

## ROTHERHAM BOROUGH COUNCIL – REPORT TO STAFFING COMMITTEE

1.	<b>Meeting:</b>	<b>Staffing Committee Meeting</b>
2.	<b>Date:</b>	<b>5<sup>th</sup> February 2013</b>
3.	<b>Title:</b>	<b>Employee Relations Update</b>
4.	<b>Directorate:</b>	<b>Resources</b>

### Summary

This report is a summary of current issues.

This paper details responses and proposals in respect of employee relations issues resulting from: -

- National Pay Award
- Living Wage implications
- Council budget challenge
- Pension Scheme Changes & Auto enrolment

### 6. Recommendations

Staffing Committee is asked to approve the recommended approach on these matters.

## **7. Proposals and Details**

### **a) National Pay Award**

Members will be aware that Local Government employees have had no annual pay award for 3 years (Chief Officers have had no pay increase for 4 years).

In addition in Rotherham we have agreed with local Trade Unions a temporary freeze on Annual increments for the last 2 years (to be re-instated this year) and also had a further 1 year pay reduction equivalent to 3 days pay (1.15%) alongside a significant programme of job reductions to help meet the budget challenges posed by the central government Comprehensive Spending Review.

National Employers are indicating there will likely be an offer of up to 1% this year across the board to all employees. This is an additional cost but has already been factored in to our budget proposals.

### **b). Living Wage**

Significant national coverage, especially via Trade Unions and other social organisations, is being given to encourage employers across the country to adopt a minimum rate of pay of £7.45 per hour calculated using a range of factors (housing rents, transport costs, etc) by the Living Wage Foundation a Charitable Trust.

The National Minimum Wage (NMW) rate of pay set by legislation from central government is currently £6.19 and reviewed each October.

The Council lowest rate is £6.29 per hour paid mainly to 1500 non-schools employees working mainly in catering and cleaning with a further 850 school meals supervisors and teaching assistants/admin jobs in schools.

The National Minimum Wage rate has closed on our Local Government rates of pay as a result of our pay freeze etc while inflationary annual increase to NMW have continued to be applied.

Notwithstanding the social aspects of applying the Living Wage rate of pay, the economic costs of Rotherham applying such a rate would be unaffordable at over £950K (Non-schools). Many other employers including those local Councils allegedly supporting this initiative have already outsourced the services/occupations where this rate would have the major impact. Locally Sheffield is proposing to apply this minimum rate as a supplement but only 250 employees would be affected as opposed to our 1500.

Any increase with no commensurate re-appraisal of the job content could also have serious implications for our job evaluated pay structure, job hierarchies and supervisory demarcations that would open the Council to Equal Pay challenge and industrial relations issues.

c). **Council Budget Challenge**

The current challenge of £20.2m incorporates a range of measures to help set a balanced budget.

The agreement to re-introduce increments from April instead of July has resulted in an additional cost of £300K.

In addition, Elected Members have agreed to set a further £300K target to help set a balanced budget. Consultations have commenced with Trade Union colleagues and a range of potential options tabled for their consideration:-

- Forego anticipated National Pay Award (1%)
- Re-introduce a 3 day pay reduction (1.15%)
- 90% sick pay from day 1 of absence
- Bi-annual increments
- Remove allowances (Time & Qtr) for working weekends
- Remove additional day off for working on Bank Holidays
- Reduce future Pay protection
- End Excess Travel Allowances

Clearly not all the above will be acceptable nor necessarily achievable through negotiation/ballot of the workforce, so the list will be shaped as consultations continue.

An alternative approach to force through all of the above would require a dismissal and re-engagement approach and is forecast to likely result in significant service disruption through industrial action.

d). **Pensions**

A number of changes are taking place in respect of pensions that will impact on both employees and the organisation: -

i) **New Scheme**

A Career average scheme is to start from April 2014 replacing the current Final Salary Pension Scheme.

Increases to personal contribution rates are proposed in the region of 3.5% and up to 5% more for the very highest paid.

Employees would see the accrual rate improve to 1/49<sup>th</sup> as opposed to 1/60<sup>th</sup> and part time employees would pay contributions on actual earnings rather than whole time equivalent salaries. A '50-50' scheme is also available that is hoped to reduce potential opt-outs from the scheme.

The future scheme also has additional cost implications for the Council in that all additional hours worked would be deemed pensionable and incur employer contribution costs of 12% on every pound earned. Based on current levels of overtime working, while halved over recent years (down from £2.3m in 2009 to £1.2m last year), this would still result in a potential additional cost of £140K to the Council from April 2014.

It is also being proposed that pensions for Elected Members would no longer be available through the Local Government Pension Scheme.

## **ii) Auto Enrolment**

All organisations have now to provide a suitable pension scheme to its employees. Dates for enrolment in such schemes vary on employer size.

Local Government already offers membership of a pension scheme, to all employees, however not all choose to join. Employers of our size are requested to join non-members by April this year unless a deferment is sought. Cabinet has confirmed this approach and compulsory enrolment will not now take place as allowed under the rules until October 2017. Employees still retain the right to join themselves and so letters are currently being distributed to explain.

This action to defer automatic enrolment will potentially save the Council over £1.5m per annum and also avoid the need for lower paid employees to pay personal pension contributions of 5.5%, which in this climate would be a significant pressure for those lower paid employees not currently in the Scheme.

## **8. Finance**

The cost to the Council of applying an across the board 1% pay increase to all employees would be £1.25m. The Council budget for 2013/14 is being set to take account of this increase.

Changes to terms and conditions are required to deliver at least £300K for the budget setting exercise and a further £300K to balance the additional cost associated with paying increments in 2013.

There may be additional legal costs if actions to introduce changes to terms and conditions are not voluntarily agreed, or if Equal Pay issues arise from Living Wage considerations.

Whilst the new Local Government Pension Scheme effective from 2014 is designed to be cost neutral the Council could be faced with additional wages costs from overtime working being deemed pensionable in future.

## **9. Risks and Uncertainties**

- a) A failure to achieve the required savings would result in a pressure to the Council budget and require alternative solutions that would impact on service delivery.
- b) The need to retain experienced and motivated employees impacts directly on service delivery, and on employee and customer perceptions/reputations.
- c) Changes to the summarised items in this report will have an associated public impact as approximately 4 out of every 5 Council employees live in as well as work in the Borough. The impact of job losses or pay reductions could have implications for consumer spending in the town.

- d) Effective employee engagement will be vital to maintain service delivery standards during this period of uncertainty. The Council has a range of interventions and mechanisms such as team meetings and Focus Groups. Further direct communications will be required to ensure all employees understand the rationale behind these changes and these being taken to safeguard jobs as far as possible.
- e) There is a risk that the Council may be faced with future legal proceedings or employee relations difficulties. This could include strike action or lack of flexibility amongst the workforce.
- f) If pay reduction measures are not applied to all staff groups there may be perceived inequity or disproportionate impact on different staff groups.
- g) Potential equal pay challenges could be alleged if the Living Wage is applied or employment costs would become unsustainable if all other salaries have to be increased accordingly.
- h) Employee dissatisfaction because of negative impact on pension entitlements caused by reduction in pay.
- i) Increases in overtime payments to make up for productivity losses during normal working time if hours are cut or employees are taking additional unpaid leave.
- j) Reduced performance from employees who attend work whilst ill to avoid the potential of applying 90% sick pay.

## **10. Policy and Performance Agenda Implications**

- a) Community Strategy & Corporate Plan – ‘Proud, Achieving and Fairness’  
  
The work of the Council in this area is to clearly demonstrate we are treating all our employees fairly and sensitively.
- b) Workforce Development Strategy – ‘Ensuring RMBC has a sustainable pay and reward structure’.
- c) A failure to retain employees and working through serious economic downturn could lead to skills shortages, high turnover and high recruitment costs while de-motivating those employees who remain.

## **11. Background Papers and Consultation**

**Consultations have begun with employees and Trade Unions.**

**Formal consultation meetings with recognised Trade Union representatives have taken place since before Christmas on the need to identify potential options for change as a result of budget pressures.**

**Members are being updated through this meeting and at regular Joint Consultative Committee meetings.**

**Meetings/discussions are taking place with Trade Unions in specific service areas to seek to minimise any impact before any notices of redundancy are issued.**