

Committee:	Union Employee Consultation Committee	Agenda Item No.:	7.
Date:	23rd February 2011	Category	
Subject:	Budget Savings	Status	Open
Report by:	Chief Executive Officer and Head of Human Resources/Payroll		
Other Officers involved:			
Director	Chief Executive Officer		
Relevant Portfolio Holder	Councillor J.E. Bennett, Portfolio Holder for Performance and Heritage Champion		

### **RELEVANT CORPORATE AIMS**

STRATEGIC ORGANISATIONAL DEVELOPMENT – Continually improving our organisation, by ensuring planned cost reductions take place to match reduced budgets.

### **TARGETS**

The subject matter of this report does not directly contribute to a target in the Corporate Plan.

### **VALUE FOR MONEY**

The proposals deliver value for money for the Council and its customers, by ensuring expenditure on employee related costs is contained within the reduced budgets from 2011 onwards

## **THE REPORT**

### **Background**

Information was provided to Elected Members and Trade Unions in November 2010 giving information on the Council's likely financial position in view of the Comprehensive Spending Review announcements. This information was based on replicating the national figures for Bolsover, with grant being cut by 19.7% in cash terms over the 4 year period amounting to £1,561,607. This being front loaded over the four years as follows:-

2011/12	43%	= £671,491
2012/13	30%	= £468,482
2013/14	4%	= £62,464
2014/15	23%	= £359,170

Other budget pressures were set out which in total meant that we would have to reduce budgets by some £4m by March 2015.

In mid December 2010, the provisional settlement for Bolsover was announced. This is for two years as set out below:-

2011/12	£995,000
2012/13	£650,000

### **Initial Action Taken**

In view of the extent of the budget reductions announced, it was recognised that we needed to start taking action as soon as possible to make the savings needed. Reports were submitted to Full Council for approval on 17th December 2010, which achieved the following reductions in budgets from April 2011 onwards:

1. 25 vacant posts were disestablished resulting in a recurring budget saving in excess of £591,000.
2. 8 employees were granted voluntary redundancy resulting in recurring budget savings of £179,000 (albeit with one off costs of £151,631 having to be met to fund redundancy and pension strain costs).
3. Agency budgets reduced by £65,490 per annum.
4. Rationalisation of working patterns for Mobile Wardens generating ongoing savings of £23,417 per annum.

During January 2011 an analysis will be undertaken of the information gathered from employees at Appraisal Reviews to determine who may wish to take advantage of the following options:-

- Voluntary redundancy
- Reduced Working Hours
- Unpaid Extended Career Breaks
- Buying additional annual leave

This information will be considered as part of service reviews and it is hoped that this will lead to further reports throughout the next 12 months to Full Council in terms of voluntary redundancies. Implementation of other cost saving measures will be introduced where possible from 1 April 2011, to try and minimise the need for compulsory redundancies.

## **Further Cost Saving Measures**

At the Management Team Trade Union Liaison meetings in September, November and January, discussions have been held regarding proposals relating to:

- Termination of the lease car scheme
- Termination of the facility to apply for car loans
- Review of the Essential/Casual Car User Scheme
- A pay freeze for 2011/12

The following management proposals were put to the trade unions for consultation purposes at the Management Team Trade Union Liaison meeting on 26 January 2011.

### **Termination of Lease Car Scheme**

There are currently 32 lease car users.

Following discussions with the trade unions in November 2010, it was agreed to put on hold the ordering of any new lease cars for both new and existing users with immediate effect. This was to allow time for the implications of the review of the essential/casual car user scheme to be assessed.

It is now proposed to terminate the lease car scheme. All existing lease car users will be allowed to retain their existing lease car until the lease expires. This means that the lease car scheme will cease completely by 1st April 2014.

To ensure equality of treatment with those employees in receipt of the essential car user allowance, it will be necessary to adjust the contribution the Council makes to this scheme from 1st April 2013, to bring this in line with the current essential car user changes referred to later in this report. This will only affect 9 employees at this time based on current information and will cost the Council a maximum of £4,000 in total. This figure may be reduced if any of the employees leave prior to 1st April 2013.

The Council is currently investigating options such as salary sacrifice car leasing to identify whether this would be a suitable alternative to offer to all employees.

### **Car Loans**

Car loans have traditionally been made available to any employee designated as a car user. However, since 1st May 2009 these have been suspended because of the interest rates as a result of the economic climate. A detailed explanation is provided at Appendix 1.

It is unlikely that this situation will change in the short term, due to the current economic climate. It is, therefore, proposed to cease the provision of car loans from the Council with immediate effect.

## Essential/Casual Car User Scheme

There are currently 161 essential users and 78 casual users.

The framework for car allowances is set out in the National Joint Council for Local Government Services - National Agreement on Pay and Conditions of Service (Green Book). Part 2 of the Green Book contains key national provisions which are for application by all local authorities and are standard throughout the UK. This states:

*Where an employing authority authorises an employee to use a private car on official business, the employee will receive an allowance in accordance with the provision set out in Part 3 Section 6.*

Part 3 contains other national provisions which are modified by local negotiation. This states:

*Employees required to use their motor vehicles for the efficient performance of their duties will receive allowances for the use of their motor vehicles on business only after being so authorised by the local authority. The local authority may determine whether the use is casual or essential and the cubic capacity of car considered appropriate.*

The rates agreed nationally from 1st April 2010 are:

<b>Essential Users</b>	<b>451 - 999cc</b>	<b>1000 - 1199cc</b>	<b>1200 - 1450 cc (and above)</b>
Lump Sum per annum	£846	£963	£1239
per mile first 8,500	36.9p	40.9p	50.5p
per mile after 8,500	13.7p	14.4p	16.4p
<b>Casual Users</b>	<b>451 - 999cc</b>	<b>1000 - 1199cc</b>	<b>1200 - 1450 cc (and above)</b>
per mile first 8,500	46.9p	52.2p	65.0p
per mile after 8,500	13.7p	14.4p	16.4p

The total cost of this scheme for 2009/10 was £346,222 (including lease car users). Based on the increases in lump sum allowances/mileage rates the estimated cost for 2010/11 is £369,623.

Three options have been considered as follows:

- Review essential user status by introducing local criteria such as a mileage threshold, but retain all three bands of the national scheme. This would generate savings of between £76,000 and £151,000 depending on the mileage threshold used.
- Review essential user status by introducing local criteria such as a mileage threshold and limit payments to the bottom banding of the national scheme for both essential and casual car users, i.e. for cars 451-999 cc. This would generate between £82,000-£199,000 dependent on

- the mileage threshold used.
- Replace the existing national scheme with HMRC business travel rates – currently 40p per mile – for all business mileage. This would generate savings of £220,000 per annum based on current mileage levels.

A detailed report was submitted to SMT/Extended Management Team and Management Team Trade Union Liaison in August/September 2010. Analysis was requested of the impact of this proposal on different grades if a mileage threshold was to be introduced. An indication of the gender equality impact for each mileage threshold was also included. This analysis is attached at Appendix 2 and demonstrated that care needed to be taken if using a mileage threshold as too low a mileage threshold would impact on more females than males.

Concern was expressed regarding the potential for the introduction of a mileage threshold encouraging employees to undertake more journeys to reach the threshold and so other local criteria were considered such as number of journeys per week. However, based on an assessment of the data held, this again appeared to present difficulties.

Now that the extent of budget reduction is known, it is proposed to introduce the HMRC rate of 40p per mile from 1st April 2013. It is felt that this option will generate the maximum savings for the Council, and by providing a two year notice period will overcome the equalities issues for essential users compared to lease car users.

It is also proposed that in the interim, i.e. for 2011/12 and 2012/13, that the car mileage allowances/mileage rates for both essential and casual car users are frozen. Any national increases will not be applied.

A full equality impact assessment has been conducted on this proposal and no equalities issues have been identified.

### **Pay Freeze 2011/12**

It is proposed to introduce a pay freeze for all employees for the financial year 2011/12, regardless of the outcome of the national pay negotiations. This will generate a one year saving of approximately £240,000.

### **ISSUES FOR CONSIDERATION**

Consultation on the following management proposals commenced in January 2011:

1. Termination of the lease car scheme – with the Council contribution to this scheme being amended from 1<sup>st</sup> April 2013. This will incur a maximum cost of £4,000, but will lead to savings as set out under the review of the essential/casual car user scheme.
2. Termination of the provision of car loans.
3. Replacement of the national car user scheme with the HMRC mileage rate for cars from 1<sup>st</sup> April 2013. This will generate recurring savings of £220,000 per annum from 2013/14 onwards.

4. Current car allowances/mileage rates will be frozen for 2011/12 and 2012/13, to maintain current costs during the implementation period of the car scheme changes.
5. Pay Freeze for 2011/12 only. This will generate a one off saving of £240,000

The trade unions will be consulting their members on these proposals, which are necessary to reduce the need for compulsory redundancies, and will feed back their consultation comments at the meeting.

### **IMPLICATIONS**

Financial : £240,000 for 2011/12 only. £220,000 per annum from 2013/14 onwards

Legal : Management proposals are subject to consultation under the Information and Consultation Regulations

Human Resources : Following consultation – communication/implementation of the proposals will need to be undertaken.

### **RECOMMENDATION(S)**

1. **Consultation feedback be received and considered by management side.**
2. **Following consideration of the consultation feedback a report be submitted to Council setting out the final management proposals for approval.**

ATTACHMENT: Y (2)  
 FILE REFERENCE: N/A  
 SOURCE DOCUMENT: N/A

## **FOR INFORMATION**

**TITLE:** Assisted Car Purchase Scheme

**DATE:**

**FILE NAME:** Interest Rate May 2009

**OPEN**

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### **PURPOSE OF THE REPORT**

To advise about the interest rate for car loans provided under the Assisted Car Purchase Scheme with effect from 1<sup>st</sup> May 2009.

It was resolved at the meeting of the Policy and Resources Committee of 29<sup>th</sup> July 1998 (minute 498) that the interest rate under the Assisted Car Purchase Scheme is reviewed annually and set at 1% below the official interest rate for the Revenue Support Grant as contained in the Local Government Finance Report. It was further resolved that the effective date of any change would be 1<sup>st</sup> May each year.

The Local Government Finance Report for 2008/2009 indicated that the interest rate for the Revenue Support Grant will be 5.5%. Therefore the interest rate for any Assisted Car Purchase Scheme loans made on or after 1<sup>st</sup> May 2009 will be 4.5%.

### **Issues for Consideration**

The Inland Revenue Official Loan rate for the year 2009/2010 is 4.75%, therefore provided this rate stays above 4.5% there are no tax implications arising from this change. If this position changes during the year, the interest rate will be reviewed and members advised of the outcome.

**Credit Licence: provided the council does not exceed 1% above the base rate it will not require a credit licence. The current base rate is 0.5%, therefore if the rate offered by the council is above 1.5% a credit licence is due. This is the case from May 2009.**

**Due to the Interest Rates meaning the Council would need a Credit Licence which would increase costs and administration the decision was taken to suspend Car Loans until the economic climate changed. Employees who currently have a loan are not effected.**

## Appendix 2

### Mileage Threshold Analysis

#### GRADE

Mileage Threshold (miles)	F 1	M 1	F 2	M 2	F 3	M 3	F 4	M 4	F 5	M 5	F 6	M 6	F 7	M 7	F 8	M 8	F 9	M 9	F 10	M 10	F 11	M 11	F 12	M 12	SOL F	DIR M	CEOM	FEMALE	MALE	Total
1,000							1	1	1	2	1	3	1	3	8	9	3	1	2	3	1	3	2	3	1	2		40	30	70
1,500									4	1	1		2	3	2	2			1		1			1				11	7	18
2,000									1	3			2	6	1	3	1		1		1	1		2			1	7	16	23
2,500									1	3		4	2	1	4	3						1						7	12	19
3,000									1	1	1			1	1													3	2	5
4,000								1	1			2	1	1		3		2										2	9	11
5,000									1	1	1			2		2												2	5	7
8,500						2			1	0				5														1	7	10
<b>Total grade</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>3</b>	<b>32</b>	<b>13</b>	<b>39</b>	<b>38</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>73</b>	<b>88</b>	<b>161</b>											

\*1 male employee currently exceeds the 8,500 mileage threshold