

PROPOSED CHANGES TO STAFF TERMS AND CONDITIONS

COUNCIL – 18 OCTOBER 2011

Report of the: Deputy Chief Executive and Director of Corporate Resources

Also considered by: Cabinet - 15 September 2011

Services Select Committee - 20 September 2011

Status: For Decision

This report supports the Key Aims of the Community Plan

Portfolio Holder Cllr. Peter Fleming and Cllr. Brian Ramsay

Head of Service Head of Finance and HR – Tricia Marshall

Recommendation: It be resolved that:

- a) the changes to staff terms and conditions set out in Appendix A be implemented from 1 April 2012; and
 - b) the 10-year budget be amended as shown in Appendix B, to take account of the phased introduction of these changes.
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Background

- 1 Members will be aware that the 10-year budget includes a saving of £370,000 from staff pay and conditions, with £320,000 planned for delivery in 2012/13 and a further £50,000 in 2013/14. The proposed changes to staff terms and conditions have been agreed by Cabinet but Council is required to approve the financial change to the 10-year budget.

Introduction

- 2 Appendix A sets out changes to terms and conditions proposed to achieve the required savings. The proposal requires Council to approve amendments to the 10-year budget to allow the changes to be phased in over a longer period than originally planned, but over the life of the 10-year budget the total savings required would still be achieved.
- 3 The proposal has been subject to extensive consultation with staff and the feedback from them is broadly supportive of the proposals, though a number of concerns have been raised about the impact of the proposals on staff pay, motivation and morale. SDC has been recognised nationally for its achievements in staff motivation and empowerment, leading to high levels of productivity. This proposal is designed to mitigate the impact on productivity

and should ensure residents continue to receive high quality, value for money services.

- 4 The proposed changes to staff terms and conditions have been considered in depth at the Cabinet meeting on 15 September and 13 October, as well as Services Select Committee on 20 September. Extracts from the minutes to these meetings are attached to this agenda. More in depth analysis and comments from staff are set out in the report to Cabinet and Services Select Committee.

Key Implications

Financial

- 5 The 10-year budget assumes that £320,000 a year will be saved from 2012/13 onwards, and a further £50,000 will be saved from 2013/14 onwards. Under the proposal above, initial financial modelling (set out in Appendix C) suggests that the majority of the savings will not be achieved until 2016/17 onwards but, over the period of the 10-year budget, the cumulative savings will be fully achieved. The reason for this is that the savings will be achieved through holding pay at existing levels for staff affected for a number of years instead of reducing pay levels from next year.
- 6 In practice the Budget Stabilisation Reserve will fund the shortfall in earlier years with repayments being made to the Reserve in later years. The budget already assumes that there will be no national pay award from 2010/11 to 2012/13.

Staffing

- 7 The proposals above, together with extensive consultation with staff should mitigate the impact on staff morale and motivation (and hence potentially the quality of service to residents) of changing staff terms and conditions. Although unemployment levels are high nationally, the Council is experiencing difficulties recruiting to certain posts within the organisation and has found it difficult to retain others; a phased approach such as that proposed should minimise the risk that staff are dissatisfied and leave the organisation.

Equality

- 8 An Equalities Impact Assessment has been completed. The proposed changes will reduce the risk of discrimination of age grounds, as pay levels will vary less with length of service, but on the other hand those affected by the changes are more likely to be older; however there are extended protection arrangements proposed that mitigate the impact.

Community Impact

- 8 The proposals should have a positive impact as they ensure that in the long term the required savings are achieved as well as protecting high quality service delivery for residents.

Risk Assessment Statement

Risk	Mitigation	Residual Risk
Recruitment and retention of staff more difficult due to changes to terms and conditions, with adverse impact on service delivery due to vacancies.	SDC recognised as a good employer through Investors in People Gold and Champion status, top placed local authority in Times 'Best Public Sector Organisation to work for' awards	Medium – staff still continue to want to work for SDC
Morale and motivation reduced as a result of these changes to terms and conditions in addition to previous changes, leading to reductions in productivity (through loss of loyalty and goodwill) with an adverse impact on service delivery.	Extensive consultation with staff to develop a scheme that most staff support.	Low/Medium
Some staff refuse to accept the proposed new terms and conditions, leading to service disruption.	Continue with approach of consultation, feedback and 1-1 meetings for those most affected.	Low – generally staff have given positive responses to the consultation process
Proposal may not deliver required savings, leading to the need to generate additional savings to balance the budget.	Financial modelling has been carried out at a detailed level. Continue to monitor position through monthly budget monitoring and check assumptions on an annual basis.	Low
The amendment to the 10-year budget is not approved, resulting in a requirement to make the saving from 1 April 2012. This would cause considerable anxiety and uncertainty for staff and the need to develop and consult on an alternative solution at short notice. Impact on service delivery would be adverse due to loss of	Members briefed fully on the proposal, including the implications for the 10-year budget, in that by the end of the 10-year period the cumulative savings achieved would remain unchanged. Members also briefed on staff comments and concerns.	Low

motivation and staff goodwill.		
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Conclusion

- 9 The Council's success and national reputation has been made possible by the people it employs, their hard work and commitment and desire to deliver the highest quality of service to the community. It is therefore not easy, having already asked them over recent years to reduce their pay and conditions, to once again make that request. However, the Council has been faced with unprecedented challenges requiring more difficult solutions.
- 10 The proposed changes to terms and conditions aim to strike a balance between the need to deliver savings for the Council against the potential impact on staff recruitment, retention, motivation and morale, and hence productivity levels. The proposed changes meet the Council's financial targets over the period of the 10-year budget and also offer staff substantial protection from reductions in pay.

Sources of Information: Staff consultation on proposed changes to terms and conditions papers

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Proposed changes to staff terms and conditions

1. The current bands are reduced from 11+ spinal pay points per band to four points, by removing the top two points (the 'starred area') and the lower five points; this also removes the current overlap between bands;
2. Officers who are on a point below the new top spinal point, subject to performance, carry on progressing one spinal point each year until they reach the new top point of the band;
3. Officers who are currently on the top two points (12% of staff) will continue to receive national pay awards for five years from when national pay award are reintroduced. After that period expires, their pay will revert to the new top spinal point.; and
4. Officers can still be rewarded via the appraisal scheme with one-off payments for outstanding performance.

The attached salary band table shows the proposed new bands in bold.

Under this proposal staff would stay on national terms and conditions.

Band A		Band B		Band C	
SCP	Salary	SCP	Salary	SCP	Salary
4	12,145	12	15,039	18	17,161
5	12,312	13	15,444	19	17,802
6	12,489	14	15,725	20	18,453
7	12,787	15	16,054	21	19,126
8	13,189	16	16,440	22	19,621
9	13,589	17	16,830	23	20,198
10	13,874	18	17,161	24	20,858
11	14,733	19	17,802	25	21,519
12	15,039	20	18,453	26	22,221
13	15,444	21	19,126	27	22,958
14	15,725	22	19,621	28	23,708
15	16,054				
16	16,440				
17	16,830				

Band D		Band E		Band F	
SCP	Salary	SCP	Salary	SCP	Salary
23	20,198	29	24,646	35	29,236
24	20,858	30	25,472	36	30,011
25	21,519	31	26,276	37	30,851
26	22,221	32	27,052	38	31,754
27	22,958	33	27,849	39	32,800
28	23,708	34	28,636	40	33,661
29	24,646	35	29,236	41	34,549
30	25,472	36	30,011	42	35,430
31	26,276	37	30,851	43	36,313
32	27,052	38	31,754	44	37,206
33	27,849	39	32,800	45	38,042
34	28,636	40	33,661	46	38,961
		41	34,549		

Band G		Band H		Band I		Band J	
SCP	Salary	SCP	Salary	SCP	Salary	SCP	Salary
42	35,430	47	39,855	53	45,112	59	50,800
43	36,313	48	40,741	54	46,019	60	51,818
44	37,206	49	41,616	55	46,934	61	52,855
45	38,042	50	42,499	56	47,880	62	54,173
46	38,961	51	43,363	57	48,822	63	55,528
47	39,855	52	44,234	58	49,808	64	56,914
48	40,741	53	45,112	59	50,800	65	58,340
49	41,616	54	46,019	60	51,818	66	59,791
50	42,499	55	46,934	61	52,855	67	61,290
51	43,363	56	47,880	62	54,173	68	62,825
52	44,234	57	48,822	63	55,528	69	64,398
		58	49,808	64	56,914	70	66,009

Appendix B

Impact of proposals on current 10-year budget

Ten Year Budget - Revenue

	Budget	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan	Plan
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure											
Net Service Expenditure c/f	16,711	16,711	13,771	13,162	13,223	14,200	14,789	15,379	15,971	16,565	17,158
Inflation		442	507	547	611	589	590	592	594	593	593
Pension Fund deficit: actuarial increase		(220)	0	0	520						
Net savings (approved in previous years)		(71)	34	(25)	(75)						
Concessionary Fares reduction		(699)									
Expenditure previously classified as capital*		100									
Net savings (NEW)		(2,492)	(1,150)	(461)	(79)						
Net Service Expenditure b/f	16,711	13,771	13,162	13,223	14,200	14,789	15,379	15,971	16,565	17,158	17,751
Financing Sources											
Government Support	(6,348)	(5,358)	(4,632)	(4,251)	(3,870)	(3,986)	(4,106)	(4,229)	(4,356)	(4,487)	(4,622)
Govt Support - Conc. Fares reduction		446	446	446	446	459	473	487	502	517	533
Govt Support to offset C Tax freeze	0	(229)	(229)	(229)	(229)	0	0	0	0	0	0
Council Tax	(9,172)	(9,199)	(9,199)	(9,475)	(9,759)	(10,149)	(10,555)	(10,977)	(11,416)	(11,873)	(12,348)
Interest Receipts	(192)	(153)	(289)	(594)	(714)	(662)	(596)	(529)	(462)	(397)	(353)
Contributions to Reserves	716	471	330	430	330	330	330	330	330	330	330
Contributions from Reserves	(1,715)	(14)	(645)	(645)	(645)	(645)	(645)	(645)	(645)	(645)	(645)
Total Financing	(16,711)	(14,036)	(14,218)	(14,318)	(14,441)	(14,653)	(15,099)	(15,563)	(16,047)	(16,555)	(17,105)
Contribution to/(from) Stabilisation Reserve		265	1,056	1,095	241	(136)	(280)	(408)	(518)	(603)	(646)
Budget Gap	0	0	0	0	0	0	0	0	0	0	0

Cumulative 10 year position (surplus)/deficit: (66)

Effect of Terms & Conditions Savings Changes												
Effect of changes				320	370	405	288	145	(17)	(318)	(504)	(691)
REVISED Cont to/(from) Stabilisation Reserve		265	736	725	(164)	(424)	(425)	(391)	(200)	(99)	45	
												(68)

Cumulative 10 year position (surplus)/deficit: (68)

