

Personnel Panel - 3 June 2004**Report of the Head of Personnel and Payroll****STRATEGIC PERSONNEL ISSUES**

Statutory Powers: Local Government Act 1972

Financial Implications: None at this stage

Purpose

To inform Members of a number of major strategic personnel matters that will require detailed consideration by the Council over the next two to three years.

Recommendation

It is recommended that the Personnel Panel **RESOLVES** to consider the various personnel matters raised in this report and provide an initial view as to how the Council should respond to the major personnel issues identified.

Background

1. Over the next two to three years the Council will face considerable external pressure in respect of its role as a major employer. It should be stated that the pressure will be as much financial as organisational and will require the development of a medium term plan to ensure that the Council is able to respond in a proactive manner.
2. In summary the major issues are: -
 - The Actuarial review of the Pension Scheme (Autumn 2004);
 - Statutory review of Pension provisions (current and ongoing);
 - National Pay Negotiations (current and ongoing);
 - Proposed move towards single status and equal pay (2006 /7?);

Further details are given in the following paragraphs.

Actuarial Review of the Pension Scheme

3. The triennial review of the Pension Scheme is currently taking place with authorities being told of their new pension contribution rates in the early autumn.
4. Although there is no indication at this stage as to what the likely increases will be it is understood that these will be substantial and could have major budgetary consequences. Stock Market performance and pension investment plans have recently improved but have not made sufficient gains to balance out the losses made in earlier years.
5. The Council will need to decide how best to deal with any increases in employer contributions and how these can be financed.

6. In parallel with the actuarial review is the current statutory stocktake of LGPS, which is recommending changes to the current scheme. It is understood that the actuarial review will take these into account when considering the new employer contribution rates.

Statutory Review of Pension Provisions including the LGPS

7. The Office of the Deputy Prime Minister (ODPM) has recently produced further consultation papers following the completion of last year's initial stock take review.
8. The documents do not provide detail explanation but indicate that proposed changes to the LGPS could include:-
 - (a) Retirement aged to be raised from 60 to 65;
 - (b) The earliest that any LGPS member could gain access to benefits (not including ill health) to be raised from 50 to 55;
 - (c) A scheme for phasing in the changes which suggests that employees who attain age 60 and satisfy the 85 year rule before April 2013 will be fully protected;
 - (d) Under the phasing proposals, partial protection for those LGPS members who attain the age of 50 by the 31 March 2005. This would allow continued access to pension benefits from age 50 (ie redundancy and Interest of Efficiency retirements) but these benefits would suffer an actuarial reduction based upon a formula to be agreed.
9. Interestingly it is proposed that employee contribution rates, currently at 6%, should not be increased.
10. The ODPM is about to publish further details and has asked for responses by the 30 June 2004. Changes are proposed to take effect from the 1 April 2005.
11. The Council will have a number of employees who because of their age, (ie. close to 50), will be severely disadvantaged by these proposed changes. Clearly there is also an issue of morale and potential de-motivation that may be brought about by an imposed change that is a detriment. At an organisational level, the changes, if adopted, will make future redundancy negotiations more difficult and more contentious and will probably confine the term "voluntary redundancy" to the annals of history. The Council's ability to manage change in a way that is based upon co-operation and consensus could also be threatened.
12. A further issue that could arise from these proposals is the potential for long term sickness absence rates to rise amongst older employees. Genuine examples of "burn out" and stress related illnesses could increase with the resultant increase in costs and reductions in service delivery/quality.
13. Potential savings in pension costs could be negated by extra costs associated with increased sickness and a more challenging industrial relations climate.

Future National Pay Negotiations

14. The pay round of 2002 and the resulting national industrial action signalled a change in the hitherto benign industrial relations climate that had characterised local government over the past two decades.

15. Many authorities were dissatisfied with the national negotiator's position during the 2003 pay round and felt that the settlement of 3% was both too generous and unaffordable. The national employers have clearly taken notice of this view and have taken a tough negotiation stance with the current talks. The latest offer from the national employers is:-
 - a) Increase of 7% on all pay points for the period 1st April 2004 to 31st March 2007 (a 3 year pay deal);
 - b) Reviews to modernise pay and reward policies across the local government sector;
 - c) Equal Pay audits;
 - d) A systematic review of the National Agreement on matters such as sick pay, leave, car allowance, maternity and paternity provisions etc;
 - e) Review of premium rates;
 - f) A new agreement on shared principles for modernisation and improvement;
16. The staff side has rejected the employers offer and has called a National Staff side meeting for the 4 June 2004. It is not known at this stage if there will be a call to ballot for industrial action.
17. The national employer's agenda is ambitious and will require considerable work to be done over the next three years. It is not known what the Trade Union position will be on Pay Reviews but questions of grade and pay protection will bound to figure on their agenda.
18. The national inflation measure (RPI) for March was 2.5%. Affordability will be key to any pay settlement particularly if the time scale in question is for three years (to March 2007) which would cover the period of a General Election.

Commitment to Full Harmonisation and Single Status

19. The pay settlement of 1997 committed all local authorities to work towards a fully integrated workforce where all employees enjoyed common terms and conditions of service. Colloquially known as "Single Status", the end result would be the harmonisation of conditions of service of both the former manual workers (Green Book) and Officers (Purple Book) through the creation of one national negotiating body ie. The National Joint Council for Local Government Services.
20. The 1997 settlement did not prescribe a time scale for authorities to adhere to, but rather established a set of guiding principles. As a result progress towards Single Status has been patchy with the most recent national employer estimates indicating that only between 25% and 30% of authorities have fully achieved harmonisation. The problems are significantly greater for those authorities that have retained their services in-house.
21. This Council has made steady progress but is still a long way off achieving true Single Status. Our major achievement so far has been moving all staff to a basic 37 hour week (former manual workers were on 39) and closing the gap in terms and conditions resulting from the former Compulsory Competitive Tendering (CCT) regime for our DSO's.

22. To fully embrace Single Status the Council would have to adopt full job evaluation for all posts, undertake a pay review to establish a common pay platform (either incremental scales or spot pay points, but not the current mixture of both and cease bonus schemes unless they are made universal). Also we would need to align leave entitlements and sickness provisions.
23. Discussions with colleagues from the Regional Employers have confirmed that Single Status will be given a high priority by the Employers Pay negotiators.

When pressed for advice the Regional Employers offered three potential scenarios to consider: -

- a) Commit and go with a national time scale;
 - b) Commit and negotiate your own local time scale;
 - c) Opt out of the NJC and national collective bargaining altogether;
24. Further work needs to be done to cost the likely impact of full single status before a considered decision can be made. It is clear however that any further move towards harmonisation will add further pressures on the Council's salary bill.

Risk Assessment

25. In the long term there are considerable risks to the Council if it fails to develop a medium term plan to deal with the issues contained in this report. Responsibilities to the electorate and service users will have to be balanced against possible legal and industrial relations implications of failing to deal with commitments that may be made under a national agreement. Affordability and fairness will be amongst the pre-requisite factors that will need to be considered.

Human Rights Act

26. There are no implications under the Human Rights Act with this report.

Conclusion

27. The report details a number of strategic challenges facing the Council in terms of its position as a major employer. Those already mentioned in the report have their basis in national machinery and the Council will need to take a considered view as to how it may wish to respond to the issues being raised in the wider local government employment agenda.

28. In addition there are a number of key “local” challenges as well. These include the introduction of a customer service approach to service delivery, the current review of leisure provision and the introduction of a new Financial Management System which will all impact on the future relationship between the Council and its staff.

Reg Hambly
Head of Personnel and Payroll

Personnel Panel
3 June 2004

Background Papers: -

Stock Take Review of the Local Government Pension Scheme (ODPM)

National Employers circular on Pay Negotiations 2004