

## Appendix E: Somerset West and Taunton Council - Compensation Policy

1. The Council operates a discretionary enhanced payment scheme as compensation for the loss of employment on redundancy grounds. The details of the Scheme are for information and may be amended from time to time at the discretion of the Council and after consultation with the Union. Please note the severance payments scheme is not legally binding.
2. Redundancy compensation will only be paid to staff with two or more years of service.
3. The Council exercises discretion under the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006, to make compensatory payments to employees being made redundant based on a multiplier of **one and a half times** the number of weeks an employee would be entitled to under the statutory redundancy formula, inclusive of any statutory redundancy payment, up to a maximum of 45 weeks' pay. For the purposes of these calculations, a week's pay is defined as the employee's actual weekly pay, which is averaged over a twelve week period for employees whose earnings for basic hours (excluding overtime) varies from week to week. The maximum number of years' continuous service that can be counted for statutory redundancy payments is twenty years.
4. The Council requires that the full cost of any redundancies is recovered within a period not exceeding five years or by the normal retirement age, whichever is sooner.
5. Employees who are eligible to be paid a compensation payment on being made redundant, and who are members of the Local Government Pension Scheme, are given the option of converting their compensation payment (excluding the statutory redundancy payment) into augmented pensionable service. Augmentation is not an option where the compensation payment (excluding the statutory redundancy payment) purchases more pensionable service than the maximum allowable at age 65. If taken as a cash lump sum the first £30k is tax-free.
6. No compensation payments are made to employees who are allowed to retire early on the grounds of interests of efficiency of the service, irrespective of whether a voluntary request has been made by the employee or instigated by management.
7. The expression 'early retirement in the interests of the efficiency of the service' is difficult to define but the application of this scheme can be justified because: -
  - (a) it facilitates/encourages internal restructuring
  - (b) it allows for the retirement of an employee who is unable to match up to the changed requirements of his/her job
  - (c) The Local Government (Early Termination of Employment) (Discretionary Payments) (England and Wales) Regulations 2006 allow local authorities to use their discretion in the interests of the efficient exercise of that authority's functions.
8. If you retire in the interests of efficiency, you will be entitled to a lump-sum payment calculated using your actual week's pay and equating to the equivalent of the statutory

number of weeks payable for redundancy, however you will not be entitled to receive a redundancy payment from the Council. It is not possible to augment your Pension if you retire in the interests of the efficiency of the service.

9. Employees aged fifty-five years or over who are members of the Local Government Pension Scheme will receive payment of early pension retirement benefits.

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