

EAST HERTS COUNCIL

REPORT BY SECRETARY TO THE EMPLOYER'S SIDE

RESPONSE TO UNISON ON LOCAL AWARD

WARD(S) AFFECTED: None

Purpose/Summary of Report

The purpose of this report is to provide options for further consideration by Local Joint Panel.

<u>RECOMMENDATION FOR LOCAL JOINT PANEL</u> that:	
(A)	the options set out in point 5 be considered, given the implications for the medium term financial plan.
<u>RECOMMENDATION FOR HUMAN RESOURCES COMMITTEE:</u> That:	
(B)	

1.0 Introduction

UNISON submitted a report to Local Joint Panel on 21 October 2013 requesting the permanent suspension of further planned reduction in the local award, in the light of how the current economic situation is affecting their members.

- 1.1 The decision of Local Joint Panel was for officers to take a closer look at the budget and report back on options for further consideration by the Panel.

2.0 Background

- 2.1 The local award was introduced in 1988 to address recruitment and retention issues. Employees with 3 years continuous service with East Herts were eligible to receive the award, subject to acceptable performance.

- 2.2 The bonus scheme is discretionary and gives the Council the right to withdraw the local award on an across the board basis, should recruitment and retention problems be corrected. Managers do occasionally withhold the local award, as it is subject to performance which is assessed in Performance Development Reviews.
- 2.3 Human Resources Committee reviewed terms and conditions in 2009 to ensure that the terms and conditions of employment reflected the market the Council competed in, and were consistent, fair and offered value for money.
- 2.4 On 8 February 2010, Human Resources Committee imposed changes in terms and conditions; this included reducing the 5% local award to 2%, to be implemented on a phased reduction linked to national agreed pay schemes and was to be achieved over a number of years.
- 2.5 Since 2010 there has been no national pay rises. However, East Herts employees who meet the stated criteria have continued to receive the 5% discretionary bonus over the last three years.
- 2.6 In August 2013, NJC agreed a 1% pay award, which was paid to all employees. The policy decision taken by Human Resources Committee was implemented for the first time in September 2013 so that employees who were eligible for the local award were paid a 4% discretionary bonus, instead of 5%.
- 2.7 This delivered savings of circa £92,000.

3.0 Budgets

- 3.1 The savings which are expected from the review of terms and conditions are in the Medium Term financial plan.
- 3.2 The Medium Term financial plan currently assumes further savings of £352,000 relating to changes in Terms and Conditions over the next two years, (£188,000 in respect of the local award, and £164,000 in respect of lease cars / lease car compensation.) Further savings of around £188,000 will result from the future reduction of the (now) 4% local award to 2%.
- 3.3 The Council is concerned about savings and income beyond 2019 when revenue streams from central government will become more

uncertain.

4.0 Changes to pay, terms and conditions across Hertfordshire.

- 4.1 Only Councils who are not part of national negotiating and have their own local bargaining arrangements have increased pay. Hertsmere council for example has given a 2% increase in pay in 2012, but this was in exchange for reductions in sick pay. Broxbourne paid a flat rate of £300 to staff earning under £35,000 but do not pay essential car users allowance. Lease cars have been removed.
- 4.2 The payment of the local award means that the majority of East Herts employees have continued to receive additional payments in comparison with other colleagues in the region, who do not have a bonus scheme.

5.0 Options

- 5.1 **Continue to implement the decision** taken by Human Resources Committee to deliver changes in terms and conditions which include the ending of lease cars, compensation for lease cars, and the reduction in the local award from 5 to 2 %. Further savings of £188,000 will result in the future reduction of the 4% local award to 2%. This will mean that the savings in the medium term financial plan of £94,000 per annum will be achieved, providing that there are national pay awards of at least 1% per annum.
- 5.2 **Continue to implement the decision by Human Resources Committee to deliver the planned savings through the agreed changes in terms and conditions, but request that the Committee amend the reduction to 0.5%** at each pay rise to recognise UNISON's views of the current economic situation on their members. This would mean the council would need to find £46,000 savings each year over a longer period of time. This would still be contingent on national pay awards of at least 0.5% per annum.
- 5.3 **Agree to UNISON's request.** Local Joint Panel could recommend to Human Resources Committee that they agree to Unison's request to:
- 5.3.1 Not implement the reductions in the local pay award, backdated as requested to April of this year. This would mean that some employees would need their bonus back dated, and the council

would need to find £94,000 in this financial year. The savings expected in the medium term financial plan of £188,000 would need to be delivered.

- 5.3.2 Recommend to Human Resources Committee that the implementation of the reductions in the local award is deferred and reviewed each year. This would leave the local pay award at 4%, and give members the opportunity to review this annually. However savings in the medium term financial plan of £188,000 would still need to be found.

5.4 Further review of terms and conditions

Local Joint Panel could recommend to Human Resources Committee that in order to realise all the savings anticipated in the 2010 review, that there should be a further review of terms and conditions to reflect the current marketplace. This would require officers to find savings of at least £188,000 to address the need to make savings in the medium term financial plan.

5.5 Remove the discretionary award

Local Joint Panel could recommend to Human Resources Committee that the discretionary award is removed in its entirety, with effect from 2014: this would mean any national pay award would be paid in full on base salary to all employees. This would ensure the savings expected in the medium term financial plan are delivered. The effect on morale at the removal of a performance incentive, would need to be taken into account. The bonus scheme was introduced to reward and recognise the high levels of performance employees achieve.

- 5.6 **Phase out the award** so that new employees are given different terms and conditions to existing employees. As the award is only considered for those with 3 years service, this will give a small amount of savings, but may increase risks associated with employees being on different terms and conditions.

6.0 Implications

The Equal Pay Audit in 2014 needs to address any possible risks created by the slower than expected introduction of this scheme. The savings of £188,000 which are expected in the medium term financial plan have been agreed with members and need to be delivered to ensure a sustainable financial position.

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