

EAST HERTS COUNCIL

HUMAN RESOURCES COMMITTEE- 8 FEBRUARY 2010

REPORT BY DIRECTOR OF INTERNAL SERVICES

5. TERMS AND CONDITIONS REVIEW

WARD(S) AFFECTED: NONE

Purpose/Summary of Report

- To inform the Committee of the outcome of the meeting with the Joint Secretaries of the East of England Regional Council regarding the review of terms and conditions of employment.
- As the collective bargaining process has now been exhausted, to consider the options available to the Council in light of the absence of a collective agreement.

<u>RECOMMENDATION FOR :</u>	
(A)	To note the outcome of the meeting with the Joint Secretaries of the East of England Regional Council regarding the review of terms and conditions of employment.
(B)	<p>To consider the options available to the Council in light of the absence of a collective agreement, which include:</p> <ul style="list-style-type: none">I. accepting Unison's position and not implementing any changes to terms and conditions,II. to implement the package as proposed and discussed in staff briefings, orIII. in the light of the worsening of the financial position since negotiations commenced, and given the delay in savings coming through in the absence of a collective agreement, to look again at the scope of the package and the timing of its implementation. <p>Options II and III involve imposing the changes through the dismissal and reengagement of all staff.</p>

1.0 Background

- 1.1 A review of terms and conditions commenced in July 2009 through consultation with Unison and staff. The purpose of the review was to ensure that Terms and Conditions reflect the market the Council now competes in, were consistent, fair and offered value for money. Many of the Terms and Conditions had not been reviewed for over 20 years.
- 1.2 The Council like every Council and many businesses is having to respond to economic factors beyond our control. The medium term financial plan provides a clear indication, expressed in financial terms of the significant challenges faced by the Council over the next four years if it is to deliver its priorities in the medium term. The medium term financial plan to be considered by the Executive on 9 February 2010, whilst now fully balanced to 2013/14, has future saving options which include staffing reductions to be revisited in future rounds. No assumptions have been built in for savings from terms and conditions; however, such are essential to provide flexibility in responding to the harsh financial climate faced by the Council.
- 1.3 The Council has worked on the principle that we are consistent and fair and that all staff, from Chief Executive downwards is affected by the proposals. The Council's priority is to minimise redundancies.
- 1.4 The Council recognises Unison for consultation and collective bargaining on Terms and Conditions of employment, including pay. Unison commenced consultation with its members on 16 October 2009. This followed three months of full consultation on the terms and conditions proposals between management and Unison. The Council hoped to secure a collective agreement on the proposals made on terms and conditions. Please see Essential Reference Paper 'B' for full details of the proposals.
- 1.5 Unison undertook to respond following a one month consultation period with their members, ending on 16 November 2009.

2.0 Report

- 2.1 The Council were advised on 17 November 2009 by Unison that a collective agreement on terms and conditions had not been reached.

2.2 At the Local Joint Panel on 1 December 2009 no recommendation was carried and in accordance with the constitution, the matter was referred to the Local Joint Secretaries of the East of England Regional Council to advise/mediate.

2.3 Representatives from management and Unison met with the Local Joint Secretaries of the East of England Regional Council on 15th December 2009 and following extensive discussions the meeting was adjourned until 1 February 2010 in order for management to undertake 4 actions:

1. An equality impact assessment on the proposals and to address any issues arising.
2. The meeting planned for 16 December go ahead with Unison seeking to gain greater understanding of the Council's financial position and how this impacts on staffing issues.
3. That the management side revisits earlier proposals from Unison about how to make alternative savings.
4. Both sides commit to further dialogue with a view to reaching agreement.

Unison when consulting members committed to providing a positive recommendation for acceptance if all the above actions have been met and agreement can be reached.

2.4 Management completed all of the actions from the meeting on 15 December 2009 but following extensive discussions that took place at the meeting on 1 February 2010 with the Local Joint Secretaries of the East of England Regional Council, and despite best efforts on both parts, the Council and the Trade Union were unable to reach a collective agreement on the proposed changes.

2.5 As the collective bargaining process has now been exhausted, it is recommended that the HR Committee considers the options available to the Council in light of the absence of a collective agreement. These options include:

- I. accepting Unison's position and not implementing any changes to terms and conditions, or
- II. to implement the package as proposed and discussed in staff briefings, or
- III. in the light of the worsening of the financial position since negotiations commenced, and given the delay in savings coming through in the absence of a collective agreement, to

look again at the scope of the package and the timing of its implementation.

Options II and III involve imposing the changes through the dismissal and reengagement of all staff. Please see Essential Reference Paper 'C' for details of how the changes would be implemented and associated timescales.

- 2.6 The Corporate Management Team have indicated they accept the proposals as they affect them, and wish to proceed with implementation.
- 2.7 It is important that the HR Committee note that since negotiations first started with Unison the seriousness of the Council's future financial position has become much plainer; the scale of borrowing at a National level has increased and the level of funding at Local Government level is bound to reduce significantly. In addition, as collective agreement has not been reached, the Council must undertake a longer process in order to implement the changes, which will consume significant management time and effort which has a cost and which will also delay the savings further.
- 2.8 The HR Committee is therefore asked to consider whether the Council should take further steps to achieve the savings more quickly, for example the Council could consider reducing the 5% Local Award by 1% annually, regardless of national pay awards and/or considering a total reduction that is greater than 2%. In addition, the HR Committee could consider whether to reduce the amount of protection built into the proposals around the Car Lease Scheme. Please see Essential Reference Paper 'D' for details of the original proposals presented to Unison at the start of consultation in July 2009; the HR Committee may want to consider going back to some of these original proposals in order to achieve the necessary savings. If the Committee are minded to look further at this option it is recommended that a separate exercise be requested of CMT and that the current proposals be implemented in the first instance.
- 3.0 Implications/Consultations
- 3.1 Information on any corporate issues and consultation associated with this report can be found within Essential Reference Paper 'A'

Background Papers: None

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Report Author: Alan Madin- Director of Internal Services

ESSENTIAL REFERENCE PAPER 'A'

Contribution to the Council's Corporate Priorities/Objectives (<i>delete as appropriate</i>):	Fit for purpose, services fit for you <i>Deliver customer focused services by maintaining and developing a well managed and publicly accountable organisation.</i>
Consultation:	Full consultation on review of terms and conditions with Unison and staff.
Legal:	Legal advice gained on the changes of terms and conditions of employment.
Financial:	As detailed in the report.
Human Resource:	As detailed in the report.
Risk Management:	Legal advice and risk gained on the changes of terms and conditions of employment.

Changes to Terms and Conditions

Lease Cars and Mileage

1. To close the Car Lease Scheme
 - Members of the scheme would be protected under a three year pay protection agreement. This would include keeping their lease car until renewal date and receiving compensation for the remainder period based on current lease car contribution rates. Where individuals have retained their lease car entitlement as a pensionable benefit, individual discussions will be held on the options open to them to protect their accumulated benefit.
2. To maintain the current essential car user lump sum to ensure that staff who need to travel for business reasons are compensated for wear and tear of their vehicles based on current rates and car size.
 - Staff will be eligible to receive the essential car user lump sum based on new agreed criteria. Membership of the scheme would be reviewed on an annual basis to ensure consistency and fairness. For staff, that currently receive the essential car user lump sum that will not be eligible under the new criteria staff would be protected under a three year pay protection agreement.

New criteria for Essential Users

- Completes over 2000 miles on company business per annum (pro rated for part-time employees with the lump sum allowance being pro rated on the basis of annual hours worked).
- In exceptional circumstances, staff travelling less than 2000 miles per annum may be offered an essential user allowance where this can be shown to be the only means of meeting unavoidable travel needs.
- Membership of the scheme reviewed annually

NJC mileage rates remain unchanged.

5% Local Award

To reduce the local pay award to 2% based on a phased reduction linked to national agreed pay awards. E.g. If pay award is 1% in April 2010, the

5% local award would be reduced to 4% for April 2010 and so on, until 2% is reached. Once the local pay award reaches 2%, the employee's salary will increase with pay awards. Retaining the 2% maintains a degree of retention incentive, which the Council believes important.

Professional fees

Review current scheme to ensure consistency.

Standby Allowances

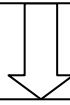
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BUPA

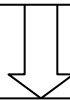
To close the scheme. Members of the scheme would be protected under a three year pay protection agreement.

Process and Key Dates for Implementation

All members of staff receive consultation letters which commences the beginning of the 90 day consultation period with both staff and Unison, under s.188 Trade Union and Labour Relations Act 1992. Staff briefings will be held within the consultation period to explain the process to staff and enable them to ask questions.



At the end of the 90 day consultation period, all members of staff will receive another letter stating that they will be issued with a new contract and that if they do not agree to the new terms then their contracts will be terminated upon 12 weeks notice.



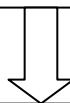
Each member of staff will be invited to a meeting with their manager who will explain the reasons behind the decision to impose the changes, outline the process and answer any questions they may have.



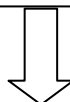
Each member of staff will be invited to a dismissal meeting with their manager who will present them with their new contract detailing the new terms and conditions and ask them to sign it. If they do not sign the new contract then the manager will explain the implications of doing so.



Employees who do not sign their contracts will be issued with a dismissal letter giving them 12 weeks notice from the date of the dismissal meeting. They can choose to sign their contract at any point during this time and will be re-engaged on the new terms.



If upon completion of the 12 weeks notice an employee has not signed the new contract they will be considered to have been dismissed from the Council with effect from that date.



Any appeals processes will follow.

Dates	Key Actions
February 2010	90 day consultation under s.188 Trade Union and Labour Relations Act 1992 starts with Unison and staff. Staff briefings held to explain

	the process.
June 2010	Consultation period ends. Staff to receive letters informing them that they will be issued with new contracts and that if they do not agree to the new terms they will be dismissed upon 12 weeks notice.
June-July 2010	Individual meetings between employees and managers. First meeting to explain the reasons behind the decision and the process to be followed. Second meeting is a dismissal meeting whereby employees will be asked to sign the new contract.
August 2010	12 weeks notice issued to staff who do not sign the new contract.
November 2010	Any appeals processes

Briefing Document for UNISON- 3rd July 2009

(Private and Confidential- for UNISON Branch Representatives only. Not for distribution)

Existing Benefits

The Council currently has a good benefits package, which is comprised of the following:

- Local Government Pension Scheme
- 5% Local Award
- Standby Allowances
- Life Insurance
- BUPA Healthcare (SMG only)
- Annual leave with addition for long service
- Sick pay
- Maternity pay (enhanced)
- Lease Car Scheme
- Car Allowance
- Long Service Awards
- Retirement Gifts
- Free car parking
- Car Loan
- Childcare Vouchers
- Eye Tests and Contribution Towards Glasses
- Occupational Health
- Employee Assistance Programme
- Sports and Social Club with discounts
- Staff Discount at East Herts Leisure Facilities
- Kaarp Benefits
- 'Sharing the Caring' charity payroll giving scheme
- Retention Payments to Staff in Planning and Building Control
- Flexi-time Scheme
- Flexible Working

A full review has been completed of all of the benefits offered at the Council and this document focuses on the benefits where a) consistency issues have been identified, b) they have little take-up or do not serve the purpose they were originally introduced for, e.g. retention, and c) costs are high against their value in terms of recruitment and retention.

People Strategy 2009-2012

- Modernise pay
- Aligned to corporate priorities
- Reinforce high performance
- Ensure consistency and fairness
- Value for money
- Reflect new ways of working

- Introduce new benefits to enhance T&Cs

It is important that where benefits are offered, they are based on a sound understanding of their contribution to ensuring a well motivated workforce. It is also important that benefits are paid fairly and consistently across the Council.

The 5% Local Award

The local award was introduced in 1988 to counter recruitment and retention problems at that time. Employees that have 3 years continuous service with East Herts Council are eligible to receive the award, subject to acceptable performance.

249 employees are currently entitled to and are receiving the local award.

For 08/09 the cost of the local award was £304,902.81. Projected cost 09/10 is £326,817.13.

The local award is counted for pensionable salary and life assurance purposes but disregarded for the calculation of overtime, shift or other additions to basic salary.

The rules of the scheme reserve the right for the Council to withdraw the local award on an “across the board” basis, should recruitment and retention problems be corrected. Managers were also able to withhold the award on an individual basis subject to performance. There is no automatic or contractual entitlement and the payment should be reviewed every six months.

- Options:
 1. remove award
 2. remove award but ring-fence currently receive payment (pay protected for 3 years or until salary reaches current combined salary and 5% local award)
 3. phased reduction in award (4%, 3% etc)
 4. reduce payment (4%)
 5. freeze award at current pay rate
 6. stop award for new staff as not a recruitment and retention issue.
 7. temporarily cease payment for a period of time
 8. use award as performance related
 9. extend period of service before 5% becomes payable
 10. buy out the benefit.

Professional Fees

Professional fees are paid to Planning Officers at grade 8 or above and to staff who need a legal practice certificate. Professional fees are not paid to staff elsewhere in the Council where membership to professional bodies is required, such as HR, Finance etc. These payments cost the Council £6,666.75 in 2008/09.

Standby Allowances

There are two types of standby allowance paid to employees at the Council; weekly and monthly. Standby allowance is paid to employees who are required to take part in an out of hours rota.

In Building Control 4 employees receive a fixed rate of pay (£145.83 per month plus extra rota allowance of £300 per rota week worked over a 4 week period, £2,949.96 per annum) that is received monthly as an additional element to salary. The payment amounts were set in line with the old manual workers agreement which has since been superseded by the Single Status Agreement and the Green Book.

Thirteen employees in Environmental Health receive a weekly allowance (£149.74 per week) that they claim when they are required to be on call as part of a standby rota. Only one employee is on call at any one time. They are also entitled to claim overtime if they are involved in a call or a call out that lasts more than 15 minutes, this is not the case for staff in Building Control.

The Emergency Out of Hours Team work on a four week rota and they are also paid £149.74 a week and receive an additional element if the week contains a bank holiday. They are the first point of contact for the authority after hours.

The monthly standby allowance does not increase in line with the annual pay increases and is currently not due for review. The weekly payment is linked to the annual pay rises, so increases annually.

Options:

1. apply weekly standby allowance to Building Control staff. Cost saving of £4,612 per annum
2. BC rota changed to make less additional extra rota payments
3. investigate others councils run their out of hours service

Long Service Awards

The Council currently awards for 20 years (value of £175) and 30 years (value of £350) continuous service.

The long service award scheme has been improved in 08/09. Employees receive an award as detailed above, a certificate and are invited to a lunch award ceremony with the Chief Executive.

The cost of the Long Service Award was £1634.00 in 05/06, £1920.00 in 06/07, £2839.00 in 07/08 and is projected to be £2540.00 in 08/09, £3500.00 in 09/10 and £1750.00 in 10/11.

The Long Service Award has been reviewed inline with long service awards given in the district. Not all of the district and borough Councils in the surrounding areas that responded to the survey offer Long Service Awards, but those that do, pay them after differing levels of service (anywhere between 10 and 40 years). The amounts paid also differ between Councils, the highest paid is £1600 (after 40 years service) and the lowest £20 (after 20 years service).

Lease Car Scheme

The lease car scheme was introduced in 1986 for employees whose post attracted business mileage. The scheme was reviewed in 1988 giving employees a cash contribution towards a lease vehicle. This changed again in 1991 basing the contribution on a particular vehicle and then spreading the entitlement further down the Council.

The Council currently has two schemes, referred to as Benchmark & Non-Benchmark. The Benchmark scheme is for employees graded 10 (SCP 41) and above, entitling them to a contribution, which is reviewed quarterly. The Non-Benchmark scheme allows any employee to apply so long as they claim business car mileage either as a casual or essential user as stated in their contracts of employment.

The cost of the two lease schemes based on 09/10 estimate is £161,640.00 per annum (Benchmark £142,680.00, Non-Benchmark 18,960.00). This includes contributions & insurance. In addition there is a cost of £18,640.00 for employer's national insurance and £8,000.00 pension emolument. The Chief Executive and 3 Directors receive an allowance in lieu of a lease car, which is a cost of £15,200.00.

The total cost of the car lease schemes is £203,480.00 per annum (this does not include mileage claims).

An essential car user is an employee who performs a role that is deemed necessary for them to have a vehicle at their disposal at all times. This is stated in their contracts of employment. Essential car users are entitled to an annual lump sum £1095 per annum (for wear and tear of their vehicle) and reimbursement mileage rate as follows:

Car Size 451-999CC - 34.0p per mile, plus lump sum £753.00 per annum
Car Size 1000-11199 CC - 36.9p per mile, plus lump sum £849.00 per annum
Car Size over 1200CC – 45.8p per mile, plus lump sum £1,095.00 per annum

Casual car users are any employee who drives infrequent on business and therefore claims mileage through the expense policy. The mileage rate for casual car users is:

Car Size 451-999CC – 42.9p per mile
Car Size 1000-1199CC – 46.9p per mile
Car Size Over 1200CC – 58.7p per mile

Options:

1. cease the scheme – phase out over 3 years
2. offer a cash alternative – annual payment or link to business mileage
3. staff insure vehicles themselves
4. move to 4 year lease
5. review grade entitlement to Benchmark scheme.

Eye Care Vouchers

In April 2008 the HR Committee considered and supported the recommendations of Local Joint Panel that a) the Accor voucher scheme be introduced; (b) voucher

contributions in the sum of £70 for single lenses and £100 for bi/varifocals be supported; and (c) the scheme be reviewed regularly to ensure that prices are kept in line with inflation.

At that time a review was carried out to find out what other local authorities were doing in respect of what costs are reimbursed and what, if any, arrangements were in place with opticians or eye care providers.

The Council was found to be very generous in respect of their contribution towards the cost of lenses; most other local authorities only contributed towards the cost of the lenses when the glasses were required solely for Visual Display Unit (VDU) use and only some authorities contributed a small amount (maximum of £55) towards glasses that are also used for general use.

Cost of the eye care scheme 08/09 was £1,110 (tests) and £5,140.25 (glasses).

Life Insurance Scheme

The Life Insurance benefit for employees is 1.5 x gross annual salary, inclusive of local weighting and 5% local award. This cover is in addition to a lump sum death grant of three years pay for employees that are members of the pension scheme.

The deposit premium for the Life Insurance Scheme in 2008/9 is £27,235.10. The premium for 2009/10 is currently under review but should stay the same, as the rate of £0.197 is guaranteed from 1 December 2009 to 30 November 2010. Once the review has been completed the Council may want to consider approaching other companies to see if a lower quote can be offered. A full tender exercise would not be necessary because of the value of the contract. The market was last checked on 1st December 2007; only two companies quoted as there are limited markets, and the scheme was found to be running at a substantial loss to the current Insurer.

Options:

1. Approach other life assurance providers to ensure the Council are getting the best value for money.
2. Share the cost of the scheme with employees. It becomes a voluntary benefit.

BUPA Healthcare

The Chief Executive, Directors and Heads of Service are all entitled to private healthcare through BUPA, to which they can add and pay for dependants. 5 members of staff use the scheme and none cover dependants. The total cost of claims for 08/09 was £10,071.00. The renewal quote for 09/10 has recently been accepted and the cost of this benefit to the Council in 09/10 will be £7,311.28.

Sickness Scheme

The Council's sickness scheme is based on NJC agreements as set out below:

Length of Service	Sick Pay Entitlement
During 1st year	1 month's full pay and (after completing 4 months service) 2 months half pay
During 2nd year	2 months full pay and 2 months half pay
During 3rd year	4 months full pay and 4 months half pay
During 4th and 5th year	5 months full pay and 5 months half pay
After 5 years	6 months full pay and 6 months half pay

To make any amendments to the sickness scheme the Council would need to come out of the agreement with the NJC.

Option:

1. cease sick pay for first 3 days of leave

Annual Leave

Annual leave entitlement is based on NJC agreement and pay spinal points with a minimum of 22 days increasing to 28 days. Employees after 5 years of continuous service with local government service receive an additional 5 days annual leave.

The NJC agreement states the minimum annual leave entitlement is 20 days plus 2 days statutory leave and 5 days for continuous year with local government service.

Option:

2. Review annual leave entitlements above the minimum inline with our grading structure.
3. Review discretionary leave

Contracts

Currently the Council employs the majority of new employees on permanent contracts. The Council could consider employing new employees on 2 year fixed term contracts, creating a more flexible workforce. This would give the Council the flexibility to expand and retract its workforce based on the Council's priority areas. Where posts were classified as hard to recruit, permanent contracts could be used to aid retention problems.

The Council could also consider introducing contracts on 30 hours rather than standard full time 37 hours, which would result in a saving. However, careful consideration would have to be made on duties and workload to ensure the balance was correct.

The Council could consider asking employees to take unpaid leave or reduce their hours for a period of time.

Payroll

The Council could consider moving the payroll date from the 15th to the end of the month. Based on net pay of approximately £600K per month, this would result in an interest saving of £7,500.00 per annum.