

HARROW COUNCIL

Modernising Terms and Conditions of Employment

Staff Forum - August 2011

The information contained in this document sheet is presented as a summary of the options outlined at the staff forum held in August 2011.

The Modernising Terms and Conditions of Employment project is part of the Better Deal for Residents programme. It has four key principles:

Modernise: to support the future needs of the Council

Simplify: wherever possible, to make terms and conditions easier to understand and to reduce any processes

Reduce cost: to seek to reduce the costs of terms and conditions of employment as part of its plan to make savings over the next 3 years

Give greater choice: to continue to have core terms and conditions but to provide each individual with an element of choice beyond that.

The effective date of any change would be 1 April 2012 or later dates where agreed.

Context

The Council is fully aware that all employees have experienced the impact of:

- no pay rise for two years, three years for senior managers, with uncertainty whether a pay award will be agreed next year;
- changes to National Insurance contributions and Pensions and further potential changes to pension contributions and benefits.

There is also the requirement for the Council to reduce its costs by £30m over the next 3 years if it is to stay within budget. The requirement to reduce costs is not unique to Harrow and many other Councils, within and outside London, have or are reviewing terms and conditions of employment.

Harrows balanced approach

You will have seen newspaper articles or TV news items on what other Councils are doing. These include:

- Shropshire County Council terminating the contracts for all its staff and offering them re-engagement on new contracts with a 5.4% pay cut;
- Southampton City Council proposing to reduce pay by 5.5% for those on basic pay of £17,500 per annum and above;

- Hertfordshire County Council which is implementing reductions in sick pay entitlement, removal of various allowances and reductions in overtime rates all amounting to reductions in pay costs of about 3.7%
- Other Councils in London are also taking a range of similar approaches to reduce costs.

At Harrow we are taking a different approach, a more balanced one with the aim to achieve both give and take and with an emphasis on modernising.

Discussions to date with the unions

Discussions have been taking place with the unions on the key options outlined below. However, it is important to note that no formal proposals have yet been made to the unions and consequently there has been no agreement reached. The options are for debate and capable of being modified.

The sole agreement that has been made is that the unions have asked for, and the Council has agreed, not to consider varying nationally agreed entitlements contained in the national agreements and these include, for example, paid sick leave entitlement, car allowance rates and nationally agreed pay awards.

Our key objective is to work with the unions to develop formal proposals that take account of your views, those of managers and of the unions and that mitigate the impact, as far as possible, on individual employees.

Staff Survey, March 2011

In March 2011, we ran a staff survey. In the survey, you stated that the most important things to you were annual leave, paid sick leave, other time off arrangements and incremental progression through grades.

The areas that people most frequently suggested we consider for change were for more flexibility in working arrangements, improved working from home options and salary progression based on performance.

Looking at the project principles, given the context and your views, what are the options?

1. Modernise

Times and days of the week

Terms and conditions of employment are currently geared towards a 9am to 5pm, Monday to Friday, working system. However, a number of services already work on the basis of a 24 hour day and 365 days per year delivery. Flexibility in when you work is one of the top issues identified in the staff survey.

Offering the opportunity to work 5 days out of 7 as a working week provides greater choice to individuals and potentially enables flexibility in the delivery of services. This does not work for all services and would therefore not necessarily be an option available for all.

In addition, flexibility in the times of day you work is an option we have been exploring. Again, this is not necessarily an option for all services where service delivery is expected by residents at certain times of the day.

Grading structure and salary progression

The current structure is based on Outer London scales using Harrow grades. The Council's minimum on H1 is now below the London Living Wage increased recently by the Mayor of London from £7.85 to £8.30 per hour. We are looking at whether we can take out some of the increments below this level to ensure that all staff are paid at or above the new London Living Wage.

(a) Option 1

Since their introduction, the logic for the differing values within the grades has been lost, i.e. there is no longer any rationale to explain why the size of one increment within a grade is different to that of another increment. Some of the grades have 3 incremental points, some four and some five. Some grades have significant overlap with the grade above or below. One of the options we have is to bring logic and consistency to these differentials by introducing a more equitable approach. This would result in there being consistency within and across all grades.

The tops and bottoms of the ranges would remain the same (except that there will be some change where we are changing the numbers of increments within each grade, e.g. moving from 3 increments to a minimum of 4 or trying to remove some of the significant overlaps), but the differentials would be 'smoothed'.

We can show an example of what we mean below with the uneven spine being our current position and the smoothed spine showing what a new grading structure could look like:

Grade	SP	Uneven spine	% Increase	Smoothed Spine	% Increase	Grade
A	1	£ 15,225	-	£ 15,225	-	A
	2	£ 15,519	1.93%	£ 15,598	2.45%	
	3	£ 15,983	2.99%	£ 15,980	2.45%	
	4	£ 16,372	2.43%	£ 16,372	2.45%	
B	5	£ 16,572	1.22%	£ 16,773	2.45%	B
	6	£ 17,071	3.01%	£ 17,184	2.45%	
	7	£ 17,238	0.98%	£ 17,605	2.45%	
	8	£ 17,427	1.10%	£ 18,036	2.45%	
	9	£ 18,036	3.49%	£ 18,478	2.45%	
C	10	£ 18,478	2.45%	£ 18,931	2.45%	C
	11	£ 19,221	4.02%	£ 19,394	2.45%	
	12	£ 19,870	3.38%	£ 19,870	2.45%	

The advantages of this option are that it retains a pay structure that you are all familiar with and is easy to understand. Progression through the grades is dependent on satisfactory performance. However, in reality, everyone progresses regardless of how well they perform. We would, therefore, want to address this from April 2013/14,...

(b) Option 2

A further option for consideration for grade modernisation is adopting a 'spot' or single salary point. This approach would result in a single salary payment being applied regardless of how long you have been employed and with no incremental movement within a grade. It would ensure that new employees would be paid the same rate for roles from day one of their employment.

This approach lends itself to applying salary reward based on how well you perform your job. Performance Related Pay (PRP) is not something we are considering but a system that takes elements of PRP is being considered.

If this approach was to be adopted, it would need to be easy to administer, automated through SAP, be cost controlled and moderated in its entirety to ensure an equitable approach is being taken across the council.

2. Simplify

We would want to simplify any processes around terms and conditions of employment. Some of the options we have described in this document will do that. However, we can also simplify by reviewing, for example, the range of leave policies we have and pulling together as many as we can into one policy.

This will mean that terms and conditions become easier to understand and are easier to administer.

We are actively seeking any suggestions you may have in realising this objective.

3. Reducing Costs

In our objective to find ways of reducing costs, we have looked at where our highest spend is currently. There are mainly three discrete areas we have looked at. This does not preclude us from looking at other options and your feedback on this would be helpful:

- Enhancements for weekend working and overtime payments
- Car allowances, and particularly the Essential Car User Lump Sum payment
- Basic salaries – though we are not keen to follow the practice elsewhere and ask staff to reduce their basic salaries

Enhancements for weekend working and overtime payments

Spend on enhancements to basic salary for weekend working and overtime payments was approximately £4 million in 2010/11 with the vast majority being ad-hoc overtime worked.

As stated at 1.above, we are considering offering the opportunity to work a 5 day out of 7 working week and the times you work being, where possible and agreed with your manager, to suit your individual circumstances. This challenges the logic of paying enhancements for working outside Monday to Friday, 9am to 5pm.

Removing the enhancements for weekend working and overtime and paying plain time for these hours worked would make a saving of approximately £700,000.

Essential Car User Lump Sum and allowances payment

Currently there are 490 recipients of the essential car user lump sum and car allowance. The criteria for current entitlement to the payments are based on mileage. Staff travelling 2,500 miles per annum for business travel are entitled as are those who travel 800 miles and above per annum and are, for example, transporting materials or passengers

Of the 490 current recipients, only 11¹ people travelled more than 800 miles in 2010/11, i.e. the vast majority did not meet the criteria for the scheme. The median mileage claimed was 104 miles. The amount paid out in essential car user lump sum payments was approximately £570,000 with mileage allowance payments of approximately £41,000.

If the approach was to remove essential car user lump sum payments and allowance and introduce casual user allowance (a higher rate than essential) then a saving of approximately £550,000 would be made.

Redundancy pay

Harrow's redundancy pay scheme is the second most expensive amongst London Boroughs. The payment is based on a ready reckoner taking your age, the years of continuous service and actual weekly pay (where it exceeds the statutory payment of £400 per week). In addition, the Council gives an additional 5 years service if you are aged 50 or over. The higher your salary, the higher the benefits. In order to reduce the costs of redundancy pay, we are looking at whether we put a limit on the benefits payable. If we took this option, it is likely that we would not introduce this in the short-term.

4. Give Greater Choice

At Harrow, we are very keen to give something back through greater choice. Flexibility in working hours / days provides some choice. However, we are looking at a number of other options including extending salary sacrifice* arrangements to, for example, lease cars (applicable to those who do use their cars for business travel). We are also looking at extending discounts for shopping locally and nationally, giving you fuller information about how you are using your salary (total reward statements) and potentially, putting in place health checks for all staff (subject to cost).

*Salary sacrifice arrangements are permitted in agreed circumstances by Her Majesty's Revenue and Customs (HMRC or more commonly known as Inland

¹ A review of the data since this document was circulated to staff has shown that there are a greater number of staff (161) who claim mileage at a level that meets the scheme's criteria.

Revenue). The council currently has agreed schemes with the HMRC for Childcare Vouchers and Cycle to Work.

Salary sacrifice can save you costs in tax and national insurance. For example, if you pay for childcare, you could elect to buy childcare vouchers through the council's scheme. These would be paid for through payroll and only after the payment has been deducted, is tax and national insurance calculated. This therefore means that you pay less tax and national insurance payments.

The benefit to the council is that, in the same way, it's payments for national insurance are also reduced. These savings pay for the management fee with the Childcare Voucher company (currently CVS).

There are some circumstances where staff do not make savings, i.e. if you receive child tax credits, then you need to consider carefully whether you continue with the credits. A change to childcare vouchers through salary sacrifice may result in your losing the child tax credit you are receiving.