

Portfolio Holder Decision – Response to Government consultation on the reform of exit payments in local government

Proposed Response to MHCLG Consultation: Reforming local government exit pay - A consultation on the reform of exit payments in local government

Thank you for the opportunity to respond to the consultation on the reform of exit payments in local government.

While the consultation is seeking views about implementation issues regarding the exit payment regulations, we would like to take the opportunity to flag that it had been understood that changes to the regulations were targeted towards higher earners leaving public sector employment with high value packages. The impact assessment conducted by the Government Actuary's Department indicates that in fact, these changes will affect 86% of people leaving on the grounds of redundancy, and that the average salary of those affected is less than £30,000. This penalises those who have worked loyally for public sector employers for many years and through no fault of their own are having benefits they could have expected to be entitled to withdrawn.

Warwickshire County Council also asks the government to note that the impact of these changes to regulations is taking place at a time when local government is already under major pressure in responding to local COVID-19 issues, and is dealing with the considerable financial burden that has created.

Warwickshire County Council is part of a consortium of West Midlands Employers which will be submitting detailed responses to the specific consultation questions. However, we would like to take this opportunity to provide a broader, strategic response in order to make the following points:

1. The Restriction of Public Sector Exit Payments Regulations were approved by Parliament on 30 September 2020. In spite of strong representations from the local government sector, it appears that they are likely to come into force before corresponding changes can be made to Local Government Pension Scheme (LGPS) Regulations. This presents a significant issue for local authorities, who will be forced into non-compliance with either one set of regulations or the other.
2. Local authorities are now in a position where they cannot reliably determine the outcome of individual cases, without risking legal challenge. This will seriously inhibit their ability to complete reorganisation and redundancy exercises, and to the considerable detriment of those individuals who are part way through such processes.
3. Additionally, where local authorities operate their Local Government Pension Scheme on behalf of other employers who fall within the scope of these regulations,

they are now unable to provide advice on how to proceed with redundancy cases, and are therefore unable to fulfil their duties as Scheme Manager.

4. As a result, councils may have to retain staff who they would otherwise have exited from their organisations. This will have the effect of:
 - a) increasing costs at a time when local government can ill afford it;
 - b) increasing the likelihood of legal challenge from those individuals being made redundant; and
 - c) if staff are exited there is a real risk that they will be disadvantaged after years of service to local government.
5. Councils will also have to meet the additional costs of changing their pension administration systems and software to implement changes to pension strain factors, as and when a national strain factors scheme is introduced.