
Guide to the Revised ASHE 6115 Schedule to the Order

The purpose of this guide is to give a practical explanation of the workings of Part 3 of the Revised Model Schedule (as attached to the Judgment of Sir Christopher Holland [2008] EWHC 2948 (QB)) (“The Schedule”), which is how ASHE 6115 is applied to update periodical payments for future care and case management.

Types of Periodical Payments

There are a number of types of periodical payments that may have to be updated by this part of the Schedule, the principal types being:

1. Immediate lifetime periodical payments

These are periodical payments that start immediately and are paid for the Claimant’s lifetime at the same present value level.

In other words, they do not ‘step up’ or ‘step down’ at any point in the future and only alter by the annual application of the change in the earnings level of the applied percentile of ASHE 6115.

For example, the periodical payments to be paid are £50,000.00 per annum, from the date of settlement, ASHE 6115-linked and payable for the Claimant’s lifetime, regardless as to how long that may be.

2. Deferred lifetime periodical payments

These are periodical payments that start at some point in the future and are paid for the Claimant’s lifetime at the same present value level.

In other words, they do not ‘step up’ or ‘step down’ at any point in the future and only alter by the annual application of the change in the earnings level of the applied percentile of ASHE 6115, including during the deferred period (although there is no need to undertake the calculation until the date of the first payment for reasons set out below).

For example, the periodical payments to be paid are £50,000.00 per annum in present value terms, ASHE 6115-linked (including during the deferred period) and payable for the Claimant’s lifetime, regardless as to how long that may be, but no payment is made until, say, 15th December 2015.

3. Temporary immediate and temporary deferred periodical payments

These are periodical payments that may or may not start immediately and are paid for a certain period of time at the same present value level.

Usually, these are the first in a series of periodical payments that will either ‘step up’ or ‘step down’ at specifically defined points in the future (as required under CPR 41.8 (3)). Such payments alter by the annual application of the change in the earnings level of the applied percentile of ASHE 6115, including during any deferred period (although there is no need to undertake the calculation until the date of the first payment).

For example, a temporary immediate periodical payment would be where the sums to be paid are £50,000.00 per annum in present value terms, ASHE 6115-linked and payable for the shorter of the Claimant’s lifetime or to, say, 15th December 2015 (at which point the payments are due to increase to, say, £75,000.00 in present value terms until 15th December 2020).

A temporary deferred periodical payment would be, as in the previous paragraph, the present value sum of £75,000.00 per annum, ASHE 6115-linked and payable from 15th December 2015 for the shorter of the Claimant’s lifetime or to, say, 15th December 2020 (at which point the payments increase to, say, £100,000.00 for the rest of the Claimant’s lifetime; which would be a deferred lifetime periodical payment as defined above).

Dealing with the Time Lag

By way of background it is important to understand the issue of time lag between data collection and application.

It is usual for RPI-linked periodical payments, like pensions and many state benefits, to be increased each year by the growth in prices over the previous 12 months.

In the absence of a crystal ball to tell us what will actually happen over the next 12 months, this is considered the most appropriate approach, as the recent past is probably the best guide to the future.

Furthermore, RPI-linked periodical payments have a further three month delay, in that if the payments are to be increased in the December of any year, the RPI figures for the twelve months to the previous September are used.

This is consistent with the application of the RPI to Index Linked Government Stocks (“ILGS”). The following is taken from the UK Debt Management Office website¹:

Three-month lag index-linked gilts

New index-linked gilts issued from September 2005 employ the three-month indexation lag structure first used in the Canadian Real Return Bond market and not the eight-month lag methodology used for index-linked gilts issued before that date. In addition to the lag being shorter, with this design the indexation is applied in a significantly different way. The new design of index-linked gilts also trade on a real clean price basis. As a result, the effect of inflation is stripped out of the price of the new gilts for trading purposes, although it is included when such trades are settled.

Indexation methodology

...
The reference RPI for the first calendar day of any month is the RPI for the month three months earlier (e.g. the reference RPI for 1 June is the RPI for March). The reference RPI for any other day in a month is calculated by linear interpolation between the reference RPI applicable to the first calendar day of the month in which the day falls and the reference RPI applicable to the first calendar day of the month immediately following. Interpolated values should be rounded to the nearest 5th decimal place.

Eight-month lag index-linked gilts

To calculate the inflation adjustment two RPI figures are required - that applicable to the gilt when it was originally issued and that relating to the current interest payment. In each case the RPI figures used are those applicable eight months before the relevant dates (e.g. for a November dividend date the RPI from the previous March is used). This “indexation lag” is required so that the size of each forthcoming interest payment is known at the start of the coupon period, thereby allowing the accrued interest to be calculated.

It is important to note that the vast majority of ILGS in circulation work to an eight-month lag and this remains acceptable in terms of practical application.

The ASHE data is collected in April each year. The “*first release*” figures are issued in or around October of the same year, with “*revised*” figures being issued in or around the October of the following year. It is understood that this length of time is required by the Office for National Statistics (ONS) in order to maximise the accuracy of the data series (in that they can include questionnaires submitted late).

Therefore, if one were to apply the series “*revised*” figures published each year to the periodical payments, the data would be, at best, over 18 months out of date. Indeed, if the periodical payments were to be paid in December (as per the Model Order) then the data would have a 20-month lag.

The workings of the Schedule reduce the time lag to eight months from data collection to payment, i.e. the same as applies to most ILGS in circulation.

Whilst it may be preferable in an ideal world for this to be reduced further, to increase accuracy, it is considered acceptable in a practical environment (as such an approach is for RPI-linked periodical payments).

This is achieved by the periodical payments being escalated, in December, on the basis of the “first release” figures issued by the ONS in the October each year.

In the event that the “revised” figure, when published the following year, is different from the “first release” figure, the Schedule allows for any correction.

As any adjustment will be relatively minor and is unbiased, it is considered unnecessary to apply interest to such an adjustment.

As a result, the time delay is significantly reduced.

This is why there is a formula for the first escalation and a separate formula for every year thereafter (until reclassification).

For ease of reference the following table sets out the recent ASHE 6115 data for the relevant percentiles. It is hoped that such a table for all percentiles will be published by the ONS and replicated in legal journals, such as Facts and Figures:

	<u>70th Percentile</u>		<u>75th Percentile</u>		<u>80th Percentile</u>		<u>90th Percentile</u>	
	First Release	Revised	First Release	Revised	First Release	Revised	First Release	Revised
2006 ⁱⁱ		£8.33		£8.71		£9.25		£10.67
2007	£8.79	£8.80	£9.21	£9.21	£9.79	£9.79	£11.36	£11.38
2008	£9.11	£9.12	£9.55	£9.56	£10.11	£10.11	£11.68	£11.68
2009	£9.34	£9.33	£9.82	£9.82	£10.36	£10.36	£12.11	£12.10
2010	£9.45	£9.45	£9.91	£9.91	£10.44	£10.44	£12.18	£12.16
2011	£9.32		£9.80		£10.33		£12.03	

The measure to be applied to uprate the periodical payments is the relevant percentile of ASHE 6115, the occupational classification 6115, namely “care assistants and home carers” of the Annual Survey of Hours and Earnings (ASHE). For the purposes of the examples contained in this guide I have assumed that the relevant percentile is the 75th percentile.

All of the information required to undertake the calculations in the Schedule is published by the ONS. Currently, this information can be found using the following hyperlink:

<http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Earnings>

This brings up the following page:



The screenshot shows the Office for National Statistics website. The main content area is titled 'Topic: Earnings' and contains several sections:

- Summaries:** Includes links to 'Latest on the labour market November 2011' and 'Rural and urban area analysis - animated video podcasts'.
- Publications:** Lists '2011 Annual Survey of Hours and Earnings 23-Nov-2011', '2011 A BHE Questionnaire 23-Nov-2011', and 'Low Pay Estimates - April 2011 23-Nov-2011'.
- Data:** Lists various tables from the 'A BHE 2010 (revised)' survey, such as 'Table 1 - All Employees 23-Nov-2011' and 'Table 2 - Occupation (2 digit) SOC 2000 23-Nov-2011'.
- Guidance and methodology:** Lists 'Annual Survey of Hours and Earnings (A BHE) 18-Mar-2010' and other related documents.

The left sidebar contains a 'Labour Market' section with a list of earnings categories: Annual Earnings, Basic Pay, Bonus Earnings, Earnings Indices, Hourly Earnings, Low Pay, Monthly Earnings, and Weekly Earnings.

Applying ASHE 6115

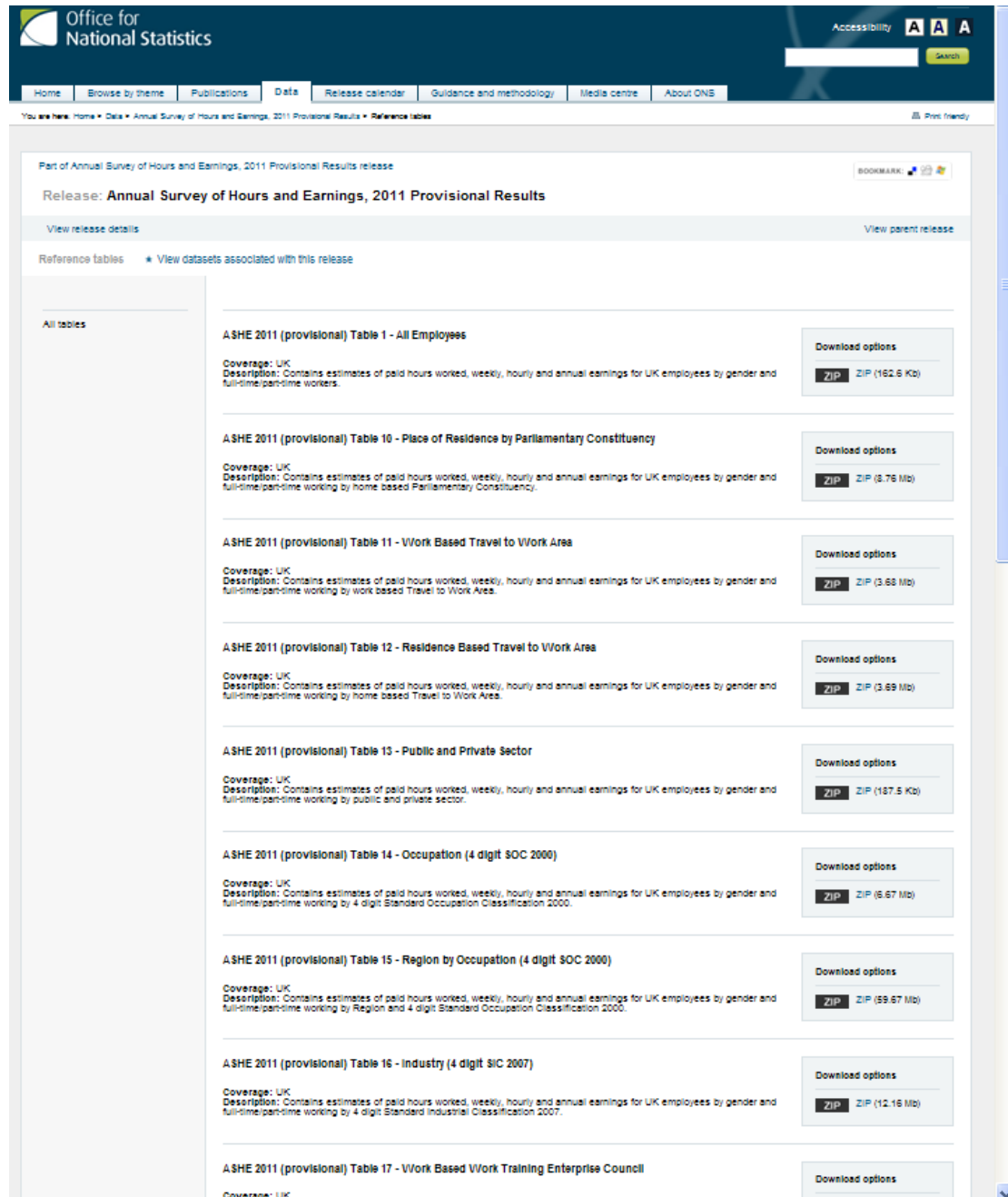
It is helpful to find the relevant percentile of ASHE 6115 using existing data. The data is published annually, usually in October of each year.

Each year the ONS publishes “*first release*” figures for the data collected in the April of that year and “*revised*” figures for the data collected in the April of the previous year.

The 2011 data can be found by following this hyperlink:

<http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-235202>

This brings up the following page:



Office for National Statistics

Accessibility A A A

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You are here: Home > Data > Annual Survey of Hours and Earnings, 2011 Provisional Results > Reference tables

Part of Annual Survey of Hours and Earnings, 2011 Provisional Results release

Release: **Annual Survey of Hours and Earnings, 2011 Provisional Results**

View release details View parent release

Reference tables **View datasets associated with this release**

All tables

<p>ASHE 2011 (provisional) Table 1 - All Employees</p> <p>Coverage: UK Description: Contains estimates of paid hours worked, weekly, hourly and annual earnings for UK employees by gender and full-time/part-time workers.</p>	<p>Download options</p> <p>ZIP ZIP (162.6 Kb)</p>
<p>ASHE 2011 (provisional) Table 10 - Place of Residence by Parliamentary Constituency</p> <p>Coverage: UK Description: Contains estimates of paid hours worked, weekly, hourly and annual earnings for UK employees by gender and full-time/part-time working by home based Parliamentary Constituency.</p>	<p>Download options</p> <p>ZIP ZIP (8.76 Mb)</p>
<p>ASHE 2011 (provisional) Table 11 - VWork Based Travel to VWork Area</p> <p>Coverage: UK Description: Contains estimates of paid hours worked, weekly, hourly and annual earnings for UK employees by gender and full-time/part-time working by work based Travel to Work Area.</p>	<p>Download options</p> <p>ZIP ZIP (3.68 Mb)</p>
<p>ASHE 2011 (provisional) Table 12 - Residence Based Travel to Work Area</p> <p>Coverage: UK Description: Contains estimates of paid hours worked, weekly, hourly and annual earnings for UK employees by gender and full-time/part-time working by home based Travel to Work Area.</p>	<p>Download options</p> <p>ZIP ZIP (3.69 Mb)</p>
<p>ASHE 2011 (provisional) Table 13 - Public and Private Sector</p> <p>Coverage: UK Description: Contains estimates of paid hours worked, weekly, hourly and annual earnings for UK employees by gender and full-time/part-time working by public and private sector.</p>	<p>Download options</p> <p>ZIP ZIP (137.5 Kb)</p>
<p>ASHE 2011 (provisional) Table 14 - Occupation (4 digit SOC 2000)</p> <p>Coverage: UK Description: Contains estimates of paid hours worked, weekly, hourly and annual earnings for UK employees by gender and full-time/part-time working by 4 digit Standard Occupation Classification 2000.</p>	<p>Download options</p> <p>ZIP ZIP (6.67 Mb)</p>
<p>ASHE 2011 (provisional) Table 15 - Region by Occupation (4 digit SOC 2000)</p> <p>Coverage: UK Description: Contains estimates of paid hours worked, weekly, hourly and annual earnings for UK employees by gender and full-time/part-time working by Region and 4 digit Standard Occupation Classification 2000.</p>	<p>Download options</p> <p>ZIP ZIP (59.67 Mb)</p>
<p>ASHE 2011 (provisional) Table 16 - Industry (4 digit SIC 2007)</p> <p>Coverage: UK Description: Contains estimates of paid hours worked, weekly, hourly and annual earnings for UK employees by gender and full-time/part-time working by 4 digit Standard Industrial Classification 2007.</p>	<p>Download options</p> <p>ZIP ZIP (12.16 Mb)</p>
<p>ASHE 2011 (provisional) Table 17 - VWork Based Work Training Enterprise Council</p> <p>Coverage: UK</p>	<p>Download options</p>

One can see that this is the 2011 Annual Survey of Hours and Earnings provisional, or “first release”, data.

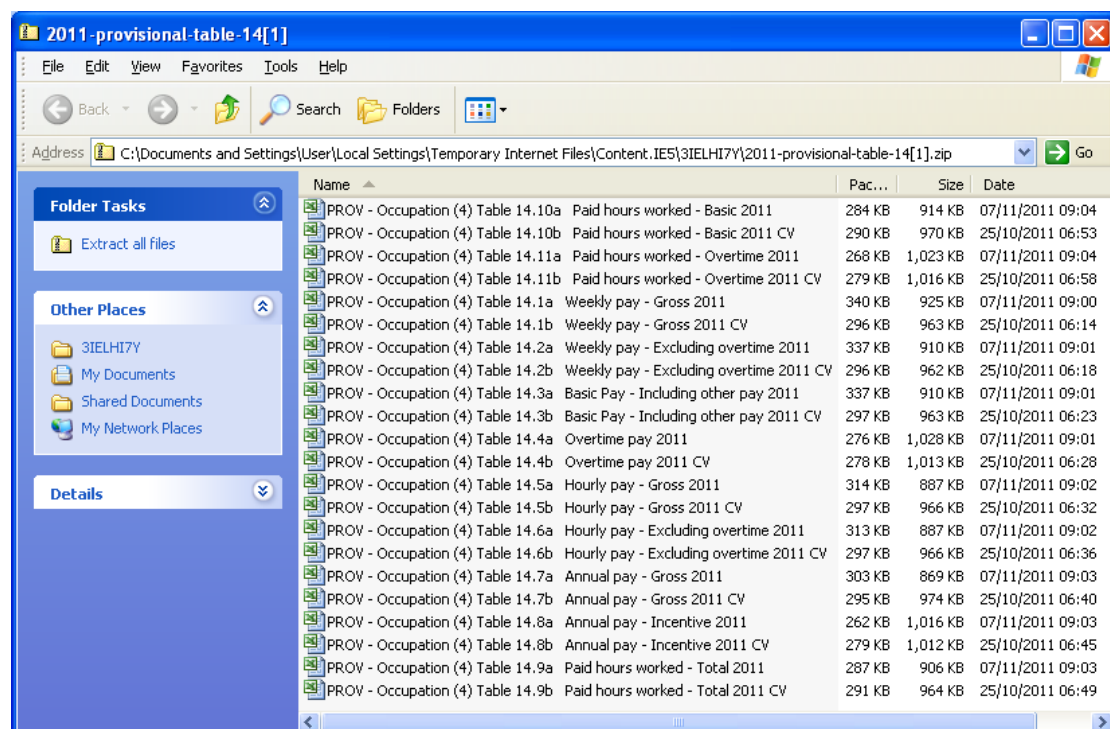
One can see that Table 14 is entitled “Occupation – 4 digit SOC 2000”.

This data can be downloaded by clicking on the “zip” icon to the right of the description.

If presented with the following pop-up, click “Open”:



This will result in the following files being downloaded:





The required file is “Table 14.5a: Hourly pay: Gross 2011”. Please make sure that you are looking at the “All” tab (rather than either “Male” or “Female” etc.). These tabs are shown at the bottom of the page. The “All” tab is the default tab.

One scrolls down, looking under the “Code” column until one can see “6115” as shown below:

Table 14.5a Hourly pay - Gross (£) - For all employee jobs ^a : United Kingdom, 2011																
Description	Code	Number of jobs ^a (thousand)	Median	Annual percentage change	Mean	Annual percentage change	Percentiles									
							10	20	25	30	40	60	70	75	80	90
Personal service occupations	61	2,281	8.26	0.0	8.99	0.6	6.11	6.65	6.92	7.15	7.68	8.88	9.67	10.14	10.68	12.38
Healthcare And Related Personal Services	611	1,182	8.49	-0.9	8.96	-0.2	6.19	6.77	7.02	7.29	7.90	9.12	9.89	10.34	10.86	12.42
Nursing auxiliaries and assistants	6111	274	9.62	2.3	9.86	1.9	7.29	8.11	8.38	8.67	9.09	10.14	10.76	11.16	11.55	12.88
Ambulance staff (excluding paramedics)	6112	14	10.37	-1.7	11.29	-0.2	8.17	8.74	9.12	9.26	9.63	11.15	12.36	13.63	13.98	x
Dental nurses	6113	37	9.00	3.5	9.11	3.3	6.45	7.18	7.56	7.91	8.50	9.59	10.05	10.50	10.83	x
Houseparents and residential wardens	6114	26	9.63	-1.5	10.05	-3.1	6.52	7.43	7.88	8.35	8.20	10.31	11.15	11.75	12.11	x
Care assistants and home carers	6115	831	7.93	-1.7	8.57	-0.7	6.09	6.51	6.75	6.98	7.40	8.52	9.32	9.80	10.33	12.03
Childcare And Related Personal Services	612	658	7.99	1.4	8.60	1.3	6.14	6.64	6.86	7.04	7.49	8.52	9.22	9.69	10.14	11.62
Nursery nurses	6121	135	7.13	-3.4	8.05	-1.1	5.93	6.00	6.15	6.30	6.62	7.89	9.02	9.65	10.41	11.59
Childminders and related occupations	6122	18	8.02	2.8	8.98	5.7	5.98	6.42	6.79	6.97	7.45	8.94	9.70	10.14	10.81	x
Playgroup leaders/assistants	6123	56	6.94	-0.9	7.61	-3.3	5.95	6.15	6.25	6.37	6.55	7.40	7.98	8.20	8.64	10.06
Educational assistants	6124	449	8.23	1.7	8.86	2.2	6.59	6.99	7.20	7.39	7.78	8.72	9.41	9.79	10.17	11.78
Animal Care Services	613	32	7.76	-2.7	8.27	-3.3	5.95	6.24	6.43	6.64	7.30	8.49	9.24	9.56	10.02	x
Veterinary nurses and assistants	6131	14	8.82	4.6	8.82	-1.1	6.20	7.03	7.33	7.56	8.10	9.36	9.76	10.02	10.50	x
Animal care occupations n.e.c.	6139	18	7.12	-2.0	7.84	-4.4	5.93	6.00	6.08	6.30	6.59	7.54	8.38	8.96	9.21	x
Leisure and other personal services																

One can clearly see on the right hand side of the screen the “Percentiles” (noting that the 50th percentile is the “Median” which is in a column to the left of the other percentiles).

Assuming the “relevant percentile” to be the 75th percentile, the wage level for the 2011 “first release” for ASHE 6115 is £9.80.

The following year, these 2011 “first release” figures will have been removed and replaced by “revised” figures.

The process of obtaining the figures for other years is the same as above (that is, “Table 14”, “Table 14.5a”).

First payment of periodical payments under each step (paragraph 3)

When payment starts immediately

The first payment under each step is calculated in accordance with the formula at paragraph 3, which is

$$PP = C \times \frac{NP}{A}$$

For example, assuming the following for an immediate periodical payment (where there is no ‘step up’ or ‘step down’ in the future) with the first year’s escalation calculation being undertaken prior to payment on 15th December 2011:

- “C” is an annual payment of £10,000.00; and
- “NP” being the “the “first release” hourly gross wage rate published by the ONS for the relevant percentile of ASHE SOC 6115 for “all” employees for the year in which the calculation is being carried out, the first NP being the figure applicable to the year 2011 published in or around October 2011”; and
- “A” being the “the “revised” hourly gross wage rate for the relevant percentile of ASHE SOC 6115 for all employees applicable to 2010 and published by the ONS in or around October 2011”; ...

... then the following is an example of the calculation to be undertaken:

The elements of this calculation are defined as follows:

C = £10,000.00

NP = £9.80

A = £9.91

The periodical payment to be paid in 2011 would then be:

$$PP = £10,000.00 \times \frac{£9.80}{£9.91} = £9,889.00$$

This would be the same calculation for the first payment under a temporary immediate periodical payment, otherwise known as the ‘first step’ where there are ‘step ups’ or ‘step downs’ in the future.

On the basis of the data published for the 75th percentile of ASHE SOC 6115 in 2010 and 2011, a periodical payment would have reduced in value, as can clearly be seen above, suggesting wage deflation. Though we would not expect this to happen in most other years, it does serve to demonstrate that indexation can result in a reduction, as well as an increase, in the value of a periodical payment.

Where the first payment does not start immediately

For example, assuming the following for a deferred periodical payment (where there is no ‘step up’ or ‘step down’ in the future) with the first year’s escalation calculation being undertaken prior to payment on 15th December 2011, but where the case settled in 2007 and there was no payment in 2007, 2008, 2009 or 2010:

- “C” is an annual payment of £10,000.00; and
- “NP” being “the “first release” hourly gross wage rate published by the ONS for the relevant percentile of ASHE SOC 6115 for “all” employees for the year in which the calculation is being carried out, the first NP being the figure applicable to the year 2011 published in or around October 2011”; and
- “A” being “the “revised” hourly gross wage rate for the relevant percentile of ASHE SOC 6115 for all employees applicable to 2007 and published by the ONS in or around October 2008”; ...

... then the following is an example of the calculation to be undertaken:

The elements of this calculation are defined as follows:

C	=	£10,000.00
NP	=	£9.80
A	=	£9.21

The periodical payment to be paid in 2011 would then be:

$$PP = £10,000.00 \times \frac{£9.80}{£9.21} = £10,640.61$$

One can see that this approach captures all of the growth in earnings during the deferred period and applies it to the first periodical payment, as the payment is increased by the growth in earnings between 2007 and 2011.

This would be the same calculation for the first payment under a temporary deferred periodical payment, known as a ‘step up’ or ‘step down’ where there have previously been temporary immediate periodical payments.

Subsequent payment of periodical payments under each step
(paragraph 4)

The calculation for every year thereafter until a reclassification (or, in the case of temporary periodical payments, until the final payment), to be undertaken in November of each following year, is set out in the Schedule at paragraph 4 as follows:

$$PP = C \times \frac{NP + (NF - OP)}{A}$$

For example, assuming the following for a periodical payment which is being escalated in payment for the second time on 15th December 2011:

- “C” is an annual payment of £10,000.00; and
- “NP” being “the “first release” hourly gross wage rate published by the ONS for the relevant percentile of ASHE SOC 6115 for “all” employees for the year in which the calculation is being carried out, the first NP being the figure applicable to the year 2011 published in or around October 2011”; and
- “NF” being “the “revised” hourly gross wage rate published by the ONS for the relevant percentile of ASHE SOC 6115 for “all” employees for the year prior to the year in which the calculation is being carried out, the first NF being that applicable to the year 2010 and published in or around October 2011”; and
- “OP” being “the “first release” hourly gross wage rate published by the ONS for the relevant percentile of ASHE SOC 6115 for “all” employees for the year prior to the year in which the calculation is being carried out, the first OP being the figure applicable to the year 2010 published in or around October 2010.”; and
- “A” being “the “revised” hourly gross wage rate for the relevant percentile of ASHE SOC 6115 for all employees applicable to 2007 and published by the ONS in or around October 2008”; ...

... then the following is an example of the calculation to be undertaken:

The periodical payment to be paid in 2011 would then be:

$$PP = £10,000.00 \times \frac{£9.80 + (£9.91 - £9.91)}{£9.21} = £10,640.61$$

In this instance, there is no correction to be made in respect of the earlier year’s “first release” ASHE data, though one can see how this would be accommodated in the above calculation.

Payments upon reclassification of the SOC or a change of methodology by the ONS (paragraphs 5 to 10)

Reclassification is likely to occur once every ten years. Discontinuity in ASHE 6115 may occur in the event that the ONS changes the ASHE methodology that results in discontinuity of results.

Reclassification has yet to happen under ASHE 6115.

Discontinuity due to methodological change did occur in 2007 and affected the results for 2006.

The Schedule deals with these two issues in the same, three-stage, manner. In what follows, the workings of paragraphs 5 to 8 of the Schedule are illustrated by reference to the 2006 discontinuity.

In order to make this illustration possible it is assumed that the opening base figure was set in 2005 with the first payment to be made in April 2007. The base figure in this example is £8.47, being the “revised” hourly gross wage rate for the 75th percentile of ASHE SOC 6115 for 2005.

Stage 1 – Identifying the new centile

In the year following reclassification or change in methodology, the ONS will publish two “revised” data sets, one for the previously applied data set and one for the new data set.

In our example this is shown on the ONS website as follows:



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Earnings

ASHE 2006

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Show item descriptions

Title	Release date	Type
Distribution of low paid jobs by 10p bands - 2004 methodology	23 Nov 11	Reference table
Jobs paid below minimum wage by category - 2004 methodology	23 Nov 11	Reference table
Tables accompanying Patterns of Pay, 1997-2010 ASHE results	15 Mar 11	Reference table
Jobs paid below minimum wage by category - 2004 methodology	08 Dec 10	Reference table
Distribution of low paid jobs by 10p bands - 2004 methodology	08 Dec 10	Reference table
Tables accompanying Patterns of pay, 1997-2009 ASHE results	26 Feb 10	Reference table
Tables accompanying Patterns of Pay, 1997-2008 ASHE results	13 Feb 09	Reference table
Tables accompanying Patterns of pay, 1997-2007 ASHE results	01 Oct 08	Reference table
ASHE 2006 (consistent with 2007 methodology) Table 1 - All Employees	07 Nov 07	Reference table
ASHE 2006 (consistent with 2007 methodology) Table 2 - Occupation (4 digit SOC 2000)	07 Nov 07	Reference table
ASHE 2006 (consistent with 2007 methodology) Table 4 - Industry (2 digit SIC 2003)	07 Nov 07	Reference table
ASHE 2006 (consistent with 2007 methodology) Table 7 - Place of Work by Local Authority	07 Nov 07	Reference table
ASHE 2006 (consistent with 2007 methodology) Table 8 - Place of Residence by Local Authority	07 Nov 07	Reference table
ASHE 2006 (consistent with 2007 methodology) Table 10 - Place of Residence by Parliamentary Constituency	07 Nov 07	Reference table
ASHE 2006 (consistent with 2007 methodology) Table 11 - Work Based Travel to Work Area	07 Nov 07	Reference table
ASHE 2006 (consistent with 2007 methodology) Table 12 - Residence Based Travel to Work Area	07 Nov 07	Reference table
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ASHE 2006 (consistent with 2007 methodology) Table 18 - Resident Based Work Training Enterprise Council	07 Nov 07	Reference table
ASHE 2006 (consistent with 2007 methodology) Table 20 - Age Group by Occupation (2 digit SOC 2000)	07 Nov 07	Reference table
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ASHE 2006 (consistent with 2007 methodology) Table 3 - Region by Occupation (2 digit SOC 2000)	07 Nov 07	Reference table
Tables accompanying Patterns of Pay, 1997-2006 ASHE results	01 Mar 07	Reference table
ASHE 2006 (consistent with 2005 methodology) Table 1 - All Employees	03 Jan 07	Reference table
ASHE 2006 (consistent with 2005 methodology) Table 2 - Occupation (2 digit SOC 2000)	03 Jan 07	Reference table
ASHE 2006 (consistent with 2005 methodology) Table 4 - Industry (2 digit SIC 2003)	03 Jan 07	Reference table
ASHE 2006 (consistent with 2005 methodology) Table 3 - Region by Occupation (2 digit SOC 2000)	03 Jan 07	Reference table
ASHE 2006 (consistent with 2005 methodology) Table 8 - Age Group	03 Jan 07	Reference table
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ASHE 2006 (consistent with 2005 methodology) Table 12 - Residence Based Travel to Work Area	03 Jan 07	Reference table
ASHE 2006 (consistent with 2005 methodology) Table 13 - Public and Private Sector	03 Jan 07	Reference table
ASHE 2006 (consistent with 2005 methodology) Table 14 - Occupation (4 digit SOC 2000)	03 Jan 07	Reference table
ASHE 2006 (consistent with 2005 methodology) Table 16 - Industry (4 digit SIC 2003)	03 Jan 07	Reference table
ASHE 2006 (consistent with 2005 methodology) Table 17 - Work Based Work Training Enterprise Council	03 Jan 07	Reference table
ASHE 2006 (consistent with 2005 methodology) Table 18 - Resident Based Work Training Enterprise Council	03 Jan 07	Reference table
ASHE 2006 (consistent with 2005 methodology) Table 20 - Age Group by Occupation (2 digit SOC 2000)	03 Jan 07	Reference table
ASHE 2006 (consistent with 2005 methodology) Table 21 - Age Group by Industry (2 digit SIC 2003)	03 Jan 07	Reference table
ASHE 2006 (consistent with 2005 methodology) Table 15 - Region by Occupation (4 digit SOC 2000)	26 Oct 06	Reference table

The starting point is the final “revised” figure for the existing SOC or methodology (in this case ASHE Results 2006 (methodology consistent with 2005)):

Table 14.5a Hourly pay - Gross (£) - For all employee jobs^a: United Kingdom, 2006

Description	Code	Number of jobs ^b (thousand)	Median	Annual percentage change	Mean	Annual percentage change	Percentiles									
							10	20	25	30	40	60	70	75	80	90
Care assistants and home carers	6115	661	7.13	3.4	7.61	2.8	5.35	5.81	6.03	6.23	6.63	7.67	8.28	8.69	9.16	10.58

The revised wage rate for this SOC, ASHE 6115 (75) 2005 methodology, is £8.69. This is referred to as “AF” in paragraph 5.2 of the revised model Schedule.



Then one must identify that revised wage rate within the distribution of wage rates for the new SOC or new methodology (in this case ASHE Results 2006 (methodology consistent with 2007)):

Table 14.5a Hourly pay - Gross (£) - For all employee jobs ^a : United Kingdom, 2006														
Description	Code	Number of jobs ^b (thousand)	Annual percentage change		Percentiles									
			Median	Mean	10	20	25	30	40	60	70	75	80	90
Care assistants and home carers	6115	654	7.15	7.64	5.37	5.84	6.05	6.24	6.65	7.70	8.33	8.71	9.25	10.67

It is clear that the wage rate of £8.69 is closest to £8.71 (which is referred to as “AR” in paragraph 5.2 of the revised model Schedule) in the ASHE Results 2006 (methodology consistent with 2007), which means that, in this case, the new SOC remains ASHE 6115 (75) into the future.

Stage 2 – Calculating the new base figure

The new base figure (which is referred to as CR in the Schedule) is calculated by applying the formula set out at paragraph 6 in the Schedule:

$$CR = C \times \frac{AF}{A}$$

The elements of this calculation are defined as follows:

C = £10,000.00

AF = £8.69

A = £8.47

Therefore CR would be:

$$CR = £10,000.00 \times \frac{£8.69}{£8.47} = £10,259.74$$

Stage 3 – Payments upon reclassification of the SOC or a change of methodology by the ONS

1. Where a periodical payment for that step was made in the previous year

The following formula in the first part of paragraph 7 of the Schedule is applied in order to calculate the first periodical payment to be paid following reclassification or discontinuity:

$$PPR = \left[CR \times \frac{NPR}{AR} \right] + \left[C \times \frac{AF - OPF}{A} \right]$$

The elements of this calculation are defined as follows:

$$CR = \text{£}10,259.74$$

$$NPR = \text{£}9.21$$

$$AR = \text{£}8.71$$

$$C = \text{£}10,000.00$$

$$AF = \text{£}8.69$$

$$OPF = \text{£}8.67$$

$$A = \text{£}8.47$$

Therefore *PPR* would be:

$$\left[\text{£}10,259.74 \times \frac{\text{£}9.21}{\text{£}8.71} \right] + \left[\text{£}10,000.00 \times \frac{\text{£}8.69 - \text{£}8.67}{\text{£}8.47} \right] = \text{£}10,872.32$$

2. Where a periodical payment for that step was not made in the previous year

With deferred lifetime periodical payments and temporary deferred periodical payments that have not commenced prior to the year of reclassification (and have therefore yet to be paid) the calculation of the first payment following reclassification should not include the correction for any over or under payment for that step in the previous year, as there was no payment for that step in the previous yearⁱⁱ.

Therefore, in these circumstances the first payment following reclassification (which may not be for some time following reclassification or discontinuity) is calculated with regard to the following formula in the second part of paragraph 7 of the Schedule:

$$PPR = \left[CR \times \frac{NPR}{AR} \right]$$

The elements of this calculation are defined as follows:

$$CR = \text{£}10,259.74$$

$$NPR = \text{£}9.21$$

$$AR = \text{£}8.71$$

Therefore PPR would be:

$$\left[\text{£}10,259.74 \times \frac{\text{£}9.21}{\text{£}8.71} \right] = \text{£}10,848.70$$

Further payments until further reclassification of the SOC or a change of methodology by the ONS

The calculation for every year thereafter until a further reclassification or discontinuity, to be undertaken in November of each following year, is set out in the Schedule at paragraph 8 as follows:

$$PPR = CR \times \frac{NPR + (NFR - OPR)}{AR}$$

This is the same formula as set out in paragraph 4 in the Schedule, but applying the new base figure and the new SOC.

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ⁱ Source: www.dmo.gov.uk/index.aspx?page=Gilts/About_Gilts

ⁱⁱ It was recognised that if reclassification occurred in the year of a ‘step up’ or ‘step down’ there would be no correction made for any over or under payment on the previous year’s step. Whilst this calculation could be included in the Schedule, it was considered to be too complex to justify as, on the basis of evidence provided to the Court, this was an issue of limited magnitude that was restricted in impact to that one year and was unbiased.