

# Isitfair

## Council Tax Reform

### A non party political nationwide campaign

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#### NEWSLETTER 32 (Interim)

#### More revelations regarding the Local Government Pension Scheme and the cost of redundancies (by Janet Kelly with a small contribution by me)

Some of you may have read articles in the press recently on the subject of Councils' reserves. Councils are advised to keep sufficient sums of money in reserve so that they have a financial cushion to meet sudden unexpected costs. We call it saving for a rainy day. The size of some of these reserves is undoubtedly questionable, but on the other hand perhaps if central Government had thought along those lines a few years ago the country as a whole would not be in such a mess!

Whilst some Councils have managed somehow to increase their reserves (how, in these cash strapped times - perhaps these particular councils are given too much in the way of grants?), some are drawing on theirs. But these reserves are not a "bottomless pit". When they are gone, they are gone. We believe it is absolutely right on these "rainy days" for reserves to be used to ease pressure on services. And when the Government's freeze grants cease they will undoubtedly have a part to play in keeping council tax down. We are concerned, however, that some Councils are digging into these reserves to fund redundancy schemes which are far in excess of statutory requirements.

One thing that this Government must do is to insist that Councils renegotiate the terms of redundancy, so that this debacle can never reoccur. What may have seemed fair years ago, when salaries compared to the private sector were low, is now just an unacceptable 'perk' for local government employees. Things have got to change – not next year or the year after but now. We as taxpayers can no longer afford to maintain these levels of payments. Councils have paid and will be paying out thousands of pounds to employees, some of whom will never have to work again. But how many of those receiving extortionate pay outs are being re-employed as consultants or moving directly into another post elsewhere? We believe that some of these people have taken "flexible early retirement" only to be re-employed on a part time basis. This cosy arrangement is enabled by enormous "**strain charge**" payments into the LGPS (see below). What will happen in a couple of years' time? Will these employees be able to apply for a full time job, with the same council? You tell me, I feel it is quite possible under the existing rules.

Isitfair is concerned that the public is not made aware of the full costs of redundancies. The upfront payments are mind boggling in themselves, but over the last few months we have been trying to shine some light into the secretive and complex world of "**strain charges**". Those staff made redundant at the age of 55 or over are entitled to draw their full, unreduced pension straight away, with the result that their pensions are drawn earlier and for a longer period than for normal retirements. Employers (i.e. us) are obliged to top up the pension fund to make sure there are sufficient funds available to pay the pension. This is the "**strain charge**".

Isitfair has obtained from council sources more details about how strain charges are calculated insofar as the Local Government Pension Scheme (LGPS) is concerned, and asked that the explanation be based on two hypothetical cases, namely:

Male, salary £100,000, 30 years service, made redundant at age 56

Female, salary £50,000, 25 years service, made redundant at age 56

The response runs to five A4 sides containing some very confusing calculations, but the principal results are:

For the male: Full pension payable - £39,166 per annum; Lump sum payable on retirement - £97,500; **Strain charge - £129,168**

For the female: Full pension payable - £16,458 per annum; Lump sum payable on retirement - £39,375; **Strain charge - £58,469**

(Bear in mind that these two employees would have had an entitlement to more than generous redundancy pay too!\*)

**But we must stress these are hypothetical cases.** We know we have no right whatsoever to demand details of individual pensions, invasion of privacy and all that, but we do believe very strongly that councils should be required to divulge not only how much has been paid out in redundancy payments but also details of **strain charges**. This is our money, whether it comes from reserves or gained from cost cutting measures. At the very least annual totals should be clearly shown in their Statement of Accounts. We find it amazing there is no requirement for this at the moment. An instance where, perhaps, local government is not quite as transparent as Eric Pickles would wish.

***\*Here is a reminder from the last newsletter regarding redundancy payments.** The material below is relevant to our council. I cannot say that the same applies to all councils, but I am prepared to bet that many may have the same system and that some are even more generous.*

*Employee, 50 years old, 15 years service, salary £75K (average for a senior manager)*

*Basic statutory scheme payment £8,000*

*County Council's compulsory scheme payment £28,000*

*County Council's enhanced voluntary scheme payment £56,000*

## **Councillors**

It has long been our belief that there are too many councillors, and on occasions, councillors have agreed with us. While councils continue to cut the number of employees, some of you may have missed the news that some councils are increasing the number of councillors receiving special responsibility payments. The number of councillors wearing more than one hat (and possibly holding down another job) is increasing. Creating a new cabinet place can mean a hefty rise in allowances, in one particular case more than £17,000.

Surely what is sauce for the goose should be sauce for the gander? What sort of message is being sent out to the public? While lower paid employees are being made redundant, it is OK to pay out the savings made by this redundancy to enhance a councillor's salary.

If you have any further details about this in your area, we would be pleased to hear from you.

## **Be Aware**

Some of you may have read in the press this week that the banding scam is still alive and kicking. Some companies offering to see if your house is in the wrong band, are asking for money 'up front'. Should you receive a mail shot or a telephone offer to carry out this service, please put the telephone down or put the leaflet in the bin. This service is free of charge to anyone from the Valuation Office Agency. If you can't find the number in the telephone directory, your council will generally supply it.

## Finally

There is a big hoo-hah going on in Cumbria at the moment. The councils are trying to push through a charge to residents to park outside their own homes. You may well consider the suggested £25 to be small beer, but is this the thin end of the wedge for many people not blessed with off street parking?

Yours in the cause

*Christine*

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