BROMLEY CIVIC CENTRE, STOCKWELL CLOSE, BROMLEY BRI 3UH

THE LONDON BOROUGH
www.bromley.gov.uk

TELEPHONE: 020 8464 3333
CONTACT: Graham Walton
graham.walton@bromley.gov.uk

DIRECT LINE: 0208 461 7743
FAX: 020 8290 0608

DATE: 22 November 2011

To: Members of the

GENERAL PURPOSES AND LICENSING COMMITTEE

Councillor Tony Owen (Chairman)
Councillor Russell Mellor (Vice-Chairman)
Councillors Nicholas Bennett J.P., John Canvin, Roger Charsley, Roxy Fawthrop, John Getgood, Will Harmer, Gordon Norrie, Ian F. Payne, Charles Rideout, Diane Smith, Tim Stevens, Harry Stranger and Stephen Wells

A meeting of the General Purposes and Licensing Committee will be held at Bromley Civic Centre on **THURSDAY 1 DECEMBER 2011 AT 7.30 PM**

MARK BOWEN
Director of Resources

Copies of the documents referred to below can be obtained from www.bromley.gov.uk/meetings

A G E N D A

1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF ALTERNATE MEMBERS

2 DECLARATIONS OF INTEREST

3 CONFIRMATION OF MINUTES OF THE MEETING HELD ON 28TH SEPTEMBER 2011 (Pages 5 - 10)

4 MATTERS OUTSTANDING FROM PREVIOUS MEETINGS

The following items are listed as outstanding from previous meetings:

Minute 144 (27/7/11): Reference from Pensions Investment Sub-Committee

The Committee had been requested to consider the overall impact on the pension scheme of any high earning staff wishing to take early retirement. It was resolved that this matter be retained on the "Matters Arising" list until more information was available. Proposed changes to the Local Government Pension Scheme are addressed in a report at item 6 on this agenda.

Minute 165/1 (28/9/11): Management Grade Pay Review 2011

The Committee requested a further update – a report will now be provided to the Committee's meeting on 15th February 2012.

5 **QUESTIONS FROM MEMBERS OF THE PUBLIC ATTENDING THE MEETING**

In accordance with the Council's Constitution, questions to this Committee must be received in writing 4 working days before the date of the meeting. Therefore, please ensure that questions are received by the Democratic Services Team by 5pm on Friday 25th November 2011.

6 **LOCAL GOVERNMENT PENSIONS SCHEME - CONSULTATION ON DRAFT PROPOSALS** (Pages 11 - 48)

7 **LICENSING SUB-COMMITTEE: SCHEDULE OF MEETINGS - JANUARY TO JUNE 2012** (Pages 49 - 54)

8 **AUDIT SUB-COMMITTEE: MINUTES - 22ND SEPTEMBER 2011 (EXCLUDING EXEMPT INFORMATION)** (Pages 55 - 60)

The Committee is requested to consider Minute 66 – Internal Audit Progress Report – which includes revised terms of reference (set out in appendix 1) agreed by the Sub-Committee and reported to this Committee for approval. The Committee is also requested to recommend to Council that the Constitution (Part 3 – Responsibility for Functions) is amended to include the new terms of reference.

9 **INDUSTRIAL RELATIONS SUB-COMMITTEE: MINUTES - 28 JUNE 2011(EXCLUDING EXEMPT INFORMATION)** (Pages 61 - 62)

10 **PENSIONS INVESTMENT SUB-COMMITTEE: MINUTES - 14TH SEPTEMBER 2011 (EXCLUDING EXEMPT INFORMATION)** (Pages 63 - 70)

11 **LOCAL JOINT CONSULTATIVE COMMITTEE: MINUTES - (A) 14 JULY 2011; (B) 21 SEPTEMBER 2011** (Pages 71 - 82)

12 **LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM OF INFORMATION ACT 2000**

The Chairman to move that the Press and public be excluded during consideration of the items of business listed below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

	Items of Business	Schedule 12A Description
13	**CONFIRMATION OF EXEMPT MINUTES OF THE MEETING HELD ON 28TH SEPTEMBER 2011** (Pages 83 - 84)	Information relating to the financial or business affairs of any particular person (including the authority holding that information)
14	**AUDIT SUB-COMMITTEE: EXEMPT MINUTES - 22ND SEPTEMBER 2011** (Pages 85 - 88)	Any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

15	**INDUSTRIAL RELATIONS SUB-COMMITTEE: EXEMPT MINUTES – 28 JUNE 2011** (Pages 89 - 90)	Information relating to the financial or business affairs of any particular person (including the authority holding that information)
16	**PENSIONS INVESTMENT SUB-COMMITTEE: EXEMPT MINUTES – 14TH SEPTEMBER 2011** (Pages 91 - 94)	Information relating to the financial or business affairs of any particular person (including the authority holding that information)

....

This page is left intentionally blank

GENERAL PURPOSES AND LICENSING COMMITTEE

Minutes of the meeting held at 7.30 pm on 28 September 2011

Present:

Councillor Tony Owen (Chairman)
Councillor Russell Mellor (Vice-Chairman)
Councillors Nicholas Bennett J.P., John Canvin, Roger Charsley, Roxy Fawthrop, Peter Fookes, Will Harmer, Gordon Norrie, Ian F. Payne, Charles Rideout, Diane Smith, Tim Stevens, Harry Stranger and Stephen Wells

151 APOLOGIES FOR ABSENCE AND NOTIFICATION OF ALTERNATE MEMBERS

Apologies for absence were received from Councillor John Getgood – Councillor Peter Fookes attended as his substitute.

152 DECLARATIONS OF INTEREST

The following Councillors declared personal interests as members of the Council's pension scheme – Councillors Nicholas Bennett, Roger Charsley, Roxy Fawthrop, Russell Mellor, Gordon Norrie, Tony Owen, Ian Payne, Charles Rideout, Diane Smith, Tim Stevens and Stephen Wells.

153 CONFIRMATION OF MINUTES OF THE MEETING HELD ON 27TH JULY 2011

RESOLVED that the minutes of the meeting held on 27th July 2011 be confirmed.

154 MATTERS OUTSTANDING FROM PREVIOUS MEETINGS

The Committee noted matters outstanding from previous meetings.

155 QUESTIONS FROM MEMBERS OF THE PUBLIC ATTENDING THE MEETING

One question had been received regarding the Council's capital monitoring arrangements, but as the Executive were already dealing with this matter the Chairman had referred this to them for response.

156 REVISIONS TO STATEMENT OF LICENSING POLICY
Report ES11115

At the previous meeting Members had requested a review of the current statement of Licensing Policy following Brighton's success with their Cumulative Impact Policy refusing a new premises licence for a Sainsbury's Supermarket. The report proposed some changes to the Statement in relation to Cumulative Impact policy, and also in relation to making Representations/Petitions and Planning and Building Control.

The Committee discussed the proposed changes, and in particular whether it was helpful to add, as proposed in the report (appendix 1, page 16), (i) the word "material" before "variations" to distinguish from minor variations, and (ii) the phrase "such as restaurants" to give an example of applications that were unlikely to add significantly to saturation. Members also questioned the use of the word "significantly", but it was confirmed that this was part of the original wording.

In considering the proposed changes to "Making Representations" (appendix 2, page 19), Members requested that further consideration be given to provision for e-petitions and other forms of electronic submissions. The existing wording suggesting that individual representations might be given more weight than a petition was alluding to the possibility that more thought had to go into the former. It was confirmed that the requirement for each sheet of a petition to carry full details about the site and the objections was to ensure that petitioners were clear about what they were signing.

RESOLVED that

(1) The proposed changes set out in appendices 1, 2 and 3 of the report be approved, with the addition of the word "usually" prior to the word "not as informative as individual correspondence…" at page 19 of Appendix 2 to the report.

(2) Public consultation be undertaken on the proposed changes.

(3) A further report be received in due course for consideration and referral to full Council.

157 AUDIT OF FINANCIAL STATEMENTS 2010/11
Report RES11089

The Committee received the Council's 2010/11 statutory accounts for approval in accordance with the requirements of the Accounts and Audit (England) Regulations 2011. The report also detailed the conclusions and significant issues arising from the work carried out in relation to the audit of the 2010/11 accounts.

Mr Matthew Williams from the Council's auditors, PricewaterhouseCoopers LLP attended the meeting to respond to any issues raised by Members.

The Vice-Chairman commented that he was pleased to see that the funding level of the Council's pension fund had risen by 3% to 84%, and congratulated the Pensions Investment Sub-Committee for this improvement.

RESOLVED that

(1) The Council's statutory accounts for 2010/11 be approved.

(2) In accordance with the requirements of the Accounts and Audit (England) Regulations 2011, following approval, the Chairman of this Committee shall sign and date the statutory statements on page 1 as a formal record of the Committee's approval.

(3) The external auditor's report be noted.

(4) The Chairman be authorised to sign the letter of representation for 2010/11 on behalf of the Council.

(5) The Annual Governance Statement which accompanies the statutory statement of accounts be approved.

158 APPOINTMENT OF COUNCIL REPRESENTATIVES TO SERVE ON OUTSIDE BODIES AND PARTNERSHIP BODIES – CRAY VALLEY LIBRARY AND WAR MEMORIAL INSTITUTE
Report RES11098

The Council appointed four nominative trustees to the Cray Valley Library and War Memorial Institute. Trustees were to be nominated by the ward councillors, and served for fixed four year terms. At its last meeting on 27th July 2011, the Committee had appointed Mr Graham Collins to join Councillors Stephen Carr and Peter Fortune and Mrs. K. Bond as a trustee. Since that meeting, Mrs Bond had resigned leaving a further vacancy. Councillor Peter Fortune, Councillor for the Cray Valley East ward, had advised that Councillor Roxhannah Fawthrop (also a ward Councillor for Cray Valley East) had agreed to serve as a nominative trustee.

RESOLVED that Councillor Roxhannah Fawthrop be appointed to serve as a nominative trustee for the Cray Valley Library and War Memorial Institute for the remainder of the four year term ending in 2014.

159 AUDIT SUB-COMMITTEE: MINUTES OF THE MEETING HELD ON 7TH JUNE 2011, EXCLUDING EXEMPT INFORMATION

The Committee received the minutes of the meeting of the Audit Sub-Committee meeting on 7th June 2011 (excluding exempt information).

160 REVIEW OF LICENSING FEES
Report ES11100

Following pre-decision scrutiny by the Public Protection and Safety PDS Committee on 26th July 2011, the Public Protection and Safety Portfolio Holder had approved changes to the Council's licensing fees.

The Committee agreed to receive the report as a matter of urgency to enable them to be considered prior to their proposed implementation date of 1st October 2011.

RESOLVED that the review of Licensing fees be noted and endorsed.

161 GOVERNMENT PROPOSALS TO DEREGULATE THE LICENSING OF 'ENTERTAINMENT' LICENSING - LICENSING ACT 2003

The Committee received a briefing note informing them that the Government had issued a consultation paper on their proposal to remove the requirement to licence "Regulated Entertainment" (Schedule 1 of the Licensing Act 2003.) The effect of the proposals was that most of the activities currently requiring a licence would no longer be controlled, such as plays, films, indoor sporting events, live and recorded music and dance performances. Performances with an audience of 5,000 or more, boxing and wrestling, and dance performances that might be classed as sexual entertainment (but were exempt from separate sexual entertainment venue regulations) would still be licensed.

The main impact of these proposals related to the 'Public Nuisance' licence objective from uncontrolled music (live or pre-recorded). As Entertainment activities would not require a licence there would be no opportunity for Responsible Authorities, Residents or Members to make any representations about noise nuisance as part of any licence application for alcohol, and no conditions could be imposed on a licence in respect of noise.

The Committee agreed to consider the report as an urgent item as their next meeting was not until the end of the consultation period, which was on 3rd December 2011.

RESOLVED that the consultation be noted.

162 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM OF INFORMATION ACT 2000

RESOLVED that the Press and public be excluded during consideration of the items of business referred to below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

The following summaries
refer to matters
involving exempt information

163 AUDIT SUB-COMMITTEE: EXEMPT MINUTES - 7TH JUNE 2011

The exempt minutes of the meeting of the Audit Sub-Committee held on 7th June 2011 were received.

164 ADMISSION OF LIBERATA UK LTD INTO PENSION FUND

The Committee approved an application by Liberata UK Ltd for an admission agreement under the Local Government Pension Scheme Regulations to enable staff who transferred under TUPE arrangements to participate in the Council's Pension Scheme.

165 MANAGEMENT GRADE PAY REVIEW 2011

The Committee received a report on the 2011 annual pay review for management grade officers.

The Meeting ended at 7.52 pm

Chairman

This page is left intentionally blank

Report No.
RES11145

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker:	**GENERAL PURPOSES AND LICENSING COMMITTEE**
Date:	**1st December 2011**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**LOCAL GOVERNMENT PENSIONS SCHEME - CONSULTATION ON DRAFT PROPOSALS**
Contact Officer:	Tracey Pearson, Chief Accountant Tel: 020 8313 4323 E-mail: tracey.pearson@bromley.gov.uk
Chief Officer:	Mark Bowen, Director of Resources
Ward:	Not applicable

---

1. Reason for report

1.1 The Department for Communities and Local Government have issued a consultation document setting out the Government's draft proposals to achieve short-term savings of £900m within the Local Government Pension Scheme by 2014-15. This report seeks to inform Members of the detail of the consultation, invites Members views to inform Bromley's response and provides an update on HM Treasury's amended proposals for longer-term reform.

---

2. RECOMMENDATION(S)

2.1 Members are requested to:

(a) note the content of the report;

(b) consider the draft proposals for short-term reform;

(c) consider whether there are any specific matters that should be reflected within Bromley's response to the consultation.

Corporate Policy

1. Policy Status: Existing policy. The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2007 for the purpose of providing pension benefits for its employees.

2. BBB Priority: Excellent Council.

Financial

1. Cost of proposal: No cost

2. Ongoing costs: N/A.

3. Budget head/performance centre: Pension Fund

4. Total current budget for this head: £31.6m expenditure (pensions, lump sums, etc.); £40.3m income (contributions, investment income, etc.); £460m total fund value at 7th November 2011.

5. Source of funding: Pension Fund

Staff

1. Number of staff (current and additional): 0.4FTE staff

2. If from existing staff resources, number of staff hours: c14 hours per week

---

Legal

1. Legal Requirement: Statutory requirement. Local Government Pension Scheme (LGPS) Regulations 2007

2. Call-in: Call-in is not applicable.

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 5,103 current employees, 4,578 pensioners, 4,028 deferred pensioners. These figures represent the whole fund, including LBB staff, scheduled and admitted bodies who are all affected by the proposals.

Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A.

2. Summary of Ward Councillors comments: Council wide

3. COMMENTARY

3.1 Former Work and Pensions Secretary, Lord Hutton, was appointed to chair an independent review into the long term future of public service pensions. A summary of the key changes arising from his proposals is shown below:

- The final salary scheme should be replaced by a career average scheme with protection for accrued pension rights;
- Normal pension age should be linked to state pension age and rise over time accordingly;
- A ceiling (to be determined) should be applied to employer contributions requiring a review of costs if the ceiling is exceeded;
- Changes will be introduced before the end of the current Parliament.

3.2 The Government accepted Lord Hutton's recommendations as a basis for consultation about the need for long term reform. The Government has indicated that it intends to introduce changes from 2015 and has confirmed that pension benefits accrued up to that point will be protected.

3.3 Before making recommendations for wider reform, Lord Hutton published an interim report in October 2010. The Commission acknowledged the need to consider long-term structural reform of public service pensions and that this would take time. The interim report suggested the need to make short-term changes pending long-term reform. The Commission considered a range of options that may provide short-term savings, specifically changes to the benefit structure, contracting public service pension schemes into the state second pension and increasing contribution rates.

3.4 The report concluded that the most effective way to make short-term savings was to increase member contributions and that it was for the Government to determine the manner and level of such increases. The Commission recommended that increases in contributions should be staged with a view to avoiding an increase in opt out rates and that low earners should be protected.

3.5 HM Treasury confirmed that consultation would begin on proposed increases in contributions for the unfunded public service pension schemes. The Government recognised that the funded nature of the LGPS required separate discussions to seek alternative ways to deliver some or all of the savings.

3.6 On 7th October 2011, the Department for Communities and Local Government (CLG) issued a consultation document with proposals on short-term reforms required to secure £900m savings in the LGPS by 2014/15. The consultation document is attached at appendix 1.

3.7 The consultation sets out two options:

(a) an increase in employees' contributions from April 2012 to raise an additional £450m (1.5% of pensionable paybill) and

a change in accrual rate from April 2013 to raise an additional £450m (1.5% of pensionable paybill)

(b) an increase in employees' contribution rate from April 2012 to raise an additional £300m (1% of pensionable paybill) and

a change in accrual rate from April 2014 to raise an additional £600m (2% of pensionable paybill)

3.8 The key objectives are to protect low earners, ensure increases in contribution rates are progressive and minimise the risk of high opt out rates associated with trying to achieve the full savings through an increase in contributions only. The CLG proposal is to increase employee contribution rates by an average of either 1.0% or 1.5% over three years. The level of increase varies according to salary bandings with no increase for employees earning under £15,100. The maximum increase of 5% applies to those earning over £150,000. Additionally, the accrual rate will be reduced from the current 1/60th to either 1/65th or 1/67th providing further savings.

3.9 The 2 options are summarised in the table below:

Local Government Pension Scheme	Option 1	Option 2
Average increase in employee contributions	1.5%	1.0%
Maximum increase in employee contributions	5%	5%
Accrual rate (current)	1/60th	1/60th
Accrual rate 2012/13	1/60th	1/60th
Accrual rate 2013/14	1/64th	1/60th
Accrual rate 2014/15	1/65th	1/67th
Overall savings in pensionable paybill	3.0%	3.0%

A more detailed analysis is included at annex A of the consultation document.

3.10 The Local Government Group has submitted alternative proposals to achieve the short-term savings comprising an increase in the normal retirement age from 65 years to 66 years and a member choice of an increase in contributions or a change in accrual rate. Negotiations between the Local Government Group and Trade Unions have not so far managed to reach agreement on a joint proposal although there is an intention to continue discussions. Should any further proposals come forward, either separately or jointly, these can feed into the consultation process. The Local Government Group's proposals are included at Annex B of the CLG consultation document.

3.11 In his final report, Lord Hutton recommended that the normal pension age in public sector pension schemes be linked to the state pension age. The CLG consultation on short-term reform seeks views on this option. The Government Actuary's Department advises that this would deliver annual savings in the region of £330m if implemented for future service accruals with the remaining savings measures including a combination of changes to employee contributions and accrual rates.

3.12 The short-term proposals are designed to deliver savings by re-balancing the cost of pension provision between employees and employers and taxpayers. This would be achieved by a reduction in employers' contributions as part of the statutory triennial actuarial valuation. However, current regulations prevent any downward revision to employer contribution rates between the triennial valuations. CLG have therefore suggested a 'technical amendment' enabling scheme appointed actuaries to vary rates between valuation exercises and provide that the accrual rate changes are reflected in the 2013 valuation.

3.13 Views are invited on the proposals contained within the consultation document by 6th January 2012. In particular, responses are requested to five specific questions as detailed in para 7.1 of the consultation document. Officers are currently working on a response on behalf of Bromley and Members views are sought to help inform this response.

3.14 The consultation document has been e-mailed to all staff, together with a summary leaflet outlining the proposals and a more detailed leaflet providing additional information. These leaflets are attached at appendix 2 for information. This information has also been e-mailed to head teachers requesting that they circulate to schools staff who do not have access to our e-mail system. Should staff wish to respond to the consultation, they can do so directly to the CLG but have been requested to provide a copy of any response to the pensions monitoring officer to help inform Bromley's response.

Government's Revised Offer on Longer Term Public Sector Pensions

3.15 On 2nd November 2011, HM Treasury issued an improved offer for longer-term public service pension reform. The Government expects scheme specific discussions to go forward based on this offer. The full document is available on the HM Treasury website at http://hm-treasury.gov.uk/tax_pensions_index.htm. Key elements include:

- benefits already earned are protected;
- anyone who has 10 years (or less) until pension age on 1st April 2012 will not be affected by the proposed changes to the pension scheme but will still have to make additional employee contributions;
- an accrual rate of 1/60th rather than the expected 1/65th;
- pension will move to a career average scheme rather than final salary;
- employee contributions will still increase by an average of 3.2%;
- normal retirement age will increase in line with the state pension age (66 years by 2020 and 67 years by 2027)
- pension will continue to increase by CPI rather than RPI (there is currently a legal challenge by the trade unions to this change);

3.16 To pay for this improved offer, the Government has stated that it will allow the overall costs of schemes to rise from between 17.3% - 20.8% of the overall paybill to between 20.4% and 22.5%. Most of the increased costs of the revised offer will be met by employers except in the LGPS where it is expected to be met by employees. Details of the latest cost ceilings are shown in the table below:

Scheme	Total Cost	Employer	Average Employee Contributions
NHS	21.9%	12.1%	9.8%
Civil Service	22.5%	16.9%	5.6%
Teachers	21.7%	12.1%	9.6%
LGPS	20.4%	10.9%	9.5%

3.17 The timetable for the Hutton Reform includes scheme specific discussion to continue until the end of 2011 to inform detailed proposals for the drafting of legislation. The new scheme is intended to be implemented from April 2015.

3.18 There have been concerns expressed that changes to the LGPS could result in higher opt out rates which would impact on any savings that are initially achieved. Pension funds could face increasing deficits and this would result in additional costs for employers through the need to increase contributions. There is a real risk that the combination of redundancies, early retirements and outsourcing will reduce the number of active members nationally.

3.19 The changes will also result in additional administration and some members will have four sets of benefits detailed on their annual statements:

- those calculated prior to the 2008 reforms
- those based on the accrual rate implemented under the 2008 reforms
- those based on current proposals
- further changes from 2015

3.20 In the Chancellor's 2011 Budget, the Government announced it's intention to look at ways to integrate the operation of income tax and national insurance contributions. There are also plans to change the state pension scheme and this could result in the end of the contracted-out national insurance rate for defined benefit pension schemes. There are already plans to end contracting out from 6th April 2012 for personal pensions, stakeholder pensions and company pensions contracted out on a defined contribution basis. Company schemes which contract out on a salary-related basis, such as the LGPS, can continue to do so at present. Currently, employees receive a 1.6% rebate and employers a 3.7% rebate on a proportion of their national insurance contributions. From April 2012 this has been reduced to 1.4% for employees and 3.4% for employers. Should the contracted-out rebate be abolished, additional costs to the Council of £1.4m per annum would be incurred as well as a reduction in net pay for employees.

4. POLICY IMPLICATIONS

4.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2007 for the purpose of providing pension benefits for its employees.

5. FINANCIAL IMPLICATIONS

5.1 It is expected that each of the options will deliver the same level of savings overall through a mix of increasing employee contributions and changes in accrual rates. Option 1 provides for a 50/50 split with option 2 expected to achieve 1/3rd from employee contributions and 2/3rds from a higher reduction in accrual rates from 2014/15.

5.2 Based on active members, as reflected in the 2011/12 budget, the impact of option 1 (average 1.5% increase) would be an increase in employee contributions of approximately £900k by 2014/15. Option 2 (average increase of 1%) would be approximately £600k. This reflects the increase in employee contributions only with the balance being met by changes in accrual rates.

5.3 This would result in an equivalent reduction in employer contributions. However, as detailed in para 3.12, current regulations prevent any downward revision to employer contribution rates between triennial valuations and amended legislation is awaited.

5.4 These figures provide an indication of the financial impact from each of the 2 options but need to be treated with caution as the profile of the workforce is changing. As detailed in para. 3.18, the combination of potential redundancies, early retirements and outsourcing is likely to reduce the number of active members and this, in turn, will affect the projections.

5.5 The estimated impact of the ending of the contracted-out rate of national insurance is a cost to the Council of £1.4m per annum. Again this is based on the staffing establishment as reflected in the 2011/12 budget.

5.6 It is not possible to estimate with any degree of accuracy the impact on the pension fund of the many variables, including proposed changes to accrual rates. This will be subject to actuarial valuation and any final costs and savings will depend on the detailed final proposals.

5.7 The utilisation of any savings will be considered as part of the 2012/13 budget process.

6. LEGAL IMPLICATIONS

6.1 This consultation exercise marks the start of the formal statutory consultation process for proposed amendments to the LGPS Regulations, as required by section 7(5) of the Superannuation Act 1972.

7. PERSONNEL IMPLICATIONS

7.1 Against the background of pay freezes since 2010/11 and the unprecedented cost cutting measures and the associated organisational changes, the proposed changes to employee pension contributions and benefits are very unpopular with staff, and will undermine the 'psychological contract' and the wider relationship between local government staff and their employers.

7.2 The mix of pay freeze, redundancies and increased employee pension contributions are also likely to impact on staff morale and could affect the Council's ability to recruit and retain staff especially in shortage areas.

7.3 There is an increasing possibility of challenging industrial relations at national and local levels over these proposed changes. There was some limited strike action by some unions earlier in June this year and the results of recent ballots by all the main trade unions concerned have resulted in a majority of those voting in support of strike action. Although the Council has yet to receive official confirmation from all unions, at the time of writing it is known that widespread strike action is planned for 30th November 2011.

7.4 Whilst it is not possible to say in advance how many employees will take strike action, an estimated 2,130 Council employees are trade union members. This figure includes 31% of the central staff/non teaching workforce and nearly all directly employed teachers (this figure includes Community and Voluntary controlled schools but not Foundation, Voluntary Aided or Academy staff where the Governing Body is the employer). The action therefore has the potential to impact on all directly delivered Council services.

7.5 Managers have been asked to assess the impact of industrial action on their service and plan accordingly with advice and guidance from HR to help them manage and minimise the impact of the strike action. Although the Council does not have the final say over pension changes, we will seek to influence and manage the local industrial relations climate with a view to minimising the impact on frontline services.

Non-Applicable Sections:	None
Background Documents: (Access via Contact Officer)	Department for Communities and Local Government: Consultation Document (appendix 1) – www.communities.gov.uk/documents/localgovernment/pdf/2004147.pdf HM Treasury "Public Service Pensions: Good Pensions that Last " - http://hm-treasury.gov.uk/tax_pensions_index.htm Independent Public Service Pensions Commission: Interim and Final Reports - http://webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/indreview_johnhutton_pensions.htm General Update – Pensions Investment Sub-Committee 9th November 2011

This page is left intentionally blank

APPENDIX 1

www.communities.gov.uk
community, opportunity, prosperity

To Local Government Pension Scheme interests in England and Wales (see list below)

TBJ Crossley
Deputy Director
Workforce, Pay and Pensions
Zone 5/F5 Eland House
Bressenden Place
London SW1E 5DU

Telephone: 0303 44 42168

Website: www.communities.gov.uk

7 October 2011

Dear Colleagues,

Local Government Pension Scheme (Benefits, Contributions and Membership) Regulations 2007 (SI 2007/1166) (as amended)

Local Government Pension Scheme (Administration) Regulations 2008 (SI 2008/239) (as amended)

Consultation on proposed increases to employee contribution rates and changes to scheme accrual rates, effective from 1 April 2012 in England and Wales

Introduction

1.1 With ministers' agreement, this consultation paper sets out the Government's draft proposals to achieve short term savings of £900m within the Local Government Pension Scheme ('LGPS') by 2014-15, equivalent to the 3.2 percentage point contribution increases in the unfunded public service pension schemes.

1.2 This consultation exercise marks the start of the formal statutory consultation process for proposed amendments to the LGPS Regulations (mentioned above), as required by section 7(5) of the Superannuation Act 1972.

1.3 Your comments are now invited on the proposed amendments, described in paragraphs 4.1 to 4.5 and Annex A, and should be sent preferably by email to Richard.mcdonagh@communities.gsi.gov.uk

Alternatively, postal responses may be sent to:

The LGPS Pension Team
5/G6,
Department for Communities and Local Government
Eland House,
Bressenden Place
London SW1E 5DU

1.4 **The closing date for responses is 6 January 2012**.

1.5 The intention is that the proposed amendments to the scheme's regulatory framework will take effect from 1 April 2012, subject to the outcome of this consultation exercise.

1.6 Consultees are reminded that the proposed amendments, and any others brought forward, will continue to be discussed at forthcoming meetings of the Policy Review Group, and at other meetings being arranged by the Department with LGPS business partners within the statutory consultation period.

1.7 The details of the possible amendments to the existing LGPS regulatory framework are explained in paragraphs 4.1 to 4.8.

Policy context

2.1 In June 2010 the Government commissioned former Work and Pensions Secretary, Lord Hutton, to chair the Independent Public Service Pensions Commission's review into the long term future of public service pensions. In his final report Lord Hutton set out his recommendations on how these can be made sustainable and affordable in the long-term, whilst at the same time being fair to both public sector workers and the taxpayer. Lord Hutton concluded that reform was needed.

The Government accepted his recommendations as a basis for consultation with public sector workers, trade unions and other interested parties about the need for long term reform. The Government intends to introduce changes from 2015 and has confirmed that all pension benefits earned up that point will be protected. The reforms will ensure that all public service pensions, including the LGPS, will continue to be amongst the best pensions available. Lord Hutton's interim report is available via the HM Treasury website at:
www.hm-treasury.gov.uk/indreview_johnhutton_pensions.htm

Delivery of short term savings

3.1 Before making his recommendations for wider reform, Lord Hutton published his interim report. This recommended that if the Government wished to make short term savings to meet current cost pressures, then raising contribution rates would be the most effective way to achieve that objective. Lord Hutton's interim report is available via the HM Treasury website at:
www.hm-treasury.gov.uk/indreview_johnhutton_pensions.htm

3.2 Lord Hutton set out the following rationale for increasing member contributions to public service pension schemes:

a. people are living much longer than previous generations – the average 60 year old is living ten years longer now than they did in the 1970s. More of people's lives are now being spent in retirement – between 40 per cent to 45 per cent of adult life compared with around 30 per cent for pensioners in the 1950s

b. as people are living longer in retirement, the cost of providing pensions is increasing; annual expenditure on public service pensions over the last decade has increased by a third to £32bn. And in the case of the LGPS, expenditure on benefits has increased from £1.8bn to £6bn since 1997

c. taxpayers can't be expected to bear all the cost of increased longevity. There needs to be a fairer balance between what employees pay and what other taxpayers contribute towards a public service pension.

3.3 At the Spending Review, the Chancellor acted upon the rationale Lord Hutton set out by announcing that employee contributions would be increased by an average of 3.2 percentage points in the unfunded public service pension schemes. This will make savings of £2.8bn a year by 2014-15, to be phased in from April 2012.

3.4 The Chief Secretary to the Treasury's statement to the House on 19 July 2011 confirmed that the unfunded schemes would begin formal consultations on the proposed increases in employee contribution rates for 2012-13. In recognition of the funded nature of the LGPS, the Government accepted that separate discussions should take place to see whether alternative ways to deliver some or all of the savings could be found. The equivalent savings in the LGPS are £900m in England and Wales. The Chief Secretary to the Treasury's statement can be found at www.hm-treasury.gov.uk/press_83_11.htm

3.5 On 20 July, the Secretary of State for Communities and Local Government wrote to Sir Merrick Cockell, Chair of the Local Government Group, inviting him to discuss with the local authority trades unions a package of measures to secure the required short-term savings of £900m by 2014-15. The Group was asked to report the outcome of its discussions to the Secretary of State by 9 September.

3.6 Neither the Local Government Group nor the local authority trades unions were in a position to submit proposals as requested by 9 September. Subsequently, on 21 September, the Local Government Group wrote to the Secretary of State with their proposals to achieve the savings requested These are summarised at paragraph 4.7 and a full copy attached at Annex **B** and related costings are at Annex **C.**

3.7 The Local Government Group's proposals can be considered fully within the statutory consultation framework. If discussions between the Local Government Group and local authority trades unions continue, and any other proposals eventually come forward, either separately or jointly, these can also feed into the statutory consultation process alongside any other comments or proposals submitted by other consultees. The Scheme's Policy Review Group provides an expert forum for analysis and discussion to take place. The Government would welcome this discussion continuing and will fully explore any new proposals that are put forward.

Parameters for member contribution increases

3.8 The Government believes that any proposed increases in contribution rates should protect low earners and be progressive, so that high earners pay proportionally higher increases to reflect their more generous pensions. The Government set out its preferred parameters for scheme design to achieve the required savings in the Chief Secretary's Written Ministerial Statement of 19 July.

3.9 These parameters, outlined below, are reflected in the tariffs being proposed in this consultation document. All references are to full time equivalent salaries:

- there should be no increase in employee contributions for those earning less than £15,000

- there should be no more than a 1.5 percentage point increase in total by 2014-15 for those earning up to £21,000. This amounts to a 0.6 percentage point increase in 2012-13 on a pro-rata basis; and

- high earners in the LGPS should pay progressively more than those in lower salary bands more, but no more than 6 percentage points (before tax relief) more

Proposals for the Local Government Pension Scheme

4.1 For the LGPS in England and Wales, ministers believe there is an opportunity to consider a broad range of measures to secure appropriate levels of savings for scheme employers. This should enable the Government's priorities in implementing the £900m savings package to be met; protecting the high proportion of low paid, part-time members of the Scheme; and ensuring contribution increases are progressive.

4.3 **Option 1 -** The following approach fully meets the Government's priorities. This is the option on the basis of which we have set the cost ceiling[1] for wider reform of the Local Government Pension Scheme.

Option 1 - This proposal to achieve the required £900m savings by 2014-15 (3 per cent of forecast pensionable paybill) comprises of two separate elements: **i) An increase in the employees' contribution tariff from April 2012, to raise an additional £450m (1.5 per cent of pensionable paybill), and** **ii) A change in the scheme's accrual rate from April 2013, to raise an additional £450m (1.5 per cent of pensionable paybill)** A more detailed analysis is shown at Annex A

1 The cost ceilings was set with reference to the scheme specific contribution rates required to provide the benefits for a 'Reference Scheme' design, based on Lord Hutton's recommendations for scheme reform. This will inform discussions at scheme level with local government trade unions. Should the outcome of this consultation process be that member contribution increases are not 1.5 pp, the cost ceiling will be amended appropriately.

4.4 The Government Actuary's Department confirms that the measures described at **Annex A** above can achieve the required savings of £900m by 2014-15.

4.5 **Option 2 -** A variation on that approach involving lower tariff increases, but offset by greater changes in accrual rate, or vice versa, could be chosen. One approach is set out below.

> Option 2 - This proposal to achieve the required £900m savings by 2014-15 (3 per cent of forecast pensionable paybill) comprises of two separate elements. It differs from Option 1 due to a lower contribution rate increase which is offset by a greater reduction in the accrual rate:
>
> **i) An increase in employees' contribution tariff from April 2012, to raise an additional £300m (1 per cent of pensionable paybill), and**
>
> **ii) A change in scheme's accrual rate from April 2014, to raise an additional £600m (2 per cent of pensionable paybill)**
>
> A more detailed analysis is shown at Annex A

4.6. **Normal Pension Age:** In his final report, Lord Hutton recommended that the pension age in public sector schemes could be linked to the State Pension Age.

> According to the Government Actuary's Department, setting the national pension age of the LGPS at the national State Pension Age would deliver annual savings in the region of £330m if implemented for future service accruals.
>
> Measures to achieve the remaining required savings could include a combination of changes to accrual rate and employees' contributions.

4.7 **Local Government Group:** In response to the Secretary of State's invitation of 20 July, the Local Government Group submitted a proposal to secure £900msavings by 2014-15. This consists of an increase to the normal pension age to 66, and a member choice of an increased contribution rate of change in the scheme's accrual rate.

4.8 The Local Government Group's submission (including detailed costings) to the Secretary of State for Communities and Local Government can be found in full in **Annex B** and **C** respectively.

Part time members

4.9 The current scheme regulations require that the appropriate contribution band for part time members is determined by their full time equivalent salary. The amount payable is then based on the individual's actual pay. This will continue to apply. For example, a scheme member currently working part time, doing 50 per cent of full time hours and earning £14,000 will have a full time equivalent salary of £28,000. The rate of 6.5 per cent is therefore applied to the actual earnings of £14,000. It is important to note that although the actual earnings fall within the protection threshold described at para 3.8 above, these protections, like the tariff bands, are based on full time equivalent salaries, in this example, £28,000.

Provision allowing scheme employers to benefit from savings

4.10 The additional income achieved from the scheme amendments following the Spending Review announcement will help to re-balance the costs of public service pension provision between scheme members on the one hand, and employers and taxpayers on the other. In the context of the funded, locally administered LGPS, this is achieved when employers' contributions are reduced as part of the scheme's statutory triennial actuarial valuation process. However, the current regulations do not allow a downward revision of employer contribution rates between three-yearly actuarial valuations.

4.11 To ensure LGPS employers and taxpayers benefit from the savings achieved by the statutory amendments finally introduced, we suggest that it would be necessary to provide a technical amendment, effective from April 2012, that enables scheme-appointed actuaries to vary rates and adjustment certificates both between valuation exercises (i.e. between the 2010 and 2013 valuations), and provide that the accrual rate changes proposed are reflected specifically in the 31 March 2013 valuation exercise to reflect the level of savings produced in scheme employers` contribution rates from April 2014. Views are invited on this particular proposal and how best it might be achieved in regulatory terms.

Summary

5.1 The Government Actuary's Department confirms that the introduction of the measures summarised in paragraphs 4.3 and 4.5 above and described in more detail at **Annex A**, can achieve the required savings of £900m by 2014-15.

Consultation responses

6.1 Consultees' views on the proposals outlined in section 4 are formally sought by 6 January 2012. However, as set out below, those may be subject to modification in response to submissions received from consultees in the course of the consultation period.

Other proposals

6.2 As referred to in paragraph 4.7, the Local Government Group has submitted their proposed package of savings to the Secretary of State. The Department intends to analyse and consider the details of the submission with advisers to the Group within the statutory consultation exercise period.

6.3 Any further alternative proposals which may be submitted should if possible:

- be actuarially costed and verifiable and be clearly explained to provide efficient assessment
- be capable of implementation within the legal powers which govern the regulatory framework of the scheme and
- not take account of the recent changes in indexation from RPI to CPI or the impact of projected workforce reductions which have already been factored into recent LGPS pension fund valuations

6.4 To assist the Department's considerations, consultees who may wish to submit alternative proposals:

- are invited to signal their intention to do so as soon as possible, please, and by **28 October** at the latest and
- are requested, please, to submit any specific costed options by no later than **25 November,** to allow an opportunity for discussion and appraisal

Next steps

7.1 The Department invites consultees' views and any evidence relating to all aspects of this statutory consultation, and in particular to the following questions:

- **Question 1** – Do the proposals meet the policy and objectives to deliver the necessary level of savings in the LGPS?
- **Question 2** – Are there any consequences or aspects of the proposals that have not been fully addressed?
- **Question 3** – Is there a tariff or alternative measures which consultees think would help to further minimise any opt outs from the scheme?
- **Question 4** - Are there equality issues that could result in any individual groups being disproportionately affected by the proposals? If so, what are considered to be the nature and scale of that disproportionate effect? What remedies would you suggest?
- **Question 5** - Within the consultation period, consultee's views are invited on the prospects of introducing into the LGPS a link with state pension age as recommended to the Government in Lord Hutton's report.

Use of information

8.1 This consultation will be available for viewing on the LGFPS website at http://www.clg.heywood.co.uk/homepage. A summary of responses will be published within three months of the close of the consultation on this website.

8.2 Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

8.3 If you want the information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

8.4 The Department will process your personal data in accordance with the Data Protection Act and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Yours sincerely,

TBJ Crossley

T B J CROSSLEY

The consultation is addressed to:

The Chief Executive of:
- County Councils (England)
- District Councils (England)
- Metropolitan Borough Councils (England)
- Unitary Councils (England)
- County and County Borough Councils in Wales
- London Borough Councils
- South Yorkshire Pension Authority
- Tameside Metropolitan Borough Council
- Wirral Metropolitan Borough Council
- Bradford Metropolitan City Council
- South Tyneside Metropolitan Borough Council
- Wolverhampton Metropolitan Borough Council
- London Pension Fund Authority
- Environment Agency

Town Clerk, City of London Corporation
Clerk, South Yorkshire PTA
Clerk, West Midlands PTA

Fire and Rescue Authorities in England and Wales
Police Authorities in England and Wales
Audit Commission
National Probation Service for England and Wales
New Towns Pension Fund

Local Government Association (LGA)

Employers' Organisation
LGPC

ALACE
PPMA
SOLACE
CIPFA
ALAMA

Association of Colleges
Association of Consulting Actuaries
Association of District Treasurers
Society of County Treasurers
Society of Welsh Treasurers
Society of Metropolitan Treasurers
Society of London Treasurers
Society of Chief Personnel Officers
Association of Educational Psychologists

NALC
Society of Local Council Clerks

Trades Union Congress	UCATT
UNISON	GMB
NAEIAC	NAPO
UNITE	

Equal Opportunities Commission

Annex A: Local Government Pension Scheme in England and Wales

Government's proposals to achieve the required savings of £900m by 2014-15

Design principles

1. The Government believes that any proposed increases in contributions rates should protect low earners and be progressive, so that high earners pay proportionally higher increases to reflect their more generous pensions. The Government also set out its preferred parameters for scheme design to achieve the required savings in the Chief Secretary's Written Ministerial Statement of 19 July.

2. These parameters, outlined below, are reflected in the tariff proposed in this paper (all references are to full time equivalent salaries):

   - there should be no increase in employee contributions for those earning less than £15,000

   - there should be no more than a 1.5 percentage point increase in total by 2014-15 for those earning up to £21,000. This amounts to a 0.6 percentage point increase in 2012-13 on a pro-rata basis

   - high earners will pay more, but no more than 6 percentage points (before tax relief) by 2014-15. This amounts to a 2.4 percentage point cap in 2012-13 on a pro-rata basis

3. For the LGPS in England and Wales, ministers believe there is a case to consider a broader range of opportunities to secure appropriate levels of savings for employers within the scheme. The scheme's funded status lends itself to this approach which not only helps to protect the high proportion of low paid, part-time members of the scheme but it assists directly in the Government's objective to minimise opt-outs and contribute to the ongoing viability of the funded LGPS, itself a major policy component of the package given the national significance of LGPS pension funds by value.

Existing tariff

4. The existing levels of employee contributions as currently set out in regulation 3 of the Local Government Pension Scheme (Benefits, Contributions and Membership) regulations 2007 (the Benefits Regulations) are as follows:

£0 - £12,600	5.5%
£12,601 - £14,700	5.8%
£14,701 - £18,900	5.9%
£18,901 - £31,500	6.5%
£31,501 - £42,000	6.8%
£42,001 - £78,700	7.2%
£78,701 +	7.5%

Government proposals for the Local Government Pension Scheme

5. The Government proposes to achieve the required savings of £900m by 2014-15 from a combination of a proportionate increase in the rate of contribution paid by scheme members and a marginal change in the rate at which scheme benefits are accrued. The proportion of each element relative to the required £900m savings would therefore have different impacts on the extent to which scheme members bear additional costs now (increase in the contribution rate) or later, on retirement (change in the accrual rate).

6. Comments are therefore invited on two possible approaches, the first of which achieves most of the savings from the proposed change in accrual rate, thus impacting less on scheme members' disposable income and the second, weighting more of the required savings towards increases in scheme members' contribution with less impact on future accrual under the current scheme.

Approach 1

7. Under this proposal, £450m (equivalent to 1.5 per cent) would be achieved from a phased increase in employees' contribution rate as shown in the table below:

Tariff Band (% of membership)	Current	2012/13	2013/14	2014/15
£0 - £12,900 (8.67%)	5.5%	5.5% (0.0%)	5.5% (0.0%)	5.5% (0.0%)
£12,901- £15,100 (10.61%)	5.8%	5.8% (0.0%)	5.8% (0.0%)	5.8% (0.0%)
£15,101- £19,400 (25.20%)	5.9%	5.9% (0.0%)	6.0% (0.1%)	6.0% (0.1%)
£19,401- £21,000 (7.47%)	6.5%	6.7% (0.2%)	7.2% (0.7%)	7.7% (1.2%)
£21,001- £32,400 (31.34%)	6.5%	7.2% (0.7%)	8.0% (1.5%)	8.3% (1.8%)
£32,401- £43,300 (11.16%)	6.8%	7.5% (0.7%)	8.3% (1.5%)	8.7% (1.9%)
£43,301- £60,000 (4.18%)	7.2%	8.2% (1.0%)	8.7% (1.5%)	9.0% (1.8%)
£60,001- £81,100 (0.91%)	7.2%	8.7% (1.5%)	9.2% (2.0%)	10.0% (2.8%)
£81,101- £100,000 (0.25%)	7.5%	9.0% (1.5%)	9.8% (2.3%)	11.0% (3.5%)
£100,001- £150,000 (0.16%)	7.5%	9.5% (2.0%)	11.0% (3.5%)	12.0% (4.5%)
£150,001 + (0.05%)	7.5%	10.0% (2.5%)	12.0% (4.5%)	12.5% (5.0%)

Local Government Pension Scheme employee contributions are deducted from gross pay before income tax. Therefore, they normally benefit from tax relief.

The tables below illustrate the effect of tax relief on the level of contributions members would pay if the proposed tariff above is adopted in 2012-13, 2013-14 and 2014-15.

	2011/12	2012/2013		
Full-time pay	**Contribution rate net of tax relief[1]**	**Contribution rate net of tax relief**	**Increase in contribution rate net of tax relief**	**Additional cost (£ per month)**
£10,000	4.40%	4.40%	0.00%	0
£25,000	5.20%	5.76%	0.56%	12
£40,000	5.44%	6.00%	0.56%	19
£80,000	4.32%	5.22%	0.90%	60

1:Contribution rate net of tax relief is the percentage of your total pay by which your take-home pay is lower because of the proposed new tariff.

	2011/12	2013/2014		
Full-time pay	**Contribution rate net of tax relief[1]**	**Contribution rate net of tax relief**	**Increase in contribution rate net of tax relief**	**Additional cost (£ per month)**
£10,000	4.40%	4.40%	0.00%	0
£25,000	5.20%	6.40%	1.20%	25
£40,000	5.44%	6.64%	1.20%	40
£80,000	4.32%	5.52%	1.20%	80

1: Contribution rate net of tax relief is the percentage of your total pay by which your take-home pay is lower because of the proposed new tariff.

	2011/12	2014/2015		
Full-time pay	**Contribution rate net of tax relief[1]**	**Contribution rate net of tax relief**	**Increase in contribution rate net of tax relief**	**Additional cost (£ per month)**
£10,000	4.40%	4.40%	0.00%	0
£25,000	5.20%	6.64%	1.44%	30
£40,000	5.44%	6.96%	1.52%	51
£80,000	4.32%	6.00%	1.68%	112

1: Contribution rate net of tax relief is the percentage of your total pay by which your take-home pay is lower because of the proposed new tariff.

8. The balance of £450m in this case would be achieved a by a stepped change in the scheme's accrual rate from the current rate of 1/60ths to 1/64ths with effect from April 2013 and to 1/65ths with effect from April 2014

Impact of benefits of change in accrual

The following tables show the effect on the pension of a change in accrual rate from 60ths to 64ths in 2013-14 and to 65ths in 2014-15:

Final pensionable pay (31.03.2015)	1 year of service		
	1/64th	1/65th	% Change
£10,000	£156.25	£153.85	-1.54%
£25,000	£390.63	£384.62	-1.54%
£40,000	£625.00	£615.38	-1.54%
£80,000	£1,250.00	£1.230.77	-1.54%

Final pensionable pay (31.03.2015)	Five years of service		
	1/60th	64ths and 65ths in last two years	% Change
£10,000	£833.33	£810.10	-2.79%
£25,000	£2,083.33	£2,025.25	-2.79%
£40,000	£3,333.33	£3,240.38	-2.79%
£80,000	£6,666.67	£6,480.77	-2.79%

In the above table, the member accrues 60ths for three years, 64ths for 1 year and 65ths for one year.

A member with final pensionable pay of £40,000 and service of five years at 31 March 2015 will have accrued a pension of £3,333.33 pa on an accrual of 60ths. If the accrual rate is lowered to 64ths in 2013-14 and to 65ths in 2014-15, then the accrued pension at 31 March 2015 will be around 3 per cent lower at £3,240.38.

9. On this basis, the total expected savings over the Spending review period would be:

	2012/13	**2013/14**	**2014/15**
Tariff Increase	£180m	£360m	£450m
Accrual Rate	£0	£360m	£450m
Total	**£180m**	**£720m**	**£900m**

10. In line with the Government's preferred design, the overall savings achieved from the above proposed increases in employees' contribution rates have been phased in over the Spending review period on a ratio of 40:40:20.

Approach 2

11. Under this proposal, £300m of the £900m required savings (equivalent to 1 per cent) would be achieved from a phased increase in employees' contribution rate as shown in the table below:

Tariff Band (% of membership)	**Current**	**2012/13**	**2013/14**	**2014/15**
£0 - £12,900 (8.67%)	5.5%	5.5% (0.0%)	5.5% (0.0%)	5.5% (0.0%)
£12,901- £15,100 (10.61%)	5.8%	5.8% (0.0%)	5.8% (0.0%)	5.8% (0.0%)
£15,101- £19,400 (25.20%)	5.9%	5.9% (0.0%)	6.0% (0.1%)	6.0% (0.1%)
£19,401- £21,000 (7.47%)	6.5%	6.5% (0.0%)	6.8% (0.3%)	6.8% (0.3%)
£21,001- £32,400 (31.34%)	6.5%	6.8% (0.3%)	7.2% (0.7%)	7.5% (1.0%)
£32,401- £43,300 (11.16%)	6.8%	7.1% (0.3%)	7.8% (1.0%)	8.2% (1.4%)
£43,301- £60,000 (4.18%)	7.2%	7.8% (0.6%)	8.4% (1.2%)	8.8% (1.6%)
£60,001- £81,100 (0.91%)	7.2%	8.7% (1.5%)	8.8% (1.6%)	9.5% (2.3%)
£81,101- £100,000 (0.25%)	7.5%	9.0% (1.5%)	9.8% (2.3%)	10.5% (3.0%)
£100,001- £150,000 (0.16%)	7.5%	9.3% (1.8%)	10.8% (3.3%)	11.5% (4.0%)
£150,001 + (0.05%)	7.5%	9.5% (2.0%)	11.8% (4.3%)	12.5% (5.0%)

Local Government Pension Scheme employee contributions are deducted from gross pay before income tax. Therefore, they normally benefit from tax relief.

The tables below illustrate the effect of tax relief on the level of contributions members would pay if the proposed tariff above is adopted in 2012-13, 2013-14 and 2014-15.

	2011/12	**2012/2013**		
Full-time pay	**Contribution rate net of tax relief**[1]	**Contribution rate net of tax relief**	**Increase in contribution rate net of tax relief**	**Additional cost (£ per month)**
£10,000	4.40%	4.40%	0.00%	0
£25,000	5.20%	5.44%	0.24%	5
£40,000	5.44%	5.68%	0.24%	8
£80,000	4.32%	5.22%	0.90%	60

1: Contribution rate net of tax relief is the percentage of your total pay by which your take-home pay is lower because of the proposed new tariff.

	2011/12	**2013/2014**		
Full-time pay	**Contribution rate net of tax relief**[1]	**Contribution rate net of tax relief**	**Increase in contribution rate net of tax relief**	**Additional cost (£ per month)**
£10,000	4.40%	4.40%	0.00%	0
£25,000	5.20%	5.76%	0.56%	12
£40,000	5.44%	6.24%	0.80%	27
£80,000	4.32%	5.28%	0.96%	64

1: Contribution rate net of tax relief is the percentage of your total pay by which your take-home pay is lower because of the proposed new tariff.

	2011/12	**2014/2015**		
Full-time pay	**Contribution rate net of tax relief**[1]	**Contribution rate net of tax relief**	**Increase in contribution rate net of tax relief**	**Additional cost (£ per month)**
£10,000	4.40%	4.40%	0.00%	0
£25,000	5.20%	6.00%	0.80%	17
£40,000	5.44%	6.56%	1.12%	37
£80,000	4.32%	5.70%	1.38%	92

1: Contribution rate net of tax relief is the percentage of your total pay by which your take-home pay is lower because of the proposed new tariff.

12. It is proposed that the balance of £600m (equivalent to 2 per cent) would be achieved by a change in the Scheme’s accrual rate from the current 1/60th to 1/67th with effect from 1 April 2014

Impact of benefits of change in accrual

The following tables show the effect on the pension of a change in accrual rate during the year 2014-15.

Final pensionable pay (31.03.2015)	One year of service		
	1/60th	1/67th	% Change
£10,000	£166.67	£149.25	-10.45%
£25,000	£416.67	£373.13	-10.45%
£40,000	£666.67	£597.01	-10.45%
£80,000	£1,333.33	£1.194.03	-10.45%

Final pensionable pay (31.03.2015)	Five years of service		
	1/60th	1/67th	% Change
£10,000	£833.33	£815.92	-2.09%
£25,000	£2,083.33	£2,039.80	-2.09%
£40,000	£3,333.33	£3,263.68	-2.09%
£80,000	£6,666.67	£6,527.36	-2.09%

A member with Final Pensionable Pay of £40,000 pa and service of five years at 31 March 2015 will have accrued a pension of £3,333.33 pa on an accrual of 60ths. If the accrual rate is lowered to 67ths in 2014-15, then the accrued pension at 31 March 2015 will be around 2 per cent lower at £3,263.68 pa.

13. On this basis, the total expected savings over the Spending review period would be:

	2012/13	**2013/14**	**2014/15**
Tariff Increase	£95m	£220m	£300m
Accrual Rate	£0	£0m	£600m
Total	**£120m**	**£240m**	**£900m**

Annex B: Local Government Group proposals, 21 September 2011

Local Government Pension Scheme – Proposed increase in employee contributions

As you will be aware, in the public sector Spending Review statement in October 2010 the Government announced its intention to increase employee pension contributions in the public service pension schemes (other than the Armed Forces Pension Scheme). The Government intended that the increases should be introduced progressively over the period 2012-13 to 2014-15. It was subsequently confirmed that the level of increase for members of the Local Government Pension Scheme (LGPS) would be 3.2 per cent, on average.

The Local Government Group made representations to the Government that the funded nature of the LGPS meant that income equivalent to a 3.2 per cent increase could be generated in ways other than wholly via an increase in employee contributions. As a result of those representations the Secretary of State for Communities and Local Government wrote to me on 20 July 2011 asking the Group to enter into discussions with the local government trade unions. This was with a view to establishing a package of measures to secure short term savings by 2014-15, equivalent to a 3.2 per cent increase in employee pension contribution rates, with any necessary legislation to be in place by 1 April 2012. The package could include alternative ways to deliver some or all of the savings, whilst providing protections from contribution increases for the lower paid.

The LG Group has been in discussions with the trade unions since then.

The Secretary of State's letter of 20 July 2011 initially required the Group to provide him with an update on the outcome of the discussions by 9 September but a short extension to this deadline was subsequently allowed. However, despite constructive discussions with the trade unions, it has not so far been possible to reach agreement on a joint proposal to put to the Secretary of State.

I have therefore written to the Secretary of State (on 21 September 2011) setting out the Group's proposals as to how the required 3.2 per cent savings can be achieved in a way which we believe is fair to employees and affordable for the taxpayer (as an alternative to the level of increases in employee contributions that DCLG might otherwise come forward with). The proposals minimise the impact on the lower paid whilst at the same time giving choice to individuals.

The key elements of the Group's proposals are:

- no increase in employee contributions for staff with full-time equivalent earnings of less than £15,000, a moderate increase for those earning between £15,000 and £21,000 of 1.5 per cent and an increase of between 2 per cent and 2.5 per cent for those earning over £21,000

- choice for employees, by giving those with full-time equivalent earnings of £15,000 or more who feel they cannot afford an increase in contributions the option of taking a reduced pension accrual rate instead for future service from April 2014. Any employees with full-time equivalent earnings of less than £15,000 who may be finding it difficult to meet the current level of contribution would have the option of taking a reduction in their contribution rate but would, as a result, have a reduced pension accrual rate for future service from April 2014

- raising the normal pension age from 65 to 66 for benefits built up from April 2014. Benefits built up prior to then would retain a normal pension age of 65

A full copy of my letter to the Secretary of State is available at http://www.lge.gov.uk/lge/core/page.do?pageId=1 under 'News and features' together with some worked examples of the effect the choice mentioned in the second bullet point above would have on individuals.

We believe our proposals:

- overcome the issue of part-time employees having to pay an increased contribution rate determined by reference to their full-time equivalent salary (i.e. they would have the choice of being able to take the reduced accrual rate option instead)

- would help the low paid to stay in the scheme and reduce opt out rates

- give employees a choice, which they can exercise in the light of their own personal circumstances

- ensure that those employees earning above the £15,000 threshold who want to keep their current pension accrual rate will have to pay more to retain that accrual rate, and

- reduce the risk of industrial action

We understand that the Secretary of State will issue a statutory consultation document towards the end of September setting out the DCLG proposals for how the 3.2 per cent savings could be met. We would hope that consultation paper will make some reference to the LG Group proposals and it is our intention to continue discussions with the trade unions.

Annex C: Costings submitted with Local Government Proposals, 21 September 2011

1 Data

1.1.1 We have used national salary data to estimate the possible savings. We have assumed a £30bn payroll split as shown below.

	Low er Band	Upper Band	Current Rate	Actual Salary
Band 1	£0	£12,600	5.5%	£465,749,324
Band 2	£12,601	£14,700	5.8%	£903,561,303
Band 3	£14,701	£18,900	5.9%	£4,336,702,797
Band 4	£18,901	£31,500	6.5%	£12,996,837,271
Band 5	£31,501	£42,000	6.8%	£6,132,933,585
Band 6	£42,001	£78,700	7.2%	£4,433,984,527
Band 7	£78,701	plus	7.5%	£730,231,193
Total				£30,000,000,000

1.1.2 This is the best available national data we have and is available in summary form only.

1.1.3 We note that contribution bands have changed but the overall shape of the salary distribution is assumed to remain relevant for this exercise. Any further up to date data becoming available should be used to update the calculations.

1.2 Core element 1 - increasing normal retirement age

1.2.1 Increasing the retirement age for all by one year reduces the ongoing cost of the scheme by about 1 per cent to1.5 per cent of payroll though this will vary by fund. We have assumed that GAD may value this on detailed national data on an average set of fund valuation assumptions and have assumed that 1 per cent of payroll will be saved by adopting this change. This is equivalent to £300m per year on the data shown above.

1.3 Core element 2 - accrual or contribution rate changes

1.3.1 We have therefore considered how we can raise the further £600m being required by HM Treasury.

1.3.2 There are infinite combinations of contribution increases that will provide the £600m provided there are no opt outs, the data remains as estimated above and at this stage we are considering that 60ths accrual remains.

1.3.3 We have shown three examples below. These show the impact and make no allowance for any further options being proposed.

Table 1.3	Lower Band	Upper Band	Current contribution	a) same increase	b) same uplift	c) steeper increase
Band 1	£0	£12,600	5.5%	0.0%	0.0%	0.0%
Band 2	£12,601	£14,700	5.8%	0.0%	0.0%	0.0%
Band 3	£14,701	£18,900	5.9%	2.1%	1.9%	1.5%
Band 4a	£18,901	£21,000	6.5%	2.1%	2.1%	1.5%
Band 4b	£21,001	£24,000	6.5%	2.1%	2.1%	2.0%
Band 4c	£24,001	£31,500	6.5%	2.1%	2.1%	2.5%
Band 5	£31,501	£42,000	6.8%	2.1%	2.2%	2.5%
Band 6	£42,001	£78,700	7.2%	2.1%	2.3%	2.5%
Band 7	£78,700	plus	7.5%	2.1%	2.4%	2.5%
Total raised				£600m	£605m	£605m

1.3.4 We have assumed that lower paid protection level is set at £15,000 and members with salaries below this level will not be required to increase their contribution levels going forward.

1.3.5 As can be seen, all these options will provide for the required income target. However, there is a higher risk of opt out for higher contribution increases, especially at lower salary levels. We consider that steeper patterns than option c) will effect much higher levels of opt out at higher salary bands, with the possible cascade effect as members follow behaviour patterns of their senior managers or directors.

1.3.6 Option c) also meets the patterns required for other public sector schemes in that a 1.5 per cent limit it set for those with salaries up to £21,000.

1.4 Core element 3 - reduce accrual option

1.4.1 This section shows the possible savings from providing a reduced accrual option.

1.4.2 These savings assume that all members opt for the reduced accrual option.

Table 1.4	Lower Band	Upper Banc	Current contribution rate	Reduce accrual (67ths)	Reduce accrual (68ths)	Reduce accrual (69ths)
Band 1	£0	£12,600	5.5%	0.0%	0.0%	0.0%
Band 2	£12,601	£14,700	5.8%	0.0%	0.0%	0.0%
Band 3	£14,701	£18,900	5.9%	2.1%	2.4%	2.5%
Band 4a	£18,901	£21,000	6.5%	2.1%	2.4%	2.5%
Band 4b	£21,001	£24,000	6.5%	2.1%	2.4%	2.5%
Band 4c	£24,001	£31,500	6.5%	2.1%	2.4%	2.5%
Band 5	£31,501	£42,000	6.8%	2.1%	2.4%	2.5%
Band 6	£42,001	£78,700	7.2%	2.1%	2.4%	2.5%
Band 7	£78,700	plus	7.5%	2.1%	2.4%	2.5%
Total raised				£600m	£675m	£715m

1.4.3 The accrual reduction that provides for £600m will depend upon both how the GAD value the reduced accrual change of the benefits on national detailed data.

1.4.4 It will also depend upon where the lower paid protection limit gets set and the above assumes that this is set at £15,000.

1.5 Core element 3 – the lower paid

1.5.1 The model suggested allows for lower paid members to pay reduced contributions if they choose the lower accrual route. We have used 68th accrual in the following table and assumed that a reduction in contributions of say 60/68 times the current rate would be a fair level of reduction.

Table 1.5	Low er Band	Upper Banc	Current contribution rate	Reduce accrual (67ths)	Reduced contributions	Net effect
Band 1	£0	£12,600	5.5%	2.4%	0.6%	1.7%
Band 2	£12,601	£14,700	5.8%	2.4%	0.7%	1.7%
Band 3	£14,701	£18,900	5.9%			
Band 4a	£18,901	£21,000	6.5%			
Band 4b	£21,001	£24,000	6.5%			
Band 4c	£24,001	£31,500	6.5%			
Band 5	£31,501	£42,000	6.8%			
Band 6	£42,001	£78,700	7.2%			
Band 7	£78,700	plus	7.5%			
Total raised				£32m	£10m	£22m

1.5.2 As can be seen above the saving will depend upon how much a reduction in contributions is offered to the lower paid members and how many of the lower paid opt for reducing accrual compared to the status quo.

1.5.3 However, we feel it remains equitable to offer this reduced cost option, setting the possible accrual level at the same level as the higher paid to provide the lower paid with a similar choice.

1.5.4 Any savings made from the above will depend on members choice so should not be included as certain in the total costs.

1.6 Core element 3 – the higher paid

1.6.1 The model suggested that higher paid members will retain their current 60th accrual by paying more into the scheme. However we recognise that this will not be attractive and perhaps unaffordable for some.

1.6.2 In this section therefore we have shown possible reduced accrual options that would provide these members with an alternative allowing their current contribution rates to remain.

1.6.3 We have shown three cases below corresponding to the tables of proposed contribution increase tariffs within section 1.4.

Table 1.6 a	Lower Band	Upper Band	Current contribution rate	a) same increase	Reduce accrual (67ths)
Band 1	£0	£12,600	5.5%	0.0%	0.0%
Band 2	£12,601	£14,700	5.8%	0.0%	0.0%
Band 3	£14,701	£18,900	5.9%	2.1%	2.1%
Band 4a	£18,901	£21,000	6.5%	2.1%	2.1%
Band 4b	£21,001	£24,000	6.5%	2.1%	2.1%
Band 4c	£24,001	£31,500	6.5%	2.1%	2.1%
Band 5	£31,501	£42,000	6.8%	2.1%	2.1%
Band 6	£42,001	£78,700	7.2%	2.1%	2.1%
Band 7	£78,700	plus	7.5%	2.1%	2.1%
Total raised				£600m	£600m

Table 1.6 b	Lower Band	Upper Band	Current contribution rate	b) same proportionate increase	Reduce accrual (68ths)
Band 1	£0	£12,600	5.5%	0.0%	0.0%
Band 2	£12,601	£14,700	5.8%	0.0%	0.0%
Band 3	£14,701	£18,900	5.9%	1.9%	2.4%
Band 4a	£18,901	£21,000	6.5%	2.1%	2.4%
Band 4b	£21,001	£24,000	6.5%	2.1%	2.4%
Band 4c	£24,001	£31,500	6.5%	2.1%	2.4%
Band 5	£31,501	£42,000	6.8%	2.2%	2.4%
Band 6	£42,001	£78,700	7.2%	2.3%	2.4%
Band 7	£78,700	plus	7.5%	2.4%	2.4%
Total raised				£605m	£675m

Table 1.6 c	Lower Band	Upper Band	Current contribution rate	c) steeper increase	Reduce accrual (69ths)
Band 1	£0	£12,600	5.5%	0.0%	0.0%
Band 2	£12,601	£14,700	5.8%	0.0%	0.0%
Band 3	£14,701	£18,900	5.9%	1.5%	2.5%
Band 4a	£18,901	£21,000	6.5%	1.5%	2.5%
Band 4b	£21,001	£24,000	6.5%	2.0%	2.5%
Band 4c	£24,001	£31,500	6.5%	2.5%	2.5%
Band 5	£31,501	£42,000	6.8%	2.5%	2.5%
Band 6	£42,001	£78,700	7.2%	2.5%	2.5%
Band 7	£78,700	plus	7.5%	2.5%	2.5%
Total raised				£605m	£715m

1.6.4 Of course there is no way of telling which way members will opt and most will need some help and financial advice to make the correct decision but the above shows that we can design a scheme which meets the required target.

1.6.5 As there is a risk of members selecting the option that does not raise sufficient income the accrual rate for a steeper contribution increase pattern than 1.3 c) will mean the accrual that can be offered as an option will become very unattractive.

1.7 Stepping any changes

1.7.1 We understand that stepping any changes over the three year period may be acceptable. Administratively no changes will be very straightforward but stepping changes to the contribution patterns will be possible whereas stepping the reduction in accrual will not be feasible.

1.7.2 A possible spread of increase in step of 20 per cent/40 per cent/40 per cent will defer much of the change until the new scheme takes shape.

1.8 Summary

1.8.1 Therefore we have the following patterns or options.

- Steeper stepping patterns for contributions than we have considered in section 1.3 which incur very high opt out risk, especially at middle to high salary bands. We have rejected this option due to opt out risk at all levels that may cascade throughout the workforce in general.

- Contribution patterns considered like those in section 1.3, which also have the appeal of being more easily phased in over a three year period.

- Contribution patterns with a suitable accrual reduction depending upon the upper contribution bands to ensure the required savings are met. As accrual reduction cannot be phased in it would need to be accepted that this change would only be practical in say year 2014.

1.8.2 Due to administration simplicity and the ability to step the costs it seem that an option like 1.3 c) may be most favourable.

1.8.3 However if options and choice for members are consider a more key factor then 1.6 b) would appear to offer a good solution as the accrual reduction is minimised.

1.8.4 Alternatively, option 1.6 c) meets the contribution increase limits applying to other public sector funds, whereby the increases at lower salary bands are restricted. It also offers flexibility and choice for members, perhaps being an advantage outweighing the simplicity of 1.3c).

THE LONDON BOROUGH

Local Government Pension Scheme Reform of Public Sector Pensions (Short Leaflet)

You may be aware that, following recommendations made by the Public Service Pension Commission, headed by Lord Hutton, the Government is looking to reform the Local Government Pension Scheme (LGPS), along with other public service schemes. As people are living longer, and so drawing a pension for longer, the Government is proposing that changes should be made to the LGPS to ensure

- there is a fairer balance between what employees pay and the cost to employers and taxpayers, and
- the cost of providing pensions under public service pension schemes is affordable, not just now but in the decades to come.

In the short term, in the period up to 2015, the Government is proposing that, as we are living longer, public service workers, including those in the LGPS, should pay more towards their pensions. They are consulting on a number of options and the Local Government Association has put its own proposals to the Government which, unlike the Government's proposals, would offer employees choice i.e. the choice to pay a bit more now or have a change to the level at which the pension in the scheme builds up in the future.

In the longer term, and in response to the recommendations made in Lord Hutton's report, the Government is proposing to redesign public sector pension schemes. Final decisions about your pension scheme from 2015 onwards will be made by the Government, although consultations with union and employer representatives will be an important part of that process. It is reassuring, however, that under the proposals, the Government is making a commitment to retain a defined benefit scheme, with full protection for benefits built up to the date the new scheme is introduced, transitional protection for those closest to retirement, and that public service pensions will remain among the very best available. The Government is also making a commitment that low and middle earners working a full public service career will receive broadly the same pension at normal pension age as they do under their current public service pension scheme.

So, whilst we know that there will be changes to the LGPS, we don't yet know exactly what these will be and although you may hear various views on what your pension might be in the future, nothing has been decided yet. Consultations and negotiations are taking place around the future shape and cost of the LGPS and how those costs should be shared between you and your employer. But whatever comes out of the process, the LGPS will still be one of the best pension schemes available in the UK.

Remember – the LGPS is still a good quality pension scheme

Whilst the discussions are going on, it's important to realise that not only do you have access to a good quality pension scheme at the present time, but you will continue to do so in the future, with a scheme which provides you with a guaranteed level of income when you retire that's not dependent on share prices and not affected by stock market fluctuations.

As well as benefits on retirement, the current benefits of being a member of the LGPS include life cover and family benefits in the event of your death. There's also cover in the event of early retirement on the grounds of permanent ill-health, redundancy or business efficiency. As a member of the LGPS you have the security of these benefits at a relatively low cost to you and, if you pay tax and National Insurance, you get tax relief on your contributions and you pay a lower rate of National Insurance.

The LGPS allows you to save while you are working in order to enjoy a pension once you retire. What's more, the LGPS is offered by your employer who pays part of the cost of the excellent range of benefits, so it's a valuable part of your employment package. If you choose not to join or are thinking of opting out of the LGPS you are, in effect, voluntarily giving up part of your pay package..

More information

A leaflet providing additional information on the proposals for changes to the LGPS is available from

Bromley Pensions Team
Liberata UK Ltd
P O Box 1598
Croydon
CR0 0ZW

Telephone: 020 8603 3429
Email: pensions@bromley.gov.uk

and on www.lgps.org.uk

This leaflet provides brief information on developments to public sector pension provisions and how they may impact on employees who are members of the LGPS in England or Wales. It is for general use only and does not cover every personal circumstance. In the event of any dispute as to benefits due under the LGPS the appropriate legislation will prevail. This leaflet does not confer any contractual or statutory rights and is provided for information purposes only.

Text based on LGE Leaflet – Employees in England and Wales – November 2011

THE LONDON BOROUGH

Local Government Pension Scheme Reform of Public Sector Pensions (Detailed Leaflet)

In this leaflet we take a look at what is happening on the reform of the Local Government Pension Scheme (LGPS) and how this may impact on scheme members and their pension provision.

The Public Service Pension Commission, headed by Lord Hutton, made a number of recommendations about the future design of public service pension schemes. As a result, the Government is looking to reform the LGPS, along with other public service schemes, so that the cost of providing these pensions is affordable, not just now but in the decades to come.

The Government's position is that public service pension schemes, including the LGPS, will remain among the very best available, providing a defined benefit pension for all employees. However, as people are living longer, and so drawing a pension for longer, the Government is proposing that changes should be made to the LGPS to ensure there is a fairer balance between what employees pay and the cost to employers and taxpayers.

But before we look at what changes are being proposed and why the unions are balloting for strike action, let's take a quick look at why the LGPS needs to change.

Did you know?

When the LGPS was first set up

- there were restrictive age limits on who could join the scheme
- only certain types of employee were automatically eligible for membership of the scheme
- contribution rates were fixed at 5 or 6%
- to be entitled to a pension on retirement at 60 members had to have at least 40 years service or, for retirement at age 65 they had to have at least 10 years service, and
- a spouse's pension was only payable following a member's death if the member had given up part of their own pension.

Since then, there have been significant improvements to the LGPS.

- a wide range of employers now offer membership of the scheme
- any employee under age 75 can be a member of the LGPS no matter how many hours they are contracted to work
- members only need to have paid into the scheme for 3 months to be entitled to a pension (which can be drawn from age 60, or from age 55 with the employer's consent)
- there's a pension on redundancy aged 55 or over
- a lump sum is payable on death (equal to 3 years pay if a member dies in service), and
- there are automatic survivor benefits payable to a spouse, civil partner, nominated co-habitee and eligible children.

And what's more, life expectancy has increased dramatically. The average 60 year old is living 10 years longer now than they did in the 1970s. More of people's lives are now being spent in retirement – between 40% and 45% of adult life compared to around 30% for pensioners in the 1950s.

But, despite the big improvements in the benefits offered by the scheme and in scheme members' life expectancy, the employee contribution rate is still only, on average, around 6.4% of pay (before tax relief).

And, unlike employees in defined contribution (money purchase) schemes in the private sector, your benefits are guaranteed. The amount of pension from those schemes can be affected by share prices and stock market fluctuations. All the risk falls on the employee. But in the LGPS your benefits are guaranteed and it is the employer who has to pay more into the scheme, when necessary, to ensure the cost of the benefits that have been promised is met. All the risk falls on the employer (and, ultimately, on the tax payer).

So why are the unions balloting for strike action?

One point to clarify first of all is that the unions are in dispute with the Government, not with your employer, and have asked their members to vote for strike action over proposed changes to the LGPS which, they say, mean you will have to pay more and work longer to get a pension that is worth less.

But what we need to ask ourselves is "If we're all living longer, and so drawing our pensions for longer, don't those extra years on pension have to be paid for?" The answer, of course, is yes. The question then is "Who should meet that cost?"

Well, taxpayers can't be expected to bear all the cost of increased longevity. There needs to be a fairer balance between what scheme members pay and what other tax payers contribute towards a public service pension. It is only right, isn't it, that if you are the one to benefit from drawing that extra pension you should be the one to meet a fair share of the extra cost? And there are only a limited number of ways that the cost can be met. Members either have to pay more to fund those extra years, or draw their pension later, or draw their pension at the same time as now but at a slightly reduced rate (because it will be paid for longer due to the extra life expectancy), or a combination of these.

What is being proposed?

There are two strands to reform of the public service pension schemes.

In the short term the Government is proposing that public service workers should pay more towards their pensions. **In the longer term**, and in response to the recommendations made in Lord Hutton's report, the Government is proposing to redesign public sector pension schemes.

Let's look at the **short term** changes first. The Government is proposing that employees in the **other** main public service pension schemes (except in the Armed Forces' Pension Scheme) should pay an average 3.2% more in pension contributions, but with protection for the lower paid.

However, unlike the other main public service pension schemes, the LGPS is a funded scheme, backed up by assets and investments, and this puts it in a different position to the other public service pension schemes.

The Government recognises this and it asked the Local Government Association (LGA) and national trade union representatives to enter into discussions to see whether an agreement could be reached on a combination of changes to the LGPS which could achieve the short term measures required other than wholly through an increase in employee contribution rates. Unfortunately, despite constructive discussions between the LGA and the trade unions, it has not so far been possible to reach agreement.

The LGA therefore wrote to the Secretary of State on 21 September 2011 setting out its own proposals as to how the required 3.2% could be delivered in a way which it believes is fair to employees and affordable for the taxpayer. The proposals minimise the impact on the lower paid whilst at the same time giving **choice** to individuals,

The key elements of the changes proposed by the LGA are:

- No increase in employee contributions for scheme members whose full-time equivalent earnings are less than £15,000.
- A moderate increase of 1.5% from 1 April 2014 for those earning between £15,000 and £21,000.
- An increase of 2% to 2.5% from 1 April 2014 for those earning over £21,000.
- Recognising that some employees earning over £15,000 may not be able to afford an increase in their pension contributions, they would have the **choice** to carry on paying contributions at existing levels and have a reduction in the rate that their pension builds up from April 2014 (from the current rate of 1/60th of final pay per year of service to 1/68th per year of service).
- Also, employees with full-time equivalent earnings of less than £15,000 who may be finding it difficult to meet their current level of contribution would have the **choice** to reduce their contribution rate by around 0.6% to 0.7% and instead have a reduction in the rate that their pension builds up for service from April 2014 (from the current rate of 1/60th of final pay per year of service to 1/68th per year of service).
- Increase the normal age of retirement from 65 to 66 for benefits earned after April 2014 with benefits earned before then retaining a normal pension age of 65.

The main thrust of the LGA's proposals is that employees should have choice about how they meet the cost of paying for increased longevity.

You can find more information on the LGA's proposals and examples of the impact of the proposals on the LGA's website at http://www.lge.gov.uk/lge/core/page.do?pageId=13667990

The Government has subsequently issued its own consultation paper on how the 3.2% could be delivered.

Key elements in the Government's consultation:

The Government has put forward two alternative approaches to that suggested by the Local Government Association.

- **Option 1**:

  A phased increase in employee contributions for those with full-time equivalent pay of £15,101 or more, starting from April 2012. There would be no increase in the employee contribution rate for those with full-time equivalent pay of less than £15,101 a year and no more than a 1.2% increase by April 2014 for those earning between £15,101 and £21,000 a year. Higher earners would pay progressively more than those on lower pay (i.e. an increase of between 1.8% for those earning £21,001 up to a maximum increase of 5% from April 2014 for those earning £150,001 or more).

  And

  A reduction in the rate at which the pension builds up (reducing from the current rate of 1/60th of final pay for each year of service to 1/64th for service between April 2013 and March 2014, and to 1/65th for service after March 2014).

- **Option 2**:

  A phased increase in employee contributions for those with full-time equivalent pay of £15,101 or more, starting from April 2012. There would be no increase in the employee contribution rate for those with full-time equivalent pay of less than £15,101 a year and no more than a 0.3% increase by April 2014 for those earning between £15,101 and £21,000 a year. Higher earners would pay progressively more than those in lower pay bands, but the level of increase for all but the most highly paid employees (those earning £150,001 or more) would be less than under Option 1.

  And

  A reduction in the rate at which the pension builds up (reducing from the current rate of 1/60th of final pay for each year of service to 1/67th for service after March 2014).

The second option delivers most of the changes via a reduction in the rate at which benefits build up in the future, coupled with a marginal increase in employees' contribution rates. The first option achieves the changes more by way of the increase in scheme members' contribution rates, whilst impacting less on retirement income.

You can find more information on the Government's consultation paper, and examples of the impact of the proposed changes on scheme members on the LGA's website at
http://www.lge.gov.uk/lge/core/page.do?pageId=13931474

Responses to the Government's consultation have to be submitted by 6 January 2012 and it is expected that a decision will be taken early in 2012 on which of the proposals mentioned above will be taken forward (or any other proposal that interested parties may have put forward to the Government during the consultation period).

Now let's have a look at the longer term.

In the longer term, and in response to the recommendations made in Lord Hutton's report, the Government is proposing to redesign public sector pension schemes, with the reformed schemes being in place from April 2015. The detailed design of a reformed LGPS, how much you will pay, and exactly how your pension will build up in that scheme is still being discussed. However, in general terms, the Government is proposing that, from April 2015, public service workers should:

- **Move to a career average scheme as the fairest basis to calculate pension benefits**
  This would give a defined benefit pension based on your average revalued earnings over your career rather than one based on your final salary as now. The current final salary scheme tends to benefit certain scheme members more than others, particularly those who get a promotion towards the end of their time in the scheme.

- **Have a later retirement age**
  To keep in line with changes to life expectancy, the Government proposes to link the normal retirement age in most public service pension schemes (including the LGPS) to the age you can draw your State pension. The State pension age is currently due to increase in stages to age 66 by October 2020. This means that as the State pension age increases, so would the age you can draw your LGPS pension in full. However, members would, as now, still be able to retire early with a reduced pension.

The Government has confirmed that, under their proposals:

- **The reformed schemes for public service workers will continue to provide defined benefit pensions**

  That means that you would, as now, receive a guaranteed amount in retirement – not an uncertain amount based on the value of an investment fund or cash pot.

- **The pension rights you have earned up to the date of the scheme change (i.e. up to March 2015) will be honoured in full**

  This means that your current retirement age would still apply in respect of the pension you have built up prior to the move to the new scheme, and those accrued pension rights would still be calculated on your final year's pay. **Only benefits for future service would be based on your career average revalued earnings and have a new retirement age linked to the State pension age.**

- **There will be additional protection if you are within ten years of your current normal retirement age on 1 April 2012**

  This would mean that you would see no change to your normal retirement age nor to the amount of pension you could draw at your normal retirement age.

And, under the proposals, low and middle earners working a full public service career will receive broadly the same pension at normal pension age as they do under their current public service pension scheme.

Remember – the LGPS is still a good quality pension scheme

The Government's consultation on increases in employee contributions is currently underway and discussions on an initial design of a reformed LGPS from April 2015 are ongoing.

So, whilst these discussions are going on, it's important to realise that not only do you have access to a good quality pension scheme at the present time, but you will continue to do so in the future, with a scheme which provides you with a guaranteed level of income when you retire that's not dependent on share prices and not affected by stock market fluctuations.

As well as benefits on retirement, the current benefits of being a member of the LGPS include life cover and family benefits in the event of your death. There's also cover in the event of early retirement on the grounds of permanent ill-health, redundancy or business efficiency. As a member of the LGPS you have the security of these benefits at a relatively low cost to you and, if you pay tax and National Insurance, you get tax relief on your contributions and you pay a lower rate of National Insurance.

The LGPS allows you to save while you are working in order to enjoy a pension once you retire. What's more, the LGPS is offered by your employer who pays part of the cost of the excellent range of benefits, so it's a valuable part of your employment package. If you choose not to join or are thinking of opting out of the LGPS you are, in effect, voluntarily giving up a part of your pay package.

And finally ….

Whilst we know that there will be changes to the Scheme, we don't yet know exactly what these will be. It is reassuring, however, that under the proposals, the Government is making a commitment to retain a defined benefit scheme, with full protection for benefits built up to the date the new scheme is introduced, transitional protection for those closest to retirement, and that public service pensions will remain among the very best available.

More information

We hope you find this information helpful. Further information on the LGPS ia available from:

Bromley Pensions Team Liberata UK Ltd P O Box 1598 Croydon CR0 0ZW	Telephone: Email:	020 8603 3429 pensions@bromley.gov.uk L!BERATA

and on www.lgps.org.uk

This leaflet provides brief information on developments to public sector pension provisions and how they may impact on employees who are members of the LGPS in England or Wales. It is for general use only and does not cover every personal circumstance. In the event of any dispute as to benefits due under the LGPS the appropriate legislation will prevail. This leaflet does not confer any contractual or statutory rights and is provided for information purposes only.

Text based on LGE Leaflet – Employees in England and Wales – November 2011

Report No.
RES11120

London Borough of Bromley

PART 1 - PUBLIC

Decision Maker:	**General Purposes and Licensing Committee**
Date:	**1st December 2011**
Decision Type:	Non-Urgent Non-Executive Non-Key
Title:	**LICENSING SUB-COMMITTEE: SCHEDULE OF MEETINGS JANUARY TO JUNE 2012**
Contact Officer:	Graham Walton, Democratic Services Manager Tel: 020 8461 7743 E-mail: graham.walton@bromley.gov.uk
Chief Officer:	Mark Bowen, Director of Resources
Ward:	All

---

1. Reason for report

1.1 The Committee is requested to consider the proposed schedule of meetings of the Licensing Sub-Committee for the period January to June 2012.

---

2. RECOMMENDATION(S)

The Committee is requested to endorse the programme of Licensing Sub-Committee meetings for January to June 2012, subject to any changes being made as necessary by the Director of Resources with the agreement of the Members concerned.

Corporate Policy

1. Policy Status: Existing policy.

2. BBB Priority: Safer Bromley.

Financial

1. Cost of proposal: No cost

2. Ongoing costs: N/A.

3. Budget head/performance centre: Democratic Services

4. Total current budget for this head: ££344,054

5. Source of funding: Existing 2011/12 budget.

Staff

1. Number of staff (current and additional): There are 9 posts (8.22 fte) in the Democratic Services Team.

2. If from existing staff resources, number of staff hours: Preparing the Licensing Sub-Committee programme of meetings takes a few hours of staff time every six months.

Legal

1. Legal Requirement: Statutory requirement.

2. Call-in: Call-in is not applicable. This report does not involve an executive decision.

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): This report is intended primarily for Members of this Committee to enable them to plan meetings of the Licensing Sub-Committee.

Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.

2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

3.1 Twice a year the Committee receives a six month schedule of Licensing Sub-Committee meetings. The schedule for the first half of 2012 has been drawn up along similar lines to those previously prepared.

3.2 In accordance with the Licensing Act 2003, only members of this Committee may serve on meetings of the Licensing Sub-Committee, or act as substitutes. Proportionality is not required under the 2003 Act, and at its meeting on 27th May 2010, the Committee decided to overturn its previous practice of applying proportionality on the basis on two majority party members and one minority party member for each meeting wherever practical. For 2010/11, meetings were allocated on a roughly equal basis to all members of the Committee, and it is recommended that this continues.

3.3 All the meetings are to be held in the daytime; the morning session starting at 10am and the afternoon session at 2pm, with pre-meetings at 9.45am and 1.45pm respectively. All the dates in the schedule will cover both sessions although it is anticipated that there will be occasions when one of the sessions (usually the afternoon) is not required. In line with the existing arrangements, Members are asked to notify the Democratic Services Team as soon as possible of meetings of the Sub-Committee where they are unable to attend as allocated.

3.4 The schedule of the proposed dates for the Licensing Sub-Committee, with the Members allocated to each meeting, is attached as appendix 1. Members of the Committee have already been consulted on their availability for these dates. Additional meetings may be set up as required. Membership of the meetings in late May and in June will be subject to Members being re-appointed to this Committee at the annual meeting of the Council on 16th May 2011.

Non-Applicable Sections:	Policy/Financial/Legal/Personnel
Background Documents: (Access via Contact Officer)	Report to General Purposes and Licensing Committee (24th May 2011)

This page is left intentionally blank

Appendix 1

London Borough of Bromley – LICENSING SUB-COMMITTEE
Draft Schedule of Meetings: January to June 2012

Proposed Date	Proposed Membership *(can be any member of the GP&L Committee)*
Monday, 9th January	Councillors **Nicholas Bennett, Diane Smith** and **John Getgood**
Tuesday, 24th January	Councillors **Russell Mellor**, **Roxhannah Fawthrop** and **Stephen Wells**
Wednesday, 8th February	Councillors **John Canvin, Will Harmer** and **Gordon Norrie**
Thursday, 23rd February	Councillors **John Getgood, Tim Stevens** and **Harry Stranger**
Friday, 9th March	Councillors **Nicholas Bennett, Roger Charsley** and **Ian Payne**
Monday, 19th March	Councillors **Will Harmer, Russell Mellor** and **Diane Smith**
Tuesday, 3rd April	Councillors **Roxhannah Fawthrop, Tony Owen** and **Charles Rideout**
Wednesday, 18th April	Councillors **Ian Payne, Harry Stranger** and **Stephen Wells**
Friday, 4th May	Councillors **Nicholas Bennett, John Canvin** and **Gordon Norrie**
Friday, 18th May	Councillors **Russell Mellor, Diane Smith** and **Tim Stevens**
Monday, 28th May	Councillors **Roger Charsley, John Getgood** and **Will Harmer**
Tuesday, 12th June	Councillors **Roxhannah Fawthrop, Charles Rideout** and **Stephen Wells**
Wednesday, 27th June	Councillors **Nicholas Bennett, Gordon Norrie** and **Tim Stevens**

This page is left intentionally blank

AUDIT SUB-COMMITTEE

Minutes of the meeting held at 7.30 pm on 22 September 2011

Present:

Councillor Neil Reddin FCCA (Chairman)
Councillor Simon Fawthrop (Vice-Chairman)
Councillors Reg Adams, Will Harmer and Stephen Wells

61 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTE MEMBERS

Apologies for absence were received from Councillor Nicholas Bennett and Councillor Ruth Bennett.

62 DECLARATIONS OF INTEREST

Councillor Simon Fawthrop declared a personal interest as an employee of BT and that he had a child who attended a school in the Borough.

Councillor Neil Reddin declared personal interests as a non LEA governor of St Olave's and St Saviour's Grammar School, as his wife was a governor of Hayes Primary School and his son attended a primary school in the borough.

63 CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 7TH JUNE 2011 EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

RESOLVED that the minutes (excluding those containing exempt information) of the meeting held on 7th June 2011 be confirmed.

64 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions were received.

65 MATTERS OUTSTANDING FROM THE LAST MEETING

Report RES11095

Councillors were advised of matters outstanding from previous meetings and the progress made. The items marked "complete" would be removed from the report unless there was a reason for that item to remain.

RESOLVED that progress with matters outstanding from previous meetings be noted.

66 INTERNAL AUDIT PROGRESS REPORT
Report CEO1183

The Chairman welcomed Mr. Brendan Costello, Assistant Director of Finance (Governance & Audit) of the London Borough of Greenwich to the meeting.

The report advised on recent audit activity across the Council and provided updates on matters arising from the last meeting of the Sub-Committee held on 7th June 2011. Letters received from the Department of Work and Pensions relating to housing benefit and a corrected version of Appendix G were tabled. The following matters were considered in particular.

Priority One Recommendations

The latest list of outstanding priority one recommendations was attached to the report at Appendix A. It was noted that monitoring information about malware protection was still awaited from the Council's IT contractor.

Benchmarking

The Sub-Committee considered a table setting out headline benchmark comparisons for Internal Audit with fourteen other London Boroughs. The Bromley results were generally favourable, although the days per auditor figure needed to be improved.

Future Internal Audit Services

Members discussed the importance of having effective corporate and departmental risk registers that identified not only the likelihood of risk (red/amber/green or high/medium/low) but the value of the risk, and prioritising internal audit activity accordingly. It was noted that Internal Audit used a detailed risk assessment to prioritise its work.

Current Matters Relating to Schools and Academies

It was reported that Internal Audit had been engaged by four Academy Schools. Although meetings had already been held for all Head Teachers and Bursars, Members suggested writing to chairmen of governors, emphasising the importance of the Responsible Officer role, the experience of the Internal Audit Team and the risks that Academies faced.

Waivers

The Sub-Committee noted a small number of CYP placement contracts which had required waivers. In view of the very specialist nature of these placements it was necessary to spot purchase. Efforts were being made to increase the range of provision in-borough, which would reduce these costs.

Housing Benefit Update

Members noted the excellent work by Greenwich and Bromley staff in the Mahira Rustam Al-Azawi case which was resulting in £85k being repaid to

Bromley. It was confirmed that the £1m figure quoted in the press was the value of the houses involved, not the amount falsely claimed.

The Sub-Committee considered the options set out by the Department for Work and Pensions in their letter of 16th September for the proposed new Single Fraud Investigation Service (SFIS). The letter stated that option 1 was the most likely outcome, and Members considered that of the options set out this would probably be preferable, as staff would remain as local authority employees and this would allow the Council more flexibility. However, staff would be operating under SFIS powers and procedures, and it was probable that fewer prosecutions would be brought as a consequence. It was likely that legislation would be changed so that the Council would be prevented from taking out its own prosecutions. A further concern to Members was the extent of local democratic oversight and scrutiny under any new regime, which was unknown. The Council's response would be circulated to Members.

Audit Sub-Committee Terms of Reference and New Government Proposals

Revised terms of reference for the Sub-Committee had been drawn up in consultation with the Chairman and Vice-Chairman. These were supported by the Sub-Committee.

Fraud Toolkit and Anti-Fraud and Corruption Strategy

The Chairman stated that these matters on the part 2 agenda should be brought into part 1. The Sub-Committee supported the wider use of the Fraud Toolkit and the changes to the Anti-Fraud and Corruption Strategy to incorporate the changes brought about by the Bribery Act 2010.

RESOLVED that:

(a) the issues set out in the report be noted;

(b) the continuing achievements of the counter fraud benefit partnership with Greenwich Council and, in particular, the commendation received from the Police and the contribution made by the investigator (paragraph 3.36 of the report), be noted;

(c) the proposed new terms of reference for the Sub-Committee be supported and recommended to General Purposes and Licensing Committee (Appendix 1);

(d) the revised anti-fraud & corruption policy, which takes account of the Bribery Act 2010, be approved;

(e) wider use of fraud toolkit across the authority be supported.

67 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM OF INFORMATION ACT 2000

RESOLVED that the Press and public be excluded during consideration of the items of business referred to below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

The following summaries
refer to matters
involving exempt information

68 CONFIRMATION OF THE EXEMPT MINUTES OF THE MEETING OF THE SUB-COMMITTEE HELD ON 7TH JUNE 2011

The exempt minutes of the meeting held on 7th June 2011 were confirmed subject to a small amendment.

69 INTERNAL AUDIT FRAUD AND INVESTIGATION PROGRESS REPORT

The Sub-Committee considered a report informing Members of recent Internal Audit activity on investigations across the Council and providing an update on matters arising since the last meeting of the Sub-Committee. The report detailed new areas investigated, expanded on cases of interest, detailed the cases on the fraud register and provided a further update on the results of the National Fraud Initiative (NFI).

70 ANNUAL INTERNAL AUDIT FRAUD AND INVESTIGATION REPORT

The Sub-Committee received the annual report on anti-fraud activity for 2010/11.

The Meeting ended at 9.25 pm

Chairman

APPENDIX 1

Audit Sub-Committee: Terms of Reference

- Monitor internal audit's strategy, plan and performance.
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Consider the reports of external audit and inspection agencies.
- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements.
- Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

This page is left intentionally blank

INDUSTRIAL RELATIONS SUB COMMITTEE

Minutes of the meeting held at 6.00 pm on 28 June 2011

Present:

Councillors Councillor Eric Bosshard, Councillor Stephen Carr, Councillor Russell Mellor, Councillor Tony Owen, Councillor Colin Smith, Councillor Michael Tickner and Councillor Michael Turner

1 APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN FOR 2011/12

RESOLVED that Councillor Tony Owen be appointed Chairman and Councillor Michael Tickner be appointed Vice-Chairman for the Sub-Committee for the reminder of the municipal year.

(Councillor Owen in the Chair)

2 APOLOGIES FOR ABSENCE AND NOTIFICATION OF ALTERNATE MEMBERS

An apology for absence was received from Councillor Brian Humphrys (in his role as Children and Young People Executive Assistant).

3 DECLARATIONS OF INTEREST

A declaration of interest was made by Councillor Owen as his daughter is a teacher at a school in Bromley.

A declaration of interest was made by Councillor Smith as his daughter worked on a Saturday in a Library in Bromley.

4 MINUTES OF THE MEETING HELD ON 10TH JULY 2008 (EXCLUDING EXEMPT INFORMATION)

RESOLVED that the minutes of the meeting held on 10th July 2008 (excluding exempt information) be confirmed.

5 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM OF INFORMATION ACT 2000

RESOLVED that the press and public be excluded during consideration of the items of business listed below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

6 EXEMPT MINUTES OF THE MEETING HELD ON 10TH JULY 2008

RESOLVED that the exempt minutes of the meeting held on 10th July 2008 be confirmed.

7 STRIKE ACTION BY THE NUT, ATL AND UCU IN OPPOSITION TO THE GOVERNMENT'S PROPOSED CHANGES TO THE TEACHERS' PENSION SCHEME

The National Union on Teachers (NUT), the Association of Teachers and Lecturers (ATL) and the University and College Union (UCU) had notified the Council that they would be calling on their members to take a one day strike action on 30th June 2011 in connection with a trade dispute concerning proposed changes to the Teachers' Pension Scheme. The industrial action was intended to be discontinuous, and in the event that the dispute was not resolved to the Trade Union's satisfaction at the conclusion of the one day strike, the Council could receive notification of further industrial action.

The Meeting ended at 6.14 pm

Chairman

PENSIONS INVESTMENT SUB-COMMITTEE

Minutes of the meeting held at 7.00 pm on 14 September 2011

Present:

Councillor Paul Lynch (Chairman)

Councillors Eric Bosshard, Julian Grainger, Russell Jackson, Russell Mellor and Neil Reddin

1 APOLOGIES FOR ABSENCE AND NOTIFICATION OF ALTERNATE MEMBERS

There were no apologies.

2 DECLARATIONS OF INTEREST

Councillors Paul Lynch, Russell Mellor and Eric Bosshard declared a personal interest as Members of the Bromley Local Government Pension Scheme.

3 CONFIRMATION OF MINUTES OF THE MEETING HELD ON 10TH MAY 2011, EXCLUDING THOSE CONTAINING EXEMPT INFORMATION

The minutes were agreed.

4 MATTERS OUTSTANDING FROM PREVIOUS MEETINGS

There were four matters outstanding, all from the Sub Committee's previous meeting and the position on these was summarised on the agenda front sheet.

On changes arising from the Commission headed by John Hutton into public sector pensions (minute 42 from the previous meeting) the Finance Director provided further background and a current update. There were two issues - (1) anticipated legislation restricting pension tax relief and (2) proposals to increase employee contributions so reducing employer contributions with potential savings for the Pension Fund. Changes in benefits were also proposed.

The Finance Director advised that legislation has now been implemented for restricting pension tax relief. On point (2) there are likely to be revised proposals from Government with a combination of increases in employee contributions, revisions to the scheme benefits and an "employer contribution ceiling". Issues still remain relating to a potential increase in "opt out" which combined with overall job reductions within local authorities could have a detrimental impact on the longer term viability of pension schemes. The Government have recognised the separate nature of the Local Government Pension Scheme compared to other public sector schemes. Statutory consultation on proposals was expected to start in October/November and there would be a three year phasing in period. When details of actual proposals are published a further update would be provided to the Sub-Committee.

Members were advised that there are both high and low value pension benefits within the Fund and that it was understood there would be a limit on changes for low earners. For any modelling to assess the extent of high and low value pension benefits it would be necessary to await publication of the detail of proposals.

The Director also referred to a green paper on the state pension which seemed to favour universal pension provision which may require funding from the phasing out of the current “contracted out” national insurance which would increase employer costs.

The Director confirmed that the Local Government Pension Scheme was a statutory scheme providing no discretion for a “closed” scheme.

Concerning Pension Fund Performance (minute 43 from the previous meeting) and Investment in Property (minute 45 from the previous meeting) the Director suggested that the outlook might not be good for equities over the next five years (the fund comprised some 80% equities and 20% cash). As such he recommended that a review be undertaken of asset classes to report back to the Sub Committee in February. The review would include property and other aspects and an assessment would be brought to Members on how property could be dealt with.

RESOLVED that a review of the Fund’s asset allocation strategy, including property and absolute return funds, be undertaken with outcomes reported to the Sub Committee in February 2012.

5 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

There were no questions.

6 PENSION FUND PERFORMANCE
Report RES11090

The Bromley Pension Fund as a whole was ranked in the 22nd percentile of the local authority universe for 2010/11 meaning that Bromley’s fund performance in the year was in the top quartile of the 87 local authority funds forming the local authority universe. Baillie Gifford returned 10.7% (2.3%

above their benchmark), while Fidelity returned 7.1% (0.6% below benchmark). Bromley's Fund ranked in the 1st percentile over the last 3 years (i.e. the best in the whole local authority universe), in the 3rd percentile over 5 years and in the 2nd percentile over 10 years. In the first quarter of 2011/12, Bromley's Fund achieved an overall ranking of 88%.

In 2010/11 the market value of Bromley's Fund ended the year at £489.7m. As at 30th June 2011 the fund value had risen to £494.1m and at 30th August 2011 further turmoil in financial markets had caused the fund value to fall to £450.0m, a fall of 9% since the end of June.

For 2011/12 a summary of performance by the two fund managers in the June quarter was provided in Report RES11090. Baillie Gifford returned 1.1% in the June quarter (0.1% below benchmark) and their relative under-performance was attributed primarily by the WM Company to asset allocation, mainly in the Other International equities sector. Fidelity returned 0.6% in the June quarter (0.9% below benchmark) and the WM Company attributed most of their relative under-performance to stock selection, primarily in UK equities.

The following was also provided in Report RES11090 as further information for Members:

- an assessment of medium and long-term performance data with comparative returns over 1, 3, 5 and 10 years for both Baillie Gifford and Fidelity for periods ended 30th June 2011 and 31st March 2011;

- returns for quarter ended 30th June 2011;

- commentaries from Baillie Gifford and Fidelity on recent developments in financial markets, their impact on the Council's Fund and the future outlook (this would be a standing item in future reports to the Sub-Committee);

- a summary of early retirements by employees in the Pension Fund for the current year and in previous years;

- details of the final outturn for the 2010/11 Pension Fund Revenue Account together with an estimate for 2011/12, the actual position for the first quarter of 2011/12 and data on fund membership; and

- movements in the Fund's Market Value together with details of distributions of the revenue fund surplus cash to the fund managers and movements in the value of the FTSE 100 index.

A WM representative provided a Performance Review for periods ended 31st March 2011. This was based on data circulated to Sub Committee Members with the agenda – the data covering the Market Environment, Total Fund Performance versus Strategic Benchmark, Manager Performance and Total Fund Performance versus Peer Group. An Annual Performance Review of Bromley's fund from WM Performance Services for periods to the end of

March 2011 had also been circulated to Sub Committee Members with the agenda.

RESOLVED that the report be noted.

7 PENSION FUND ANNUAL REPORT 2010/11
Report RES11091

Under the Local Government Pension Scheme (Administration) Regulations 2008 the Council is required to publish the annual report and accounts of the Bromley Pension Fund for year ended 31st March 2011. The annual report (appended to Report RES11091) was submitted in draft form to the external auditor, PricewaterhouseCoopers LLP (PWC) in July and following external audit of the Pension Fund accounts, a final draft was submitted for audit on 13th August and no significant issues were raised. PWC's ISA 260 (International Standards for Auditing) report was also appended to Report RES11091.

In accordance with the regulations the Annual Report would be published on the Council's website by 1st December 2011.

RESOLVED that:

(1) the Pension Fund Annual Report 2010/11 be noted and approved and

(2) upon completion of the external audit by PWC, arrangements be made to ensure publication of the Report by the statutory deadline of 1st December 2011.

8 FUNDING STRATEGY STATEMENT AND STATEMENT OF INVESTMENT PRINCIPLES
Report RES11092

Under Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2007 ("the Regulations") the Council is required to prepare, publish and maintain a Funding Strategy Statement (FSS) for its Pension Fund. The FSS for the London Borough of Bromley Pension Fund was previously updated in 2009 and following a detailed review a revised statement was presented for approval.

The regulations also require the Council to prepare, publish and maintain a written statement of the principles governing its decisions about Pension Fund investments. The statement known as the Statement of Investment Principles (SIP) covers the Council's approach on eight separate issues and states how the Council complies with the six good governance investment principles set out by H.M. Treasury in its 2008 report: "*Updating the Myners' Principles: A Response to Consultation*". The SIP for the London Borough of Bromley was previously updated in 2010. It had been reviewed, particularly in the light of the final Fund valuation report at 31st March 2010, and a revised statement was presented for approval.

Concerning the SIP and limits imposed by the regulations reference was made to "*Any single insurance contract: 25%*" and it was requested that information on the sort of insurance contract and the reason for a 25% limit be included in the outcome of review referred to at Minute 6 above.

A suggestion was also made about the timing of investments. When the FTSE100 was at a high level e.g. 7000, the Fund's past deficit contribution should be lower and where the FTSE100 dropped to a lower level (e.g. 5000) it was suggested that this would be a better time to invest i.e. if £15m was to be invested, taking a 5 to 10 year view and having considered the range, it was suggested that more should go in when the market was low. Less would then be needed at a future stage to reduce the deficit.

The Finance Director referred to actuaries taking a long term view. This results in the actuarial review being undertaken every three years with no interim review during periods of significant changes in performance in financial markets. A possible future issue for the Sub-Committee is that the outlook for Europe/UK is not positive compared with previous years which could have an impact on the performance of the Fund. The Director also referred to Principle 1 in the SIP (Myners review) and suggested that Members, as Trustees of the Fund, should have access to independent advice. An independent adviser to the Sub Committee would not be linked to a Fund Manager and the Director proposed that an adviser be trialled for a year with an option of terminating the appointment early if it wasn't working. Such advice would also be helpful in regard to the review of the asset allocation strategy referred to at Minute 4 above and any investments around Property and Absolute Returns. Officers were not financial advisers and any financial advice would also assist in assessing the performance of the fund managers compared to others.

The Chairman suggested that any costs would be offset by the costs incurred in seeking advice from the Council's actuaries, Barnett Waddingham, from whom advice is currently sought on an ad hoc basis. It was suggested that it should be possible to obtain a sample paper from any adviser free of charge which the Sub Committee could then look at. On any appointment process the Chairman would liaise with the Director and report back.

RESOLVED that:

(1) the report be noted and the revised Funding Strategy Statement and the Statement of Investment Principles set out in Appendices 1 and 2 respectively of Report RES11092 be agreed; and

(2) the Chairman and Director would liaise on an appointment process for enlisting the services of an independent adviser to the Sub-Committee for a trial period of one year.

9 ABSOLUTE RETURN FUNDS
Report RES11093

At its previous meeting on 10th May the Sub-Committee agreed that a report be provided on Absolute Return Funds.

Baillie Gifford provided a paper (appended to Report RES11093) and also indicated that their representatives would be happy to discuss Absolute Return Funds at their next scheduled attendance before the Sub Committee in November. Fidelity provided brief, generic thoughts on Absolute Return Funds (appended to Report RES11093) and Fidelity representatives outlined their thoughts further at item 12 of the meeting. Barnett Waddingham provided a more detailed report (also appended to Report RES11093) on Absolute (Target) Return Funds setting out advantages and disadvantages and indicating that their representative would be happy to discuss the matter further.

Report RES11093 explained that it would be for Members to determine if they wished to invest in Absolute Return Funds and then to consider factors such as risk appetite and manager involvement. The considerations broadly outlined in the report were as follows:

- returns were potentially attractive and less volatile;
- Absolute Return Funds were a good diversifier and flexible in that asset allocation changes could be quickly made;
- fee structures could be high and could eradicate performance benefits;
- there was less control for a local authority and a potential lack of transparency; and
- there was a heavy reliance on a manager’s skill and investment acumen.

RESOLVED that:

(1) the report be noted and discussions be held with Baillie Gifford at the Sub Committee’s meeting on 9th November 2011 and with Barnett Waddingham representatives in due course;

(2) possible discussions also be held with any new independent adviser at a later stage (Minute 12/1 records discussion with Fidelity representatives on Absolute Return Funds); and

(3) these discussions to inform the review of the asset allocation strategy to be reported to the February meeting of the Sub Committee (see Minute 4).

10 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND FREEDOM OF INFORMATION ACT 2000

11 CONFIRMATION OF EXEMPT MINUTES - 10TH MAY 2011

The Part 2 minutes were agreed.

12 PENSION FUND - INVESTMENT REPORT

Quarterly reports (to 30th June 2011) from Fidelity and Baillie Gifford had been circulated prior to the meeting and two Fidelity representatives attended the meeting to present their report and answer questions.

13 FIDELITY FEE STRUCTURE
Report RES11094

A Part 2 report was provided concerning the Fidelity Fee Structure.

Before closing the meeting the Sub Committee agreed that its next meeting would be held on **Wednesday 9th November 2011 at 7.30pm** and not Wednesday 2nd November as previously scheduled**.**

The Meeting ended at 9.45 pm

Chairman

This page is left intentionally blank

LOCAL JOINT CONSULTATIVE COMMITTEE

Minutes of the meeting held at 6.30 pm on 14 July 2011

Present:

Employer's Side

Councillor Russell Mellor (Chairman)
Councillor Nicholas Bennett J.P.
Councillor Eric Bosshard
Councillor Stephen Carr
Councillor Tony Owen
Councillor Colin Smith
Councillor Diane Smith
Councillor Michael Turner

Staff Side and Departmental Representatives

Kathy Smith (Unison) (Vice-Chairman)
Glenn Kelly, Staff Side Secretary
Max Winters, Children and Young People Services

23 APOLOGIES FOR ABSENCE AND NOTIFICATION OF ALTERNATE MEMBERS

An apology for absence was received from Councillor Turner.

24 APPOINTMENT OF A CHAIRMAN AND A VICE-CHAIRMAN

RESOLVED that

(a) Councillor Russell Mellor be appointed Chairman of the Committee for the remainder of the 2011/12 municipal year; and

(b) Mrs. Kathy Smith be appointed Vice-Chairman of the Committee for the remainder of the 2011/12 municipal year.

25 DECLARATIONS OF INTEREST

Councillors Nicholas Bennett, Russell Mellor, Tony Owen and Colin Smith made a declaration of interest in that they were members of the Local Government Pension Scheme.

26 MINUTES FROM THE PREVIOUS MEETING OF LOCAL JOINT CONSULTATIVE COMMITTEE HELD ON 10TH MARCH 2011

It was noted that Mr. Max Winters attended that last meeting of the Committee but had been omitted from the list of those present.

RESOLVED that, subject to the change set out above, the minutes of the meeting of the Committee held on 10th March 2011 be agreed.

27 MATTERS ARISING

Minute 17 – Car Parking Fees

The Assistant Chief Executive (HR) advised that the proposal for car parking fees had not yet been formulated by the responsible officer, the Director of Resources. When the proposal had been completed it would be circulated for consultation to the Staff-side and the Trade Unions after which the Director of Resources would submit the report to the Committee for consideration.

Minute 18 – Library Fundamental Review

The Staff-side Secretary requested that the Leader of the Council permit him to speak on the above subject on behalf of the staff at the meeting of the Executive on 20th July 2011. Councillor Carr responded that he would be happy for Mr. Kelly to speak at the Executive but noted that, as it was not normal protocol to allow people to address the Executive in this way, there would be no right of reply, no two-way discussion and Mr. Kelly would limit himself to two minutes of speech.

Minute 21 – Ill-Health Procedures

The Assistant Chief Executive (HR) referred the Committee to the paragraph set out on the agenda which read:

As discussed at the last meeting of the LJCC, the Assistant Chief Executive (HR) considers that the procedure is being applied appropriately, and has yet to receive details of the dozen or so cases that the Staff-side Secretary considers would indicate otherwise. However, the Staff-side Secretary's concerns are noted, and the Assistant Chief Executive (HR) would therefore recommend that the requirement for a manager to take a written recommendation for action to the Chief Officer be deleted from the procedure. This will reinforce the Chief Officer's discretion to consider the full range of options available under the procedure including a further review period, redeployment or dismissal.

A Procedural Issue

Councillor Bennett noted that, the lack of information in relation to the headings on the agenda was not helpful and other Employer's-side members agreed. He requested that either a report be attached to the agenda in relation to each heading or an explanatory paragraph on the agenda.

28 PENSIONS

In relation to proposed Government changes to the Local Government Pension Scheme, the Staff-side Secretary noted that local authorities had not been involved in the consideration of the current proposals. However, although not formally consulted, all local authorities had the right to comment on the proposed 50% increase in pension contributions, the increase in the minimum age a person could receive a pension and a reduction in pension benefits. It had been forecast that up to 50% of members may leave the scheme. The Local Government Pension Scheme was the eighth largest scheme in Europe and if this amount of contributors left the impact on the scheme would have a very detrimental effect on the UK economy. The Staff-side Secretary asked if the Council had commented on these proposals and requested details of any response.

The Assistant Chief Executive (HR) advised that the proposals had been publicly stated in the Hutton Review and when the Council received the Government's response, the full impact of the proposals would be understood.

The Chairman underlined that the Council was limited in what it could do as the Local Government Pension Scheme was a statutory scheme, and the Council was governed by the Regulations.

The Committee noted that the Council had made some representations as issues had been discussed with appropriate Members of Parliament such as an exchange of views and a realisation of the changes.

The Staff-side Secretary stated that he did not accept that the present Local Government Pension Scheme was unsustainable, and he advised that the Council's Pensions Investment Sub-Committee shared that view. It was important to maintain the level of contributors to the scheme and when scheme specific consultations commenced, he expected the Local Authority to express a view.

29 PAY AWARD 2011

The Staff-side Secretary advised that he had not requested this item to be on the agenda therefore the subject was not discussed.

30 SINGLE STATUS APPEAL PROCESS

The Staff-side Secretary outlined the extensive process taken to negotiate the Single Status deal, and he explained in detail the Single Status appeals process highlighting that the Employer's-side could impose a right of veto which gave an unfair advantage to management in considering an appeal.

At an appeal the appellant's manager was supported by a HR officer. The appellant could also be supported and a technical adviser could be invited to attend an appeal. It was noted that technical adviser had previously appeared at an appeal without the agreement of both the parties. The technical adviser been identified as a member of the original Single Status negotiating team and therefore could not be considered unbiased. The Staff-side Secretary felt that an agreed list of approved technical advisers should be drawn up.

The Staff-side Secretary highlighted the fact that according to current procedures the appeals panel was the final arbiter and, within the procedure, there was no further right of appeal. In one case a group of Carelink workers had achieved an upgrade. After the appeal panel, the technical adviser had visited the Adult and Community Services Director to report that some of the information heard in the appeal had been, according to the technical adviser, inaccurate. This matter was now under consultation and did not reflect a fair process; either both sides should have the right to reopen the appeal against the decision of a panel or neither. The Staff-side Secretary requested that management undertake consultation with the trade unions and the staff-side on this issue.

The Assistant Chief Executive (HR) agreed to involve the Staff-side Secretary in consultation of this matter which was already being discussed with the trade unions. The decision to revisit the Carelink case had been considered carefully. He felt that panel decisions should be based on accurate information and the right of reopen appeal should be limited to what was fair. He wanted to guard against abuse of the single status appeals procedure by both sides.

The Assistant Chief Executive (HR) explained that Barbara Plaw had been the technical adviser involved as an expert on the job evaluation process she was able to give advice on procedural matters. On her advice, HR had consulted with the trade unions but had not imposed any decision on the employees in question. He assured the Committee that this action had not been taken lightly as it had been an exceptional situation.

The Leader of the Council stated that it was most important that the final decision of appeals panels was correct and that both sides were treated equally.

The Vice-Chairman reiterated that the scheme had been agreed. The process stated that the panel’s decision was final and the decision should be made on the information heard by the panel. The Vice-Chairman stated that there was no provision for the technical adviser to advise after the event or to go to management. Procedure should be adhered to in all cases.

A Councillor commented that if a decision was found to be based on inaccurate information it seemed reasonable to re-open the case. A decision should not stand on the wrong information. However, this should work both ways.

The Staff-side Secretary reiterated that the appeal panel had heard information presented by both sides, and neither side had suggested that the information had been inaccurate. The appeal panel had made a decision in line with the Council’s procedure and the information considered but management had deviated from the procedure and were now asking for retrospective agreement. The Staff-side and the Trade Unions acted as advisers on this procedure and therefore should be kept informed of changes. Workers must feel that appeals would be fair and the technical adviser must ne seen as unbiased. There must also be a further appeals process available for both sides. The current position could have easily been changed under consultation.

The Chairman commented that this was an ongoing debate.

The Vice-Chairman advised that more information was needed, for instance, how material the omission was. She was uncomfortable with picking apart the process but agreed that the original process needed refinements. She also advised the Committee that there had been no inaccurate information presented to the appeals panel around work currently undertaken by the appellants. The question that had been raised had been whether the appellants had been undertaking certain of those duties in 2007.

The Assistant Chief Executive (HR) agreed to report the outcome of discussions with the trade unions back to the Committee.

RESOLVED that feedback on the outcome of the consultation between management and the trade unions on possible changes to the single status appeal procedure be reported to a future meeting of the Committee.

31 SICKNESS PROCEDURES

Further to the last meeting of the Committee, the Assistant Chief Executive (HR) considered that the procedure was being applied appropriately. The Assistant Chief Executive (HR) also had yet to receive details of any of the cases that the Staff Side Secretary considered would indicate otherwise. However the Staff Side Secretary's concerns had been noted and the Assistant Chief Executive (HR) therefore recommended that the requirement for a manager to make a written recommendation for action to the Chief Officer be deleted from the procedure. This would reinforce the Chief Officer's discretion to consider the full range of options available under the procedure including a further review period, redeployment or dismissal.

The Staff-side Secretary advised that the recommendation set out in the agenda from the Assistant Chief Executive (HR) proved that he had been correct. A Human Resources officer was present at each hearing and so should be aware of what happens. He reiterated that there was nothing wrong with the current procedure and he disagreed with the proposals (as set out above). A manager may review and monitor sickness. When the manager had implemented all reasonable actions to reduce an individual’s sickness absence and had been unsuccessful, then the manager could seek the assistance of his/her senior manager. This would then be referred to a Chief Officer Panel. At a number of Panels a further review period had been requested as the preferred way forward. The Staff-side Secretary commented that this action was within the remit of managers so there should be no need for a Chief Officer hearing. A Chief Officer hearing should not be permitted to take place when all that was required was another review period. He did not accept the amendment to the procedure and asked management to continue with the present arrangements.

The Assistant Chief Executive (HR) commented that the procedure worked for the organisation. Sickness absence records had improved and he would like to see information relating to any case as outlined by the Staff-side Secretary as mentioned at the last meeting of the Committee.

The Chairman asked that the Staff-side Secretary and the Assistant Chief Executive (HR) meet to discuss this issue.

RESOLVED that this matter be deferred to a future meeting of the Committee.

32 DATE OF NEXT MEETING

The date of the next meeting of the Committee will be 21st September 2011.

The Meeting ended at 7.40 pm

Chairman

LOCAL JOINT CONSULTATIVE COMMITTEE

Minutes of the meeting held at 6.30 pm on 21 September 2011

Present:

Employer's Side

Councillor Russell Mellor (Chairman)
Councillor Eric Bosshard
Councillor Tony Owen
Councillor Colin Smith
Councillor Diane Smith
Councillor Michael Turner

Staff Side and Departmental Representatives

Adam Jenkins, Unison
Glenn Kelly, Staff Side Secretary
Max Winters, Children and Young People Services
Doreen Bruno, Unite
Mary Odoi, Unite

33 APOLOGIES FOR ABSENCE AND NOTIFICATION OF ALTERNATE MEMBERS

Apologies for absence were received from Mrs. Kathy Smith (Vice-Chairman), Councillor Nicholas Bennett and Councillor Stephen Carr.

34 DECLARATIONS OF INTEREST

Councillor Mellor made a declaration of prejudicial interest in relation to Single Status and Carelink and withdrew from the meeting during discussion on this item.

Councillors Colin and Diane Smith made a declaration of personal interest as their daughter was a part-time employee of Bromley Library.

35 MINUTES FROM THE PREVIOUS MEETING OF LOCAL JOINT CONSULTATIVE COMMITTEE HELD ON 14th JULY 2011

RESOLVED that the minutes of the meeting of the Committee held on 14th July 2011 be agreed.

36 MATTERS ARISING

Minute 17 – Car Parking Fees (10.03.11)

The Committee was advised that the Director of Resources would be completing the proposal for car parking fees in the coming week after which it would be submitted for consideration to the Chief Officers' Executive (COE). Once agreed by COE the proposal document would be circulated for consultation.

Minute 30 – Single Status Appeal Process (14.07.11)

Councillor Mellor left the meeting during discussion on this item and Councillor Owen took the chair.

At the meeting of the Committee held on 14th July 2011 it was resolved that the feedback of the outcome between management and the trade unions on possible changes to the single status appeal procedure be reported to a future meeting of the Committee.

The Assistant Chief Executive (HR) advised that a meeting had taken place with Unison and the GMB who were in the process of agreeing a proposal. The agreed proposal would then be submitted to Unite to take forward.

The Staff-side Secretary commented that the original protocol had been approved by the three unions and so this proposal would also have to be approved by the three unions.

The Assistant Chief Executive acknowledged this position but as Mrs. Kathy Smith was on holiday at the moment, agreement from Unite had been delayed slightly.

Councillor Mellor returned to the meeting.

Minute 31 - Sickness Procedures (14.07.11)

The Assistant Chief Executive (HR) reported that he had had a useful meeting with the Staff-side Secretary in which they looked into rewording a particular aspect of the Sickness Procedure.

The Staff-side Secretary reported that the suggested rewording looked acceptable but he would need to consult with others before agreeing to the changes.

37 THE COUNCIL'S FINANCIAL STRATEGY

On 7th September 2011 the Council's Executive agreed a report on the "Council's Financial Strategy for 2012/13 to 2015/16". The Staff-side had requested that the implications and meaning of the report be discussed at the meeting.

The Chairman welcomed the Council's Finance Director, Mr. Peter Turner and the Head of Corporate Procurement, Mr. Dave Starling, to the meeting.

The Staff-side Secretary stated that he had two areas of concern regarding the Council's Financial Strategy. He had attended the meeting of the Executive at which this decision was approved regarding the future management of the budget. He felt that the Council must protect frontline services and use the Council's reserves to underpin the budget if necessary. Management had inferred that reserves would not be used so he had been surprised to see the proposal to use £14m for "invest to save" initiatives and

£10m for the regeneration/investment fund. It appeared that the Council was happy to 'gamble' by buying investments such as high street businesses but this would not protect jobs. With regard to "invest to save", he was happy to use it for in-house or in-Borough provision but was concerned with the suggestion of using loans. He asked who the loans would be made to.

The Staff-side Secretary's second concern was the attempt to frontload Council savings for years 3 and 4 which would hit employees now, at the beginning of another period of recession, rather than later. It was noted that a General Election might cause a partial or complete u-turn from the Government regarding public sector funding as the cuts to public sector services would make the Government increasingly unpopular with the public. Therefore the Council could hold fire with the proposed frontloading to see how the Government reacted instead of the "slash and burn" approach advocated by the Council which would lead to cuts in services and reduction in the numbers of staff. 110,000 public sector jobs had been lost nationally in the last three months.

The Finance Director advised with regard to the reserves, due to the low interest rates, earnings from the reserves were quite low and the proposals had been designed to find a higher return. The increased income would be used to protect frontline services. Investment initiatives would be approved on the merit of submitted business cases and therefore it could not be called 'gambling'. The investment would have to supply income and capital value and provide wider regeneration. The 'invest to save' principle would protect frontline services in the long term. If the reserves were used in the way suggested by the Staff-side Secretary then the money could only be spent once. The 'invest to save' money could be used as a wider investment fund. The Council must achieve sustainable financial management. The frontloading proposal would give the Council time to consider and make the correct decisions. It was too much of a risk to wait for the Government to make a full or partial u-turn and any change in direction from the Government would cause the Council to have to implement ill-thought out, quick decisions.

The Chairman noted that 'gambling' with taxpayer's money would be the last thing the Council would do.

Councillor Colin Smith stated that he had sympathy with a number of the points raised by the Staff-side Secretary. However, the Council must find ways to get a better return on its reserves and many of its choices would be unpalatable. Bromley had spent 13 years being on the wrong side of Government and had suffered financially in comparison to other London Boroughs as a result. As a consequence the new "one size fits all" cuts being implemented had disproportionately affected the Council. Councillors had been lobbying to bring the Government's attention to the Council's position. The Council must protect vital services and reserves would only last two years if used to directly fund these services. It was possible, for instance, to sell a farm, but the income generated from the property may be worth more to the Council in the long term than a short term one off payment.

Councillor Bosshard pointed out that the economy was not in a period of depression but in a long period of austerity which may last for ten years and there was no quick fix available for what was a worldwide state.

The Staff-side Secretary stated that the Council must invest to escape from the recession. The “slash and burn” policy had not worked in Greece. The United States of America had been investing a huge amount of money in their economy. The Staff-side Secretary accepted the good intentions of the Council to obtain a better return but gambling on retail returns was too risky. With regard to frontloading, the Council had made a two year plan and he felt that a breath should be taken before moving onto years 3 and 4.

The Chairman reminded the Committee that the cuts had been forced upon the Council by previous Governments and the Council was trying to address the deficit in funding and to balance the books. He stated the Councillors would keep the Staff-side Secretary’s concerns in mind.

38 THE COUNCIL PROCUREMENT STRATEGY AND THE IN-HOUSE SERVICES

For the first time in a number of years the Council had been looking to out-source a number of its services to the private sector which was causing anxiety amongst staff. Unlike in the past, management had not been giving the appropriate in-house service the opportunity to demonstrate that it is able to deliver the quality and level of service required and to demonstrate that it could deliver efficiencies. The Staff-side believed that such an approach was flawed and risked the Council entering into contracts which would neither deliver the quality of service required nor the expected savings.

The Staff-side Secretary asked what measures were in place for staff/unions to bid to undertake services prior to outsourcing being considered. Before outsourcing took place there should be an open discussion about whether the service could be provided in-house which included details of the costings. There should also be an examination of external providers. This used to take place 12 to 15 years ago but seemed to have fallen into disuse. Prior to the 30 day ICES equipment consultation the unions had not been contacted.

Members were informed by the staff side that every service in Adult and Community Services was going to be the subject of market testing. With regard to providing medical equipment in the home, the Staff-side Secretary had spoken to the appropriate members of staff who had reported that they could bring back the service from outsourcing and could provide the equipment at the same cost. The Head of HR Operational Services said that the in-house option was being considered as it provided the benchmark, however it might not be the recommended option. The Council needed time to check the validity of such claims. The same situation applied to the Liberata bid. The Staff-side Secretary stated he would like to be in a position to propose a procurement protocol that would ensure that the staff and unions were consulted with at the beginning of a market testing process. A draft protocol had been started and he would be putting it to management for consideration in due course.

Councillor Owen advised that frontline staff had the best knowledge on how to provide their services and he was very interested to hear about the ICES staff idea. Members were reminded that the Chief Executive encouraged staff to bring their ideas forward for consideration.

The Head of Corporate Procurement advised that, in cases of major procurement, the Council has arrangements in place to consider all contracts on a Value for Money basis and there should be time in the process to consider other forms of contracting, ideas and other proposals and this usually happened. The Staff-side Secretary stated that whilst officers may believe this work was undertaken, it was not. Liberata was contracted to 'keep it local' but might, in the future, outsource to Barrow which would affect the quality of the service delivered to Bromley residents. It was not always about money but also about the quality of the service. The Staff-side Secretary also cited other examples of where Council staff could undertake a service in a more cost effective way.

Councillor Colin Smith broadly supported Councillor Owen's opinion. Staff would always know the day to day operational requirements of their jobs/department best but all options must be investigated.

The Assistant Chief Executive (HR) agreed that at the point of decision to outsource a service, staff views should have been heard. The investigation of all options on the different ways to provide a service should be embedded in the culture of the Council. Officers should look at the various options if they have time. He advised that a Corporate Departmental Representative Forum was to be held on Friday 23rd September 2011 and he would raise this subject at that meeting.

The Staff-side Secretary stated that he was not interested in introducing a bureaucratic process but the Council had legal obligations to consult at the earliest stage for instance, duties under the equality legislation etc and he felt that a protocol should be created for Officers' use.

Following a question concerning the London Consortium, the Head of Corporate Procurement advised that it was a London-wide body that gained economies of scale and that when viewed overall, considering all associated costs, it would be expected to deliver value for money.

The Chairman concluded the debate by saying that the Committee was not opposed to the germ of the idea put by the Staff-side Secretary but was against a bureaucratic process. He asked that the Committee be kept informed of progress.

39 SEASON TICKET LOANS

The Council, in line with other local authorities, provided loans to staff to purchase annual train season tickets. However, the repayments for these loans were taken back over a ten month period instead of a twelve month period effectively making it more expensive per month than a normal monthly season ticket.

In light of the fact that staff had not had a pay rise for two years, that inflation was running at 5% and that train fares were set to increase by 8%, the Staff-side was requesting that the season ticket loans be extended to a twelve month repayment model.

The Finance Director advised that he was happy to change the repayment of the loan to over 12 months instead of 10.

RESOLVED that the loans provided to staff to purchase annual train tickets be extended to a twelve month repayment model.

40 DATE OF NEXT MEETING

The Committee noted that the next meeting of the Committee would be held on 7th December 2011.

The Meeting ended at 7.30 pm

Chairman

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is left intentionally blank

Agenda Item 14

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is left intentionally blank

Agenda Item 15

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is left intentionally blank

Agenda Item 16

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is left intentionally blank