

**M. Pearson
CLERK TO THE AUTHORITY**

**To: The Chair and Members of the
Human Resources Management and
Development Committee
(see below)**

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HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

Monday 20 September 2010

A meeting of the Human Resources Management and Development Committee will be held on the above date, **commencing at 14:00 hours in the Conference Room at Harcombe House, Chudleigh** to consider the following matters.

Please note that, as this meeting is being held off site, Members are requested to meet at SHQ at 12.30pm for joint transport to Harcombe House where there will be a tour of the facilities prior to the start of the formal meeting.

M. Pearson
Clerk to the Authority

A G E N D A

1. **Apologies**
2. **Minutes** of the meeting held on 17 June 2010 attached (Page 1).
3. **Items Requiring Urgent Attention**

Items which, in the opinion of the Chair, should be considered at the meeting as matters of urgency.

4. **Declarations of Interest**

Members are asked to consider whether they have any **personal/personal and prejudicial interests** in items as set out on the agenda for this meeting and declare any such interests at this time. *Please refer to the Note 2 at the end of this agenda for guidance on interests.*

PART 1 – OPEN COMMITTEE

5. Absence Management

Report of the Director of People And Organisational Development (HRMDC/10/14) attached (page 7)

6. Restriction of Pensions Tax Relief

Report of the Director of People and Organisational Development (HRMDC/10/15) attached (page 13)

7. Royal Society for the Prevention of Accidents (RoSPA) Quality Safety Audit (QSA)

Between 12 and 21 September 2010, a QSA of the total Service Health and Safety Management System (HSMS) was undertaken using “Issue 4” of the QSA system as developed by RoSPA. The QSA system is based primarily on the Health and Safety Executive (HSE) publication HSG 65 “Successful Health and Safety Management”.

In the past, traditional monitoring systems within organisations have focused on the reporting and investigation of accidents, together with detailed compliance inspections of workplaces. Research has shown, however, that in 70% of accidents, the underlying causes have been failures within the HSMS. The QSA therefore not only concentrated on HSMS but also included an examination of compliance with a number of key areas of legislation.

A copy of the completed RoSPA Audit is enclosed with these papers (page numbered and attached separately) FOR INFORMATION.

8. Staff Survey

The results of the Staff Survey undertaken in 2010 have been analysed by ORS and the Committee will be given an update on the position at the meeting by the Deputy Chief Fire Officer.

PART 2 – ITEMS WHICH MAY BE TAKEN IN THE ABSENCE OF THE PRESS AND PUBLIC

Nil

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

Membership:-

Councillors Cann, (Chair), Burridge-Clayton (Vice Chair), Bown, Boyd, Manning, Mrs. Nicholson and Turner

Substitute Members

Members are reminded that, in accordance with Standing Order 36, the Clerk (or his representative) MUST be advised of any substitution prior to the start of the meeting.

NOTES

1. ACCESS TO INFORMATION

Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact Sam Sharman on the telephone number shown at the top of this agenda.

2. DECLARATIONS OF INTERESTS BY MEMBERS

What Interests do I need to declare in a meeting?

As a first step you need to declare any personal interests you have in a matter. You will then need to decide if you have a prejudicial interest in a matter.

What is a personal interest?

You have a personal interest in a matter if it relates to any interests which you must register, as defined in Paragraph 8(1) of the Code.

You also have a personal interest in any matter likely to affect the well-being or financial position of:-

- (a) you, members of your family, or people with whom you have a close association;
- (b) any person/body who employs/has employed the persons referred to in (a) above, or any firm in which they are a partner or company of which they are a director;
- (c) any person/body in whom the persons referred to in (a) above have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
- (d) any body of which you are a Member or in a position of general control or management and which:-
 - you have been appointed or nominated to by the Authority; or
 - exercises functions of a public nature (e.g. a constituent authority; a Police Authority); or
 - is directed to charitable purposes; or
 - one of the principal purposes includes the influence of public opinion or policy (including any political party or trade union)

more than it would affect **the majority** of other people in the Authority's area.

Anything that could affect the quality of your life (or that of those persons/bodies listed in (b) to (d) above) either positively or negatively, is likely to affect your/their "well being". If you (or any of those persons/bodies listed in (b) to (d) above) have the potential to gain or lose from a matter under consideration – to a **greater extent** than **the majority** of other people in the Authority's area - you should declare a personal interest.

What do I need to do if I have a personal interest in a matter?

Where you are aware of, **or ought reasonably to be aware of**, a personal interest in a matter you must declare it when you get to the item headed "Declarations of Interest" on the agenda, or otherwise as soon as the personal interest becomes apparent to you, **UNLESS** the matter relates to or is likely to affect:-

- (a) any other body to which you were appointed or nominated by the Authority; or
- (b) any other body exercising functions of a public nature (e.g. membership of a constituent authority; other Authority such as a Police Authority);

of which you are a Member or in a position of general control or management. In such cases, provided you do not have a prejudicial interest, you need only declare your personal interest if and when you speak on the matter.

Can I stay in a meeting if I have a personal interest?

You can still take part in the meeting and vote on the matter unless your personal interest is also a prejudicial interest.

What is a prejudicial interest?

Your personal interest will also be a **prejudicial** interest if **all** of the following conditions are met:-

- (a) the matter is not covered by one of the following exemptions to prejudicial interests in relation to the following functions of the Authority:-
 - statutory sick pay (if you are receiving or entitled to this);
 - an allowance, payment or indemnity for members;
 - any ceremonial honour given to members;

- setting council tax or a precept; **AND**
- (b) the matter affects your financial position (or that of any of the persons/bodies as described in Paragraph 8 of the Code) or concerns a regulatory/licensing matter relating to you or any of the persons/bodies as described in Paragraph 8 of the Code); **AND**
- (c) a member of the public who knows the relevant facts would reasonably think your personal interest is so significant that it is likely to prejudice your judgement of the public interest.

What do I need to do if I have a prejudicial interest?

If you have a prejudicial interest in a matter being discussed at a meeting, you must declare that you have a prejudicial interest (and the nature of that interest) as soon as it becomes apparent to you. You should then leave the room unless members of the public are allowed to make representations, give evidence or answer questions about the matter by statutory right or otherwise. If that is the case, you can also attend the meeting for that purpose.

You must, however, leave the room **immediately after you have finished speaking (or sooner if the meeting so decides)** and you cannot remain in the public gallery to observe the vote on the matter. Additionally, you must not seek to **improperly influence** a decision in which you have a prejudicial interest.

What do I do if I require further guidance or clarification on declarations of interest?

If you feel you may have an interest in a matter that will need to be declared but require further guidance on this, please contact the Clerk to the Authority – preferably before the date of the meeting at which you may need to declare the interest. Similarly, please contact the Clerk if you require guidance/advice on any other aspect of the Code of Conduct.

HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT COMMITTEE
(Devon and Somerset Fire and Rescue Authority)

17 June 2010

Present:-

Councillors Bown, Boyd, Burridge-Clayton, Cann, Healey (vice Mrs Nicholson) and Turner

Apologies:-

Councillors Manning and Mrs. Nicholson

***HRMDC/1. Election of Chair**

RESOLVED that Councillor Cann be elected Chair of the Committee until its first meeting after the Annual Meeting of the Authority in 2011.

***HRMDC/2. Minutes**

RESOLVED that the Minutes of the meeting held on 14 April 2010 be signed as a correct record.

***HRMDC/3. Declarations of Interest**

Members of the Committee were asked to consider whether they had any personal/personal and prejudicial interests in items as set out on the agenda for this meeting and to declare any such interests at this time.

No interests were declared.

***HRMDC/4. Election of Vice Chair**

RESOLVED that Councillor Burridge-Clayton be elected Vice Chair of the Committee until its first meeting after the Annual Meeting of the Authority in 2011.

***HRMDC/5. Absence Management**

The Committee received for information a report of the Director of People and Organisational Development (HRMDC/10/10) that set out the overall performance of the Service in relation to sickness absence management in 2009/10 and how this compared with performance to date in 2010/11 and which highlighted the position in respect of long term sickness in particular.

The report drew attention to the decrease in sickness rates from 10.18 days lost per person per year in 2008/09 to 8.02 days lost in 2009/10, a decrease of 21.2%. This significant reduction enabled the Service to achieve its target for the year of 9.55 days lost per person as well as its long term target to reduce the regional average rate of 9.0 days lost by 2010/11.

The Director of People and Organisational Development added that a decrease in sickness absence had been achieved across the region with an average of 7.9 days. This compared well to the average across the private sector of 7.4 days. It was noted that, as a result,, the Committee would be asked to consider revised targets for the Service on sickness absence in conjunction with the Corporate Plan for 2011/12, a report on which would be submitted for consideration later in 2010.

The Director of People and Organisational Development commented upon the reduction of mental health related sickness which had decreased from 24% of all sickness in 2008/09 to 14% in 2009/10. Long term absences were monitored on a monthly basis and Members of the Committee requested that, in future reports, information presented in respect of long term absence should highlight any absences which had been ongoing for a period longer than 12, 18 and 24 months to give greater clarity.

Reference was made to the point that there had been an increase in sickness absence for retained staff, however, and the position would be monitored in the future. It was noted that the Gartan system for retained staff which was being piloted in some areas in the Service currently included an availability component. This would also assist the Service in monitoring sickness absence.

Overall, the Committee welcomed the reduction in sickness absence and the action being taken to continue to achieve improvements in the future.

***HRMDC/6. Staff Survey**

The Committee received for information an update from the Director of People and Organisational Development in respect of the progress made to date with the Staff Survey in 2010.

Reference was made to the rate of return of the Surveys, which at 38%, had risen by 8% since 2008. This was largely due to the action which had been taken to increase participation, such as the payment of time for retained staff to complete the survey and the point that it had been demonstrated to staff that the Service did listen to points raised ("You talk, We listen" poster campaign) and acted upon them.

The Director of People and Organisational Development commented on a number of policies and interventions which had been implemented following the 2008 survey and made particular reference to the success of the Well@Work scheme in promoting health in the workplace. It was added that similar questions had been used to enable effective benchmarking of the surveys undertaken in 2008 and 2010. The results of the survey were being analysed by ORS and a report detailing the outcomes would be submitted to the Committee later in 2010.

Members of the Committee welcomed the report and the proactive approach taken to increase staff participation/engagement & involvement.

***HRMDC/7. The Working Time Directive and Proposed Changes to Legislation**

The Committee received for information a report of the Director of People and Organisational Development (HRMDC/10/11) that set out the potential impact of the proposed changes to legislation in relation to the Working Time Directive on the ability of the Devon and Somerset Fire and Rescue Service (DSFRS) to support service delivery.

The Director of People and Organisational Development emphasised the point that the Fire and Rescue Service needed a flexible workforce to deliver effective 24 hour emergency cover, and, in many Services across the UK, this was dependant on cover being supplied by a combination of both wholetime and retained employees. If the opt-out clause was rescinded, then Fire and Rescue Services would not be able to continue working in the same way and core functions may not be deliverable. This was particularly pertinent for Devon and Somerset which employed the largest number of retained staff in the country.

Members of the Committee shared the concerns expressed by the Service and suggested that a letter be drafted to be sent to constituent authorities and MPs to highlight the impact of the removal of the opt out clause.

Councillor Bown moved (and was seconded by Councillor Burridge-Clayton) that the recommendation in the report be amended as follows:

- (a) “that the deep concern at the potential impact on DSFRA of changes in the opt out clause be highlighted, and;
- (b) that a letter be sent to constituent authorities, MPs and MEPs to seek support for the stance taken by the Local Government Association (LGA) in respect of the opt out clause and highlighting the impact on the fire and rescue service of any changes in this legislation”.

Reference was made in addition to the point that ACFO Smith was the current lead officer for the National RDS Steering Group and that, via links with the Chief Fire Officers’ Association (CFOA), he was feeding information to the Centre for Strategy and Evaluation Services to identify the full impact of any change in this legislation on the delivery of front line services. Every opportunity was being taken to keep this issue on the agenda

RESOLVED

- (a) that the deep concern at the potential impact on DSFRA of changes in the opt out clause be highlighted, and;
- (b) that a letter be sent to constituent authorities, MPs and MEPs to seek support for the stance taken by the Local Government Association (LGA) in respect of the opt out clause and highlighting the impact on the fire and rescue service of any changes in this legislation.

***HRMDC/8. Goal 2 Corporate Plan Targets**

The Committee received for information a copy of report previously considered by the Devon and Somerset Fire and Rescue Authority (ref. DSFRA/10/16) in respect of the performance of the Service in 2009/10 as measured against the targets for Goal 2 “to be an employer of choice” as included within the Corporate Plan 2010/11 to 2012/13. The Director of People and Organisational Development circulated the paper to highlight to the Committee the progress that was being made towards meeting the targets set.

Members of the Committee raised a concern that, whilst a labour force survey had indicated that the local minority ethnic working age population across Devon and Somerset was 5.29%, the Service had committed itself to a specific recruitment target, stating that, by 2013, 7.29% of all new joiners to the organisation would be from minority ethnic backgrounds.

The Director of People and Organisation Development reported that the Service had received a £35,000 grant from the Government as an incentive to assist with achieving the recruitment targets set. She referred to the positive action strategy “Stairway” which had been developed, amongst other things, as a tool to address the recruitment targets set within the Corporate Plan and highlighted the action that had been taken to date towards achievement of the targets. She added that it was accepted that this was a challenge, bearing in mind the current position of the service on recruitment, but she commented that every effort would be made to improve the attraction rate and appointment to vacancies with women and people from the minority ethnic groups.

***HRMDC/9. Health of the Organisation**

The Committee received for information a report of the Director of People and Organisational Development (HRMDC/10/12) that set out details of a new measure that had been developed as a means of monitoring “people” aspects of the organisation, which it was felt was inextricably linked with the overall health of the organisation. The measures included levels of discipline and grievance cases, trend analysis in bullying and harassment and for the turnover of staff, levels of stress and referrals to counselling and the collective relationships with Trade Unions.

The Director of People and Organisational Development stated that the introduction of this measure went beyond the absence management monitoring and was regarded as a means of contributing to the EFQM (Model of Excellence), for which a baseline assessment had already been undertaken. It was envisaged that this would also assist the organisation in achieving excellence in the future. Reference was made to the reduction in sickness absence due to mental health issues as reported within the Absence Management report (Minute HRMDC/5 above refers) and it was suggested this was due largely to the efforts of the Service’s Welfare section, the Staff Supporter Network and the Counselling Services offered in both Devon and Somerset. It was noted that different recording practices were undertaken within Devon and Somerset and it was therefore suggested, that, for consistency, future statistics should be recorded in the same way.

Members of the Committee commented on the level of staff turnover and requested that additional information be included within future reports to the Committee to identify trends, particularly in the turnover of staff such as retained employees. The Director of People and Organisational Development added that the Service had also developed an Exit Interviews policy which would be piloted in due course.

NB. Minute HRMDC/10 below also refers.

***HRMDC/10. Achieving Excellence against the Equality Framework**

The Committee received for information a presentation given by the Director of People and Organisational Development which highlighted the results of the self assessment against the Equality Framework for Fire and Rescue Services which included, amongst other things:

- An overview of the Equality Framework for Fire and Rescue Services: Self Assessment document;
- The advantages of undertaking the self assessment with other Fire and Rescue Services regionally;
- The strengths of the organisation in respect of equality issues;
- The areas for improvement
- The proposal for the development of an action plan to address the areas for improvement that had been identified..

The Committee commended the Service on this excellent work and enquired as to how Members could engage with this. The Director of People and Organisational Development replied that it was envisaged that the Equality and Diversity Champion would lead the way forward with Member involvement in the future.

NB. Minute HRMDC/11 below refers.

HRMDC/11. Member Champion for Equality and Diversity - Role Profile

The Committee considered a report of the Director of People and Organisational Development (HRMDC/10/13) that set out a role profile for the Member Champion for Equality and Diversity and which sought the views of the Committee prior to its adoption..

The Committee commended the Service on the development of this role profile.

Councillor Healey indicated that Councillor Turner had indicated a willingness to undertake this role, the appointment to which would be confirmed by the full Authority at its next meeting.

RESOLVED that the Authority be recommended to approve the Role Profile for the Member Champion for Equality and Diversity as appended to report HRMDC/10/13.

***HRMDC/12. Determination of Membership of the Firefighters' Pension Scheme Internal Dispute Resolution Procedure Stage 2 Panel**

At its extraordinary meeting on 25 March 2010, the Authority approved revisions to this Committee's Terms of Reference to enable it to establish a small panel of Members to determine issues under the Firefighters' Pension Scheme Internal Dispute Resolution Procedures Stage 2. In view of the need to deal with one outstanding case as a matter of urgency, appointments to the Panel were initially made by the Authority but were subsequently reviewed by this Committee at its previous meeting (Minute HRMDC/18 refers).

Since that time, the membership of this Committee changed (upon the resignation of Councillor Wallace) and consequently, the Committee was recommended to appoint (from amongst its membership) 3 members to serve on the Panel until the first meeting of the Committee following the Annual Meeting of the Authority in 2011.

RESOLVED that Councillors Bown, Boyd and Manning be appointed to the Firefighters' Pension Scheme Internal Dispute Resolution Procedure Stage 2 Panel until the first meeting of this Committee following the Authority Annual Meeting in 2011 and that any substitutes (in accordance with Standing Order 36) should be taken from the membership of the Human Resources Management and Development Committee in the first instance..

*** DENOTES DELEGATED MATTER WITH POWER TO ACT**

The meeting started at 10.00hours and concluded at 12.10hours.



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	HRMDC/10/14
MEETING	HUMAN RESOURCES MANAGEMENT & DEVELOPMENT COMMITTEE
DATE OF MEETING	20 SEPTEMBER 2010
SUBJECT OF REPORT	ABSENCE MANAGEMENT
LEAD OFFICER	Director of People and Organisational Development
RECOMMENDATIONS	<i>That the report be noted.</i>
EXECUTIVE SUMMARY	The progress with Absence Management has been included as a standing item within the HRMD agenda. This report includes an update of the Service performance for absence levels and also the long term absence levels.
RESOURCE IMPLICATIONS	There are ongoing resource implications in relation to absence management in terms of providing cover when required.
EQUALITY IMPACT ASSESSMENT	The Absence Management policy has had an equality impact assessment.
APPENDICES	
LIST OF BACKGROUND PAPERS	None

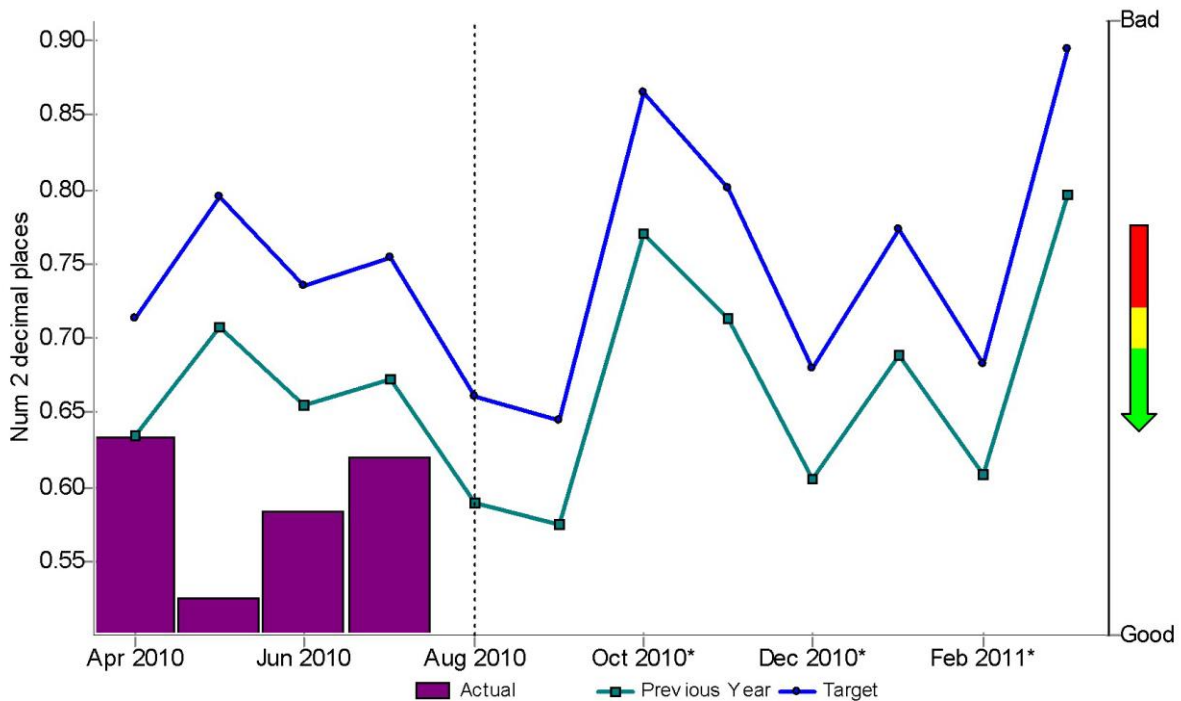
1. **INTRODUCTION**

1.1 Absence levels have previously been identified as a key measure that the HRMD Committee will monitor and review as a standing item. The overall performance in 2009/10 was better than our target level of 9.55 days per person and an overall level of 8.02 days was achieved. The target for 2010/11 is an average rate of 9.0 days/shifts lost per person.

2. **2010/11 PERFORMANCE**

2.1 A good start has been made in 2010/11 in terms of our performance with absence management. We have seen a 11.5% decrease in absence when compared with the same period last year. At this point in time, the previous year was at an average of 2.67 days absence per person compared with our actual level for 2010/11 of 2.36 days. This is 21.2% better than our target level of 3 days per person at this point in the year.

Sickness Rates (All Staff) By Month



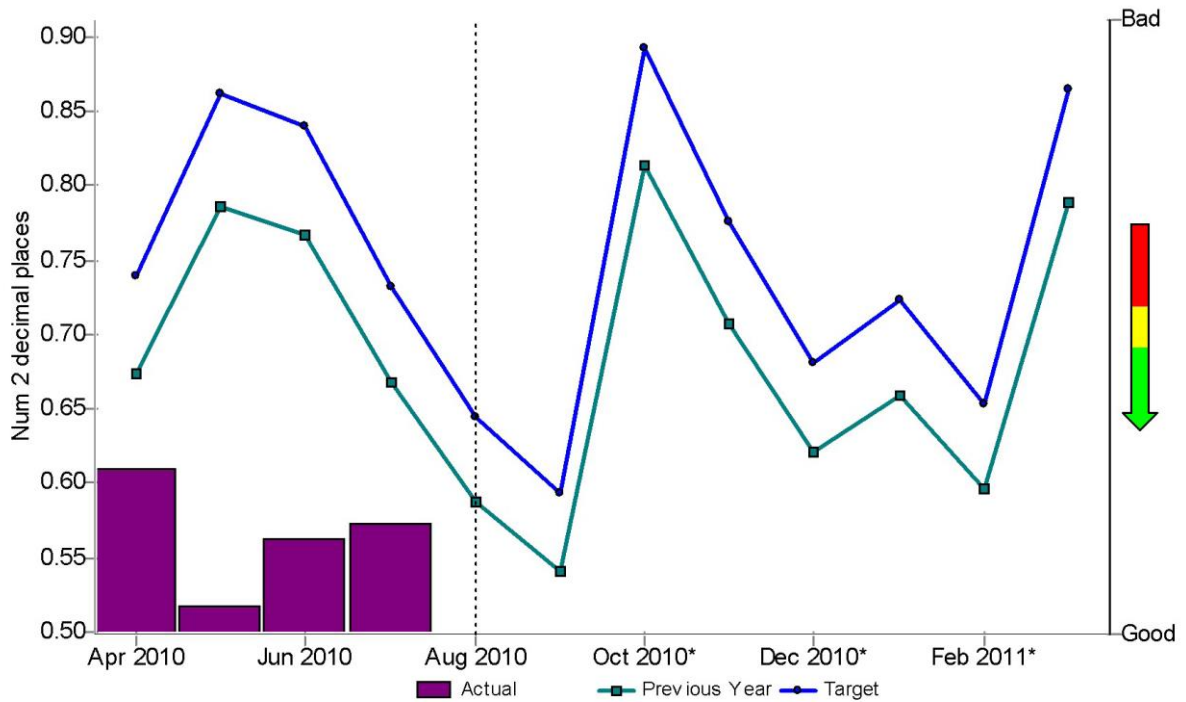
All Staff – Sickness Rates per Person – by Month

	Actual 10/11	Previous Year 09/10	% variance on previous year	% variance on target
Apr-10	0.63	0.64	-0.3%	-11.2%
May-10	0.53	0.71	-25.8%	-33.9%
Jun-10	0.58	0.66	-10.9%	-20.7%
Jul-10	0.62	0.67	-7.7%	-17.8%
YTD	2.36	2.67	-11.5%	-21.2%

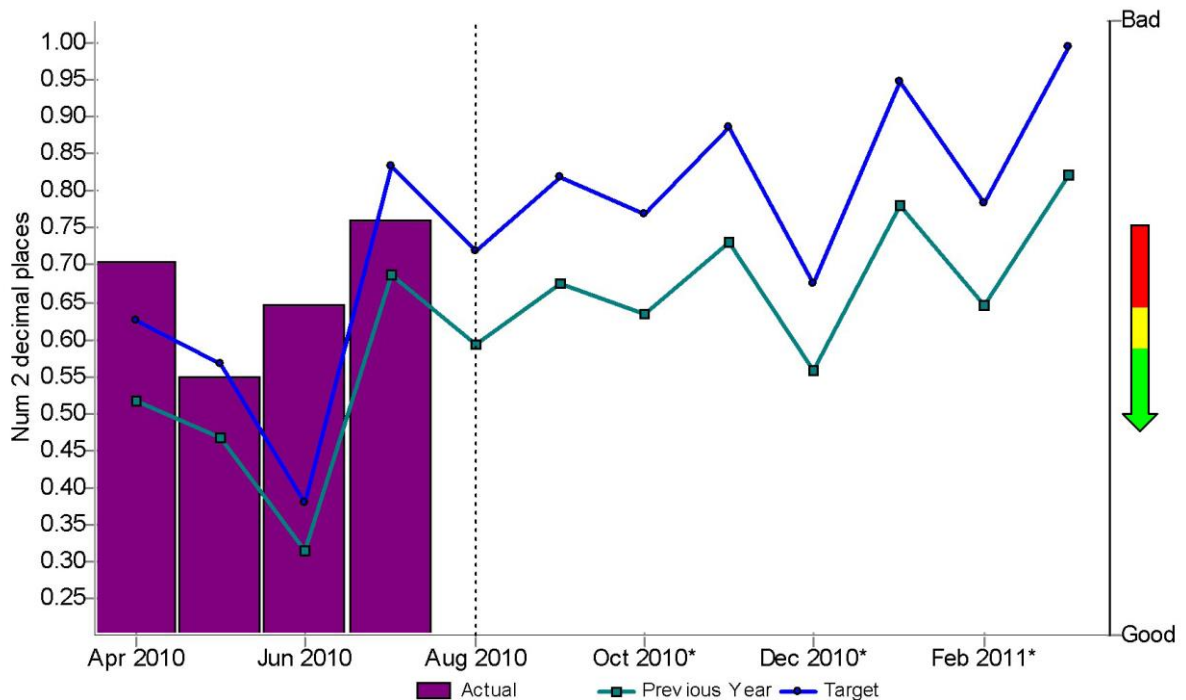
2.2

As usual, we can then break down the figures by staff category and the rates for uniformed, control and non-uniformed are shown below. Both the uniformed and non-uniformed rates show a reduction in May followed by increases other June and July which are reflected in the overall absence levels. Uniformed sickness rates are below that of the target and also last year's rates but for non-uniformed absence rates are higher than last year. In Control, after a poor April they have remained under the previous year's performance.

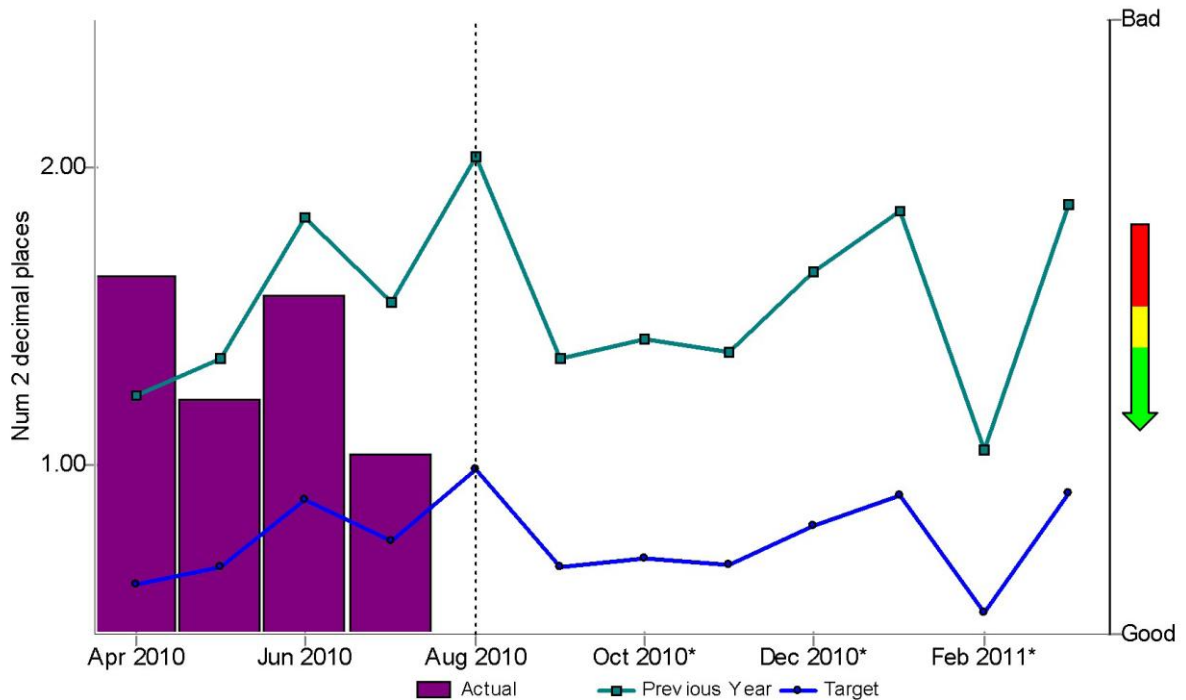
Uniformed Staff Sickness Rates by Month 2010/11



Non-uniformed Staff Sickness Rates by Month 2010/11



Control Staff Sickness Rates by Month 2010/11



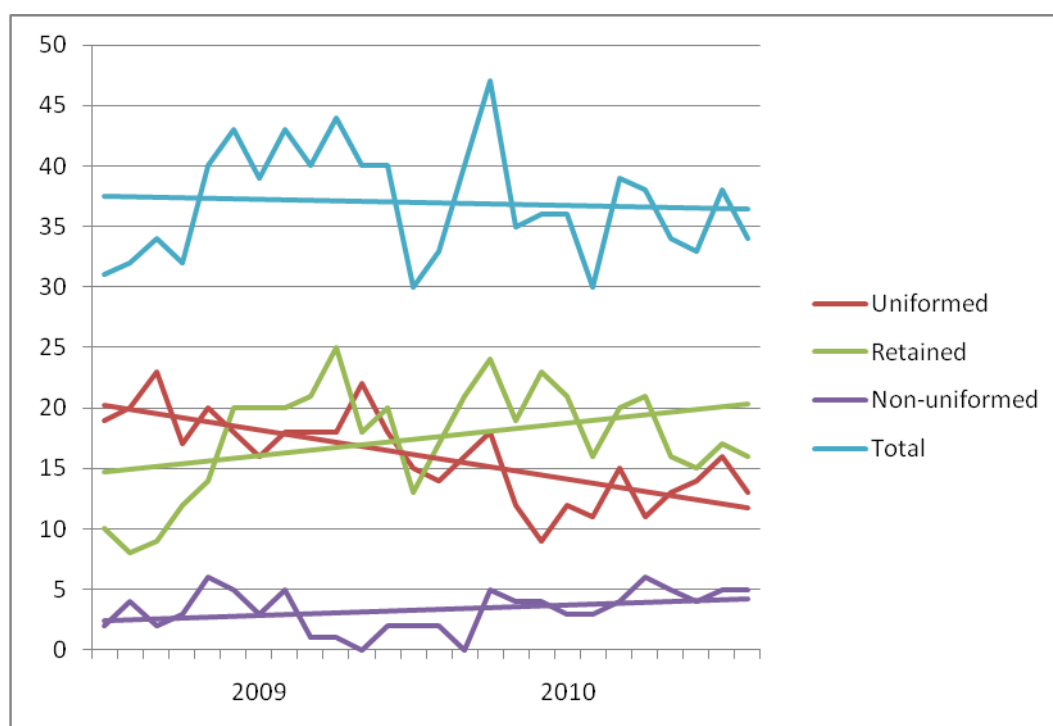
3. DETAILED BREAKDOWN OF LONG TERM SICKNESS

3.1 The monitoring of long term sickness ie those over 28 days is reported on a monthly basis and includes those who are long term sick and those on restricted duties. The number of staff who have been long term sick in 2010 is shown below and a chart overleaf shows the overall trend lines since 2008. Both uniformed (Wholetime and Control) and non-uniformed show a downwards trend whilst the Retained Duty System has been on the increase. The HRMD Authority committee have also requested that a further breakdown is shown for absences that have been ongoing for a period longer than 12, 18 and 24 months. For August these are shown overleaf.

2010 Long-term Sickness

Number of staff	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Uniformed	12	11	15	11	13	14	16	13
Retained	21	16	20	21	16	15	17	16
Non-uniformed	3	3	4	6	5	4	5	5
Total	36	30	39	38	34	33	38	34

Long-term Sickness 2008 to 2010 – Number of Staff



August 2010

Number of staff	>6 mths	>12 mths	>18 mths	>24 mths
Uniformed	4	0	0	2
Retained	2	1	1	3
Non-uniformed	2	0	0	1
Total	8	1	1	6

4. PERFORMANCE MANAGEMENT OF ABSENCE LEVELS

4.1 The Service has continued to closely monitor levels of absence and as part of the Service Improvement Group these are being considered at a departmental level to enable us to highlight the best performing areas but also to identify where additional management support may be required.

4.2 The Service has also undertaken an internal audit of absence management to provide assurance that the systems and processes for recording and managing sickness are robust. The Audit & Review Team identified the strengths of our existing procedure for absence management and areas that could be improved upon. The communication of absence between employees and managers was generally good with staff keeping in regular contact with their line manager and sickness forms being completed. The process for return to work interviews was found to be reasonably robust, although 38% of those line managers interviewed did not hold return to work interviews unless there is a recurring sickness issue that needs addressing. The audit identified a number of key areas where additional management actions could be focused or where controls could be more robust. This included using a flowchart within the policy, simplifying reporting forms, automating trigger point calculations and confirming to flexi-duty staff the method of reporting absence to their line manager.

4.3 The HR team are also developing an e-based learning package for staff to provide training in the absence management policy. This includes a basic training package for all staff and for line managers an additional advanced training session.

5. **CONCLUSION**

5.1 To date, the Service has seen an improvement in the absence levels in 2010/11 and further actions are being taken to continue this direction.

Jane Sherlock
DIRECTOR OF PEOPLE AND ORGANISATIONAL DEVELOPMENT



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	HRMDC/10/15
MEETING	HUMAN RESOURCES MANAGEMENT & DEVELOPMENT COMMITTEE
DATE OF MEETING	20 SEPTEMBER 2010
SUBJECT OF REPORT	RESTRICTION OF PENSIONS TAX RELIEF
LEAD OFFICER	Director of People and Organisational Development
RECOMMENDATIONS	<i>That the report be noted.</i>
EXECUTIVE SUMMARY	<p>The last government in the Finance Act 2010 announced that from April 2011 the amount of pension tax relief that an employee could get would be reduced. The new coalition government has further considered the issue of pensions tax relief and is proposing further reforms in this area to support the government's commitment to tackling the fiscal deficit. This involves reducing the annual allowance for pension relief and the Government is seeking feedback from representative groups, employers, pension schemes etc on such a change.</p> <p>The Service is concerned about the impact that this would have on employees who are 'middle earners' rather than 'high earners' and has responded to the government discussion paper.</p>
RESOURCE IMPLICATIONS	
EQUALITY IMPACT ASSESSMENT	
APPENDICES	<p>Appendix A: Treasurer response</p> <p>Appendix B: Director of People and Development response</p>
LIST OF BACKGROUND PAPERS	

1. INTRODUCTION

1.1 Within occupational or public service pension schemes the employer takes the pension contributions from the employee's pay before deducting tax (but not National Insurance contributions). The employee then pays tax on what is left. An employee's contribution towards a pension is subject to an 'Annual Allowance'. For the tax year 2010-11 the annual allowance is £255,000. Tax is paid at 40 per cent on any contributions that are made above this Annual Allowance. There is also a Lifetime Allowance currently set at £1.8M.

1.2 The last government in the Finance Act 2010 announced that from April 2011 the amount of pension tax relief that an employee could get would be reduced if an employee's income was £150,000 or more and from December 2009 a 'special annual allowance' was introduced to stop people making large additional pension contributions and getting higher rates of tax relief on them ahead of April 2011. The special annual allowance affects employees if one of the following applies:

- Total pension savings including employer contributions are more than £20,000
- An employee changes the amount they normally save towards their pension on or after 22 April 2009
- An employee has an income is £150,000 or more in the current or either of the two previous tax years

The previous government made a further adjustment to the special allowance so that it applied to incomes of £130,000 or more.

1.3 The new coalition government has further considered the issue of pensions tax relief and is proposing further reforms in this area to support the government's commitment to tackling the fiscal deficit. The Government has reservations about the approach adopted in the Finance Act 2010 and believes this could have unwelcome consequences for pension saving, bring significant complexity to the tax system, and damage UK business and competitiveness. Therefore, an alternative approach involving the reform of existing pension tax relief, and in particular a significant reduction in the annual allowance is being considered.

1.4 The government is seeking to ensure that it raises at least the same amount of revenue through any restriction in the pensions tax relief as has already been accounted for in the public finances over the forecast period with the previous changes in the Finance Act 2010. The provisional analysis suggests that one option would be for an Annual Allowance in the region of £30,000 - £45,000.

1.5 The Government has recognised that various features of a much lower annual allowance would need to be revised to ensure it operated fairly and effectively. The Government have therefore published a discussion document on an alternative approach to the restriction of pensions tax relief. The issues include:

- How pension accrual in Defined Benefit Pension schemes would be valued;
- The options to protect basic-rate taxpayers, and to support employees who see a one-off 'spike' in pension accrual eg through a promotion;
- Whether and how there could be flexibility for individuals over paying any charges that arise;
- How compliance and delivery would operate in practice.

- 1.6 During the summer period the Government has sought feedback on this discussion document so that decisions could be made to take through legislation in the autumn within the Finance Bill 2011. Feedback submissions were required to be received by the 27th August 2010 and the DSFRS Treasurer and Director of People and Development responded. The respective documents are attached in Appendix A & B.

JANE SHERLOCK
Director of People and Organisational Development

Restriction of pension's tax relief

Response to discussion document on an alternative approach

General Comments

As an employing Authority it is difficult for Devon and Somerset Fire and Rescue Authority to provide responses to the more detailed questions raised within the discussion document, or on the more pension technical issues, however it does wish to make some more general comments about the principles of the proposals and its concerns to our staff.

In general, whilst it has to recognized of the need for the government to seek alternative taxation revenues to assist with the overall financial deficit, care has to be exercised to ensure that changes to pension taxations relief is balanced against the potential for the changes to be so severe as to act a significant barrier in our quest to recruit and retain the most talented individuals to the most senior positions in our organization.

Policy Design

The Authority is very concerned that based on the range of proposed changes to the annual allowance (AA), of between £30,000 and £45,000, coupled with the proposed changes to the flat rate valuation factor of between 15 and 20 there is a potential for groups of staff that are not perceived to be 'high earners' to be caught up in this new tax regime. For example, should the AA be set at £30,000 and the valuation factor set at 20 then a Watch Manager within a Fire and Rescue Service, on a salary of £34,961 pa will potentially be required to pay tax on his/her pension benefits. Appendix A provides a worked example of the impact to a Watch Manager.

For Devon and Somerset Fire and Rescue Authority, it is estimated that based on the worst case scenario, approximately 100 fire officers (14% of wholetime staff) could be impacted, which we would suggest are not all the groups of staff being targeted by these changes.

It is the view of this Authority that the changes to the AA and valuation factor should be set at levels which do not impact on those 'middle earners' e.g. Watch Manager.

The Authority supports the preferred proposal to exempt deferred members from the AA test, on the basis of ease of administration and transparency. As stated in the discussion document, to exempt deferred members, and maintain fairness to those active members would require a revaluation methodology of the previous year's benefits to be included in the new regime, however this would inevitably place additional administrative burdens on pension administrators who will now be required to make additional calculations each year.

In relation to changes in the lifetime allowance (LTA) whilst it is difficult to assess what an appropriate level should be, we do believe that it should be closely aligned to the AA methodology in order to provide transparency. In terms of fairness it is important that any changes provide protection against existing pension benefit accruals, as it is likely that those high earners will wish to make individual choices based on professional tax advice as to the most tax efficient way of providing future pension provision.

Managing impacts on individuals

We are concerned, as an employing authority, of the potential for the new regime to provide a financial disincentive for individuals to take up promotion opportunities, as a result of a 'spike' in pension benefits in the year of promotion, resulting in a serious breach of the AA test. We do feel therefore that it is important for the taxation regime to provide some form of smoothing mechanism to enable these 'spikes' to be spread over a number of years. Without this form of protection it would be left to the employer to be as innovative as a possible to introduce a financial reward package alongside the promotion to avoid the AA breach, probably at a slower rate, which would run the risk of career aspirational staff leaving the organization for a different employer or sector.

Delivery and Compliance

As is stated in the discussion document, it is inevitable that the significant reduction in the AA will mean that a larger number of individuals will now become liable for taxation based on their pension benefits. Whilst it is difficult for this Authority, as an employer, to comment on the additional administration this will incur, in terms of providing the necessary calculations and information, we are concerned that because of the potential complexities of how any final system is to be operated, there is the risk that many individuals will not be aware of any breach of the AA until after the reporting period, by which time the tax liability has been incurred. With this in mind we do believe that it is important for the new system to be as simple and transparent as possible, to ensure as much as possible that individuals are aware of the potential tax implications from their increased pension benefits. This will almost certainly require some form of annual statement being issued to every individual in the scheme, to advise of their pension benefits increase and a test against the AA. This of course will place significant additional administration on the pension providers to provide this information. It may also be helpful to not only provide an assessment of the AA test for the reporting year, but also for the next three years, in order that an individual is aware, well in advance of the potential to breach the AA test, and to make informed decisions about future pension provision.

To assist transparency and administration, it would make sense for the new regime to be clear about which groups of staff will be impacted. For instance, could the scheme not exempt basic rate tax payers, which would remove large numbers of staff within our organisation from the regime, therefore significantly reducing the numbers of assessments that would need to be made.

Watch Manager with 25 year's Service Assumed 2 % pay rise

1/4/2010	31/3/2011	Annual Allowance Test
20 years/60 x £34,961 = £11,564 + 5 years x 2/60 x £34,961 = £5,827 Total Pensionable Benefit = £17,391	20 years/60 x £35,660 = £11,887 + 6 years x 2/60 x £35,660 = £7,132 Total Pensionable Benefit = £19,019	GROWTH IN PENSION = £1,538
Factor		
20	£30,760	EXCESS OVER £30,000 ANNUAL ALLOWANCE = £760

APPENDIX B TO REPORT HRMDC/10/15

From: Jane Sherlock
Sent: 27 August 2010 18:26
To: ':'pensionstax@hmtreasury.gsi.gov.uk"
Cc: Sally Scott; Steven Pope; Michelle Smitham; .Service Management Board
Subject: FW: Response to Discussion Document Restriction of pensions tax relief

Dear Sir/Madam.

Earlier this afternoon, Devon and Somerset Fire and Rescue Service submitted a brief response relating to the discussion document issued recently relating to proposals to change to pension tax relief arrangements. I would be grateful if you would consider the contents of this email as an extension to that original submission.

As Director of People and Organisational Development, I am concerned not only as to the financial impact upon individuals but also a more holistic concern regarding organisational impact in terms of attraction, recruitment and retention, of highly skilled employees as well as the real risk and potential of a national industrial dispute, should the proposals be implemented. We have highlighted this in our response submission, but I think it is fair to say, that until several examples were worked through (attached in our appendices), it was not obvious how far reaching these proposals could be in terms of those staff groups affected.

To this end I would very much like to see a copy of the Equality Impact Assessment undertaken, to ascertain how these proposals were assessed in relation to the impact on groups of staff, and whether or not it shows that some groups of staff are disproportionately affected. As you are aware under The Race Relations (amendments) Act, public bodies not only have a duty to undertake an Equality Impact Assessment, but a duty to publish the results. I have been unable to locate, from your website, such a document and would be pleased if you could direct me as to where I may find it, or indeed furnish me a copy by return.

Like all public organizations we are trying to assess the impact of potential fiscal restraints and the impact on our employee relations. Pensions issues are a significant risk on our corporate risk register, in terms of industrial action and business continuity, and our operational capability and capacity should we see a reluctance to strive for promotion or a sudden spike in attrition rates.

I am happy to discuss these issues further.

Kind regards

Jane Sherlock
Director People and Organisational Development
Devon and Somerset Fire and Rescue Service
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