

Herefordshire Council

**Reducing the pay bill
consultation**

May 2013

Introduction

Over the past two years, we have been working towards structuring our organisation appropriately to respond to the requirements of the Comprehensive Spending Review and as a result, we have already reduced the number of posts by 280.

We are now, however in even more challenging times and have to consider a range of difficult actions to ensure we operate within our significantly reducing budget. The council's 2013/14 agreed budget is already based upon delivering £21million savings, in addition to delivering performance improvement in critical service areas.

However, after assessing our plans for delivering the budget, we have highlighted a further risk of £8.4million for this financial year. We are also conscious that on top of this, we need to find further savings in the region of £28million over the next three years.

Therefore, it is vital that we explain to staff and residents the changes necessary to operate within our budget and put a plan in place to achieve this. This will mean going even further with regards generating more income, working more effectively, stopping a range of services / activities and reducing our pay bill by making changes to policies, terms and conditions and reducing posts.

Our current projections estimate that in addition to the reduction of 130 posts this financial year, which we announced in January, a further 210 full time equivalent posts will also be required during 2013/14. The full time equivalent posts is a smaller number than the actual number of jobs, because two or more part time jobs may be added up to make a single full time equivalent.

We appreciate that this will be unwelcome news, but we will need to implement these reductions as quickly as possible in order to make the necessary savings. Planning for these changes and consultation with residents and staff will need to commence in May 2013, if the necessary changes are to be effectively managed. We will provide further details about these proposed role reductions, as soon as we can.

Meanwhile, this document focuses on our proposal to make changes to our exit payments policy and terms and conditions (three days unpaid leave) in order to reduce our pay bill with effect from 1 June 2013.

Reward review and negotiation

Earlier this year, we conducted a staff survey around the reward aspects staff do and don't value, while also informally discussing the options available for reducing staff costs with our recognised trade union representatives. We have been negotiating on a range of options and have listened to strong staff and trade union feedback and guidance with regards to:

- Not cutting the base pay by 5%. We can confirm that this is not part of this proposal, although we cannot totally rule this out longer term if the situation worsens further and dictates that we need to reconsider this option
- Linking pay to achievement. We will look to consider this further in 2014/15 and in the meantime we will focus our efforts this year on embedding an improved appraisal process and enhancing management capability for effectively managing performance

The proposals

In addition to the anticipated staff reductions, we are proposing to make cost reductions in relation to staff costs in the following two areas:

- 1) **Change the exit payments policy and develop an employee transition package for leavers**
- 2) **Three days unpaid leave**

We will however apply the national inflationary pay uplift for 2013/14, once this has been agreed. This is currently predicted to be 1%. We have incorporated a 1% salary increase into our 2013/14 budget.

This document explains the two proposals which we have put forward for consultation with staff and trade union representatives, following the review of our pay and total reward policies and needs to be considered in the context outlined above.

Scope

It is proposed that all employees, at all levels who are directly employed by the council will be included in this consultation. This includes seconded staff and the school improvement team within the children's commissioning team, but excludes schools.

For NHS staff who have TUPED into the council, it is proposed to run a parallel process with NHS trade unions to discuss potential options, but this staff group will not currently be included in the scope of these proposals.

Timescale

We aim to implement the two proposals on 1 June 2013.

Proposal details

- 1) **Change the exit payments policy and develop an employee transition package for leavers**

The following proposed changes to our policy do not require the council to formally consult with staff. We are however, keen to hear your feedback on how best to implement the changes and what would be most valued by staff to be included in the supported exit / outplacement support arrangements.

Exit payment 'policy' change: For redundancy calculation purposes, we will use the statutory redundancy calculation including the limit on weeks pay, which is currently £450 (with effect from 1 April 2013) and we will remove the enhanced multiplier of 1.5 x statutory weeks. This calculation would be used when staff are at risk of redundancy and will apply to voluntary or compulsory redundancies.

Mutual Early Resignation Scheme (MERS): There is no change to the current policy. This scheme exists to enable staff not at risk of redundancy to volunteer to leave the council. This would be agreed by the staff member and the organisation. Please note that requests from difficult to recruit roles, such as qualified social workers, would be unlikely to be accepted.

Pay In Lieu Of Notice (PILON): There may be some circumstances where it is appropriate that staff are not expected to work their contractual notice period and therefore staff will receive a payment in lieu of notice. This will be assessed on each occasion on an individual basis.

Outplacement support: Organised opportunities to support colleagues who are leaving the organisation, to be successful in pursuing their next career choices and goals. A few examples of what this could include are: CV and introductory letter writing support, help with job searches and interview skills, networking opportunities, connecting people to opportunities associated with the Enterprise Zone and Hereford city centre development, help to set up a new business, access to training and development and career workshops.

We will of course continue to do all that we can to reduce costs by encouraging staff to reduce their hours and take unpaid leave, capitalise on staff turnover and encourage voluntary leavers. These measures will help to reduce the number of staff at risk of compulsory redundancy. However, these measures alone will not be enough to reduce and address our budget challenge, which is why we need to reduce the costs associated with leaving the council, otherwise we have to find the savings elsewhere, which may lead to even further reductions in posts.

2) Three days unpaid leave

This is a change to staff terms and conditions and therefore we are seeking agreement to these changes with the recognised trade unions at the negotiating forum (Joint Partnership Forum) on 23 May 2013, so the financial impact for staff can be spread over as many months as possible commencing 1 June 2013.

The council currently offers 25 days leave with a further five days being awarded after five years' service, including extra statutory and concessionary days. This proposal would see all employees taking three additional days unpaid leave, pro rata for part time staff. It is proposed that these days would be taken over the Christmas and Easter holidays, as an 'organisational shutdown', although business critical services which are required to operate during these periods would need to make alternative leave arrangements.

How it works: A salary reduction equivalent to three days unpaid leave, which is equivalent to approximately 1% of your pay, would be spread across the remainder of this financial year from the implementation date, so it's not taken from your salary all at once. The fixed leave days would apply to Christmas 2013 and Easter 2014 and would be repeated in subsequent years.

An example: If this is agreed and implemented from 1 June, the three days unpaid leave would be taken from your salary each month from June 2013 until the end of the financial year in March 2014, which is a total of 10 months. However, from April 2014, the reduction would be spread over 12 months, so slightly less money would be deducted each month.

Review

At the request of the trade unions, we would welcome the opportunity to review these arrangements on a yearly basis, in order to establish any opportunity to positively make changes should a better financial situation be reached. It is however, unlikely that this will happen in the next few years, but we would also welcome a joint review of the changes to ensure they are effective and well managed.

Financial impact

Proposal	Financial impact
Change the exit payments policy	The modelling for this option is complex, depending upon the profile of staff who are leaving the council under the scheme. This proposal does however, mean that the costs associated with each member of staff leaving under the new policy, would be reduced compared with our existing policy.
Pay In Lieu Of Notice (PILON)	There would be quicker in year and on cost savings realised. There would be a resourcing impact for a quick handover. This payment could potentially be a non-taxable payment for employees subject to HMRC rules.
Transition support	The cost of this service is still to be fully determined, but it is likely to be a maximum of £500 per employee or £50k for 100 staff.
Unpaid leave	The potential saving for this option is £380,000. This is potentially cost neutral for employees in 2013/14, as the nationally negotiated pay inflation increase would be available, although negotiations are still to be concluded. There would be further savings to be made through reduced property management, but these will also be offset by the cost of running core services, such as meeting the needs of vulnerable children and adults.

The consultation

The council is working with trade union representatives to ensure effective planning and implementation of the two proposals and as such we need to reach a joint decision on the unpaid leave proposal by Thursday 23 May, if we are to proceed on 1 June 2013.

The consultation on the unpaid leave proposal and seeking staff views on how best to implement the change to the exit payments policy will run from Tuesday 30 April 2013 to Tuesday 21 May 2013 and we have set out a variety of ways for staff to get involved and have their say. We need to reach a swift conclusion to these proposals, in order to protect as many staff as possible and achieve the required savings. We aim to reach an agreement on the change to terms and conditions (unpaid leave) on 23 May 2013 at the Joint

Partnership Forum (JPF) meeting. The really challenging issue to consider is that the longer it takes to implement these changes, the more we will need to save to reduce our costs.

In considering the proposals, there are a number of specific areas we would welcome your views on:

- 1) How can we best implement these proposals on 1 June 2013?
- 2) On implementing the change to the exit payments policy, what help and support would employees' value being in place to support leaving the organisation? What are your thoughts on how we achieve this?
- 3) What would the operational impact of a Christmas and Easter shutdown be on your service and customers? What solutions could be put in place to minimise any potential negative impact on some service areas?

When making our final decisions, we will consider all relevant written and verbal responses to the consultation.

Have your say

To have your say on the proposals, you can:

- Send an e-mail to savingsteam@herefordshire.gov.uk
- Post a comment on the [reducing the pay bill bulletin board](#)
- Attend a face to face session with senior managers
- Discuss your comments with your trade union representative
- Have an informal chat with your line manager or change champion

Please note that due to our limited staff resources, we will not be able to respond directly to individual feedback, but it will be considered in our deliberations.

To see the full consultation and proposed implementation timetable, please refer to pages seven and eight.

Additional information

If you'd like to know more or for advice and support, please contact the Hoople HR department on 01432 260020 or hrbusinesspartnering@hoopleltd.co.uk.

Consultation and proposed implementation timetable

What	When	Where	How
The consultation documentation will be circulated to all staff	Monday 29 April 2013	Core brief Intranet	Circulated via e-mail
The consultation will commence for three weeks	Tuesday 30 April 2013 – Tuesday 21 May 2013	Intranet	Feedback can be via e-mail or during the face to face sessions
Staff face to face consultation sessions with the leadership team, trade union representatives and change champions (where possible)	Wednesday 1 May 2013 10:00am – 11:30am Thursday 9 May 2013 11:30am – 1:00pm Monday 13 May 2013 11:30am – 1:00pm	Shirehall Plough Lane (Leominster Room) Blackfriars (Room 3)	Face to face sessions
Face to face meeting for trade union members	Thursday 2 May 2013 12:30pm – 1:30pm	Town Hall (Assembly Room)	Face to face meeting
The consultation closes	Tuesday 21 May 2013	N/A	N/A
Consider the consultation feedback	Tuesday 21 May 2013 – Thursday 23 May 2013	N/A	Leadership team

What	When	Where	How
Present the consultation results and make a final decision at the Joint Partnership Forum (JPF)	Thursday 23 May 2013 10:30am – 12:30pm	Brockington	A meeting between senior council management and trade union representatives
Staff will be advised of the findings from the JPF meeting via Core Brief	Thursday 23 May	Core brief Intranet	Circulated via e-mail
This is the proposed implementation date for the two proposals, with the exit payment policy coming into immediate effect	Saturday 1 June 2013	N/A	N/A
If implemented, the unpaid leave proposal would come into effect at the end of June, when a small deduction would be taken from each employees' monthly salary	Tuesday 25 June 2013	N/A	N/A