

<b>*PART 1 – PUBLIC DOCUMENT</b>	<b>AGENDA ITEM No.</b>  <b>7</b>
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TITLE OF INFORMATION NOTE: **LOCAL GOVERNMENT PAY AND PENSIONS**

INFORMATION NOTE OF THE CORPORATE HUMAN RESOURCES MANAGER

## **1. SUMMARY**

- 1.1 This is a round up of the many pay related consultations and impending regulations or future consultations for Local Government pay and benefits.

## **2. STEPS TO DATE**

- 2.1 There is regularly an update to the Joint Staff Consultation Forum to inform the committee of the progress of any national pay negotiations or any changes in relation to pensions that may be coming up. This note is intended to give a brief overview of the other pay related consultations and or impending regulations or future consultations for Local Government pay and benefits.

## **3. INFORMATION TO NOTE**

### **3.1 National Pay Bargaining 2016/17**

In June 2015 the Unions called for local authority pay for the lowest paid to be brought up to the living wage currently and an increase of £1 per hour for all other workers.

The Government announced after this that they would introduce a new, compulsory living wage from April 2016. It will be paid to workers aged 25 and above. Initially, it will be set at £7.20 an hour, with a target of it reaching more than £9 an hour by 2020. Part-time and full-time workers will get it. In the same budget it was announced that public sector pay rises will be capped at 1% a year for the next four years.

### **Pensions**

The only impending change related is the new single-tier state pension resulting in the abolition of contracted out rates of NI. There will be an impact on pay for both the Council and employees. Employers Class 1 National Insurance Contribution (NIC) will increase by 3.4% and for employees NIC will increase by 1.4% that will impact on take home pay.

### **Exit Payment Cap**

The Government is planning to go ahead with plans to set a cap at £95,000 on exit payments. The cap will include payments related to voluntary and compulsory redundancies or other voluntary exits. The cost to the employer of offering early access to unreduced pensions in combination with other exit payments severance payments and ex gratia payments related to exit from employment. The monetary value of any extra

leave, allowances or other benefits granted as part of the exit process which are not payment in relation to employment. Payments or compensation in lieu of notice and payments relating to the cashing up of outstanding entitlements (such as outstanding leave or allowances that are cashed up and added to the value of the sum)

Where a number of different payments are made they will be aggregated together to be measured against the cap.

### **Simplification of the tax and National Insurance treatment of termination payments**

A consultation closed in October on proposed reform of the taxation of termination payments. This included a number of suggestions about how they could be reformed. Removing the distinction between contractual and non-contractual termination Payments; alignment of the tax and NICs treatment of termination payments; and that the existing exemptions are reviewed, with consideration given to removing some, or all, of the existing exemptions. The current £30,000 threshold was said to be unaffordable.

The Consultation suggested an exemption of £6,000 after 2 years of service and then an additional £1,000 for each year of additional that will probably have a cap. The Consultation responses have not yet been published.

It's expected there will be further changes following an announcement by the chancellor that they are looking at ways to rein in public sector pay details are further details are expected to emerge following the spending review.

## **4. NEXT STEPS**

- 4.1 For the 2016 NI changes we will start communications in the New Year to remind staff why they will be paying more NI contributions.

The cap on exit payments, when the regulations are finalised, will require changes to the Councils Early Severance Policy and Pension Discretions.

## **5. APPENDICES**

- 5.1 None.

## **6. CONTACT OFFICERS**

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## **7. BACKGROUND PAPERS**

- 7.1 None.