

Runnymede Borough Council

CORPORATE MANAGEMENT COMMITTEE

Thursday 4 February 2010 at 7.30 p.m.

SUPPLEMENTARY AGENDA

PART I

11. **STAFF REMUNERATION POLICY AND UPDATE ON THE SERVICE REVIEW PROGRAMME (CE)**

1. **Purpose of Report**

1.1 **To recommend to Members a pay scale freeze and the withdrawal of final year remuneration benefits for staff and to update the Committee on the service review programme.**

2. **Background Information**

2.1 As part of the briefing of this Committee on the Council's Five Year Financial Forecast in November 2009, the Chief Executive reported on measures to tackle the deficit forecast in the Financial Plan of at least £850,000.

2.2 Members agreed to a programme of service reviews which would start in January 2010 and would inform the 2011/12 budget. Members noted that it was anticipated that the 2011/12 budget would be a particularly difficult one with potential reductions in Government support in real terms. With other budget pressures, the Chief Executive reported that the proposed financial target was £1-1.5m. Since the last report, the following actions have been taken:

- (a) A Business Transition Manager has been appointed and she took up her post on 10 December 2009.
- (b) Two service review workshops have taken place with Councillors Brown, Furey, P I Roberts and Waddell as well as Directors to ensure that briefings have been comprehensive and to define Member involvement in the service review process. Those Members have also designated other Members to support and oversee the detailed work of the service review teams.
- (c) Project initiation documents have been produced and the service review groups have been established. Work is under way.
- (d) An intranet site has been established to aid communication and staff briefings have taken place.
- (e) Meetings have taken place with UNISON to communicate how staff will be involved in the detailed processes.

3. **Proposed Pay Scale Freeze**

3.1 There is a time lag before the full impact of savings identified in the service reviews can be realised. In the interim, there are budgetary pressures which need to be addressed. Such pressures go beyond that recognised and planned for in the Financial Forecast, not least of which is the need to restrain the increase in Council Tax to an affordable level for the Council's residents and to within Government set capping limits. Last year, the capping limit was set nominally at 5%, but this could be changed by Government to a lower percentage.

3.2 In order to limit the impact on the Council's budgets in the short term, the Chief Executive proposed a pay scale freeze for the next two financial years, commencing in 2010/11. This would be in addition to the suspension of the performance related pay scheme. All staff received a letter from the Chief Executive on 4 December 2009 advising them of this proposal and inviting comments. Discussions have taken place with UNISON on this issue against the backdrop of a proposed pay increase of 2% by UNISON. The pay scale freeze

proposed is in respect of the annual cost of living award and does not affect the existing policy of retaining annual increments of 3% for those not yet at the top of their pay scale.

- 3.3 No comments were received from staff in response to the Chief Executive's letter. It is recommended that the pay scale freeze is instigated for a period of two financial years. However, as the service reviews are expected to be completed during the 2010/11 financial year, UNISON has requested that if Members are minded to support Officers' recommendations, the situation be reviewed in time for preparation of the 2011/12 budget. If sufficient savings have been made and the savings plan can be implemented, it seems reasonable to undertake this review and consider a pay increase in 2011/12, if this is affordable. The Chief Executive has made it clear that this gives no guarantee of a pay increase in 2011/12 but does give a commitment to further consideration of pay policy during the autumn of 2010.
- 3.4 UNISON have also requested that during the period of the pay scale freeze, staff be granted an additional day's annual leave. However, the lost time that this would entail would cost £50,000 to resource and the financial impact would be the same as increasing pay by this amount. The Chief Executive is not minded to agree to this as it will cause difficulties for remaining staff in covering current workloads. There are one hundred and seventy staff with the maximum entitlement to leave (30 days). Staff can supplement their leave with flexitime leave of up to one day per month. The current lowest level of leave entitlement is 22 days per year rising to 30 days for longer serving members of staff. The Council employs 500 staff and if it were to grant an extra days leave to all staff, this would equate to the loss of 2 full time equivalents per year. It would also put a strain on services and limit the ability to provide some services to the public within the current opening hours. This could, in turn, lead to demands for additional posts.
- 3.5 The National Employers' Organisation for Local Government Services has recommended a pay freeze for 2010/11 to all local authorities.
- 3.6 A pay scale freeze and suspension of performance related pay is bound to have an impact on staff morale. This matter has been openly debated at Staff Briefings with employees being informed that the primary considerations must be the need to retain services and as far as is possible to avoid compulsory redundancies. In this respect, a draft new redundancies policy has been drawn up (see Appendix '1' attached). This policy is still the subject of negotiation with UNISON, but the draft is attached for Members' information.
4. Final Year Salary Enhancement
- 4.1 The Chief Executive made a further recommendation to Members in November 2009 in respect of the policy which allows for final year salary enhancement for certain retiring staff with good performance and at least ten year's service (up to 10%, subject to the Chief Executive's approval). The proposal was to abolish this policy with effect from 1 April 2011, meaning that all staff eligible for retirement from this date would no longer be entitled to such a benefit.
- 4.2 Nine letters or e-mails have been received by the Chief Executive in respect of the abolition of this policy requesting further consideration and in general suggesting that this has been part of a long term retention policy and an expectation of staff retiring in the near future. Conversely, two members of staff suggested that the policy should be abolished with immediate effect.
- 4.3 When the Council last considered this policy in 2006 it noted evidence that it assisted in retaining good quality long-serving staff. The direct cost to the Council in the previous five years had ranged between £1,100 and £20,000 in a year, depending on the number of qualifying retirements. The increased cost to the Surrey Pension Fund in a year had ranged between £436 and £18,513 for the total of all increases in lump sums, and between £166 p.a. and £6,458 p.a. for the total of all increases in pension payments. However, because the pension payments are annual, if all the retiring staff in the most expensive year continued to draw their pension for the 2004 average survival period of 18.5 years, the Pension Fund would pay an estimated £157,000 extra over that period. The cumulative impact on the Pension Fund of a number of years when staff retire with a final year enhancement could be substantial. This in turn (and subject to overall fund performance) is likely to affect the contributions required from this Council.

- 4.4 The policy was reworded in 2006 to ensure (inter alia) that not only was the enhancement discretionary but so was the amount. Not every enhancement since then has been at 10%. However, the policy not only has implications for Runnymede Borough Council's resources but a knock on impact for the Surrey Pension Fund (which in turn could be an extra cost to this Council). Few authorities retain such a policy in the light of pressures on public sector pension funds and the potential detrimental impact on scheme members in the medium to long term.
- 4.5 Whilst this is a difficult decision in which it is easy to sympathise with those who have an expectation of enhancement of final salary, on balance, the Chief Executive advises that greater weight has to be given to the cost of future Council contributions in the longer term and the interests of scheme members who are likely to be paying into the Fund for many years to come. It is recommended that the original recommendation to abolish any final year salary enhancement from 1 April 2011 be endorsed by Members.
5. Equalities Impact Assessment
- 5.1 A freezing of pay scales will have a significant impact for lower paid staff. A disproportionate number of lower paid Council employees are female. Consideration has been given to the possible mitigation of a pay freeze on the lowest paid. However, any threshold below which employees would qualify would be arbitrary. For this reason, it is recommended that the pay scale freeze apply to all staff. This is a matter which the Chief Executive would like to address in future pay rounds, subject to affordability.
- 5.2 The withdrawal of the policy on potential enhancement of salary in the final year of service will cause detriment to qualifying older Runnymede employees by comparison with previous years, although no legal issue arises as they will not be being treated less favourably than younger employees. Whilst there is some sympathy with staff who might have had a reasonable expectation of enhancement, this is outweighed by the need to formulate a sustainable financial plan for the Council and to protect the interests of the majority of pension scheme members. This policy is anomalous in the current economic climate and few authorities retain such a generous benefit, given pressures on local authorities and pension funds nationwide.
- 5.3 A full Equalities Impact Assessment has been made and this is set out at Appendix '2' attached, including the comments of UNISON.
6. Legal Issues
- 6.1 The pay review arrangements form part of staff's contractual terms and conditions (the pay review policy being incorporated into individual contracts of employment). Consequently, any significant changes or suspension of the arrangements will require notice being served of such changes following consultation. Technically, this will require current contracts being terminated and new revised contracts being offered in their place. If individuals were minded not to accept the revised contract, their employment with the Council would come to an end. If that occurred, the Council could be open to claims for unfair constructive dismissal. Should any such claim be lodged, the Council would defend its actions on sound business grounds following consultations and due notice.
- 6.2 Although an established Council policy, the ability to enhance final year salaries has always been discretionary and although it states the norm as 10%, this can be discounted if the circumstances justify it. Accordingly, even if it is argued that the existing policy forms part of Runnymede's terms and conditions, no qualifying member of staff has a guarantee of an enhancement of a specific value or at all. Accordingly, it is the view of Officers that there is no contractual right to the final year enhancement.
7. Resource Implications
- 7.1 If adopted, the recommendations would contribute £47,000 in 2010/11 and £262,000 in 2011/12 towards the savings target.

7.2 It is not possible to quantify the savings resulting from the abolition of the discretion to approve final year pay enhancements as these depend on the number and nature of qualifying retirements in a year and also future decisions made regarding the funding of Surrey pensions. There is no provision in the forecast for additional expenditure in respect of the policy and therefore its removal will show no improvement against the forecast. However, the abolition of the policy will remove a source of additional pressure on the Council's budget and savings target.

OFFICERS' RECOMMENDATION that -

- i) the Runnymede Borough Council pay scales be frozen at their current level for a period of two years, commencing in 2010/11, but be reviewed so that an uplift can be considered as part of the 2011/12 budget process;**
- ii) the final year salary enhancement scheme be abolished with effect from 1 April 2011; and**
- iii) staff be served notice of these changes.**

(TO RESOLVE)

Background Papers

None stated

14. REFERENCES FROM OTHER COMMITTEES

iii) REFERENCE FROM PLANNING COMMITTEE – 27 JANUARY 2010

Costs of Padd Farm Inquiry

On 28 October 2009, it was reported to the Planning Committee that £60,000 would be required to fund the Padd Farm Inquiry. On 26 November 2009, the Corporate Management Committee agreed to finance this by way of a virement from the provision for the Trumps Farm Incinerator Appeal.

Based on expenditure to date, the likely cost of external legal or and any other fees for the Padd Farm Inquiry is now £120,000. The Planning Committee, at its meeting on 27 January 2010, recommended that the extra £60,000 be financed from a further virement of £20,000 from the Incinerator Appeal budget, with the other £40,000 being met from the Suitable Alternative Natural Green Spaces (SANGS) endowment funds. This would leave an estimated balance of SANGS endowment funds of £86,000 at 31 March 2010, of which £49,700 is committed in 2010/11.

This Committee is asked to approve the virement and use of SANGS endowment funds.

PLANNING COMMITTEE'S RECOMMENDATION that –

a further virement of £20,000 from the provision for the Trumps Farm Incinerator Appeal and the use of £40,000 from the SANGS endowment funds be approved, to meet the costs of the Padd Farm Inquiry.

(TO RESOLVE)

Background Papers

None