

SURREY COUNTY COUNCIL**PENSION FUND COMMITTEE****DATE:** 11 DECEMBER 2020**LEAD OFFICER:** ANNA D'ALESSANDRO, DIRECTOR OF CORPORATE FINANCE**SUBJECT:** MINISTRY OF HOUSING COMMUNITIES AND LOCAL GOVERNMENT – CONSULTATION ON THE REFORM OF LOCAL GOVERNMENT EXIT PAYMENTS**Strategic objectives****Governance****SUMMARY OF ISSUE:**

To provide details of the Ministry of Housing Communities and Local Government's (MHCLG) consultation on the reform of exit payments in local government and the response from Surrey.

RECOMMENDATIONS:

To note the report and annexe.

REASON FOR RECOMMENDATIONS:

The Pension Fund Committee will be made aware of all national initiatives with a consultation process with a response sent within stated deadlines, in accordance with the Fund's strategic governance objectives.

BACKGROUND:

1. 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 to the taxpayer of redundancy payments and ensure greater consistency between workforces.
2. In September 2020 the MHCLG issued a consultation on the government's proposals for reforming local government exit payment, as part of a wider programme of cross-public sector action on exit payment terms.

DETAILS:

3. The consultation outlines proposals to reform redundancy payments in local government are as follows:

- A maximum tariff for calculating exit payments of three weeks' pay per year of service. Employers could apply tariff rates below these limits;
 - A ceiling of 15 months (66 weeks) on the maximum number of months' or weeks salary that can be paid as a redundancy compensation payment. Employers will have discretion to apply lower limits, as they do at present under 2006 Regulations;
 - A maximum salary of £80,000 on which a redundancy compensation payment can be based, to be reviewed on an annual basis using an appropriate mechanism, for example: CPI (Consumer Prices Index).
4. MHCLG also states a wish to introduce an element of choice into the current arrangements. To meet this objective, it proposes that for members of the LGPS who are at least 55 years old when made redundant, the benefits and the associated strain cost due from the employer should be limited as follows:
- The strain cost cannot exceed the overall cap contained in the Exit Payment Regulations (£95k);
 - Strain cost will be further reduced by the value of any Statutory Redundancy Payment required to be paid (which the employee will still receive as a cash payment);
 - A further reduction would be made to reflect any voluntary payments made to cover grant of additional pension under regulation 31 of the LGPS Regulations 2013;
 - Any reduction in the strain cost due to the above limitations may be made up by the worker from his own resources;
 - The member will receive an actuarially adjusted pension benefit in line with the revised strain cost under these provisions.

Surrey's response

5. Surrey's response to the consultation (shown as Annexe 1) expresses concerns about the latest proposals and considers the proposals to be more problematic than the ones that were consulted on twice before in relation to exit payments.
6. Surrey considers the proposals depart significantly from the ones considered in previous consultations. They are much harsher than a simple £95,000 payment cap and moves from restricting the packages of high earners to a general reduction in the potential compensation package available for redundancy and early retirement, regardless of the member's earnings.
7. Surrey also opines that the proposals could reduce the options for employers to take measures designed to ensure that work forces are restructured efficiently, which could result in an ageing workforce and increased costs.

CONSULTATION:

8. The Chairman of the Pension Fund Committee has been consulted on this report

RISK MANAGEMENT AND IMPLICATIONS:

9. Risk related issues have been discussed and are contained within the report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

10. Financial and value for money implications are discussed within the report.

DIRECTOR OF CORPORATE FINANCE COMMENTARY

11. The Director of Corporate Finance is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

12. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

13. This does not require an equality analysis, as there is no major policy, project or function being created or changed.

OTHER IMPLICATIONS

14. There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

15. The following next steps are planned:

- Provide the Pension Fund Committee with details of the results of the consultation.

Contact Officer: Neil Mason, Strategic Finance Manager (Pensions)

Consulted:
Pension Fund Committee Chairman

Sources/background papers:

1. The MHCLG consultation on the reform of exit payments in local government
http://lgpslibrary.org/assets/cons/lqpsew/20200907_CD.pdf

Annexes:

1. Surrey County Council response to the MHCLG consultation on the reform of exit payments in local government
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