

# Special Severance Policy

## 1. Introduction

Surrey County Council adheres to the Government's Statutory guidance on the making and disclosure of Special Severance Payments by local authorities in England. It is the Government's view that Special Severance Payments do not usually represent value for money and should only be considered in exceptional circumstances.

## 2. Categories of Special Severance

The statutory guidance defines Special Severance Payments as any of the following:

- payments reached under a settlement agreement between the employer and employee to discontinue legal proceedings without admission of fault.
- the value of any employee benefits or allowances which are allowed to continue beyond the employee's agreed exit date (for example, lease cars, health insurance etc).
- write-offs of any outstanding loans.
- honorarium payments (different from during employment, these payments would be one off included in an exit package).
- hardship payments.
- payments to employees for retraining related to their termination of employment (including outplacement support).

The following types of payments may constitute Special Severance Payments, depending on the terms of the individual's contract, relevant statutory provisions, any non-statutory applicable schemes and other relevant terms and conditions:

- Pay in lieu of notice (depending on the contractual basis for its payment);
- pension strain payments associated with enhancement of pension payments (for example, awarding of added years).

The following do not constitute as Special Severance Payments:

- Statutory and contractual redundancy payments, whether applicable to voluntary or compulsory and whether agreed by collective agreement or otherwise.
- severance payments made in accordance with that local authority's policy adopted pursuant to Regulation 7 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (in accordance with the County Council's pay policy)

- a strain cost paid to the relevant LGPS administering authority under LGPS Regulation 68(2) which results from a LGPS member's retirement benefits becoming immediately payable without reduction under Regulation 30(7), or under Regulation 30(6) where the employer has waived the reduction under Regulation 30(8) (i.e. payment of pension without reduction on the grounds of redundancy or business efficiency made to employees aged 55 and over).
- a payment of untaken annual leave
- payments ordered by a court or tribunal or agreed as part of a judicial or non-judicial mediation
- payments made as part of the ACAS Early Conciliation Process (COT3 as opposed to a settlement agreement)
- payments made to compensate for an injury at work or death of an employee.
- payments made in consequence of the award of ill-health retirement benefits under Regulation 35 of the LGPS Regulations

### 3. Approval process

Special Severance payments are approved by the following process:

- payments of £100,000 and above must be approved by a vote of full council, as set out in the Localism Act 2011 (see section on [exceptional circumstances](#))
- payments of £20,000 and above, but below £100,000, must be personally approved and signed off by the Chief Executive, in consultation with the chair of PPDC (Council Leader).  
Recommendation and approval must be sought of the Director of People and Change, Relevant Executive Director and either Director of Finance – Corporate and Commercial Or Director of Finance – Insight and Performance (on behalf of the S151 Officer).
- payments below £20,000 must be approved by the Head of Business Partnering & Employment Practice and relevant Head of Service & People Consultancy Lead. Strategic Finance Business Partner supporting the service funding the application (on behalf of the S151 Officer).

In all cases Legal Services must be consulted.

The Government's guidance states that we may consider making a Special Severance payment in order to settle disputes, where it can be properly demonstrated that other routes have been thoroughly explored and excluded. After receiving appropriate professional advice, it may then be possible to conclude that a special severance payment is the most suitable option and prudent use of public money.

Where a Special Severance Payment forms part of an overall exit package then approval need only be sought for the element of the package that is a Special Severance Payment. For example:

It is proposed to make the following payments to Employee A under a settlement agreement:

- Severance pay in accordance with the Council's Pay Policy - £42,000
- Payment in respect of annual leave accrued but not taken - £3,400
- A special severance settlement payment made in order for the employee to settle any existing or future claims - £28,000

In this case, approval would need to be sought for the final payment only.

Other severance payments are approved by the following process:

- Other severance payments of £150,000 and above must be approved by PPDC.
- payments of £50,000 and above, but below £150,000, must be approved and signed off by Director of People & Change, the relevant Executive Director and either Director of Corporate Finance or the Director of Financial Insights (on behalf of the Section 151 Officer).
- payments below £50,000 must be approved by the relevant Head of Service, Head of Business Partnering & Employment Practice, People Consultancy Lead and the Strategic Finance Business Partner (Corporate Finance) supporting the service funding the application (on behalf of the S151 Officer)

#### 4. Annual Reporting for all severance payments

We publish information about all exit payments paid during the financial year in our annual accounts. This disclosure includes details about the number of exit payments paid in 8 payment bands from £0-£250,000.

#### 5. Procedure

In the case where a special severance payment may need to be made the following procedure should be adhered to, with professional advice and authorisation sought clearly documented.

As soon as it becomes apparent that a special severance payment may need to be made the Special Severance Payment Business Case form needs to be completed by the Head of Service. The form should evidence all the non-financial avenues explored in an attempt to resolve the issue at hand. The individual completing the form may need to contact Employee Services to obtain some of the information pertaining to the employee's terms and conditions of employment in order to complete the form.

The S151 Officer and where appropriate, the Monitoring Officer should at this point be made aware of the business case and be cited on all financial decisions made pertaining to a Special Severance payment.

A thorough breakdown of the costings associated with the special severance payment should be clearly set out on the business case form. Once each category of the business case form has been completed it can be sent to the People Consultancy Team for scrutiny. If the People Consultancy team don't feel that all alternative options have been fully explored it is likely that the business case form

will not be authorised by the People Consultancy Lead until they are satisfied that all options have been full exhausted.

The business case should be sent to the relevant individual identified to authorise the associated special severance costs.

Once fully complete the business case, with all supporting approvals (if on email) should be sent to the directorate Finance Business Partner, for audit and annual reporting purposes. The documentation should also be sent to the [PAPEinbox@surreycc.gov.uk](mailto:PAPEinbox@surreycc.gov.uk) for recording.

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## 6. Exceptional Circumstances

The financial scheme of delegations makes clear that there is an expectation that payments which exceed £100,000 should go to Full Council. The council can take the approach that this would usually be the case unless there are reasons to depart from the statutory guidance.

This could include a number of reasons – for example:

- speed, with a view to minimising the disruption to the Authority from uncertainty should a swift decision not be made;
- in exceptional circumstances it may be inappropriate to divulge information beyond the amount of special payment value
- the need to move forward swiftly, where litigation is on-going.

Where the decision is being taken by the relevant Committee (PPDC), it can be made clear that should members not feel comfortable in agreeing the Special Severance payment they could refer the matter to Full Council.

**Strictly Private & Confidential**

**Special Severance Payment Business Case**

This template is to be used for all Special Severance cases submitted for approval.

<b>Special Severance Business Case</b>	
Employee Name	
Name of Requesting Department	
Date decision is needed by and a brief outline of why	
<b>Circumstances of the case</b>	
Overview of the case (including brief case history, with key dates, summarising how the situation has come about. Any wider Council context)	
<b>Terms of Employment</b>	
(length of service, current salary, contractual notice period, type of contract (e.g. permanent, fixed term, part time, contractual entitlements, pension (and over/under 55))	
<b>Breakdown of proposed exit payment</b>	
List each type of payment separately e.g. enhanced contractual redundancy inc. statutory redundancy element breakdown, pay in lieu of notice, accrued annual leave, compensatory payment proposed, contribution to legal costs	

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**Proposed ways of proceeding**

Rationale for settlement inc. potential consequences? Other options considered?  
Why is proposal the preferred option?

**Financial Considerations**

Include here consideration of:

- whether there is any feasible possibility of exiting the individual at a lower cost. Only where there is no such possibility should a Special Severance Payment be considered;
- how the exit payment will be perceived by the public and whether it is in line with the duty to manage taxpayers money appropriately;
- what alternative use could be made of that expenditure. All Special Severance Payments necessarily reduce the funds that would otherwise be available to deliver important public services;
- the setting of any potential precedent (e.g. where a Special Severance Payment is made to certain employees and not others);
- evidence for additionality, i.e. that those offered Special Severance Payments would not have, under any circumstances, been willing to leave with their statutory and contractual benefits alone.

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**Non-Financial Considerations**

Legal Implications

Performance Management

Management Procedures

**Repercussions Risk**

Lesson Learnt from this case (Explain what lessons have been learned and how management systems have been/will be improved to avoid future occurrences of similar cases)

Wider Impact & potential precedents





<input type="checkbox"/> Less than £20,000	<b>Head of Business Partnering and Employment Practice</b>	Name: Signed: Date:
	<b>Head of Service</b>	Name: Signed: Date:
	<b>People Consultancy Lead</b>	Name: Signed: Date:
People Consultant advising on the case – NAME		
Legal Advice sought from- NAME & DATE		

\*If any of the senior officers mentioned here are to be the recipient of the payment, they should not play any part in the decision-making process.

A payment cannot be considered authorised unless the business case is completed in full and authorisation is obtained from all of the relevant stakeholders in the applicable amount.

Once fully complete the business case, with all supporting approvals (if on email) should be sent to the directorate Finance Business Partner, for audit, approval and annual reporting purposes. The documentation should also be sent to the [PAPEinbox@surreycc.gov.uk](mailto:PAPEinbox@surreycc.gov.uk) for recording.