

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources	DATE	17 June 2010
CORPORATE DIRECTOR	Stewart Carruth		
TITLE OF REPORT	Third Tier Ill Health Gratuity – Discretion under the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Amendment Regulations 2009 – Follow up report		
REPORT NUMBER	CG/10/124		

1. PURPOSE OF REPORT

Further to the report on the above to the Committee of 11 March 2010, officers were asked to report back in more detail in three months in order for a final decision to be taken with regard to the Third Tier Ill Health Gratuity. This report provides additional information for the Committee to consider in order that a final decision can be made on whether or not the Gratuity is applied.

2. RECOMMENDATION(S)

It is recommended that the Committee approves:

- i) to apply its discretion provided in the above regulations to make third tier ill health gratuity in accordance with the criteria outlined in paragraph 6.6.
- ii) that the third tier ill-health gratuity shall be one week's pay for each year of continuous service up to a maximum of 30 weeks.
- iii) that any associated costs require to be contained within service budgets.

3. FINANCIAL IMPLICATIONS

The financial implications are as detailed in paragraph 3 of the report of 11 March 2010. However, it is estimated that a full time employee on the Council's average salary of £27,000 (including employer's on costs) with over 30 years' service the cost of that employee will be in the region of £15,500.

It is impossible to predict in future how many staff will qualify for such a payment, as this depends on a number of factors such as their length of service, salary and contracted hours. From looking at the number of capability dismissals over the past two years and estimating there will be 6 dismissals per year the costs are estimated to be slightly over £90,000. There is no budget provision for this

measure and, if approved, these costs will have to be contained within the budget of each service.

4. SERVICE & COMMUNITY IMPACT

There are no service or community impact implications.

5. OTHER IMPLICATIONS

There are no other implications.

REPORT

6.1 Officers were asked to come back to Committee with more details in order for a final decision to be made as to whether the Council would apply its discretion to make a Third Tier Ill Health Gratuity payment as provided for in the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Amendment Regulations 2009.

6.2 Information has been gathered on the number of ill health capability dismissals in the Council over the last two calendar years as well as the number of cases so far this year. The results are shown in the table below:

Year	Number of Ill Health Capability Dismissals
2008	4
2009	6
2010	3

The above information indicates the number of cases in the recent past has therefore been relatively small.

6.3 Whilst historically there have only been a small number of cases, it is highly likely that this number will increase in the near future. The Council needs to improve its performance around managing attendance and with a new more focused, Maximising Attendance policy being drafted and due for consultation prior to consideration by Committee, it is likely the number of such cases will rise.

6.4 An estimate of the maximum cost of the gratuity per annum has been made at just over £15,500 per case. If we assume 6 cases per year, the salary of each employee being £27,000 (Council average including on-costs) and each employee having 30 years' continuous service, the total annual cost is over £90,000. These figures should be used with caution as the number of cases is likely to vary from year to year with the length of service of each employee being an unknown factor.

6.5 If the Committee decided to apply the discretion the payment to the employee will be dependent on the length of service of the employee. It is proposed to

apply the provisions permitted by the regulations which allow one week's pay for each year of continuous service up to a maximum of 30 weeks.

6.6 It is proposed the following criteria be applied to employees who are not able to meet their contractual commitment to attend work due to long term ill-health:

- An active member of the Local Government Pension Scheme with a minimum of 2 years' membership in the scheme.
- the Council's Occupational Health Provider has determined that the employee's medical condition does not qualify for a Tier 1 or Tier 2 Ill Health retirement recommendation ie that the member's employment should be terminated on the grounds of that member's ill health or infirmity of mind or body and is not permanently incapable of discharging the duties of his/her current employment or there is no reasonable prospect of the member obtaining gainful employment.
- the reason for the capability dismissal is due to a continued period of long term sickness absence (i.e. over 4 weeks) immediately prior to the decision to dismiss, due to an underlying medical cause.

6.7 The reason for the last criterion above is that there may be circumstances where staff cannot sustain their employment commitments due to short-term persistent sickness. It is suggested that an ill health gratuity payment is not appropriate for employees with repetitive short-term episodes of sickness, **even where there is an underlying medical cause**, as this could be viewed as "rewarding" this type of sickness absence. This would be contrary to what management is trying to achieve to reduce the number and frequency of days lost due to short-term absence.

7 REPORT AUTHOR DETAILS

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8 BACKGROUND PAPERS

Third Tier Ill Health Gratuity – Discretion under the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Amendment Regulations 2009 – Report to Finance & Resources Committee 11 March 2010.