

## ROTHERHAM BOROUGH COUNCIL – REPORT TO STAFFING COMMITTEE

<b>1. Meeting:</b>	<b>Staffing Committee Meeting</b>
<b>2. Date:</b>	<b>5<sup>th</sup> February 2014</b>
<b>3. Title:</b>	<b>Employee Relations Update</b>
<b>4. Directorate:</b>	<b>Resources</b>

### Summary

This report is a summary of current issues.

This paper details responses and proposals in respect of employee relations issues resulting from: -

- National Pay Award
- Living Wage implications
- Council budget challenge
- Pension Scheme Changes & Auto enrolment
- Annual Pay Policy Statement

### 6. Recommendations

Staffing Committee is asked to approve the approach on these matters.

## 7. Proposals and Details

### a) **National Pay Award**

This year's 1% increase was the first national pay award after 3 years pay freeze for Local Government employees. Chief Officers were not awarded any annual pay award and have now had no pay increase for 5 years.

The level of Public Sector pay awards is forecast to continue at 1% for 2014/15 and 2015/16. The pay claim tabled by Trade Unions for 2014/15 is seeking a £1 per hour rise on all pay points (a tapering increase from 15.5% for our lowest paid to 4.6% at spinal column point 49).

### b). **Living Wage**

Previous reports to Cabinet and Overview and Scrutiny Management Board set out the key facts and implications for implementing the Living Wage and the Council has stated its commitment to introducing the Living Wage rate currently calculated at the rate of £7.65 per hour.

In order for the Council to maintain control over rates of pay it is proposed that any implementation of a Living Wage arrangement would best be paid as a supplement. The use of a supplement allows for transparency, provides flexibility for annual review and would also be easier to remove if it became necessary. The supplement would not be consolidated into basic pay and therefore would not be taken into account for payment of other elements of pay, e.g. overtime, night, weekend and bank holiday enhancements and unsocial hours' payments.

Continued publicity surrounding the Living Wage has also raised the profile of the National Minimum Wage rate and Government has alluded to significant rises in October. If this was to occur it would have implications for our current job evaluated grading structure, therefore Officers would seek permission to develop an appropriate solution in consultation with Trade Union colleagues and Elected Members that minimises the potential for legal challenge.

In Schools the Governing Body is responsible for determining the pay, terms and conditions of employees; therefore it would be a matter for the Governors to decide whether or not to adopt the Living Wage.

Academies are an entirely separate employer covered by the Academies Act 2010 and it would be their decision whether or not to adopt the Living Wage.

### c). **Council Budget Challenge**

After having to find savings of over £70 million across the Council since 2010, further cuts are obviously becoming even more difficult to deliver. This next financial year 2014/15 Officers have submitted proposals to save £23 million and additional proposals are needed to save an estimated further £17.5 million for 2015/16. These sorts of figures dwarf the level of savings the Council has been more used to facing in the recent past which have been in the order of £6 million.

A time-limited opportunity seeking volunteers for redundancy has been offered and 94 are so far approved to leave before the end of March and we await decisions on

39 as managers consider if they can approve any further volunteers. Those approved to date will help contribute over £2 million a year towards our financial savings target.

Unfortunately a wide-ranging list of savings proposals put to Elected Members has also had to include what we hope will be a draft collective agreement with our recognised Trade Unions on proposed changes to terms and conditions of employment.

Discussions have covered a wide range of options and compromises have had to be made by all parties but the list of proposals jointly agreed with the Trade Unions on which they would now consult their membership is: -

- Permanently reduce the current 3 year Grade Protection arrangements to 2 years for any new cases only. (£50,000 p.a. saving)
- No new Excess Travel allowances in future for new 'forced' redeployments. (£28,000 p.a. saving)
- No further discretionary Long Service cash awards on retirements after 31<sup>st</sup> March 2014. (£66,000 p.a. saving)
- Introduction of bi-ennial increments after 2014. Those that are eligible will be paid this year which means any further increments would be paid in 2 years' time i.e. April 2016 and every 2 years afterwards until employees reach the top of their scale.
- Any increments becoming due after a new appointment (including promotions) on or after 1<sup>st</sup> April 2014 will be paid on the 2 year anniversary of that appointment. There will be no further interim 6 month increases. (Increment changes in total will save £300,000 p.a.)
- In addition and **on a temporary basis** for 2014/15 a pay reduction of 0.3834% (basically the equivalent of 1 day's pay) with deductions spread over 12 months (April 2014 to March 2015).
- This pay reduction will **only be applied** to employees in **Bands D and above** to help avoid impacting on our employees in our lowest pay bands.
- By way of recognition of participating in this pay reduction the Council is to award an extra 1 day's holiday to be added to leave entitlements for 2014 for those graded Band D and above. (The pay reduction offset by additional leave is estimated to save £200,000 p.a.)

If **all** these were accepted and introduced from 1<sup>st</sup> April 2014 this would save the Council a sum totalling £644,000 in a full year.

We await the outcome of the formal consultation between the Trade Unions and their membership and hope to apply a collective agreement to implement the above from 1<sup>st</sup> April 2014. Staffing Committee is asked to affirm this approach but also to authorise a direct approach to the workforce on these and a range of other measures if no positive outcome results from the consultation process.

d). **Pensions**

A number of updates have been tabled previously for Elected Members on the proposed implementation of a Career Average Scheme (CARE Scheme) from 1<sup>st</sup>

April 2014 and the 'closure' of the former Final Salary Scheme. By way of reminder the following changes are to be implemented from 1<sup>st</sup> April 2014: -

**i) New Scheme**

A Career average scheme is being introduced to replace the current Final Salary Pension Scheme.

While many lower paid employees will see no increase in personal contributions those higher up the pay scale will face increases in the region of 3.5% and up to 5% more for the very highest paid.

Employees will see the accrual rate improve to 1/49<sup>th</sup> as opposed to 1/60<sup>th</sup> and part time employees would pay contributions on actual earnings rather than whole time equivalent salaries. A '50-50' scheme is also available that is hoped to reduce potential opt-outs from the scheme.

The future scheme also has additional cost implications for the Council in that all additional hours worked will now be deemed pensionable and so incur employer contribution costs of 12% on every pound earned. Based on current levels of overtime working, while halved over recent years (down from £2.3m in 2009 to £1.3m last year), this would still result in a potential additional cost of £156K to the Council from April 2014.

It is still not yet clear whether pensions for Elected Members would be available through the Local Government Pension Scheme.

Further communications will be sent out by the Pension Scheme and from ourselves along with opportunity for pension drop-in sessions to publicise the changes.

**e). Open Transparency**

The Localism Act 2011 Chapter 8 Pay Accountability made it a legal requirement to produce and publish a Pay Policy Statement by the 31<sup>st</sup> March each year which has been agreed by full Council detailing the remuneration of its Chief Officers.

The Council must then comply with the Pay Policy Statement for the financial year in making any determination.

In line with last year's arrangement, Staffing Committee is therefore asked to review the Pay Policy Statement (appendix 1) and make a recommendation to adopt this policy at full Council.

Under open transparency the Council is required to publish information and organisation structure of Senior Officer's earning in excess of £58,200.

Recent Government consultation is recommending that the scope is widened to those earning in excess of £50,000 to mirror the requirements of the Accounts and Audit regulations.

A further transparency initiative being proposed is that Councils should publish information regarding Trade Union representation:

- Total number of Trade Union Representatives

- Total number who spend 50% of time on Trade Union activity
- Spending on unions as a percentage of the total pay bill

The Council currently reflects a regional average benchmark of 1 full time representative per 1000 members and have a total of 5.7 FTE representatives covering UNISON, GMB and UNITE. Spending is around the public sector average quoted by Department for Communities and Local Government (Tax Payer funding of Trade Unions March 2013)

Schools have separate arrangements for Teaching Unions funded by top-slicing of the Direct Schools grant to cover relations and issues across all maintained schools.

## 8. Finance

Changes to terms and conditions are forecast to deliver £644K towards the budget deficit.

Whilst the new Local Government Pension Scheme effective from 2014 is designed to be cost neutral the Council is expected to be faced with additional wages costs from overtime working being deemed pensionable in future.

## 9. Risks and Uncertainties

- a) A failure to achieve the required savings would result in a pressure to the Council budget and require alternative solutions that would impact on service delivery.
- b) The need to retain experienced and motivated employees impacts directly on service delivery, and on employee and customer perceptions/reputations.
- c) Changes to the summarised items in this report will have an associated public impact as approximately 4 out of every 5 Council employees live in as well as work in the Borough. The impact of job losses or pay reductions could have implications for consumer spending in the town.
- d) Effective employee engagement will be vital to maintain service delivery standards during this period of uncertainty. The Council has a range of interventions and mechanisms such as team meetings and Focus Groups. Further direct communications will be required to ensure all employees understand the rationale behind these changes and these being taken to safeguard jobs as far as possible.
- e) There is a risk that the Council may be faced with future legal proceedings or employee relations difficulties. This could include strike action or lack of flexibility amongst the workforce.
- f) If pay reduction measures are not applied to all staff groups there may be perceived inequality or claims of disproportionate impact on different staff groups.
- g) Potential equal pay challenges could be alleged if the Living Wage is applied
- h) Increases in agency, additional hours or overtime payments to make up for productivity losses during normal working time if employees are taking additional leave.

## **10. Policy and Performance Agenda Implications**

- a) Community Strategy & Corporate Plan – ‘Proud, Achieving and Fairness’

The work of the Council in this area is to clearly demonstrate we are treating all our employees fairly and sensitively.

- b) Workforce Development Strategy – ‘Ensuring RMBC has a sustainable pay and reward structure’.

- c) A failure to retain employees and working through serious economic downturn could lead to skills shortages, high turnover and high recruitment costs while de-motivating those employees who remain.

## **11. Background Papers and Consultation**

**Formal consultation meetings with recognised Trade Union representatives have taken place since before Christmas on the need to identify potential options for change as a result of budget pressures. Wider Team Briefings and Budget Updates have been circulated through usual internal communication channels.**

**Members are being updated through this meeting and at regular Joint Consultative Committee meetings.**

**Meetings/discussions are taking place with Trade Unions in specific service areas on other service change issues to seek to minimise any service or employment impacts before changes are introduced or any notices of redundancy are issued.**

**Localism Act 2011**

**Hutton Review of Fair Pay in the Public Sector: Final Report March 2011**

**Local Government Group – Local Transparency Practitioners Guide**

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## PAY POLICY STATEMENT 2014-15

### **Introduction & Scope**

This policy statement sets out the arrangements for the salary and related allowances paid to Chief Officers of the Council meeting the requirements of the Localism Act and also meeting the requirements of guidance issued by the Secretary of State for Communities and Local Government to which the authority is required to have regard under Section 40 of the Act.

It does not cover teaching staff whose salaries and terms of conditions of employment are set by the Secretary of State. Academy schools are an entirely separate employer covered by the Academies Act 2010 and are responsible for setting salaries for their employees.

### **Underlying Principles**

The Council is committed to and supports the principle of equal pay for all our employees.

Equal pay between men and women is a legal right under both United Kingdom and European Law. The Equality Act 2010 requires employers not to discriminate on grounds of race and disability and similar rules apply to sexual orientation, religion and age.

The authority applies terms and conditions of employment that have been negotiated and agreed through appropriate collective bargaining mechanisms (national or local) or as a consequence of authority decisions, these are then incorporated into contracts of employment.

### **1. Determination of Pay**

Chief Executive and Chief Officers conditions of service are in line with the Joint Negotiating Committees for Chief Executives and Chief Officers. Local agreements and remuneration are determined by full Council on recommendation made by the authority's Staffing Committee.

This also applies to shared management arrangements with partner organisations, where the job continues to be filled by an employee of the Council.

### **2. Pay Relationship**

The lowest pay point in the authority equates to a full time equivalent annual salary of £12,435 and can be expressed as an hourly rate of pay of £6.4454. This pay point and salary was determined by the authority as part of a pay scale for employees employed on Local Government Services Terms and Conditions.

The highest paid salary in this authority is £160,000 which is paid to the Chief Executive.

The ratio between the two salaries, the 'pay multiple' is 13.1 to 1. Against the average salary of £20,687 this multiple reduces to 8 to 1.

The Hutton review considered the multiple should be no greater than 20 to 1 and based on the current situation the Council falls well below this threshold (at 13.1 to 1). The

authority does not have a policy on maintaining or reaching a specific 'pay multiple', however the authority is conscious of the need to ensure that the salary of the highest paid employee is not excessive and is consistent with the needs of the authority.

These pay rates may increase in accordance with any pay settlements which are reached through their respective national negotiating bodies.

### **3. Salary Packages over £100,000**

The authority will ensure that before an offer of appointment is made, any salary package for any post that is in excess of £100,000 is considered by full Council.

### **4. Market Supplements**

In exceptional circumstances where there are recruitment difficulties; there may be a requirement to consider the payment of temporary market supplements such as 'golden hellos', retention payments or regular monthly payments.

In situations where a Market Supplement is being considered a report detailing the business case is considered by the Director of Human Resources who makes the final decision as to whether a supplement is payable, the amount and the frequency of review. For Chief Officer graded posts where this would result in a pay package in excess of £100k the case will be considered by full Council on recommendation made by the Staffing Committee.

Supplements can be reviewed at any time but a review must be undertaken on an annual basis.

### **5. Pay Awards**

The authority will apply any pay increases that are agreed by relevant national negotiating bodies and/or any pay increases that are agreed through local negotiations.

### **6. Allowances**

Posts covered by Chief Executive or Chief Officer terms and conditions do not attract any additional allowances.

### **7. Bonuses**

The authority does not have or intends to introduce any bonus schemes.

### **8. Performance Related Pay**

The authority does not operate a performance related pay system as it believes that it has sufficiently strong performance management arrangements in place to ensure high performance. Any areas of under-performance would be addressed through the capability procedure.

### **9. Earn back**

The authority does not operate an earn-back pay system whereby a proportion of the employee salary is held back and only paid if specific targets are achieved as it believes that it has sufficiently strong performance management arrangements in place to ensure high performance. Any areas of under-performance would be addressed through the capability procedure.

### **10. Voluntary Employee Benefits**

As part of its reward package the Council offers a range of salary sacrifice schemes where employees can exchange a portion of their salary for some other form of non-cash



benefit. For example childcare vouchers, car parking permit, lease of a brand new car, cycles, mobile phones, tablets and purchase of additional leave.

### **11. Expenses**

Approved additional expenses incurred in the course of their work are reimbursed subject to appropriate evidence of expenditure being produced and in accordance with the terms of the Council Subsistence policy. Employees should not be out of pocket but situations which warrant payment of expenses are not intended to result in a profit.

Mileage expenses are reimbursed at £0.40 per mile.

### **12. Election Fees**

The duties of Electoral Registration Officer are undertaken by the authority's Chief Executive, the remuneration for which is included in their annual salary.

The authority's Chief Executive is also the Returning Officer for elections, referendums and other polls. The Returning Officer may appoint deputies and by convention has chosen to appoint the Director of Legal Services as a Deputy Returning Officer.

For national elections, referendums or other polls which may be required by statute, fees are paid in accordance with the amounts specified for each poll by statutory order.

For local Borough and Parish elections a local scale of fees, which has not increased since 2008, is approved by full Council

### **13. Termination Payments**

The authority's normal redundancy payment arrangements apply to all staff including Chief Officers and the Chief Executive. The authority also applies the appropriate Pensions regulations in circumstances where employees qualify for release of pensions.

Full Council will also be given the opportunity to vote on any severance package with a cost in excess of £100k. The components of any such package will be clearly set out and may include pay in lieu of notice, redundancy payment, pension entitlements, holiday pay and any bonuses, fees or allowances paid.

### **14. Pension Enhancement**

The authority has agreed policies in place on how it will apply any discretionary powers it has under Pensions regulations.

It is not Council policy to apply the available discretions to increase the active member's period of membership (regulation 12) or increase their pension (regulation 13).

### **15. Re-employment of Staff**

The authority is under a statutory duty to appoint on merit and has to ensure that it complies with all appropriate employment and equalities legislation. The authority will always seek to appoint the best available candidate to a post who has the skills, knowledge, experience, abilities and qualities needed for the post.

If a candidate is a former employee in receipt of an LGPS pension or a redundancy payment this will not rule them out from being re-employed by the authority. Clearly where a former employee left the authority on redundancy terms then the old post has been deleted and the individual cannot return to the post as it will not exist.

The authority will apply the provisions of the Statutory Redundancy Payments Modification Order regarding the recovery of redundancy payments if this is relevant and appropriate. Pensions Regulations also have provisions to reduce pension payments in certain circumstances to those who return to work within the local government service.

### **16. Transparency**

The authority meets its requirements under the Localism Act, the Code of Practice on Data Transparency and the Accounts and Audit Regulations in order to ensure that it is open and transparent regarding senior officer remuneration.

### **17. Policy Amendment**

The Council may seek to change elements within the pay policy as part of any necessary efficiency review or as other circumstances dictate.

This policy statement will be reviewed each year and will be presented to full Council each year for consideration in order to ensure that a policy is in place for the authority prior to the start of each financial year.

### **18. Pay Policy References**

- Agency workers directive 2011
- Hutton Fair Pay in the Public Sector Final Report (March 2011)
- Joint Negotiating Committee for Local Authority Chief Executives
- Joint Negotiating Committee for Chief Officers of Local Authorities
- Local Government (Early Termination of Employment)(Discretionary Compensation) (England and Wales) Regulations 2006
- Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007
- Localism Act 2011
- National Joint Council for Local Government Services
- Representation of the People Act 1983
- Rotherham Borough Council Scheme of Delegation
- The Accounts and Audit (England) Regulations (2011)
- The Equality Act 2010
- The Secretary of State for CLG Code of Recommended Practice for Local Authorities on Data Transparency

**Prepared by Phil Howe, Director of Human Resources, January 2014**