

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

20 JANUARY 2011

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Corporate Management and Finance – Lead Cabinet Member – Councillor Laing

Terms and Conditions of Employment

1. Summary

On 16th December 2010, Cabinet received an update on the Medium Term Financial Plan. The report updated Members on the current funding position and outlined the Council's approach to developing the Medium Term Financial Plan covering 2011 to 2015. The report identified a budget gap, rising to £9,489 million in 2014/15. Work is continuing, to explore ways of reducing this gap, including potential partnering opportunities. However, there are also some terms and conditions of employment with the potential for review which could contribute positively to this position. This report considers in further detail some options for consideration.

2. Recommendations

It is recommended that Cabinet :

1. Agree to consultations taking place with the recognised Trade Unions with a view to amending the current Redundancy Policy and Policy in respect of Overtime Payments.
2. That the position relating to Occupational Sick Pay and salary levels is kept under review.

3. Reasons for the Recommendation

To seek Members views on potential changes to employee's terms and conditions of employment.

4. Members' Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council's code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

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2. Recommendations

It is recommended that Cabinet :

1. Agree to consultations taking place with the recognised Trade Unions with a view to amending the current Redundancy Policy and Policy in respect of Overtime Payments.
2. That the position relating to Occupational Sick Pay and salary costs is kept under review.

DETAIL

1. Staffing costs make up 45% of the Council's Revenue Budget and a number of actions have been taken to minimise these costs to meet the current difficult financial situation whilst reducing the need for compulsory redundancies. These have included the EIT review programme, changes to recruitment advertising, reductions in subsistence and travelling allowances and a review of agency contracts. There has also been a virtual recruitment freeze in place. In October and November, 71 employees left the Council and only 2.5 posts were filled. In addition, no temporary contracts will be renewed without first considering the potential for redeployment from employees at risk of redundancy. However, there remain some employment policies in place which are costly to implement and which, if amended could have a positive impact in reducing staffing costs and consequently on the number of redundancies required.

The Redundancy Scheme and Overtime Payments

2. Redundancy pay, under the current scheme applies a multiplier of 2.2 against the statutory scheme for each completed week of service at actual pay up to a maximum of 66 weeks.

The statutory scheme is to pay 1 week up to the age of 41 and 1.5 weeks from age 41 at actual pay up to a maximum of £380 per week (£19,760 per annum) for a maximum of 30 weeks.

3. In September 2010, a review of schemes in the region found the following schemes in operation;
66 weeks: 2 (Redcar and Stockton). Redcar's scheme is under review.
60 weeks: 3 (Gateshead, Newcastle, South Tyneside (under review))
52.5 weeks: 3 (Northumberland, Durham, Darlington (in consultation))
37.5 weeks: 1 (Middlesbrough for volunteers only)
30 weeks: 3 (Hartlepool, Sunderland, North Tyneside)
4. Our scheme is therefore one of the most generous compared with other local authorities in the region. To give an example, the additional costs of the scheme for a post at grade D are shown below.
e.g. 100 redundancies at grade D – age 40 with 20 years service.

Current Scheme (2.2)	£1,238,060
2.0 calculator	£1,125,509
1.8 calculator	£1,012,958
1.6 calculator	£900,407
1.4 calculator	£787,856
1.2 calculator	£675,300
Statutory scheme	£562,700
5. Although we are seeking expressions of interest within EIT reviews for volunteers for redundancy and a changed scheme may limit its attractiveness, this has to be balanced against the costs of our current scheme and the impact this has on jobs.
6. It is therefore proposed that consultations are opened with the Trade Unions with the aim of reducing the multiplier in order to reduce the costs of the current scheme. The savings achieved would depend on the final scheme but based on the example given in paragraph 4 above, a reduction in the multiplier of 0.2 would equate to a reduction in costs of approximately £112,500.
7. The Council currently pays overtime at a rate of time and a half for all hours worked in excess of 37 hours per week. Last year £428,536 was paid in enhanced overtime (excluding schools) so removal of the enhancement would realise savings of around £142,845. Although it will be useful to retain some flexibility within the scheme to ensure cover is maintained in some critical areas, removal of the premium would also bring us into line with other Tees Valley Authorities as well as providing a long term and ongoing saving to the Authority.
8. If Members are in agreement with these proposals it is intended to commence consultation with the Trade Unions immediately. A further report will therefore be brought to Cabinet on 17th March on the progress being made.

Other Terms and Conditions of Employment

9. There are two other areas of significant spending in terms of employee costs; salaries and occupational sick pay. In terms of salary costs, the national pay bargaining position is not yet known following a series of road shows undertaken by the Employers Organisation in December. The current position is that there has been a 2 year pay freeze in respect of Chief Officers and 1 year for other employees and the clear message from the North East Region was that there should be a further pay freeze for 2011/12. It is therefore suggested that the Council's position is kept under review pending the outcome of the national negotiations.

10. In terms of occupational sick pay, although absence levels continue to fall, the annual cost is still considerable. There are a number of alternatives which could be considered to reduce this cost and it is therefore proposed that the current scheme is reviewed to develop a more flexible and innovative model which would reduce costs whilst rewarding those employees with good levels of attendance.

FINANCIAL IMPLICATIONS

12. There are no immediate financial implications from this report as all changes are still subject to consultation. If the proposals within the report are enacted they will lead to savings at a level of hundreds of thousands of pounds

LEGAL IMPLICATIONS

13. Legal advice is being sought on the legal process that will need to be followed if a collective agreement is not reached with the Trade Unions. A further report will therefore be brought to the Cabinet meeting on 17th March 2011.

RISK ASSESSMENT

14. The proposed changes are categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

EQUALITIES IMPACT ASSESSMENT

15. This report has not been subject to an Equality Impact Assessment. However, any changes to the policies to which this report refers will be equality impact assessed.

CONSULTATION INCLUDING WARD/COUNCILLORS

16. Initial discussions have been opened with the Trade Unions and further consultations will take place. This is not a ward specific matter.

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Background Papers: None

Ward(s) and Ward Councillors: None