


Non-Executive Report of the: Council 22 January 2025	 TOWER HAMLETS
Report of: Pauline Shakespeare, Interim Head of Corporate Human Resources	Classification: Part Exempt (Appendix 1)
Localism Act 2011 and approval of exit payments	

Wards affected	All wards
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1. EXECUTIVE SUMMARY

- 1.1 Section 38(1) of the Localism Act 2011 requires the full council to adopt and publish a pay policy statement for each financial year. Section 40(1) of the Act says that a relevant authority in England must, in performing its functions under section 38 or 39, have regard to any guidance issued or approved by the Secretary of State.
- 1.2 The guidance issued by the Secretary of State states that salaries on appointment and exit packages of more than £100,000 should be approved by full council.
- 1.3 This report seeks approval for the early retirement and voluntary redundancy exit package for one post. The exit package exceeds the £100,000 threshold set out within the statutory guidance issued by the Secretary of State under section 40 of the Localism Act.

Recommendations:

The Council is recommended to:

- a) Note and approve the exit payments, including redundancy and the cost of the early payment of pension benefits, the applications for Early Retirement and Voluntary Redundancy, as set out in Appendix 1.
- b) Note that the redundancy payment is part of the individuals' contractual terms and conditions of employment and that the early payment of pension benefits is linked to the Local Government Pension Scheme.

2. REASONS FOR THE DECISIONS

- 2.1 The Localism Act 2011 received Royal Assent on 15 November 2011. Additionally, the 'Code of Recommended Practice for Local Authorities on Data Transparency' was published in September 2011, under Section 2 of the Local Government, Planning and Land Act 1980. The Code sets out key principles for local authorities in creating greater transparency through the publication of data. Supplementary guidance, 'Openness and Accountability in Local Pay: Guidance under Section 40 of the Localism Act', was published on 20 February 2013. Further guidance on the making and disclosure of Special Severance Payments was published on 12 May 2022.
- 2.2 The Act's intention is to bring together the strands of increasing accountability, transparency and fairness, with regards to pay.
- 2.3 The provisions of the legislation require local authorities to adopt and publish a pay policy statement. Statements must be approved by full council and have regard to the guidance published by the Secretary of State. Authorities will be constrained by their policy statement, although the statement may be amended at any time by further resolution of full council.

3. DETAILS OF REPORT

- 3.1 The council launched an Early Retirement/Voluntary Redundancy (ER/VR) scheme on 3 October 2024 in renewed effort to achieve savings over the forthcoming years and within the MTFs, whilst delivering the Mayor's key priorities. This is an open rolling programme.
- 3.2 Information pertaining to applications from employees and associated costs are contained within Appendix 1 (non-public information).

4. EQUALITIES IMPLICATIONS

- 4.1 There is no adverse impact in agreeing the exit. The ER/VR Policy, under which the exit is taking place, was equality impact assessed when introduced. A full equality impact assessment was carried out in relation to the 2024 ER/VR scheme and the impacts for each protected characteristic were neutral. As the ER/VR scheme is now a rolling one, equalities data and impact will be reported on an annual basis, starting in October 2025, with more regular review of data by HR to see if any patterns/issues emerge, so that action can be taken if needed.
- 4.2 It is worth noting that under the 2024 ER/VR scheme, only around 1% of the workforce left the organisation.

5. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 5.1 The savings from deleting the post will result in a payback period of a year based on the exit costs.

6. COMMENTS OF LEGAL SERVICES

- 6.1 A redundancy occurs when the workforce is reorganised and there is less work, and/or changes to a role that result in any new job being quite different from the old one. A dismissal for redundancy purposes is defined in section 139 of the Employment Rights Act 1996).
- 6.2 By section 135 of the Employment Rights Act 1996 an employee is entitled to a redundancy payment if the employer dismisses the employee by reason of redundancy. Contractual redundancy and severance payments may give the employee the right to payments which enhance the statutory entitlement and any failure to pay the employee their contractual entitlement would result in a breach of the employee's contract and would be likely to lead to a claim against the Council.
- 6.3 Additionally, a member of the Local Government Pension Scheme who is made redundant or released on the grounds of business efficiency and who is aged over 55 at the date of dismissal is entitled to immediate unreduced payment of their local government pension. An employee has a statutory and contractual right to receive this payment in these circumstances.
- 6.4 Approval by full Council must be given for the payment of voluntary redundancy exit packages which exceed the £100,000 threshold, as required under the statutory guidance issued by the Secretary of State under section 40 of the Localism Act and in line with the Council's pay policy.

7. BEST VALUE COMMENT

- 7.1 This will result in the deletion of a post and a saving in line with best value.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix 1 – ER/VR application costs (Non-Public Information)

NOT FOR PUBLICATION

Pursuant to section 100A of the Local Government Act 1972, the Council may by resolution exclude the public from a meeting during an item of business whenever it is likely, in view of the nature of the business to be transacted, that if members of the public were present during that item there would be a disclosure of exempt information.

Exempt information is defined in section 100I and, Part 1 of Schedule 12A to the Local Government Act 1972 (“the 1972 Act”). To be exempt, information must fall within one of the categories listed in paragraphs 1 to 7 of Schedule 12A, must not fall within one of the excluded categories in paragraphs 8 and 9 and the public interest in maintaining the exemption must outweigh the public interest in disclosing the information.

The appendix to this report contains information falling within paragraphs 1 and 3 of Part 1 of Schedule 12A to the 1972 Act, namely information relating to an individual and information relating to the financial and business affairs of any particular person (including the authority holding that information).

The public interest in withholding the information outweighs the public interest in disclosing it as disclosure would prejudice the employment relationship between the Council and the employee and could prejudice the employment relationships between the Council and all its employees.

**Local Government Act, 1972 Section 100D (As amended)
List of “Background Papers” used in the preparation of this report**

- NONE

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