
RESOURCES COMMITTEE ASSET MANAGEMENT SUB-COMMITTEE

Meeting of Thursday 18 October 2007
at 10.30am in Council Offices, English Street, Dumfries

Present

Members

Ian Carruthers (Chairman)	- Annandale South
Ian Blake	- Abbey
Iain W Dick	- Stranraer and North Rhins
Archie Dryburgh	- Annandale East
Patsy Gilroy (Convener)	- Dee
Sandra McDowall	- Mid Galloway
David J McKie	- North West Dumfries
Ronnie Nicholson	- North West Dumfries
George N Prentice	- Castle Douglas and Glenkens
*Ronnie Ogilvie	- Annandale South

Officials

Leslie Jardine	- Corporate Director of Corporate Services
David Archibald	- Group Manager Human Resources
Stewart Clanachan	- Relations Manager
John Currie	- Energy Management Service Leader
Carol Henshall	- Service Manager Committee and Member Services
Ed Parkhouse	- Operations Manager Revenues and Exchequer Services
John Piggins	- Operations Manager Property Services

Apologies

Roger B Grant	- Annandale North
Robert J Higgins	- Wigtown West
Sean W Marshall	- Annandale South
Graham Nicol	- Mid Galloway

* denotes substitute

Alex Haswell
Group Manager Corporate Support & Governance

8 Members present.

MEMBERS - Iain W Dick and Sandra McDowall entered the meeting - 10 Members present.

1. REVENUES SERVICES - WRITE OFFS - Report dated 4 October 2007 by Director of Finance.

Decision

1.1 **AGREED** to approve the write-offs of 4 Rates and 2 Overpaid Housing Benefit accounts; and

NOTED

1.2 that further accounts for Council Tax, Rates, Sundry Debtors and Overpaid Housing Benefit had been written-off under authority delegated to the Director of Finance; and

1.3 the good collection performance for council tax and rates since 1996 and **AGREED** that a press release should be issued highlighting this position.

MEMBER - Sandra McDowall left the meeting - 9 Members present.

PROCEDURE - Governance advice was provided in respect of the delegations in place to the Asset Management Sub Committee to act as the administering authority to the Local Government Pension Scheme. It was recognised that under the new regulations obtaining to Elected Member remuneration that Elected Members had an option to join this Scheme and accordingly Members would have to declare an interest. The Council has a statutory duty to act as an administering authority, one of 8 in Scotland, and also to maintain a Pension Fund. In this instance Members were being asked to respond to a consultation on the new Scheme. The views of Members would be used to inform final decisions on the key features of the Local Government Pension Scheme for Scotland. Members have, in this instance, no powers to make decisions. Whilst it is for individual Members to come to their own decision whether to leave the meeting for consideration of this item, if all Members who had an interest did so the meeting would be inquorate and accordingly no decision could be made on the form of a response to this important consultation by this Council as Administering Authority.

MEMBERS - Archie Dryburgh, Ronnie Nicholson and Ronnie Ogilvie declared an interest and left the meeting - 6 members present.

2. THE LOCAL GOVERNMENT PENSION SCHEME - THE NEW SCHEME – Report dated 11 October 2007 by Corporate Director of Corporate Services.

Decision

2.1 **NOTED** the consultation document and initial response by the Relations Manager, Human Resources, on the proposed new Local Government Pension Scheme; and

2.2 **AGREED** to respond to the consultation in the terms as appended (**Appendix 1**); and

2.3 **COMMENDED** the Pensions Team for the high quality and best value service provided as compared with the larger staff resource applied by most other authorities.

MEMBERS - Archie Dryburgh, Ronnie Nicholson and Ronnie Ogilvie re-entered the meeting - 9 members present

3. **ANNUAL ENERGY REPORT - 2006/07** – Report dated 1 October 2007 by Corporate Director of Corporate Services.

Decision

NOTED

3.1 the 2006/07 energy performance;

3.2 the savings achieved from investment in spend-to-save;

3.3 the increase in energy costs; and

3.4 **APPROVED** the additions to the energy policy (**Appendix 2**); and

3.5 **AGREED** to adopt the following measures to progress energy management:-

3.5.1 Identify this Committee as energy champion willing to become involved in celebrating success and addressing poor performance;

3.5.2 Allocate corporate responsibility for energy management to a member of Corporate Management Team reporting directly to the energy champion for support;

3.5.3 Identify managers of individual buildings and devolve energy management to them with responsibility for achieving energy targets;

3.5.4 Publish energy performance on the intranet on a quarterly basis; and

3.5.5 Highlight to managers and staff examples of good practice in reducing energy consumption.

4. **DISPOSAL OF LAND AT GARLIESTON HARBOUR** – Report dated 5 October 2007 by Corporate Director of Corporate Services.

Decision

AGREED

4.1 that the land at Garlieston Harbour marked Area 1 on **Appendix 3** be exchanged by excambion for those areas of land owned by English Homes Ltd marked A, B and C;

4.2 that the land at Garlieston Harbour marked Area 2 on **Appendix 3** be sold to English Homes Ltd for the negotiated sum of £16,745; and

4.3 that other terms and conditions be agreed by Operations Manager Property Services.

5. **ITEM OF BUSINESS DEEMED URGENT BY THE CHAIRMAN DUE TO THE NEED FOR A DECISION**

5.A **FORMER PRIMARY SCHOOL AT SANQUHAR**

Decision

AGREED to receive a report at the next meeting on the position with the disposal of the former primary school at Sanquhar.

APPENDIX 1

DRAFT RESPONSE - RESPONDENT INFORMATION FORM: NEW LOCAL GOVERNMENT PENSION SCHEME IN SCOTLAND

Please complete the details below and return it with your response. This will help ensure we handle your response appropriately. Thank you for your help.

NAME: Stewart Clanachan, Relations Manager ORGANISATION NAME: (if appropriate) Dumfries and Galloway Council	POSTAL ADDRESS Pensions Section Human Resources 118 English Street Dumfries DG1 2DE
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1. Are you responding: (please insert a 'x' in one box)

(a) as an individual		go to Q2a/b and then Q4
(b) on behalf of a group / organisation	X	go to Q3 and then Q4

INDIVIDUALS

2a. Do you agree to your response being made available to the public (in the Scottish Executive library)

Yes (go to 2b below)		
No, not at all		We will treat your response as confidential

2b Where confidentiality is not requested, we will make your response available to the public on the following basis.

Yes, make my response, name and address all available	
Yes, make my response available, but not my name or address	
Yes, make my response and name available, but not my address	

ON BEHALF OF GROUPS OR ORGANISATIONS

3. The name and address of your organisation will be made available to the public (in the Scottish Executive library). Are you also content for your response to be made available?

Yes	X			No		We will treat your response as confidential
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SHARING RESPONSES / FUTURE ENGAGEMENT

4. We will share your response internally with other Scottish Executive policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for the Scottish Executive to contact you again in the future in relation to this consultation response?

Yes	X			No	
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We would be grateful if you would use this consultation questionnaire for your comments as this will aid our analysis of the responses received.

Please insert an 'X' in either of the 'Yes' / 'No' or other choice boxes throughout the document.

NB: The space allocated to each section for your comments may seem limited, but if you are completing this electronically the space will expand as you insert text.

<p>Q 1(a) Are there other benefits that you would like to see included as part of the new scheme proposals?</p>	<p>YES X</p>	<p>NO</p>
<p>Q 1(b) If you have answered 'YES' please give details below</p> <p>Retention of short term pensions for 3 months following death on pension.</p> <p>There is no mention in the consultation document about the early payment of unreduced scheme benefits on redundancy and efficiency grounds. These are benefits we would wish to see retained.</p> <p>Is there scope to relax the rule of 85 protections currently in place to end on 31 March 2008 for some members to 31 March 2009 thus matching the implementation date of the new scheme? This would help reduce ambiguity for members and aide administrative efficiency in the calculation of benefits.</p> <p>A facility to retire and have actuarially reduced benefits from age 55, without the need for employers consent, but on a cost neutral basis to the scheme is suggested.</p> <p>To ensure better consistency within public sector pensions, consideration should be given to the introduction of a winding down arrangement similar to that in the Teachers' Scheme.</p>		

If it is agreed, following consultation, that certain elements of the scheme outline should be altered, this may lead to an increase in costs that would impact on the overall affordability of the proposal. What changes would you propose in this situation? For example, the member contribution rate could be increased or the level of other scheme benefits could be reduced. It would be helpful to know your views, therefore, about the level of importance that you would place on each given feature within the new scheme proposals, in order to ensure that benefits that are most important to stakeholders would be retained.

Q 2 Please order the following features of the proposals according to the level of

importance that you would place on their provision, by inserting the numbers 1 to 10 in the box beside each feature, where '1' is 'most important' and '10' is 'least important'.

Scheme Feature	Priority No.
Type of Scheme - Final salary scheme	2
Accrual rate	3
Death in Service Arrangements	7
Ill Health benefits	8
Partner Pensions	10
Flexible Arrangements in run-up to retirement	9
Contribution Rates for Employers	1
Contribution Rates for Scheme Members	4
Transfer Options between current and new scheme	6
Other – please give details Rule of 85 protections continue on the new scheme	5

TYPE OF SCHEME

Q 3(a) Do you agree with the proposal that the new LGPS should remain a Defined Benefit Final Salary scheme?	YES X	NO
Q 3(b) If you have answered 'NO', what type of scheme would you prefer and why?		

ACCRUAL RATES

Q 4(a) Do you agree with the proposal that the accrual rate should be increased to 1/60th?	YES X	NO
Q 4(b) If you have answered 'NO' what rate of accrual would you prefer and why?		
Q 4(c) If your preferred rate of accrual is greater than 1/60th, what changes should be implemented to ensure the scheme remains affordable?		

DEATH IN SERVICE ARRANGEMENTS

Q 5(a) Do you agree that the death in service benefit should be increased to 3 x final pay?	YES X	NO
Q 5(b) If you have answered 'NO', what level of death in service benefit would you prefer and why?		

Q 6(a) Do you agree with the proposed changes to spouses' pensions?	YES	NO X
<p>Q 6(b) If you have answered 'NO', what changes to the spouses' benefit would you prefer and why?</p> <p>Wish to see short term pension retained for 3 months. The immediate aftermath following death is often the most difficult time for bereaved families. By maintaining income for this short period means continuity and stability of income. The same argument could be suggested for death in service. However, for death in service there is a considerable lump sum being paid out (but not always to the widow/widower etc).</p>		

ILL HEALTH BENEFITS

Q 7(a) Would you prefer a two or three tier ill health arrangement?	Other X	2 Tier	3 Tier
<p>Q 7(b) If you have chosen 2 or 3 tier, please explain why you have made this choice</p> <p>The higher tier being proposed is expensive for the scheme.</p> <p>There should be a separate category for terminally ill members.</p> <p>There is no ill health entitlement for a member who is permanently unfit for the actual post but able to take up other employment either immediately or within 2-3 years.</p> <p>No account is taken of service in the scheme or contributions made.</p>			
<p>Q 7(c) If neither of these options are preferable, please outline what an alternative arrangement might look like.</p> <p>A member who is certified as terminally ill should receive the highest award. An enhancement of 100% of prospective service to age 65 is suggested.</p> <p>Upper Tier - The current scheme limits enhancement to 10 years. The upper tier award enhancement membership up to 100% of prospective service to age 65. However, the younger the member the more enhancement, the older the member the less enhancement. This is potentially age discriminatory. An upper limit should therefore be maintained.</p> <p>Lower Tier – appears expensive and qualification criterion rather narrow. A simpler alternative might be to pay actual benefits without reduction but no enhancement. This not only provides a minimum benefit for all but is in line with the Scottish Teachers' Scheme.</p>			

Q 8(a) Would any of the 3 tiers require a criteria to be inserted to reflect permanence until age 65?	Tier 1		Tier 2		Tier 3	
	Y	N	Y	N	Y	N

Q 8(b) Please explain why you have come to this conclusion.

Ill health benefits should only be available where a member is certified as permanently unfit for his or her actual post or available comparable post. To operate an ill health scheme on anything less would be more costly to the Scheme.

Q 9(a) Do you agree with the proposed definitions of 'reasonable prospect', 'gainful employment' and 'reasonable period'?	YES	NO
		X

Q 9(b) If you have answered 'NO', can you please comment on each definition?

It is suggested that gainful employment should be amended to paid employment and the definition of paid employment should be further refined to specify as earning a wage capable of sustaining an acceptable standard of living.

Q 10(a) Do you agree that implementation of certificate of protection provision should cover persons who step down to lower paid posts as a result of ill-health?	YES	NO
	X	

Q 10(b) If you have answered 'NO', can you please explain why?

PARTNER PENSIONS

Q 11(a) Do you agree to the proposal to provide partner pensions to spouses, civil partners and cohabiting partners at a rate of 1/160th?	YES	NO X
Q 11(b) If you have answered 'NO', what rate(s) would you prefer and why? <p>The ½ rate spouse's pension is recognised as a fair but valuable part of the scheme. The introduction of a 160th rate as opposed to a 120th rate reduces this and is not consistent with other public sector pension arrangements.</p>		

Q 12(a) Do you agree with the proposed criteria for defining partners who cohabit?	YES X	NO
Q 12(b) If you have answered 'NO', what criteria would you prefer and why? <p>But...burden of proof could be difficult to establish in cases where there is a dispute regarding the breakdown of such relationship prior to death of the member.</p>		

FLEXIBLE ARRANGEMENTS IN THE RUN-UP TO RETIREMENT

Q 13(a) Do you agree that current flexible retirement provisions should be retained?	YES X	NO
Q 13(b) If you have answered 'NO', which provisions should be removed, and why? 		

Q 14(a) Do you agree that increased flexibility should be provided through being able to draw all or part of occupational pension benefits without having to retire completely?	YES X	NO
Q 14(b) If you have answered 'NO', please explain why Flexible retirement is a sound principle; however, the actuarial reduction applied is a barrier to true flexibility and is not an attractive option for most. There is no easy solution though as there should be no cost to the scheme either. Similar proposals to the Teachers' wind down scheme would be more beneficial to members.		

Q 15(a) Do you agree with the provision to buy additional pension benefit, and cost-neutral uplift factors for benefits accrued beyond age 65?	YES X	NO
Q 15(b) If you have answered 'NO', please explain why 		
Q 15(c) What other cost neutral provisions would you like to see made available to support flexible retirement? Abolition of abatement in all circumstances. Option to fund strain on the fund payments over a longer period or introduce a cost share programme which leaves pension benefits intact.		

CONTRIBUTION RATES FOR SCHEME MEMBERS

Q 16(a) Do you agree that the proposed employee contribution rate is fair, given the level of benefits proposed?	YES	NO X
<p>Q 16(b) If you have answered 'NO' please explain why and what your preference would be?</p> <p>There could be potential gender inequalities within the proposed banding structure.</p>		

Q 17(a) Do you agree that the LGPS should incorporate a tiered contribution rate system	YES	NO X
<p>Q 17(b) If you have answered 'NO' please explain why?</p> <p>The lowest contribution rate proposed is 5.5%. This is only 0.5% below the current rate. There is little evidence to suggest that a lower contribution rate will attract more members, unless there is a zero rate contribution. A recent LGPC study confirms this to be the case (554 non scheme members questioned)</p> <p>It could be perceived that the intention to band contributions is in some way an attempt to redistribute tax breaks to higher earners.</p> <p>A tiered system might be a barrier to succession planning. A member who is promoted might end up paying higher pension contributions by being in a higher tier which might perversely mean their net pay is less.</p> <p>Potentially increased cost in administration both in the Pensions and Payroll Sections.</p> <p>Employees appear to fully understand the need to maintain a quality pension scheme and they also accept that the employer should not bear the full cost. Most people canvassed at a recent round of pensions presentations confirmed that a higher but flat rate of 7% across the board would be more desirable provided that there is a guarantee that the value of scheme benefits were retained.</p> <p>Actuaries will no longer be able to derive the total pensionable pay bill from paid contributions thus impacting the valuations and FRS17 exercises.</p>		

Q 18(a) Which of the illustrative tiered contribution rate options do you feel is preferable?	OPTION			
	1	2	3	Other X

Q 18(b) If you have chosen Option 1, 2 or 3, please explain why you prefer this option?

Q 18(c) If none of these options seem suitable, please provide details of an alternative mechanism.

There would appear to be significant argument to retain the fixed rate contribution albeit it is accepted that this may need to rise.

Q 18(d) What implementation costs and issues do we need to be aware of, and what solutions are there to operationally implementing a tiered contribution system. For example, how should contributions be determined where a member has more than one salaried job within the local government workforce?

See 17(b)

CONTRIBUTION RATES FOR EMPLOYERS

Q 19(a) Do you agree with the move towards a 2:1 ratio between employer and member contributions rate?	YES X	NO
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Q 19(b) If not, what would you prefer and why?

TRANSFER OPTIONS BETWEEN THE CURRENT AND NEW SCHEME

Q 20(a) Which transfer option do you prefer?	OPTION		
	Other X	1	2
<p>Q 20(b) Why have you chosen this option?</p> <p>It might be fairer in longer term to give members the choice of either option.</p>			
<p>Q 20(c) If neither, please give details of your preferred alternative approach.</p>			
<p>Q 20(d) If Option 1 is preferred, please give your views on whether you would wish the actual level of member benefits to be transferred, or for an enhanced transfer rate to be applied. If an enhanced transfer rate is to be applied, and this results in the scheme becoming unaffordable, what changes should be implemented to ensure the scheme remains affordable? For example, other benefits could be reduced or member contribution rates could be increased.</p> <p>Transfers should be on a cost neutral basis and should be easily administered.</p>			

GOVERNANCE

Q 21(a) Do you agree that the LGPS scheme governance arrangements should be reviewed?	YES X	NO
Q 21(b) Why have you chosen this option? The executive authority should remain with the administering authority; however, more involvement by stakeholders can only benefit the scheme in the longer term.		
Q 21(c) If you have answered 'YES' who should undertake this review and what should the specific focus of the review be? COSLA		
Q 21(d) Please give any views on the value and/or practicalities of the potential actions which may be implemented to strengthen governance and consultative processes across the LGPS, for example member nominated representative participation on scheme committees, development and implementation of equality proofing good practice, and a national tripartite group to oversee the LGPS.		
Q 21(e) Please detail any other suggestions and comments you have on LGPS governance arrangements.		

EQUALITY IMPACT ASSESSMENT

Q 22(a) Are you aware of any equality issues that arise from the new scheme proposals?	YES X	NO
<p>Q 22(b) If you have answered 'YES' please give details below.</p> <p>Tiered contribution rates might be discriminatory as well as the proposed ill health enhancement scheme.</p>		

ACTUARIAL ASSUMPTIONS

Q 23(a) Do you agree with the assumptions used to underpin the development of the new scheme proposals?	YES X	NO
<p>Q 23(b) If you have answered 'NO', please give evidence to support alternative assumptions.</p> <p>These assumptions can be replicated at Dumfries and Galloway Council. However, assumptions can change rapidly away from reality and costs should be reviewed regularly, possibly in line with cost sharing proposals.</p>		

Q 24(a) Do you agree that the proposed employer contribution rate is fair, given the level of benefits proposed?	YES X	NO
<p>Q 24(b) If you have answered 'NO', please explain why and what your preference would be.</p>		

Q 25(a) Do you think the contributions are affordable in the long term?	YES X	NO
Q 25(b) Please explain why you have reached this conclusion.		
<p>By introducing some new restrictions on benefits and increasing the employee contribution then the scheme should be more affordable in the long term. Table 6 on page 38 implies an average employer contribution of 13.3%. If the 2:1 ratio is maintained and employee contributions rise to 7% then the employer rate is 14%. This appears reasonable and would provide significant savings to Dumfries and Galloway Council.</p>		

ENSURING SUSTAINABILITY OVER THE LONGER TERM

Q 26(a) Do you agree that a cost sharing mechanism is sensible?	YES X	NO
Q 26(b) If you have answered 'NO' Please explain why.		
<p></p>		

Q 27(a) Do you agree that cost sharing should be based on the cost of benefit provision, or both this and fund investment elements?	BENEFITS ONLY X	BENEFITS AND INVESTMENT
Q 27(b) Please explain which option you prefer and why?		
<p>Employee contributions should not be linked to investment returns as a) those paying into the scheme have no involvement in the decisions of how the Fund is invested and b) the volatility of markets could mean that contribution changes are triggered far too frequently causing excessive confusion and administrative burden.</p>		

Q 28 Please give your views on whether a ‘cap’ should be placed on employer contribution rates to improve sustainability of the LGPS over the longer term.

A cap should be introduced, possibly 15% with an average employee contribution rate of 7.5%. If scheme costs continue to rise above this total then the benefit structure, accrual rate (future service only) and retirement dates could be reviewed further.

The cost sharing proposal would be further simplified by a single contribution rate for employees.

Q 29 Please give your views on how the principle of cost sharing could be implemented in the LGPS and any other cost sharing issues that would need to be taken into account.

The assumptions included in the valuation process are often considered over a period of 15 years or longer. However, for the purposes of cost sharing it might be beneficial to review the cost ratio after every second valuation (6 years)

ANY OTHER COMMENTS

Q 30 Please outline any other comments you have to make, either on specific scheme benefits or the proposed benefit package generally.

There is not much time between the end of this consultation and the introduction of the new scheme. I would urge the SPPA to fully consider this response and take account of all comments made.

What is the position relating to deferred members and pensioners?

What is the position relating to admission agreements?

Thank you for taking the time to let us have your views.

We do not intend to acknowledge individual responses unless you place an ‘X’ in the box below.

Please acknowledge this reply	
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ENERGY POLICY

The Council aims to achieve and maintain a reduction in energy consumption in its building stock and in support of this aim will:

- ◆ Create and sustain a high profile and priority for energy management in the authority.
- ◆ Make provision within the Council's capital and revenue budgets for an appropriate level of investment in energy conservation measures subject to availability of financial resources.
- ◆ Promote good design practice in the Council's capital and revenue programme to reduce energy consumption.
- ◆ **Design new/refurbished buildings to perform 10% better than the current Building Regulations to reduce energy usage and contribute to a reduction in the Council's carbon footprint.**
- ◆ **Provide a minimum of 10% of the energy required to operate new/refurbished buildings from renewable technologies.**
- ◆ Implement programmes for physical and management measures to reduce energy consumption.
- ◆ Pursue central energy purchasing strategies which take maximum advantage of market opportunities.
- ◆ Progressively devolve responsibility for energy consumption to local managers and fully support by the use of target profiles, monitoring and diagnostic advice.
- ◆ Assist local managers to encourage, involve and motivate building users and staff to save energy by means of training, publicity and where appropriate incentives.
- ◆ **Heat buildings to a minimum temperature of 16.3 degrees by 10.00am and to a maximum temperature of 21°C unless occupants have special needs.**
- ◆ Establish and maintain a comprehensive energy database and supporting management systems for profiling, targeting and monitoring the energy consumption of buildings.
- ◆ Publish annual energy reports.

October 2007

PROPERTY SERVICES

Scale 1:600

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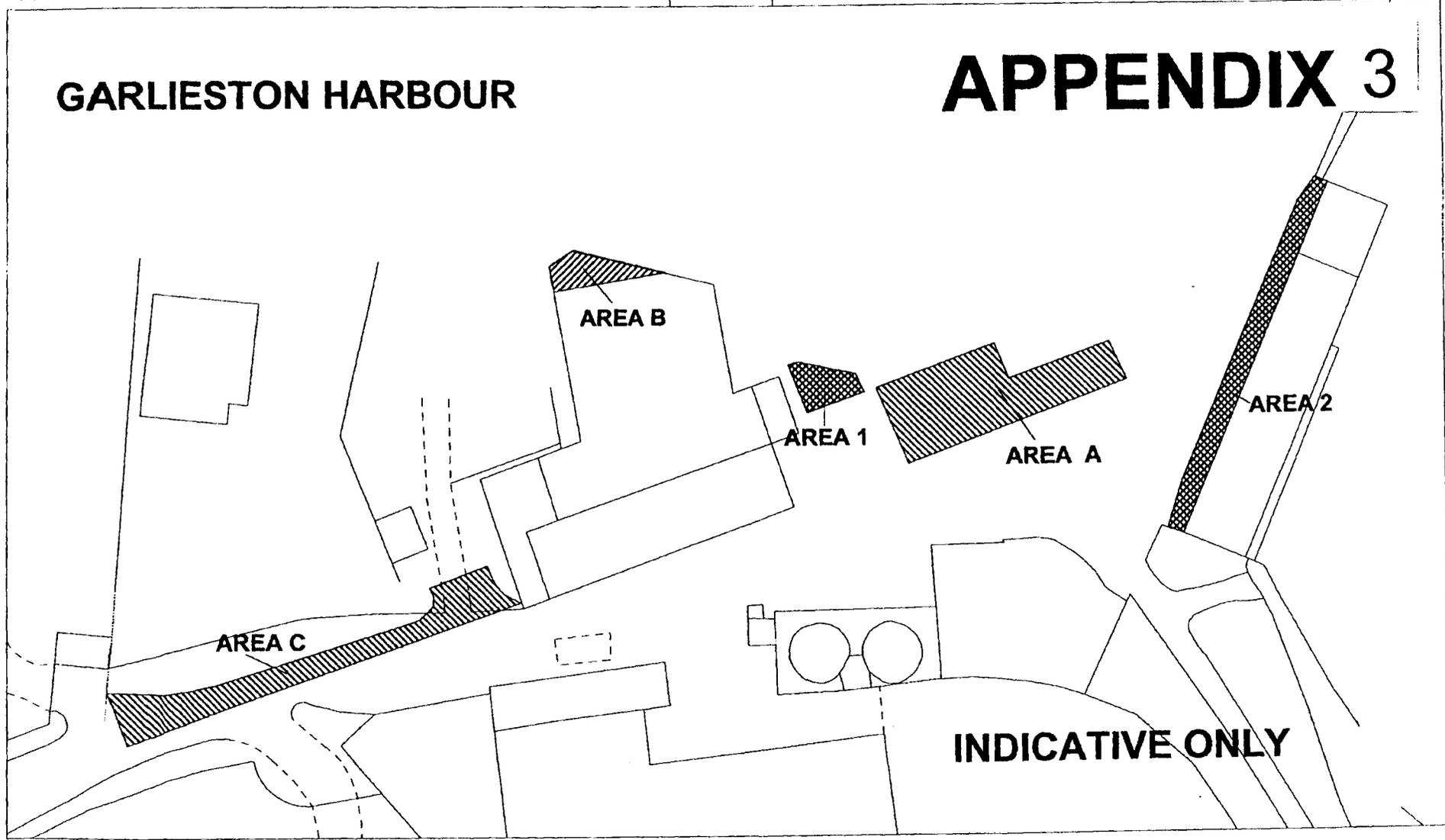


*dumfries
& galloway*
COUNCIL

NORTH

GARLIESTON HARBOUR

APPENDIX 3



INDICATIVE ONLY