

# CABINET

## Pay Inflation and Early Termination of Employment Policies

17<sup>th</sup> February 2009

### Report of Chief Executive

PURPOSE OF REPORT			
To seek Cabinet's views on pay inflation for 2009/10 and the application of Redeployment and Early Termination of Employment Policies.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
		Referral from Cabinet Member	<input checked="" type="checkbox"/>
Date Included in Forward Plan			
This report is public			

#### RECOMMENDATIONS OF COUNCILLOR BRYNING

To follow.

##### 1.0 Introduction

##### 1.1 Pay Inflation

Councillor Mace has requested that a report is produced for Cabinet in respect of the options for zero pay inflation for 2009/10.

The draft budget as reported to Cabinet in January contained provision of around £442,000 for 2009/10, which is equivalent to a 2% increase in pay with effect from 1<sup>st</sup> April 2009. Clearly though this budget provision will be affected by the various savings options being considered by Cabinet, where reductions in staffing levels are involved.

Annual increases in pay are negotiated between the national Employers' Organisation and national Trade Unions representing employees. Attached at **Appendix A** is a letter received in November last year concerning the 2009/10 pay negotiations

Of the other Local Authorities in Lancashire, it is understood that most have provided for percentage increases in the range 2% to around 2.5%.

##### 1.2 Voluntary Redundancy

Councillor Mace has requested that the issue of voluntary redundancy is addressed.

One of the mechanisms available to the City Council to achieve reductions in the Employee Establishment is by using voluntary redundancy. Voluntary redundancy brings initial expenditure, but medium term savings as the person leaving the Council is not replaced. The Council's current policy with regard to Voluntary Redundancy is included in its Early Termination of Employment Policy referred to below.

### **1.3 Review of Early Termination of Employment Policy and Redundancy Policy**

Cabinet, at its meeting held on the 09 December 2008, resolved at Minute No. 103 to commission North West Employers' Organisation (NEWO) to review its Early Termination and Redeployment Policies. The Policies and the comments of the NWE0 are attached as **Appendices** to this report.

### **2.0 Proposal Details**

Cabinet are asked to consider these issues and formulate any proposals.

### **3.0 Details of Consultation**

3.1 Trade Union consultation has commenced in relation to the issues set out in this report.

### **4.0 Options and Options Analysis (including risk assessment)**

#### **4.1 Pay Inflation**

- (a) Option 1 – Take no further action. The risk is that, at this stage, we do not know whether the National Agreement on pay inflation will match budget provision. However, it is not possible at this stage to estimate the outcome of national pay inflation.
- (b) Option 2 – Adjust the amount included in the budget. The City Council is already at the lower end of pay inflation assumptions, however, when compared with other authorities, and coupled with this, the Council is facing greater financial risks generally in terms of its budget proposals for next year, than has been the case in recent years.
- (c) Option 3 – Lobby National Employers to introduce a zero pay inflation increase across the Local Government workforce.
- (d) Option 4 – Begin negotiations to remove Lancaster City Council from the National Pay Agreement and instead agree an approach through local pay bargaining. This is a complex process and it is not possible to identify timescales. There is a high risk of industrial relations problems.

There is no specific preferred officer option, but Officers would not recommend Option 2, given the financial risks outlined above. Furthermore, Officers would not recommend Option 4 as being realistic within the timescales required for setting the 2009/10 revenue budget. Clearly, whilst the financial and budgetary aspects of pay are a matter for Cabinet, the terms and conditions on which staff are employed are a matter for the Personnel Committee, and if options 3 or 4 were to be pursued, then Personnel Committee should be involved.

#### 4.2 Voluntary Redundancy

- (a) Option 1- Offer voluntary redundancy as an approach to people in posts “affected”.
- (b) Option 2 – Offer voluntary redundancy to people in those Service areas “affected”.
- (c) Option 3 – Offer the opportunity to apply for voluntary redundancy to all post holders apart from those in areas already identified as priorities. For example, refuse collection and street cleansing.
- (d) Option 4 – Offer the opportunity to apply for voluntary redundancy to all post holders.

The officer preferred options are 1 or 2. These approaches fall within the scope of the Council’s Early Termination of Employment Policy, and represent least risk (including financial risk) to the Council, of all the options outlined. On the other hand, options 3 or 4 would require a review of the general approach set out in the Policy, and this would need to be considered by Personnel Committee as part of any review of the Policy.

#### 4.3 Review of HR Policies

- (a) To request Personnel Committee to review its Redeployment Policy and Early Termination of Employment Policy. Officer comments on the work of the NWE0 would be included in any report to Personnel Committee. Furthermore, if voluntary redundancy requests were sought in line with any of the options outlined above, the timing of such actions would need careful consideration, in view of any Policy review.

<b>RELATIONSHIP TO POLICY FRAMEWORK</b>
Policy of Council Tax being more than a 4% increase in 2009/10
<b>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</b>
None arising directly from this report.
<b>FINANCIAL IMPLICATIONS</b>
The January draft budget projections for 2009/10 includes an estimated 2% pay increase, equivalent to £442,000, as referred to above, but this will be affected to some degree by Cabinet’s other budget proposals.
It is not possible to quantify the savings associated with any Voluntary Redundancy exercise at this time as there would also be initial costs involved and these would be dependant on the individual and which members of staff were involved. The existing Policy provides in detail for the financial considerations that must be assessed in dealing with any such

applications. It is clear, however, that in reducing the establishment, the Council would face significant one-off costs and potential funding for such costs is covered in the Budget report elsewhere on the agenda.

#### **SECTION 151 OFFICER'S COMMENTS**

The s151 Officer would advise that a review of HR policies would allow the financial aspects to be re-appraised. Ultimately there needs to be an acceptable balance between the interests of affected staff, affordability (from the Council's perspective), and the interests of local tax payers.

Should a review of HR policies be undertaken, ideally this should be completed as soon as possible (other workloads permitting), or at least within a defined timetable, in order that a clear understanding of any financial changes can be gained. This may well affect individuals' interests also – as any change or potential change in policy may influence their views regarding voluntary redundancy, depending on what is on offer.

Generally though, it is highlighted that for wider voluntary redundancy invitations, it can be the case that interested individuals tend to be those who have more years' service, or who may well be considering alternative employment in any event. In such cases, VR may well not be the most cost-effective means by which to achieve reductions in staffing levels. These sorts of considerations would be addressed through the application and any review of policy, however. Finally, in addition to the comments made by NWE0, the s151 Officer would advise that any Redundancy provisions in future HR policy should include clear details of the selection process, to help protect the Council's financial interests (as well as individuals).

#### **LEGAL IMPLICATIONS**

There are no legal implications directly arising from this report, however further consideration of these matters will be required (in terms of existing policies) if it is determined to pursue these proposals.

#### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments at this early stage of the proposals.

#### **BACKGROUND PAPERS**

Cabinet report and minutes of 09 December 2008.

**Contact Officer:** Mark Cullinan

**Telephone:** 01524 582011

**E-mail:** chiefexecutive@lancaster.gov.uk

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