

## PERFORMANCE RELATED PAY: FURTHER INFORMATION ON OPTIONS

### Background:

This report is a supplement to that circulated for the meeting held on 23 June 2010. Members and staff representatives are asked to bring that report with them to the meeting. Although the full details are in that report, it may be worth recapping the current position, for ease of reference.

Joint discussions are underway on the future of the Council's PRP scheme. A number of options have been put forward for consideration:

- 1) Use the present scheme to achieve overall savings.
- 2) "Buy out" the scheme for current staff.
- 3) Terminate the scheme, giving 3 months notice and no compensation.
- 4) Terminate the scheme, giving 3 months notice, but with 4 years protection for current staff.
- 5) Negotiate a revised scheme.
- 6) Hybrid options i.e. combinations of (1) - (5).

### Hybrid Options: More detail on Option 6 (c)

The meeting on 23rd June considered more detailed proposals on option 6 (c) - a hybrid of options (2) and (5). A number of variations of this hybrid option, in which the scheme would be partially bought out were described and are repeated below (with some amendments to reflect what was said last time), with the estimated savings for each noted in bold. (These figures were requested at the last meeting).

c) *A hybrid of Option 2 "Buy out the scheme" and Option 5, "Renegotiate a revised scheme" offers a range of possible variations. Some are outlined below, and can be developed further. In developing these 'partial buy-outs plus revised scheme' possible options, the approach has been used that the partial buy-out would be by means of an addition to basic salaries. The figure used is 2%, based on the combined existing available budgetary provision for this year's salary award and the deletion of the recruitment advertising budget. The details of bandwidth size, etc. would all be dealt with in detail in a future report.*

c (i) *The PRP scheme then to be retained broadly in its existing form, but with the maximum payment reduced to 6%, the 'average' payment reduced to 3%, and no payment for the "Satisfactory" band (currently 0 - 2%).*

*Comment: Would give ongoing reduction in the cost of PRP, but retain its benefits to staff/value to management.* **Saving c.£73,250 p.a.**

c (ii) *As for 6c(i), but with the revised scheme having a lower maximum figure, e.g. 5% with an average of 2.5% or 4% with an average of 2%, 3% with an average of 1½%, or 2% with an average of 1%. The current average PRP payment is 4%. Whilst that would be valid for average, or below-average performers - who would*

*actually benefit from this approach -, higher level performers would have a reduction in their potential payments.*

*Comment: Whilst this could be a matter for negotiation, re existing staff and the impact on them, it would produce a reduced potential value maximum salary package, and therefore aid neither recruitment nor retention.*

**Saving:-**        **2½% average: c. £109,875**  
                     **2% average: c. £146,500**  
                     **1½% average: £183,125**  
                     **1% average: £209,750**

*c) (iii) As for (i), but with the PRP scheme only available to staff who have reached the top of their grade. Around two thirds of CDC staff are at the top of their grade. The logic to this approach is that the staff not on the top of the grade receive an annual increment of c. 2 - 2.5% value.*

*Comment: This would preserve the overall value, and hence attractiveness of the recruitment package, for recruitment purposes. However existing staff not at the top of their grade would have a salary reduction, and could argue for four years protection, by which time most would be at the top of the grade, and get the full PRP amount anyway which would defer the aimed-for savings.*

**Saving initially c.£73,250, rising to £164,580 (after 4 years if protection given)**

*c) (iv) As for (iii), but with staff not at the top of their grade kept in the PRP scheme, but with the value of each PRP band halved. That, with the increase on basic, would give them broadly the same payments as they currently average for PRP. In time they would also move to the top of the grade and full PRP.*

*Comment: This would provide savings on PRP, which, with normal turnover, would be continued. The overall benefits for staff and managers of the PRP scheme would be retained.*

**Saving c. £123,500**

**NB All the above figures are estimates, and inclusive of on-costs.**

### **New: Option 6 (d)**

As may be seen from the above extract from the previous briefing paper, the “partial buy-out” element of the hybrid options was based on making an ongoing addition to basic salaries of 2%, to offset the ongoing reduction in the value of the scheme. This approach was taken because there is currently provision in estimates for a pay award which did not materialise in the national pay negotiations. This freeze was a separate issue from the public sector pay freeze announced in the budget. As part of a local collective agreement the proposed addition to base salaries in options 6 (c) (i) - (iv) would not breach the Government’s proposed freeze, however it could be perceived as doing so. Therefore an alternative approach could be to partially buy-out the scheme by means of a lump sum payment to existing staff, then retain the scheme with revised values, bands and potential savings as described in 6 c (i) - (iv) above. One advantage of the lump sum approach is that such a payment would be treated as a consideration for the change of contract, and would not be superannuable, by contrast with an addition to basic pay. If the ‘lump sum’ partial buy-out were to be pursued, detailed discussions on the value of the lump sum

would be required, (e.g. reflecting past performance levels and years of service) within an agreed overall limit. To avoid the potential for staff to secure the payment then leave, there would also need to be an agreed ‘clawback’ mechanism, with staff being required to repay it on a sliding scale if they were to leave within a defined number of years e.g. 4 years.

### **New: Option 7**

At the last meeting it was suggested that a further possibility would be to suspend the “pay” aspects of the PRP scheme, but retain the “performance” appraisal aspects. As with the other possible options, this would only be safely achievable by agreement. If imposed it would face the same potential legal challenges as Option 3. If agreed this would save the whole of the current PRP payment, c. £293,000.

### **New: Option 1 (b)**

Option 1 is to retain the scheme in its present form, and use the target-setting process to achieve savings. In addition, under 1(b), the current year’s lack of a pay award, other than for those earning under £21K, would generate savings in the current year. The above ‘hybrid’ options propose utilising this sum to ease the transition to new arrangements. However it could simply be taken as a saving. We are awaiting details of how the payments for those under £21K p.a. will operate in practice. There is some doubt as to whether the Local Government Employers will accept this, but assuming they do, the effect has been worked through as follows. CDC has 92 employees earning under £21K p.a. (pro rata for part-timers). This equates to 68.86 FTE, giving a potential additional cost for  $£250 \times 68.86 = £17,215$  + on-costs, giving a cost of £23,120.

The lack of a pay award would save c. £110,000 including on-costs and to this could be added savings from deleting the recruitment budget £36,000 giving a net saving of c. £122,880 on the paybill, also taking into account the added £23,120.

### **Next Steps**

The Joint Committee now need to determine which options are acceptable or not acceptable and attempt to achieve a consensus.