

Report To: Full Council

Date of Meeting: 9th April 2013

Lead Member / Officer: Cllr Barbara Smith/Linda Atkin, Head of HR

Report Author: Linda Atkin, Head of HR

Title: Workforce Efficiencies

1. What is the report about?

The report details the savings required to achieve the Workforce Efficiencies identified in the Budget and the process proposed for implementing these savings.

2. What is the reason for making this report?

Negotiations with the Trade Unions on how the Workforce Efficiencies will be delivered have now concluded and the Council has drawn up its final package on how these can be achieved. The trade unions balloted their members on this package between 18th and 28 February but did not recommend acceptance. The turnout for the ballot was low at just over 20%.

Of the 20% that voted, 74% rejected the proposal.

| | | | | | | |
|---|----------------------------|----------------------------------|-----------------|-----------------|---------------|----------------|
| Total Number of Employees (excluding teachers) | | | 3664 | | | |
| Total Number of Union members | | | 1806 | | | |
| | | | | | | |
| | Total papers Issued | Number of Papers returned | Accepted | Rejected | Spoilt | Turnout |
| Unison | 1524 | 317 | 82 | 232 | 3 | 20.80 |
| GMB | 180 | 34 | 6 | 28 | 0 | 18.89 |
| Unite | 102 | 19 | 6 | 13 | 0 | 18.63 |
| | 1806 | 370 | 94 | 273 | 3 | 20.32 |

This means the Council is unable to conclude a voluntary agreement with the workforce through the Trade Unions for implementation of the proposals and an alternative approach is needed.

This will involve consulting direct with those affected to gain their agreement to the proposed changes and serving them with notice to vary their existing contract of employment. If agreement is not reached with the individual, there will be a requirement to terminate their

existing contract of employment and issue those individuals with a new contract of employment incorporating the amended terms and conditions.

As this will affect, 414 essential users and potentially 3250 casual users, it is potentially a high profile issue and therefore members should be aware of the background including the extensive negotiations that have been undertaken and the reasons for taking this course of action.

This was discussed in Informal Cabinet on the 11th March 2013 who supported the proposed way forward but requested that the authority looked to see if any action could be taken to lessen the financial impact on the lower paid.

3. What are the Recommendations?

That Council:

1. Notes the efforts made to reach agreement with the Trade Unions in respect of the identified workforce efficiencies
2. Reaffirms the need to achieve the savings identified in the Medium Term Financial Plan resulting from these efficiencies
3. Approves the measures described in paragraph 4 to assist the lower paid
4. Authorises the Chief Executive to issue notices of variation of contract in respect of the Essential Car User allowance, Disturbance Allowance and Pay Protection Period as set out in paragraph 4 of the report
5. Authorises the Chief Executive to issue notices of dismissal to those employees who do not accept the contract variations referred to in 4 above together with an offer of re-engagement on the varied terms and conditions

4. Report details.

In the current financial climate, all Councils are required to make substantial reductions in budget and have to put plans in place to meet the necessary savings required. For Denbighshire this amounts to around £18m over a three year period. As part of the efficiency agenda savings amounting to £1.525 were identified against the general workforce within the Medium Term Financial Plan.

This was subsequently halved and reduced to £762k in June 2012 by the Chief Executive in recognition of the fact that other savings had been identified and there were a number of external factors which also affected staff's pay such as the review of tax credits; Child Benefits; Fuel costs etc. and it was recognised that many staff were struggling financially at the moment.

Negotiations with the trade unions have been on-going for nearly two years on a package of measures to protect services and jobs.

| EFFICIENCIES | Required | Achieved | Required | Achieved | Required | Identified | Required | Identified |
|---|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2011/12 | | 2012/13 | | 2013/14 | | 2014/15 | |
| <i>Original Budgeted amount</i> | <i>£125,000</i> | | <i>£200,000</i> | | <i>£500,000</i> | | <i>£700,000</i> | |
| Reduced requirement June 2012 | £62,500 | £60,850 | £200,000 | £192,991 | £200,000 | £245,426 | £300,000 | £257,266 |
| | | | | | | | | |
| Application of triangular travel and lesser of rule | | £47,636 | | £47,636 | | | | |
| Review of essential user allowance and removal from Staff who did not meet criteria | | £13,214 | | £145,355 | | | | |
| Removal of Essential user allowance and implement 45ppm for all | | | | | | £245,426 | | £184,766 |
| Reduce the period of protection to 12 months | | | | | | | | £42,500 |
| Reduce reimbursement period for disturbance mileage to 12 months | | | | | | | | £30,000 |

£95k has been achieved from the changing the way in which employees are able to claim business mileage, and approximately £158k from the review of essential car users, leaving approximately £510k to achieve over 2013/14 and 2014/15. In order to achieve this, the Council made its final proposal to the trade unions in November which was to remove the essential user lump sum, introduce the HMRC mileage rates for all, and reduce the period for pay protection and disturbance. A copy of this is attached in Appendix A.

The withdrawal of the essential user lump sum together with a mileage payment for business travel at the HMRC rate is consistent with actions taken by every other authority in Wales and will allow Denbighshire to deliver the savings required. Understandably each authority is at a different stage in the process, but 16 authorities have already removed essential user allowance and are paying a single 45p mileage rate. Within North Wales, Gwynedd, Conwy and Wrexham have achieved this. Anglesey have served 90 days notice to vary employees' contracts, Flintshire are still negotiating Single Status and this is part of that.

Denbighshire will be providing a fair and reasonable reimbursement in the form of a mileage rate which is commensurate with the HMRC allowances. The Council currently spends in the region of £1.2m on business mileages. Within the Modernising Programme there are on-going projects to reduce staff travel through home and flexible working, use of mobile devices to streamline processes and reduce travel around the county. The Council is also looking at a number of measures to help employees who have to travel around the county to undertake their role, such as provision of Pool Cars and the ability to benefit from salary sacrifice in return for lower charges on lease cars.

There are 414 employees who are essential users and receive a payment of £80.25 per month (£963pa) together with a mileage rate of 40.9p. The proposals, outlined in Appendix A , for essential users, was to phase the removal over a 9 month period from April through to January 2014 and introduce the 45p per mile allowance from 1st September. This would cushion the financial impact for the first year.

Casual users currently receive 52.2p per mile and it was proposed that this would reduce to 45p on 1st September 2013, again cushioning the impact in year 1. Casual users currently pay tax on the difference between 45p and 52.2p. On an average business mileage of 600 miles a year, then the actual reduction is £28.80.

However as the proposals have been rejected, the Council will now need to consult direct with those affected to gain their agreement to the proposed changes and serve them with notice to vary their existing contract of employment. If agreement is not reached with the individual, there will be a requirement to terminate their existing contract of employment and issue those individuals with a new contract of employment incorporating the amended terms and conditions.

This will likely take between 4-6 months to complete and therefore the authority has no alternative other than to implement both the removal of the Essential Car User and bring in the 45p mileage rate with immediate effect at the end of the notice period as otherwise it will not achieve the required savings this financial year.

However, recognising the difficult economic climate and in response to a request made by Informal Cabinet, the authority will be giving 12 months protection for those employees currently earning less than the living wage (currently £7.45 per hour).

The variation of contract will also include changes to the Disturbance allowance payment period which will be reduced from 4 years to 1 year and the Pay Protection Period which will be reduced from 3 years to 1 year.

As part of the original negotiations, management had offered that if the Trade Unions were willing to recommend the changes and enter into a Collective Agreement, a commitment would be given not to review further terms and conditions before April 2015 as a gesture of good will. Since the trade unions have not supported the authority in this ballot, the commitment not to review any further terms and conditions for the purpose of achieving corporate workforce efficiencies until April 2015 will now be withdrawn.

5. How does the decision contribute to the Corporate Priorities?

This is fundamental to the authority meeting its efficiency savings required.

6. What will it cost and how will it affect other services?

The impact on services is dependent on which efficiencies are agreed going forward. There should not be any additional costs associated with these as they are efficiency savings. However, if these workforce efficiencies are not achieved next year then the impact on services will be considerable as a difficult decision would need to be made to either look at cutting front line services or making redundancies/

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report.

A copy of the Equality Impact Assessment is attached. Appendix B

8. What consultations have been carried out with Scrutiny and others?

There have been regular monthly meetings with the Joint Trade Unions which started in December 2010. The Senior Leadership Team has been fully involved throughout the process. Lead Member for Modernising and Performance has been kept informed throughout the process. Finance have spent considerable time with the trade unions going through background and financial position. LJCC have been updated on negotiations throughout the period of negotiations. (Cllr. Joan Buttlerfield, Cllr. Meirick Davies, Cllr. Huw Hilditch-Roberts, Cllr. Martyn Holland, Cllr Colin Hughes and Cllr. David Simmons.)

A report was also presented to Informal Cabinet on the 11th March 2013.

9. Chief Finance Officer Statement

The council will continue to face significant financial challenges over the coming years as reductions to public sector funding across the UK are likely to continue in the medium term. The Budget delivered by the Chancellor of the Exchequer recently signalled further reductions to Welsh Government funding which is likely to reduce local government funding as a consequence. It is almost inevitable that this will mean greater savings targets are required by local councils in Wales than have been built into budgets and medium term financial plans. The 2013/14 budget already assumes that £200k savings will be achieved through the proposed savings with a further £300k in 2014/15. If these savings are not achieved then services will be required to find the additional savings on top of the £6m they are already dealing with over the 2 year period in a worsening financial climate.

10. What risks are there and is there anything we can do to reduce them?

The risks will be dependent on whether efficiencies can be agreed and if they are agreed, they will vary from service to service. If savings are not achieved through this proposal, other less palatable savings and cuts will be required which may present different risks to the Council.

The risk that service delivery will be affected if staff are unable to travel for their work will be mitigated through the following arrangements. Staff unable to provide their own car for work mileage will have access to pool vehicles where possible. Arrangements will be made for particularly high mileage users to have a designated pool car. The protection arrangements outlined in the report will also help to mitigate this risk.

11. Power to make the Decision

Power to make the decision is s112 Local Government Act 1972