

## TRAFFORD COUNCIL

**Report to:** Employment Committee  
**Date:** 1<sup>st</sup> July 2013  
**Report for:** Information  
**Report of:** Director of Human Resources

### Report Title

Proposed Changes to Staff Terms and Conditions

### Summary

This report sets out an overview of the proposals, process and timescales in relation to potential changes to staff terms and conditions.

### Recommendation

- That the Employment Committee notes the content of the report and in particular, the comprehensive approach to consultation.

Contact person for access to background papers and further information:

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### Background Information

Relationship to Policy Framework/Corporate Priorities	The proposals cut across all corporate priorities
Financial	The proposals are critical to achieving budget savings
Legal Implications:	Relevant legislation is being followed in terms of staff consultation
Equality/Diversity Implications	In line with relevant legislation and good practice
Sustainability Implications	None
Staffing/E-Government/Asset Management Implications	There will be implications for staffing and staff will be invited to vary their terms and conditions by agreement. If this is not achieved, then steps will be taken to terminate and re-engage staff on a revised set of terms and conditions.
Risk Management Implications	There is the potential for industrial action and also the potential for claims of unfair dismissal if agreement cannot be reached on varying terms and conditions.
Health and Safety Implications	None

## **1. INTRODUCTION**

- 1.1 Councils across England are facing significant financial challenges which are predicted to last much longer than originally forecast. Trafford Council has an excellent track record of managing its budget fairly and effectively and in 2011/12, we achieved the £21.3m savings target ahead of schedule, with half the savings being delivered through transformation projects; furthermore, in 2012/13, we achieved an additional savings target of £12.2m.
- 1.2 Over the next two years, Trafford Council will have to achieve further savings in order to fund a gap of £38.9m; this places tremendous pressure on the Council and its' services.
- 1.3 In trying to achieve these savings, services have already developed a number of proposals to review, reduce and in some cases cease service delivery. These proposals were the subject of a 90 day collective consultation process which concluded on 14<sup>th</sup> January 2013. Services are now going through a period of organisational change in order to implement these proposals and achieve savings for 2013/14 and beyond.
- 1.4 In terms of staffing reductions, following the period of collective consultation, it is anticipated that these will be in the region of 171.
- 1.5 As it becomes increasingly challenging to achieve savings without significantly impacting on front line services and jobs, Trafford Council is having to consider alternative ways of reducing financial pressures; this includes considering changes to staff terms and conditions. Many other councils, including our AGMA neighbours, have already implemented changes to terms and conditions.
- 1.6 Whilst it is not an easy option to consider, the Council's priority has to be to protect Trafford jobs and maintain services to Trafford residents. Therefore, in times of significant austerity, changes to staff terms and conditions have to be considered.

## **2. ACTION TO DATE**

- 2.1 As part of the original budget proposals which were subject to the 90 day collective consultation process, a number of ideas were put forward to achieve in the region of £3m as a result of changes to staff terms and conditions. These ideas were initial proposals and were not subject to the formal consultation process.
- 2.2 In summary, the initial ideas were to:
  - Remove the Essential Car User lump sum allowance
  - Reduce the sick pay scheme to a maximum of 3 months half pay and 3 months full pay

- Introduce a mandatory 5 days unpaid leave
  - Introduce a “Living Wage” for the lowest paid staff
- 2.3 In addition to the specific ideas set out above, the Council also gave a commitment to reduce overtime and agency spend across the organisation by £0.5m.
- 2.4 During December 2012, thirteen Information Sessions took place with staff at various locations across the borough. These sessions were led by a Senior Manager and a member of the Senior HR Leadership Team. The purpose of these sessions was to inform staff of the Council’s ideas and to seek feedback on the ideas along with seeking alternative ideas from staff.
- 2.5 The sessions were well-attended with an average of 30-40 staff attending each session. The sessions generated a lively debate with staff and feedback was captured from each session.
- 2.6 In addition to the Information Sessions, pages were developed on the intranet site and staff were encouraged to feedback via the website. Hard to reach staff (e.g. school crossing patrol staff, passenger transport escorts, catering and cleaning staff, etc.) were notified of the ideas via a personal letter to their home address and were encouraged to feedback via their line manager or by contacting a member of the HR Service.
- 2.7 The deadline for feedback from staff was 18<sup>th</sup> January 2013. Significant feedback was received; this was collated and analysed and used to inform the formal package of proposals which are set out in this document.

### **3. PACKAGE OF PROPOSED CHANGES TO TERMS AND CONDITIONS**

- 3.1 These proposed changes will be subject to a consultation period with a view to the revised package being implemented with effect from 1<sup>st</sup> January 2014 except for the removal of Essential Car User Allowance which will be effective from 1<sup>st</sup> April 2014. It is proposed that the revised terms and conditions will apply to the following staff:
- All staff employed by the Local Authority (for example staff employed on the following terms and conditions: NJC, Soulbury, JNC, Youth, etc.); this will include staff who have previously been transferred into the local authority under the provisions of TUPE
- 3.2 The proposals will not apply to:
- Staff on teachers terms and conditions which are set at a national level
  - School based staff who are employed under the purview of a governing body, including community, voluntary controlled and special school staff

### 3.3 Proposal 1 – Changes to conditions relating to Car Users (Essential Car User Scheme, Car User Allowance and Car Mileage Rates)

#### 3.3.1 *Current arrangements:*

The Essential Car User Scheme is based on the National Joint Council (NJC) scheme. The national scheme was originally developed many years ago in order to support staff who were required to purchase a car in order to undertake their duties; this was essentially because their job required them to undertake a significant amount of mileage per annum or they were required to carry bulky equipment in order to carry out their job. There are currently 704 employees designated as Essential Car Users. Eligible employees receive an annual lump sum at one of two rates, based on car engine size. The lower rate is currently £846, and the higher rate is currently £963 per annum. Essential car users are also eligible to claim for business mileage at the lower Essential Car User rate, based on the engine size of their car. This rate is currently set at 40.9p per mile. Casual Car Users currently claim mileage at 52.2p per mile.

#### 3.3.2 *Original idea:*

Many individuals now own a car or have access to a car as a lifestyle choice rather than as a result of a business requirement; therefore the original view was that the underlying rationale behind the Essential Car User Allowance is out-dated. The original idea discussed with staff, therefore, was to end the scheme. This would mean that those 704 staff classed as Essential Car Users would be re-designated as Casual Car Users and would no longer receive a lump sum payment. They would, however, continue to be eligible to claim payment for business mileage, which would shift to the higher Casual Car User rate.

This original idea would have realised significant savings on the part of the Essential Car User allowance – estimated as being in the region of £700k per annum - although these savings would have been offset against an increase in the car mileage rate as rates would have moved up from 40.9p per mile to the higher Casual Car User rate of 52.2p per mile.

#### 3.3.3 *Staff feedback*

The idea of completely withdrawing the Essential Car User Allowance received strong opposition from the workforce. The strength of feeling came from those receiving the allowance as well as from staff and managers not in receipt of the allowance. The concerns related to a perceived risk to certain services and service users; it was also suggested that if staff do not receive an allowance they would not provide the use of their car for work. This would mean them using alternative means of transport, i.e. public transport, which would be more expensive and less efficient.

### 3.3.5 *The Proposal*

Significant consideration has been given to the feedback and strength of feeling from staff. However, the conclusion is that the idea should be taken forward as a formal proposal for the following reasons:

- It will realise significant savings for the Council;
- It is in line with modernised working practices as there is a business expectation that individuals who regularly travel as part of their day to day job will have access to a vehicle in order to efficiently carry out their contractual duties.
- Individuals will continue to receive recompense in the form of mileage rates; indeed, the proposal is that Essential Car Users will move onto a Casual Car User rate, which will mean an uplift of 11.3p per mile;
- The removal of the allowance will mean that all car users are treated the same.

It is therefore proposed that the original idea should remain and that the Essential Car User Allowance should be withdrawn across the piece.

### 3.3.6 *Estimated savings*

Based upon the current number of essential Car Users, the estimated savings will be in the region of £700k.

## 3.4 Proposal 2 - Sick Pay Scheme

### 3.4.1 *Current arrangements:*

The sick pay scheme is based on the National Joint Council (NJC) scheme and gives entitlement to sick pay on a sliding scale, based on length of service. The maximum entitlement once an employee has completed 5 years of Local Authority service is 6 months full pay, and then 6 months half pay. The entitlements are detailed in the table below.

During 1 <sup>st</sup> year of service	1 month's full pay and (after completing 4 months service) 2 months half pay
During 2nd year of service	2 months full pay and 2 months half pay
During 3rd year of service	4 months full pay and 4 months half pay
During 4th and 5th year of service	5 months full pay and 5 months half pay
After 5 years of service	6 months full pay and 6 months half pay

For the year 2011/12, the Council paid out £3.04m in respect of sick pay.

### 3.4.2 *Original idea*

The original idea discussed with staff was for the sick pay scheme to be reduced to a maximum of 3 months' full pay and 3 months' half pay, subject to continuous service.

### 3.4.3 *Staff Feedback*

This idea did not generate a significant amount of feedback from staff. In terms of the feedback which was received, staff mainly raised concerns that if sick pay were to be extended in exceptional circumstances at management discretion, then measures would have to be put in place to ensure consistency in approach.

### 3.4.4 *The Proposal:*

This proposal has remained the same and is for staff to receive a maximum of 3 months full pay, followed by 3 months half pay. Entitlement to sick pay will be on a sliding scale based on length of service as set out in the table below:

During 1 <sup>st</sup> year of service	1 month's full pay and (after completing 4 months of service) 2 month's full pay
During 2nd year of service	2 month's full pay and 2 month's half pay
After 2 years of service	3 month's full pay and 3 month's half pay

There will be provision to extend the payment of sick pay beyond the contractual entitlement in exceptional circumstances. In response to staff concerns, it is proposed that requests would be submitted to the Director of HR for consideration and sign-off, so that there is consistency of application across the organisation.

The Council will continue to ensure that all employees have access to support services such as Occupational Health, Counselling, and Physiotherapy etc. In addition, the Council has recently introduced preferential rates for Private Health Insurance via General and Medical which will support those staff who may require extra support during periods of long-term absence.

### 3.4.5 *Estimated savings:*

Based upon the cost of sick pay in 2011/12, if the proposed model were applied, the Council would realise full-year savings of approximately £475k. This figure is based upon taking the total amount of occupational sick pay that was paid out in 2011/12 (calculated in line with the current entitlement of up to 6 months full pay/6 months half pay) and recalculating this, using the proposed entitlement (of up to 3 months full pay/3 months half pay). The figure does not include any costs or savings in respect of cover for absent staff (e.g. overtime pay, agency costs, acting up payments, etc.).

The level of savings can only be estimated as levels of sickness absence fluctuate from year to year, however, it is clear that this proposal would achieve significant savings and could also have an impact on the use of overtime and agency staff to cover periods of long-term sickness absence as staff may seek support for an earlier return to work.

### 3.5 Proposal 3 - Unpaid leave

#### 3.5.1 *Current arrangements:*

Currently employees receive a contractual annual leave entitlement based upon their length of service. Staff are only granted unpaid leave following an individual request, with agreement from the individual's manager, in line with the Special Leave Scheme.

#### 3.5.2 *Original idea*

The original idea was for all staff to take a mandatory 5 days' unpaid leave, in addition to their annual leave entitlement, per annum. The deductions would be taken in 12 equal monthly amounts from pay so that annual salary would not be reduced and pension benefits not adversely affected. Pension contributions are based upon an employee's annual salary and given that the idea was that annual salaries would remain unchanged, the level of employee and employer contributions would also remain unchanged, thus not adversely affecting pension benefits. The idea was that this would be a temporary arrangement, to be reviewed after two years.

#### 3.5.3 *Staff Feedback*

There was a lot of negative feedback about this proposal and staff felt that the 5 days was excessive. Comments received included concerns that due to work pressures, staff were not always able to take their contractual leave entitlement, let alone an additional 5 days. Staff were concerned that these additional days would just increase stress levels and seriously affect service delivery. There was also a concern about how some services would manage operationally and that some will need to cover with agency or overtime leading to an additional cost, which could result in them not being competitive and that exemptions should be considered. Other feedback was more positive and some staff said that they would welcome the opportunity to be able to take additional unpaid leave, especially during school holiday periods.

#### 3.5.4 *The Proposal*

Whilst essentially, the core proposal remains the same, the detail has been revised in light of feedback received from staff. The proposal is therefore to introduce a mandatory 3 days' unpaid leave per annum for all staff (pro-rata for part-time employees), with the option of applying for a further 7 days unpaid leave, on a voluntary basis, subject to management approval. It is proposed that pay deduction for these days will be spread over 12 months, so a proportionate amount of salary is deducted each month.

Taking into account the feedback about critical services and unnecessary cover costs, it is proposed that some services will be considered for exemption from the period of mandatory unpaid leave. This will minimise the risk on vulnerable service users and Council contracts. Further work will be undertaken during consultation to identify which services will be eligible for exemption. Exemptions will be subject to approval by the Chief Executive, in conjunction with the Directors of Finance and HR.

### 3.5.5 *Estimated savings*

The original idea estimated that savings would be in the region of £1m. The reduction in the number of mandatory days from 5 to 3 and also the introduction of exemptions will mean that the savings will be reduced. However, this reduction will be offset by the fact that some staff will voluntarily wish to take more than the 3 days mandatory unpaid leave (as evidenced in the feedback). It is therefore currently estimated that savings in this area may be in the region of £700k. Further financial assessments will be undertaken once decisions on exemptions are made.

## 3.6 Proposal 4 - Introduction of a 'Living Wage'

### 3.6.1 *Current arrangements:*

The National Minimum Wage is currently £6.19 per hour (increasing to £6.31 from 1<sup>st</sup> October 2013). No Trafford employees earn less than this amount. Until recently, the "Living Wage" was set at £7.20 per hour. There are currently 310 Trafford Council employees who receive less than this rate of pay.

### 3.6.2 *Original idea*

The original idea was to bring all Trafford employees up to a Trafford Living Wage of £7.20 per hour. This means that 310 of the lowest earners within the Council would receive a salary increase.

### 3.6.3 *Staff feedback*

Whilst there was limited opposition to this idea, staff generally supported this idea as part of an overall package of changes to terms and conditions.

### 3.6.4 *The Proposal*

This proposal will remain the same.

### 3.6.5 *Estimated costs*

It is estimated that if this proposal is introduced, it will cost in the region of £42k (excluding on-costs).

## 3.7 Proposal 5

### 3.7.1 The Council remains committed to reducing overtime and agency spend across the organisation by £0.5M.



## **4 ADDITIONAL PROPOSALS**

4.1 The target savings associated with changes to terms and conditions was set at £3m. Taking into account the feedback from staff on the original ideas put forward and the subsequent changes to those ideas, it is estimated that the revised proposals will not achieve the original savings. Therefore, additional proposals will need to be considered in order to generate the required savings.

4.2 A number of additional proposals have therefore been developed and are set out below.

### **4.3 Proposal 5 – Reduce rate of pay for overtime**

4.3.1 In 2012, the Council paid out £921,618 in non-contractual overtime. This was paid at varying rates, including plain time, time and a half and double time. A number of other local authorities have restricted their overtime rates to plain time only. If we were to apply this calculation of plain time only to the overtime which was worked in 2012, the cost would reduce to £614,411, making an overall saving of £307,207.

4.3.2 The proposal is therefore to cease enhanced rates of pay for non-contractual overtime and to pay overtime at a flat plain time rate of pay.

4.3.3 The introduction of this proposal may result in a risk that some staff will not agree to work overtime, or may not wish to work as much if they receive a lower rate of pay. However, directorates should not rely upon overtime to deliver services and where there is high usage; services must commit to redesign their delivery models in order to address this.

### **4.4 Proposal 6 – Remove Relocation Allowance**

4.4.1 A relocation allowance is payable for a period of 4 years when an employee has an enforced change to their place of work. This is a national term, under Part 3 of the Green Book and most local authorities reviewed this term as part of their review of Part 3 terms and conditions, a number of years ago. The allowance was not reviewed in Trafford, however, and the allowance remains.

4.4.2 In 2012, 146 employees claimed the allowance, totalling £68k for the year. The average claim was £50 per month.

4.4.3 Given that it is not unreasonable to expect staff who work for Trafford Council to be able to work from any base within the borough, the proposal is to cease this allowance. This will mean that no new allowances will be payable; in addition, all existing allowances will cease with effect from the implementation date. This will achieve savings in the region of £70k per annum.

## **5 SUMMARY OF ESTIMATED SAVINGS**

5.1 The table below details the potential savings that could be achieved by implementing the proposals set out in this document.

<b>Proposal – Option 1</b>	<b>Potential Savings</b>
1. Changes relating to Car Users	+£700k
2. Reducing the sick pay scheme	+£475k
3. Unpaid leave	+£700k
4. Introduction of Living Wage	- £42
5. Reduce overtime rate	+£300k
6. Remove relocation allowance	+£68k
7. Reduce overtime and agency spend	+£500k
<b>Total (potential savings)</b>	<b>£2.7m</b>

## **6 PROCESS AND TIMELINE**

- 6.1 The proposals are a complete package of proposals and not standalone options. The Council's aim is that following a period of consultation, agreement will be reached to vary terms and conditions, introducing the revised package from 1<sup>st</sup> January 2014, except for the removal of essential Car User Allowance which will be effective from 1<sup>st</sup> April 2014.
- 6.2 In the first instance, the Council will aim to reach a collective agreement with the recognised trade unions. If this is not possible, then the Council will aim to reach agreement with individual employees.
- 6.3 Ultimately, if agreement cannot be reached on a revised package of terms and conditions, then the Council will need to achieve the change via a process of termination and re-engagement.
- 6.4 The draft timeline for achieving the change is set out below:

<b>DATE</b>	<b>ACTION</b>
Week commencing 10 <sup>th</sup> June 2013	Commence 30 day informal consultation on the package of proposals
Week commencing 1 <sup>st</sup> July 2013	Staff roadshows (2 week period)
12 <sup>th</sup> July 2013	End of informal consultation
Week commencing 29 <sup>th</sup> July 2013	Issue S.188 notice to mark commencement of 45 day formal consultation
During August and September 2013	During formal consultation period, seek to reach collective/individual agreement on changes to terms and conditions in order

	to minimise the number of dismissal and re-engagements
1 <sup>st</sup> October 2013	Commence 3 month termination and reengagement process, should agreement not be reached
1 <sup>st</sup> January 2014	Implement revised terms and conditions – except Essential Car User Allowance which will be effective from 1 <sup>st</sup> April 2014.

## 7. CONCLUSION

- 7.1 This paper sets out a number of proposals for the Council workforce in order to achieve significant savings. In achieving changes to terms and conditions, the Council is committed to protecting jobs, core pay and pension benefits.
- 7.2 In addition to the development of these proposals, much work has been undertaken in recent months to develop positive measures for the workforce, which aim to improve staff benefits. For example the introduction of a new car lease scheme, discounted private medical insurance, Your Co-op Rewards discount scheme, etc. The Council remains committed to exploring cost effective opportunities which improve staff benefits