

Authorities face £200m shortfall

EXCLUSIVE

By Jonathan Stapleton

LOCAL authorities could face a budget shortfall of £200m if cost-cutting pension reforms are delayed or scrapped, *PP* has learned.

Mercer Human Resource Consulting European partner and head of local government consulting Chris Hull says changes to the Local Government Pension Scheme – which include increasing retirement ages to 65 – will reduce scheme costs by £200m.

But he warned that if the government delayed or withdrew the legislation – due to come into force on April 1 – it would be “debatable” if authorities could change their budgets at this late stage.

He said this could force councils to meet the costs of the delays themselves or lengthen the recovery period.

Hull added: “Funding plans for next year possibly may not now be amendable and you would have to stick with them as they are.”

Employers’ Organisation assistant director for pensions



■ Woodall: rates have been set

Terry Edwards agreed and said the reforms were essential to stabilise costs and sustain the future of the LGPS.

And he added that councils would expect the government to pick up the cost of any delay.

West Midlands Metropolitan Authorities Pension Fund chief pensions officer Mike Woodall said it would be difficult to make changes at this late stage and that the budgets had already been set with the April changes in mind.

“It must be fully understood

that the employers’ contribution rates have been set on the basis that the changes to the scheme would apply from April 1, 2005.”

Meanwhile, deputy prime minister John Prescott is holding talks with five public sector unions, including Unison and the Public and Commercial Services Union, over the changes in a bid to avert a national strike on March 23 involving up to 1.4m workers.

TUC is calling a national day of action tomorrow (Friday) while this week Unison began balloting 800,000 local government workers.

• SCHOOL teachers and university lecturers are the latest public sector workers to threaten strike action over government moves to change pensions.

Members of the National Union of Teachers and the National Association For Teachers in Further and Higher Education are being consulted on whether they are prepared to strike over proposals to increase the retirement age from 60 to 65 and replace their final salary scheme with a career average plan.