

**REPORT TO THE EMPLOYMENT COMMITTEE MEETING OF  
19<sup>th</sup> JANUARY 2015**

---

**Meeting:** Employment Committee  
**Date:** 19<sup>th</sup> January 2015  
**Subject:** Terms and Conditions Review  
**Report of:** Norman Proudfoot as Head of Paid Service  
**Portfolio Holder:** Cllr Paul Dann

**Status:**

**Relevant Ward(s):**

---

1 Purpose Report

1.1 To outline the current position of Harborough District Council regarding pay and conditions of employment for consideration.

2 Recommendations:

2.1 **For the Employment Committee to receive the report and consider the information.**

2.2 **To view these within the complex nature of employment, the psychological contract and the part that terms and conditions play in a total reward system**

3 Summary of Reasons for the Recommendations

3.1 The review of terms and conditions of employment stems from the following:

- Key activity 06.04 to implement the Workforce Strategy
- The Corporate Delivery Plan 2014-15 has within its priorities to provide the right public services to the right standard and deliver value for money and links to critical outcome (CO6): The Council makes the best use of its assets and resources.
- The Workforce Strategy contains within its action plan a commitment to review the terms and conditions of employment.

3.2 The scope of the review was to provide benchmark information on pay and benefits for member consideration.

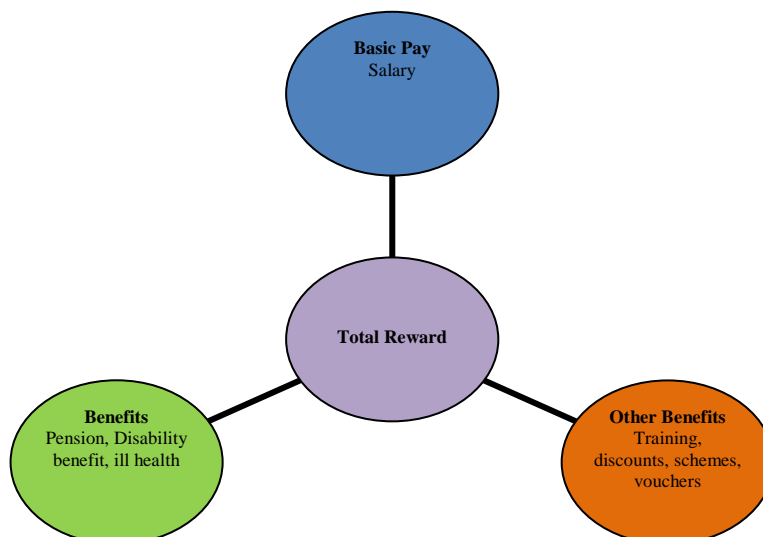
- 3.3 In order that HDC can compare itself to other districts, local authorities, partners and some private sector organisations all of whom could be deemed as our competitors for staffing purposes, a data gathering and benchmarking exercise was necessary.
- 3.4 Hay Group have been working with HDC for many years and were engaged in the pay and grading project. They were integral to the design of our current pay and grading structure and evaluations. Their job evaluation system is used by many Local Government employers. They have been requested primarily to undertake a salary benchmarking exercise but also included benefit comparison.
- 3.5 In 2009-2010 HDC undertook the single status pay review known locally as pay and grading.
- 3.6 Pay is typically described as being in quartiles: lower, median and upper quartile when compared to other data.
- 3.7 The Council in 2008 had a pay position of broadly lower quartile pay in comparison to a similar market. The 'market' used to compare the pay was public sector and not for profit organisations.
- 3.8 The pay of the whole organisation was reviewed as the pay and grading project affected every level of the organisational structure and also reflects the equal pay audits that are undertaken for the whole organisation.
- 3.9 Through the pay and grading project Council made a decision to adopt a market median pay position. This reflected our need to attract suitable candidates following recruitment difficulties in various posts, our geographical position and our increasing need to manage the headcount.
- 3.10 This last aspect has resulted in the organisation having posts where there is no clear successor or a reduced number of junior/ trainee posts (commissioning manager, parish liaison, business support manager, equalities officer, H&S officer, contaminated land officer) so the organisation has to be able to recruit experienced and already skilled staff into the posts.
- 3.11 HDC has also introduced several new posts whereby there is a hybrid skill set not normally found in the labour market (building services officer, environmental co-ordinator). Hybrid skill sets feature where elements of different jobs are brought together in one post. For example, requiring a postholder to have customer liaison/ account management type skills do not generally sit with technical health and safety applied knowledge. Whilst these might have been divided into 2 part time posts, they are being combined into one post and the organisation has to determine the emphasis of the post for recruitment purposes.
- 3.12 Since the implementation of the new pay structure there have been very few difficulties in recruitment to posts. Posts such as the Parking Services Manager have

attracted fewer candidates which reflects a national problem in that sector but appointments have been made. The Head of Planning advertisement attracted a limited number of candidates to apply with no one selected for appointment. Following some changes to the requirements the post is being re advertised. Prior to the Pay and Grading project the post of Environmental Health Officer proved difficult to recruit to. This was a national problem too. Since the new pay structure there have not been problems in filling such vacancies on a permanent basis but for temporary cover it has proved more difficult.

3.13 Turnover of voluntary leavers (as opposed to leavers who have been made redundant) in 2013-14 was 10.5% (of 13.1%). This is a sustainable level. At the end of October 2014-15 voluntary turnover is 4.5% (of 5%) and at the same point in time in 2013-14 the figure was 6.6% (of 8.1%). It is anticipated that voluntary turnover will be at a similar level this financial year.

3.14 The pay is compared against other similar jobs by the shape and size of a job. The shape and size is determined by job evaluation and a score is allocated. Due to the fact that Hay job evaluation is used in so many organisations it is possible to draw upon this scoring information for comparison data. HDC is also able to compare data against other local authorities by chief officer pay data which is published online. (Appendix A).

3.16 Total reward is made up of key elements as the diagram below shows:



#### 4 Impact on Communities

- 4.1 There may be a positive reputational impact in the fact that the Council is demonstrating transparency in that it is reviewing the terms and conditions of staff against a comparative market.
- 4.2 If the Council was unable to deliver services due to the inability to attract staff because of terms and conditions of employment then there may be a negative impact upon the community.

#### 5. Key Facts

- 5.1 The analysis from the benchmarking exercise provides information on pay, benefits (both pension and other types) and other benefits. (Appendix B).
- 5.2 The workforce has not been surveyed to establish which factors eg pay, benefits most motivate them.

#### 5.3 Pay

- 5.4 'Basic pay' is solely the salary paid to employees. It does not include any financial value connected with pension or other benefits which are considered further below in this report.
- 5.5 In summary basic pay at HDC is comparable to the national local government sector but lower than the private sector (5-10% lower) using data held by Hay Group when looking at an organisational average. (Appendix B explains this in more detail paras 1- 11)
- 5.6 Basic pay is statistically sitting between the lower quartile and median pay position. The percentages in the table below relate to how closely the salary at the upper, median and lower quartile matches to the market comparison. If the % is 100 then it is a direct match to that quartile. If over 100% the pay is higher than that quartile. If lower than 100% the pay is less than the quartile.

A HDC Grade (no of staff)	B HDC salary of the grade at top of the grade	C Market salary upper quartile	D Upper quartile %	E Market salary Median	F Median %	G Market salary lower quartile	H Lower quartile %	I Market pay Average	J Organisational Average %
13 (2)	72,449	76,331	95%	68,750	105%	62,076	117%	71,072	102%
12 (3)	55,461	68,202	81%	60,875	91%	55,657	100%	63,432	87%
11 (8)	48,281	58,064	83%	52,493	92%	46,869	103%	53,422	90%
10 (6)	42,032	49,538	85%	44,657	94%	40,001	105%	45,334	93%
9 (19)	37,578	43,272	87%	38,811	97%	35,368	106%	39,260	96%
8 (16)	33,998	38,104	89%	34,016	100%	31,629	107%	34,724	98%
7 (22)	30,311	33,349	91%	29,810	102%	27,354	111%	30,517	99%
6 (28)	27,323	29,957	91%	26,700	102%	24,354	112%	27,176	101%
5 (27)	23,945	26,452	91%	23,539	102%	21,519	111%	24,100	99%
4 (43)	21,067	23,180	91%	20,978	100%	19,125	110%	21,402	98%
3 (26)	18,638	21,690	86%	19,099	98%	17,251	108%	19,729	94%
2 (3)	16,604	19,196	86%	17,288	96%	16,449	101%	18,115	92%
1	15,882	17,727	90%	16,308	97%	14,777	107%	16,574	96%

5.7 However when viewed by grade the basic pay for:

- Grade 4-8 is on the market median or just above.
- Grades 1-3 and 9-11 are below the market median but above the lower quartile.
- Grade 12 is actually directly on the lower quartile. This grade is only applicable to the Head of Service level.

#### 5.8 Benefits – LGPS related

5.9 The term 'benefits' in this report and analysis refers to benefits associated with the Local Government Pension Scheme (LGPS) and include pension, death in service, disability benefits.

5.10 Pension related benefits are comparable to the local government sector but higher than the private sector and not for profit sector.

5.11 The LGPS is standard across local authorities (as with death, retirement and disability benefit) and therefore is not a competitive element of local government reward when trying to attract prospective candidates from local government to join HDC. The market used for comparison also considered not for profit organisations where this benefit is rare. The statistics are therefore affected by this.

5.12 The LGA were approached for information to determine HDC's position with regard to the LGPS. The emails are in Appendix C and clarify that the Authority cannot legally remove itself from this pension scheme.

### 5.13 Other Benefits

- 5.14 The term 'other benefits' is used to refer to any other benefits an employer might offer that are not connected to the LGPS.
- 5.15 Other benefits are very low in comparison to both the local government, not for profit and private sector market. HDC is placed 66% below even the lower quartile when considering the value of the 'other benefits' and 94% lower than the market median. (Appendix B 22 onward explains this in more detail)
- 5.16 Welland Internal Audit Consortium recently submitted an FOI to many council's on behalf of East Northamptonshire Council. The results have been shared with HDC and give comparison data for benefits. HDC also contacted colleagues to benchmark other benefits. The findings of this are summarised in Appendix B para 22 onwards.
- 5.17 HDC does not offer pay protection to staff. This was removed through the Pay and Grading Review. Neighbouring authorities still offer pay protection ranging from 2 years (HBBC), 3 years (NWLDC) to 5 years (MBC).
- 5.18 Chief Officers on Joint Negotiating Committee (JNC) terms and conditions have received no pay award since 2009. (JNC have a different negotiating body to that of the main workforce).
- 5.19 Employees/ Officers on NJC terms and conditions (the main workforce) have received no pay award for the financial years 2010-11, 2011-12 and 2012-13. This was then followed by a 1% increase from April 2013-14. Negotiations have just been concluded for pay in 2014-16. The award is not a straightforward percentage increase and further details will be circulated to staff and Members shortly.
- 5.20 4 authorities operated a flexible benefits scheme involving buy back of annual leave or salary sacrifice benefits.
- 5.21 The majority of respondents to the data collection operate a childcare voucher scheme which HDC does not. Staff have asked for this to be introduced. (Appendix B para 43).
- 5.22 Staff are able to take up a discounted gym membership rate through the Leisure Centres but this rate is also applicable to many significant employers in the district.

5.23 The diagram below shows the summary position of HDC terms and conditions:

Position	General Elements	Specific Elements
Upper Quartile	LGPS benefits	Grade 4-8 pay
Median	Basic Pay	Grade 2,11,12 total remuneration Grade 1-3, 9-11 pay
Lower Quartile	Other Benefits	Grade 12 pay

5.24 Many authorities pay NJC rates of mileage although sometimes the bandings are changed and agreed locally through the process of change to terms and conditions. Essential users receive a lump sum and are also paid at 45p per mile (up to 8500 miles and 25p thereafter. Essential user lump sum payments that have averaged c£65k (1% of the paybill for HDC) could be ceased but the higher single mileage rate (45p) would need to use some of this saving (c£5.5k). The majority of HDC car users are causal who are paid at 45p but receive no lump sum. Therefore there could be approximately £60k savings if no lump sums are paid and all mileage is paid at 45p per mile for all user mileage. The HMRC rate is currently 45p per mile. (Appendix D).

5.25 A small number of Authorities have used a variation of terms and conditions to remove the essential car user lump sum. (Appendix E).

#### 5.26 Performance Related Pay

5.27 None of the data collected by HDC or Internal Audit showed any authorities operating a performance related pay system.

5.28 Hay Group have provided a report to outline the key features of a performance related pay model with 3 high level options for information. (Appendix F)

### 6 Legal Issues

6.1 Terms and conditions are bound by legislation (Employment Rights Act), are often part of a national agreement such as the NJC (NJC - National Joint Council for Local Government Services – Local Gov't employers and Trade Unions) terms and conditions (commonly known as the Green Book). Some are locally negotiated – collective agreements.

- 6.2 There are parts of the Green book which would not usually be subject to change at a local level. It is however possible to amend these through appropriate legislative employment processes. If collective agreement cannot be reached through negotiation with the trade union, the process known as variation of terms and conditions involves consultation with each employee and where no agreement is reached to dismiss the employee and offer re-engagement on the new terms and conditions.
- 6.3 Implementation of changes must be compliant with employment legislation, Equality Act 2010 to the Employment Rights Act 1996 (and amendments).
- 6.4 Equality Act compliance is a significant issue when seeking to change terms and conditions. Local Government is seen to be a leader of good practice in matters of equality.
- 6.5 Should employment litigation become apparent the costs of preparation for tribunal carries significant cost whether a case is won or lost.
- 6.6 It will be necessary for decisions regarding Terms and Conditions to be put before full Council.
- 6.7 Information provided evidences that legally it would not be possible to exit the Local Government Pension Scheme (LGPS). (Appendix C)

## 7 Resource Issues

- 7.1 Should the Employment Committee require further work to be undertaken in relation to the information within this report, this may impact upon internal resources or require external input and associated costs.
- 7.2 Should Council resolve to change any terms and conditions of employment, there would be an impact on productivity whilst any required employment processes to achieve the change are put in place. If the changes are perceived negatively by staff, loss of productivity may be over an extended period of time or could result in a higher turnover of staff.
- 7.3 Some factors may present initial outlay of expenditure in entering into a supplier contract eg childcare vouchers, some savings may be realised year on year eg mileage payments but may also require 'buy-out' of the lump sum arrangements (Appendix D, E), and some require significant budget and resource eg performance related pay. (Appendix F)
- 7.4 Significant changes to the terms and conditions will require consultation with the entire workforce via meetings and internal resources in terms of time. These indirect costs are at the expense of productivity over an anticipated 6 months of implementation dependent upon the extent of change.

## 8 Equality Implications

- 8.1 Should further work be requested upon aspects of the terms and conditions, equality analyses would form a significant part of the information. Equality analyses would be critical to the implementation of changes to Terms and Conditions in order that any changes do not adversely affect staff groups and members of the public applying to work for Harborough District Council.



9 Impact on the Organisation

9.1 Employee engagement, succession planning, talent retention, perception of fairness, psychological contract, competition for candidates and labour market changes are all factors that may have a direct or indirect impact upon the organisation through productivity and service delivery.

9.2 As a local employer and public service, significant changes to terms and conditions may also have reputational impact upon the organisation.

10. Risk Management Implications

10.1 Any changes to terms and conditions will need to follow appropriate and compliant employment processes in order to mitigate risk of litigation by employees against the Council.

10.2 Should the Employment Committee require further work on aspects of the terms and conditions, more information regarding the associated risks can be outlined.

11 Consultation

11.1 Consultation with staff and Unison will be necessary should changes be determined. This will need to be extensive.

12 Options Considered

12.1 As this report contains information only, options have not been identified.

---

**Previous report(s):**

**Information Issued Under Sensitive Issue Procedure:**

**Ward Members Notified:**

***Appendices:***

- A. Chief Officer Pay Summary
- B. Analysis of Pay and Other Benefits
- C. LGPS legal position
- D. Car Mileage information
- E. Removal of lump sum emails
- F. Performance Related Pay
- G. Background information