' during the period June to November 2015.

The report covered:

- The progress made to date in terms of performance against the Equalities Strategy;
- Proposals for a new Equalities Strategy for 2016 to 2020;
- An overview of the results of the employee survey undertaken in 2015;
- Work undertaken to promote dyslexia awareness;
- A review of the bullying and harassment policy which would include retitling this to 'Respect and Dignity in the Workplace';
- The recruitment of community advocates in the Plymouth area with appropriate language skills.

***HRMDC/16. Absence Management**

The Committee considered a report of the Director of People & Commercial Services (HRMDC/15/10) that set out the sickness absence levels for staff to date since combination in 2007, together with comparisons against the 2014/15 performance and benchmarking data for other fire and rescue services nationally.

It was noted that the current level of sickness absence was 5.57 days/shifts lost per person for the period April to October 2015 as opposed to 5.16 days/shifts lost in the same period in 2014/15. Since the previous meeting of the Committee in September 2015, long term sickness absence had increased, particularly within the support staff category with 10 employees absent in October 2015 although this number had reduced subsequently. In Fire Control, 2 employees were absent due to long term sickness although there had been none up to August 2015. For wholetime uniformed staff, there was an increase to 17 employees currently off sick when typically, there would be between 10 to 20 employees off at any one time.

The Human Resources Manager drew attention to the point that the Service had provided information for inclusion within a National Fire & Rescue Service Occupational Health Performance Report along with 26 other fire & rescue services. This report was published each quarter and for Quarter 2, the results showed that the main causes of sickness (nationally) for both wholetime and on call staff were musculoskeletal and mental health issues. The Committee noted that the report for Quarter 2 identified that the Service was in the higher quartile for sickness absence rates.

Attention was drawn to the work that was being undertaken by the Service to alleviate sickness absence within the organisation. Discussions were being held with the Service's Occupational Health providers to ascertain how they could assist the Service in encouraging a quicker return to work for staff who were long term sick. Other work being undertaken with staff who were long term sick included monthly reviews and more contact and discussion with employees, better access to restricted duties and the analysis of data to inform the development of programmes and actions to help prevent sickness.

Reference was made to the audit undertaken by the Devon Audit Partnership that had identified some control issues with the sickness recording systems. The Director of Corporate Services advised that the Service's new Information Technology Strategy was working towards changing the architecture of the existing systems to make the reporting of performance management information (including sickness absence) more dynamic and that it would take time and resources to achieve the desired outcomes. , It was emphasised, however, that the reduction of sickness absence was a priority for the Service and the Action Plan that had been instigated was working towards this aim.

RESOLVED that the Service continues with the Action Plan directed towards reducing down sickness absence.

***HRMDC/17. Retirement & Re-Employment**

The Committee considered a report of the Director of People & Commercial Services (HRMDC/15/11) that set out requests that had been received by uniformed members of staff for retirement and re-employment in accordance with the requirements of the Authority's Pay Policy statement.

It was noted that three requests for retirement and re-employment had been received since the previous meeting of the Committee in September 2015 but that the expressions of interest made by a Watch Manager and Station Manager in Western Command were not supported by senior management. The only request that was supported was that of a Firefighter in Western Command.

RESOLVED that the request for retirement & re-employment of the Firefighter identified in paragraph 2.4 of report HRMDC/15/11 be approved.

***HRMDC/18. Exclusion of the Press and Public**

RESOLVED that, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in:

- Paragraph 1 of Schedule 12A (as amended) to the Act, namely information relating to individuals;

- Paragraph 2 of Part 1 of Schedule 12A (as amended) to the Act, namely information likely to reveal the identity of individuals; and
- Paragraph 4 of Part 1 of Schedule 12A (as amended) to the Act, namely information relating to consultations or negotiations or contemplated consultations or negotiations in connection with a labour relations matter between the Authority and representative bodies currently recognised by the Authority.

***HRMDC/19. Working with Trade Unions**

(An item considered in accordance with Section 100A(4) of the Local Government Act 1972 during which the press and public were excluded from the meeting).

The Committee received an oral report given by the Director of People and Commercial Services that provided an update on the Trade Unions Facilities arrangements and the background to this. It was noted that the Service had been notified recently of an impending change to the existing arrangements for union officials for the Fire Brigades' Union. One of the officials of the Devon and Somerset branch of the Fire Brigades' Union had indicated a desire to step down from the local branch role.

A discussion ensued on this matter whereupon Councillor Chugg **MOVED**, seconded by Councillor Dyke:

“that the Director of People and Commercial Services enters into negotiations with the National Fire Brigades' Union as directed at the meeting”.

Upon a vote (6 for, 0 against, 1 abstention), the motion was **CARRIED**.

RESOLVED that the Director of People and Commercial Services enters into negotiations with the National Fire Brigades' Union (FBU) as directed at the meeting.

*** DENOTES DELEGATED MATTER WITH POWER TO ACT**

The meeting started at 10.00hours and finished at 11.32hours

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Agenda Item 5

REPORT REFERENCE NO.	HRMDC/16/1
MEETING	HUMAN RESOURCES MANAGEMENT & DEVELOPMENT COMMITTEE
DATE OF MEETING	10 MARCH 2016
SUBJECT OF REPORT	ABSENCE MANAGEMENT
LEAD OFFICER	Director of People & Commercial Services
RECOMMENDATIONS	<i>That the Service continues with the action plan directed towards reducing down sickness absence.</i>
EXECUTIVE SUMMARY	<p>Absence Management is a standing item on the Human Resources Management & Development Committee agenda.</p> <p>During 2014/15, the Service saw an increase in sickness absence levels which has continued into 2015/16. The Service is taking action to redress this and we are now seeing the early stages of an improvement in the sickness levels.</p>
RESOURCE IMPLICATIONS	Increased staffing time associated with the action plan at a time when the support staffing levels are reducing.
EQUALITY RISK & BENEFITS ASSESSMENT	The current Absence Management policy has had an equality impact assessment and a further ERBA will be required for a new Sickness Absence Management policy that is in development.
APPENDICES	None
LIST OF BACKGROUND PAPERS	

1. INTRODUCTION

1.1 Within Devon & Somerset Fire & Rescue Service, the health, safety and wellbeing of our employees is taken seriously and as such, we provide a wide range of initiatives, interventions and policies to ensure that our employees enjoy a safe and supportive working environment. However, the Service recognises that employee absence has a significant cost to the organisation and is therefore something that we need to measure, understand and be able to address. We need to strike a reasonable balance between the genuine needs of employees to take occasional periods of time off work because of ill-health our ability to continue to fulfil our role in serving our communities.

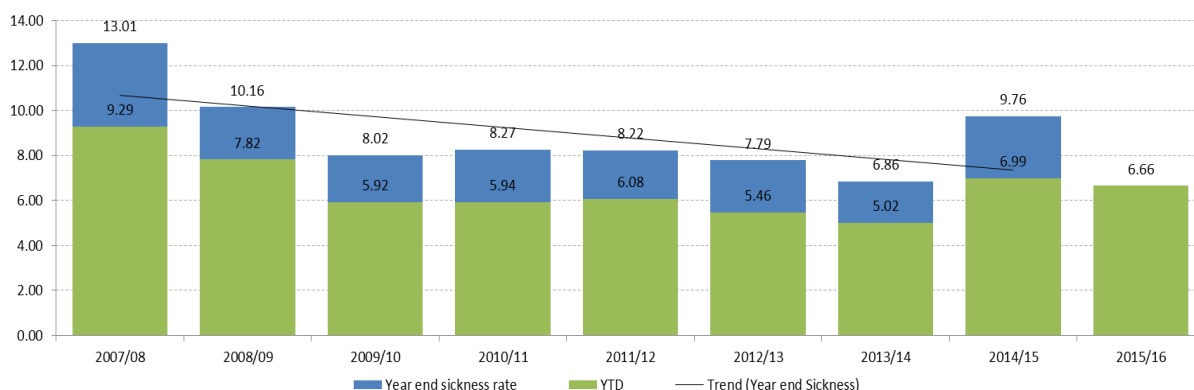
1.2 The Service performance for Absence Management has been included as a standing item on the Authority's Human Resources Management and Development (HRMD) Committee agenda since the formation of Devon & Somerset Fire & Rescue Service and has also features within the Audit & Performance Review Committee (APRC) performance report. During 2014/15, the Service saw an increase in sickness absence levels which has continued into 2015/16. The Service is taking action to redress this and we are now seeing the early stages of an improvement in the sickness levels.

1.3 The key areas of focus within our action plan are as follows and further information on our progress is included within this report:

- The provision of more timely and accurate information to managers;
- Leadership – making the link between sickness and performance, with managers taking a more active role in the management of individual sickness and in managing workloads and priorities;
- An appropriate blend of robust decisions, taken at an earlier stage, in relation to long-term sickness and appropriate preventative measures to prevent sickness; and
- The development and promotion of a health, fitness and wellbeing culture.

1.4 Since the formation of Devon & Somerset Fire & Rescue Service, the absence levels are shown below. Whilst the overall trend is downward, the absence levels for 2014/15 show an upturn. For 2015/16 the sickness levels at the year-to-date are just below those for the same period last year.

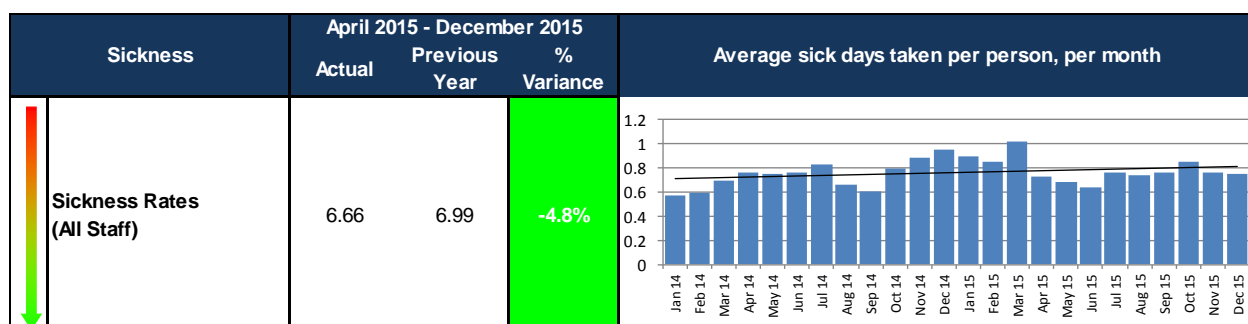
Sickness Levels at YTD and full year since the formation of DSFRS



2. 2015/16 ABSENCE PERFORMANCE

- 2.1 The graph below shows the monthly sickness rates for the last 2 years. On average, DSFRS employees have taken 6.66 days of sick leave from April to October for the 2015/16 financial year. This is a decrease of 4.8% from the same period last year. The Q2 result was 7.9% worse than the previous year so it is encouraging to see this worsening position reversed for Q3 and that we are now 4.8% better than last year.

Sickness Direction of Travel

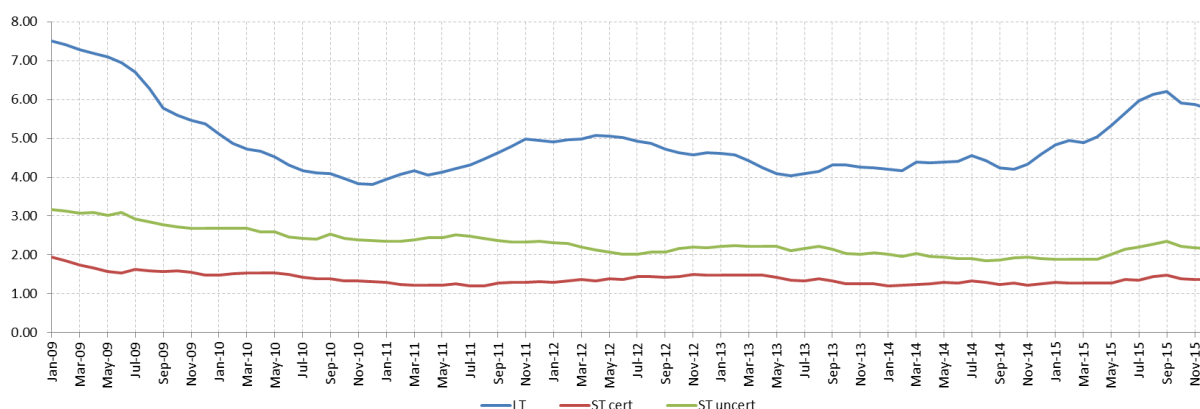


- 2.2 With monthly peaks and troughs in sickness it is difficult to see the on-going longer term change in the rates over this time. The graph below shows the 12-month rolling sickness rate as measured at the end of each month. As this is a rolling rate it removes any monthly peaks and troughs and enables us to see performance trends more clearly. There are 3 categories of sickness shown in the graph:

- **Short-term uncertified sickness** – periods of sickness up to 7 days
- **Short-term certified sickness** – periods of sickness between 8 and 28 days for which a GP certificate is required
- **Long-term sickness** – periods of over 28 days



At Quarter 2, the rolling rate for Long Term Sickness (LTS) had plateaued and at Quarter 3 we can now see that (LTS) is reducing. At Quarter 2, we had seen an upturn in Short Term Sickness but this has also started to fall.



Average sick days taken per person, per year on a rolling 12 month basis



- 2.3 We can then consider the breakdown of sickness rates between the different contract types as well as the length of sickness. There are 4 contract types that we consider:
- Wholetime Station based staff;
 - Wholetime non-Station based staff;
 - Control Staff; and,
 - Support Staff.
- 2.4 Control has seen a tremendous improvement in their absence rates primarily through the reduction of LTS but they remain higher than other staff categories.
- 2.5 Within Wholetime, Long term sickness has improved since last year and although still amber, uncertified short-term sickness has dropped from 29.7% worse than the previous year to 9.9% worse.
- 2.6 Support staff have seen an overall worsening of sickness by 12.8% but short-term sickness has improved.
- 2.7 Wholetime Non-station based staff are still worse than this time last year but this has dropped from 46.4% worse at the end of Q2 to 15.7% worse at the end of Q3.

Sickness Rates by Post Type

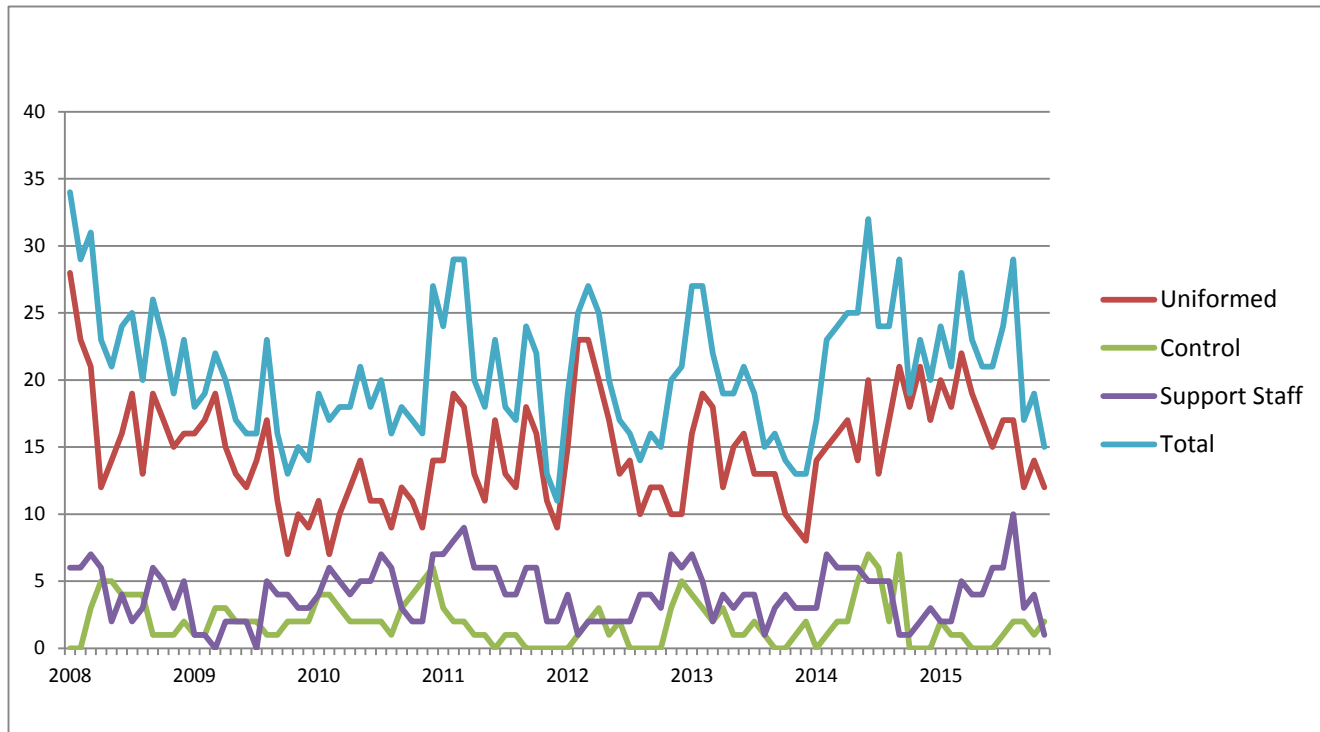
Sickness Rates by post type April 2015 - December 2015		Wholetime Station based staff			Wholetime Non Station staff (inc SHQ, STC, group support teams etc)		
		Actual	Previous Year	% Variance	Actual	Previous Year	% Variance
	Overall Sickness Rate	5.81	6.78	-14.3%	7.93	6.85	15.7%
	Total # Days/shifts lost	2313	2719	-14.9%	1545	1335	15.7%
	Sickness Rates - Long Term (over 28 calendar days)	3.43	4.42	-22.5%	6.08	5.03	20.8%
	# Days/shifts lost LT	1366	1773	-23.0%	1186	980	21.0%
	Sickness Rates - ST Cert (8 - 28 calendar days)	0.81	0.93	-12.4%	0.92	0.96	-4.5%
	# Days/shifts lost STcert	322	371	-13.2%	179	187	-4.3%
	Sickness Rates - ST Uncert (up to 7 calendar days)	1.57	1.43	9.9%	0.92	0.86	7.8%
	# Days/shifts lost STuncert	625	575	8.7%	180	168	7.1%

Sickness Rates by post type April 2015 - December 2015		Control			Support staff		
		Actual	Previous Year	% Variance	Actual	Previous Year	% Variance
	Overall Sickness Rate	8.42	16.21	-48.1%	6.73	5.96	12.8%
	Total # Days/shifts lost	342	672	-49.1%	1662	1442	15.3%
	Sickness Rates - Long Term (over 28 calendar days)	4.51	11.67	-61.3%	4.06	3.33	21.9%
	# Days/shifts lost LT	183	483	-62.1%	1002	803	24.8%
	Sickness Rates - ST Cert (8 - 28 calendar days)	0.81	1.57	-48.8%	1.14	0.76	50.8%
	# Days/shifts lost STcert	33	66	-50.0%	282	183	54.1%
	Sickness Rates - ST Uncert (up to 7 calendar days)	3.10	2.97	4.3%	1.53	1.88	-18.5%
	# Days/shifts lost STuncert	126	123	2.4%	378	456	-17.1%

- 2.8 In order to understand how a small number of staff on long term sickness can have a big impact on absence levels, we can consider the number of staff that are on long-term sickness and these are shown on the next page.
- 2.9 We reported at the last HRMD committee that Support Staff LTS had risen from the average of 4 to 10 in October 2015. This has reduced back down again and is currently at 1 which is a tremendous improvement. Overall, we only have 15 staff who are LTS and we have previously only achieved this or better on 11 months in the last 8 years.

- 2.10 The movement on the Long-Term Sickness can be as a result of a number of reasons including the person returning back to work with full fitness, returning on restricted duties, ill-health retirement or through leaving the Service on capability grounds.

Numbers of staff on Long Term Sickness



3. ACTION PLAN ACTIVITY

The specific highlights of our progress towards our Action Plan have been:

3.1 Management of long term sickness

- Removal of Sick Pay Review panels
- Provision of further information to managers to enable monthly reviews of employees with long-term sickness
- More contact and discussion with employees who are off work due to sickness
- Better access to restricted duties
- Exploring ways to speed up any medical delays by, where appropriate and with a business case, providing private medical assistance

3.2 Develop a fitness, health and wellbeing culture

- Promotion of the MIND Blue Light Campaign to help improve the resilience of staff, make staff more aware of the importance and value of mental health and to be more responsive when people experience mental health issues. This has been backed up with the signing of the Blue Light Time to Change pledge with an associated action plan.
- Training of managers in the Blue Light Line Manager courses which have been provided by MIND.

- Preparation of an Outline Business Case for Firefighter Fitness within the Service so that we create a fitness culture against a backdrop of an ageing workforce.
- Development of a proposed new Wholetime Flexible Working Pattern to ensure that we have the right number of staff that we need at any one time to crew our appliances whilst at the same time giving more flexible working arrangements which will help reduce short-term absenteeism.

3.3 The provision of information & data

- Improvements have been made to the Sickness Portal and where sickness reason codes were previously not recorded the Service has been seeking this information.
- Our Performance Management Information System is being reconfigured to enable departments to access performance data at various levels within the Service.

3.4 Sickness absence policy

- The Service policy is being rewritten to incorporate changes in the policy and to make it easier to obtain information on our procedures.
- Where staff have agreed an appointment with Occupational Health but fail to attend the Service has introduced a charging mechanism for staff.
- The existing OH contract is being novated from Devon County Council to IMASS and the transfer arrangements are being put in place including the transfer of medical records.
- As part of the transfer the Service is working closely with the new supplier to ensure that the required service levels are in place.

4. **CONCLUSION**

4.1 There has previously been a downward trend in sickness absence levels since the formation of Devon & Somerset Fire & Rescue Service with an exceptionally good year in 2013/14. In 2014/15, the Service experienced significantly higher absence levels which has prompted the development of an action plan to redress this position. It is noted that 2014/15 followed a year of considerable changes within the Service with significant reductions in staffing levels as a result of needing to meet Government grant reductions. There was also uncertainty around pensions and non-continuous periods of industrial action which may also have an impact on morale and this may be reflected in higher sickness levels.

4.2 In 2015/16, the Service has continued to have significant change with responsibility for the fire and rescue service moving from the Department of Communities and Local Government to the Home Office, a reviews of working arrangements and equipment and reductions in middle managers and support staff. However, the Service is starting to see the early signs of an improvement in sickness absence.

JANE SHERLOCK
Director of People & Commercial Services

REPORT REFERENCE NO.	HRMDC/16/2
MEETING	HUMAN RESOURCES MANAGEMENT & DEVELOPMENT COMMITTEE
DATE OF MEETING	10 MARCH 2016
SUBJECT OF REPORT	RETIREMENT & RE-EMPLOYMENT
LEAD OFFICER	Director of People & Commercial Services
RECOMMENDATIONS	<i>That the requests for retirement & re-employment as identified in paragraph 2.4 of this report be approved.</i>
EXECUTIVE SUMMARY	<p>At its meeting on 20 February 2015, the Authority approved – in accordance with the requirements of the Localism Act – its Pay Policy Statement to operate for the 2015-16 financial year (Minute DSFRA/48 refers).</p> <p>The Pay Policy Statement requires, amongst other things, for all requests for re-employment following retirement, for employees up to Executive Board posts, to be approved by this Committee.</p> <p>This report provides more information on the Authority's position in relation to retirement and re-employment and sets out specific requests for approval.</p>
RESOURCE IMPLICATIONS	Contained within the body of the report.
EQUALITY RISK & BENEFITS ASSESSMENT	The Retirement & Re-Employment Policy has had an equalities assessment.
APPENDICES	Nil.
LIST OF BACKGROUND PAPERS	Report DSFRA/14/6 - "Localism Act – Pay Policy Statement 2015-16" as considered by the meeting of the Authority held on 20 February 2015.

1. **INTRODUCTION**

- 1.1 At its meeting on 20 February 2015, the Authority approved – in accordance with the requirements of the Localism Act – its Pay Policy Statement (PPS) to operate for the 2015-16 financial year (Minute DSFRA/48 refers). This Pay Policy Statement includes the following stated position on the retirement and re-employment of employees:

“8.3 The Authority will, in principle, allow the re-employment of employees who have retired, subject to a break in service of at least one month, because it is recognised that this often represents an effective way of retaining specialist knowledge and skills without any increase in cost to the Authority (and noting that costs to the Pension Scheme are no more than would be the case for normal retirement). The re-employment of any employee who has retired will, however, be subject to:

- the approval of the Human Resources Management and Development Committee for all employees up to Executive Board posts; or*
- the approval of the full Authority for any Executive Board post-holder.*

8.4 Where retired uniformed staff are re-employed, then the Fire-Fighters’ Pension shall be abated such that the income from the gross annual rate of pay whilst re-employed together with the gross annual pension (after commutation) will not exceed the gross annual rate of pay immediately prior to retirement. For staff within the Local Government Pension Scheme, where an individual is re-employed on the same terms and conditions [salary] as previously, the same abatement rules as apply to those within the Fire Fighters Pension Scheme will be applied. However, the Authority’s policy on Pension Discretions refers to flexible retirement and states that this “may be subject to abatement during such time as the individual remains employed by the Service”. This allows the Authority to use flexible retirement opportunities where key employees may wish to continue working as they get older but step down in grade or reduce their working hours. This can be beneficial to the Authority in retaining key skills, knowledge and experience whilst also reducing costs. The authorisation of any such flexible retirement arrangements will be subject to the approval mechanism detailed above.

8.5 The appointment, or re-employment, of any members of the Executive Board (the Chief Fire Officer, Assistant Chief Fire Officer, Director of Corporate Services and Director of People and Commercial Services) will always be subject to approval of the full Authority and any re-employment following redundancy or retirement will be subject to consideration of a robust business case and fully scrutinised against the above criteria”.

- 1.2 This paper includes details of an application for retirement/re-employment in accordance with the approved policy.

2. **RETIREMENT AND RE-EMPLOYMENT**

- 2.1 The Service policy on Retirement & Re-employment is linked to workforce planning arrangements. Approval by the Authority of the 2013/14 – 2014/15 Corporate Plan at its meeting on 10 July 2013 (Minute DSFRA/20 refers) required a reduction of 149 wholetime posts. The Service has progressed well with reducing the staffing levels against this target to date.

- 2.2 The Authority has a balanced budget for the next financial year which supports the existing levels of staff. In light of this, it is considered appropriate for the Service to continue the reduction in staff numbers through natural turnover but at the same time using retirement and re-employment opportunities where appropriate.
- 2.3 The Firefighter Pension Scheme provides for employees to receive their maximum pension benefits after 30 years' service. As there is no longer a fixed age for retirement, however, it is difficult to predict precisely when individuals are likely to leave the Service. The use of retirement and re-employment opportunities encourages individuals to commit to an end retirement date, giving the Service more control over actual retirement and natural turnover. Through this process, employees have a 1 month break in service before returning on a fixed-term contract - either on a full-time basis or as a job share. In either case, the maximum contract term is normally 12 months. Where employees return on a job share basis, we see an immediate reduction in the workforce staffing levels.
- 2.4 The Service has received expressions of interest from the following uniformed employee:

Role	Position	Station /Dept	Interested in Job Share	Notes
Watch Manager	BA Trainer	Academy	No	
Watch Manager	Group Support Team	Western Command	No	Re-employment will be at CM
Watch Manager	Group Support Team	Western Command	Yes	
Watch Manager	Communities & Workplace Equalities	Protection, Prevention & Partnerships	No	Re-employment will be part-time

- 2.5 There are no additional financial costs for the organisation since this employee has reached the point at which they can retire and are therefore entitled to receive their pension lump sum on retirement. The pension payments would normally be abated if re-employed. In addition to giving certainty to a leaving date, the retirement and re-employments represent a saving to both the Service and employee as pension contributions are either:
- removed as the employee opts out of future pension contributions, or;
 - they are reduced since staff from Firefighter to Watch Manager would join the 2015 Firefighters' Pension Scheme for which the employer contributions are lower than the previous 1992 Firefighters' Pension Scheme.
- 2.6 For positions at Station Manager or above, the employee would be eligible to join the Local Government Pension Scheme. Once these employees leave the organisation, the Service will not recruit replacement personnel externally so these reductions will contribute to the required reductions in staffing numbers.

3. **RECOMMENDATIONS**

- 3.1 That the requests for retirement & re-employment as identified in paragraph 2.4 of this report be approved.

JANE SHERLOCK
Director of People & Commercial Services

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Agenda Item 7

REPORT REFERENCE NO.	HRMDC/16/3
MEETING	HUMAN RESOURCES MANAGEMENT & DEVELOPMENT COMMITTEE
DATE OF MEETING	10 MARCH 2016
SUBJECT OF REPORT	CONSULTATION ON REFORMS TO PUBLIC SECTOR EXIT PAYMENTS
LEAD OFFICER	Director of People and Commercial Services
RECOMMENDATIONS	<i>That the Chief Fire Officer, in consultation with the Chair of the Human Resources Management & Development Committee, be authorised to submit a response to the consultation on Reforms to Public Sector Exit Payments by 3 May 2016</i>
EXECUTIVE SUMMARY	<p>This report advises the Committee on publication by HM Treasury of a consultation on proposals for reforms to public sector exit payments. The deadline for submitting responses is 3 May 2016.</p> <p>Since this consultation document has only recently been received, further time will be needed to analyse and digest the contents of the consultation document and to give due consideration to the questions that are raised within it.</p> <p>The main aim of the proposal is to further restrict public sector redundancy payments by better coordinating the rules for calculating payoffs across the civil service, the NHS and local government. This include setting a maximum tariff to calculate exit payments at three weeks' pay per year of service and capping the period that can be used to calculate redundancy payments at 15 months. The proposals, which will also apply to teachers, police officers and firefighters, would taper lump sum redundancy payments the closer people got to retirement and set an £80,000 salary cap for calculating exit payments. These intended changes are in addition to the introduction of a £95,000 cap on redundancy payments, which is being introduced after consultation.</p> <p>New guidance has also been issued on the rules to be followed on pay and terms for public sector workers. These include the need for approval of pay packages above £142,500, limits on the use of confidentiality clauses and restrictions on private health insurance.</p> <p>In view of the timescales involved, it is therefore proposed that the Chief Fire Officer, in consultation with the Chair of the Human Resources Management & Development Committee, be authorised to submit a response to the consultation by the deadline of 3 May 2016.</p> <p>The Director of People and Commercial Services will give a verbal update at the meeting on the position on this consultation document.</p>
RESOURCE IMPLICATIONS	There is no resource implication associated with responding to this consultation.
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	Not applicable

APPENDICES	A. "Consultation document on Reforms to Public Sector Exit Payments".
LIST OF BACKGROUND PAPERS	HM Treasury Consultation Document "Consultation document on Reforms to Public Sector Exit Payments".



HM Treasury

Consultation on reforms to public sector exit payments



HM Treasury

Consultation on reforms to public sector exit payments



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1 Context for reform

1.1 Since 2010 the government has taken many steps to modernise terms and conditions for public sector workers so that they continue to be fair, but also sustainable in the face of a challenging economic climate. As well as delivering fundamental structural reform of major public service pension provision, the Public Service Pensions Act 2013 provided powers to close or amend statutory compensation schemes for the major public sector workforces with the expectation that new public sector compensation provision would be established in the future.

1.2 . Redundancy provision and exit payments play an important role in enabling employers to reform and reorganise. They support employees during the transition to other employment or retirement following the loss of employment. However public sector arrangements vary significantly, including in the benefits provided for people with similar pay and length of service. Also, such provisions can often be out of line with the wider economy.

1.3 The government announced in the Spending Review and Autumn Statement 2015 that it will continue to modernise the terms and conditions of public sector workers, by taking forward targeted reforms in areas where the public sector has more generous rights than most of the private sector. As part of this, the government committed to consulting on further cross-public sector action on exit payment terms, to reduce the costs of redundancy payments and ensure greater consistency between workforces.

1.4 As work to rebalance the public finances continues, it is right that the government remains focused on delivering maximum value for taxpayers and delivering a modern and reformed state. Some terms have already been modernised in parts of the public sector. The reform of the Civil Service Compensation Scheme in 2010 led to savings for the tax payer which the National Audit Office estimated could amount to almost £500m in the first year¹. In the NHS, changes in redundancy terms from April 2015 mean the new arrangements can be used more effectively by capping payments to higher paid staff whilst ensuring better protection for the lower paid.

1.5 Such examples demonstrate the value and importance of further reforms to exit compensation. The government is clear that exit compensation payments should continue to provide support to employees but also should be proportionate, fair and provide better value for money for taxpayers who ultimately fund them.

1.6 **The government is therefore consulting on options to make public sector exit compensation terms fairer, more modern and more consistent.** This consultation sets out these options and also outlines existing compensation arrangements across the public sector. Subject to the outcome of this consultation, the government would look to departments responsible for the main public sector workforces to negotiate and agree reforms, and then implement them, including where applicable through changes to secondary regulations. The government would also consider setting a reform framework in future primary legislation depending on progress in implementing the reforms.

1.7 Payments made by employers in relation to injury, ill-health or death during employment are outside the scope of these proposals and the consultation.

1.8 The government's intended policy proposals are summarised below.

¹ NAO: Managing early Departures in Central Government report 2012

Who is in scope	
Which employees/schemes	<ul style="list-style-type: none"> • Current and future public sector employees • The major workforces covered by existing statutory compensation schemes and other contractual exit arrangements. • Those covered by any new compensation schemes set up for public sector employees.
How will it work?	
Policy proposals	<p>The government is proposing to take action on some, or all, of the following elements across all major public sector compensation provision:</p> <ul style="list-style-type: none"> • Setting the maximum tariff for calculating exit payments at three weeks' pay per year of service. • Capping the maximum number of months' salary that can be used when calculating redundancy payments to 15 months. Where employers distinguish between voluntary and compulsory redundancies there may be a case for maintaining a differential by applying a lower limit to the latter. Likewise, where employers offer voluntary exit packages that are not classed as redundancies there may be a case for applying a slightly higher limit to those as part of an overall package. • Setting a maximum salary for the calculation of exit payments. This limit could be set at various levels and could potentially align with the NHS redundancy scheme's salary cap of £80,000. • Enabling the amount of lump sum compensation an individual is entitled to receive to be tapered as they get close to the normal pension age or target retirement age of the pension scheme to which they belong, or could belong, in that employment. • Reducing the cost of employer-funded pension top up payments, such as limiting the amount of employer funded top ups for early retirement, or removing access to them, and / or increasing the minimum age at which an employee is able to receive an employer funded pension top up. The latter would link the minimum age more closely with the individual's Normal Pension Age in the scheme in which they are currently accruing, or have accrued, pension benefits.
Payments in scope	<ul style="list-style-type: none"> • General limits would be imposed on most employer-funded payments made in relation to leaving employment, including compensation packages for exits whether in impending or declared redundancy situations or in other situations where individuals leave public sector employment with employer-funded exit packages. • Any increase in the minimum age at which an employee might be able to receive a pension top up on voluntary or compulsory exit would apply to payments under the major compensation schemes (but not to any payments made in relation to death or injury attributable to duty or ill health retirement).
Transition	<ul style="list-style-type: none"> • The government will consider providing a form of transitional protection, whereby exits formally agreed between employer and employee on the terms in place before the new maxima took effect would be paid under the previous terms
Devolution	<ul style="list-style-type: none"> • This policy would extend to all employments where compensation policy and practice is within the competence of the UK Government. • As with the current provisions to recover exit payments, the Scottish government, Welsh government and Northern Ireland Executive would determine if and how they wanted to take forward similar arrangements in relation to devolved bodies and workforces.
Compliance and transparency	<ul style="list-style-type: none"> • Departments and individual employers responsible for exit compensation arrangements would need to change them in accordance with any changes to primary or secondary legislation. • Compliance and transparency would be ensured through supporting guidance or legislation setting out parameters limiting the calculation of exit payments.

How to respond to this consultation

1.9 This consultation will run for twelve weeks and will close on 3 May 2016. Responses should be sent by email to: exitpaymentreforms@hmtreasury.gsi.gov.uk with the subject heading "Consultation on Exit Payment Reforms"

1.10 Alternatively please send responses by post to:

Consultation on Exit Payment Reforms,
Workforce, Pay & Pensions Team,
HM Treasury,
1 Horse Guards Road,
London SW1A 2HQ.

1.11 When responding please say if you are a business, individual or representative body. In the case of representative bodies, please provide information on the number and nature of people you represent.

Confidentiality

1.12 Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1988 (DPA) and the Environmental Information Regulations 2004.

1.13 If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Treasury.

1.14 HM Treasury will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Consultation Principles

1.15 This consultation is being run in accordance with the government's Consultation Principles. The [Consultation Principles](#) are available from the Cabinet Office.

2 The current system

2.1 In the current system a number of government departments and many individual employers are responsible for providing exit compensation packages. Public sector exit compensation arrangements are very diverse. Some of these redundancy arrangements are more generous than others.

2.2 Key features of the main public sector compensation schemes or arrangements are summarised below².

Box 2.A: Civil Service

The Civil Service Scheme provides that an individual may be given a lump-sum payment of one month's pay for every year worked, which is capped at 21 months for voluntary redundancy and 12 months for compulsory redundancy. The maximum and minimum salary that can be used to calculate this payment is £150,000 and £23,000 respectively. Furthermore, an individual may be eligible for a pension 'top-up' funded by the employer if they are made redundant after the age of 50 (if joined pre April 2006) or 55 (if joined post March 2006).

Box 2.B: NHS

The NHS awards a lump-sum of one month's pay for every year worked, which is capped at 24 months. The maximum and minimum salary that can be used to calculate this payment is £80,000 and £23,000 respectively. NHS exit payment arrangements include employer funded pension 'top-up' provisions, payable from age 50 or 55, but these are limited to the value of the cash lump sum that might otherwise be payable to the individual.

Box 2.C: Local Government

Local government lump-sum redundancy arrangements vary considerably between employers. However, they must operate within a framework set by regulations. The regulations provide that the maximum lump-sum pay-out is 104 weeks' (24 months) pay, although most local authorities currently provide for less than this. Employees aged 55 or more who are made redundant and who are members of the Local Government Pension Scheme are currently entitled to immediate access to unreduced pensions under the Local Government Pension Scheme rules.

² Entitlements to exit payments are often complex and dependent on specific circumstances. The information provided here is intended as an indicative 'snapshot' of current compensation arrangements.

Box 2.D: Teachers

Exit schemes for teachers in schools under local government control fall under the regulations that apply to other local government employees and are normally composed of multiples of statutory redundancy. Whilst the schemes vary, the DCLG framework provided for by regulations again states that the maximum redundancy pay-out is 104 weeks' (24 months) pay. Some schools have also funded pension top-ups to members of the Teachers Pensions Scheme made redundant when over the age of 55.

Box 2.E: Armed Forces

The Armed Forces maintains two schemes. Which of those applies usually depends upon an individual's entry point to the service. Both involve a formula based around their length of service and how early the person is leaving before the potential end date of their engagement. This reflects the special characteristics of the Armed Forces, where most individuals exit by the age of 40. From around that age most individuals are entitled to some form of continuing payment on account of early departure.

Under a redundancy scheme made in 2006, most individuals who joined the Armed Forces after April 2005 typically receive a lump-sum of their final salary multiplied by their years of service up to a maximum of 27 months' pay, but with a maximum lump sum of 1/8th of annual salary if also eligible for a continuing early departure payment.

Individuals who joined the Armed Forces before April 2005 and who are made redundant are typically entitled to an immediate pension once they have completed between 16 and 18 years of service. They are usually also entitled to a cash lump sum.

Box 2.F: Police (England & Wales)

In general there are no formal arrangements for police officers to receive exit payments, as, with the exception of chief officers on fixed term appointments, police officers are not made redundant. The Winsor review of police terms and conditions (in 2011-2012) recommended the Police adopt a scheme similar to the Civil Service Compensation Scheme (CSCS), retaining the same tariff rate and redundancy cap. A few police forces have now chosen to use voluntary redundancy terms based on the CSCS provisions for calculating lump sums in cases of voluntary redundancy.

Box 2.G: Firefighters

There have been few if any formal redundancies to date among fire fighters. Firefighters currently receive statutory redundancy entitlements. Other fire authority staff fall under local government redundancy arrangements. Different provisions apply where an individual is leaving employment owing to illness or where a firefighter is aged 55 or over, lack of fitness, and these are outside the scope of this consultation.

Box 2.H: Judiciary

As office holders, the judiciary cannot be made redundant. However, although rarely used in the past, compensation can be paid if certain offices are abolished. However, the amount cannot exceed the person's accrued pension or a lump-sum equivalent to their last annual salary. In addition, the Lord Chancellor has discretion to compensate individuals who leave the Immigration Tribunal.

Box 2.I: Statutory redundancy

Statutory redundancy pay applies across the wider economy. It sets the legal lower minimum that employers must pay employees on making them redundant. Employees are normally entitled to statutory redundancy pay if they have been working for their current employer for 2 years or more.

Under statutory terms employees are entitled to half a week's pay for each full year they were aged under 22, one week's pay for each full year they were 22 or older, but under 41, and one and half week's pay for each full year they were 41 or older. Where an employee is offered suitable alternative employment before their termination date which starts within 4 weeks of that termination date they are not entitled to a statutory redundancy payment.

Currently there is a cap on weekly pay that can be taken into account of £475 and a cap on an individual's total statutory redundancy payments of £14,250.

Employees are not entitled to statutory redundancy pay if they fall into one or more of the following categories: merchant seamen, former registered dock workers (covered by other arrangements) or share fishermen, apprentices who are not employees at the end of their training, a domestic servant who is a member of the employer's immediate family, or crown servants, which includes civil servants, members of the armed forces or police services (separate arrangements exist for those categories of public servant, as explained above).

3 Previous workforce change in the public sector

3.1 Since 2010, the government has taken many steps to make public sector remuneration and other employment terms sustainable. It has ensured the public sector plays its part in putting public finances back on track, while also improving the quality of public services. However, the government believes it is necessary to go further. In some areas public sector exit terms by and large remain more generous than those in the wider economy and also vary greatly in their generosity.

Pension reform

3.2 At the June 2010 Budget the Coalition government established the Independent Public Service Pensions Commission. This Commission was tasked with setting out recommendations to ensure public service pension provision was sustainable and affordable in the long run in response to rising longevity and the unsustainability of pension arrangements at that time.

3.3 This resulted in a major re-design of pensions to ensure fairness for members and taxpayers and sustainability for public finances. Changes incorporated increases in pension ages, career average revalued earnings designs and a cost cap mechanism to provide backstop protection for employer and tax payer costs. These and other pension changes have been forecast to save a total of around £430bn by 2062.

3.4 From April 2015 the majority of public sector workers are on those new pension terms.

Pay restraint

3.5 Public sector pay restraint has also played a key role in deficit reduction. Without such measures, much greater savings would have had to come from elsewhere, including from cutting public sector jobs and services.

3.6 The government made clear in its Summer Budget 2015 that public sector workforces would be funded for a pay award of 1 per cent a year for the 4 years from 2016-17 onwards. This 1 per cent figure is an average and is not a limit on individuals' pay, so departments can allocate funding across staff in light of their specific and varying requirements. The Office for Budget Responsibility (OBR) has estimated that this policy will protect 200,000 public sector jobs by 2019-20.

Recovery of exit payments

3.7 The Small Business, Enterprise and Employment Act 2015 includes provisions to enable the recovery of exit payments made to individuals who return to the public sector after a short period of time. The government is now preparing secondary regulations to implement the policy, so individuals earning over a specified amount will be required to repay all or part of an exit payment to their previous employer if they return to public sector employment within a period of up to a year.

3.8 The first set of secondary regulations to implement recovery will be made by the affirmative resolution procedure in Parliament and the intention is that those regulations will come into force from April 2016.

Exit payment cap

3.9 The government intends to introduce a cap of £95,000 on public sector exit payments to implement its manifesto commitment to cap six-figure exit pay-outs. Legislation for such changes is currently being considered by Parliament as part of the Enterprise Bill.

Spending Review 2015

3.10 The Spending Review and Autumn Statement 2015 announced that the government will continue to modernise the terms and conditions of public sector workers, by taking forward targeted reforms in areas where the public sector still has far more generous rights than the private sector. As part of this the government committed to consult on further cross-public sector action on exit payment terms, to reduce the costs of redundancy pay-outs and ensure greater consistency between workforces.

4 Policy intention

4.1 The government intends to pursue further reform to public sector exit payment terms to ensure that such payments offer a proportionate level of support for exiting workers and value for money to the taxpayer who funds them. This section sets out the principles for reform and outlines the government's policy proposals. Views are sought on the government's proposals, including on their scope, their impact and the proposed timeframes.

4.2 The government is taking three key principles into account in considering such reform: fairness, modernity and greater consistency.

Fairness

4.3 Building on the changes already underway, it is important that a fair and appropriate level of compensation is provided for employees who are required to leave public sector jobs, whether on a mutually agreed or voluntary basis, or through compulsory redundancy. It is also important that the level of compensation is seen as fair and appropriate by taxpayers, who ultimately fund these costs. The government therefore believes that compensation arrangements in the public sector should be considered in the context of normal compensation arrangements in the wider economy.

4.4 Some comparisons between private and public sector terms are provided in Box 4.A.

Box 4.A: Comparison of compensation arrangements

Analysis based on redundancy pay data reported in the Family Resources Survey suggests non-contractual redundancy pay between 2010-11 and 2013-14 averaged £12,700 in the private sector and £15,800 in the public sector.

Public sector employees have on average a longer tenure than their private sector counterparts. Because length of service is a factor in the calculation of redundancy payments that difference in average length of service may account for some of the difference between public and private sectors.

Employers, employees and other relevant parties with further information on the level and nature of redundancy provision within the wider economy are encouraged to provide details as part of their responses to this consultation. This will inform the Government's response to this consultation.

Modernity & flexibility

4.5 Exit compensation terms need to reflect a rapidly changing economy and society, the modernisation and improvement of public services and consequential changes in the public sector workforce. They need to give employees a reasonable degree of certainty over their potential entitlements. However, there also needs to be a considerable degree of flexibility in setting those entitlements and any related limits, so they can be readily updated to reflect overall changes in the structure and financing of public services, in the size and make-up of the various workforces and the broader fiscal environment.

4.6 Improvements in life expectancy also mean people are living for longer, and current exit provisions may not reflect the fact that staff are taking early access to pension yet remaining economically active. This change was reflected in the fundamental reform to public service pension provision undertaken in the last Parliament.

Greater consistency

4.7 It is important that departments and other bodies responsible for exit arrangements have flexibility to adjust exit terms for their particular workforces. However, given the very large amounts of public money involved and wider public interest in the size and value of such expenditure, it is also important that the government sets an overall framework to curb costs and ensure a reasonable and greater degree of consistency in exit compensation terms between and within different workforces.

Policy proposals

4.8 The government is proposing to take action on some, or all, of the following elements across all major public sector compensation provision:

- **Setting a maximum tariff for calculating exit payments.** This maximum tariff would be three weeks' pay per year of service. Employers could apply tariff rates below these limits.
- **Capping the maximum number of months' salary that can be used when calculating redundancy payments to 15 months.** Where employers distinguish between voluntary and compulsory redundancies there may be a case for maintaining a differential by applying a lower limit. Likewise, where employers offer voluntary exit packages that are not classed as redundancies there may be a case for applying a slightly higher limit, as part of an overall package. Employers could apply lower limits, as some do at present.
- **Setting a maximum salary on which an exit payment can be based.** This could be set at various levels and could potentially align with the NHS scheme salary limit of £80,000.
- **Tapering the amount of lump sum compensation an individual is entitled to receive as they get closer to their pension retirement age.**
- **Requiring employer-funded early access to pension to be limited or ended, through one or more of a range of measures that would considerably reduce such costs, such as:**
 - capping the amount of employer funded pension 'tops ups' to no more than the amount of the redundancy lump sum to which that individual would otherwise be entitled;
 - removing the ability of employers to make such top ups altogether;
 - Increasing the minimum age at which an employee is able to receive an employer funded pension top up, so that this minimum age is linked more closely with the individual's Normal Pension Age in the scheme in which they are currently accruing pension benefits or to which they would be entitled to belong if they were accruing benefits.

4.9 Further detail on these options is set out below.

Tariff terms

4.10 As Chapter 2 sets out, there is currently a wide variety of different terms and practices for determining the amount of compensation an individual is eligible to receive if made redundant.

These include the maximum number of years or months worked that will be taken into account in redundancy lump sum compensation calculations: for example, currently the equivalent of 104 weeks' pay for the NHS, 91 weeks' pay for the Civil Service and 104 weeks' pay for local government and teachers. They also include the number of weeks' salary per year of service on which a compensation payment can be based: this can range from 1 week's pay per year of service for some local government employees up to 4 weeks' or more pay per year of service for a few others and 1 month's pay per year of service for the Civil Service and NHS. In some schemes a salary cap applies for determining the amount of compensation that can be awarded on exit (such as the £80,000 maximum in the NHS).

4.11 The government is therefore considering setting maximum tariff terms that can be offered to ensure there is greater fairness and consistency across different public sector workforces.

4.12 One option is to set a maximum of 3 weeks' salary per year of service when calculating an exit payment. This could deliver significant savings in exit costs across public sector workforces.

4.13 A further option being considered is capping the number of months used to calculate redundancy payments at 15 months. Where employers distinguish between voluntary and compulsory redundancies there may be a case for maintaining a differential by applying a lower limit to the latter. Likewise, where employers offer voluntary exit packages that are not classed as redundancies there may be a case for applying a slightly higher limit to those as part of an overall package.

4.14 The government is also considering whether it should set a maximum salary for the purpose of calculating exit compensation and whether such a maximum salary could potentially be aligned with the £80,000 maximum salary introduced by the NHS in April 2015.

4.15 The entitlement to a lump sum compensation payment for those close to retirement age could be subject to a taper to reflect the fact that there is a shorter period of time between redundancy and eligibility to receive a pension. This could be set with reference to a scheme's normal pension retirement age (NPA), or where applicable a target retirement age. Such tapering would need to be fair to both those nearing pension age and those above that age who leave with an exit payment.

Employer funded pension top-up

4.16 A major and costly element of an exit package can be an employer funded top up of pension, paid in the event of early retirement. When an employee leaves employment after reaching their minimum pension age¹ they are entitled to draw their accrued pension from that point, but the monthly payment they receive is reduced to reflect the fact that their pension payments are likely to be paid for a longer period of time. Many public sector exit compensation arrangements allow for an employer to make a payment to the employee's pension scheme to offset this reduction, so that it is either paid on an unreduced basis or, on relatively rare occasions, with increases on top of that.

4.17 Some exit compensation arrangements, such as those for the Civil Service, have been reformed in recent years to reduce the level of employer funded pension top ups in some circumstances. Others, such as the NHS, have been reformed to further limit the extent to which employers are prepared to fund the cost of an unreduced pension, in the NHS case by limiting the employer-funded pension top up to no more than the value of the cash lump sum that might otherwise be payable. The government is already proposing to include the value of such

¹ The Minimum Pension Age is specified in pension scheme rules and represents the minimum age at which an individual can access their pension in normal circumstances.

pension top ups within the £95,000 cap on the value of an exit payment that can be funded by an employer.

4.18 The government is considering whether employer funded pension top up provisions across the public sector should be limited further by applying one or more of a range of restrictions. These are:

- Apply the NHS approach more widely, and limit employer funded top ups to no more than the value of the redundancy lump sum that might otherwise be payable, or
- Prohibit employer funded pension top ups entirely, while giving the option for the individual to decide whether to use any lump sum exit payment to increase their pension entitlement, or
- Change the age at which individuals would be able to have early access to an employer funded pension top up as part of an exit package to 5 years before the person's Normal Pension Age in the scheme under which they are currently accruing pension benefits (now age 67 or 68 in most cases), or
- Stipulate a minimum age, such as 55 or 58, across all schemes for an individual to be eligible for an employer funded pension top up payment.

It is also important to note that pension top up payments made by employers in relation to injury, ill-health, physical fitness or death during employment are outside the scope of this consultation.

Transitional protection

4.19 The government will consider the case for any form of transitional protection. For example, if exits formally agreed between employer and employee on terms that applied before the new maxima took effect should be protected.

4.20 The government does not anticipate going further and for example introducing transitional protection related to the age of individuals or their nearness to pension age.

Question 1

Are there alternative options and approaches to compensation provision reform you think the government should be considering? What alternative approaches would you suggest and why?

For employers in particular

Question 2

Do you agree with the proposed approach of limiting early retirement benefits with reference to the cost for the employer? What alternative approaches would you suggest and why?

Question 3

Do you agree with the proposed options around capping tariff terms? What alternative approaches would you suggest and why?

5 Scope & timeline

5.1 These wider exit compensation reforms seek to reduce public sector exit costs and ensure such terms and conditions are more consistent across the public sector. Such reform will maintain the principle of offering important support to existing and future employees. Most of the expenditure is determined under the terms of the major compensation schemes. Therefore, the reforms are intended to apply to the major workforces under existing public sector compensation schemes and other exit arrangements. The major workforces include the Civil Service, Teachers, NHS workers, local government workers, police officers and the judiciary.

5.2 Current statutory provisions provide for the following schemes:

- a scheme under section 1 of the Superannuation Act 1972 (civil servants);
- a scheme under section 24 of that Act (local government workers and teachers);
- a scheme under section 26 of the Fire Services Act 1947 or section 34 of the Fire and Rescue Services Act 2004 (fire and rescue workers);
- a scheme under section 1 of the Police Pensions Act 1976 or section 48 of the Police and Fire Reform (Scotland) Act 2012 (members of police forces);

5.3 Any new public sector compensation schemes established once such reforms were implemented would be expected to reflect any new limits on tariffs for calculating lump sums and on the value of employer funded pension top ups.

5.4 There are various routes to enable implementation of any wider compensation reform. The government will determine how to deliver changes depending on the responses to this consultation and on the specific proposals that are taken forward. The precise process undertaken may vary by workforce.

5.5 However the government anticipates that Departments responsible for the main public sector workforces will negotiate and agree reforms consistent with the outcome of this consultation, and implement them through, for example, changes to secondary regulations governing the major compensation schemes. Subject to the consultation and to this process the government will also consider setting a reform framework in primary legislation.

5.6 The government will expect any wider reforms to apply to existing and future public sector employees, but, as noted in section 4, will consider whether certain transitional protections might be appropriate to protect workers who have already agreed, and had confirmed, exit payments packages when any wider reforms came into force.

Question 4

Do you agree that the government has established the correct scope for the implementation of this policy? Are there other factors the government should take into account with regard to scope?

6 Devolution

6.1 In both the exit payment recovery and exit payment cap reforms, the government position has been that the reforms would apply to those areas which are the responsibility of the UK government. It would be for the Scottish government, Welsh government and Northern Ireland Executive to determine if and how they wanted to take forward similar arrangements in relation to devolved bodies and workforces.

6.2 The government intends to take the same approach here. Should primary legislation be required in taking forward further reforms, the UK government would request Legislative Consent Motions from the Devolved Administrations where appropriate, which would give the relevant Administration the option of including devolved workforces and schemes under any legislation the UK government brings forward.

6.3 However, if and when a Legislative Consent Motion is required, it would be for the Devolved Administrations themselves to decide whether this is a desirable approach.

7 Impact

The government's initial impact analysis is set out in the following section. Public sector employers, employees and other relevant parties with further information on these impacts are encouraged to provide details as part of their responses to this consultation.

Economic and fiscal impacts

7.1 Changes to compensation provision in line with the options set out in this consultation would be expected to have positive fiscal impacts. By setting maximum tariffs and reducing or abolishing employer-funded pension top ups the government should need to spend less on public sector compensation. Such savings should greatly outweigh any administrative costs from having to apply such limits.

7.2 Changes to tariff terms and employer funded top ups as set out in Chapter 4 could deliver significant future savings to exit costs. It is difficult to estimate potential impacts on workforce behaviours arising from changes to exit compensation terms. The government will need to undertake further analysis to assess the overall effects of any proposed changes in greater detail.

7.3 The wider economic impacts of this reform may be limited. There would be reductions in the spending power of some former public servants and possibly a greater incentive for some of them, particularly at younger ages, to find new jobs quickly. However, there would also be less strain on public sector employers' budgets, so, all things being equal, greater ability to pay remaining employees and provide services.

7.4 The level of savings achieved by reform would vary depending upon the exact policy proposals enacted and on the rate of exits in the public sector over the coming years. However, it is estimated that, if applied across the major public sector workforces, the range of options, including capping the maximum tariff for calculating exit payments from a month to three weeks' salary per year of service and limiting employer funded early retirement pension top ups could result in savings in the hundreds of £millions over the course of this Parliament.

Social impacts – including distributional and equalities

7.5 Implementing any of the changes set out in section 4 of this consultation will result in some individuals receiving a lower exit payment than they would receive under the current system. However, the government expects compensation to remain generous and sufficient.

7.6 In terms of impacts on groups protected under equalities legislation, using data from the Labour Force Survey (LFS), analysis shows that, compared to the wider working population, the public sector workforce has a greater proportion of: females; people aged between 40-59; people who declare themselves to be Christian; people who declare they are White or Black/African/Caribbean/Black British; people who declare they are married, cohabiting or in a civil partnership; and people who declare they have some form of disability. Therefore, as a consequence of the public sector composition, individuals with some of the above characteristics may be more likely to be affected by this policy.

7.7 Any change to employer funded pension top-ups and/or tapering would have a direct impact on older employees and may affect lower earning individuals. Any changes to the tariff could also mean some long serving individuals would be affected. These would need to be considered further, along with other impacts of the proposed reforms.

Environmental

7.8 This policy is assumed to have no tangible environmental impacts.

Costs and benefits – direct and indirect

7.9 The policy would produce a benefit to employers in terms of reductions in redundancy payments which would contribute more widely to the public finances as outlined above. The potential effects include: the reduction in compensation to affected employees (which the government believes is justified on grounds of fairness and affordability), and administrative costs to employers of implementing the necessary changes to their compensation arrangements.

Regulatory impact

7.10 This policy primarily affects the public sector and so is not expected to increase regulation on private business in the wider economy.

7.11 Depending on final decisions, the policy may also have an impact on bodies employing staff previously from the public sector who are subject to Transfer of Undertakings (Protection of Employment) (TUPE) rules. These impacts cannot be quantified at this stage.

Enforcement and implementation

7.12 Subject to the outcome of this consultation, the government would look to departments responsible for the main public sector workforces to negotiate and agree reforms, and then implement them, including where applicable through changes to secondary regulations. The government would reserve the ability to set a reform framework in future primary legislation depending on progress in implementing the reforms.

7.13 The government would ensure any reforms do not breach the provisions of the Public Service Pensions Act 2013 on changes to pension schemes for 25 years (the 25 year guarantee): employees would remain entitled to pensions they have accrued during their employment.

Equalities

7.14 The government will carefully consider impacts around equalities and the economic and fiscal landscape as well as the practical implications of implementing any reforms.

Question 5

Are there other impacts not covered in the above which you would highlight in relation to the proposals in this consultation document?

Question 6

Are you able to provide any further information and data in relation to the impacts which may be relevant to the government in setting out the above?

Question 7

Are you able to provide information and data in relation to redundancy provision in the wider economy which could be used to inform the government's response to this consultation?

Summary of questions

- **Question 1:** Are there alternative options and approaches to compensation provision reform you think the government should be considering? What alternative approaches would you suggest and why?
- **Question 2:** Do you agree with the proposed approach of limiting early retirement benefits with reference to the cost for the employer? What alternative approaches would you suggest and why?
- **Question 3:** Do you agree with the proposed options around capping tariff terms? What alternative approaches would you suggest and why?
- **Question 4:** Do you agree that the government has established the correct scope for the implementation of this policy? Are there other factors the government should be taking into account with regard to scope?
- **Question 5:** Are there other impacts not covered in the above which you would highlight in relation to the proposals in this consultation document?
- **Question 6:** Are you able to provide any further information and data in relation to the impacts which may be relevant to the government in setting out the above?
- **Question 7:** Are you able to provide information and data in relation to redundancy provision in the wider economy which could be used to inform the government's response to this consultation?

HM Treasury contacts

This document can be downloaded from
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