

**NORTHAMPTON BOROUGH COUNCIL**

**GENERAL PURPOSES COMMITTEE**

Your attendance is requested at a meeting to be held at the Holding Room,  
The Guildhall on Tuesday, 18 March 2008 at 6:00 pm.

**D Kennedy**  
**Chief Executive**

**AGENDA**

1. APOLOGIES
2. MINUTES FROM 27TH NOVEMBER 2007  
(Copy attached)
3. DEPUTATIONS / PUBLIC ADDRESSES
4. DECLARATIONS OF INTEREST
5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED
6. NEW LOOK LOCAL GOVERNMENT PENSION SCHEME  
(Copy attached)
7. PAY AND GRADING REVIEW  
(Copy attached)
8. EXCLUSION OF PUBLIC AND PRESS  
THE CHAIR TO MOVE:  
"THAT THE PUBLIC BE EXCLUDED FROM THE REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE PARAGRAPH OF SCHEDULE 12A TO SUCH ACT."

**NORTHAMPTON BOROUGH COUNCIL**

**GENERAL PURPOSES COMMITTEE**

**Tuesday, 27 November 2007**

**PRESENT:** Councillor Matthews (Chair); Councillor Garlick (Deputy Chair);  
Councillors S. Chaudhury, Collins, Duncan, Edwards, Scott and  
P.Varnsberry

**1. APOLOGIES**

There were none.

**2. MINUTES OF MEETING HELD ON 15 OCTOBER 2007**

The minutes of the meeting held on 15 October were signed by the Chair.

**3. DEPUTATIONS / PUBLIC ADDRESSES**

There were none.

**4. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES  
THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED**

There were none.

**5. EXCLUSION OF PUBLIC AND PRESS**

The Chair moved that the public be excluded from the remainder of the meeting on the grounds that there was likely to be disclosure to them of such categories of exempt information as defined by Section 100(1) of the Local Government Act 1972 as listed against such items of business by reference to the appropriate paragraph of Schedule 12A to such Act.

The Motion was Carried.

**6. EQUAL PAY REVIEW/PAY AND GRADING (3)**

Prior to consideration of the report H Crabtree, Corporate Manager for Human Resources made a presentation giving the background and an overview of the Pay and Grading Review for the information of the Committee members.

Consideration was then given to the report regarding the Equal Pay Review/Pay and Grading. Councillor B Hoare as the relevant Portfolio Holder was present at the meeting to speak to the report advising that it had been considered and endorsed by Cabinet at its last meeting. The purpose of the report was to note the progress on the identification and resolution of potential equal pay claims and to seek confirmation or amend the approach to settling claims as discussed by Cabinet at its meeting on 5 November 2007.

**RESOLVED:** (1) That General Purposes Committee note the current progress and the delegated authority under the Constitution for the Solicitor to the

- Council to settle proceedings.
- (2) That General Purposes Committee confirm this approach.

The meeting concluded at 6.45pm

## General Purposes Committee

### AGENDA STATUS: PUBLIC

<b>Report Title</b>	<b>NEW LOOK LOCAL GOVERNMENT PENSION SCHEME</b>
<b>Date of Meeting:</b>	18 March 2008
<b>Directorate:</b>	People Planning and Regeneration
<b>Ward(s)</b>	<b>ALL</b>

### 1. Summary

- 1.1 To recommend to the General Purposes Committee for adoption by the Council the recommendations as indicated below.

### 2. Recommendations

- 2.1 Cabinet recommend to General Purposes Committee the following decisions for final determination and implementation from 1 April 2008, except 2.1.2
- 2.1.1 Not to apply the new discretion allowing employers to award additional pension (funded by the employer) of up to £5k.
- 2.1.2 Not to apply the discretion to adopt the policy on flexible retirement, but to include this in a later review of the Council's flexible working policies during 2008/09.
- 2.1.3 To adopt the attached Statement of Discretions (Appendix 1) which reflect the recommendations in 2.1.1 and 2.1.2 above.
- 2.1.4 To accept the changes to the Council's Severance Scheme which are required to make it consistent with the new pension regulations (Appendix 2).
- 2.1.5 To change the Council's Attendance Management Framework in relation to ill health retirement appeals making it clear that employees can appeal about the 'tier' of ill health retirement granted.

### 3. Report Background

- 3.1 The new look LGPS has been under consultation for some time and the fact the LGPS was changing was highlighted to both Cabinet and General Purposes Committee in September – October 2007 when the Council's Severance scheme was under revision.
- 3.1.1 The key changes introduced in the new look LGPS are covered briefly in Appendix 3. The proposed decisions in this report have been the subject of consultation with Trade Unions. Northamptonshire County Council, who is the Council's administering authority, will be writing to all scheme members.
- 3.1.2 Whilst the changes listed in Appendix 3 have administrative implications for the HR/payroll team, these are manageable for a 01/04/08 implementation date.

3.1.3 There are no changes to the Councillor Pension scheme.

#### **4. Implications (including financial implications)**

##### **4.1 Resources and Risk**

- 4.1.1 There are two provisions where there is discretion on the part of the employer to adopt them or not. These are to (i) award additional pension funded by the employer of up to £5k, and (ii) to grant flexible retirement to employees aged over 55 who are pension scheme members.
- 4.1.2 Additional Pension. An employee will be able to make their own provision for additional pension entitlement (up to £5k) through making Additional Regular Contributions (ARCs). Employers can adopt a policy where they can also grant additional extra pension up to £5k to pension scheme members but this element would incur a direct cost to the Council. The cost is not yet known, as the necessary actuarial advice has not yet been made available to Pension authorities.
- 4.1.3 Even though the costs are not yet known, it is clear that there would be some cost to the Council from exercising this discretion and in addition non-discriminatory criteria would need to be determined to base any awards to individual staff on. In order to avoid cost pressures, and the further work necessary to determine fair award criteria, it is recommended that this discretion is not adopted.
- 4.1.4 Flexible Retirement. This flexibility, introduced initially last year, has not yet been taken up by many Councils. As benefits are actuarially reduced to employees who are permitted to take this option there is not normally a cost to the employer unless (i) the employee is covered by the 85-year rule or (ii) the employer decides to waive the actuarial reduction.
- 4.1.5 At the time of writing the report details are still awaited on the benefits an employee could draw down if taking flexible early retirement.
- 4.1.6 It is recommended that the Council continues not to adopt this discretion, but takes a further view of the costs and possible benefits later in 2008/09 when the Council's flexible working policies are due for review.

##### **4.2 Choices (Options)**

- 4.2.1 The Council has no choice in relation to introducing the majority of changes in the new look LGPS as summarised in Appendix 3.
- 4.2.2 The choices the Council has relate to two areas of discretion and these have been covered in section 3.2 above.
- 4.2.3 From 1 April 2008 employee contributions will be based on salary and contributions will vary depending on which of the 7 bands an employee falls into. In line with the new pension regulations, contribution rates will be automatically determined each pay period.

##### **4.3 Legal**

- 4.3.1 Accepting the recommendations in this report would not expose the Council to any specific legal issues.

## **4.4 Other Implications**

### **4.4.1 Policy**

4.4.2 This report impacts on two existing Council policies, the Severance Scheme and the Attendance Management Framework. These both deal with issues of retirement and ill health retirement, which the new look LGPS regulations affect.

4.4.3 **Severance Scheme.** The council revised its Severance Scheme in October 2007 and it was noted then that there would be some further change as the new pension scheme was introduced. As a result of the new look LGPS regulations further changes are recommended and are shown as italics in Appendix 2. Most of these are minor, with the exception of ill health.

4.4.4 **Attendance Management Framework.** The current framework document refers to Ill Health Retirement but only requires one change to ensure that it is consistent with the new regulations. It is recommended that section 11.2.1 which deals with appeals regarding Ill Health Retirement decisions by Occupational Health should include the phrase "or disagrees with the tier of ill health retirement granted". The relevant part of section 11.2.1 should then read as follows:

"Where an employee disagrees with the Occupational Health recommendation to retire the employee on medical grounds, or disagrees with the tier of ill health retirement granted, the employee will be referred to an independent doctor to be agreed with the employee"

## **4.5 Resources and Risk**

4.5.1 Accepting the recommendations in this report would not impose additional financial or administrative consequences.

## **4.6 Equality**

4.4.1 An Equalities Impact Assessment was completed when the Council's Severance Scheme was changed in October 2007. This has been reviewed against the recommendations in this report and no changes to that assessment are felt to be necessary.

## **5. Background Papers**

- 5.1 Report to General Purposes Committee 15 October 2007. Councils Severance Policy.  
Author Howard Crabtree, Corporate Manager - Human Resources
- 5.2 Report to Cabinet 1 October 2007. Councils Severance Policy  
Author Howard Crabtree, Corporate Manager - Human Resources
- 5.3 Report to Cabinet 3 September 2007. Councils Severance Policy  
Author Howard Crabtree, Corporate Manager - Human Resources
- 5.4 Report to Cabinet 3 March 2008, New Look Local Government Pension Scheme  
Author Maria Mina, Interim Head of HR

**Report Author and Title:** Maria Mina, Interim Head of Human Resources

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**NORTHAMPTON BOROUGH COUNCIL**

**LOCAL GOVERNMENT PENSION SCHEME**

**STATEMENT OF DISCRETIONS – 1 April 2008**

Northampton Borough Council has decided to adopt the following discretions under the Local Government Pension Scheme (LGPS)

1. Reduction or Elimination of Employees Contribution After 40 Years Service  
The Council has decided not to exercise its discretion to allow employees to pay no or reduced levels of contribution when they have reached 40 years local government service. Employees will therefore pay contributions for the whole of their period of service.

2. Early Retirement Under Regulation 31  
The Council will permit retirement from age 50 without actuarial reduction where the Council's criteria for early retirement on the grounds of efficiency of the service are met and a business case identifies how the cost associated with early release will be met, and to the extent such retirement is permitted notwithstanding the abolition of the Rule of 85 and associated transitional arrangements.

To the same permitted extent, the Council will permit retirement from age 55 without actuarial reduction on compassionate grounds.

Service enhancements do not apply to retirements under Regulation 31.

3. Increase in Membership on Cessation of Employment  
The Council has decided in line with the Audit Commission's current view, it will only exercise its discretion to allow additional augmented service in exceptional, case by case, circumstances and will objectively justify and record the decisions made in any such case.

4. Compassionate Grounds  
The Council may permit active members and deferred beneficiaries the right to retire from age 55 on compassionate grounds without reduction. The Council defines compassionate grounds as; where an active member or deferred beneficiary needs to care full time for a close relative, spouse, partner or other dependant who, through illness, requires full time or substantial care for the rest of their life expectancy which is anticipated to be in excess of 12 months from the date of the agreed medical advice.

5. Increase in Membership on Commencement of Employment  
The Council has decided not to exercise its discretion in this area.

6. Flexible Retirement  
The Council has decided not to exercise its discretion in this area.
7. Shared Cost Additional Voluntary Contribution Scheme (SCAVC)  
The Council has decided not to exercise its discretion in this area.
8. Award of Additional Pension  
*The Council has decided not to exercise its discretion in this area.*

#### **Other Discretions (2006 Regulations)**

1. Use of Actual Pay in Redundancy Payments

The Council has decided to use actual pay instead of the statutory maximum when calculating redundancy payments.

2. Payment of Enhanced Redundancy Payments to Employees Without Immediate Access to their Pension Rights

The Council has decided not to enhance redundancy payments to those under 50 who have at least 2 years continuous service and at least 3 months membership of LGPS.

*(Note – references to age 55 will be subject to specific protection/transition arrangements as specified in Pension regulations)*

MM Mar 08



**NORTHAMPTON BOROUGH COUNCIL**

**EARLY RETIREMENT / SEVERANCE SCHEME**

(changes to the scheme approved in October 2007 are in italic)

**1. INTRODUCTION**

- 1.1 There are a number of circumstances in which early retirement, or severance, may be appropriately considered for an employee. These circumstances may be related to the individual situation of an employee, for example in the case of ill health, or arise as a result of organisation changes.
- 1.2 The Council will in all circumstances make every effort to avoid compulsory redundancies. Where the Council decides, however, that after taking all considerations into account, early retirement, flexible retirement or redundancy is either unavoidable or appropriate for sound business reasons, the Council will ensure that:
- The processes used will be fair, transparent, reasonable and objective
  - Any enhancements given are affordable in the short and long term.
- 1.3 Any payments made under this scheme will be subject to tax *and pension* regulations in force at the time of their implementation.

**2. SCOPE**

- 2.1 The provisions of the Council's early retirement and severance scheme applies to all Council employees who meet the relevant eligibility criteria set out in the remaining sections of this document, subject to legislation and regulations in force at the time of their implementation.

**3. LINKS TO OTHER COUNCIL POLICIES**

- 3.1 This document should be read in conjunction with the following existing Council policies and procedures and any relevant future policies which replace, change or amend the existing polices:-

Redundancy Selection and Consultation Procedure  
Attendance Management Policy and Framework

**4 CRITERIA FOR EARLY RETIREMENT/SEVERANCE**

- 4.1 *There are a number of different, but specific, circumstances which might lead to early retirement or severance being considered. These are as follows;*
- 4.2. *Ill Health*
- 4.2.1 *To be eligible for retirement on these grounds the employee must have at least 3 months membership of the scheme or has had a transfer of pension*

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*rights into the scheme and are between the ages 50-65. There are two tiers of ill health retirement that may apply.*

- 4.2.2 *Tier 1: The pension payable will be based on accrued membership plus 100% of prospective membership between leaving and age 65 where the employee has no reasonable prospect of obtaining gainful employment before age 65.*
- 4.2.3 *Tier 2: The pension payable will be based on accrued membership plus 25% of the prospective membership between leaving and age 65 where the employee is unlikely to obtain gainful employment within a reasonable period of time, but is likely to be able to obtain gainful employment before age 65.*
- 4.2.4 *'Gainful Employment' is defined as 'paid employment for not less than 30 hours per week for a period of not less than 12 months'.*
- 4.2.5 *Employees who are members of LGPS and who are aged 45 or over on the 31 March 2008 will receive no less pension benefit than they would have done under the scheme in force at that time.*
- 4.2.6 *Part time employees will receive the appropriate pro rated of pension benefit at the day of leaving.*
- 4.2.7 *Ill Health Retirement decisions are made solely on the basis of medical grounds and must be certified by a medical practitioner qualified in occupational health medicine.*

### 4.3 Redundancy

This applies where there is a redundancy situation as defined by the Employment Rights Act 1996:

- where business has ceased or diminished
- where the requirements for work of a particular kind have ceased or diminished
- where there has been a significant change in the place of employment and there is no suitable alternative employment available.

NB. There is provision for transferred redundancies, known as 'bumped redundancy' which is covered in existing redundancy consultation procedures and is subject to relevant legislation.

- 4.3.1 The same provisions apply whether the employee agrees to retire voluntarily or is made compulsorily redundant.

- 4.3.2 The provisions are as follows:

REDUNDANCY PAYMENT – To be calculated on actual weekly pay or the statutory maximum for full time employees of £330 per week (whichever is greater) for each completed year of service between the ages of:

- Up to 21 .5 weeks Pay

## Item 6 - APPENDIX 2

- 22-40 1 weeks pay
- 41+ 1.5 weeks pay

This is subject to a maximum 30 weeks pay based on the last 20 years service.

PENSION – To be eligible for early release of pension benefits an employee must be:

- 55 or over (*existing members protected – age 50 until 31 March 2010*)
- In the LGPS with at least 3 months membership or with transferred service

The scheme gives:

- Early release of pension (which is unreduced)
- Payment of pension lump sum
- Redundancy payment as detailed above.

4.3.3 The business case for any proposed early retirement(s) on grounds of redundancy and/or redundancy payment(s) must be demonstrated. The business case must include:-

- The costs of the proposed early retirement/redundancy payment(s)
- The on going savings to be achieved
- The timescales within which the savings will be made, which should be achieved within a 3 year period.

The business case must clearly show that there are significant on-going savings which are achievable after all the costs associated with the early termination of employment have been met. The Business case must be endorsed by the Director responsible for the service area where proposed changes will be implemented or the Chief Executive where the proposals will be implemented on a Council wide basis. The business case will be submitted to the Section 151 Officer and another Director who will independently examine the merits of the business case and make written recommendations to the Chief Executive. The decision to approve the proposed early termination of employment and the associated severance payments will be made by the Chief Executive. A record of approved and rejected proposals will be maintained by the HR service.

### 4.4 Early Retirement on Grounds of Efficiency of the Service

(Employees aged 55 or over – *existing members protected, age 50 until 31 March 2010*)

4.4.1 This is a voluntary element of the scheme. An employee cannot be compelled to retire under this provision.

4.4.2 One of the following criteria must be satisfied for agreement to the early release of an employees' pension under this element of the scheme. In addition the financial criteria referred to in section 4.4.3 also needs to be met. The criteria are:

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- the employee's ability to perform the job has been affected by changes which mean that it is difficult for them to adjust
- the job requires new skills or competences which the employee does not have and where retraining or investment in future development would not be appropriate
- early retirement would create internal job opportunities, or unblock promotion channels which succession planning could fill through an internal appointment
- structural changes could lead to savings being achieved through appointing a replacement at a lower pay level, or where a replacement removes or avoids a pay protection
- it avoids a redundancy situation by allowing an employee to be redeployed or transferred into the vacancy created

and, overall it is considered to be in the interests of the Council as well as the employee to grant the early retirement.

### 4.4.3 Financial Criteria

The business case for any such proposal must be demonstrated. This must identify the relevant criteria outlined in 4.4.2 above which is applicable to the request. It must also identify the savings to be made and how they will be achieved within the required 3 year timescale. The business case must be signed by the Corporate Director responsible for the service area where the application originated. A pro forma will be available to document the required information. The signed document must then be submitted to the section 151 Officer and a different Corporate Director who will independently examine the merits of the application and make written recommendations to the Chief Executive to approve or reject the application. The decision to approve or reject applications will be made by the Chief Executive. Reasons for approval or rejection will be recorded in writing and this information will be maintained within the HR service.

### 4.4.4 To be eligible an employee must be:

- aged 55 or over (*or subject to the protection arrangements in 4.4 above*)
- in the LGPS with at least two years' membership whilst in NBC service.

### 4.4.5 Requests for early retirement on grounds of efficiency of service where approved will entitle the employees to receive the early release of their pension. The early release of pension without actuarial reduction on grounds of efficiency of the service will only be agreed where the business case demonstrates additional savings over and above the cost of funding the early retirement and any other associated costs and to the extent that such retirement is permitted notwithstanding the abolition of the rule of 85.

### 4.4.6 Regulation 31 of the Local Government Pension Scheme Regulations (amended by the 2006 regulations)

This is commonly known as the Rule of 85.

A member of the LGPS is entitled to receive a pension at 65. Between 60 and 65 the member is also entitled to elect to receive a pension but this will be reduced to reflect the fact that it is being taken earlier than 65 unless the member fulfils the rule of 85, ie that in his or her case the sum of (a) age when employment ends, (b) total years in the scheme and (c) the period between the end of employment and the date of election is 85 years or more.

Between 50 and 60 the member may elect to receive a pension, but only with his or her employer's consent. In that case there will also be a reduction in benefits to reflect the fact that the pension is being taken earlier than 65 unless the rule of 85 is satisfied.

Amending Regulations in 2006 abolish the rule of 85, with effect from 1 October 2006. There are, however, transitional provisions.

Current members who will be 60 on or before 31 March 2016 continue to enjoy the benefits of the rule of 85. There is also a degree of protection for those who will be 60 or more after 31 March 2006 but before 1 April 2020.

*(As at December 2007 the Government is undertaking a fresh assessment of costs and a further period of consultation on these transitional arrangements. The advice of HR/Pensions must therefore be sought in any case where the Rule of 85 may be applied.)*

#### 4.5 Voluntary Early retirement – Compassionate Grounds

4.5.1 Employees who have left their employment with the Council with a deferred pension may request his\her deferred pension to be paid early on compassionate grounds. If the early release of the deferred pension is agreed the benefits will be paid in full with no actuarial reduction.

4.5.2 The Council may also consider requests to waive actuarial reduction where this would otherwise be the case in relation to the early release of pension benefits. The Council may do so on compassionate grounds. The circumstances where the council may exercise this discretion are set out below:-

- a. In relation to employees who have left employment with the Council with a deferred pension and who request early payment of benefits under Regulation 31 above on or after age 55 (*50 where protection applies*) and before age 60, or who voluntarily opt for payment of the benefit early on or after age 60 and before the normal retirement date or
- b. In relation to current employees who are seeking early retirement to the extent permitted under Regulation 31 above on or after age 55 (*50 where protection applies*) and before age 60, or who voluntarily retire on or after age 60 and before their normal retirement date.

4.5.3 For current employees to be eligible he\she must be:

## Item 6 - APPENDIX 2

- over 55 (*Existing members protected, age 50 until March 2010*)
- in the LGPS with at least two years contributions, or with transferred service.

4.6.4 Requests from past and current employees for the early release of pension benefits without actuarial reduction on compassionate grounds will be agreed by the Chief Executive following consultation with the Councils section 151 officer. The decision will be based on a full evaluation of the financial implications for the Council

4.6.5 The LGPS requires the ground for compassionate early retirement to be defined. These are defined as; where an active member or deferred beneficiary needs to care full time for a close relative, spouse, partner or other dependant who, through illness, requires full time or substantial care for the rest of their life expectancy which is anticipated to be in excess of 12 months from the date of the agreed medical advice.

### **5. RE-EMPLOYMENT FOLLOWING EARLY RETIREMENT**

5.1. Any former NBC Council employee who is in receipt of an early retirement pension on the grounds of efficiency, redundancy or at their own request, should not normally be immediately re-employed by the Council either on the basis of a contract of employment or a contract for service with the Council. If there is any doubt about the continuing need for an employee's services then early retirement should not be agreed.

5.2 However, it is recognised that there are some, very limited, circumstances when re-employment would be in the interests of the Council. In these cases a report should be submitted to the Corporate Director or his or her nominated senior management representative seeking approval to re-employ for a specified limited period.

5.3 Where an employee has been made redundant and receives a severance payment (and therefore without a pension) there should be no re-employment until the expiry of the period for which the number of weeks' severance payment has been given, e.g. if the employee has received a severance payment equal to 16 weeks pay, the earliest re-employment could be considered would be 16 weeks after the date of termination.

5.4 Where a former employee has retired on ill health grounds and subsequently applies for a job with the Council, this should be considered carefully bearing in mind the requirements of the Disability Discrimination Act. If it is proposed to appoint any such individual, approval must be given by the Council's Occupational Health Advisers and the relevant Corporate Director or his or her nominated senior management representative.

NOTE; If someone in receipt of a Local Government Pension is re-employed their pension will be abated if in total their pension and pay for the job exceed the pay that they received in the job that they were in before they retired.

**6. NON-FETTERING OF THE COUNCIL'S DISCRETIONS**

6.1 The above forms the Council's "current" policy. It should be noted that:

- a. the policy confers no contractual rights, and
- b. the Council will retain the right to change the policy at any time without prior notice or consultation (although the Council will endeavour to consult with recognised Trade Unions), and
- c. only the policy which is current at the time a relevant event occurs to an employee / scheme member will be the one applied to that employee / member

**7. REVIEW OF THE SCHEME**

7.1 The provisions of this scheme will be reviewed on a regular basis to ensure their on-going sustainability and affordability.

**8. FURTHER INFORMATION**

8.1 Advice and guidance on the application of the scheme is available from HR.

**NEW LOOK LGPS – SUMMARY OF KEY CHANGES**

1. **Eligibility** – An individual can only be a member of the scheme if they have a contract of employment for 3 months or more. This will include casuals if there is ‘mutuality of obligation’ and will include employees engaged on contracts for less than 3 month if the contract is renewed beyond 3 months before the expiry of the existing contract. Eligibility will therefore need careful management by HR/Payroll.
2. **Employee’s contributions** – There are 7 different bands, which will change each year. The lowest contribution rate is 5.5% for employees earning up to £12k (08/09), the highest is 7.5% for employees over £75k. There will be a phased rise for those employees currently paying 5% between now and 1 April 2011.
3. **Final Pay** – ‘Best of the last 3 years’ remains but is extended to include average 3 years in the last 10. As a result Certificates of Protection will no longer be issued when pay is reduced, eg as a result of a restructure.
4. **Service** – Service will be based on 60ths and not 80ths which will serve to increase benefits for most members. There will not be an automatic lump sum but rather the ability to commute annual pension to lump sum on a ratio of 12:1. The maximum lump sum is 25% of capital value. Transition arrangements apply to all these changes.
5. **Increasing Benefits** – The ability to purchase additional service will cease from 1 April 2008 (honoured for those doing so as at 31 March 2008). Instead individuals can make Additional Regular Contributions (ARCs). This will allow the purchase of extra scheme benefits in multiples of £250 up to £5000. The employer can also grant additional pension up to £5000pa in addition to augmenting service. The cost of this to employers is not yet known. The employer must make a policy statement on this.
6. **Flexible Retirement** – Pension Benefits (all or a proportion) may be paid while the member continues in employment, but they take a reduction in salary or hours. This will be possible from 55 (50 for some employees who are protected). The employer must make a policy statement on this. Benefits will be actuarially reduced therefore there is no cost to the employer unless the employer waives the reduction, or the 85year rule is met. Full details on what the employee can draw down are still awaited.
7. **Ill Health Benefits** – Two tiers are currently published and a third tier is to be considered. The first two tiers are based on the individual’s degree of disability and likelihood of gaining future employment. The first tier would provide the employee with their benefits as if they had worked until normal retirement age as a result of permanent incapacity/unlikely to work again. The second tier is a 25% pension enhancement if the individual is permanently unable to do their job but likely to work again before their normal retirement age. The proposed third tier would be paid for by the employer based on the employee being able to gain employment in a ‘reasonable’



period, but it is not known what this will be. If adopted it would also be the responsibility of the employer to check continual eligibility. Overall it will become more difficult to gain ill health retirement.

8. **Other Changes**

- Increase in early retirement to age 55 (this will need to be reflected in the Severance Scheme)
- Death Benefits increasing to 3 x salary
- Employer Contribution changes

## General Purposes Committee

### AGENDA STATUS: PUBLIC

<b>Report Title</b>	<b>PAY &amp; GRADING</b>
<b>Date of Meeting:</b>	18 March 2008
<b>Directorate:</b>	People, Planning and Regeneration
<b>Ward(s)</b>	<b>ALL</b>

#### 1. Summary

1.1 Please see Cabinet Report on Pay & Grading of 3 March 2008 (attached).

#### 2. Recommendations

- 2.1 That General Purposes Committee note the outcomes of 3 March 2008 Cabinet as follows.
- 2.1.1 It is noted that as a result of a review Management and the relevant Trade Unions have agreed the following:
- a) That the current work on Pay and Grading should not be implemented as planned from 1 April 2008;
  - b) To negotiate on equal pay claims which are outstanding, with the intention to agree the appropriate resolution of these claims by 30 April 2008;
  - c) To negotiate and agree a new process to ensure that the Council complies with national agreements on job evaluation by 1 April 2009, such process to include consideration of the appropriate technical method, which posts fall into the scope of the job evaluation scheme, arrangements for posts outside that scope, protection arrangements, implementation date and affordability.
- 2.1.2 It is requested that, in noting the action taken, the action is endorsed and further reports as appropriate on negotiations with the relevant Trade Unions on the implementation of Pay and Grading are requested.
- 2.1.3 All necessary action required to enable progress to be made on job evaluation as quickly as possible is delegated to the Chief Executive.

**Report Author and Title:** Maria Mina, Interim Head of Human Resources  
**Telephone and Email:** Ext 7377



## CABINET REPORT

<b>Report Title</b>	<b>PAY AND GRADING</b>
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**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	03 March 2008
<b>Key Decision:</b>	NO
<b>Listed on Forward Plan:</b>	YES
<b>Within Policy:</b>	YES
<b>Policy Document:</b>	NO
<b>Directorate:</b>	Chief Executive
<b>Accountable Cabinet Member:</b>	Cllr Woods / Cllr Hoare
<b>Ward(s)</b>	All

### **1 Purpose**

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- 1.1 To note the latest position with regard to Pay and Grading and to request further report from the Chief Executive on negotiations with the relevant Trade Unions on the implementation of Pay and Grading.
- 1.2 To endorse management action to date on this matter.

### **2 Recommendations**

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- 2.1 Cabinet is recommended to note that as a result of a review Management and the relevant Trade Unions have agreed the following:
  - 2.1.1 that the current work on Pay and Grading should not be implemented as planned from 1<sup>st</sup> April 2008;
  - 2.1.2 to negotiate on equal pay claims which are outstanding, with the intention to agree the appropriate resolution of these claims by 30<sup>th</sup> April 2008;

- 2.1.3 to negotiate and agree a new process to ensure that the Council complies with national agreements on job evaluation by 1<sup>st</sup> April 2009, such process to include consideration of the appropriate technical method, which posts fall into the scope of the job evaluation scheme, arrangements for posts outside that scope, protection arrangements, implementation date and affordability.
- 2.2 Cabinet are recommended in noting the action taken to endorse that action and to request further reports as appropriate on negotiations with the relevant Trade Unions on the implementation of Pay and Grading.
- 2.3 Cabinet are requested to delegate to the Chief Executive all necessary action required to enable progress to be made on job evaluation as quickly as possible.

### **3 Background**

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- 3.1 The largest part of the Council's workforce is covered by the national agreements commonly referred to as "Single Status".
- 3.2 The Council is, like all employers, subject to legislation requiring the enactment of Equal Pay arrangements.
- 3.3 Under the Single Status regime it has been agreed that the Council will establish a method for evaluating jobs on a consistent basis and apply this scheme to all posts covered by the Single Status agreements.
- 3.4 Under the law, the Council's obligations to ensure equal pay apply to all employees and not just to those covered by the Single Status agreements.
- 3.5 The Council has been evaluating jobs using one of the nationally recognised job evaluation schemes. The Council had previously stated the intention of implementing new pay and grading from 1<sup>st</sup> April 2008, which in itself is an extension of previous proposed dates.
- 3.6 The process of job evaluation has been a joint process involving management and unions.
- 3.7 Equal Pay claims have been received from some employees and discussions on these have been held over an extended period. Details of these cases cannot be discussed by Cabinet in public session

### **4 Review of Pay and Grading**

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- 4.1 As part of the programme for implementing Pay and Grading as planned, Management Board discussed the position with Pay and Grading in early December 2007 following completion of most evaluations. It became clear that there was a risk that the current result of job evaluation would not enable the Council to achieve equal pay and thereby did not help the Council in achieving its legal obligations, and could be open to legal challenge.

- 4.2 It was decided to have an expert review of this position. Management Board commissioned that review and the results were presented to the Chief Executive and then to the Chief Executive and the relevant trade unions. This review confirmed the concerns expressed by Management Board. When it was discussed with GMB and UNISON, the Unions felt it also reflected their concerns.
- 4.3 Problems have been discovered in the way that the job evaluation process was set up near the beginning of this project and thereby in the way that evaluation has been conducted. The effect of these problems has only become apparent as it has been possible to see the overall effect of the evaluations scheme. This was not possible until very recently.
- 4.4 There are three tests that need to be applied to the output of job evaluation. Firstly, the output must be capable of assuring equal pay. Secondly, the result must be affordable. Thirdly, the result must be capable of implementation without unreasonable risk of service disruption.
- 4.5 Having considered the position, it is clear that the product of job evaluation cannot be regarded as being capable of assuring equal pay, and that any attempt to implement the work as it stands would be highly disruptive to staff and leave the Authority open to legal challenge. Whilst in theory there is an affordable way of implementing the work to date, this is without taking into account the costs of challenges.
- 4.6 Following discussions with the two unions involved, UNISON and GMB, including Regional Officer support, an agreement has been reached about the way forward. This is as follows :
- The current work on Pay and Grading should not be implemented as planned from 1<sup>st</sup> April 2008. This will mean that employees will not see any product from job evaluation (increase or decrease) on 1<sup>st</sup> April.
  - That management and Unions will negotiate on equal pay claims which are outstanding, with the intention to agree the appropriate resolution of these claims by 30<sup>th</sup> April 2008. This will mean reopening some concluded discussions and seeking a new agreement in these cases.
  - That management and Unions negotiate and agree a new process to ensure that the Council complies with national agreements on job evaluation by 1<sup>st</sup> April 2009.
  - These further discussions will need to address the technical method to correct the current position and will most likely involve starting the job evaluation process from scratch as many of the technical flaws date back to early stages in the process to date.
  - These discussions will also need to determine which posts fall into the scope of the job evaluation scheme.
  - The Council will need to address arrangements for posts outside that scope, in order that it can demonstrate equal pay in all areas of operation.

- Other points of discussion and negotiation include protection arrangements, implementation date and affordability.
- 4.7 Cabinet will need to keep General Purposes Committee informed about the process being implemented. The Chair of General Purposes Committee has been advised of this report.
- 4.8 Subject to Cabinet, management and Unions will take the necessary steps to move forward and report further to Cabinet as appropriate.
- 4.9 In order that progress is made rapidly, Cabinet is requested to delegate to the Chief Executive the authority to take all necessary decisions to progress job evaluation in the Council.

## **5 Implications (including financial implications)**

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### **5.1 Policy**

- 5.1.1 This report is within the Council's policy.

### **5.2 Resources and Risk**

- 5.2.1 The 2008/9 budget includes an earmarked Pay and Grading reserve of £800,000. This reserve will need to be drawn upon to fund the work necessary to effect job evaluation and related pay and grading issues outlined in this report. The amount needed to implement job evaluation will need to be kept under review and affordability will be a key issue in negotiations.
- 5.2.2 There is a risk of challenge to the Council because Pay and Grading is not to be implemented on 1<sup>st</sup> April 2008. However there is also a very high risk of challenge if the Council were to implement an inadequate scheme which did not achieve equal pay.

### **5.3 Legal**

- 5.3.1 The expert evidence on the current work on Pay and Grading indicates that the scheme was not applied correctly. Any attempt by the Council to implement this scheme on the work as it currently stands would expose the Council to legal challenge in itself. Further, the scheme if implemented as it currently stands may end up building inequalities into pay structures and expose the Council to equal pay claims further down the line. In effect the scheme could end up creating the very inequalities that it was seeking to eradicate. Whilst delaying implementation will have some risks associated with it, including a further accrual of equal pay rights the balance of legal risks rests firmly in favour of the way forward proposed in this report.

### **5.4 Equality**

- 5.4.1 All steps proposed in this report will be carried out with due regard to the Council's equality policies and requirements of legislation.

## **5.5 Consultees (Internal and External)**

- 5.5.1 Accredited representatives of GMB and UNISON locally and regionally have been consulted on this report and local representatives have seen and agreed the recommendations of a version of this report. The report has been slightly amended subsequently but the recommendations remain the same.

## **5.6 How the Proposals deliver Priority Outcomes**

- 5.6.1 The proposals enable the Council to move forward with its obligations.

## **6 Background Papers**

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- 6.1 None

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