



**One Council  
Overview and Scrutiny Committee  
8 February 2011**

**Report from the Director of  
Finance and Corporate Services**

**Review of Employee Benefits Project**

**1.0 Summary**

- 1.1.1. In November 2009 a Business Case for the Remuneration and Performance project was submitted to Corporate Management Team (CMT). The Remuneration and Performance project was approved and brought into the One Council Programme renamed as the Rewarding Performance project. The Rewarding Performance project was streamlined into five work streams. Three of the work streams focused on Remuneration and two work streams focused on Performance and Generic Job descriptions.
- 1.1.2. In August 2010 the One Council programme Board reconfigured the Rewarding Performance project so that the two non-remuneration work streams became separate HR projects outside of the One Council Programme. The three remaining remuneration work streams now form the 'Review of Employee Benefits' project.
- 1.1.3. Workstream Three timings will dovetail with the implementation of Wave 2 of the Staffing and Structure review. The high level project plan is attached as Appendix A.

**2.0 Recommendations**

- 2.1. That the committee notes this report which updates on the project.

**3.0 Detail**

**3.1. Progress Made to Date with Remuneration Matters across the Council**

- 3.1.1. The following remuneration activities and milestones were achieved under the previous Rewarding Performance project:

### 3.1.2. Harmonisation of London Weighting

- Identified that approximately 874 staff received a higher rate of London Weighting allowance which equated to an additional spend of £1.25m a year above the outer London Weighting allowance
- Member commitment was obtained to proceed with individual staff consultation because a collective agreement with the Trade Unions (TU) failed
- Individual offers were made to staff and all but 92 have accepted one of the following offers which was made to them:-
  - Offer A: lump sum payment equivalent to the difference in current London Weighting and outer London weighting (lump sum payment cap of approximately £1,700) or
  - Offer B: continued payment of current London Weighting for a period of one year
- This work stream is estimated to make a part-year saving of £625k in 2011/12 and an additional £625k in 2012/13 (equivalent to a full year saving of £1.25m in 2012/13)
- Trades Unions were opposed to this measure initially but latterly, there has been no further representation on this issue.
- Paper for PGC to confirm the next steps is underway. This is likely to recommend that the remaining staff are to have a 30-day consultation period to offer them a final chance to accept an offer, but if they do not they would receive termination of their existing contract, with a simultaneous offer of a new one with the harmonised London Weighting.

### 3.1.3. Overtime

- £1m was removed from departmental budgets for 2010/11 and ongoing analysis shows that this has been sustained
- Ongoing review of the potential to remove further amounts from departmental budget through changing cultural management habits in the use of overtime

### 3.1.4. Allowances

- Analysed spend to date to determine where priorities for tackling and removing allowances lay
- Staffing and Structure workforce reduction shows that some staff in receipt of legacy payments have left the organisation, so spend on allowances has been reduced by natural wastage
- A robust review of Honoraria and Acting Up allowances led to a departmental spend reduction of approximately £120k (deductions were incorporated into the £1m reduction in departmental overtime budgets)
- The review led to a cleansing of 200 pay elements. This was reduced by 70 pay elements and some spend was reclassified to enable further analysis to be more accurately assessed. Further scope for rationalisation will be explored.

- The findings to date show that Brent currently has approximately 130 pay elements, those that relate to allowances have been categorised under 8 headings:
  - Additional duties/acting up payments
  - Miscellaneous allowances
  - Legacy allowances
  - Overtime allowances
  - Retention
  - Travel/subsistence
  - Unsociable Hours
  - Weekend Working
- Staff data and payment information under each of the eight headings have been analysed. However further data analysis needs to be undertaken to cross match the data under the eight headings to fully understand the number of staff who receive either single or multiple allowance payments.
- Commenced reviews of marketing supplements in all departments where this exist, this task should be completed by the end of November 2010.

### **3.2. Project Context**

- 3.2.1. The focus of the overall One Council Programme is on improvements and efficiencies and this project focuses on balancing a Reward Strategy which *incentivises* the workforce but remains *affordable*. This will lead to a reduction in the pay bill and the harmonisation of terms and conditions to ensure a 'one council' approach to remuneration and associated terms and conditions.
- 3.2.2. The eventual aim is a 'Total Reward' approach to pay and terms and conditions. This will require a new work stream/project when the project reaches this point.
- 3.2.3. Changing terms and conditions which are either implied or explicit contractual terms and conditions requires careful handling to ensure minimum disruption to services and continued employee engagement, motivation and morale through turbulent and changing times.
- 3.2.4. Additionally changing terms and conditions has to be done within a legal framework to minimise exposure to costs and employment tribunals. Such exposure through employment tribunals could lead to reputational damage through the negative media coverage
- 3.2.5. National employers are in a process of negotiating on a series of terms and conditions which could achieve some of the same results that this project is aiming to achieve i.e. reductions in expenditure. If this is achieved at a national level it will constitute a collective bargaining agreement and employees contracts will be changed without the need for local consultation and without the need for termination and re-engagement. Therefore some of the national terms and conditions will not be considered as a priority for Work stream 3 (Move to Brent Core Contract), until the national

perspective is clearer (i.e. sickness and pay for such items as night work and non-standard working patterns).

3.2.6. The Council currently has:-

- 48 grade titles including grades which are not set by national negotiating bodies
- Repeats of grade titles used by schools with a variety of spine ranges
- 143 annual salary amounts
- 5 negotiating bodies which set national terms and conditions

3.2.7. The Council also:-

- evaluates approximately 400 posts a year
- pays over £1m in protected London weighting to 860 staff
- has allowances which have not been reviewed, because the single status agreement has not been fully concluded and therefore the original project outcomes have not been fully realised

### **3.3. Project Objectives**

3.3.1. The overall project objective is to harmonise and reduce expenditure on staff remuneration to ensure a 'one council' approach to remuneration and associated terms and conditions.

The specific Work stream objectives are as follows:

#### **Work stream 1 - Harmonisation of London Weighting**

- Current situation: approximately 874 staff receive a higher rate of London Weighting allowance which equates to an additional spend of £1.25m a year above the outer London Weighting allowance
- **Objective:** Harmonise London Weighting in Brent to national pay levels which could save £1.25m in a full year from 2012/2013 which will be done by concluding the current staff consultation process

#### **Work stream 2 – Overtime**

- Current situation: In 2009/10 the council spent £2.4m a year in overtime payments to staff. The Rewarding Performance project achieved a reduction of a £1m in the overtime budget across departments for 2010/11. Therefore there is approximately £1.4m a year spend in overtime payments that should be addressed further.
- **Objective:** Determine areas for further reduction and reduce overtime spend by changing managing practice, contracts and potentially introducing an overtime ban for non-critical services. Provide an effective framework for the control of overtime payments

#### **Work stream 3 – Move to Brent Core Contract (formerly Allowances work stream)**

- Current situation: there is inconsistency of allowances payments and other terms and conditions across the council. The organisation currently has over 130 pay elements which have been analysed under 8 broad headings including overtime. In 2009/10 the council spent £2.8m in various allowances payments to staff. There are also

some situations where some Brent staff have protected hours of work set at 35 hours per work. Although in 1999 the council has introduced a full time working week of 36 hours for staff employed since then.

- **Objective:** Reduce spend on allowances and ensure staff are on a consistent set of terms and conditions by issuing all staff with a Brent Core Contract by the time the organisation moves to the Civic Centre in 2013

### **3.4. Options Appraisal**

- This project is complex because each of the 3 work stream have various scenarios, options and potential outcomes. Appendix A shows the options appraisal for each work stream.
- An overriding issue is the timing for initiating Work stream 3, because the work stream actions cannot be undertaken within existing resources. The People and Development Department have insufficient capacity to undertake Work Stream 3 at the same time as the Staffing and Structure (S&S) project. If this work stream commenced after the completion of S&S Wave 2, there is more likelihood that capacity would be available. However, this would be dependent upon the departmental staff reductions required as part of the S&S process and the work stream option that is chosen. This project is not business as usual and the department is staffed for business as usual activities as opposed to such major projects

### **3.5. Project Scope**

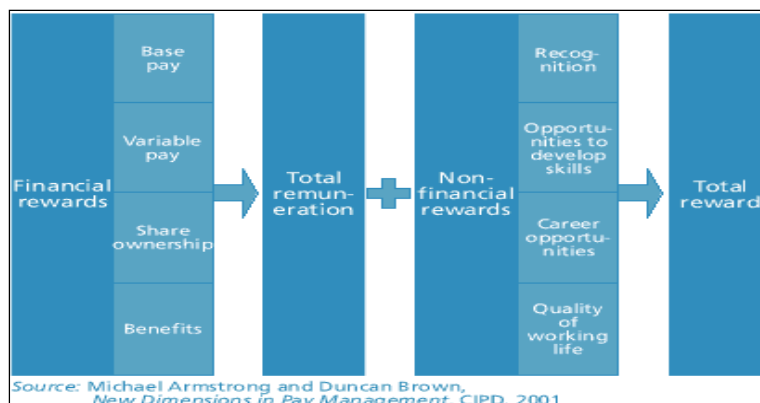
#### **In Scope**

- All staff except those mentioned below
- All Brent allowances/pay elements that are given Member/CMT approval to target in harmonising remuneration for staff across the council

#### **Out of Scope**

- Centrally employed teachers
- National employers are in a process of negotiating on a series of terms and conditions which could achieve some of the same results. Therefore some of the national terms and conditions will not be considered as a priority for Work stream 3 (Move to Brent Core Contract), until the national perspective is clearer (i.e. sickness and pay for such items as night work and non-standard working patterns). This approach has been taken because if the national employers negotiations are successful, it will be achieved by collective agreements and individual staff negotiation and re-engagement will not be necessary at a local level.
- Introduction of performance related pay (PRP) for non HAY posts
- PRP for HAY posts on top of existing pay structure

- The Total Reward Approach will become a separate work stream or project in due course. This Approach will introduce Total Reward Statements which will show staff the total value of their remuneration package and could include the introduction of flexible benefits which could allow choice in the elements which make up their remuneration package. In a fully integrated total reward package all the elements of the employee's work become part of a single flexible package. This can be seen as:-



## 4.0 Financial Implications – Costs and Benefits

### 4.1. Benefits and Costs

High level net benefits profile:

FINANCIAL BENEFIT	FYE 2010/2011	FYE 2011/2012	FYE 2012/2013	FYE 2013/14
<b>Harmonisation of London Weighting</b> (Work stream 1)	£0	£400,000	£800,000	£0
<b>Overtime Spend Reduction</b> (Work stream 2)	£1,000,000	£500,000	£250,000	£0
<b>Move to Brent Contract</b> (Work stream 3)				
Option 1	£75,000 (Honoraria/acting up review included in above deduction of Overtime from dept. budget.)	Unknown	unknown	unknown
Option 2		Unknown	unknown	unknown
Option 3		£500,000 <i>estimate</i>	£100,000 <i>estimate</i>	Tbc
<b>Option 4<sup>1</sup></b>	£0	£0	£500,000	£1,000,00
<b>Annual Saving (based on Option 4):</b>	£1,000,000	£900,000	£1,550,000	£1,000,000
<b>Cumulative Annual Saving:</b>	<b>£1,000,000</b>	<b>£1,900,000</b>	<b>£3,450,000</b>	<b>£4,450,000</b>

High level cost profile:

Costs for potential employment tribunal claims have not been estimated.

<sup>1</sup> £1.5m (assumed) buy-out costs for Option 4 are netted off against part-year savings in 2011/12 and full year savings in 2012/13

Project Cost Item	2010/2011	2011/2012	F2012/2013
<b>Harmonisation of London Weighting</b> (Work stream 1)	-	-	-
<b>Overtime</b> (Work stream 2)	-	-	-
<b>Move to Brent Contract</b> (Work stream 3)			
Option 1	-	-	-
Option 2	-	-	-
Option 3	-	£35,000	£35,000
<b>Option 4</b> - Costs for additional staff to increase capacity within HR	-	£150,000	£150,000
<b>Annual Costs</b> <b>[based on Option 4]:</b>	<b>£0</b>	<b>£150,000</b>	<b>£150,000</b>
<b>Total cost:</b>	<b>£300,000</b> <i>(excluding any potential Employment Tribunal claims)</i>		

## 5.0 Initial Risk and Issues

- **Work stream 1 – Harmonisation of London Weighting**
  - Lack of support to effect final changes which allow for complete harmonisation
- **Work stream 2 - Overtime**
  - Management controls of overtime expenditure are not adequate to improve performance culture
  - Managers perpetuate “old” ways of working
- **Work stream 3 – Move to Brent Core Contract**
  - Option One
    - Unable to effect required change to pay protection policy
    - Trade Union opposition more than likely
    - Lack of buy in
    - Will not achieve the necessary change in time for the move to the Civic Centre
  - Options Two, Three and Four
    - Staff non-cooperation
    - Resources unavailable and project not completed to quality and on time
    - Possible employment tribunals
    - Unable to effect change to policies which allow for harmonisation to be achieved
    - TU opposition likely
    - Lack buy in
    - Will not achieve the necessary change in time for move to Civic Centre

## 6.0 Legal Implications

6.1. For the purposes of the present report there are no extensive legal implications. However, members should be aware that ultimately it may be necessary to undertake a change management exercise that would invite, but not necessarily create, a potential liability in the Employment Tribunal. However, that risk is generally considered to be within the broad band of acceptable risks in situations such as these. It is possible that as this project progresses further implications arise and if this does materialise such implications will be addressed in future reports.

## **7.0 Diversity Implications**

- 7.1. An Equality Impact Assessment is being prepared for all workstreams to consider the impact that this will have on diversity issues.
- 7.2. It is anticipated that this work will improve the strength of the Councils position in relation to equal pay as it will introduce consistency of application of the reward package.

### **Background Papers**

#### **Contact Officers**

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### ***Appendix A – Options Appraisal***