

**WITHOUT PREJUDICE AND SUBJECT TO CONTRACT AND COUNCIL APPROVAL**

**HEADS OF TERMS**

**BETWEEN NORTHUMBERLAND COUNTY COUNCIL AND DALJIT LALLY**

We the undersigned hereby record this minute of agreement that is subject to formal approval by the County Council and to a binding settlement agreement being perfected and signed by the parties and presented to the County Council for agreement on 27 July 2022.

1. Daljit Lally will leave her employment as Chief Executive and Head of Paid Service of the County Council on 31 July 2022 (the Termination Date), by reason of ill health (capability).
2. In accordance with the terms of the Local Government Pension Scheme Regulations, Daljit Lally will be entitled to apply for an immediate payment of her accrued pension benefits under Regulation 30 (5) of the Regulations, subject to the rules of the scheme, including actuarial reduction for early release.
3. Daljit Lally will immediately, on signing these heads of terms, appoint Rick O'Farrell, the Deputy Chief Executive to discharge her duties as Chief Executive and Head of Paid Service until the Termination Date (save that Mrs Lally will retain all statutory protections as Head of Paid service of the Council and in the event of any formal consultations with other statutory officers under sections 114 (or 114A) of the Local Government Finance Act 1988 or Section 5 (5A) of the Local Government and Housing Act 1989 she shall be consulted as Head of Paid Service in addition to Mr O'Farrell) and remain on sick leave from her duties and not attend the Council's offices or discharge any of her duties.
4. Mrs Lally will withdraw her Employment Tribunal claims (No. 2500908/2021 and 2500606/2022) (the Claims) and all complaints, whistle-blows, grievances, dignity at work or data protection complaints, or any other process or policy of or relating to her employment, its termination or the manner of its termination that she has made relating to any officer, member, former member, contractor or worker of the County Council. This will include any code of conduct complaints she has made against any current or former elected members of the County Council.
5. Mrs Lally and the Council agree that neither party shall make or pursue any application for costs, preparation time or wasted costs in connection with the Claims.
6. The Council agrees, though it disputes the hours that Mrs Lally is required to work, that it will not seek any reimbursement or set off in relation to the full-time pay Mrs Lally has received since May 2021.

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7. Subject to the receipt of medical evidence supporting such an application, the Council agrees to support Mrs Lally's application for ill-health early retirement (the Application). Mrs Lally agrees that, if she makes such an application, it will be made within 3 months from the date of this agreement. If Mrs Lally does not make such an application, the contingency payment set out in paragraph 19 below will be paid to Mrs Lally or at her direction, within 3 months of the Termination Date.
8. If Mrs Lally makes the Application and it is approved under Tier 1 or 2 of the LGPS scheme, she will not be entitled to the contingency payment set out in paragraph 19 below. If Mrs Lally makes the Application and it is approved under Tier 3 of the LGPS scheme, she will be entitled to the contingency payment set out in paragraph 19 below.

The Council waives its right to bring a potential claim for restitution/repayment of payments made to Mrs Lally as an International Allowance, but the Council will recover the contributions paid by Mrs Lally to the LGPS or to HMRC in relation to the International Payment and will pay to Mrs Lally the sum of £7,715.58 in this regard.

- 10 The parties openly acknowledge that the settlement is intended to draw a line under all of the issues that have emerged between them. The intention is to ensure that both parties can move forward with dignity. The Council will cease any current investigation into Mrs Lally arising from its own processes.
- 11 The Council further agrees that it will not raise any complaints, processes or litigation relating to her employment or office holding and will not encourage or support any officer, member, former member, contractor or worker of the Council in this regard. This is without prejudice to any statutory direction or other regulatory action taken by the Council's external auditor.
- 12 The Council will provide Daljit Lally with a fair reference and an agreed statement on her departure.

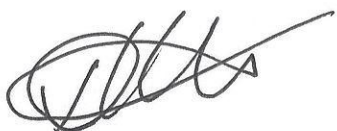
The financial terms of the settlement are as follows:

- 13 Pay in lieu of 3 months' notice - £25,000
- 14 Pay in lieu of 35 days annual leave of £15,000
- 15 Settlement of the Claims at a sum of £75,000 for injury to feelings (tax free)
- 16 The council will bear the lease car early termination costs of up to £4000
- 17 Payment of up to £50,000 (inc VAT) as a contribution to the legal costs incurred by Mrs Lally (this is a tax-free benefit in kind).
- 18 A payment in the sum of £40,000 on account of injury or disability (for the purposes of s.406(b) of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA).

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- 19 A payment in the sum of £50,000 on account of injury or disability (for the purposes of s.406(b) of ITEPA. This payment will only be paid if the circumstances set out in paragraphs 7-8 above.
- 20 Mrs Lally will provide a tax indemnity in relation to the payments set out in paragraphs 18 and 19. The Council will give Mrs Lally reasonable notice of any demand for tax which may lead to liabilities on her under this indemnity and shall provide her with reasonable access to any documentation she may reasonably require to dispute such a claim (provided that nothing in this clause shall prevent the Council from complying with their legal obligations with regard to HM Revenue and Customs or other competent body).

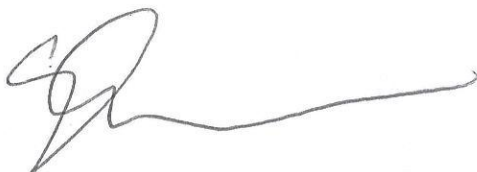
19 July 2022



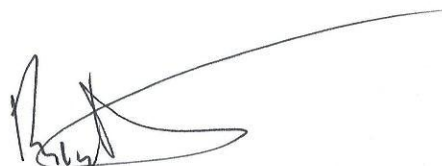
Daljit Lally



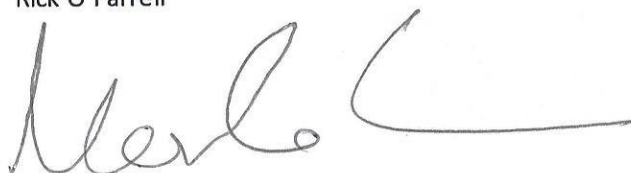
Andrew Davidson (Hempsons)



Glen Sanderson



Rick O'Farrell



Mark Greenburgh

