

REPORT OF THE GOVERNANCE COMMITTEE

The Governance Committee met on 22 April 2014. Attendances:

Councillor Glazier (Chair)
Councillors Elkin, Field, Howson Tutt and Webb

1. The Local Government Pension Scheme 2014

1.1 In 2010, the Government commissioned an independent review into public service pensions. The review, chaired by Lord Hutton, published its final report in March 2011 and set out a number of recommendations for change to ensure that pension arrangements were sustainable and affordable in the long term.

1.2 Following extensive consultation on the proposed changes, regulations to amend the Local Government Pension Scheme (LGPS) were laid before Parliament on 19 September 2013 and came into force on 1 April 2014.

1.3 In considering the position of the Council as an employer within the East Sussex Pension Fund, there are currently 9,377 active records, 7,428 pensioners (i.e. people drawing a pension from the fund) and 11,267 deferred records (i.e. people who have left the employment of the Council but are not yet eligible to draw their pension). The current average pension is £5,234 per annum.

1.4 The regulations made a number of changes. In particular, the major changes are:

- (i) the basis of the pension which, going forward, will now be based on a CARE (Career Average Revalued Earnings) scheme as opposed to the current final salary arrangement;
- (ii) more employee contribution rate bands;
- (iii) a new definition of pensionable pay, and
- (iv) a 50/50 option whereby members can chose to pay 50% contributions for 50% of the pension benefits.

Appendix 1 to this report (circulated separately to all members) is a high level summary of the key changes.

Councillors Pension Scheme

1.5 On 10 April 2013, the Department for Communities and Local Government published '*Taxpayer-funded pensions for Councillors and other elected local officer holders*', which set out reform proposals on a range of options on Councillors' access to the Scheme and sought views on the way forward. After consideration of all responses to the consultation, the Government decided to proceed to exclude membership in England of new councillors and other elected local office holders in the new LGPS, which came into effect on 1 April 2014. For existing members of the current scheme, membership will be protected until the end of the term of office, which members were serving, on 1 April 2014.

1.6 When a councillor ceases to be an active member of the scheme upon the cessation of the current term of office they were serving on 1 April 2014, he / she will be able to make an election to draw pension benefits in accordance to the rules and discretions of the scheme. Current pensioners are not affected.

1.7 The current Councillors' Pension Scheme is on a CARE arrangement, with a fixed contribution rate of 6%. The East Sussex employer contribution rate for 2013/14 is 20.1%. The current total membership in the Councillors' Pension Scheme within East Sussex County Council, as an employer, is 21 members.

Employer Discretions

1.8 The LGPS 2013 regulations also require each Scheme employer to formulate and publish its policy in relation to how it will exercise its discretionary functions.

1.9 In the main, the employer discretions are very similar between the two schemes (ie the current LGPS and the amended 2014 scheme) and both the Governance Committee and County Council have previously received reports to determine the County Council's policy in relation to these as an employer. A summary of the discretions and the proposed future policy for the Council to adopt is set out in Appendix 2 to this report (circulated separately to all members).

1.10 The 2013 regulations introduce two new discretions in relation to 'Additional Pension Contributions' (APCs). Essentially, APCs provide for additional pension to be purchased which will then enhance the final pension benefits payable. The discretions provide the opportunity for the employer to fund, either in whole or in part, the cost of this additional pension contribution.

1.11 In determining our policy on this, careful consideration needs to be given to both the circumstances in which such contributions would be made and the costs of doing this. In practice, there will be very few, if any, occasions when this would be appropriate as this is likely to be used as either a recruitment incentive or as part of a severance arrangement for the most senior staff. The costs associated with this are considerable, for example, the maximum additional pension which can be purchased is £6,500. As a guide, the costs of purchasing this for a male aged 40 years is £55,926 and for a female aged 40 years is £59,826. These costs increase the older the individual, for example, rising to £78,208 for a female aged 50 years. .

1.12 This level of cost is disproportionate to the potential benefit(s) that would be gained by the organisation in applying this discretion and as such, there is no business case for operating it. It is therefore recommended that our policy in relation to APCs is to not operate this as a discretion.

1.13 In summary, there are seven employer discretions under the LGPS regulations 2013 on which employers are required to formulate a policy. An Equalities Impact Assessment has been prepared and made available to the Committee and is circulated separately to Members as Appendix 3

1.14 It is worth noting that of the seven discretions, four are existing ones and the policy, as proposed, has therefore been operating for the last five years. These have served us well during this time and we can therefore be confident that the proposed policy is both reasonable and appropriate.

1.15 The Committee **recommends** the County Council to

☆ agree the policy for the employer discretions within the Local Government Pension Scheme 2014 as set out in Appendix 2 to this report.

2. Appointments to Committees, Sub-Committees, Panels and other Bodies

2.1 The County Council, at its annual meeting in May, appoints members to its committees, sub-committees, panels and other bodies. In appointing members to committees the Council must comply with section 15 of the Local Government Act 1989 and subsequent Regulations. These provide that places on committees must be allocated to political groups in proportion to the number of seats on the Council held by each group, unless there is agreement, without dissent, that the provisions of the Act should not be applied.

2.2 The allocation of places to party groups must, so far as is reasonably practicable, give effect to the following principles:

(a) not all of the seats on the body can be allocated to the same political group;

(b) where more than half the members of the Council belong to one political group, that group shall have a majority on all committees, sub-committees, etc;

(c) subject to (a) and (b) above, the total number of seats on the ordinary committees (including sub-committees) allocated to a political group reflects that group's proportion of the members of the Council;

(d) subject to (a), (b) and (c) above, the number of seats on each body allocated to a political group reflects the proportion of the seats on the Council held by the group.

2.3 The rules require seats to be allocated on a proportional basis "so far as practicable" and inevitably there must be some rounding up and rounding down. It is open to the Council to review the size and number of committees and sub-committees at any time.

2.4 Members of the Cabinet may not serve on the Scrutiny Committees or the Regulatory Committee and the Leader and Deputy Leader of the Council may not serve on the Standards Committee.

2.5 The Leader of the Council appoints the Cabinet and allocates portfolios to those Cabinet Members. Political balance provisions do not apply to the Cabinet

2.6 The principle in paragraph 2.2 (c) above applies to appointments to ordinary committees (including sub-committees). Accordingly, before considering the allocation of places to political groups the Committee will need to consider whether it wishes to recommend any changes in committees, including their size.

2.7 Following the Committee's meeting, the group leaders have been asked to let the Assistant Chief Executive have nominations to fill the places on committees provisionally allocated to their group. The nominations received are being circulated to members of the County Council on the day of the annual council meeting, for approval by the Council.

Allocation of seats

2.8 The tables in Appendix 4, which is being circulated separately to Members, show the proposed allocation of seats for 2014/15 with no changes to the allocation agreed in May 2013 for 2013/14. The proposals in relation to the committees, their total membership and the number of seats on each to which the groups will be entitled follows the principles set out in paragraph 2.2 above.

2.9 The Committee **recommends** the County Council to

☆ agree the allocation of places on each committee to each group as set out in Appendix 4.

KEITH GLAZIER
Chair

22 April 2014