

REPORT FOR: **CABINET**

Date of Meeting:	17 November 2011
Subject:	INFORMATION ITEM Progress Update on Modernising Terms and Conditions of Employment
Key Decision:	No
Responsible Officer:	Jon Turner, Divisional Director Human Resources and Development
Portfolio Holder:	Councillor Graham Henson, Portfolio Holder for Performance, Customer Services and Corporate Services
Exempt:	No
Decision subject to Call-in:	No
Enclosures:	Appendix 1

Section 1 – Summary and Recommendations

This report provides an update on progress with the Modernising Terms and Conditions of Employment project.

Recommendations:

Cabinet is requested to note the report.

Reason: To note progress with the project and the key decision that will be sought at the Cabinet meeting in January 2012.

Section 2 – Report

Introductory paragraph

Cabinet noted at its meeting in March 2011 that a project was commencing to Modernise Terms and Conditions of Employment. This report provides an update on progress. It is expected that a further report will be submitted to Cabinet in January 2012 seeking agreement to changes to terms and conditions of employment following the outcome of negotiations with the unions.

Options considered

A range of options have been considered in consultation with the unions, management and the workforce. Options include changes that will reduce employment costs, which are the most challenging of the options and improvements in flexibility of working arrangements to meet the aspirations of staff.

Staff and managers have been consulted on the key options currently being considered. These are explained in the briefing note to staff attached as Appendix 1. The views of staff and managers are being reviewed in order to develop formal proposals for negotiation with the unions.

Background

Most councils nationally are in the process of, or have reviewed and modified terms and conditions of employment. Their main objective has been to reduce costs. The approach taken by Harrow Council is to provide a more balanced approach to modernising terms and conditions of employment so that they best support the future needs of the council, extend choice to individual employees in their employment package, reduce administration and reduce employment costs.

Early consultation with the unions commenced in May 2011. Those discussions explored the key options, particularly those for reducing costs. The concern of the unions, shared by officers, is that the current context of no pay rises, national insurance changes, past and potential changes to pension contributions and benefits and inflation has and will continue to adversely affect staff pay. The options set out in the Appendix will affect staff to a further extent. However, they support potential future ways of working, providing greater flexibility in service delivery and contribute to the council's savings requirement, thereby potentially avoiding greater job losses.

The objective of the early discussions with the unions has been to work with them to develop options that are more likely to be acceptable as formal proposals for negotiation. However, although the discussions have been constructive and helpful, there were no significant suggestions from the unions that would materially modify the options explored. The outcome of these discussions is that the unions would wish:

1. for there to be an equitable impact at all levels of staff;

2. for the essential user car allowance and lump sum to continue to be applied albeit for specific car users rather than based on mileage; and
3. that consideration should be given to rewarding staff who do not take sick leave by an increase in annual leave.

These points are being considered currently. The latter point helpfully is intended to address issues of short-term sickness absence. However, it would have a negative impact on those who may, through genuine ill-health, require some time absent from work either on a short or long-term basis.

To-date the only commitment that has been given to the unions is that the council will not propose changes to nationally agreed terms and conditions of employment, such as sick pay entitlement, national pay awards and car allowance rates. Although recognising the desire of the unions to protect these terms, it constrains the council to consideration of fewer options in both modernising and/or cost reduction.

Staff and managers forums have been held as well as a survey on the options set out in the Appendix. Responses from 618 staff and managers were received and most included comment on the options. These are being considered alongside the views of the unions.

Broadly, the views of staff and managers are:

1. That greater flexibility in working hours and days is welcomed. However, the views of those in services that does not allow for flexibility, e.g. 24/7, 365 days per year services is less positive.
2. A preference to retain a recognized grading structure over the introduction of 'spot' salaries (a 'spot' salary is a single salary point, market related, with no grade or increments. All employees would be paid the same rate for roles from day one of their employment. This is a more modern option than the grading structure and particularly lends itself to applying additional payments based on contribution, e.g. one-off payments each year based on performance and competence).
3. A mixed response to the option of removing enhancements for weekend and overtime worked. Where the working week includes weekends, a general view is that no enhancements should apply; where overtime is required beyond the normal working week, there is a view that this should be rewarded, particularly where this is a regular feature of the working week, i.e. for contractual overtime.

A number of staff have suggested that there is the potential to create part-time weekend work as an alternative to contractual or ad-hoc overtime work at weekends.

4. A strong view that the Essential user lump sum payment and car allowance is required for emergency arrangements and for particular job groups, e.g. social workers, planning and building control staff and for those required to travel on a daily basis.

Although acknowledging this view, it should be noted that most London Boroughs no longer apply this scheme and if they still do, they have reduced the rates set nationally, an option not available to the council based on the agreement with the unions not to vary them.

5. That there should be no reductions in redundancy pay benefits, particularly for those over the age of 50. A strongly held view that changes would be seen not to reward loyalty and length of service.

As the second most expensive scheme in London, any costs of redundancy are prohibitive and some modification to the scheme does need to take place. In any event, the option proposed is to cap the benefits payable, not to modify the calculation used by reducing the number of years of service. There is a requirement to ensure that any change is not age discriminatory and therefore providing enhanced benefits for those over the age of 50 would be considered discriminatory.

6. No strongly held views were given over the potential for greater choice.

Scope

In carrying out this review, the terms and conditions of employment for all staff will be considered.

Note: The Council's terms and conditions of employment also apply to staff in schools (with some differences for teaching staff where they are set nationally and/or by legislation). It should be noted that the changes do not affect Academies.

Impact on individual employees

The balanced approach, set out above, not only will reduce cost, which clearly has the potential to impact on individual employees, but also seeks to future proof the council, simplifying pay and benefits and giving greater choice to employees. We will, however, seek to implement any changes in a way which mitigates the impact on individual employees, through protection or buy-out arrangements or through other measures we will seek to agree with the unions.

Next steps

Following the development of formal proposals, negotiations will formally commence with the unions and are expected to conclude by end-November or early December 2011. The outcome of the negotiations will be reported to CSB and to Cabinet. This is likely to be a key decision and, subject to the negotiations not becoming protracted, it is our intention to report to Cabinet in January 2012 on the outcome.

Implications

Staffing/workforce

This review will impact on all employees and measures to offer greater choice to them and to mitigating the impact will take place.

Equalities impact

There are a range of equalities considerations and potential impacts (e.g. gender, disability, race and age) and an Equalities Impact Assessment will be made at the point of formulating proposals.

Legal comments

The Council has recognition agreements with the trade unions and consequently is working with those unions with the objective of reaching a collective agreement to vary employees' terms and conditions of employment. The council will undertake consultation with the unions and staff in accordance with legal requirements.

If there is a failure to reach agreement with the unions within a reasonable time frame then alternative options for implementation will need to be considered by the Cabinet meeting in January 2012.

Final agreement to implementing any variations to terms and conditions of employment will be sought from Cabinet. Should savings of £100k be identified then the proposals themselves will be a key decision for Cabinet

Financial Implications

Whilst it is recognised that there will be cost savings to the council no specific savings requirement has been set. Nevertheless, the options outlined which include some increase in costs and reductions in costs, if taken forward as formal proposals for negotiation, would reduce costs by approx £1m. The timetable for implementation would be determined through the negotiations with the unions. The earliest implementation is expected to be in the first quarter of 2012-13, although the introduction of some of the options may be phased.

Options for buy-out in year one are being considered and these may need to be funded from reserves, recovering costs from directorates over a one, two or three period, variable dependent on the impact on employees and the option taken forward.

There are anticipated to be additional SAP configuration costs which are unquantifiable until the extent of changes required in SAP are identified. However, it is anticipated that these would be probably no less than £75k. This will be included in the bids in the capital programme.

Performance Issues

The project to modernise terms and conditions of employment will ensure that they best support future requirements of the council and support improvements to service delivery. There are no specific performance indicators affected by the project. However, an Equality Impact Assessment of the proposals will be made. Monitoring will also take place following implementation of changes in order to ensure that no one group (and

therefore the council's performance on equalities in employment) is negatively affected.

Environmental Impact

There are no environmental impacts directly related to this project.

Risk Management Implications

Key risks include failing to agree with the trade unions; a failure to communicate clearly and in a timely manner with the workforce and stakeholders; failing to sufficiently consider and address equalities impacts.

Risk included on Directorate risk register? No

Separate risk register in place? Yes, high level risks are identified within the Project Initiation Document, which will be updated at the point of formulating proposals.

Equalities implications

There are a range of equalities considerations and potential impacts (e.g. gender, disability, race and age) and an Equalities Impact Assessment will be completed at the point of formulating proposals.

Was an Equality Impact Assessment carried out? No, but will be completed at the point of formulating proposals.

Corporate Priorities

The project will support future requirements of the council and will therefore better enable delivery of each of the corporate priorities.

Section 3 - Statutory Officer Clearance

Name: Steve Tingle



on behalf of the
Chief Financial Officer

Date: 17 October 2011

Section 6 - Contact Details and Background Papers

Contact: Lesley Clarke, Organisational Development Manager, 0208 420 9309

Background Papers: Agenda item 10 of Cabinet meeting of 17 March 2011 -

<http://modern.gov:8080/mgChooseDocPack.aspx?ID=60262>

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

*[Decisions for Noting are not
subject to Call-in]*