



Committee and Date

Council

23rd June 2011

Item

**11**

Public

**Creating the Conditions for Success – Implementation of Changes to Staff Terms and Conditions**

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**1. Summary**

- 1.1 The purpose of this report is to seek endorsement from Council for proposed changes to the terms and conditions of directly employed Shropshire Council staff (excluding those employed by schools), with due notice to those affected, to take effect from 1 October 2011.
- 1.2 Every effort will be made to implement these changes, if agreed, by way of a Collective Agreement with the Trade Unions. If such agreement cannot be reached by the date of Council meeting, then the intention would be to implement the changes by way of dismissal of all employees with effect from 30 September 2011, with immediate re-engagement on the new terms and conditions, with no break in continuous service, on 1 October 2011. If this happens, we will need to again emphasise to staff the details of why this is being done and strongly encourage them to accept the new terms and conditions.
- 1.3 When fully implemented in 2013, these changes will contribute at **least £7 million** to the agreed savings target of £76 million required by the Council by 2013/4. If it is decided not to make these savings by changing terms and conditions of employment, then we will need to make large-scale, compulsory redundancies. We believe that at least 400 members of staff would lose their jobs this way later this year, with immediate detrimental effects on our ability to maintain the current scale and scope of frontline service for local people.
- 1.4 In response to feedback from staff and the Trade Unions, a number of the proposals have been changed from the initial approach before consultation, and these changes are detailed within the report and in Appendix 1.

**2. Recommendations**

It is recommended that Council:

- A. approves the implementation of the changes to Shropshire Council staff terms and conditions as detailed in Appendix 1 of this report;
- B. endorses seeking a Collective Agreement to be signed between Shropshire Council and the Trade Unions on these changes;
- C. agrees to the dismissal and re-engagement of all directly employed Shropshire Council employees, with due notice, if a collective agreement cannot be reached by the time of the Council meeting on 23 June 2011; and
- D. fully endorses these changes and the arrangements for their implementation.

## Report

### 3. Risk Assessment and Opportunities Appraisal

- 3.1 Any significant change to staff employment terms and conditions which might result in non-agreement will have risk attached to it. Potential risks include loss of staff morale and commitment, industrial action (i.e. work to rule or strike) or challenge at an employment tribunal. We have taken great care, therefore, to mitigate risk as far as possible, and to ensure that we have followed a fair process.
- 3.2 If the changes are to be implemented without a collective agreement being signed, there is the potential for an adverse effect both on overall levels of staff engagement and performance in the organisation, as well as on relations with the Trade Unions, which are currently viewed as being constructive, given the difficult circumstances of large funding cuts, pay freeze, and uncertainty about job security for public sector workers.
- 3.3 The effect of the proposals might create recruitment and retention difficulties in a small number of areas of the organisation over the next few years, should our salary levels become uncompetitive relative to those of other local authorities and other employers. However, Shropshire Council has always taken a flexible approach to reward in these areas, (e.g. introducing retention payments), and will continue to do so to mitigate this risk, with a particular focus being placed on the development of new remuneration arrangements through the agreed pay and grading review that will be implemented by 2013. In other words, this pay reduction, (and the wider freeze on local government pay increases nationally), is intended as a time limited measure, to allow us time to make different, long term, structural changes in our workforce and working practices, so as to reduce our costs, as part of our Transformation Programme. The full picture of such changes over the next few years will need to be made clear to our staff, as we make decisions over the next few months on the best way forward.
- 3.4 Also, proposals such as the general move to a system of Annualised Hours, rather than a fixed working week, will offer more staff greater flexibility in how and when they work, and will allow us to redesign services to ensure that customer needs are more closely met.

3.5 An Equality Impact Needs Assessment was carried out at the beginning of the consultation period and a copy was shared with the Trade Unions. This assessment resulted in some proposals (changes to enhanced payments for night and weekend working being one example) not being taken forward, as part of the consultation, because of their effects on the earnings of some of our lower paid workers.

#### **4.0 Consultation on the Proposed Changes**

4.1 Cabinet resolved, on 8 December 2011, to review certain staff terms and conditions of employment which were defined as 'List 1' savings, in order to protect services and jobs, and also endorsed the formation of a 'new staff council' (subsequently renamed the Staff Forum), to assist with consultation arrangements. These 'List 1' Terms and Conditions were as follows:

- Additional Payments
- Allowances
- Annual Leave
- Occupational Sick Pay
- Office Hours Policy
- Working week

4.2 Consultation with Trade Unions and all Council staff began in February this year, with all potentially affected members of staff being given a long period, (until Sunday 15 May, 2011) to provide a response on the proposed changes.

4.3 School support staff were included in the consultation, because of the potential effect that a change to Council terms and conditions would have, if the new terms were adopted by the individual governing bodies of our local schools. When we are clear about the agreed way forward for Council staff, we will approach headteachers and governing bodies formally, to determine whether they wish to adopt the new terms and conditions for their staff, subject to additional consultation with those staff affected, and the Trade Unions.

4.4 A Section 188 notice, covering all Shropshire Council staff, was issued to all three recognised Trade Unions on 9 February 2011. This explained that the Council would be considering changes to staff terms and conditions, and set out in detail how it would achieve these, with termination of an employee's contract and an offer of immediate re-employment on the new terms and conditions being one option, if voluntary agreement to the proposed change was not possible.

4.5 A number of meetings have been held with the Trade Unions, including specially arranged "Information Provision Group" meetings, (which met four times), in order to ensure that the Trade Unions received clarification on both the detail and the implications of all the proposals. Additionally, the Chief

Executive met with the Trade Unions twice during the consultation period, with a meeting on 19 April exploring possible alternative proposals to those first tabled, in the light of initial feedback received as a result of the consultation process. (The Chief Executive has also met the Trade Unions more recently to discuss the outcomes of the consultation process and to negotiate the final package of changes for Members' approval).

- 4.6 All staff received details of the proposals, either by e-mail or by a letter to their home address if they were not on the council e-mail system. A 'Terms and Conditions' Intranet page has been kept updated throughout the process, which included information on the potential impact on pensions, presentations from briefings that were given to managers, as well as additional information on the Annualised Hours proposal. In addition, briefing sessions on Annualised Hours were held around the county, and a 'drop-in' session was held for all staff at Shirehall. This comprehensive approach was designed to ensure that all staff understood the proposed changes and had an opportunity to comment on them and/or to suggest alternatives.
- 4.7 The Staff Forum was launched in March 2011 with 3 'rounds' of meetings held throughout the county, resulting in a total of 13 meetings involving over 200 employees. A Staff Forum feedback and response document was produced and every query answered by the Chief Executive, Area Directors and Human Resources staff. A detailed report by the Forum on the outcomes of these discussions was presented to the Chief Executive, Corporate and Area Directors at the Strategic Management Board by representatives of the Forum, as part of the consultation process.
- 4.8 Before, during and after the consultation period, we have continued to keep in touch, both regionally and nationally, with a number of councils which are consulting, preparing to consult, or implementing similar changes to staff terms and conditions. At least a third of local authorities are taking this approach to reducing their staffing costs. We have been particularly interested in the plans of other unitary and Shire councils. It should be noted that Hertfordshire County Council, for example, has recently signed an agreement with UNISON to make changes to staff terms and conditions to avoid redundancies, which included changes to the sick pay scheme.
- 4.9 The main areas of concern raised by staff and the Trade Unions during consultation were:
- **Reduction to the working week**  
This included particular concerns from areas which felt they would be unable to make savings through implementing a reduced working work e.g. registered care services, traded services and income generating services. Many staff also seemed unconvinced of the benefits of this

change for them personally, in terms of fewer working hours; taking the view that, in practice, they were likely to continue to work beyond their contractual hours in many cases.

Also, there was a high level of feedback which expressed disappointment that Senior Pay Band Managers were excluded from this proposal, because they have no contractually defined working week and so could not benefit from the changes. Staff emphasised their strong desire for a 'fair' approach, which applied equally to all staff, regardless of their grade or salary.

- **Sick pay**

Staff who identified themselves as taking little or no sick leave were amongst the strongest critics of this proposal. They felt that having taken no sick leave, they would be adversely affected if they were to become ill even for a short period in future, in a way that people who had higher levels of absence had not been in previous years.

Concerns about possible disadvantage were also raised both by and on behalf of those members of staff who have a disability which might affect their absence record.

4.10 More positively, the consultation process raised staff understanding generally of their terms and conditions and, once it was explained more fully, of the individual and organisational benefits of a general shift to more flexible use of Annualised Hours, rather than a fixed working week. Although this system is already used effectively in some parts of the Council, staff emphasised that they wanted to see it applied fairly to all staff, if it is introduced more widely. Equally important, there was strong support, on this basis, from staff for a wider move to simplify our pay, grading and benefits packages, so that they are more transparent and are seen to be fair. This will be picked up as part of the wider remuneration review currently in progress for 2013.

4.11 It is worth drawing attention also to the fact that the proposed changes to annual leave arrangements will improve the entitlement and benefits for the vast majority of our staff, and have been welcomed by them.

4.12 Further details on the consultation process are set out in Appendix 2.

## **5 Revisions to the Original Proposals**

5.1 Following the end of the consultation period, and as a direct result of the extensive feedback that has been received. We have amended our proposals significantly, in order to make them more acceptable to staff. Although still

meeting the savings planned in the Council's agreed Medium Term Financial Plan, these changes reduce the level of potential savings, and so are a major concession to the Trade Unions.

- 5.2 The most significant change relates to the reduction to the working week, where we are now proposing a pay reduction of 5.4% for all staff, including senior managers, but with the earnings of our lowest paid staff being wholly or partially protected. This change will be implemented in stages over two financial years, and has come directly as a result of feedback from staff, which strongly advocated that any pay reduction should apply to all staff, and that a reduced working week would be difficult to implement consistently across the organisation, without operational difficulties. We have, however, sought to wholly or partially exempt our lower paid staff from this pay reduction, and a market supplement payment would be made to Social Workers dealing with the safeguarding of children and young people, in order to protect their current earnings, and ensure that we can retain and recruit staff with such skills, which are in short supply nationally at present. Details of our revised pay scales on this basis are set out in Appendix 3.
- 5.3 We have also made changes to other proposals. The most significant of these is in relation to how staff sickness will be treated. In the light of feedback from staff and the Trade Unions, our initial approach has been 'softened' to provide greater flexibility for infrequent illness, given that the majority of our staff have little or no sickness absence. This should make the proposed approach more acceptable to staff. Full details are provided in Appendix 1.
- 5.4 As some elements are new, these changed proposals will require an additional period of consultation with Senior Managers and staff working fewer than 17 hours a week, due to the impact of the revised proposals on them specifically, to ensure the process is fair. This is likely to delay the implementation of the changes for these groups, compared with other staff.
- 5.5 The Trade Unions were informed of the amended proposals at a meeting on 7 June. Further discussion has taken place with them over the past few days, and correspondence has been received from UNISON asking for further time to consult with their members before the Cabinet meeting, but this has been refused, because delay now would jeopardise meeting the Council's agreed savings targets. There is time for such consultation after the Cabinet meeting and before a final decision is made by Council. We are meeting again with the Trade Unions on 17 June and, by the time of Council, will be clearer about the likely method of implementation of these changes, in terms of whether a collective agreement is possible.

## 6 Financial Implications

6.1 The progressive implementation of these proposals over 3 financial years is designed to deliver the following necessary savings to staffing costs which are currently included in the Council's Medium Term Financial Plan:

	2011/12	2012/13	2013/14
<b>Savings</b>	<b>£1,932,000</b>	<b>£5,546,000</b>	<b>£7,046,000</b>

6.2 In response to the issues raised by the Trade Unions and our staff during the consultation process, significant concessions have been made in revising the proposed changes. These revisions have the effect of reducing the possible total savings to be achieved from this initiative, (whilst still achieving our overall savings target), as follows:

- Protection of pay for lower paid staff £288,000
  - Restoration of pay for first sickness absence £300,000
  - Deferral of standby and call-out payment changes £25,000.
- TOTAL: £613,000**

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**  
 Cabinet 8 December 2010 - **Creating the Conditions for Success - Changes to Staff Terms and Conditions**

**Cabinet Member**

**Local Member**

**Appendices**

**Appendix 1 – Details of Final proposals**

**Appendix 2 – Details of consultation process**

**Appendix 3 – Proposed revised salary scales for Shropshire Council**