

GREATER LONDON AUTHORITY

Pay & Benefits

Compensation Payments Policy: redundancy, efficiency and early retirement benefits

1 Introduction

We are committed to ensuring the continued employment of all employees wherever possible. We have put in place an organisational change framework to ensure that we meet our statutory obligations as an employer and follow best practice. For further details see the [Organisational Change Policy and Procedure](#).

However, there may be circumstances where, in order to ensure effective delivery of our policies and objectives, we will not be able to ensure the continued employment of all employees. We have therefore put in place a policy for the compensation of employees whose employment is terminated on grounds of redundancy or in the interests of the efficiency of the service. The GLA has discretionary powers under the Local Government Pension Scheme (LGPS) Regulations 2013 to make payments to employees who leave on the grounds of redundancy or efficiency of the service or to award a member additional pension.

According to the Public Sector Exit Payment Regulations which came into force on 4 November 2020, discretionary payments listed in sections 3, 4 and 5 below would be subject to reduction if the total value of the exit payments is more than £95,000. However, the regulations have since been 'disapplied' pending formal revocation. The policy will be updated following a final decision.

Details are set out below. We have a legal duty to review this policy from time to time, and therefore retain the right to change the policy accordingly.

2 Scope

This policy applies to all GLA employees, including statutory officers and employees appointed by the Mayor under s67(1) of the GLA Act 1999 (as amended) except:

- employees seconded to work in London's European Office, to whom separate arrangements apply;
- employees who transferred into the GLA under a Statutory Transfer Order (TSO) or Transfer of Undertakings (Protection of Employment) Regulations (TUPE), who may have separate contractual and occupational entitlements.

3 Redundancy

Statutory Redundancy Payments

GLA employees with at least 2 years' continuous service who are dismissed on the grounds of redundancy will receive statutory redundancy payments based on their

length of continuous service. For this purpose, continuous service includes previous service with employers covered by the Redundancy Payments (Continuity of Employment in Local Government etc) (Modification) Order 1999. Employers covered by the Order include all local authorities as well as a range of organisations linked to local government. Contact your [HR Adviser](#) for information about which organisations are included.

Statutory redundancy payments are calculated according to a formula based on length of service, how many years of continuous service relate to a particular age band, and weekly pay. Weekly pay is subject to a legal limit and is not based on an actual week's pay unless it equates to or is less than the legal limit. The maximum statutory redundancy entitlement is 30 weeks' pay. For details, see the government calculator <https://www.gov.uk/calculate-your-redundancy-pay>

GLA employees who are made redundant and start work with another employer covered by the Redundancy Payments (Continuity of Employment in Local Government etc) (Modification) Order 1999 may lose their entitlement to a redundancy payment, where:

- they accept a job offer with a new employer before the date of dismissal by the GLA, and
- the start date of the new job is 4 weeks or less after their last day of service with the GLA.

Any pension payments received may be subject to reduction.

Pension benefits

An annual pension and a lump sum payment are immediately payable to employees aged 55 or over who have a minimum of 2 years' membership of the LGPS.

The pension and lump sum are calculated as follows:

For service up to 31.03.08:

Annual pension: $1/80 \times \text{final year's pay} \times \text{reckonable service}$

Lump sum retiring allowance: $3/80 \times \text{final year's pay} \times \text{reckonable service}$

For service from 01.04.08 to 31.03.14:

No lump sum

Annual pension: $1/60 \times \text{final year's pay} \times \text{reckonable service}$ (although employees can commute part of their pension into a lump sum)

For service from 1.4.14:

No lump sum

Annual pension based on the unreduced Career Average Revalued Earnings pension earned to the point of leaving

Discretionary payments

The GLA has the discretion to pay 2 different types of compensation payments to its employees; one relating to redundancy and the other to pension.

Redundancy related discretionary payments

The GLA has discretionary powers under the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 to make compensation payments to employees who leave on the grounds of redundancy, efficiency of the service or early retirement.

For employees who have at least 2 years' qualifying employment and who leave on grounds of redundancy, the GLA has the discretion to calculate redundancy payments on the basis of actual week's pay rather than the statutory limit (up to a maximum of 30 weeks' actual pay).

Regardless of length of service, the GLA also has the discretion to pay a single lump sum compensation payment of up to a maximum of 104 actual weeks' pay to employees who leave on grounds of redundancy and who have not had their pensionable service increased.

Purely as a guideline, the GLA may consider applying a multiplier of 1.5 to the statutory formula, using an actual week's pay, to employees who have at least 2 years' qualifying employment and who:

- are leaving employment on the grounds of redundancy and
- have not had their pensionable service increased

This would give a maximum number of 45 weeks' pay (i.e. 30×1.5).

Although the GLA will consider payments in accordance with the guidelines above, what amounts (if any) it decides to pay in any particular case will depend upon how it uses its discretions, according to the criteria set out in Appendix A.

Any discretionary payment made incorporates the employee's statutory redundancy entitlement.

Pension related discretionary payments

The GLA has discretionary powers under regulation 31 of the Local Government Pension Scheme Regulations 2013 to augment the pensionable service of employees aged 55 years or over (and under 65) who leave the GLA's service on the grounds of redundancy or efficiency of the service. The GLA may award a member additional pension of not more than £6,500 (value at 2014 and index linked).

The GLA will consider whether it will use its discretion to increase a pension – and if so by what amount - on a case by case basis using the criteria set out in Appendix A.

The GLA will not normally consider increasing the pensionable service of employees appointed by the Mayor under s 67(1) of the GLA Act 1999 (as amended), other than in exceptional circumstances.

4 Termination of employment in the interests of the efficiency of the service

In exceptional circumstances, an employee can be dismissed or allowed to retire early in the "interests of the efficient exercise of the GLA's service". This is not a redundancy and, in legal terms, is for "some other substantial reason."

This may happen when the requirements of a job change and where an employee is unable to acquire the new skills and knowledge required. This provision must not be used to deal with matters of capability or discipline which should be addressed under the appropriate procedure.

Termination in the interests of the efficiency of the service will normally be based on a mutually agreed termination date.

The relevant director or unit head will need to submit a business case, demonstrating that efficiency savings result directly from the termination of employment. Each case will be considered on an individual basis and, in deciding how to exercise its discretion in any particular case, the GLA will use the criteria set out in Appendix A.

Discretionary payments

For employees who leave on grounds of efficiency of the service, the GLA will, in exceptional circumstances, consider using its discretionary powers to:

EITHER

For employees aged 55 or over, award enhanced pension benefits.

OR

For employees aged under 55, pay a single lump sum compensation payment of up to a maximum of 104 actual weeks' pay to employees who have not had their pensionable service augmented.

5 Early payment of pension

Employees aged 55 and over who leave the GLA voluntarily before reaching retirement age, may choose to receive immediate payment of their accrued retirement benefits. These accrued benefits will be subject to actuarial reduction due to early payment.

The GLA has discretion under the LGPS Regulations 2008 to waive this reduction on compassionate grounds. Any such decision will be subject to submission of a business case by the relevant director or unit head. Each case will be considered on an individual basis and, in deciding how to exercise its discretion in any particular case, the GLA will use the criteria set out in Appendix A.

6 Flexible retirement

Employees aged 55 or over with the required pension scheme service may, with the permission of their Director and the Assistant Director for Human Resources and Organisational Development, reduce their hours or move to a position on a lower grade and elect to draw part or all of their accrued pension benefits - whilst still continuing to receive a salary on the reduced hours or grade.

Where an employee receives early payment of part or all of their pension benefits, these benefits will be subject to actuarial reduction for early payment.

The GLA has discretion under the LGPS Regulations 2008 to waive this reduction. Any decision to waive an actuarial reduction will be subject to submission of a business case by the relevant director or unit head. Each case will be considered on an individual basis, and in deciding how to exercise its discretion in any particular case, the GLA will consider the efficiency gains resulting from the arrangement.

7 Authority to approve payments or costs

Any decision to make a payment or approve costs incurred under this policy must be authorised as follows:

For the Chief Officer, the Head of Finance and Governance and the Monitoring Officer (the statutory officers), the Mayor and Assembly will make decisions acting jointly.

For staff directly appointed by the Mayor under s67 (1) of the GLA Act 1999, the Mayor will make the decision (or may delegate this authority to the statutory officers).

For all other staff the Chief Officer will make the decision (or may delegate this authority to the statutory officers).

Before any decision is made under this Policy to make a payment or approve costs incurred, a report must be submitted to the relevant director or unit head for consideration. In the case of payments for the statutory officers, directors, and Mayoral appointees, the views of the GLA's appointed auditors will be sought before a decision is made.

All discretionary exit payments are subject to the provisions of the Public Sector Exit Payment Regulations 2020, which limits the total value of exit payments to £95,000.

8 Liability to taxation

Under current HMRC rules the pension lump sum payment, regardless of the sum, is tax free.

Redundancy payments of up to £30,000 do not attract liability for income tax or National Insurance contributions. Tax is payable on any amount over and above this limit. For the latest government advice, see <https://www.gov.uk/redundancy-your-rights/redundancy-pay>

9 Other termination of employment provisions

Pay in lieu of notice

If employment is terminated on the grounds of redundancy, efficiency or early retirement, pay in lieu of notice (all or part) will only be paid where the GLA decides that it is not practicable or appropriate for the employee to work their notice. Tax is payable on pay in lieu of notice.

Fixed term Contracts

Where a fixed term contract expires and is not renewed, this is a dismissal. A redundancy payment may be due in some circumstances. The [Organisational Change Policy and Procedure](#) has details and [HR Advisers](#) can also provide information.

Annual Leave

Employees leaving the GLA's service should take any outstanding annual leave during their notice period. If any entitlement remains untaken by the leaving date, payment will be made for the outstanding amount up to a maximum of the statutory leave entitlement.

Training Expenses

Payment of training expenses will stop when an employee leaves the GLA. Repayment of training expenses may be waived in the event of redundancy.

Maternity Pay

The requirement to repay maternity pay may be waived if an employee is made redundant either during maternity leave or before the expiry of the qualifying period on return from maternity leave.

10 Further information

Contact your [HR Adviser](#) for:

- Advice on this policy
- Advice on obtaining an estimate of pension benefits if you are aged 55 or over and are being made redundant, or where it has been agreed that the GLA will consider payment of enhanced benefits (such requests have to be made by the employer).

For routine pension estimates, contact the Local Pensions Partnership Administration (LPPA), giving the LGPS number in any communication:

Email: askpensions@localpensionspartnership.org.uk
Telephone: 0300 323 0260
Help desk is open 9:00am to 4:00pm Monday to Friday
Website: www.yourpension.org.uk

The [Organisational Change Policy and Procedure](#) has information about restructuring, redundancy and ending fixed term contracts.

For information about statutory rights, see the government's web page <https://www.gov.uk/>.

The Employee Assistance Programme (EAP) provides access to free confidential advice or short-term counselling. Details are given [here](#).

You can also talk to:

- A member of the [Human Resources](#) team (HR&OD)
- A [Unison](#) representative

- A member of the [Staff Networks](#)

Document author	Heidi Davies, HR Adviser, Policy, HR&OD
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1	Original version.	March 2001
2	Updated following changes to LGPS in 2008.	March 2009
3	Updated following review.	June 2012
4	Updated following changes to the LGPS rules; changes to style and content in line with review of HR policies	January 2021

Appendix A

Compensation Payments Policy – criteria for use of discretions

The Compensation Payments Policy sets out the GLA's powers to make discretionary payments to, or augment the pensionable service of, employees who leave on the grounds of redundancy or efficiency of the service. This appendix sets out the criteria that the GLA will use when deciding whether or not it will use these discretions.

The factors that will be taken into account are set out below.

For enhanced redundancy payments and lump sum compensation:

- The employee's length of service with the GLA
- The employee's disciplinary record and whether they are currently the subject of any formal action under disciplinary or other procedures which is likely to lead to dismissal in the immediate future
- The employee's attendance record (subject to any considerations under equality legislation being taken into account)
- Based on evidence, including performance review records, the employee's performance of their duties and, relative to their post, their contribution to the work of the GLA and to London
- The extent to which the GLA will receive an organisational or financial benefit from the termination
- The GLA's available resources at the time of considering whether to make a discretionary payment, and if so, by how much

For enhanced pension for employees leaving on grounds of redundancy or efficiency of the service and lump sum compensation for employees leaving the GLA's service on efficiency of the service grounds:

- The extent to which the GLA will receive an organisational or financial benefit from the termination
- The GLA's available resources at the time of considering whether to make a discretionary payment, or to augment pension, and if so by how much.