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To: Personnel Committee **Date:** 28 March 2011

Subject: Changes to terms and conditions of employment

Classification: Unrestricted

Summary: This paper seeks Personnel Committee approval for changes to terms and conditions required to meet targeted budget reductions agreed by the County Council in February 2011.

1. **BACKGROUND**

1.1 Savings identified in the Budget Book for 2011/12 included £2.25m savings described as “Review of terms and conditions of employment”, £0.7m for travel and £0.5m on Personnel & Development policies. The higher amount is to be found from the funding of the authority’s new performance pay system. This report details the proposals to achieve the other £1.2m savings.

2. **TRAVEL ALLOWANCES**

2.1. **Essential user.** Personnel Committee recommended to County Council the withdrawal of essential user allowance. This generated a significant amount of concern from current “essential users”. The magnitude of this was emphasised by the submission to the County Council of an e-petition with 700 signatories.

2.2. To address these concerns, the Council has agreed that there will be no financial detriment for individuals who are current essential users and continue to drive more than 2,500 business miles and are on grade KR10 or below (paid up to £35,724). This approach preserves and protects the current rate of reimbursement for the lower paid while still delivering cost savings albeit over a longer period if time.

2.3. Under the no detriment provision, the current reimbursement will continue to be received on a frozen, preserved and protected basis. It will only apply to current essential users continuing to meet the eligibility criteria. No one can be added to the group or rejoin if removed due to not meeting the eligibility criteria.

- 2.4. The list of recipients will be reviewed annually and people who have not driven the required business mileage will be reclassified as “casual users” with the associated levels of reimbursement.
- 2.5. **Lease car provision.** Following the recommendation by Personnel Committee, County Council has agreed to the withdrawal of the subsidised lease car provision. As part of this, alternative arrangements which individuals may wish to consider on a voluntary basis continue to be developed. It is intended that these will assist both lease car users find alternative transport when their contract comes to an end and be seen as potentially attractive to other employees.
- 2.6. Discussions with Finance colleagues have indicated that there is scope to provide a ‘parachute payment’ in order to assist individuals with the sourcing of alternative arrangements and also to act as a contractual buy-out.
- 2.7. The amount proposed for the parachute payment is £2,000. This represents less than the full year employer cost of a lease car under the current arrangements and merely defers the full saving to the 2nd year (2012/13) and beyond. This proposal also covers staff who have left the scheme since October 2010 to enable KCC to treat people consistently and fairly during the transition period.

3. ANNUAL LEAVE

- 3.1. Provision exists in our terms and conditions for employees to request to either purchase more leave through their salary or sell leave which they would otherwise have taken. This is not an automatic right and is subject to agreement with their line manager.
- 3.2. The Corporate Management Team has decided to suspend the discretion to sell annual leave, with immediate effect, as this represents a direct cost to the authority. Based on 2009/10 figures the authority will save approximately £600k while retaining an ‘income’ from people buying leave of £170k. The flexibility and employee value placed on this scheme is recognised and retained, at least in part, by continuing to allow the buying of leave.
- 3.3. Leave may still be carried forward in accordance with the provisions outlined in the Blue Book Terms & Conditions up to a maximum of 10 days (pro-rata for part time staff.)

4. SENIOR OFFICER MEDICAL INSURANCE SCHEME (SOMI)

- 4.1 KCC currently offers a facility to managers on grades KR13-15 to opt into a private medical insurance scheme paid for by the Authority. Individuals on grades above KR15 can opt in entirely at their own

expense. The current premium is £750 per annum for each member and individuals incur a tax liability on this amount. Partners and children can be added at the member's expense.

- 4.2 Other Authorities such as Police and Fire also access the KCC scheme
- 4.3 On the basis of financial viability and equity justification it is proposed that this facility be withdrawn. The removal of the scheme will need to take into account a number of factors such as notice period, the drawdown of funds held in Trust, the communication with other authorities who use this scheme and communication to individuals about potential alternative arrangements. In addition the medical treatment of members currently receiving treatment needs to be considered.
- 4.4 The full year savings, taking into account the premium payments and administration costs would amount to £220k per annum. It is recommended that this be delivered in time for full effect by April 2012.

5. **RECOMMENDATION**

Personnel Committee is invited to:

- 5.1 acknowledge the action taken to provide 'no detriment' to some current essential users as a consequence of the decision to remove the essential user provision.
- 5.2 recognise the work being undertaken to identify alternative arrangements for lease car users and agree to the principle of a buy-out payment.
- 5.3 note the suspension of the provision to sell annual leave.
- 5.4 endorse the proposal to withdraw the Senior Officer Medical Insurance Scheme and recommend to County Council for decision.

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