

REPORT TITLE: REVIEW OF TERMS AND CONDITIONS OF EMPLOYMENT

22 NOVEMBER 2018

REPORT OF PORTFOLIO HOLDER: CLLR STEPHEN GODFREY – PORTFOLIO
HOLDER FOR PROFESSIONAL SERVICES

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WARD(S): ALL

PURPOSE

The Council's Employee Strategy was approved by Personnel Committee on 23 November 2017; it set out a number of key HR priorities to enable the Council to continue to position itself as an employer of choice and to attract and retain the right staff with the right skills, attitude, motivation and flexibility to deliver modern local government services and support the type of organisation the Council wants to become as it moves forward.

This paper sets out proposals to improve the overall employment offer of the Council through an increase in annual leave allowances and a review of salary scales, linked to the national pay assimilation requirement.

RECOMMENDATIONS:

To Personnel Committee:

1. That the Head of Human Resources (Interim) be given delegated authority to:
 - a. implement the revisions to annual leave set out in this report with effect from 01 April 2019;
 - b. implement the revisions to the Council's Flexible Working ("Flexi-Time") arrangements as set out in this report;
 - c. amend the Council's Policies accordingly
2. That the commitment to ensure the Council sets its salaries at market median is supported

3. That the salary scales set out in Appendix B which meet the requirements of the 'national assimilation requirement' are approved and recommended to Cabinet for the financial implications.

To Cabinet:

4. To approve the financial implications of the Personnel Committee's proposals for the Council's pay scales of an estimated £227k, as set out in Appendix B, and recommend the increased budget provision to Council

IMPLICATIONS:

1 COUNCIL STRATEGY OUTCOME

1.1 The success of delivering the Council Strategy is dependent on being able to recruit and retain the right calibre of staff. We require a staff team with the skills, attitude and behaviours required to deliver high quality, effective services and move forward with the Council as it adapts, and innovates to meet the challenges of the future.

1.2 In order to recruit and retain the required calibre of staff, pay and conditions need to be market aligned to effectively compete within a highly competitive market.

2 FINANCIAL IMPLICATIONS

2.1 The financial cost of moving to a six spinal point pay scale structure alongside an increased pay grade for scales 6 to 9 (with two increases for grade 8) is estimated at £227k (this will vary depending on postholders in place at a given time). This is the estimated cost of the Council positioning salaries at the average rate to near neighbours.

2.2 If the proposal for the highest level of comparative salaries to be adopted the estimated cost to the annual staffing budget is at least circa £900k.

3 LEGAL AND PROCUREMENT IMPLICATIONS

3.1 There are no specific procurement or legal implications arising from this report.

4 WORKFORCE IMPLICATIONS

4.1 In the 2016 staff survey, pay and conditions was one of the top issues raised by staff. Another paper on this agenda sets out the work undertaken over the past year to improve the benefits on offer to staff.

4.2 In exit interviews undertaken, pay has been frequently mentioned as a reason for an employee moving to another council, even as a sideways move.

5 PROPERTY AND ASSET IMPLICATIONS

5.1 None

6 CONSULTATION AND COMMUNICATION

6.1 The Leader of the Council and the Leader of the Liberal Democrats have been briefed on the proposals to improve terms and conditions to become a market median level. The paper has been discussed with the portfolio holder with responsibility for human resources.

6.2 The paper has also been reviewed by the recognised trade union at the Council, Unison' with the following comments:

UNISON are pleased to note the proposed positive changes to the terms and conditions. The additional leave and flexibility of working fits well with UNISON's campaigns for better work life balance and improved conditions for all staff.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 None directly identified.

8 EQUALITY IMPACT ASSESSEMENT

8.1 The Council has utilises a Job Evaluation scheme which identifies the scale for individual job roles. This assessment is gender blind.

8.2 In addition, the Council declared a Gender Pay Gap of 12.41% which is below the national average of 17.4% (i.e. the Council is performing better than the national average).

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 All staff details are stored on a confidential and secure HR system

10 RISK MANAGEMENT

10.1 See table below

Risk	Mitigation	Opportunities
<i>Property – n/a</i>		
<i>Community Support – n/a</i>		
<i>Timescales – implementation of the amended NJC pay scales late</i>	Early engagement with staff, the union and members on the proposals	Proposals are well received and raise levels of staff morale

- Failure to improve paycales	The Council is at risk of losing staff to neighbouring councils as current salary levels are below market median	
<i>Project capacity – suitably qualified and skilled personnel are not available to deliver complex projects</i>	Maintain a competitive position in the relevant job markets	An innovative and pro-active council, undertaking a number of interesting projects, is an attractive place to work for skilled employees
<i>Financial / VfM – impact on the MTFS</i>	Contained within budget growth forecasts in the MTFS	
<i>Other</i>		

11 SUPPORTING INFORMATION:

- 11.1 The Personnel Committee approved an employee strategy at the end of 2017. One of the purposes of the strategy is to ensure that the employment offer is improved to enable improvements to recruitment and retention at the Council.
- 11.2 There are a number of drivers for the review of the employment offer:
- (i) for recruitment and retention the Council's pay needs to be at the local median
 - (ii) The most recent staff survey highlighted pay and conditions as an issue
 - (iii) The Council needs to implement the national pay scales from 1st April 2019
 - (iv) The current pay scales are too long and need to be reduced as progression takes too long for individuals to progress through the grade and to comply with equal pay requirements
 - (v) There needs to be a clear break between different pay grades
- 11.3 This paper contains some proposed enhancements to the overall package for employees. Wherever possible, these have been contained within existing resources, though there are certain levels of pay that the Council is a significant outlier (at grades 6-9) compared to neighbouring authorities, and financial investment is required. In order to continue to attract the best staff and to continue to provide high quality services, the Council does need to become more competitive in the market. In certain areas, most notably within the Development Management team in recent months, the Council has seen a significant loss of staff to other near neighbour councils.

Proposed changes to annual leave

- 11.4 It is proposed to increase annual leave levels.
- 11.5 The Council's current leave arrangements are set out in the table below. These meet the minimum requirements of the Green Book but are substantially below the annual leave allowances awarded by near neighbours.

11.6 **Table 1.1: Current Annual Leave entitlements**

Grade 1 – 10

Less than 2 years' service ¹	23 days
After 2 years' service	24 days
After 3 years' service	25 days
After 4 years' service	26 days
After 5 years' service	27 days
After 20 years' service	30 days
Chief Officers and Chief executive	30 days

- 11.7 Having reviewed the annual leave allowances from neighbouring authorities as shown in Appendix A the annual leave rates are the second lowest of twelve comparator organisations. The proposal is for a substantial increase over current allowances, and would place the Council positively compared to near neighbours comparative amounts. As a recruitment and retention tool, especially in those professional service areas where recruitment and retention are difficult, this could be a powerful incentive to work for the Council. Though there could be a productivity loss, this is difficult to quantify as this proposal would also likely lead to increased employee engagement and promotes employee wellbeing which are beneficial for productivity.
- 11.8 The proposed rates compare well across all grades, though at the most senior level the proposals are lower than other senior management teams from the higher comparator councils.
- 11.9 It is also proposed that the Council close for the period between the Christmas/New Year holiday which is 3 working days on an ongoing basis with emergency cover put in place. Again a comparison with near neighbours indicates that other local authorities do close over that period and award extra days to staff for that period or award 1.5 days leave and require staff to make a contribution from leave allowances.

¹ Annual leave entitlements are based on continuous local government service

- 11.10 This has been carefully considered and it is proposed to award one and a half extra days at Christmas 2018 and require staff to allocate leave to cover the other one and a half closure days, if applicable.
- 11.11 As with other councils, emergency out of hours arrangements will be put in place to ensure any urgent matters can be addressed during the period of closure.
- 11.12 It is recommended that leave allowances are implemented with effect from 1 April 2019 and incorporate Christmas closure within ongoing arrangements.

Table 1.2: Proposed Annual Leave² from 1.4.2019

Grade	Basic	After 2 years	After 5 years
1-7	25 days	28 days	32 days
8-10	26 days	29 days	34 days
ELB	30 days	33 days	34 days

Plus: 8 Public Holidays and an additional day and a half awarded to be taken during the Christmas closure.

- 11.13 The intention is to increase annual leave levels to increase rates more quickly than other near neighbours of councils.
- 11.14 From the 1st April 2019, it is also proposed to allow staff to buy up to five days of annual leave with agreement by their line manager. There is an employee benefit of this, as well as employer benefit through reduced national insurance and LGPS costs. Such requests to buy additional annual leave would need to be approved only in line with the business needs of the organisation.
- 11.15 In July 2015, the Council moved away from a fixed annual leave year based on 01 April to 31 March and introduced a flexible leave year to reflect the month in which an employee commenced employment with the Council. The Council also moved away from having fixed core hours for staff.
- 11.16 This is not universally seen as a benefit to staff but to enable the implementation of the proposed increase in annual leave and the option to buy additional leave, there will be consultation with staff at upcoming all staff briefings on whether to revert to a fixed leave year (April – March) so that there is consistency across the Council. The annual leave calculation will also be considered as to whether days rather than hours for full time staff are more appropriate.

Proposed changes to flexible working arrangements

- 11.17 The current policy allows employees to accrue an additional 8 hours per calendar month (“Flexi time”) and to take the accrued time off, capped at one day per month. The purpose of having flexible working hours is to promote

² Pro rata for part time staff

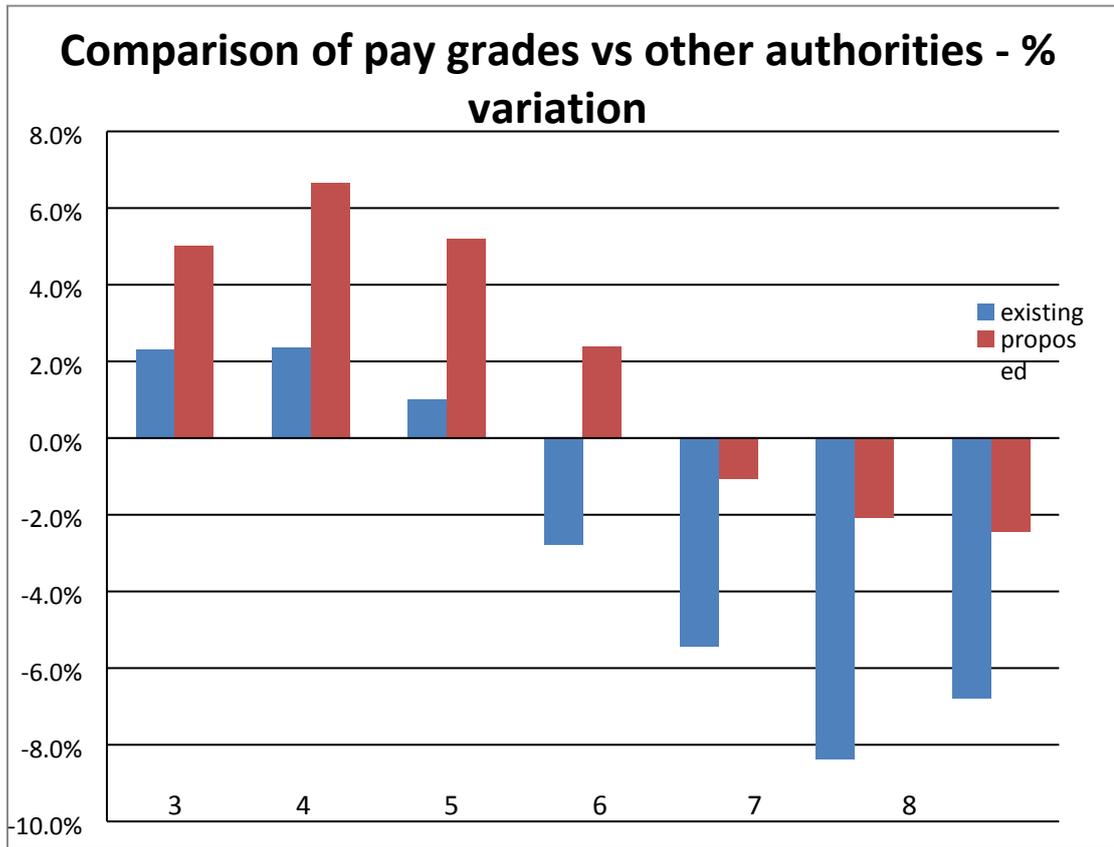
work-life blend and help employees to manage both their work and domestic commitments.

- 11.18 It is also proposed to move to fully flexible hours in common with other councils, in that staff may work at any time over a 24 hour period if necessary for the business. This also enables staff to manage personal appointments etc and still work 'a full day'.

Proposed changes to salary scales and assimilation to new pay scales

- 11.19 The NJC pay scales have been set nationally and as an employer who follows the national pay regime, the Council must ensure that staff are moved to this new pay scale. The Council must assimilate staff onto new nationally agreed pay scales from the 1st April 2019. The new pay scales include an uplift of 2% across the scale to comply with the national pay bargaining position and these have been agreed nationally by the unions.
- 11.20 As part of the movement to a new pay scale there is an opportunity for the Council to modernise the pay structure. The proposals set out in this paper remove the excessively long grades that currently exist, with many grades having nine spinal points, and move all grades up to scale 9 to a six spinal point model. Reduction to a six point pay scale is essential to ensure the Council meets equality of pay requirements. The proposals for moving the grades to be more competitive from grade 6 and above are covered elsewhere in this paper.
- 11.21 The existing salary scales were established in the late 1990's but are now recognised as poor compared to other local authorities both financially at points and due to long nature of the grades as set out in Appendix B and as highlighted in the graph below (blue bar):

Graph 1: Comparison of pay grades



11.23 The number of staff at different grades is outlined below in table 1. This provides some context for the number of staff who could be impacted by changes at different levels. However, not all staff will be impacted by the change; it will only be those at the top of certain grades, and those in the bottom three spinal points of a grade.

Table: 1 Headcount by Grade

Grade	Headcount	Impact
Scale 1	1	Living Wage
Scale 2	7	Living Wage
Scale 3	115	Removal of bottom 3 spinal points
Scale 4	130	Removal of bottom 3 spinal points
Scale 5	87	Removal of bottom 3 spinal points
Scale 6	82	Removal of bottom 4 spinal points and increase of spinal point at the top of grade
Scale 7	24	Removal of bottom 4 spinal points and increase of spinal point at the top of grade
Scale 8	18	Removal of bottom 5 spinal points and increase of two spinal points at the top of grade
Scale 9	6	Removal of bottom 4 spinal points and increase of spinal point at the top of grade

- 11.24 However, there is a cost to this as the bottom grades of spinal points will be removed, so staff on those lower spinal column points will move up to the new bottom point in the scale.
- 11.25 There is also a proposal to move the scales for 6, 7, 8 (with two points at this grade to prevent any overlap of grades) and 9 SCP so they are one spinal point higher at the top of grades. This places the Council salaries at market median but as shown at the graph, some of the salary grades are still slightly below market median. However, at grade 7 this is £500 below median, £1,100 at grade 8 and £1,500 at grade 9. At present, grades 8 and 9 are over £4,000 below the median levels. It is expected that this improvement, alongside other benefits highlighted in this paper, such as the increase of annual leave, will improve the Council's overall market position.
- 11.26 Grades 3, 4 and 5 are showing comparative increases to the median even though the top of the scale is not proposed to increase. This is because the bottom scale points have been removed, so that the middle of the pay scales are more competitive. With such long grades currently, it can take up to nine years for a member of staff to progress through the pay grade.
- 11.27 The proposed revised spinal points are included in appendix B and can be implemented at a cost of £227K.

- 11.28 If the Council wishes to pay at the top level of pay, and assuming all staff are currently at the top of scales (which they are not), the increased cost above the proposed increases would be a minimum of £900k.
- 11.29 A revised salary scale for grade 10 and Director, CX scale was implemented in 2017 as part of the senior level restructure. These roles are classed as Chief Officer and no further assimilation is required as the revisions put the comparative grades at just above the median point.

Implementation Timetable

02 November 2018	Initial discussion with Unison
02 November 2018	Initial discussion with Portfolio Holder for Professional Services
22 November 2018	Consideration by Personnel Committee
End November / early December	All Staff Briefings
12 December 2018	Consideration by Cabinet
Early January 2019	Feedback to Unison
Mid January 2019	Notify staff of agreed pay spines
February	Notify staff of individual changes
February/March 2019	Amend Payroll and simulate pay run using new data
01 April 2019	New Pay Scales in place

Conclusion

- 11.30 Proposals are included as recommendations for the Personnel Committee and then to Cabinet to enhance the overall employment package but within an affordable financial envelope. This recognises the Council's financial position and enables a comparative pay package with best in class other elements of the employment package to improve recruitment and retention and the offer to Council staff.
- 12 **OTHER OPTIONS CONSIDERED AND REJECTED**
- 12.1 Retain the employment package as it currently stands. This option is rejected as the employee strategy sets out to change the overall package to increase the Council's competitiveness in the market and to enhance the Council's recruitment and retention levels. There are many examples across the Council

where there are recruitment and retention concerns and the Council has little in its existing package to differentiate itself.

- 12.2 Pay scales could be increased to top quartile. However, this has been rejected as it is only being applied where the SCP is significantly away from the comparator average and so impacting on recruitment and retention. Almost all pay scales now are within 5% above or below the median pay range of comparative councils. Pay anomalies at senior staff grade 8 have been addressed to bring the mid point of this grade much closer to the average.
- 12.3 The Council could opt for an average annual leave comparative figure, with no further exploration of other employee benefits; i.e. the status quo with a small enhancement to annual leave. This has been rejected, as the pay amounts are around the average across grades; an average offer for non pay benefits is unlikely to make any impact in attempting to recruit staff from other councils and the private sector, nor will it assist retention significantly when neighbouring councils have a substantially better pay and benefits offer.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

PER304 – 27 November 2017: The Employee Strategy

Other Background Documents:-

NJC pay scales 2019-20

APPENDICES:

Appendix A – comparative pay data

Appendix B – proposed revised pay scales

Appendix A – Comparative annual leave

GRADE	BASIC	With Previous Continuous Local Government Service		
		After 5 years	After 10 years	After 15 years
1 - 8	24 days (177.6 hours)	28 days (207.2 hours)	30 days (222 hours)	32 days (236.8 hours)
9 - SM3	26 days (192.4 hours)	29 days (214.6 hours)	31 days (229.4 hours)	34 days (251.6 hours)
Chief Executive/ Directors	28 days (207.2 hours)	31 days (229.4 hours)	33 days (244.2 hours)	36 days (266.4 hours)

LENGTH OF SERVICE					
Salary Point	Up to 5 Years	After 5 Years	After 10 Years	After 20 Years	After 30 Years
Up to Pt 17	22	27	28	30	32
Pt 18-28	23	27	28	30	32
Pt 29-32	24	27	28	30	33
Pt 33+	26	27	29	32	35
JNC Grades	Up to 5 Years	After 5 Years	After 10 Years	After 20 Years	After 30 Years
11 - 14	32	33	34	35	36
CD's/CX	33	34	35	36	37
+ 8 x public holidays					

Grade	Period of Continuous Service		
	0 - 5 years	5 - 20 years	Greater than 20 years
Hourly Paid Employees	21	25	28
Grades 1-4	21	25	28
Grades 5-6	21	26	29
Grades 7-11	22	27	30
Managers Grade	25	30	33
Directors	30	35	38

Appendix B – Comparative pay data

Source: Comparison against neighbouring councils³ as at 2017 pay amounts

WCC Grade	2017 Salary range	Comparison against the mean average	Comparison against the mean average – new salary range in 2017 figures⁴
3	17,681 – 21,074	2.3%	5%
4	21,074 – 27,358	2.3%	6.7%
5	27,358 – 34,106	1%	5.2%
6	34,106 – 40,858	-2.8%	2.4%
7	39,661 – 46,965	-5.4%	-1.1%
8	44,697 – 52,813	-8.4%	-2.1%
9	52,813 – 61,389	-6.8%	- 2.4%

³ Comparator Councils – Rushmoor, New Forest, Chichester, Fareham, Eastleigh, Test Valley, Basingstoke

⁴ Modelled on 2017 comparative amounts with other Councils, but on the proposed pay scale ranges (but in 2017 salary ranges) as comparator Council 2019 pay ranges are unknown at present

