

AGENDA ITEM:

<b>REPORT TO:</b> Meeting of the	<b>MERSEYSIDE FIRE &amp; RESCUE AUTHORITY</b>
<b>DATE:</b>	<b>17<sup>TH</sup> MAY 2012</b>
<b>REPORT NO.</b>	<b>CFO/061/12</b>
<b>REPORTING OFFICER:</b>	<b>DEPUTY CHIEF FIRE OFFICER</b>
<b>CONTACT OFFICER:</b>	<b>NICK MERNOCK, DIRECTOR OF PEOPLE &amp; ORGANISATIONAL DEVELOPMENT: EXTN 4320 PAUL BLANCHARD-FLETT, OCCUPATIONAL HEALTH MANAGER: EXTN 4339</b>
<b>OFFICERS CONSULTED:</b>	<b>SIMON PURCELL, FINANCE DEPARTMENT</b>
<b>SUBJECT:</b>	<b>ATTENDANCE INCENTIVE SCHEME</b>

<b>APPENDIX</b>	<b>A</b>	<b>TITLE</b>	<b>OPTION 1</b>
	<b>B</b>		<b>OPTION 2</b>
	<b>C</b>		<b>OPTION 3</b>
	<b>D</b>		

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**ATTACHED – HARD COPY**

Purpose of Report

1. To request that Members endorse the decision of the IRMP Scrutiny Panel, who fully explored all three options available in relation to the Authority's Attendance Incentive Scheme, and based on the current severe financial challenges facing the Authority recommended that the current scheme end, whilst asking officers to explore options for an alternative staff incentive scheme to be considered following the conclusion of the current Spending Review period.

Recommendation

2. That Members consider the content of report CFO/061/12 and taking cognisance of the associated IRMP Scrutiny Panel recommendation agree to:
  - 2.1 Endorse the recommendation of the IRMP Scrutiny Panel and end the Attendance Incentive Scheme from 2012/13 onwards and do not replace it and agree:
    - (i) to the replacement of the prize of a Car, with holiday vouchers to conclude this financial years' prize draw which was due in April 2012. And:

(ii) for the payment to staff of the long term incentive accrued £50's and the banking of the accrued incentive leave days to be taken when employees leave the Service.

2.2 Direct the Chief Fire Officer to explore alternative incentive schemes with a view to submitting a further report following the conclusion of the current Spending Review period.

### Introduction & Background

3. In February 2006 Merseyside Fire and Rescue Authority (MFRA) took the bold and innovative step of introducing an Attendance Incentive Scheme, as part of the new Absence and Attendance Policy. Our absenteeism and sickness levels were high and MFRA needed to adopt a proactive alternative approach to keeping its staff safe, healthy, and working.
4. The Incentive Scheme, together with other measures, has resulted in the Service sickness absence rate falling from 10.02 shifts/days lost per employee in 2005/06 and 10.24 shift lost per whole time uniformed employee in 2005/06 to the current sickness rates of 7.38 lost per employee and 6.65 shifts lost per whole time uniformed employee for the year 2011/12. This represents a significant reduction in the sickness absence rate. The cost of sickness for 2011/12 based on an average days pay of £174 (based on a firefighters salary) is for the Service (9327 days/shifts) £1.62 million, and for the wholetime uniformed personnel (5932) is £1.03 million.
5. In May 2011 Members considered major changes to the Attendance Incentive Scheme and indicated that they were happy with the Scheme as it was currently being implemented. However, due to the financial challenges facing the Authority a report was presented to the IRMP Scrutiny Panel to consider the sustainability of the scheme in the current climate. As such, options regarding the Scheme were offered to Members for their consideration.
6. That report identified three options:
  - 6.1: OPTION 1: to discontinue the Attendance Incentive Scheme. (Appendix A)
  - 6.2 OPTION 2: to continue to operate an Attendance Incentive Scheme with significantly reduced incentive awards to reflect the financial position of the Authority (Appendix B)
  - 6.3 OPTION 3: to continue with the current Attendance Incentive Scheme; (Appendix C)
7. Members should note that with the end of the Financial Year 2011-12 those staff without sickness for this period will be anticipating another car prize draw and there is now another accrual of £50 and a day's annual leave to all staff in the car prize draw.

### Considerations of the IRMP Scrutiny Panel

8. The Scrutiny Panel considered the cost of the incentive scheme, and sought clarification as to whether the savings seen by the Authority in sickness levels could be directly attributed to the incentive scheme.
9. The incentive scheme forms part of a suite of policies that fully supports all our employees, and includes an excellent suite of Occupational Health interventions, and partnership Health Initiatives which range from early intervention to case management. All of these measures contribute to reducing the sickness figures.
10. Broadly since 2006 the overall sickness have been halved, saving the “equivalent” of in excess of £2 million worth of time. What is unmeasurable is the direct impact of the incentive scheme element alone.
11. The Service, in researching this scheme initially and looking at similar schemes in private industry was always aware that such schemes had a “shelf life” and consequently the Authority would need to review the scheme when it results began to plateau. It is arguable that with the increase in sickness over the last two financial years that this effect has started, although the sickness rates in the whole of the UK economy has shown a trend of increases.
12. The recommendation of the IRMP Scrutiny Panel is to adopt Option 1, ending the current Attendance Incentive Scheme altogether, given the significant financial challenges facing the Authority.
13. The Scrutiny panel has directed the Chief Fire Officer to look at identifying options for an alternative incentive scheme for future use once the savings requirements of the Comprehensive Spending Review have been delivered. This will also support the ongoing commitment to what will ultimately be a smaller but fully engaged workforce.

### Equality & Diversity Implications

13. The Incentive Scheme applies to all Service employees.

### Staff Implications

14. All employees have equitable access to the Incentive Scheme.

### Legal Implications

15. There are no direct legal implications relating to this report.

### Financial Implications & Value for Money

16. The saving to the Authority will be dependant on the Option chosen by Members. The discussion of the Options above indicates where savings will be made and

costs incurred with each Option. Finance Department have confirmed that all costs can be contained within the existing budgets.

The cost of the three options detailed in the appendices is:

OPTION 1: There would be no annual cost.

**This was the option recommended by the IRMP Scrutiny Panel.**

OPTION 2: A total annual cost of £56,000. This comprises £16,000 that would be the new annual Occupational Health Services Revenue Budget figure: and £40,000 for the replacement incentive award for the £50 per employee long term incentive (based on an annual figure).

OPTION 3: A total annual cost of £188,000. This comprises £36,000 from the Occupational Health Services Revenue Budget: £32,000 assigned for the long term incentive £50 per employee, and £120,000 assigned for the long term incentive annual leave day (again based on an average figure).

It should be noted that with all the options there will remain a liability for the long term incentives accrued from 2006-2012 of £750k for the annual leave days, and £212k for the £50's. The proposals do include options for the payment of the latter therefore ending the long term liability and the ceasing and freezing of the former, preventing further accruals.

#### Risk Management, Health & Safety, and Environmental Implications

17. There are no Health & Safety and Environmental implications contained within this report.

#### Contribution to Our Mission – To Achieve: Safer Stronger Communities – Safe Effective Firefighters”

18. The Attendance Incentive Award Scheme assists in the Service in seeking to attain low sickness absence levels.