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|---------------------------|---|------------------|------|
| Committee:                | Union Employee Consultation Committee   | Agenda Item No.: | 12.  |
| Date:                     | 10 <sup>th</sup> August 2011  | Category         |      |
| Subject:                  | Budget Savings  | Status           | Open |
| Report by:                | Joint Chief Executive Officer and Head of Human Resources/Payroll   |                  |      |
| Other Officers involved:  | Director of Resources<br>Payroll Manager  |                  |      |
| Director                  | Chief Executive Officer   |                  |      |
| Relevant Portfolio Holder | Councillor E. Watts, Leader of the Council and Portfolio Holder for Customer Service & People and Performance |                  |      |

#### **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**

#### **1. Background**

- 1.1 A report was submitted to UECC in February 2011 setting out proposals to make changes to terms and conditions. This was produced following informal consultation with management and the trade unions which commenced in August/September 2010, and shaped the final proposals for formal consultation in February 2011.

1.2 In brief these proposals were as follows:-

- A pay freeze for 2011/12 (regardless of outcome of national pay negotiations)
- Termination of the facility to apply for car loans (suspended since May 2009)
- Termination of the lease car scheme, with protection of current provisions until 31 March 2013
- A change from the national car user scheme set out in Part 2 of the Green Book to payment of the HMRC mileage rate from 1 April 2013.

1.3 In the February 2011 report it was identified that the pay freeze proposal would generate a saving of £240,000 for the Council during 2010/11 only, and the changes to the car allowances/lease car scheme would generate a further £220,000 once fully implemented in 2013/14 financial year. However, since the February 2011 report, due to the increase in the HMRC mileage rate from 40p to 45p, the savings target has been reduced to £200,000 from 2013/14 onwards.

1.4 The figures set out in 1.3 above, were based on the following data available at the time. The actual 2010/11 figures are now provided below, but as these are in line with the estimated figures do not affect the savings target.

| <b>Financial Year</b>    | <b>Total Cost</b> |
|--------------------------|-------------------|
| 2009/10 Costs (actual)   | £346,222          |
| 2010/11 Costs (actual)   | £371,472          |
| <b>Estimated Savings</b> | <b>£200,000</b>   |

1.5 These proposals are just some of the options in the Savings Strategy and are necessary because of a need to reduce expenditure by some £4m over the next two years, with the position for 2013/14 unknown at the current time.

1.6 At the end of June the cumulative funding gap after savings identified from all of the current projects (allowing for offset by use of transition grant as agreed by Elected Members of £742,000) is as follows:-

| <b>Year</b> | <b>Funding Gap after Green, Amber and Red Project Savings</b> | <b>Agreed Use of Transition Grant</b> | <b>Remaining Cumulative Funding Gap</b> |
|-------------|---|---------------------------------------|---|
| 2011/12     | £702,421  | £221,841                              | £480,580                                |
| 2012/13     | £990,256  | £520,903                              | £469,353                                |
| 2013/14     | £782,037  | £0                                    | £782,037                                |

The Savings Strategy to date has delivered £540,176. If no further savings were delivered the cumulative funding gap would be as follows:

| <b>Year</b> | <b>Funding Gap after Green Project Savings</b> | <b>Agreed Use of Transition Grant</b> | <b>Remaining Cumulative Funding Gap</b> |
|-------------|--|---------------------------------------|---|
| 2011/12     | £1.5 million                                   | £221,841                              | £1.27 million                           |
| 2012/13     | £3 million                                     | £520,903                              | £2.5 million                            |
| 2013/14     | £3 million                                     | £0                                    | £3 million                              |

An update will be provided at the meeting on the latest position of the Savings Strategy as this is updated monthly.

- 1.7 At the UECC meeting in February 2011, the trade unions requested more time to consult with their members, and non trade union employees were given the opportunity to feedback to the Head of Human Resources/ Payroll. It was agreed that this feedback be brought to the next meeting of UECC in April 2011.
- 1.8 At the UECC meeting in April 2011, the feedback was presented by both sides. The trade union side clearly set out its position in respect of the proposals. Details of the trade union side feedback are provided at pages 61 to 64.

Following debate, the Chair of UECC asked that further feedback on alternative suggestions be brought to a meeting of the Management Team/Trade Union Liaison for discussion, with the trade union side being given one month from the meeting to submit this feedback.

- 1.9 The trade union side provided feedback slightly after the one month deadline and this was circulated only one week prior to a Management Team/Trade Union Liaison Meeting on 10 June 2011. Due to the limited time between the distribution of this information and the meeting it was not possible to give detailed feedback at the meeting and the trade union side was told that consideration would be given to the trade union feedback and the employer's side would submit a response to UECC in August 2011 to allow further debate to take place. A copy of the trade union side submission is attached at pages 67 to 70. The alternative savings suggestions feedback is covered at paragraph 2.5 of this report.

## **2. Management Response to Trade Union Side Feedback**

### **2.1 Pay Freeze**

In February 2011 the Council was advised by the Local Government Employers that they had informed the trade union side that they would not be making an offer in respect of the pay claim for 2011/12, and would not be accepting any referral to ACAS.

On the basis that events at a national level have now overtaken this proposal from the local employer's side is no longer a consideration.

### **2.2 Car Loans**

The National Agreement (Green Book) provides that an employee can apply to the Council for a loan to purchase a vehicle for use on Council business.

The current facility to provide car loans at a preferential rate is suspended for the reasons set out at page 71.

To provide car loans on this basis would increase cost and administration through the need to have a Credit Licence. In light of the current financial position of the Council, this is not practical, at the current interest rates.

However, based on the request from the trade union side to reinstate car loans the Director of Resources was asked for his opinion as to whether or not we could reinstate these at a commercially viable rate. This would have to cover all the costs of providing this facility.

His response is that the current problem is that our rates exceed base rate so this would need the staff administering the loans to be FSA trained, qualified, assessed and suitable software purchased. The provision of loans leads to increased administration for finance employees and payroll employees.

If we go for commercial rates then there is still a need to go through this loop.

Even if we went for preferential rates then extra criteria would no doubt be included for green cars etc which isn't an issue for commercial lenders. Preferential rated loans cost the Council.

In addition to the above requirements, the Council can also be left in the position of chasing bad debts when employees default or leave the Council part way through a loan period.

As commercially available loans can be provided through the commercial sector, without any of the above complications, it would be difficult to

justify the complications that provision of car loans now brings, against a background of reduction staff resources.

Following consideration of the trade union side request to reinstate car loans and the feedback from the Director of Resources, the employer's side proposal to withdraw the car loan facility remains unchanged.

### 2.3 Lease Cars

In February 2011 there were 32 lease car users. At the time of writing this report, due to leavers and some employees purchasing their lease car, there are 29 lease car users.

Lease car provision is a local agreement, with no links to the National Agreement (Green Book). Most other Councils in Derbyshire have ended their lease car scheme provision. The basis of the current scheme is that it is cost neutral with the essential user scheme.

However, it has become apparent in recent years that in some provisions this equality of treatment cannot be practically mirrored. One of the examples of this is that where an employee who is an essential user is off sick or on maternity leave for more than 3 complete calendar months, the lump sum payment ceases. This cannot be mirrored in the lease car scheme, due to the fact that the contributions from the employer and employee are calculated over a three year period, and the current lease car agreement does not allow for this suspension during an extended period of absence.

Having considered the feedback from the trade union side, the employer's side proposal remains:

- Not to allow any new lease cars to be ordered under the scheme.
- To allow existing lease car users to extend their current lease for the period defined under the lease car agreement, but not beyond 31 March 2013.
- To amend the lease car contributions from the employer and employees from 1 April 2013, to mirror the proposed changes to the essential user scheme from that date.
- To close the lease car scheme completely from 1 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 1 April 2013, to bring this in line with the current essential car user changes referred to later in this report. This change in contribution rates 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 1 April 2013.

## 2.4 Amendments to Essential User/Casual User Car Mileage Scheme

There are currently 131 essential users, 64 casual users (employees) and 15 casual users who claimed mileage (Elected Members).

The car allowance scheme is set out in the National Agreement (Green Book) and the current mileage rates/lump sum payments 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                             |

At Management Team/Trade Union Liaison on 10 June 2011, the trade union side clearly set out the position at a national level regarding the above allowances which have not been updated since 1 April 2010.

In respect of the dispute which is said to have been registered on 21 March 2011, I have sought an update from the Regional Employers which sets out the national position as follows:

*"There has been no progress made with the unions on car allowances beyond them raising their concerns and disappointment at the Employers' decision to freeze the 2010 rates. The unions have not been prepared to start discussions on moving to alternative arrangements and at June's routine monthly National Joint Secretaries meeting they informed us that they would be registering a formal dispute with us.*

*The Employers' position will not change - there is no prospect of us agreeing to uprate the allowances before 1 April 2012. We hope that we will at some stage be able to engage the unions - either as part of any pay negotiations later this year for 2012/13 - or as a specific issue.*

*However, in the meantime we are content that by deciding not to review the allowances for 2011/12 we are not in breach of the National Agreement or individual employees' contracts".*

Based on the above, it is felt that the resolution of these issues at a national level will take some considerable period of time, if indeed they are resolved, and on this basis the employers side intends to restate their intention to move from the current national car allowances scheme to the HMRC mileage rate, currently 45p per mile, from 1 April 2013.

If the proposals at a national level are presented to the employer's side prior to 1 April 2013, they will be considered at that time.

To provide some background to members of the Committee the following local Councils have already moved to the HMRC mileage rate:

- Derbyshire County Council
- Derby City Council
- Nottinghamshire County Council
- Nottingham City Council
- Broxtowe Borough Council
- Peak District National Park Authority

In addition two local District/Borough Councils will be moving to this rate on 31 March 2012, and 1 February 2014 respectively. One other District Council intends to move to the HMRC rates as part of implementation of their new pay agreement within the next 12 months.

## 2.5 Other Savings Proposals from the Trade Union Side

At Management Team/Trade Union Liaison on 10 June 2011, a list of alternative savings proposals were provided, and are attached to this report on pages 68 to 70. However, it was made clear in the document that these were not necessarily proposals from UNISON.

In view of the significant savings gap which now exists, the employer's side wishes to thank the trade union side for these suggestions. They have been provided to members of Senior Management Team for their serious consideration. Their responses will be collated and provided back to UNISON as soon as practicable. Clearly if any of these proposals are thought to be viable, proposals will be put to Elected Members and if these impact on employees, will be taken forward with full consultation.

## **ISSUES FOR CONSIDERATION**

Informal consultation commenced with the trade union side in September 2010, with formal consultation ongoing since February 2011.

This has resulted in a national pay freeze being implemented during the consultation period, which means the local proposals are no longer necessary, in respect of the pay claim for 2011/12.

The following employer's side proposals remain unchanged, in view of the funding gap which exists over the next three years, and following consideration of the trade union side feedback:-

- To retain the current suspension on provision of car loans and to withdraw the facility completely from 1 January 2012.
- Not to allow any new lease cars to be ordered under the scheme.
- To allow existing lease car users to extend their current lease for the period defined under the lease car agreement, but not beyond 31 March 2013.
- To amend the contributions for existing lease car users from both the employer and employees with effect from 1 April 2013, to mirror the proposed changes to the essential user scheme.
- To close the lease car scheme completely from 1 April 2014.
- To cease to apply the NJC car allowances scheme from 1 April 2013.
- To pay HMRC mileage rates from 1 April 2013 for all business mileage.

Whilst the employer's side welcomes further local discussions at the meeting on 10 August 2011, unless significant progress can be made, it requests consideration by the trade union side as to whether this matter should be referred through the dispute resolution procedures as set out in the National Agreement (Green Book), which states:

**Where agreement is not possible, either party may refer the failure to agree to the provincial joint secretaries (or other mutually agreed persons) for conciliation. If the provincial conciliation is unsuccessful, the provincial secretaries may recommend further procedures for resolution of the difference, including external conciliation, mediation or binding ACAS arbitration. The above procedures should if possible be completed normally within a further three months.**

Whilst the Council would agree to ACAS involvement in this process, it does not agree to binding arbitration.

### **IMPLICATIONS**

Financial : £200,000 per annum savings from 2013/14 onwards  
Legal : Management proposals are subject to consultation under the Information and Consultation Regulations  
Additional dispute resolution provisions as per the National Agreement  
Human Resources : Following consultation/exhaustion of the dispute resolution provisions in the National Agreement – communication/ implementation of the final proposals will need to be undertaken.



## **RECOMMENDATIONS**

- 1. Following consideration of the consultation feedback from both sides, a decision is made regarding referral to the dispute resolution procedure set out in the National Agreement (Green Book), in respect of the proposed changes to the NJC Car Allowance Scheme, the Lease Car Scheme and the withdrawal of the provision of car loans.**
- 2. If a decision is made by either side, or both sides, to refer the outstanding proposals through the dispute resolution procedure, a decision is made as whether this is through the provincial secretaries, or other mutually agreed persons.**
- 3. The employer's side position that it is not prepared to agree to binding arbitration through ACAS is noted.**

ATTACHMENT:            **Y (3)**  
FILE REFERENCE:       **N/A**  
SOURCE DOCUMENT:    **N/A**