

PAY PANEL: 6 NOVEMBER 2009
EXECUTIVE MANAGEMENT TEAM: 17 NOVEMBER 2009
INDUSTRIAL RELATIONS COMMITTEE: 3 DECEMBER 2009
GENERAL PURPOSES AND LICENSING: 15 JANUARY 2010
COUNCIL: 22 FEBRUARY 2010

PAY AND REWARD REVIEW – PROPOSED CHANGES TO TERMS AND CONDITIONS

1. INTRODUCTION

- 1.1 This report outlines proposed changes to the Council's pay and reward structure and terms and conditions, and seeks the Committee's agreement on them.

2. BACKGROUND

- 2.1 The Council's objective is to operate a pay and reward system, which makes the Council an employer of choice and recognises individuals' personal development and contribution.
- 2.2 The Council's pay structure is local to New Forest and was introduced 19 years ago, along with the introduction of a new job evaluation scheme (PE Inbucon) for all office based employees.
- 2.3 The National Single Status Agreement was introduced in 1997. The Council already operates a local pay structure, but employees in the operational sections of Leisure and Commercial Services were still on National Pay Scales and grades. In 2000, the Council job evaluated all Leisure and Commercial Services operational job descriptions, and approved 8 local agreements, which included employees remaining on fixed single points.
- 2.4 In 2003, as a result of a market review of the Council's Pay Structure, changes were made to address Single Status issues ie, standardisation of hours of work, holidays and attendance bonuses. A further local agreement was agreed between the Council and its employees and implemented over a 3-year period. This included the updating of the pay structure (Bands and SCP points).

3. PAY AND REWARD REVIEW

- 3.1 In June 2006, the Council agreed to undertake an Equal Pay Audit. To support this Pay and Reward project team was set up to explore various pay and reward issues and to identify where agreement could be achieved.
- 3.2 The project team included both local and regional representatives from GMB, UNITE and UNISON, Human Resources and a number of managers representing key services.

- 3.3 The pay and reward project team findings were considered by the Pay Panel during 2007/08. (The Pay Panel includes 3 members, Cllr Barry Rickman, Cllr Colin Wise and Cllr Maureen Robinson and the 3 local employee side representatives, Tony Cornick (UNISON), Dave Bramley (GMB) and Steve Drodge (UNITE)). The Pay Panel met a number of times, and an offer was put to employee side on the 7 November 2008. The Employee Side responded to the offer on 18 December 2008. On the 23 April 2009, it was acknowledged that the Council and Employee Side requirements were such that an agreement was unlikely and consequently the Council determined that during 2009/10 it would commence formal consultation on the Pay and Reward proposals with all employees.
- 3.4 A separate review of instructors pay and terms and conditions would be undertaken in 2010/11 by the Pay Panel.

4. PAY AND REWARD – PROPOSED CHANGES

- 4.1 The Pay and Reward proposal covers pay structure and terms and conditions issues. The proposal can be broken down into the following key areas:

- New Pay structure
- Job Evaluation
- Monthly Pay
- Sickness Absence Payments
- Probation for new employees
- Employees contracted to work 39 hours
- New Ways of working

4.2 Pay structure objectives

- 4.2.1 To address our legal obligations to be a non-discriminatory and an equal pay employer.
- 4.2.2 To ensure the pay and reward package reflects the Councils targetted market position which is affordable and fair. The following have been used to assess the market position:
- Public and Private sector
 - South of England (excluding London)
 - Hampshire County
 - Local New Forest market
- 4.2.3 To use market supplements as a means to recruiting and retaining a highly skilled and motivated workforce during short term market fluctuations.
- 4.2.4 To enable future movement to a performance related pay system.

4.3 New Pay structure

- 4.3.1 Given the stated objectives a pay structure has been constructed and is based on the current job evaluation scheme (the pay structure is attached as Appendix 1). The key points within this proposed structure are summarised as follows:

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Pay Scale

- It is proposed that all employees on fixed points move incrementally through their current pay band.
- Band 1 is restructured with 2 points added and one removed from the top to reduce the current 'steep' incremental increase (6% to 2-3%). All employees on the top salary point 10 would be protected for two years. However, there will be no protection for future increments.
- Bands 2, 3, 4, 5 and 7 - no change proposed as this reflects current local circumstances.
- Bands 6,8,9,11 & 12 - scp points removed at the bottom to meet the objective in relation to Bandwidth
- Band 10 – scp points removed from the bottom and 1 added at the top to reflect local circumstances
- It is proposed that employees currently below the bottom SCP point of the new pay bands will progress incrementally to the new Pay Scale.

4.3.2 Employee Side requested that an Equality Impact Assessment was carried out of the proposed structure, this is now completed.

4.3.3 Market Supplements

It is intended that Market Supplements will be retained to address short term needs but will not form part of the pay structure, as they need to be refined to reflect each situation. Market Supplements for Bands 1 and 10 will be adjusted to take account of the increase/decrease to the top of the Bandings.

4.3.4 Performance Related Pay

It is intended to develop a pay and reward scheme which recognises employees whose achievement exceeds agreed targets for future consideration by the Panel.

4.3.5 Local Pay Bargaining

The Council believes that there would be benefits from local pay bargaining, but is comfortable at present to continue with National negotiations.

4.4 Job Evaluation

4.4.1 The current job evaluation scheme applies to all jobs except the Chief Executive – this scheme was implemented in August 2000. It is proposed that some changes to the scheme are made – which take on board employee side views on the guidance notes and the re-training of job evaluators. The scheme guidance will be updated in consultation with employee side and implemented from 1st April 2010.

4.5 Monthly Pay

4.5.1 The Council recognises that the operation of a weekly payroll adds to administrative costs. The most efficient means of paying employees is through monthly transfer to bank/building society accounts. The Council will support all employees affected by arranging suitable financial awareness sessions – there are 300 employees currently paid weekly. It is proposed that individuals will transfer to monthly as follows:

- Final pay (Thursday 10th June 2010 – for 30 May to 4 June)
- First monthly pay (18th June 2010, and will be for 26 days salary)

4.5.2 Human Resources/Payroll are working with Employee Side to ensure employees are supported through the transition, this will include employee meetings in late January, Frequently Asked Questions (FAQ's) fact sheet and financial awareness sessions. All employees will receive at least 3 months formal notice.

4.6 Sickness Absence Payments

4.6.1 The Council recognises that good attendance is very important to the efficient and effective running of Council services. It is proposed that for the first year of NFDC service sickness entitlements are reduced. The current scheme provides the following:

- During 1st four months – One month's full pay
- After four months service – Additional two months half pay
- Maximum – 2 months pay

- **Proposed scheme**
- During 1st 3 months - no sickness payments
- After 3 months – one week full pay
- After 6 months – Additional two weeks half pay
- Maximum – 2 weeks

4.6.2 A number of other sickness schemes will cease on the implementation date, this includes the enhancement that cleaning staff receive (Additional 2.5% per hour – but no payment during sickness) and also the Individual Attendance Allowance sanction in Local Agreement 13 for environment services staff.

4.7 Probation for new employees

4.7.1 To ensure fairness all new employees will be subject to a 6 month probationary period – this includes employees transferring from other local authorities.

4.8 Employees contracted to work 39 hours

4.8.1 All existing employees currently contracted to 39 hours will be given the following option:

- To continue working 39 hours (37 + 2 hours plain time contracted)
- To move to a 37 hour week contracted – with normal overtime conditions

4.8.2 All new employees in the future will be recruited on a 37 hour week basis.

4.9 New ways of working

4.9.1 The Council recognises the need for a flexible approach to working in order to attract and retain employees, i.e. flexitime scheme, part-time working, remote/homeworking. The Council also recognises that its workforce must adapt to changes – led, for example by Central Government Initiatives for the modernisation of the local government agenda, advances in technology and the economic market. In the face of such changes there is a continuing need for employees to be flexible in the jobs they do, the methods used to undertake them and the times they work to ensure the services the Council provides meet the needs of the community.

The Council believes that adopting flexible approaches and working flexibly are equally advantageous to the Council and its employees. They are essential to

remain competitive against a background of increasing financial pressures and providing maximum security of employment.

- 4.9.2 To enable changes to be made in the future, it will require some amendment to be made to contracts of employment and local terms and conditions in relation to the flexibility required with Hours of Work. The proposed changes are attached as Appendix 2.

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5. FINANCIAL IMPLICATIONS

- 5.1 As shown below there is a significant cost to the council of achieving these changes to the pay structure and terms and conditions. This is set against a backdrop of continued financial constraints. The elected member representatives on pay panel have accepted that it is necessary to incur these substantial additional costs in order to address the remaining equal pay issues.

- 5.2 The cost of achieving these changes is shown below:

Year	Cost
2010/11	£133,000
2011/12	£107,000
2012/13	£66,000
Total	£306,000

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no environmental implications arising from this report.

7. CRIME AND DISORDER IMPLICATIONS

- 7.1 There are no crime and disorder implications arising from this report.

8. EQUALITY AND DIVERSITY IMPLICATIONS

- 8.1 The proposals outlined in section 4, address the equality and diversity issues raised as a direct result of the Equal Pay Audit.

9. INDUSTRIAL RELATIONS COMMITTEE COMMENTS

9.1 General Comments from Employee Side

UNISON expressed disappointment that the Employer had already advised staff of the proposals by e-mail, which he felt gave the impression that the proposals had already been agreed, particularly as there was no reference to the strong Employee Side concerns which had previously been expressed. Employee side felt that the proposed changes made the Employer more vulnerable to claims of unfair pay. It was claimed that the flexible working proposals appeared to run contrary to the principles of existing APT&C Purple Book agreements. The Employee Side were not opposed to flexible working, but it was felt the Employer should pay appropriate rates of pay to recognise this.

9.2 Pay Bands

Employee Side Comments

- The length of pay scales proposed ran contrary to age legislation
- The proposals may lead to potential sex and age discrimination
- Overlap of pay scales could mean that staff on higher scales could be paid less than staff on lower scales, and there were large gaps between pay scales, particularly at the top
- Some scale points had been deleted from pay scales and the gaps between bands had widened, with bands 11 and 12 the gaps had widened considerably.
- There was concern for employees on incremental progression on band 1, scale point 10 being deleted, with the effect that anyone on that band was calculated to be £386 per annum worse off in year 1, in a second year £814, and in the third year £1,315 worse off. Over a four year period, an employee could be £3,417 worse off, resulting in a 25% loss of pay.
- Overall it was felt that the pay scales should be of equal length.

Employer's response

- *Proposed changes effecting Band 1 would result in a potential loss, however there was no one currently on that band on incremental progression and therefore no one would have expected to get to Band 1 scale point 10. The 10 or 12 people on scale point 10 who might be affected by the proposals would have their pay protected for 2 years.*
- *The length of pay scales, formulated using Equal Opportunities Commission guidance, was five moves and should be no longer than 6 points, therefore the new proposals meet this guidance.*
- *The overlapping grades are useful for career grades. The Employer side noted Employee Side views on the overlap between Bands 3 and 4; Band 4 was introduced 4 years ago at a cost of £300k. The proposals detailed a change to Band 10 where the council continued to experience recruitment and retention problems. The changes were considered necessary by Employer side in order to provide for a fairer structure. Should any equal pay issues arise in the future, the employee can ask for the job description to be reviewed and job evaluated.*
- *The Equal Pay Audit in 2006 required a whole review of the pay structure, and the Employee Side had asked for a further audit and this was being undertaken. It was not foreseen that any issues would be identified which had an impact on these proposals.*

9.3 New ways of working

Employee Side Comments

Employee Side repeated that, in respect of the posts in Appendix 2 that required flexible working, the Employee Side were not opposed to working flexible hours, and specifically working 5 out of 7 days, as long as new contracts were entered into voluntarily and they were paid for at the current rates for weekend work.

The Employee Side therefore objected to paragraph 1.4 of Appendix 2, as they felt that this requirement had never been applied before except for two areas in respect of Commercial Services and Leisure Services. The Employee Side emphasised that the national agreement (the former Purple Book) had never been rescinded by the Council, and it was this that required the payment of time and a half for Saturdays and double pay for Sundays. The Employee Side therefore believed that the proposals were unlawful and the Council was at risk of legal challenge.

The Employee Side claimed that, if the proposals were implemented, the Council would be in breach of contract and claims may be pursued unless there were some agreements. The Employee Side did not feel there was a justification for making these changes in this way, and re-iterated their view that the changes should be undertaken with the employee's consent or a collective agreement.

Employer's response

It is unlikely that agreement will be reached with the unions and therefore the Employer would be seeking to implement the proposals through individual contracts. If changes were brought forward under the clarified working arrangements, the Council would ask for volunteers.

9.4 Weekly to Monthly Pay

Employee Side Comments

In respect of the transition for some employees from weekly pay to monthly pay, the Employee Side did not see this as a critical issue, but felt some employees should be given loans to make this change easier, particularly those staff at the bottom end of the pay scales.

Employer's response

Discussions had already taken place with Employee Side representatives on this issue and Human Resources would speak to staff in January, and was working with the Employee Side to ensure that the best time was chosen to make the change run smoothly. There may be some cases where the Council could make an advance.

9.5 Sickness

Employee Side Comments

The Employee Side drew attention to the statement that a number of other sickness schemes would cease on the implementation date, which included the enhancement that cleaning staff received an additional 2.5% per hour.

Employer's response

It was explained that this enhancement would not be removed until the pay of those on those pay scales caught up with the new arrangements, this will be mainly through incremental progression and for employees on Band 1 scp 10 it would through the implementation of pay awards.

9.6 General Concluding Comments

It was emphasised that these issues had been discussed for two years, and attention was drawn to paragraph 10.1 of the report which stated the Employer's view that the proposed revision to the pay structure and terms and conditions would improve the pay of the Council's lowest paid. It was felt this was crucial and these benefits to the lower paid cost £306,000, and some of the issues raised by the Employee Side concerning the lower bands were theoretical, given that there were few staff currently on these scales. It was also felt that the proposals for working 5 out of 7 days were fair and equal, and reflected changes in society.

The Employee Side maintained this was not a theoretical cut and anyone on the grades mentioned would be £902 worse off after the pay protection ceased.

The Employee Side members wished to record their unanimous and strong opposition to the proposals set out in the report and for these views to be made very clear to the General Purposes and Licensing Committee.

10. CONCLUSIONS

- 10.1 The Council believe the proposed revision to the pay structure and terms and conditions will improve the pay of the councils lowest paid.
- 10.2 Paying all employees on incremental progression will substantially reduce the Councils equal pay risk.
- 10.3 Moving all existing employees to monthly pay will reduce operational costs.
- 10.4 The changes to sickness payments in Para. 4.6 will support the Council in managing down sickness absence levels.
- 10.5 The changes proposed in Para. 4.9 on hours of work – will enable the Council to more flexibly manage customer and workforce requirements.

11. RECOMMENDATIONS

- 11.1 That it be recommended to the Council that:-
 - 11.1.1 The proposed changes to Pay Structures and Terms and Conditions detailed in section 4 of this report be agreed and implemented from 1 April 2010.

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NEW FOREST DISTRICT COUNCIL - PROPOSED PAY STRUCTURE - APPENDIX 1

Salary 01/04/09	SCP	BAND 1	BAND 2	BAND 3	BAND 4	BAND 5	BAND 6	BAND 7	BAND 8	BAND 9	BAND 10	BAND 11	BAND 12
£95,970	81												
£93,178	80												
£90,464	79												
£87,829	78												
£85,273	77												
£82,776	76												
£80,375	75												
£78,078	74												
£75,854	73												
£73,693	72												
£71,591	71												
£69,566	70												
£67,611	69												
£65,727	68												
£63,906	67												
£62,164	66												
£60,482	65												
£58,870	64												
£57,331	63												
£55,854	62												
£54,397	61												
£53,244	60												
£52,167	59												
£51,096	58												
£50,032	57												
£49,158	56												
£48,267	55												
£47,384	54												
£46,509	53												
£45,614	52												
£44,735	51												
£43,689	50												
£42,972	49												
£42,101	48												
£41,223	47												
£40,327	46												
£39,417	45												
£38,478	44												
£37,627	43												
£36,733	42												
£35,817	41												
£34,923	40												
£34,012	39												
£33,133	38												
£32,087	37												
£31,161	36												
£30,288	35												
£29,496	34												
£28,901	33												
£28,089	32												
£27,275	31												
£26,493	30												
£25,667	29												
£24,828	28												
£23,874	27												
£23,099	26												
£22,363	25												
£21,650	24												
£20,989	23												
£20,323	22												
£19,748	21												
£19,245	20												
£18,562	19												
£17,912	18												
£17,268	17												
£16,936	16												
£16,528	15												
£16,160	14												
£15,828	13												
£15,540	12												
£15,130	11												
£14,850	10												
£13,948	9												
£13,535	N												
£13,134	8												
£12,748	N												
£12,377	7												

Politically Restricted Above Point 43

 scp added
 scp deleted

APPENDIX 2

NEW FOREST DISTRICT COUNCIL

HOURS OF WORK

1. Hours of Work for Employees:

- 1.1 The normal hours of work shall be 37 hours per week.
- 1.2 The working week shall normally be any 5 from 7 days, according to the needs of the service.
- 1.3 A full week of 37 hours shall be worked before overtime is paid to employees who are eligible for such payment. For those employees who are subject to the Council's flexible working hour's scheme this condition is only deemed to be met if they are not in debit when authorised overtime working commences.
- 1.4 Employees will receive their normal rate of pay for working on any day this will include Saturdays and Sundays if agreed to be part of the normal working week. If an employee works more than 37 hours then the normal overtime rates apply.

In all circumstances agreement to work overtime must be sought from your line manager first.

- 1.5 Normal office hours in the Council (unless varied by individual contract) are as follows:

- * Monday to Thursday 8.45 a.m. - 5.15 p.m.
- * Friday 8.45 a.m. - 4.45 p.m.
- * Saturdays & Sundays As agreed

Lunchtime arrangements, including any extended lunch breaks under the Council's flexible working hour's scheme, shall take account of a full day service to the public.

2. Hours of Work for Leisure Services Employees:

- 2.1 The normal hours of work shall be 37 hours per week.
- 2.2 Employees employed to provide Leisure Services shall be required, as part of their normal duties, to undertake a system whereby the normal hours of work, week by week, are allocated through a duty rota as approved by the Council. Individual variation to the rota will be at the discretion of the Manager.

APPENDIX 2

3. Flexible Working Hours:

3.1 The Council operates a flexible working hour's scheme. Some posts are excluded from the scheme due to operational reasons. In all cases agreement must be sought from your line manager before an employee joins this scheme.

3.2 Environmental Services employees are excluded from the scheme. Other senior employees who record in writing to their Head of Service that they wish to exclude themselves from the scheme may do so (subject to the agreement of the Head of Service).

3.2 For the purposes of the flexible working hour's scheme the working day is as follows:

Bandwidth 8.00am-6.30pm (maximum hours)

Coretime Morning 10.00am - 12.00pm

Afternoon 2.00pm - 3.00pm

Lunch Break Maximum 2 hours - Minimum 30 minute

The above times apply to all Service Areas of the Council for all days of the normal working week.

3.4 All employees covered by flexible working arrangements must be at work during core times.

3.5 Where teams are providing a service to customers (both internal and external), it is important office cover is maintained during normal office operating hours (see 1.5). It is the responsibility of the employees within the team to ensure this occurs by making suitable arrangement/agreements between themselves and their manager regarding flexible hours.

3.6 Lunch Break: Lunch should be taken between the hours of 12.00pm and 2pm, and must not be less than 30 minutes.

3.7 Employees who work less than 6 hours may choose not to take a lunch break.

3.8 If you are attending a meeting at which a working lunch is provided you will not be required to take the minimum break.

3.9 Other scheme details are set out in the Employee Handbook Section 6a.1