WYFRA	FINANCE AND RESOURCES	19 November 2010	ITEM No

REPORT OF: CHIEF FINANCE OFFICER

PURPOSE OF REPORT: TO PRESENT A QUARTERLY OVERVIEW OF THE FINANCIAL POSITION OF THE AUTHORITY

RECOMMENDATION: THAT MEMBERS NOTE THE CONTENT OF THE REPORT

APPROVE THE REVISED REVENUE BUDGET

APPROVE THE REVISED CAPITAL PLAN

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT DETAILS

Exemption Category: NONE

Contact Officer: G. MAREN
CHIEF FINANCE OFFICER
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The purpose of this report is to present an overview of the financial performance of the authority of the first 7 months of the current financial year. The report is split into four sections dealing with revenue expenditure, capital expenditure, treasury management and debtors and creditors.

Background Papers:

1. BACKGROUND

The purpose of this report is to present an overview of the financial performance of the authority of the second quarter of the current financial year. The report is normally split into four sections dealing with revenue expenditure, capital expenditure, treasury management and debtors and creditors. This report does not include a section on Treasury management as this is dealt with separately in the six monthly review of the treasury management strategy which is on this agenda.

In addition to the quarterly report to the Finance and Resources Committee reports on revenue and capital expenditure are also prepared for management board, senior managers and cost centre managers to enable them to manage their individual budgets.

SECTION 1 REVENUE EXPENDITURE MONITORING

1. INTRODUCTION

Expenditure is monitored throughout the year against the approved revenue budget with reports being considered by each meeting of the Management Board and each meeting of the Finance and Resources Committee. The purpose of the report is to monitor progress against the approved revenue budget; provide an early forecast outturn for the financial year; provide an explanation of any major variations, and to show the impact of any variations on the revenue balances of the Authority.

This is the third report of the financial year and is based on expenditure for the first seven months of the year. Clearly this is a forecasts are based on previous year's expenditure patterns, as the year progresses changes to actual expenditure will emerge.

2. REVENUE BUDGET REVISION

When the revenue budget is approved an amount is included in contingencies for future pay and price increases. During the course of the financial year the budget is revised to take account of allocations from this fund. The following adjustments have been made within the training centre budget.

Owing to the reduction in recruitment throughout the region the Authority is not able to attract recruits from other Authorities resulting in a projected shortfall in income of £60,000. This loss of income has been offset by a reduction in the external training expenditure of £100,000 with the balance of £40,000 added to contingencies. These adjustments can be seen on the budget summary below.

3. EXPENDITURE MONITORING

The overall forecast is that there will be an under-spending of £0.77m with the key areas of variance detailed below. .

	FORECAST £000	**APPROVED BUDGET £000**	**VARIANCE £000**
Wholetime firefighters	£61,003	£60,607	£396
Retained firefighters	£1,945	£2,383	-£438
Brigade control	£2,260	£2,393	-£133
Support staff	£10,823	£11,107	-£284
Capital financing charges	£5,883	£5,988	-£105

3.2 Wholetime Firefighters +£396,000

This is a reduction in expenditure of £200k from the previous forecast. As explained at the last meeting the main cause of the overspending was increased overtime related to operational training and support for retained fire stations. A review of the policy for the use of overtime and this has delivered a reduction of £40k in the monthly cost.

3.3 Retained Firefighters -£438,000

This is partly a result of low staffing at some stations which have been supported by whole-time overtime and partly a result of lower turnouts during the summer period.

3.4 Brigade control -£133,000

This is in line with the previous forecast and is a result of vacancies.

3.5 Support staff -£284,000

Again this is in line with the previous forecast and is a result of the large number of vacancies in the support staff establishment some of which are new posts approved as part of the command and capacity review. There is currently a freeze on all external support staff recruitment pending the result of the structure review and offer of voluntary reverence as approved by the Personnel and Training Committee.

3.6 Capital Financing Charges -£105,000

The Bank of England Base rate remains at 0.5% and our treasury management advisors forecast that it will remain at that level for most if not all of the current financial year. The Authority will therefore continue to benefit from the very low interest temporary borrowing rates, which more than offsets the loss of investment income. A more detailed review of treasury management is included in a separate report on this agenda. As part of the comprehensive spending review the government increased the borrowing rate to Local Authorities by 0.85% this is unlikely to have any significant impact in the current financial year but will increase costs in 2011/2012.

4. IMPACT ON REVENUE BALANCES

Description	General Reserve
Balance at 1 April 2010	£6.803m
Approved use of balances	£0.650m
Impact of forecast	£0.770m
Forecast balance at 31/3/2011	£6.923m

2010/2011 REVENUE EXPENDITURE MONITORING
November 2010

EXPENDITURE	PAYMENTS TO DATE £000	EXPEND FORECAST £000	APPROVED BUDGET £000	VIREMENT	REVISED BUDGET £000	FORECAST VARIANCE £000
Wholtime firefighters	£39,721	£61,003	£60,607		£60,607	£396
Retained firefighters	£1,287	£1,945	£2,383		£2,383	-£438
Firefighters pensions	£600	£1,456	£1,456		£1,456	£0
Brigade control	£1,462	£2,260	£2,393		£2,393	-£133
Support staff	£6,948	£10,823	£11,107		£11,107	-£284
Other employee expenses	£555	£1,392	£1,469	-£100	£1,369	£23
Premises expenses	£1,633	£2,959	£2,941		£2,941	£18
Transport costs	£1,526	£2,398	£2,439		£2,439	-£41
Supplies and services	£2,499	£3,942	£3,915		£3,915	£27
Insurance	£711	£711	£711		£711	£0
Lead authority charges		£288	£288		£288	£0
Capital financing charges		£5,883	£5,988		£5,988	-£105
Provision for pay & prices		£1,182	£1,142	£40	£1,182	£0
Total Expenditure			£96,839	-£60	£96,779	-£537
Training income	£51	£84	£141	-£60	£81	£3
Fire Safety Income	£49	£63	£79	£0	£79	-£16
Grants	£359	£1,680	£1,680		£1,680	£0
Other Income	£891	£1,675	£1,429	£0	£1,429	£246
Total Income		£3,501	£3,329	-£60	£3,269	£233
Net expenditure		-£3,501	£93,510	£0	£93,510	-£770

SECTION 2 CAPITAL EXPENDITURE MONITORING

INTRODUCTION

At its meeting on 19th February 2010, the Authority approved a three year capital programme of £32.9m which included schemes to the value of £11.2m for the current financial year.

1 SCHEMES SLIPPED BETWEEN FINANCIAL YEARS AND CAPITAL VIREMENT

The nature of major capital schemes means that expenditure often straddles a number of financial years, particularly the case in major building schemes and the development of major information systems.

At the last meeting it was approved that the plan be revised to £12.8m to include schemes slipped from the previous financial year. The most recent capital programme monitoring group has identified additional schemes where expenditure will be less that the original plan which has the effect of revising the plan to £11.9m Details of schemes that have been slipped between the financial year are shown in the attached appendix.

At the Authority AGM the Management Board was given delegated power to approve individual virement between capital schemes of up to £100,000. Details of any approvals will be reported to committee as part of this report. There have been no approvals within the last three months.

2 CAPITAL PAYMENTS 2010/2011

The actual capital payments to date total £6m which represent 50% of the revised capital plan the majority of which is on schemes which commenced in the previous financial year. Details of expenditure on individual schemes is included in the attached appendix .

5 APPROVALS UNDER FINANCIAL PROCEDURE 3.11

Under financial procedures 3.11 the Management Board can approve expenditure on schemes in the approved capital plan up to an amount of £100,000. This approval is subject to approvals being reported to the Finance and Resources Committee. Details of schemes approved by the Management Board is attached in appendix 1.

SECTION 3 TREASURY MANAGEMENT

As reported at the last meeting the Chief Finance Officer is required to present a 6 monthly review of treasury management activity and the treasury management strategy, a separate report dealing with this is on this agenda.

SECTION 4 DEBTORS AND CREDITORS

The final section of the report deals with the payment of creditors and collection of income from debtors.

Payment of Invoices

The prompt payment of invoices is set down in Best Value legislation and as such the Authority is measured on the payment of invoices by a performance indicator. The Authority is required to pay all undisputed invoices within 30 days of receipt, if not suppliers are within their rights to charge the Authority interest on outstanding bills.

The table below summarises performance during the current year

Invoices Received	Paid within 30 days	%age	Paid within 10 days	% age
9087	8701	95.75	6115	67.3%

Outstanding Debt

The Authority receives income for services provided, these include special services, training courses, fire safety certificates, licences for telecom masts on premises. In most cases because of the type of service provided it is not possible to raise a charge in advance of the service and as a consequence debtor accounts are raised.

The level of outstanding debt owed to the Authority to the October 2010 is £166,096 this can be profiled as follows:

Less than 30 days -	£ 132,547
Greater than 35 days -	£ 18,470
Greater than 60 days -	£ 15,079

The procedure for issuing accounts and debt collection is provided by Kirklees Council under a Service Level Agreement. A summary of the procedure for collecting outstanding debt is detailed below:

21 days	first reminder letter
28 days	second reminder letter
35 days	instigation of debt recovery system

As detailed above, there is currently £15,079 of debt which is at the recovery stage.

Management Board Approvals under financial procedures 3.11 **appendix 1**
October 2010

	ESTIMATED COST
Adaptations at Fairweather Green for Young Firefighters	£50,000

WYFRA	**FINANCE & RESOURCES COMMITTEE**	**19 November 2010**	**ITEM NO**

REPORT OF: CHIEF FINANCE OFFICER

PURPOSE OF REPORT: SPENDING REVIEW OCTOBER 2010

RECOMMENDATIONS: That the Committee note the contents of the report as part of the briefings which inform the medium term financial strategy.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT DETAILS

EXEMPTION CATEGORY: None

ACCESS CONTACT OFFICER: Mr G Maren (01274 655711)

BACKGROUND PAPERS OPEN TO INSPECTION: None

Summary

This report provides a summary of the impact of the Chancellors Spending Review announcement of 20 October 2010 on the Authority

1. INTRODUCTION

When the Chancellor made his budget statement on 22 June 2010 he signalled cuts of 25% in public expenditure details of which were to be announced on 20th October 2010. At the time it was made clear that certain services would be protected with others suffering larger cuts in grant. Following the announcement on 20th October the final position remains unclear, however I have summarised the impact on the Fire Authority based on the information currently available.,

2 GRANT AND TOTAL FIRE SPENDING

Summary of the settlement

The Chancellor announced that there would be a 25% reduction in the formula grant for the Fire and Rescue Service over 4 years with a "back loading" of the cuts to years 3 and 4 of the settlement. Further confirmation was provided in a letter from the Fire Minister where it was explained that the purpose of the profile of the cuss was to enable Fire Authorities make the necessary changes to meet the reductions without impacting on the quality and breadth of services offered.

The letter then identifies areas where the Minister believes significant savings can be found

- Flexible staffing arrangements
- Improved sickness management
- Pat restraint and recruitment freezes
- Shared services/ back office functions
- Improved procurement
- Sharing Chief Fire Officers and senior staff
- Voluntary amalgamations

Finally it explained that individual Fire Authorities would not receive details of actual grant until December.

Impact on West Yorkshire

The 25% cut in grant is described as a reduction in real terms which means that includes the assumption that grants would have to be raised by inflation over the period. Once adjusted for inflation it is calculated that actual loss of grant will be in the region of £16m over the 4 year period which is in line with our early planning assumptions. However the actual detail of year on year saving required will not be known until the actual revenue support grant settlement is known. The table below shows an analysis based on two possible scenarios based on 5% and 2.5% in years one and two.

Year	2011/2012	2012/2013	2013/2014	2014/2015
Percentage	5%	5%	7.5%	7.5%
Savings	**£2.5m**	**£4.7m**	**£9.4m**	**£14.3m**
Percentage	2.5%	2.5%	10%	10%
Savings	**£1.0m**	**£1.8m**	**£8.1m**	**£14.5m**

Finally there is still the outcome of the formula review outstanding which could well impact on the final settlement.

3 COUNCIL TAX AND PRECEPT FREEZE

As part of the spending review the Secretary of State has confirmed the arrangements for freezing Council Tax in 2011/2012. Proving an Authority freezes council tax in 2011/2012 the government will provide a grant equivalent to a 2.5% increase in precept for that year and the following three years.

This grant will be worth £0.9m to this Authority and has already been included in calculation of the £14m deficit. The settlement does not set out assumptions for council tax rises in the following three years although it is likely that they will be limited by the system of referendums which was reported to the last meeting of this committee.

4 PAY

The Government has said explicitly that it is assuming a two year pay freeze from 2011/12 for all the public sector which will save £30bn. In the current year no pay offer has been made to Fire Service employees which will make it effectively a three year freeze.

5 CAPITAL EXPENDITURE AND THE COST OF BORROWING

It is understood that supported capital expenditure has been removed completely from fire which may have an impact on the amount of revenue support grant paid to the fire service. However there may be a slight increase in capital grants paid to fire from £55m to £70m which was unexpected.

Perhaps the most unexpected announcement was the increase in the cost of borrowing from the Public Works Loans Board. Previously interest rates were set at 0.15% above the cost of Government Borrowing, from 20th October this sate has been increased to 1.0%. The revenue impact of this is to raise the cost of borrowing £1.0m by £10,000 per year.

6 PENSIONS

Whilst the Chancellor did not announce any specific changes to public sector pensions he did make some general announcements on the government's position on public sector pensions.

- There is a long term commitment to a defined benefit pension
- They would carry out a consultation on the discount rate used to set contribution rates
- They would implement progressive changes to the level of employee contributions
- They will await Lord Hutton's final recommendations before determining the nature of those benefits and the precise level of progressive contributions required.

Clearly with deficit on the Firefighters Pension Scheme already identified by the actuarial valuation of the scheme any increase in employers contribution will have a significant impact on the Authority's planning assumptions.

7 FINANCIAL IMPLICATIONS

These are included within the body of the report.

8 EQUALITY AND DIVERSITY IMPLICATIONS

There are no equality and diversity issues arising from this report.

9 CONCLUSION

The report sets out the key elements of the spending review and their impact on the Authority. Unfortunately the overall position will not become clear until early December once the Draft Local Government settlement is announced. In the meantime the Management Board will continue to develop a draft medium term financial plan.

WYFRA	FINANCE & RESOURCES COMMITTEE	19 NOVEMBER 2010	ITEM NO

REPORT OF: CHIEF FINANCE OFFICER

PURPOSE OF REPORT: TREASURY MANAGEMENT MID YEAR REVIEW

RECOMMENDATIONS: That the Committee

- Note the treasury management mid-year report
- Consider and approve the investment and debt management strategies for the end of the year
- Note the treasury management indicators

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT DETAILS

EXEMPTION CATEGORY:

ACCESS CONTACT OFFICER: Mr G Maren (01274 655711)

BACKGROUND PAPERS OPEN TO INSPECTION: None

<u>Summary</u>

This is the mid-year report on treasury management activity in accordance with CIPFA Treasury Management Guidance and CLG guidance on local government investment. The report looks at the performance of the Authority in the first 6 months of the year and then reviews the overall policy in line with the national economic climate.

The Chief Finance Officer's overall conclusion after consulting the Authority's Treasury Management advisors is that the current treasury management strategy of the Authority does not require revising mid-year and remains appropriate for the current economic climate

1. Introduction

In *February 2010* the Authority adopted the 2009 edition of the *CIPFA Treasury Management in the Public Services: Code of Practice*, which requires the Authority to approve a treasury management strategy before the start of each financial year, a mid-year report, and an annual report after the end of each financial year. This is the first mid-year report presented to the Authority under the terms of the CIPFA *Code of Practice*, and covers the period 1st April to 30th September 2010. This is in addition to the quarterly treasury management information sent to each meeting of the Finance and Resources Committee.

In addition, the Communities and Local Government *Guidance on Local Government Investments* recommends that Local authorities review and amend, if necessary, their investment strategies in light of changing internal or external circumstances. This report therefore meets the requirements of both sets of guidance.

Treasury management activity is carried out by Kirklees Council on behalf of the Authority.

2. Treasury Management Strategy

The Authority approved the 2010/11 treasury management strategy at its meeting on 19 February 2010. The Authority's stated investment strategy was to give priority to security and liquidity before seeking the highest return. Investment balances would be held primarily for liquidity purposes to aid day-to-day cash flow requirements. The Authority's stated borrowing strategy was to borrow externally to fund its capital plan. It was considered that new borrowing would be in the form of variable rate PWLB loans which offered exceptional value for money.

The Chief Financial Officer is pleased to report that all treasury management activity undertaken during the period complied with the approved strategy, the *CIPFA Code of Practice*, and the relevant legislative provisions

3. Economic Review

The UK economy continued along the road to recovery during the first half of 2010/11, despite two shocks to consumer and business confidence. The Eurozone sovereign debt crisis caused marked financial market volatility, while the coalition government's emergency Budget outlined significant cuts in public spending.

GDP expanded by 0.4% in Q1 and by a healthy 1.2% in Q2 2010. Manufacturers in particular benefited from the recovery in the global economy by increasing export volumes. The recovery was less impressive in the service sector due to depressed business and consumer confidence. Improved economic conditions did however help financial institutions to repair some of the damage the recession caused to their balance sheets, alleviating some credit risk concerns and partially re-opening the "frozen" financial markets.

Inflation has remained above the Bank of England's target rate of 2% since late 2009. The CPI rate peaked in April at 3.7% and eased back over the past few months as the effects of a number of temporary factors waned. Despite inflation remaining over target, the Bank of England has maintained Bank Rate at 0.5% to avoid the risk of a further downturn in economic growth.

4. Interest Rate Prospects

Looking ahead, the economic recovery is expected to slow as central government spending cuts and tax rises dampen demand. The Bank of England expects this to weigh on inflation, causing CPI to fall below target in the medium term, suggesting that the MPC is unlikely to increase interest rates anytime soon. It is therefore very likely that Bank Rate will remain at 0.50% for the remainder of the financial year. However, the Comprehensive Spending Review increased the margin at which PWLB loans would be available. Previously interest rates were set at approximately 0.15% above the cost of Government borrowing, from 20 October, the margin was raised to 1%.

4.1 Interest Rate Forecasts - produced using information from Kirklees Council's Treasury Management Consultants September 2010

	Forecast		2010-11 Budget Figures		
	Bank Rate %	25 year PWLB* %	Temporary Borrowing %	Investments %	PWLB %
2010-11	0.50	4.90 – 5.40	3.00	3.25	3.00
2011-12	0.50 - 2.00	5.50 - 5.80	4.00	4.25	4.50
2012-13	2.00 - 4.00	5.80 – 6.00	4.00	4.25	4.50

*increased by 0.8% to take account of the increased margin referred to above

4.2 Summary of Transactions

The following tables summarise the treasury management transactions undertaken during the first half of this financial year:

Investments

		DMADF* £m	Money Market Fund £m	Bank Deposit Accounts £m	Total £m
Investments	- as at 31st March 2010	0	0.288	1.352	1.640
	- matured in period	31.385	10.320	1.865	43.570
	- arranged in period	33.135	11.306	2.014	46.455
	- as at 30th Sept 2010	1.750	1.274	1.501	4.525

* DMADF – Debt Management Account Facility, operated by the Debt Management Office of HM Treasury.

4.3

Borrowing

		PWLB £m	LOBO £m	Temporary Borrowing £m	Total £m
Borrowing	- as at 31st March 2010	49.322	2.000	8.200	59.522
	- matured in period	.500	0.000	46.150	46.650
	- EIP repayments	.118	0.000	0.000	.118
	- arranged in period	0.000	0.000	37.950	37.950
	- as at 30th Sept 2010	48.704	2.000	0.000	50.704

The Authority's temporary borrowing and investment balances are driven by cash flow requirements. The Authority receives a grant in the second quarter of the financial year towards its pension costs, part in arrears, part in advance. Short-term borrowing taken in the previous year and the first quarter is repaid and any balance remaining is invested.

4.4 Interim Performance Report

The average investment balance held was £6.3m and the average rate of return was 0.38%, generating investment income of £0.012m. The investment income received already exceeds the annual budgeted figure of £0.009m by £0.003m mainly due to higher balances than forecast. The rate of return was 0.04% below the benchmark rate (7 day LIBID – London Interbank Bid Rate) of 0.43% and reflects the priority given to security

The average temporary debt balance held was £6.9m and the average rate paid was 0.34%, generating interest payable of £0.011m, against a total budget of £0.169m. The average rate paid was 0.21% below the benchmark rate of 0.55% (7 day LIBOR – London Interbank Offer Rate). Interest rates have been much lower than budgeted for (the original budget for 2010/11 was prepared assuming interest rates would average 3%) and the pension grant referred to above was received earlier in the year than expected.

Based on performance to date and forecasting that interest rates will remain flat for the next six months, the latest projected revenue out-turn is for interest paid/received to be £0.110m under budget.

4.5 Investment Strategy – Remainder of Financial Year

Since the current investment strategy was approved in *(February)*, the outlook for credit risk has improved, but the prospects for interest rate rises have deteriorated. Potentially, any investments the Authority may make are therefore more secure. However, given the low level of investments that the Authority traditionally undertakes for the second half of the financial year, it is not proposed to make any significant adjustment to the investment strategy.

5. Debt Management Strategy

The treasury management strategy approved in February 2010 identified a need for the Authority to borrow £7.2m in long-term loans this financial year to support the capital programme. However, due to the beneficial cash flow position, no long-term loans have been borrowed to date this year. The strategy, compiled in February 2010 highlighted the benefits, in terms of value for money, that short term rates offer. Following the increase in PWLB rates announced in the Comprehensive Spending Review, it is likely that this option will be followed in the near future until other opportunities become available. For example, Kirklees Council's Treasury Management Advisers believe that loans from the commercial sector will offer the best long term rates in the near future. The Chief Finance Officer will look for opportunities to take new borrowing on the most advantageous terms available taking into account the longer term view.

5.1 Treasury Management Indicators

The Authority measures its exposures to treasury management risks using various indicators. The Authority is asked to note the following indicators as at 30th September 2010.

Security: average credit rating
The Authority is asked to adopt a voluntary measure of its exposure to credit risk by monitoring the weighted average credit rating of its investment portfolio.

	Target	Actual	Met?
Portfolio average credit rating	A+	AA+	✓

Unrated building societies are assigned an indicative rating of BBB+, and unrated local authorities are assumed to hold a AAA rating.

Interest rate exposures
This indicator is set to control the Authority's exposure to interest rate risk. The exposures to fixed and variable rate interest rates, expressed as a percentage of principal borrowed were:

	Limit	Actual	Met?
Upper limit on fixed rate exposures	100%	77.1%	✓
Upper limit on variable rate exposures	40%	22.9%	✓

Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity structure of borrowing
This indicator is set to control the Authority's exposure to refinancing risk. The maturity structure of fixed rate borrowing was:

	Upper Limit	Lower Limit	Actual	Met?
Under 12 months	20%	0%	7.00%	✓
12 months and within 24 months	20%	0%	0.50%	✓
24 months and within five years	50%	0%	3.08%	✓
Five years and within 10 years	80%	0%	3.01%	✓
10 years and above	100%	20%	86.01%	✓

The maturity date of borrowing is the earliest date on which the lender can demand repayment.

6. Conclusion

The overall treasury management activity of the Authority has remained within the strategy approved by the Authority in February 2010. In addition following the review of the national economic position and considering the advice of the treasury management advisors plus other indicators The Chief Finance Officer does not advise any changes to the Treasury Management Strategy for the remainder of the financial year.

WYFRA	Finance and Resources Committee	19 NOVEMBER 2010	ITEM No

REPORT OF:	Director of Human Resources
PURPOSE OF REPORT:	To inform Members of the consultation exercise in relation to Public Service pensions
RECOMMENDATION:	That Members note the report

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT DETAILS

EXEMPTION CATEGORY:

ACCESS CONTACT OFFICER: Hilary Brown, Senior Human Resources Manager, 01274 655709

BACKGROUND PAPERS OPEN TO INSPECTION:

Independent Public Service Pensions Commission: Interim Report

http://www.hm-treasury.gov.uk/d/hutton_pensionsinterim_071010.pdf

SUMMARY

The report provides Members with information with regard to the consultation exercise, initiated by Lord Hutton, on Public Service pensions

1 BACKGROUND

1.1 Lord Hutton published his interim report of his independent review of public service pensions on 7th October 2010.

1.2 The report looked at public service pensions as a whole and considered the case for reform. Lord Hutton has stated that he believes that reform is vital given concerns around fairness, longevity and the need to reduce barriers to different ways of working in the public sector. The Executive Summary is attached as Appendix 1.

1.3 The main points arising from the interim review are in the **short term**

- Changing the benefits structures
- Contracting public service pension schemes into the State Second Pension
- Increasing contribution rates

In the **long term** the report suggests addressing the following problems

- The rising benefits due to increased longevity
- Unequal treatment of members within the same profession
- Unfair sharing of costs between the employee, employer and taxpayers
- Not recognising the potential for plurality in the ways public services are provided

1.4 The report advocates the need for long term structural reform and the notes that the issues outlined above cannot be dealt with through traditional final salary defined benefit schemes. An executive summary is attached at Appendix 1.

1.5 Lord Hutton's final report will consider a range of alternative structures drawing from successful international pension structures and schemes.

1.6 The document attached as Appendix 2 requests evidence to inform Lord Hutton's review and his final report.

2 INFORMATION

2.1 A response to the questions in Appendix 2 will be prepared by Management and presented to the Full Authority meeting on 17 December 2010 for approval before being returned as requested.

3 FINANCIAL IMPLICATIONS

3.1 Any financial implications associated with the response will be addressed within the report presented to the Full Authority in December.

4 EQUALITY & DIVERSITY IMPLICATIONS

4.1 As in 3.1 above any equality and diversity implications will be addressed in the report presented to the Full Authority in December.

5 HEALTH & SAFETY IMPLICATIONS

5.1 There are currently no Health and Safety implications contained within this report.

6 RECOMMENDATIONS

6.1 That Members note the report.

Executive Summary

The importance of public service pensions

Ex.1 Public service pensions provide retirement incomes for millions of people in the UK. In total there are 12 million active, deferred or pensioner members and dependants of public service pension schemes. That is around one in five people in the UK. Each year schemes pay out billions of pounds to their pensioners – in 2008-09 payments were £32bn, about two-thirds of the cost of the basic State Pension.

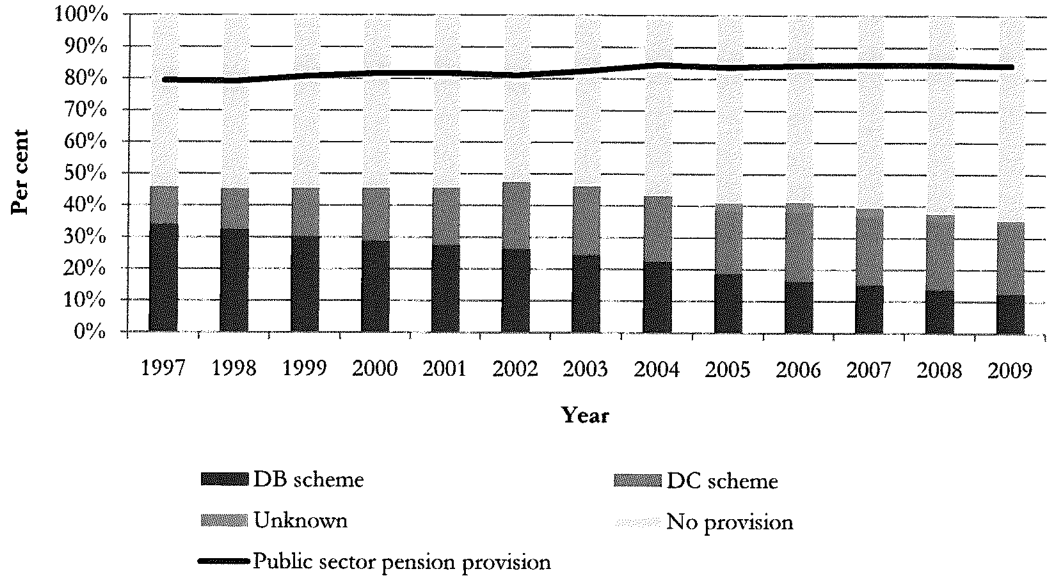
Ex.2 Many of the current public service pension design features, including accrual rates, pension ages and the link to final salary, date back nearly 200 years, despite the enormous upheavals in demography and in the nature of work in our economy. In 1841, someone who reached the age of 60 might expect to live a further 14 years on average, but most people did not live to this age. By the early 1970s, when the schemes were substantially reformed, the life expectancy of a 60 year old had increased to about 18 years and this has now risen to around 28 years. In addition, many more people can now expect to reach 60.

Ex.3 In the past the public service pension schemes have provided a lead for employers in the private sector, but more recently there has been significant divergence. The pensions landscape in the private sector has been varied, but over the first two thirds of the last century the number of people in private sector pension schemes grew, almost all of which followed the defined benefit structure of the public sector. Over the last third of the century and the start of this century, the picture has been very different.

Ex.4 The general trend from the 1950s has been one of increasing public service provision – particularly once allowance is made for the inclusion of many nationalised industry scheme members within the public sector figures for the 1950s to the 1980s. This is set against a fall in provision in the private sector, especially in defined benefit provision, which is not fully offset by the increase in defined contribution provision.

Ex.5 The trend is increasing, with a sharp fall in defined benefit provision in the private sector since the late 1990s. Whilst the provision of defined contribution schemes has increased significantly, there are still a growing number of employees with no provision. In fact, around 85 per cent of public sector employees have some form of employer sponsored pension provision compared to around 35 per cent in the private sector.

Chart Ex.1: Private sector employees by type of pension provision



Source: Annual Survey of Hours and Earnings, 2009

Ex.6 This divergence between the public and private sectors is of concern, particularly in the context of mobility between the public and private sectors. However, it does not necessarily follow that public service pension schemes should be modelled in future on what has been happening in the private sector in recent years, especially given the decline in private pension provision and the concern that saving levels in the private sector are not currently optimal. It is important to take into account other issues as we consider future options, including the need to ensure public service pensions provide adequate retirement incomes for retirees.

Ex.7 The key question regarding public service pensions is whether they fit the needs of a modern flexible workforce, whilst being affordable, sustainable, adequate and fair to both taxpayers and employees.

The need for reform

Ex.8 The need to modernise public service pensions has been recognised for some time, in particular the need to deal with increasing costs: between 1999-2000 and 2009-10 the amount of benefits paid from the five largest public service pension schemes increased by 32 per cent.[1] This increase in costs was mainly driven by an increase in the number of pensioners, a result of the expansion of the public service workforce over the last four decades, longer life expectancy and the extension of pension rights for early leavers and women.

1 Based on estimates by the GAD undertaken for the IPSPC. IPSPC analysis of schemes Resource Accounts.

Ex.9 The previous Government recognised these issues and in 1997 started a series of significant reforms. These included:

- limited increases in pension age for groups such as the uniformed services, mostly for new entrants. In the civil service, NHS and teachers schemes existing members were allowed to keep a pension age of 60 if they wished, but new entrants have a pension age of 65 and pension ages lower than 65 will be phased out by 2020 in the Local Government Pension Scheme;

- sharing of risk arising from demographic change in the form of 'cap and share' rules. This spreads the cost of any future unexpected increases in contributions more equitably between employer and employees than previously, up to a cap after which any future increases would be borne by the members. Cap and share at present applies to the four biggest schemes – NHS, teachers, local government and civil service, although it has not yet affected employee contributions in any scheme and the Local Government Pensions Scheme does not yet have a cap set; and

- changed accrual rates for many of the reformed schemes, particularly for new entrants, but all except the civil service are still based on final salary. The change to a career average structure in the civil service scheme was not primarily undertaken as a cost saving measure, but as a response to the changing nature of the workforce.

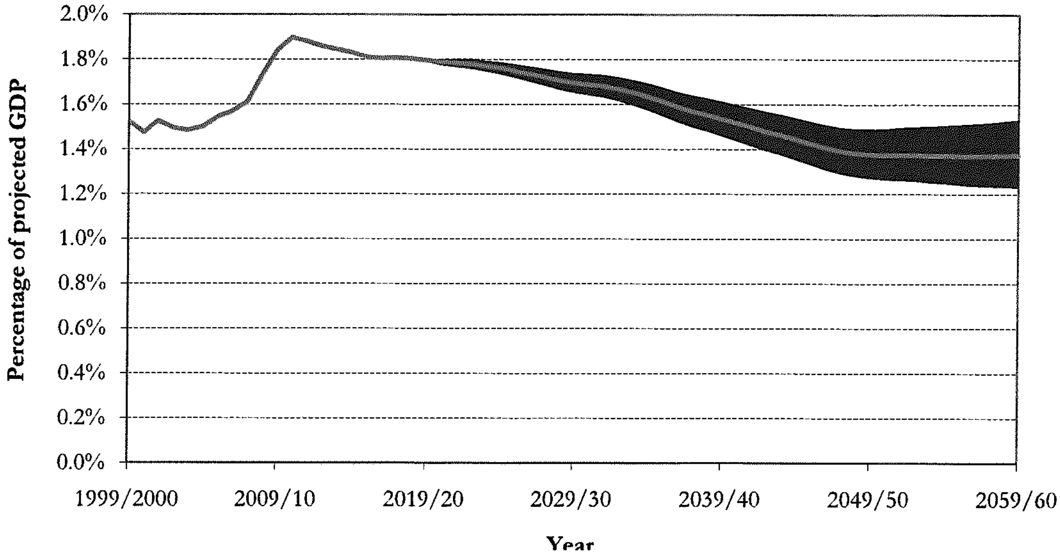
Ex.10 More recently the current Government changed the measure of annual price movements, so that from April 2011 onwards pensions uprating will move from the Retail Price Index (RPI) to the Consumer Price Index (CPI).

Ex.11 This change in the indexation measure may have reduced the value of benefits to scheme members by around 15 per cent on average. When this change is combined with other reforms to date across the major schemes the value to current members of reformed schemes with CPI indexation is, on average, around 25 per cent less than the pre-reform schemes with RPI indexation.

Ex.12 All these past reforms, the current pay freeze and planned workforce reductions will reduce the future cost of pensions. The gross cost of paying unfunded public service pensions is expected to fall from 1.9 per cent of GDP in 2010-11 to 1.4 per cent of GDP by 2060 as the central projection of Chart 1.B shows.

Ex.13 However, these measures will take many decades to fully affect the costs of pensions in payment, which are heavily influenced by existing pensioners, the vast majority of whom are still in pre-reform schemes. The Commission estimates that gross expenditure on unfunded public service pensions will remain close to current levels as a proportion of GDP over the next decade.

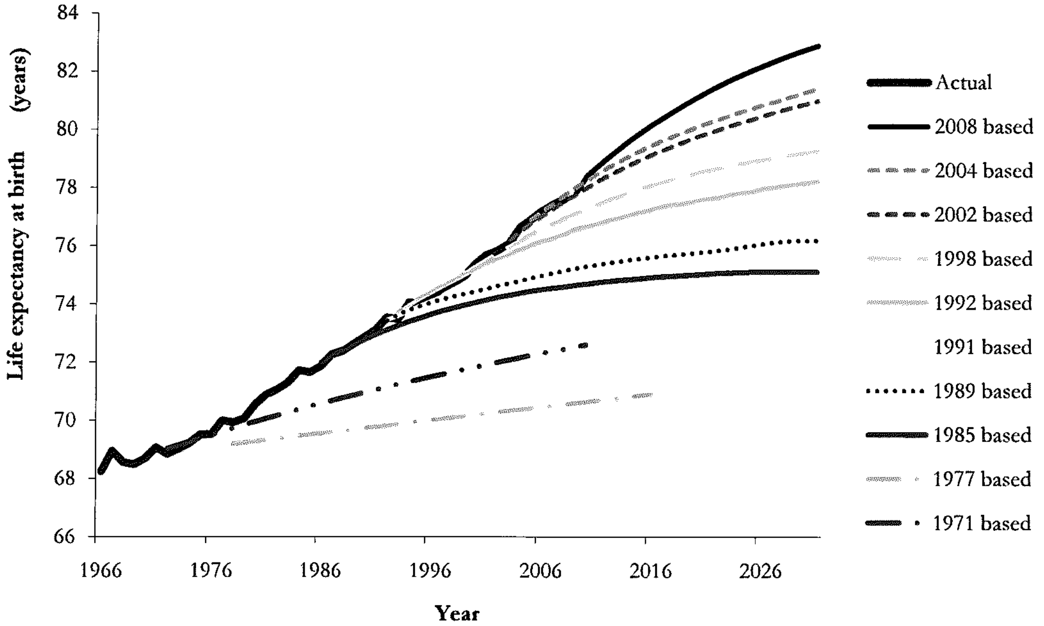
Chart Ex.2: Projected pension payments as a percentage of GDP – sensitivity analysis



Source: GAD analysis for the IPSPC

Ex.14 As Chart 1.B also shows, these costs are inherently uncertain and sensitive to assumptions on life expectancy, size of workforce, earnings growth and the implementation of planned reforms. How long pensioners will live has been systematically underestimated in the past, as Chart 1.C below shows. These issues could impact on the sustainability of these schemes in the future.

Chart Ex.3: Actual and projected period life expectancy at birth for UK males

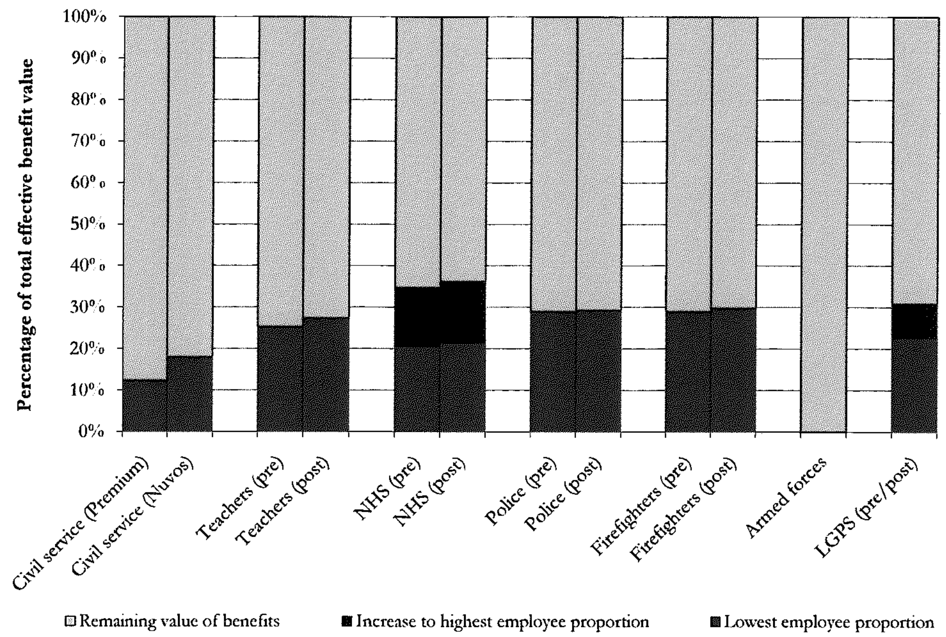


Source IPSPC analysis drawing on C Shaw 2007 and ONS 2008 population projections.

Ex.15 The expected proportion of adult life spent in retirement has increased as people live longer. A male pensioner in the NHS scheme who retired at 60 today is expected to spend 41 per cent of their adult life in retirement compared to 28 per cent if they retired in 1955. This means the value of a public service pension in 2003-04 is expected to be around a third higher than it would have been if assumptions about life expectancy were the same as those in 1955.

Ex.16 The increase in longevity also means that these pensions are now likely to be paid out for longer, increasing the overall costs. These extra costs, despite recent reforms, have not been equally split between employer and employees. Although the way costs are divided varies from scheme to scheme, the significant majority is met by the employer and by extension the taxpayer, as the Chart 1.D shows. This is not unique to public service pension schemes, but when many of the public service pension schemes were introduced employers and employees paid similar levels of contributions to the scheme – now employers pay around twice what employees contribute in most of the schemes and sometimes more.

Chart Ex.4: Employee contributions as a proportion of the overall cost of accrual (pre and post reform)



Source: IPSPC and PPI

Note: Figures based on effective employee benefit rates described in Box 5.B.

Ex.17 In addition, there is also uncertainty over whether the total contributions paid reflect the costs of the benefits received. The current discount rate used to set the level of total contributions in schemes was set in the late 1990s. Initial work by the Commission suggests that the current discount rate is at the high end of what is appropriate. The Commission is asking the Government to review this rate, ideally so that the findings can inform the final report.

Ex.18 In assessing fairness the Commission also found that the reliance on final salary in the majority of public service pension schemes tends to favour those who receive rapid promotion and those who stay in public service for their whole career. The promotion effect alone could mean that high flyers can receive almost twice as much in pension payments per pound of employee contributions than do low flyers.[2]

Ex.19 In addition, there is an issue of fairness between different pension schemes. This is particularly true between pre and post reform schemes given the protections given to most existing members when the schemes were reformed.

Ex.20 Public service pensions need to be considered in the context of the total benefits package for employees. There is no evidence that pay is lower for public service workers to

2 'Should Defined Benefit Pension Schemes be Career Average or Final Salary', Sutcliffe, C., ICMA Centre Discussion Papers in Finance, DP 2007-6, 2007.

reflect higher levels of pension provision. Consequently current pension schemes do not appear to offer best value for money.

Ex.21 Evidence to the Commission has also made it clear that current pension structures, combined with the requirement to provide comparable pensions ('Fair Deal'), are a barrier to non-public service providers, potentially reducing the efficiencies and innovation in public service delivery that could be achieved.

Ex.22 It has been suggested that extending access to public service pension schemes for non public service employees could be a solution to this problem. But it is not clear that this provides a solution either for the Government, which has to accept additional liabilities and long-term risk, or for some external organisations, which, depending on the scheme they are entering, may be required to pay a premium or indemnity for entry, take part in deficit recovery plans, or pay large exit charges.

Ex.23 When examining transparency it was clear that the debate around public service pensions has been hampered by a lack of consensus on what are the key facts and figures and a lack of transparency of the relevant data. This report seeks to provide as comprehensive a picture as possible in order to supply the basis for well-informed debate. In the final report the Commission will consider ways in which transparency and scrutiny can be improved.

Ex.24 The Commission has also come to the conclusion that it remains reasonable to continue to operate arrangements without actual funds as the basic financing model, given the risks, lack of obvious economic benefit and transition costs of moving to a fully funded model. Equally, there is no reason to de-fund existing funded schemes.

The principles of public service pension provision

Ex.25 This is therefore an appropriate time to take overall stock of the situation and begin to address the underlying issues of scheme design and management of costs into the future. The Commission has identified a set of principles against which long-term options for reform should be judged. These are:

- *affordability and sustainability* – what level of pension cost is affordable is a political decision for the Government within the context of a range of priorities. But it is not an issue that can just be looked at in the short-term. In assessing affordability and sustainability we have identified a range of relevant cost measures to consider and the need for an agreed discount rate. Part of any assessment of cost must include the consequences of any reform on increased take-up of benefits such as pension credit. Critical to sustainability is the sensitivity of future costs to risks, such as changes to longevity and how these risks are managed as well as shared;

- *adequacy and fairness* – public service pensions should provide an adequate level of retirement income for public service workers with a reasonable degree of certainty. To assess reforms against this principle we need an agreed measure of what is adequate and what should be measured against the benchmark. We provide some ideas in this interim report. Adequacy is a measure of fairness, but we are also looking at fairness in the distribution of contributions and benefits between members of the same pension scheme; fairness between different schemes; fairness between generations of taxpayers; and fairness between the taxpayer and the public service employee;

- *supporting productivity* – to support productivity, public service pension scheme design should be consistent with an efficient labour market for employees. This should allow the taxpayer to be confident that public services are being delivered on a value for money basis. In general, scheme design should avoid barriers to the movement of employees between sectors. This needs to be viewed in the context of the whole remuneration package and whether the schemes support the recruitment and retention of the right people in the right jobs in a cost-effective way and deal flexibly with specific job issues. In particular, they should not be an unintended barrier to the outsourcing and mutualisation of public services that could drive greater productivity and efficiency in public services; and

- *transparency and simplicity* – public service pensions should be widely understood, both by the scheme members with regard to their own specific entitlements and possible future benefits; and by taxpayers who have a role in funding the schemes. The key design features and the costs to employers and employees need to be set out clearly and transparently. Assessment of reform needs to consider potential trade-offs together with implementation and transitional issues, including the means for protecting accrued rights and possibilities for more cost-effective administration. It is also important that public service pension schemes, like schemes in the private sector, have a clear legal framework and have effective and accountable governance structures.

Options for change

Short-term options

Ex.26 The issues around fairness, sustainability, promoting productivity and the need for transparency and simplicity mean there is a need to consider long-term structural reform of public service pensions. However, that reform will take time. Increased longevity, the imbalance between employer and employee contributions and the fact that total contributions may be too low if the discount rate is too high suggests there is a case to make short-term changes, pending long-term reform.

Ex.27 The Commission considered a range of options that may provide short-term savings, specifically:

- changing the benefits structure;
- contracting public service pension schemes into the State Second Pension; and
- increasing contribution rates.

Ex.28 Of these, the most effective way to make short-term savings is to increase member contributions and there is also a clear rationale for doing so.

Ex.29 It is a matter for the Government to decide the manner and level of any increases in contributions necessary. However, the Commission feels that any increases should be managed so as to protect the low paid and, if possible, increases in contributions should be staged and need to be considered with a view to preventing a significant increase in opt out rates. The Commission does not recommend introducing contribution rates for the armed forces at this time.

Long-term options

Ex.30 The current public service pensions structure was not designed for modern working patterns and has been unable to respond flexibly to changes in this area and to demographic change over the past few decades. This has led to:

- rising benefits due to increasing longevity;
- unequal treatment of members within the same profession;
- unfair sharing of costs between the employee, the employer and taxpayers; and
- not realising the potential for plurality in the ways public services are provided.

Ex.31 Long-term structural reform is needed, as these issues cannot be dealt with through traditional final salary defined benefit schemes. But neither can they be dealt with appropriately through a funded, individual account, defined contribution model for all employees, which would place a major financing burden on taxpayers, ignore the ability of Government as a large employer to manage certain types of risk and increase uncertainty of post-retirement income for scheme members, which is difficult in particular for the low paid to manage.

Ex.32 In the Commission's final report a range of alternative structures will be considered. This will include a career average alternative to the current final salary defined benefit schemes. Drawing upon international experiences, alternatives such as Sweden's use of notional defined contribution schemes and the Netherlands' collective defined contribution schemes will be examined, as will risk sharing models, such as hybrid schemes that combine elements of defined benefit and defined contribution models. The Commission will also consider elements of scheme design, such as, ensuring normal pension ages are in line with the latest developments in longevity. This will enable the Commission to make a recommendation on a range of options to the Government, which can establish a more appropriate framework for public service pensions going forward.

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1 November 2010

Call for evidence for final report

On 7 October I published the interim report of my independent review of public service pensions. This reflected the large number of submissions of evidence received in response to my first call for evidence for which I was very grateful.

The interim report set out the landscape around public service pensions and considered the case for reform. My final report will look at options for structural reform. I consider such reform is vital, given concerns around fairness, increases in longevity, management of risk and the need to reduce barriers to different ways of providing public services and mobility between public and private sectors.

I would like to invite evidence and views from you by Friday 17th December that will assist me in considering the issues outlined below.

Scheme Design

There are many different types of pension schemes that exist in the UK and throughout the world. Traditional models include:

- Final salary schemes, which generate a pension based on salary towards the end of employment;
- Career average schemes, where the amount of pension received is usually based on salary across a period of employment;
- Defined contribution (DC) schemes, where the amount of pension usually relies on the level of contributions paid into a fund, the investment performance of the fund and the annuity rate which converts the fund into an income in later life;

There are also a range of hybrid schemes, which usually combine elements of final salary or career average schemes (DB schemes) with elements of defined contribution (DC) provision. Some possibilities include:

- ‘Capped schemes’ - a DB scheme up to an income level, with a DC scheme for any income over that level;
- ‘Combination schemes’ - a scheme where a member simultaneously earns benefits that are part DB and part DC on the same income;

- ‘Nursery schemes’ – where a member starts in a DC scheme and then earns DB benefits after a number of years in employment;

There are also examples of different types of scheme design that operate in different countries. These include:

- Collective DC schemes – which are similar to DC schemes but where an attempt is made to manage investment risk across generations in an effort to improve returns on average across generations;
- Notional DC schemes – which are unfunded DC schemes and protect members from some of the investment risk associated with typical DC schemes;

Q1) What is an appropriate scheme design for public service pensions? Why?

Risk-sharing

As well as the overall scheme design, there are certain parameters such as normal pension age, indexation factors and contribution rates that can be used to manage risks in different types pension schemes.

There are different risks involved with saving for retirement that are faced by members of pension schemes or by employers who provide the pension scheme. For example, there is a chance that pension scheme members will live longer than expected when the scheme was established which will result in either increased costs for the employer or reduced benefits for scheme members. Other risks associated with some forms of pension saving include risks that investment returns deviate from what has been expected or that earnings grow at a different rate from that assumed.

Generally speaking, in pure defined contribution schemes the scheme members bear most risks and in final salary schemes employers bear most risks (and ultimately in the case of public service schemes, taxpayers). I am seeking views on how risks should be managed between scheme members and public service employers. Specifically:

Q2) Which risks associated with pension saving should the scheme members bear, which by the employer and which should be shared? Why?
Q3) What mechanisms could be used to help control costs in public service schemes? For example, is there merit in flexible normal pension ages linked to changes in longevity? What indexation factor should be used in a career average type scheme to ensure a reasonable balance of risk between scheme members and taxpayers?
Q4) Where and how have risks associated with pensions been effectively shared in private sector companies?
Q5) Which international examples of good practice in the area of risk sharing should the Commission consider when compiling the final report? Why?
Q6) What should the split between member and employer contributions look like?
Q7) Should there be different treatment of different professions (for example, lower normal pension ages for some public service employees)?

Q8) Should there be different treatment for those at different income levels?
Q9) What is the appropriate normal pension age for the different public service schemes? Should this vary across schemes and, if so, why?

Adequacy

A key outcome for public service pensions is that they offer an adequate level of income in retirement, particularly where people have devoted the majority of their working life to public service.

There are different views about what an adequate level of income is in retirement and how this should be measured. Lord Turner's Pension Commission produced some benchmark replacement rates but other approaches could include using poverty thresholds at lower income levels. Other commentators suggest looking at household resources rather than individual income, which could give a broader picture of potential standards of living in retirement.

Q10) How should the Commission think about measuring adequate levels of resources in retirement?
Q11) What should be considered an adequate level of resources in retirement?
Q12) Should a full state pension and a full public service pension ensure people have adequate resources in retirement? Or should room be left for individuals to make their own arrangements?
Q13) How should this change where people work part careers in public service?

Employee understanding and choice

A principle against which options for long-term structural reform will be judged is that schemes should be widely understood. But this principle may require trade offs to be made with other principles outlined in the interim report such as fairness and sustainability. I would therefore welcome views on:

Q14) How much do workers value and understand pensions? Is there any evidence this differs between groups (for example, by age, by income)?
Q15) Which forms of scheme design will encourage employees to save for their retirement? Is there any evidence from pension scheme reforms influencing opt out rates in the private sector?
Q16) What best practice exists in the private sector around communication of benefits with scheme members?
Q17) Should any new scheme design offer members a degree of choice in the level of contributions paid and benefits received? For example, should members be able to receive a higher pension if they want to take the pension later? Why?

Pensions and plurality of provision of public services

It is important that public service pensions support productivity and ensuring plurality of provision of public services is an important part of this. Different public service pension structures and eligibility for public service schemes may impact differently on the ability of providers outside of the public sector to supply public services. Therefore I would be interested in views on:

Q18) Whether and how public service pensions could be structured to support a more level playing field between the public and private sectors when tendering for contracts?

Q19) Which non-public service employees should be eligible for membership of public service schemes?

Administration costs

There appears to be a wide variation in the administration costs across different public service schemes, and costs seem to be higher than those in the private sector in some cases. The final report will consider whether there is scope for rationalisation and cost reduction.

Q20) What evidence is there on administration costs (excluding fund management costs) of private sector pension schemes? How do these compare with those in the public service schemes?

Q21) How do private sector schemes ensure that there is good quality and efficient scheme administration? Which measures can be applied to public service schemes?

Q22) Is there scope for rationalising the number of local government pension funds? If so, how could this be achieved?

Transition issues

Ensuring there is a smooth transition from the current pension scheme structures to whatever new arrangements are put in place will be crucial if scheme members and taxpayers are to have confidence that the new arrangements are fair, suitable and sustainable in the long-term.

Q23) How can the Commission ensure an effective transition to the new arrangements?

Q24) What can the Commission learn about moving to a new scheme from best practice in the private sector and internationally?

Q25) How have accrued rights been protected or transferred during changes in schemes in the private sector?

In addition, I would also be interested in any further views respondents may have on any other issues relating to public service pensions that are not outlined above, including those raised in my interim report.

I look forward to receiving your input by Friday 17th December emailed to pensions.commission@hmtreasury.gsi.gov.uk. Any responses received will be published on the Independent Public Service Pensions Commission website shortly after the publication of my final report.

Yours sincerely

Lord Hutton of Furness
Chair, Independent Public Service Pensions Commission

Independent Public Service Pensions Commission: terms of reference (issued 20 June 2010)

To conduct a fundamental structural review of public service pension provision and to make recommendations to the Chancellor and Chief Secretary on pension arrangements that are sustainable and affordable in the long term, fair to both the public service workforce and the taxpayer and consistent with the fiscal challenges ahead, while protecting accrued rights.

In reaching its recommendations, the Commission is to have regard to:

- the growing disparity between public service and private sector pension provision, in the context of the overall reward package – including the impact on labour market mobility between public and private sectors and pensions as a barrier to greater plurality of provision of public services;
- the needs of public service employers in terms of recruitment and retention;
- the need to ensure that future provision is fair across the workforce;
- how risk should be shared between the taxpayer and employee;
- which organisations should have access to public service schemes;
- implementation and transitional arrangements for any recommendations; and
- wider Government policy to encourage adequate saving for retirement and longer working lives.

As part of the review, the Commission is invited to produce an interim report by the end of September 2010. This should consider the case for delivering savings on public service pensions within the spending review period – consistent with the Government's commitment to protect those on low incomes - to contribute towards the reduction of the structural deficit. The commission is invited to produce the final report in time for Budget 2011.

Scheme coverage

- For civil servants:

    - Principal Civil Service Pension Scheme
    - Principal Civil Service Pension Scheme (Northern Ireland)

- Armed Forces Pension Scheme

- For NHS employees:

    - NHS Pension Scheme
    - NHS Superannuation Scheme (Scotland)
    - Health and Personal Social Services Northern Ireland Superannuation Scheme

- For teachers:

    - Teachers' Pension Scheme (England and Wales)
    - Scottish Teachers' Superannuation Scheme
    - Northern Ireland Teachers' Superannuation Scheme

- For Local Government:
    - o Local Government Pension Scheme (England and Wales)
    - o Local Government Pension Scheme (Scotland)
    - o Northern Ireland Local Government Pension Scheme

- Police Pension Scheme (administered locally)

- Firefighters' Pension Scheme (administered locally)

- United Kingdom Atomic Energy Authority Pension Schemes

- Judicial Pensions Scheme

- Department for international Development – Overseas Superannuation Scheme

- Research Councils' Pension Schemes

In addition to the schemes mentioned above, there are a number of smaller schemes and many established to cover only one senior appointment which do not specifically need to form part of the review but which will be required to act on the recommendations.

WYFRA	FINANCE & RESOURCES COMMITTEE	19 NOVEMBER 2010	ITEM NO

REPORT OF: **DIRECTOR OF CORPORATE RESOURCES**

PURPOSE OF REPORT: **TO INFORM MEMBERS OF THE RECEIPT OF A LEGACY**

RECOMMENDATION: **THAT MEMBERS NOTE THE LEGACY AND DETERMINE WHETHER THEY WISH THE SUM INVOLVED TO BE ALLOCATED FOR SPECIFIC PURPOSES OR ADDED TO GENERAL RESERVES**

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT DETAILS

EXEMPTION CATEGORY: **NONE**

ACCESS CONTACT OFFICER: **M G BARNES, DIRECTOR OF CORPORATE RESOURCES**
01274 655710

BACKGROUND PAPERS OPEN TO INSPECTION: **LAST WILL AND TESTAMENT OF M T EASTWOOD**

SUMMARY

This report notes the receipt of a legacy and seeks a determination on the use to which it should be put.

1 BACKGROUND

1.1 The Authority has received a legacy in the will of the late Mrs M T Eastwood of Sowerby Bridge, namely a one fifth share of her Residuary estate which amounts to the sum of £18,036.55.

1.2 Whilst Mrs Eastwood did not have any direct links with the Fire and Rescue Service, it appears she left money to the Fire Service and Police in recognition of the care and help she received following a fatal car accident involving her former husband.

1.3 This appears to be the first time such a legacy has been received by the Authority and in the circumstances Members are invited to determine whether they might wish to issue any instructions over the specific use of this windfall income, failing which it will be added to general reserves. Officers will advise further on possible uses for the money at the Committee Meeting.

2 FINANCIAL IMPLICATIONS

2.1 Financial implications are in the body of the report.

3 EQUALITIES AND FAIRNESS IMPLICATIONS

3.1 None

WYFRA	FINANCE AND RESOURCES COMMITTEE	19 NOVEMBER 2010	ITEM No

REPORT OF:	DIRECTOR OF CORPORATE RESOURCES
PURPOSE OF REPORT:	TO SEEK APPROVAL FOR THE PAYMENT OF EXPENSES ASSOCIATED WITH AN APPOINTMENT TO THE BOARD OF THE ASSOCIATION OF INDEPENDENT MEMBERS OF STANDARDS COMMITTEES IN ENGLAND (AIMSce)
RECOMMENDATION:	THAT CONSIDERATION BE GIVEN TO THE PAYMENT OF COSTS ASSOCIATED WITH THE ATTENDANCE OF MR WILKINSON AT BOARD MEETINGS OF THE ASSOCIATION OF INDEPENDENT MEMBERS OF STANDARDS COMMITTEES IN ENGLAND (AIMSce)

EXEMPTION CATEGORY:	NONE
ACCESS CONTACT OFFICER:	NICOLA HOUSEMAN 01274 655740

BACKGROUND PAPERS OPEN TO INSPECTION: NIL

SUMMARY

Approval is being sought for the payment of costs associated with the attendance of Mr Wilkinson at meetings of the Board of the Association of Independent Members of Standards Committees in England (AIMSce),

1 BACKGROUND

1.1 Approval was given at the 29 January 2010 meeting of this Committee, to the payment of costs associated with the attendance of Mr Ahmed at Board meetings of the Association of Independent Members of Standards Committees in England (AIMSce).

1.2 Mr Ahmed's term of office as independent member of this Authority's Standards Committee expired on 30 June 2010 and he was not re-appointed to the position. In consequence, Mr Ahmed also relinquished his role as Director without Portfolio at AIMSce meetings.

2 INFORMATION

2.1 Mr Wilkinson, independent chair of the Standards Committee, is also a Director of AIMSce and has been for several years. During that time his expenses were met by Leeds City Council (as chair of its Standards Committee). Mr Wilkinson's term of office at Leeds expired on 27 May 2010.

2.2 It is anticipated that the AIMSce Board meetings will be held in London approximately 4 times per year. Mr Wilkinson attended the Board meeting in late October 2010.

2.3 The cost of return standard rail travel for Mr Wilkinson is approximately £150 and approval is being sought for the transfer of cost support from Mr Ahmed to Mr Wilkinson.

2.4 In considering the issue, Members may wish to note that it is the Government's published intention to abolish Standards for England and Standards Committees next year

3 FINANCIAL IMPLICATIONS

3.1 The cost of rail travel would be covered by existing revenue budget provision.

4 EQUALITY & DIVERSITY IMPLICATIONS

4.1 There are no diversity implications arising from this report.

5 HEALTH & SAFETY IMPLICATIONS

5.1 There are no Health & Safety Implications arising from this report.