


| Assurance Opinion   |   | Number of Actions |        | Risks Reviewed  | Assessment |
|---|---|-------------------|--------|---|------------|
|  | <p>A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</p> | Priority          | Number | Reputational damage and payments made not in line with Council Policy | Low        |
|   |   | Priority 1        | 0      |   |            |
|   |   | Priority 2        | 0      |   |            |
|   |   | Priority 3        | 0      |   |            |
|   |   | Total             | 0      |   |            |

**Background and Scope**

During a recent meeting of the Governance and Audit Committee, a question arose regarding a specific entry in the council accounts pertaining to teacher redundancy payments. The entry in question amounted to £1.47 million and was labelled as 'Discretionary Benefits Arrangements £'000'.

In response to this query, Internal Audit was assigned the responsibility of thoroughly investigating this accounting entry to ascertain its accuracy and validity. This investigation aimed to delve into the details surrounding this entry, examining its origins, justification, and alignment with the council's financial protocols.

**Summary**

The amount of £1.470 million stated in the Statement of Accounts pertains to enhancements in teacher pensions. These enhancements occur when management agrees to an individual's request for early retirement or voluntary redundancy. For such requests to be approved, a thorough business case must be prepared. This case outlines how the redundancy will affect the service and what financial consequences it will entail.

To ensure accountability and transparency, two random business cases were selected for review. It was found that both cases had followed the guidelines outlined in the Management of Change and Redundancy Policy. This included clearly outlining the financial impacts, assessing the efficiency of the decision, and obtaining approval from the headteacher through a signed declaration. These findings were confirmed and endorsed by the Governing Body Minutes, indicating their agreement with the decisions made.

**Findings**

Further investigation discovered that the query was not strictly about teacher redundancy payments but an entry in the draft statement of accounts 22/23 - Page 96 Discretionary payment arrangements (see below).

*Reconciliation of the Movements in the Fair Value of Scheme Assets*

| 2021/22                         | 2021/22                             |  | 2022/23                         | 2022/23                             |
|---------------------------------|-------------------------------------|--|---------------------------------|-------------------------------------|
| Local Government Pension Scheme | Discretionary Benefits Arrangements | Pension Scheme Assets                  | Local Government Pension Scheme | Discretionary Benefits Arrangements |
| £'000                           | £'000                               |  | £'000                           | £'000                               |
| 684,260                         | -                                   | Brought forward 1 April                | 757,990                         | -                                   |
| 14,390                          | -                                   | Interest Income on Assets              | 20,510                          | -                                   |
| 57,990                          | -                                   | Remeasurement gains/(losses) on assets | (51,650)                        | -                                   |
| 21,650                          | 1,470                               | Contributions by the employer          | 23,910                          | 1,470                               |
| 5,330                           | -                                   | Contributions by participants          | 5,830                           | -                                   |
| (25,630)                        | (1,470)                             | Net benefits paid out                  | (27,880)                        | (1,470)                             |
| 757,990                         | -                                   | Carried Forward 31 March               | 728,710                         | -                                   |

The Finance department were contacted to provide an explanation of the £1.47m Discretionary Benefits Arrangements entry and they confirmed the following:

- This is Teacher’s pension enhancements, where the authority has agreed to pay benefits because of early retirement, and even though teachers are not included in the LGPS scheme these awards should be accounted for as if it were a defined benefit scheme.
- Management of Change and Redundancy Policy was provided (paragraphs 3.1.2-4, 3.2 and 7 are pertinent), along with transactions for last year.
- It is likely further payments to others will occur in the future.
- The balances are sent to the actuaries who report the figures back to in millions and to two decimal points hence the £1.470m rather than the £1.473m.
- Copies of two business cases were provided by Finance. One for Voluntary Early Retirement and the other for Voluntary Redundancy both in 2023. Both cases clearly detailed the costs that would be incurred and an explanation of these and the associated savings to the schools’ budgets.

Internal Audit testing identified that:

- No issues were noted with the information provided to support the two business cases.
- Both business cases had gone through the relevant process to justify and approve them.

During the audit process, extensive discussions took place with the finance team. They provided thorough and comprehensive explanations, supported by documentation, to clarify the events and timelines of the transactions.

## Appendix 1

Extracts from the Management of Change and Redundancy Policy as referenced:

### 3.1.2-4

3.1.2 Once Governors have agreed to proceed, the Headteacher will formalise a Business Case (see Headteachers' Toolkit) covering the following: • Rationale for proposed changes • Current staffing structure (and curriculum if relevant) • Proposed staffing structure and effective date (and curriculum if relevant) • Key changes / benefits resulting from proposed changes • Proposed consultation process • Proposed timeline (having confirmed HR availability)

3.1.3 Feedback on all elements of the business case will form part of the consultation process.

3.1.4 The draft business case and associated documents will be submitted to the school's named HRBP. In the event that the school does not have a named HRBP (i.e. if the School only buys in to the Core element of the SLA) the business case should be sent to the generic Schools' HR inbox.

### **3.2 Approval**

3.2.1 Once the business case has been agreed with the HRBP and any other relevant officer (e.g. Finance or Challenge Advisor), incorporating any changes where relevant, it should be submitted to the Governing Body for approval. This should be the full Governing Body unless this responsibility has been formally delegated (and minutes confirming this are available) to a subcommittee.

### **7. Early Retirement**

7.1 Staff selected for redundancy (whether compulsory or voluntary) who contribute to the relevant pension scheme (Local Government Pension Scheme or Teachers' Pensions), and who are aged 55 or over, will be able to access their benefits unreduced under their Pension Scheme.

7.2 They will also qualify for a statutory redundancy payment dependant on age and length of service as outlined at paragraph 5 above.

Key Contacts in Finance and HR are as follows:

- Jane Thomas      Director of Corporate Services
- Dan Paley        Financial Reporting and Policy Accountant
- Rachel Hudson   HR Manager Schools