

**WEST DUNBARTONSHIRE COUNCIL****Report by the Strategic Lead of People and Technology****Corporate Services Committee: 21<sup>st</sup> August 2019**

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**Subject: Revised Employer Discretions - Local Government Pension Scheme (Scotland)**

**1. Purpose**

**1.1** The purpose of this report is to update Committee on the review of the Council's Statement of Policy, and the proposed revisions to the Statement.

**2. Recommendations**

**2.1** It is recommended that Committee:

- (1) note the content of this report;
- (2) approve the recommended revisions to the Statement of Policy on Discretions; and
- (3) agree that the Council's list of discretions will be updated on receipt of the master list.

**3. Background**

**3.1** Scheme employers participating in the LGPS in Scotland are required to formulate, publish and keep under review a Statement of Policy on certain discretions which they have the power to exercise in relation to members of the CARE Scheme. Scheme employers are also required to (or where there is no requirement, are recommended to) formulate, publish and keep under review a Statement of Policy on certain other discretions they may exercise in relation to members of the LGPS.

**3.2** The Council's Statement was last approved on 15<sup>th</sup> May 2015 and since this date there have been amendments to the regulations which now need to be incorporated in to the council's policy statement. This report outlines these changes and is formulated in line with the following regulations:

- ***The Local Government Pension Scheme (Miscellaneous Amendments) (Scotland) Regulations 2019***
- ***The Local Government Pension Scheme (Scotland) Regulations 2018***
- ***The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014***

**3.3** As with previous reviews of the council's discretions statement, this review is intended to ensure transparency, fairness and affordability. Cognisance is given to the principles of good practice as recommended by Audit Scotland in the Managing Early Departures report, May 2013 and the Accounts Commission "Scotland's Public Sector Workforce" November 2013. In addition, cognisance has been given to the results of the consultation on a

'Severance Policy for Scotland', and the Minister's intention to encourage Local Government employers to undertake their own governance review.

#### **4. Main Issues**

**4.1** There are two main changes to the Council's Policy Statement and the revised Statement is attached as Appendix 1 with the specific changes identified. The highlights are set out below:

**4.1.1** Regulation R17(1) has been amended to reflect the ability of employers to apply salary sacrifice AVC's. In light of the delay to publication of the final discretions, the Council agreed a Shared Cost AVC Policy at the November 2018 meeting of this committee.

**4.1.2** On 28<sup>th</sup> June 2019 the Local Government Pension Scheme (miscellaneous Amendments) (Scotland) Regulations were enacted. One amendment impacts on the policy statement directly, namely the deletion to regulation 29 (13). This regulation previously required employers consent to retire between 55 and 60. This is no longer required and a member of the scheme can now voluntarily retire when they attain age 55 with an actuarial reduction.

**4.2** A full summary of all the changes is attached as Appendix 2. These amendments have been incorporated into standard practice and relevant policies.

**4.3** For completeness, the statement of policy has also been updated to capture the aims contained in the letter from Derek McKay (dated 21<sup>st</sup> June 2019) in respect of the 'Severance Consultation'. It is clear from this that those not subject to the terms of the Scottish Public Finance Manual (SPFM) (such as local government employers), will be encouraged to undertake their own governance review, including the use of discretionary payments. Since 2013, the Council has undertaken two such reviews and this year's exercise offers the opportunity to ensure that those arrangements remain robust. In line with this commitment, an additional section has been added to the statement of policy to capture these principles.

**4.4** Since the original master discretions policy document was provided by Strathclyde pension Fund Office in 2015, there have been various regulatory changes and accordingly, the Administering Authority are reviewing the master policy. Once this is received, the council's statement will be amended to include the revisions in this report. This will constitute a technical change and, subject to agreement by this committee, will be updated as delegated.

#### **5. People Implications**

**5.1** These changes are positive developments for employees, increasing the flexibility and benefits available to them. Once the changes are approved the scheme document will be updated. This is published and available for employees on the Council's intranet.

#### **6. Financial and Procurement Implications**

- 6.1 These changes to the statement of policy have no financial impact or procurement implications and aim to be cost neutral. This can be varied in some circumstances.
- 6.2 As detailed in the committee report in November 2018, the changes associated with shared cost AVC's by way of salary sacrifice have potential financial benefits to the council and the employees who opt for this.
- 6.3 In overall terms the discretions scheme covers all discretionary enhancements. The decision to consider any discretionary enhancement would have a financial impact if, and when the discretion was applied. Early release incurring a financial cost to the Council should be supported by a business case, clearly demonstrating that any initial costs will be offset by savings in subsequent years. This is reflected in the agreed cost benefit analysis process and a bi-annual report is submitted to Committee outlining all early departures, costs and savings generated.

## **7. Risk Analysis**

- 7.1 In determining application of discretions, the Council must strive to maintain public confidence in the manner in which it exercises these powers. Ensuring the application is open, transparent and cost effective will minimise the risk of public confidence diminishing.

## **8. Equalities Impact Assessment (EIA)**

- 8.1 Discretions available under the LGPS are determined by pension regulations, with employers determining whether or not to exercise specific discretions.
- 8.2 A number of discretions are age specific and apply to those employees aged 55 (50 protected members) or over. This is not imposed by the Council but is a requirement of the regulations, nevertheless discretions that are age specific will give rise to an adverse impact on account of age. To mitigate this impact, all discretion will be applied in a fair, consistent and transparent manner.

## **9. Consultation**

- 9.1 The Trades Unions are aware of the requirement to review and re-publish and are informed of changes at the monthly convenors meeting.

## **10. Strategic Assessment**

- 10.1 Application of discretions supports the Council to adjust its' workforce profile to changing circumstances. Discretions should be applied in a fair and transparent manner, give value for money to the Council and secure service delivery without putting unnecessary financial strain on the Council.

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**Date: 6<sup>th</sup> August 2019**

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**Appendices:** Appendix 1 – West Dunbartonshire Council Policy Statement LGPS 2019

Appendix 2 - The Local Government Pension Scheme (Miscellaneous Amendments) (Scotland) Regulations 2019

**Background Papers:** CS Committee paper 21<sup>st</sup> November 2018 - Local Government Pension Scheme (Scotland) Salary Sacrifice Shared Cost AVC's

**Wards Affected:** All