

TRIBAL

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Terms and Conditions Review

Summary of findings



September 2010

States of Jersey

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Executive Summary

This report sets out the results of the high-level review of the effectiveness of existing terms and conditions of service across the States of Jersey, which comprises one of the 6 major reviews in response to the Comprehensive Spending Review (CSR). The aim of the reviews, including this review, is to identify potential savings and to support management teams to develop innovative ways of reducing costs.

The Terms of Reference for this review were defined as follows:

'The objective is to review the effectiveness of existing pay and conditions of service packages across the public service with a view to ensuring that these give good value for money to the island of Jersey, are affordable, and are 'fit for purpose' in terms of recruitment, retention and motivation of staff in the various pay groups.'

The Terms of Reference went on to set out the scope of the review to encompass 13 specified key service areas. We identified several of those key service areas where cost savings could be achieved.

The organisation has a complex system of differing pay structures, key employment benefits and separate union and staff negotiating mechanisms across the numerous pay groups. The employee groups appear to see little synergy between themselves although working for the same employer. Overall there is little consistency in the employment terms and conditions of the SoJ employees providing significant scope for simplification, opportunities for some harmonisation and modernisation. It is important to reduce the complexity of the vast array of terms and conditions across the numerous pay groups to facilitate the effective management of staff costs going forwards. To realise the savings and efficiencies and embed structures which provide for tighter management control going forwards the organisation needs to change.

The overall structure of the employment arrangements at the SoJ has been in place for some time and would benefit from a strategic review. Modernising employment practice will ensure that the SoJ benchmarks itself against a range of 'competitors' and is able to recruit and retain employees of sufficient calibre. The scale of change will clearly require support, a culture shift as an employer and some investment.

A summary of our recommendations for change is shown in the table below:

Table 1: Summary of recommendations

Area of Terms and Conditions	Recommendation	Estimated potential savings for each year
Pay and Grading	<ul style="list-style-type: none"> ▪ Honour the 2% pay award agreed for 2011 	2011: £0m
	<ul style="list-style-type: none"> ▪ Freeze the annual pay award for 2012 and 2103 	2012: £6.9m 2013: £6.9m
	<ul style="list-style-type: none"> ▪ Honour existing staff increments 	2011: £1.2m
	<ul style="list-style-type: none"> ▪ New staff - Introduce market related pay & grading structures for new staff, new structures to remove automatic increments - ensuring pay cannot progress beyond market 	2012: £2.3m 2013: £3.8m
	<ul style="list-style-type: none"> ▪ Freeze current staff on existing salaries. Introduce new pay structures based on market comparisons. If existing staff are paid above market they stay frozen until the pay and market are aligned i.e. through 'catch up' process. ▪ Staff below market progress in relation to performance 	More detailed work will be required to estimate savings due to the complexity of the changes.
Overtime	<ul style="list-style-type: none"> ▪ Change premium to 1.33 x salary for weekdays and Saturdays and 1.5 x salary for Sundays 	£1.0m per year
	<ul style="list-style-type: none"> ▪ Reduce overtime worked and therefore paid by 20% plus reduce the overtime premium paid as above. 	£2.4m per year
Allowances	<ul style="list-style-type: none"> ▪ Remove allowances that are out of date and consolidate relevant allowances into the appropriate jobs. 	£0.75m per year
	<ul style="list-style-type: none"> ▪ Continue to pay essential allowances only. ▪ Develop allowances / rates for overtime, call out and standby which apply to all pay groups. 	
	<ul style="list-style-type: none"> ▪ Continue with essential allowances, remove the out of date allowances as above. ▪ Review all other allowances with a view to consolidating some into new grade and salaries, reducing others and doing away with more. 	Target of a minimum of 10% of allowances paid £1.9m per year
Sick pay	<ul style="list-style-type: none"> ▪ Reduce sickness pay scheme for non manual employees - Introduce new sickness pay scheme of 3 months full pay and 3 months half pay. 	£0.8m per year
	<ul style="list-style-type: none"> ▪ Introduce new sickness pay scheme of 4 months full pay and 4 months half pay for all staff. This will reduce non manual staff from 6 months full pay and 6 months half pay and increase manual staff from 3 months full pay and 3 months half. 	£0.5m per year

Area of Terms and Conditions	Recommendation	Estimated potential savings for each year
<p>Pensions</p>	<ul style="list-style-type: none"> <li data-bbox="555 510 1155 568">▪ Change automatic entry scheme to voluntary through opt in/opt out. <li data-bbox="555 591 1155 680">▪ Increase employee contribution by 1%, from 5 to 6% and reduce employer contribution by 1% to 12.6% <li data-bbox="555 703 1155 792">▪ Close final pay pension scheme to new entrants and open a new defined contribution scheme for staff with a 6% employer contribution <li data-bbox="555 815 1023 837">▪ Review retirement age arrangements <li data-bbox="555 860 919 882">▪ Keep provision under review 	<p data-bbox="1193 510 1262 533">£2.8m</p> <p data-bbox="1193 607 1262 629">£1.0m</p> <p data-bbox="1193 703 1262 725">£6.4m</p> <p data-bbox="1193 799 1390 978">Professional actuarial advice is advised to finalise options, savings and inform decision.</p>

1. Introduction

This report has been developed to identify possible areas for action in relation to terms and conditions, so that additional, more detailed work can then be undertaken to test, scope and if appropriate, implement these options in support of the States of Jersey Comprehensive Spending Review.



1.1. - Background to the project

The States of Jersey (SoJ) is entering an era of unprecedented financial pressure, and as part of the Comprehensive Spending Review, initiated a Major Review to explore the potential for efficiency savings and cost reductions through the terms and conditions of the SoJ staff. With over 7,000 employees, staff costs account for the largest proportion of the States' budget, and it will be difficult for the SoJ to find the level of savings necessary without considering ways of reducing these staff costs.

In line with good practice the SoJ has commissioned several previous independent pay benchmarking projects, to help understand how pay of the SoJ staff compares to that in the local and UK, public and private sectors. This work has included the 2006 Hay pay reviews, and the 2009 Hassel Blampied pay report.

1.2. - Scope of the project

The Terms of Reference for this review were defined as follows:

'The objective is to review the effectiveness of existing pay and conditions of service packages across the public service with a view to ensuring that these give good value for money to the island of Jersey, are affordable, and are 'fit for purpose' in terms of recruitment, retention and motivation of staff in the various pay groups.'

The pay groups included in the review are shown below:

- Civil Servants
- Manual Workers
- Nurses and Midwives
- Police Officers
- Prison Staff
- Fire Fighters

- Paramedics
- Airport Electricians
- Air Traffic Controllers
- Residential Child Care Officers
- Family Support Workers
- Doctors and Dentists
- Education, Technical, Secretarial & Support Staff (ETSSS)
- Highlands College Lecturers
- Highlands College Managers
- Airport Fire Service
- Marine Section.

For each of these pay groups, we have considered the following key areas of the main employment terms and conditions:

- Grading structures
- Job Evaluation arrangements
- Basic pay
- Pay supplements
- Overtime allowances
- Standby allowances
- Annual leave allowances
- Other leave allowances
- Sick pay allowances
- Shift allowances
- Pension provision
- Medical, dental and ophthalmic allowances
- Other conditions/ benefits not mentioned above that are identified in the course of the review and which have significant impact.

At this stage the review is intended to be broad and high level which will enable us to identify and recommend the terms and conditions which merit greater focus. Actions in these key areas taken in the short and medium term will help reduce the operating costs of the SoJ. We also identify medium and longer term options which may not deliver the magnitude of savings desired in the timeframe of the CSR but will also help the organisation to become a modern and effective employer and will be worth exploring as part of the overall strategy for change as an employer.

It is intended that this report will identify possible areas for action, and that additional, more detailed work will then be undertaken to test, scope and if appropriate, implement these options.

The States of Jersey is the largest employer on Jersey with a breadth of pay groups and wide-ranging terms and conditions together with a requirement to consult and negotiate with 14 separate bodies which represent the interests of various employment groups of employees.

It is a complex organisation, unusually comprising central and local government together with an exceptionally diverse workforce and accordingly most of the terms and conditions apply to specific pay groups. Clearly the terms and conditions of service, particularly pay, will be important to all of the SoJ employees, however it is also important to note that many employees in public services are also motivated by the nature of the service they provide. In return, where salaries often fail to match the private sector, public services generally seek to offer an attractive employment package

Tribal was encouraged to review all aspects of terms and conditions and consider all options and no 'sacred cows' or constraints were imposed at this level.

1.3. - Methodology used

We have used the following approach to develop this report:

- **Review of available information and data:** this primarily included data provided by the SoJ and related to the number and roles of staff, as well as information about the various elements of their terms and conditions. This was used to establish the baseline position of current terms and conditions
- **High-level benchmarking and trend analysis:** we used our extensive database of pay data to benchmark a sample of posts. In comparison with other benchmarking approaches (e.g. Hay), we focus on comparing between roles which are broadly similar in their content and responsibilities, rather than comparing roles by the number of Hay (job evaluation) points they have. We used this data to build up a picture of how the SoJ pay and reward compares and competes with relevant sectors elsewhere
- **Interviews with stakeholders:** we carried out several interviews with stakeholders, including Chief Officers, the States Employment Board and union representatives, to help gauge the elements of terms of conditions that are most valued by staff (a full list of stakeholder meetings is attached at Appendix A). This information will be supplemented by a staff survey which will be administered in September 2010

- **High-level review of each element of reward:** we reviewed each of the elements of terms and conditions for all pay groups, to identify the main areas of potential focus for efficiency and improvement assessing each in terms of their potential to deliver high, medium or low savings, and similarly identifying the high level assessment of costs to implement change and potential risks
- **Development of final report:** an initial large report which set out the detail of all of our reviews was presented to the Steering Group for consideration. The Steering Group recommended that this report focuses on the options which have potential to contribute to the savings required by the CSR
- **High level financial assessment:** we have carried out a high level financial assessment of each of the key options to provide guidance on the level of savings that can be anticipated if action is taken.

1.4. - Report structure

This report provides:

- A summary of our overall findings
- A summary of the tiered options for change, together with an indication of the associated costs, benefits and risks, and our recommendation for which option should be taken forward
- Identification of risks associated with implementing these recommendations
- A high-level implementation plan
- Appendices which detail the range of stakeholders consulted and set out the main assumptions and calculations for the financial assessment of the savings.

2. Overall findings

Tribal undertook a wide ranging, high-level review across the whole States of Jersey terms and conditions of employment with no constraints imposed at this stage. Clearly to lead and manage such a complex organisation and deliver an exceptional breadth of services a lot is already in place that reflects best practice and works well. However, it is always possible to make improvements and embrace continuous improvement, and against this context this leads to our suggesting many ways in which the SoJ could consider changes now and in the future.

In this section we provide:

- A summary of our review findings
- Findings from the benchmarking of a sample of posts against Inner London salaries
- Several cross-cutting observations and recommendations which we believe that the SoJ should bear in mind when implementing its vision for terms and conditions.

2.1. Summary of review findings

We set out in table 3 below an overview of the main findings of each of the separate 13 reviews of the key terms and conditions set out in the initial project brief.

Table 2: Overview of the main findings of the 13 separate terms and conditions reviews

Terms and conditions	Main Findings
Grading structures	<ul style="list-style-type: none"> ■ Different pay structures are in place for each pay group - each in turn requires separate administration, management, updating etc ■ Pay bands are long and provide for progression over many years ■ Progression is automatic based on annual progression ■ Structures have been in place for some time and do not appear to have been subject to continuous review and updating to achieve flexibility, link to performance, reflect changes to the business etc ■ It is unlikely, given the complexity of the whole of SoJ as an employer which covers an exceptional range of pay groups that full harmonisation is achievable – but whilst pay may differ, a core strategy, framework structure and guiding principles can be considered.
Job evaluation (JE)	<ul style="list-style-type: none"> ■ Not all posts or employees are covered by job evaluation i.e. 3,700 out of 6,500 employees are employed in posts covered by a JE scheme ■ Two different JE schemes are in place; both will need management, administration, evaluations, appeals, updating etc.

Terms and conditions	
Basic pay	<ul style="list-style-type: none"> ■ A cross section of professional and civil service posts were benchmarked against broadly comparable posts and a sample of jobs has been specifically benchmarked against the UK, inner London ■ Overall SoJ salaries benchmark favourably, not unexpected given the higher cost of living in Jersey, although some posts are below the benchmark data.
Pay allowances	<ul style="list-style-type: none"> ■ Allowances are commonplace but there needs to be a completed register of all allowances and their review date ■ Allowances can become out of date when replaced by new working practices, technology etc ■ Many allowances could be consolidated into the relevant jobs and considered to be an integral part of the role.
Overtime and standby allowances	<ul style="list-style-type: none"> ■ Overtime and standby allowances are commonplace for employees working more than basic working hours and SoJ level of allowances are in line with the norms ■ There is scope to review the level of seniority that overtime doesn't become payable ■ It is important to ensure overtime is only payable when work could not be predicted. Known work should be planned into new ways of working/ working patterns. ■ Overtime should be carefully reviewed if paid where flexi time systems exist ■ Similarly it is important to ensure that standby payments are only available to posts that the SoJ know need to be available and that the requirements cannot be reduced or covered by improved working patterns. Overtime spend should be tightly managed.
Annual leave	<ul style="list-style-type: none"> ■ Entitlement for annual leave is awarded on a time served basis up to a maximum of 20 years ■ The time served approach is not commonplace elsewhere, due in part to discrimination legislation, and 5 years tends to be the maximum service criteria where the time served approach continues ■ The maximum annual leave is high in comparison to particularly the private sector ■ There is little consistency across the SoJ pay groups.
Shift pay allowances	<ul style="list-style-type: none"> ■ Shift pay for some pay groups and posts has previously been consolidated into basic pay – which can achieve ease of administration. ■ Are shift premiums still relevant for the posts which attract them? ■ Increasing base pay to incorporate allowances can lead to pay related premiums and payments being made at higher levels such as employer pension contributions, sickness pay and overtime.
Sick pay	<ul style="list-style-type: none"> ■ Sickness pay is reasonably consistent across SoJ for the first 6 to 12 months of employment, except for the Police pay group ■ Sickness pay entitlement increases with service which is common practice in public services ■ There is a differential between particularly manual and non-manual sickness pay allowances and scope to consider a consistent approach ■ Public sector sick pay is generally more generous than private sector allowances.
Call out allowances	<ul style="list-style-type: none"> ■ Call out arrangements vary across the SoJ and there is no common approach to how they are applied and the payments made ■ Call outs generally operate through voluntary arrangements and are not contractual ■ There is no consistent approach to applying the standby rate and how this relates to callout payment which leads to different payments being made.

Terms and conditions	
Pensions	<ul style="list-style-type: none"> ■ There is an emerging debate about the rebalancing of contribution rates between the employer and employee that SoJ could keep abreast of. Many employers outside of public services with continuing defined benefit pension schemes have made changes to the contribution levels and how changes will be addressed in the future ■ Employers in the UK are increasingly reviewing their ability to continue to fund and offer final pay pension schemes. Many high profile private sector employers have announced the closure of their defined benefit schemes. Public sector employers are clearly assessing the market and reviewing their options ■ Following pay, pension provision is likely to be one of the most valued terms of employment for SoJ ■ There are a range of options that an employer can consider in addition to closing a pension scheme such as the age that different groups benefit from the right to retire, compulsory membership and a cap on employer contributions ■ Medium to longer terms it is likely that the SoJ will keep the provision of a defined benefit pension under review along with all other public service employers.
Medical, ophthalmic and dental allowances	<ul style="list-style-type: none"> ■ Allowances apply to only 3 of the 20+ pay groups within SoJ ■ There is no clarity on the outside why these allowances might apply e.g. they apply for the Fire Service, but not Airport Fire Service – therefore it is difficult to see how the allowance would be job related ■ Where applied the allowance is reasonably consistent ■ Large employers can often secure attractive premiums for these services which can be offered to staff through flexible benefit schemes or through deduction from pay.
Other leave (Maternity, Paternity and Adoption etc)	<ul style="list-style-type: none"> ■ For maternity, paternity and adoption leave there is more consistency across SoJ in the allowances for pay and leave, but although similar they are not the same ■ Allowances and leave in the main track legislative requirements ■ Those organisations which seek to improve upon statutory provisions generally do so to contribute to staff retention ■ Jersey statutory provisions and therefore also the SoJ benefits for pay and leave are below the UK which might deter for example recruitment into posts which might typically be filled by people who may plan to have a family in the near future ■ Some UK employers consider the UK legislation too generous and this might not be a helpful benchmark ■ SoJ has a generous list of other potential reasons that will be considered for paid special leave. This can be rationalised and linked to business requirements and assisting employees to cope with emergencies.

2.2. Pay Benchmarking

We consider whether it would be feasible to align the SoJ pay grades with comparable UK posts where there are already established processes for determining and negotiating pay e.g. Civil Service, Agenda for Change (Health), Fire Brigade etc. Within the UK significant work has been undertaken to modernise pay structures, responding to the need to demonstrate performance improvements and efficiency savings thereby providing the public with value for money.

We detail below (at table 3) our salary benchmarking exercise which compares a cross section of the SoJ posts against the comparable post within the UK public sector (specifically Inner London), discussed and agreed with the Steering Group to be the best comparator, subject to further assessment.

For the purposes of this review we have benchmarked against Inner London based on one of the key factors which impacts on the cost of living e.g. the comparable price of housing. However further work will need to be done to develop a 'Jersey factor' which has a robust economic basis and will be more appropriate than comparing against the UK and then applying Inner London weighting.

Overall the SoJ has too many salary grades and most of the salary grades in place have too many increments that employees progress through automatically over many years. The top increment of many grades/pay scales enables employees to achieve above market salaries. The salary grade structure needs to be simplified to achieve:

- - Shorter grades
- - Scales which do not progress above market rates
- - Salary structures/grades that provide for progression in relation to performance and not years of service
- - Simplification – consideration of developing one grade structure

Table 3. Comparison with London Salaries

Description

This sheet provides a comparison of salaries for UK posts against Jersey where relevant.

Note: HB = Hassell Blampied

Post	SoJ salary range		UK Salary range		Hassell Blampied Salary Survey Data 2009 (plus 1.2% adjustment for 2009/10)			SOJ max compared with UK max	Source of UK data
	Min	Max	Min	Max	Lower quartile	Median	Upper quartile		
Gardener Grade 3	21,583	22,629	18,137	20,214	16,634	18,520	21,770	112%	Local Authority role - Inner London
Airport Electrician - Grade 8	28,747	31,194	23,437	27,466	32,371	35,399	41,483	114%	Local Authority Pay scales
Administration Assistant Band 5	22,839	25,264	19,135	22,250	20,117	21,971	25,569	114%	Civil Service pay (Based on Band E)
Personal Assistant (PA) Band 7	27,938	31,455	24,007	28,000	26,671	30,360	32,498	112%	Civil Service pay (Based on Band D)
Assistant Payroll Manager Band 8	31,455	35,658	29,495	36,061	29,257	32,296	35,622	99%	Civil Service pay (Based on Band C)
Senior Management Accountant Band 12	50,725	55,752	55,587	74,766	49,260	53,130	60,720	75%	Civil Service pay (Based on Band A AB scale for Accountants)
Directorate Manager Mental Health Services Band 15	72,236	79,794	69,306	87,027	68,754	81,355	86,325	92%	Agenda for Change Band 8D. Could possibly be a band 9 post
Constable	31,817	50,121	25,536	38,796	n/a	n/a	n/a	129%	Police pay plus Inner London
Sergeant	55,706	58,268	38,796	43,317	n/a	n/a	n/a	135%	Police pay plus Inner London
Inspector	65,753	68,856	48,840	52,818	n/a	n/a	n/a	130%	Police pay plus Inner London

Teacher	31,326	46,222	27,000	45,000	n/a	n/a	n/a	103%	UK Teaching pay scales - Public sector
Head Teacher - High School	91,460	91,460	74,684	93,450	n/a	n/a	n/a	98%	UK Teaching pay scales - Public sector based on Le Rocquier
Head Teacher - Primary	71,742	71,742	68,374	78,071	n/a	n/a	n/a	92%	UK Teaching pay scales - Public sector based on First Tower
Deputy Head Teacher - High	69,737	69,737	65,447	71,445	n/a	n/a	n/a	98%	UK Teaching pay scales - Public sector based on Le Rocquier
Deputy Head teacher - Primary	60,044	60,044	58,699	64,035	n/a	n/a	n/a	94%	UK Teaching pay scales - Public sector based on First Tower
Prison Officer	28,425	43,143	22,385	33,180	n/a	n/a	n/a	130%	Prison Officer grade plus London allowance
Prison Unit Manager	54,971	62,655	45,965	65,288	n/a	n/a	n/a	96%	Based on Senior Manager Band D
Fire Fighter	26,758	35,996	25,997	33,039	n/a	n/a	n/a	109%	Fire Fighter plus London allowance. Based on 3 incremental points
Fire Station manager	51,755	54,378	41,205	44,949	n/a	n/a	n/a	121%	Based on Fire Station Manager plus London Allowance
Staff Nurse	28,669	30,256	25,512	33,751	n/a	n/a	n/a	90%	Agenda for Change - Grade 5
Healthcare Assistant	21,248	23,085	19,646	22,292	n/a	n/a	n/a	104%	Based on Agenda for Change Grade 3. Some staff are paid at Grade 2
Paramedic	35,546	38,890	29,508	40,406	n/a	n/a	n/a	96%	Based on Agenda for Change Grade 6

Our market pay benchmarking indicates that the comparison of the SOJ maximum salaries compared against the maximum for Inner London shows no pattern or consistency i.e. some SoJ posts are above the UK market and others are below.

The implications for the SoJ of introducing a policy to link posts to agreed UK pay arrangements i.e. Police, Agenda for Change, is that some professions will be overpaid against the market and others will not. We would emphasise that in aligning with the UK the SoJ will also need to consider the following factors:

- The SoJ will be required to implement new arrangements for job evaluation to determine the post grade i.e. Agenda for Change for Nurses and other health professions, UK Civil Service job evaluation scheme for Civil Servants etc;
- As salary bands are currently different (the SoJ v UK), there is the potential for salaries to either increase or decrease if they are linked to new pay grades;
- There will be significant time investment required to implement new pay grades – management/ HR/ union representatives etc;
- Several of the UK pay grades are linked to performance management which will need to be introduced by SoJ for any new grading structure to be successful;
- More work needs to be done to confirm the most appropriate way to compare salaries with the UK i.e. to develop a ‘Jersey factor’.

2.3. - Allowances

In addition to basic salaries there are many additional payments and allowances in place which together accounts for the total salary bill for the SoJ. The additional payments and allowances account for approximately 12% of the salary bill i.e. approximately £38m.

Essential allowances and additional payments: Many of the allowances are essential payments such as maternity, paternity and sickness pay etc. Some essential allowances may be reviewed, such as sickness pay entitlements which are dealt with elsewhere in this report, but in essence they will continue to be payments that the SoJ is required to make as an employer and are in line with statutory requirements and best practice. This accounts for just below 50% of the total allowances and additional payments.

Allowances for review: There are other allowances that can be reviewed to achieve greater harmonisation across the SoJ on the level and nature of payments. This includes overtime, standby and call out

payments. We have dealt with these payments elsewhere in the report (see table 6, page 35) and there is scope to achieve savings from:

- 1) Incorporating the allowances into new grading structures and thereby removing the item as an additional payment, although this may have an impact on the salaries for the appropriate post(s)
- 2) Harmonising, which may include reducing the allowances – such as reducing the overtime premiums as suggested in section 6, page 35. Developing a set of allowances/ rates which allies to all pay groups.
- 3) Remove the allowance altogether. -

Allowances that might be suitable to include within the salary/rates for the job include examples such as underground allowances, sleep in, - abseiling etc. -

Remove allowances: an early assessment by the SoJ has identified a number of allowances that are outdated and could be removed. This totals some £745,000 p.a. These allowances are listed below in Table 4. Assessing them against best practice and employment obligations we can see no reason for them to continue to be paid.

Table 4: Recommendation of allowances for removal¹

Allowances recommended for removal
Clothing
Ex Power station supplement
Telephone allowance
Health refund
CID allowance
Attendance
Medical benefit- employer & employee
Doctor- employer & employee
Dentist- employer & employee
Ophthalmic- employer & employee
Prescriptions
Travel: NP, Temp and Shift
Fuel, temp
Service claim
ATC OJTI
Exam bounty
Kitting up
Supervisor kitting up

¹ Allowances list and categorisation provided by Stephanie Holloway on 13/09/10 in spreadsheet entitled 'Allowances'.

The SoJ will wish to bear in mind that whilst benchmarking practice against the public sector – due to the public sector drive for efficiencies and savings the picture of ‘common’ or ‘best practice’ is one of continuous change.

One Tribal client continues to have the provision for a range of allowances for when the requirement arises, but there is no budget for any staffing costs outside of basic pay, i.e. all allowances are organised on zero based budgeting and paid by exception and each director is required to justify all payments against organisational requirements and evidence the consideration of alternatives and action to avoid such payments in the future.

2.4. - Change management

Any project aimed at reducing costs or increasing efficiency is likely to be viewed with suspicion by employees and by their representatives. That suspicion can quickly turn to a negative and defensive approach and lead to poor employee relations. In an organisation that provides essential and valued public services there is a further dimension. For every taxpayer who urges the organisation to become more efficient, there is another who fears that a service they rely on will be taken away. This is all set against the overall context of the SoJ being an exceptionally complex organisation.

Change is difficult to implement at the best of times. In the current climate, public sector employees and taxpayers feel that they are paying a heavy price for a global economic problem caused by a few over ambitious investors. It’s easy to sympathise – why should a worker in St Helier have their overtime cut because someone made a wrong decision on mortgage loans in the USA?

We believe it is important to set out the reasons for the review in local terms: this is something which Jersey wants to do and has to do, regardless of any global economic considerations. Cost effective and high quality public services are essential and no organisation can stand still.

In the context of the current review, staff and Unions will be anticipating, but not welcoming:

- Change generally
- Redundancies/ loss of jobs
- Outsourcing of services
- Erosion of employee terms and conditions/changes which are considered to be detrimental

- Having to work harder or longer to fill gaps in the organisation (achieving more for less)
- Pay freezes, or worse, pay cuts
- Erosion of their pension rights
- Cuts in overtime payments and allowances
- Review of terms and conditions of service.

Whilst some of the above might be inevitable, we believe that in any wide ranging review there are some opportunities for changes which can be less painful and some which might even produce benefits for both employer and employee. One example is to introduce flexible working as an alternative to overtime and standby payments. For every person who resents the loss of pay, there will be another who welcomes the extra time for family, past-times and other pursuits. Changes in responsibilities will be seen by some as “more work” and by others as a real opportunity to develop their skills. Changing the balance of pension costs between employee and employer might be seen as a welcome alternative to cutting pension benefits and ensure that employees have the opportunity to demonstrate their commitment to a final pay scheme in a meaningful way.

We think it is important to work towards a coherent package of changes which are financially justified and have a real impact rather than introducing a plethora of seemingly unrelated initiatives. We see this paper as a starting point in the process of deciding what is to be done, and perhaps when and ideally contributing to the development of an overall strategy for employment for the SoJ.

2.5. – Drivers for change

Employment legislation

The SoJ is not dissimilar to any employer in the current economic climate; indeed this review is consistent with the types of reviews taking place to varying extents across all employment sectors.

There has been a plethora of employment law both in the UK and rolling out from European legislation that have driven change. We refer in several places, for example, within this report to the impact that recent age discrimination law has had on the approach to benefits linked to time served qualifications such as pay grading structures, salary progression and annual leave. To a certain extent this has helped employers in the UK review main terms and conditions of employment, identify priorities and achieve greater consistency for

many parts of a workforce and by reducing long time served scales a lot of simplification and greater fairness has been achieved.

Jersey does not have the same framework of employment legislation and therefore has not experienced the same external impact on its employment practice over years. However some of the changes implemented in the UK might be of value for Jersey to consider on the basis of best practice.

Shared services

Recently public services in the UK have been identifying opportunities to work together and share common services, typically across corporate functions such as HR, Finance and Marketing. For example three neighbouring councils can agree to share one HR team which once introduced brings longer term salary savings having reduced three HR teams to one. This approach can be replicated across a range of services.

Similarly Housing Associations in the UK are finding ways to form consortia for services such as development or procurement, seeking to leverage discounts from a larger purchasing power in addition to the internal streamlined staffing arrangements.

For Jersey, being the only provider of public services on the Island the same opportunities are not so readily available. However, in the first instance the SoJ should be able to ensure that within its own organisation staffing structures are streamlined and avoid duplication, particularly with regard to the provision of centralised, corporate and 'back office' services.

There is also no reason why the approach to shared services could not be considered between the SoJ and other large employers with a requirement for similar functions. This is clearly a longer term option but is in line with the opportunities being actively explored in the UK.

Harmonisation

As a result of the review and our understanding of the complexity of the organisation and the diversity of the pay groups, services provided and the range of posts within the organisation we have come to the view that full harmonisation of all terms and conditions is unlikely to be achievable or to the benefit of SoJ or its employees.

However we do feel that as one employer a framework contract with a core set of common terms and conditions is achievable. Some common core terms may be easily achieved such as maternity and paternity pay and leave. Others will no doubt require careful cost

analysis and consultation, for example annual leave and overtime premium.

We suggest that one of the overall objectives for the next stage of this review is to define those terms which are suited to a core framework contract.

Working hours and patterns

The terms of reference for this review did not encompass working hours (which do vary across pay groups) and any associated shift patterns and flexible working arrangements. However, working patterns can lead in turn to the requirement, or not, for standby, call out and shift premiums to be paid. We suggest that when undertaking more in-depth analysis that the working patterns are included to ensure that any savings potential is identified which may be released through improved workforce planning.

Performance

Performance in itself is not an express term and condition of employment, however, over the last few years in addition to seeking efficiency savings it has been one of the main drivers for change.

Organisations, both public and private sector, have been reviewing aspects of terms and conditions of employment with a view to underpinning the need to achieve more for less, achieve greater workforce flexibility, deliver excellent services and communicate the link between reward and performance. Year on year the benchmarking of organisational performance against peers becomes more challenging and many organisations look beyond public services to compare, for example, customer services standards. There is widespread recognition that customers are increasingly demanding.

Specifically this has led to for example:

- The creation of competency/behavioural frameworks with a focus on performance, often then linked in turn to pay
- The move away from automatic incremental pay structures to reward and progression aligned to performance
- Tightening of staff performance and appraisal schemes and increased movement to 360 degree appraisal schemes – seeking wider input to assess individual performance
- Increasing benchmarking against private sector organisations, for example in customer services and the adoption of different practice e.g. The Mary Gobar Method is becoming popular in the social housing sector in the UK for devliering customer services

- More timely management of underperformance, absence and capability issues
- Greater consideration of the place of performance related pay in public, not-for profit and related services.

2.6. Cost of living in Jersey

This review has sought to benchmark the SoJ against a wide range of other private sector and public services employers with a view to ensuring that the SoJ can identify opportunities for change that will leverage a measurable benefit.

When assessing costs in relation to pay it is important to take into account that the context for employment and living is different in Jersey to the UK taking into consideration employment legislation, cost of housing and accommodation, differences in personal taxation and the cost of living generally. Jersey employers generally seek to offer a slightly higher salary to accommodate a higher cost of living with some confidence that the differences in personal taxation limits might go a long way to make up the rest; the anecdotal challenge of the cost of housing and accommodation and differing value for money from the mainland is a significant challenge that modest salary differences do not appear to overcome and will often remain a barrier to recruitment and retention when the SoJ seeks to recruit from elsewhere. This is particularly true for some salary groups more than others.

There are no widely published and accepted factors to compare the cost of living in Jersey with say the UK mainland, Guernsey or the Isle of Man. Based on our initial research into average house prices and the comparable costs for food and household goods Jersey appears to compare closest with Inner London.

2.7. Employee benefits

This review covers most of the main terms and conditions of employment particularly in relation to those terms that can be quantified. There are also many wider terms and conditions of employment that are more qualitative and contribute to the culture and nature of the organisation as an employer.

Over the last 12-18 months we have been increasingly involved in reviews of employee benefits. Employers have been seeking to identify cost effective benefits which could be introduced to assist in the recruitment, retention and motivation of the workforce against a challenging context of asking for greater flexibility, high levels of

performance at a time of pay freezes. The SoJ will be familiar with the terms 'Employer of Choice' and 'World Class Employer' and although not always well defined there is a clear link between employment strategies which set out to achieve a highly skilled and motivated workforce which in turn is then well rewarded for achieving excellence. There is also increasing private and public sector participation in external validation schemes such as the Times Best Companies (Top 100 employers) and Investors in People etc.

Such broader benefits can include items such as:

- Access to training and study for formal qualifications
- Policies for secondments, promotion and career progression support
- Introduction of flexible benefits
- Health and wellbeing initiatives
- Social activities.

2.8. Stakeholder views

Three and a half days of early discussion meetings took place as part of this review. This section can only serve to highlight some of the key points raised at this stage. In summary clearly all stakeholders are aware of the requirement to make savings. Naturally some aspects of terms and conditions will be more easily changed than others and no employees, or their representatives will want to see change to their detriment. Where suggestions were put forward from one or more groups these were consistent with the options emerging from our review as the key areas for consideration.

Union and staff pay group representatives

Two separate meetings were held with the full time representatives of Unite and Prospect offering open discussion on any aspects of the review, seeking views on the current broad terms and conditions across the pay groups they represent and specifically to seek views on change including being open for suggestions.

It is fair to say that whilst clearly no union wishes to see any change which will be detrimental to their members, the union officials did take different approaches to the discussions and it appeared that Prospect is more used to working through the challenges of change with employers. Unite appeared, at this stage, reluctant to want to discuss change.

Unite explained the difficulties, as they see it, with pay benchmarking for Jersey, such as Jersey not being comparable with the UK, and the

private sector on Jersey probably also not considered a fair benchmark. Unite also queried process for this review and consultation; e.g. who appointed Tribal?

The discussions with Unite and Prospect drew out different points which included:

- It would be helpful if the SoJ clearly defined the objectives for the terms and conditions of employment to be able to assess against those objectives whether they are fit for purpose
- There is scope to develop the performance culture of the organisation and links to recognition and reward but this will need to be underpinned by high quality mechanisms and management skills to achieve credibility and trust
- The reward structure could be designed to encourage performance, attainment of skills, developing competencies, greater flexibility and eradication of waste, but this would need a change of approach
- There are employees at the top of the grading scales with no room for progression
- Job evaluation has not moved forward with the jobs and other changes
- A single spine salary structure may work but would need different bargaining units to join together
- Overall harmonisation is unlikely to be readily achieved
- The different pay groups appear to prefer to negotiate separately to meet their specific requirements
- Would not like to see a two tier system with new employees on different terms
- Protecting jobs might encourage staff to discuss reviews of terms and conditions
- Saturday and Sunday overtime helps to lift the take home wage of the lower paid staff
- A reduction in benefits will impact on staff morale and service delivery and if presented in an ill considered or negative way proposals for change will be strongly resisted
- Partnership working should be a key development as part of the process to achieve change and acknowledge that the challenge of maintaining public services in the current economic climate is a joint one.

A further meeting was held with the staff and pay group representatives across all of the main SoJ pay groups.

Overall the priorities were clearly and understandably to both preserve jobs and terms and conditions.

The staff representatives indicated that they felt that as the only term of employment all (except Education) have in common is their pension benefits that the underlying objective of the review must be to review the pension scheme. As a group they did not appear to see any reason for meeting to discuss terms and conditions as their terms and conditions are separately negotiated and differ across all pay groups.

The staff representatives wanted to ensure that the review takes account of the higher cost of living in Jersey.

They would expect any proposals for change to be discussed with them, as appropriate, in detail.

Very few points were raised by the staff representatives as they felt that it is the role of management to undertake reviews and present their proposals for discussion and negotiation. The following points were raised towards the end of the meeting:

- There is little incentive with current arrangements to work really hard
- There is no support for outsourcing of activities
- The pension scheme is a key factor for recruitment
- There are areas that are short staffed
- Staffing costs can be saved with effective management e.g. bank nurses are cheaper than agency but might require 4-5 calls to find someone. It is cost effective as the hourly rate for a bank nurse is much lower.

Senior management

Meetings were held with the Chief Executive and Deputy Chief Executive, a group of the Chief Officers across the SoJ representing all of the main pay groups plus additional meetings with senior managers responsible for the prison and fire services.

Management views of the current terms and conditions and scope for change includes:

- Job evaluation – current arrangements are not particularly valued ('had its day') and the current schemes were thought to be failing the organisation as they do not cover all pay groups and could be easier in terms of the resources required for administration
- Performance – there is an aspiration that where possible changes will be linked to also underpinning the move to a performance based culture e.g. through revised pay structures, consideration of performance related pay etc
- It is difficult to envisage one corporate identity from the diversity of services provided that would lend itself to the complete harmonisation of terms and conditions

- There are areas where recruitment is challenging and the overall terms and conditions are not necessarily suitably flexible to address this. The growth of the finance sector has introduced new areas of competition for corporate/back office skills and the SoJ has not completely addressed this. Although private sector terms and conditions are often broadly less favourable than public services, the financial services sector in Jersey competes well and often offers equivalent or greater benefits
- It could be beneficial to consider undertaking some high-level organisation design to establish whether the organisation can achieve some commonality of job titles and broad levels
- SoJ would benefit from an overarching career management strategy that enabled easier transfer across pay groups, scope to reward real progression and excellence
- The pension scheme, whilst extremely valued, and no doubt a sensitive area for change can also itself hinder change and can lock people into their jobs. It is recognised on the Island to perhaps be an aid to recruitment and retention
- There is an appetite for mechanisms which link reward and recognition to performance and ensuring that managers have the skills and abilities to set stretching targets, high standards and can communicate what excellence looks like
- The current pay framework in some pay groups enables a professional combining the basic pay with various allowances to take home as much as the management posts above. This can impact on recruitment of senior posts. A structure which holds no incentive for promotion doesn't work well for the organisation and leads to the necessity for external recruitment at management levels
- There is scope to tighten up pay allowances and supplements – what they are used for and who benefits from them. e.g. some shift allowances may no longer be appropriate. Scope to build in more predictability to workforce planning and reduce overtime
- Consider flexibility with redundancy – e.g. making part of role redundant, redeployment etc; however this should not be instead of managing poor performance
- The question was raised as to whether the organisation is sure that staff are effectively managed so that the best utilisation is achieved from all staff resources e.g. the management of long term sickness, improved performance management and organisations structure.

Payroll & HR

One meeting was held with the HR business partners and their input at this stage contributed to each of the detailed reviews that informed the overall summaries in this report.

The payroll arrangements for so many pay groups, with such a vast array of allowances will mean that the payroll processes, rules and control will be quite complex. We would recommend at the next stage of this review that Payroll is included within the consultation framework. It is likely that the employees that manage and administer the SoJ payroll will be able to identify for example:

- Areas of potentially unnecessary complexity
- Terms which are open to misinterpretation through ambiguity in the roles and might be wrongly claimed
- Allowances that may be outdated which can be deleted
- Items that might benefit from greater management control
- Allowances where analysis might show an opportunity to make savings if structured in alternative ways.

In our experience a professional payroll team will be able to make a valuable contribution to this type of review.

We suggest that the SoJ consider whether there is scope to introduce more flexible benefits to create a more holistic reward package for staff, and potentially to offset some of the effects of any changes to terms and conditions which may be perceived negatively by staff.

3. Options for change

The SoJ is seeking simplification and realignment of its terms and conditions for staff; and Tribal believes that for the majority of the main terms and conditions of employment there are a range of options available. Some of these options support alignment primarily; however we have also provided options that will support the reduction of costs and modernisation.

3.1. - Summary of options

As well as identifying ways in which terms and conditions can be simplified and aligned, we recognise that cost reduction is the key driver for the SoJ behind the current review of terms and conditions of its staff. We have therefore identified several ways in which we believe costs could be reduced. Some options would require significant change, and may not be perceived positively by staff and unions, but we have included them nonetheless so that the SoJ can take an informed decision about which changes could be countenanced.

In terms of the options focused on simplifying and realigning terms and conditions, these changes may not release financial savings, but we believe that they should be considered as part of an overall strategy for employment and holistic review of the terms and conditions the SoJ wishes to offer its staff.

It is important to note that although we provided a broad range of possible options for change, these are intended to be supportive and helpful ideas for ways in which terms and conditions (and their management) could be developed, rather than an indictment of current operations.

Our initial work on the review produced a significant amount of detailed notes for each of the 13 terms and conditions set out in the initial brief. For clarity we have included in the table below a summary of the key options for change, to provide guidance to the Steering Group on the combination of options that are likely to best deliver the objectives of the CSR.

Our recommendations for the preferred five areas for options for change are shown in tables 5 to 9 below. In the table we have shaded pink those options we particularly recommend and green those that we think merit further consideration.

Table 5: Recommendations for grading structures and pay

	<ul style="list-style-type: none"> ■ Pay bands are long and provide for progression over many years ■ Progression is automatic based on annual progression ■ Structures have been in place for some time and do not appear to have been subject to continuous review and updating to achieve flexibility, link to performance, reflect changes to the business etc ■ With such a complex organisation in terms of pay groups and pay and grading structures, some underpinned by job evaluation, others not, there are wide-ranging options open to the SoJ for change ■ In addition to the annual cost of living pay award, the annual cost of increments is around £2.9m² ■ Full harmonisation into one pay structure for all the SoJ employees is unlikely to be achievable. 												
	<ul style="list-style-type: none"> ■ Nurses salaries are below the UK (compared with inner London) and adjusting the salaries to market levels would cost in the region of £4.2m. ■ Teacher and Police salaries appear higher (compared with inner London) and potential savings to move to market rates could deliver £3.5m savings. ■ Other salaries appear to be broadly in line with Inner London, although not all salaries may need to be comparable with Inner London for example where the local market contains sufficient pools of job applicants to support recruitment. 												
<p>2% 2011 award and a pay freeze for 2012 and 2013</p>	<table border="1"> <tr> <td data-bbox="398 1059 680 1331"> <p>One year freeze on all incremental salary progression for all employees</p> </td> <td data-bbox="680 1059 954 1331"> <p>Existing staff progress within existing incremental scales</p> </td> <td data-bbox="954 1059 1236 1331"> <p>Freeze existing employees on their current salary position.</p> </td> <td data-bbox="1236 1059 1518 1331"> <p>Staff paid below market progress to market level.</p> </td> <td data-bbox="1518 1059 1800 1331"> <p>Freeze existing staff on their current salary position.</p> </td> <td data-bbox="1800 1059 2060 1331"> <p>Compare existing salaries with the market. Allow staff paid</p> </td> </tr> <tr> <td data-bbox="398 1059 680 1331"></td> <td data-bbox="680 1059 954 1331"> <p>New employees appointed with</p> </td> <td data-bbox="954 1059 1236 1331"></td> <td data-bbox="1236 1059 1518 1331"></td> <td data-bbox="1518 1059 1800 1331"></td> <td data-bbox="1800 1059 2060 1331"></td> </tr> </table>	<p>One year freeze on all incremental salary progression for all employees</p>	<p>Existing staff progress within existing incremental scales</p>	<p>Freeze existing employees on their current salary position.</p>	<p>Staff paid below market progress to market level.</p>	<p>Freeze existing staff on their current salary position.</p>	<p>Compare existing salaries with the market. Allow staff paid</p>		<p>New employees appointed with</p>				
<p>One year freeze on all incremental salary progression for all employees</p>	<p>Existing staff progress within existing incremental scales</p>	<p>Freeze existing employees on their current salary position.</p>	<p>Staff paid below market progress to market level.</p>	<p>Freeze existing staff on their current salary position.</p>	<p>Compare existing salaries with the market. Allow staff paid</p>								
	<p>New employees appointed with</p>												

² Salary and increment data provided to Tribal by Stephanie Holloway

Grading structures and pay

				market rate limits	Those that are paid above the market remain on their protected frozen salary whilst the market plays 'catch up' until they are in line with the market.	below the market to progress to market levels. Introduce mechanism to reduce staff paid above market to market level salaries.
Potential cost savings	<p>£20.6m over 3 years:</p> <ul style="list-style-type: none"> 2011: 6.7m 2012: 6.9m 2013: £7.1m <p>Savings estimated at 2% year 1 (agreed) and 2% years 2 & 3 estimate based on the previous 2 years.</p>	<p>£13.8m over 3 years:</p> <ul style="list-style-type: none"> 2011: £0m 2012: £6.9m 2013: £6.9m <p>Savings estimated at 2% years 2 & 3 estimate based on the previous 2 years.</p>	<p>£2.9m (1 year)</p> <p>Based on average increment values and number of staff with 1 or more increment steps remaining.</p>	<p>Up to £7.5m over 3 years:</p> <ul style="list-style-type: none"> 2011: £1.2m 2012: £2.5m 2013: £3.8m <p>Based on 7% staff turnover Assumed market related starting salaries for many staff and no incremental progression</p>	<p>More detailed work will be need to be undertaken to assess financial implications</p>	<p>More detailed work will be need to be undertaken to assess financial implications</p>
Benefits of option		<ul style="list-style-type: none"> More palatable option with staff Doesn't undermine existing agreements 	<ul style="list-style-type: none"> Immediate savings No cost to implement in terms of developing pay structures 	<ul style="list-style-type: none"> Mechanism to rebalance pay - structure to avoid future payment above market and to address potential underpayment 	<ul style="list-style-type: none"> Better alignment of the SoJ salary structures with the market 	<ul style="list-style-type: none"> Better alignment of the SoJ salary structures with the market Addresses any current possible overpayment

Grading structures and pay

Disbenefits and risks of option

- This will be an unpopular option with staff
- Less immediate savings
- Market related pay will involve work to introduce on a sound basis – particularly to ensure that there is a good foundation to the comparison with UK data.
- Unpopular with staff at top of scales
- Market related pay structures will involve work to introduce
- Unpopular with staff at top of scales
- Reduction of pay will not motivate the workforce
- Market related pay structures will involve work to introduce

Recommendations

It is unlikely, given the complexity of the SoJ as an employer which covers an exceptional range of pay groups that full harmonisation will be achievable – but whilst pay may differ, a core strategy, framework structure and guiding principles can be considered. We therefore recommend that the SoJ considers:

- Harmonise the pay grades into one overall pay range and separate bands within this, to ensure that only one set of negotiations is carried out each year
- Review whether it would be feasible to adopt UK conditions of service including pay grades for certain professions e.g. Teaching , Fire and Police
- Consider suspending all increments for years or permanently where further work confirms where progression will lead to overpayment against the market.
- Decide whether to bring posts paid more than average in line with comparators e.g. police, prisons – i.e. using a freeze and catch up mechanism
- Ensure that future reward structures do not allow for progression on a time served basis and introduce a link to performance i.e. develop a performance review mechanism so staff can only progress if they meet or exceed objectives

Table 6: Recommendations for overtime

Overtime				
Main findings	<ul style="list-style-type: none"> The average annual overtime bill paid across all of the SoJ departments is £7.3m p.a³. Tighter management of overtime budgets is one of the more accessible objectives of the review and the scale of potential savings in relation to the scale against the expenditure is shown below 			
Comparison to UK best practice	The overtime premium at the SoJ is based on the policy of 1.5 x salary for Weekdays and Saturdays and 2x salary for Sunday working. This is still common in public services elsewhere but far less common outside of the public services. Unsurprisingly in the current economic climate many employers are reviewing overtime rates.			
Options for change	Option A	Option B	Option C	Option D
What this option would involve	Reducing overtime worked and therefore paid	Change premium to 1.33 x salary for all overtime.	Change premium to 1.33 x salary for weekdays and Saturdays and 1.5 x salary for Sundays	Reduce overtime by 20% and reduce premium rates in line with Option C
Potential cost savings	20% - £1,470,555 30% - £2,205,833 40% - £2,941,109 50% - £3,676,387	£3.4m over 3 years: <ul style="list-style-type: none"> £1.1m per year Based on assumption that existing ratio of overtime payment is 80% at 1.5x salary and 20% at 2x salary.	£3m over 3 years: <ul style="list-style-type: none"> £1.0m per year Based on assumption that existing ratio of overtime payment is 80% at 1.5x salary and 20% at 2x salary.	£7.2 over 3 years: <ul style="list-style-type: none"> £2.4m per year Using previous assumptions
Benefits of option	<ul style="list-style-type: none"> Can take immediate effect Management control Employees don't have the right to be provided with overtime 	<ul style="list-style-type: none"> The changes to overtime are easy to calculate, develop and implement. Savings will take immediate effect from date of implementation 	<ul style="list-style-type: none"> As option B 	<ul style="list-style-type: none"> Mix of options A and C

³ Overtime figures provided to Tribal by Stephanie Holloway

Overtime

Disbenefits and risks of option

- Where overtime is consistently available and paid staff will have got used to income.
- As option A
- Requires negotiation and will take time. -
- As option B
- Less attractive to staff than option B
- As option A and C

Recommendation

- The SoJ agree challenging and stretching targets for managers to reduce overtime worked and paid.
- Medium term - that managers review where overtime has been worked and paid and ensures that where appropriate the rate for the job covers normal working arrangements and that working patterns cover staffing/resource requirements that can be predicted to ensure that overtime is only used to cover work that cannot be predicted or exceptional peak requirements.
- Work with representatives to negotiate a reduced premium that better reflects modern working and takes account of the efficiencies that need to be achieved.

Table 7: Recommendations for allowances

Allowances

Main findings

Total payment made for on call/standby payments within 1 year is £1.8m⁴. It is not possible to stop the requirement for on call payments due to the nature of the services provided by SoJ.

The total expenditure on all other additional payments and allowances is approximately £38m per annum. Some are essential payments (maternity, paternity etc) and will continue, some may be removed and savings achieved and are dealt with elsewhere in this report such as overtime, standby and sickness.

Approximately £20m p.a. is spent on additional payments and allowances which are available for review - many can be challenged and potentially removed either because it covers the normal day to day role, or because the requirement can no longer be justified, perhaps the initial reason for its introduction has gone away. The SoJ has already identified £745,000 of such allowances which we agree do not appear to be essential. Of the remaining approximately £19.25m we suggest that at least 10% further savings, if not more, could be achieved from further review.

Comparison to UK best practice

There are several allowances which are no longer paid in the UK (see table in section 2.3). We have found examples of zero based budgeting for allowances and ensuring management is responsible for exception reporting on staff payments above salary budget.

Options

Option A

Option B

What this option would involve

Removing the allowances identified as outdated and no longer essential payments

Reviewing all remaining additional payments and allowances with a view to either consolidating into new salary grades, continuing payment if appropriate and doing away with further allowances no longer required.

Potential cost savings

Removing the identified list of payments would total **£745,000 p.a.**

10% of the remaining £19.25m = **£1.9m p.a.**

Benefits of option

- | | |
|---|---|
| <ul style="list-style-type: none"> ■ Can take immediate effect ■ Management control ■ Employees don't have the right to be provided with many of the allowances ■ Less impact on employees than changes to pay ■ Employees are unlikely to rely on allowances for income | <ul style="list-style-type: none"> ■ Can take immediate effect ■ Less impact on employees than changes to pay ■ Employees unlikely to rely on for income ■ Many allowances being removed will not have an impact on the provision of services |
|---|---|

- Many allowances being removed will not have an impact on the provision of services

Disbenefits and risks of option

- Unrealistic target as some allowances are still required and some such as maternity and paternity the SoJ has an obligation to pay.
- Reality is the savings to be achieved will be between the minimum estimate of 10% and the total spend.
- Suggest a target of c 30% - further work needed to quantify.

Recommendation

We recommend that allowances are changed as outlined in the table provided in section 2.3. We also recommend that the SoJ harmonise standby & call out allowances to improve consistency. -

Further work will need to be done to establish the value of the allowances identified as either 1. Outdated and to be removed or 2. To be consolidated into the job. -

Going forward consider zero based budgeting for allowances and ensuring management justify payments above basic pay. -

Table 8: Recommendations for sickness pay

Sickness pay			
Main findings	<ul style="list-style-type: none"> Manual staff have a sickness pay scheme that provides for 3 months full pay and 3 months half pay. All other staff (non- manual staff) have a more generous sickness pay scheme which provides for up to 6 months full pay and 6 months half pay. 		
Comparison to UK best practice	<p>There are still many public services organisations that offer sickness pay schemes which increase with service up to a maximum of six months full pay and six months half. Outside of public services is a different picture with anything from a basic statutory sick pay scheme through to something similar to public services. -</p> <p>Increasingly organisations are cutting back the maximum benefit and commonly the new allowances are 3 months full pay and 3 months half pay. - Particularly popular in the not for profit sector. -</p> <p>Sickness pay beyond statutory provision is increasingly rare for the probationary period. -</p>		
Options	Option A	Option B	Option C
What this option would involve	Reduce sickness pay scheme for non manual employees - Introduce new sickness pay scheme of 3 months full pay and 3 months half pay.	-	<p>Introduce new sickness pay scheme of 4 months full pay and 4 months half pay for all staff.</p> <p>Non manual staff will decrease from 6months full pay and 6 months half.</p> <p>Manual staff will increase from 3 months full pay and 3 months half.</p>
Potential cost savings	£2.4m over 3 years (£0.8m per year) Assumption that approximately 1% of	£2.1m over 3 years: <ul style="list-style-type: none"> Year 1: £0.5m - 	£1.5m over 3 years (£0.5m per year) Assumption that approximately 1% of employees

Sickness pay			
	employees reach full sickness pay entitlement.	<ul style="list-style-type: none"> Year 2: £0.8m Year 3: £0.8m <p>Assumption that approximately 1% of employees reach full sickness pay entitlement.</p>	reach full sickness pay entitlement.
Benefits of option	<ul style="list-style-type: none"> This option impacts on less staff than other initiatives This will harmonise terms between manuals and non manual staff The new schemes drive managers to manage absence in a more timely fashion. 	<ul style="list-style-type: none"> As option A A more supportive lead in time and this might be more attractive to staff and their representatives to aid implementation. 	<ul style="list-style-type: none"> Achieves harmonisation of employees.
Disbenefits and risks of option	<ul style="list-style-type: none"> If the SoJ wish to protect existing employees with their current sickness pay entitlements then savings would be slow to accrue over time based on introducing the new sick pay policy to new employees only. Introducing new schemes takes time once employees are given reasonable notice for a start date. This will require negotiation with the appropriate unions and representatives for non manual pay groups. 	<ul style="list-style-type: none"> As option A 	<ul style="list-style-type: none"> There is a cost to increasing sickness pay benefits for manual employees. There will be a need to ensure that if existing non manual employees are protected on existing terms that manual employees don't have immediate increased benefits or the costs will be incurred before the savings are realised to balance out the costs. Also as option A.
Recommendation	We recommend that the SoJ standardise sick pay policies reducing sick pay entitlements for some groups of employees. In addition we recommend that there is no entry to the sickness pay scheme during the probationary period.		

Table 9: Recommendations for pension provision

Pension provision			
Main findings	The SoJ continues to offer final pay pension schemes against the background of an economy that is seeing many organisations outside the public services close their schemes. The SoJ have an annual pension scheme employer contribution bill in the region of £34m.		
Comparison to UK best practice	Public services continue to offer final pay pension schemes but are beginning to keep their pension scheme provision under review. Not for profit and private sector organisations are increasingly (a) closing defined benefit schemes to new entrants (b) then closing the scheme for accruals. New schemes being introduced are split between career average schemes and defined contribution schemes. The coalition government in the UK has commissioned a review of public services pensions in Autumn 2010 and no changes are expected until the review is published and evaluated.		
Options	Option A	Option B	Option C
What this option would involve	Change automatic pension scheme membership to voluntary - Employees are either invited to join the scheme on appointment or to opt out. Existing employees retain existing membership arrangements	Change contribution levels - Increase employee contribution from 5 to 6%. Reduce employer contribution from 13.6 to 12.6%	Close the DB scheme and open a DC for new entrants - Close the final pay salary schemes to new entrants Open a new defined contribution scheme for new staff with a 6% employer contribution rate.
Potential cost savings	£ 2.8m over 3 years: <ul style="list-style-type: none"> ■ Year 1: £0.4m - ■ Year 2: £0.9m ■ Year 3: 1.4m Approximately 20% of employees choose not to join company pension schemes when there is an option. - Staff turnover is 7%	£1.0m over 3 years: <ul style="list-style-type: none"> ■ £0.3m per year Current employee contribution levels are lower than most.	£6.4m over 3 years: <ul style="list-style-type: none"> ■ Year 1: £1.0m ■ Year 2: £2.1m ■ Year 3: £3.2m Assumptions as before
Benefits of option	<ul style="list-style-type: none"> ■ Some options will provide savings and retain the DB scheme for all staff that wish it to continue 	<ul style="list-style-type: none"> ■ Some options will provide savings and retain the DB scheme for all staff that wish it 	<ul style="list-style-type: none"> ■ Some options will provide savings and retain the DB scheme for all staff that wish it to continue ■ Others will remove the DB scheme going

	<ul style="list-style-type: none"> Others will remove the DB scheme going forward for new staff - 	<p>to continue</p> <ul style="list-style-type: none"> Others will remove the DB - scheme going forward for new - staff - 	<p>forward for new staff</p>
<p>Disbenefits and risks of option</p>	<ul style="list-style-type: none"> The UK is considering removing this option from pensions Public services pensions are under review so this is probably not the time for change until more is known Pensions changes require professional (and costly) advice Staff and their representatives highly value the pension scheme and will wish to negotiate to retain a DB scheme This area needs to be taken forward separately, taking actuarial advice. The SoJ will also wish to see the outcomes of the Public Pensions review being undertaken by Hatton in the UK and how the public services respond. 	<ul style="list-style-type: none"> The UK is considering removing this option from pensions Public services pensions are under review so this is probably not the time for change until more is known Pensions changes require professional (and costly) advice Staff and their representatives highly value the pension scheme and will wish to negotiate to retain a DB scheme This area needs to be taken forward separately, taking actuarial advice. The SoJ will also wish to see the outcomes of the Public Pensions review being undertaken by Hatton in the UK and how the public services respond. 	<ul style="list-style-type: none"> The UK is considering removing this option from pensions Public services pensions are under review so this is probably not the time for change until more is known Pensions changes require professional (and costly) advice Staff and their representatives highly value the pension scheme and will wish to negotiate to retain a DB scheme This area needs to be taken forward separately, taking actuarial advice. The SoJ will also wish to see the outcomes of the Public Pensions review being undertaken by Hatton in the UK and how the public services respond.
<p>Recommendation</p>	<p>We recommend that the SoJ:</p> <ul style="list-style-type: none"> Review the compulsory membership employment rule, including taking actuarial advice on the likely impact on total employer cost Carry out an immediate review of early retirement reduction factors Review the balance of contributions between employer and employee for each section of the fund, with a view to increasing the employee contribution to around 6% in line with the wider market 		

4. Potential risks

This section explores in more detail the risks that are likely to be associated with making the potential changes to existing Terms and Conditions.

Table 10: Risk analysis

Risk	Mitigating action
There is a high risk that staff and Unions will react negatively to any proposed changes to terms and conditions.	Develop robust business case and present findings to Trade Unions Enter discussions at earliest opportunity and ensure that they see themselves as part of delivering the solution Develop “what if scenarios” if staff took industrial action and consider how services could continue to be delivered.
Political intervention through staff lobbying Senators and potential negative impact on the SoJ.	Ensure that Politicians and Senior Staff have been briefed Ensure that Public Relations are aware of any proposals and can react as required.
Time required from HR and senior managers to implement any change.	Develop robust project management plan Second staff to lead any change element i.e. pay grading work.
There may be one off costs to implement change and is this affordable i.e. redundancy costs.	Ensure that detailed costings are undertaken and regular liaison with Finance Develop a contingency fund to deal with one off costs.
Lack of engagement and acceptance from Departments.	Regular consultation and briefing given to Departments Ensure that the Chief Officer sponsors any change.
HR capability to implement change.	Seek external support where required Develop internal HR staff to lead change.

5. Next steps

5.1. High level implementation plan

Table 11: Potential roadmap for implementation – depending upon options taken forward

Option	2010	Jan - Jun 2011	Jul – Dec 2011	2012
Establish a common approach to grading structures, pay progression and to rewarding performance.				
Review whether it would be feasible to adopt UK conditions of service including pay grades for certain professions i.e. Fire Service.				
Consider suspending all increments for one year.				
Reconsider pay protection policy to maximise savings that can be achieved through restructuring.				
Decide whether to bring posts paid more than average more in line with comparators e.g. police, prisons				
Consider reducing the length of the pay bands and the number of incremental points.				
Reconsider appropriateness of some allowances e.g. meal, underground and telephone allowances.				
Investigate whether it is still appropriate to pay overtime at double time where applicable.				
Remove standby allowance for civil servants				
Harmonise standby allowances to improve consistency.				
Have a consistent policy for determining under what circumstances call outs will be made.				
Standardise sick pay policies.				
Review the compulsory membership employment rule, including taking actuarial advice on the likely impact on total employer cost.				
Carry out an immediate review of early retirement reduction factors.				

Option	2010	Jan - Jun 2011	Jul – Dec 2011	2012
Review administration and investment management costs to see if savings can be made by bringing PECRS and TSF under one umbrella with ring fenced liabilities and asset.				
Review the balance of contributions between employer and employee for each section of the fund, with a view to increasing the employee contribution to around 6% in line with the wider market.				
Review the retirement age for uniformed members of PECRS with a view to raising it to 60 for most jobs, and a review of employee contribution rates for any who retain a right to retire at 55.				
Review the re-employment policy for those retiring at 55 or 60, perhaps restricting them to temporary roles.				

Appendices -

Appendix A. Consultation

The table below provides a summary of the individuals who were interviewed as part of this review.

Date / time	Individual/ Group meetings
20/07/10 3 hours	Chief Officers
20/07/10 2.5 hours	Senior Union Representatives
03/08/10 2.25 hours	Nick Corbel - Full time Unite official
03/08/10 1 hour	Bill Ogle and John Richardson – Chief Executive and Deputy Chief Executive
03/08/10 1 hour	Bill Millar - Prison Governor
04/08/10 1 hour	States Employment Board (SEB)
04/08/10 1 hour	Mark James - Chief Fire Officer
04/08/10 1.25 hours	Mike Orbell and Mark Richardson - JNG (Pension)
04/08/10 2 hours	HR Business Partners
11/08/10 2 hours	Frank Allen - Full time Prospect official

Appendix B. Financial savings assumptions

In this section we set out some of the main assumptions used which combine high level data kindly extracted and provided by the SoJ, and some assumptions provided by the Tribal HR consultancy team based on their experience.

The first section details some overall assumptions that apply to many of the financial evaluations. The subsequent sections show the assumptions and models which we used to generate the data quoted in section 4 which sets out the potential savings.

General

- 2010 total current gross salary bill is £265,315,000, the total number of staff employed at 17/08/10 is 7,249 = Therefore the average salary for the SoJ = £36,600p.a. (source Stephanie Holloway, SoJ)
- Total staff costs budget, including employer pensions and NI equivalents for 2009 is £396,480,415
- The financial evaluation has been carried out against data supplied by SoJ based on the current staff numbers and costs. Clearly whilst redundancies will deliver savings in direct staff salary costs it will reduce the potential savings identified in this report accordingly
- SoJ is undertaking a number of reviews and measures to identify and make savings at the same time as actively starting to make real savings. Where early initiatives are put in place, for example to tightly manage overtime and reduce costs by 10% this will be in line with the savings identified in this report and not in addition to, unless deeper measures are taken
- Staff turnover is approximately 7% p.a. across the SoJ
- Savings have been calculated based on taking a consistent approach across the whole of SoJ, however we are aware from our consultation with stakeholders that there are recruitment difficulties in some areas more than others e.g. nursing, and an across the board approach to apply all measures suggested at a high level, may not be appropriate and further detailed work is recommended.

Appendix C. Savings Calculations

We have developed a costings model which will be supplied alongside this report and which can be used to help measure the impact if any of these assumptions are changed. The calculations set out below are the outputs from this model.

C.1. Pay and Grading Structure

Figure 1: Pay and Grading Structure Assumptions

As-is Assumptions

Total staff costs budget 2010	£ 333,822,839
Pay award (agreed for 2011/12)	2%
Staff employed	7,249
Staff turnover	7%

To- be Assumptions – No

Pay award budget (2012/13 and 2013/14)	2%
Increment progression payments (2011/12)	£ 2,968,646
Increment progression payments (2012/13)	£ 3,028,019
Increment progression payments (2013?14)	£ 3,088,580

To-be assumptions – Maximum Protection

Average salary reduction -	5%
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C.1.1. - Option 1

Implement a pay freeze for cost of living for the next 3 years

Figure 2: Option 1 Calculations

Year	2011/12	2012/13	2013/14
Planned salary budget	£343,467,942	£353,365,319	£363,521,206
New salary budget	£336,791,485	£346,495,961	£356,453,899
Annual savings	£ 6,676,457	£ 6,869,359	£ 7,067,306

C.1.2 Option 2

Honour the already agreed 2% pay award in 2011 followed by two years of pay freezes.

Figure 3: Option 2 Calculations

Year	2011/12	2012/13	2013/14
Planned salary budget	£343,467,942	£353,365,319	£363,521,206
New salary budget	£343,467,942	£346,495,961	£356,591,287
Annual savings	£ -	£ 6,869,359	£ 6,929,919

C.1.3 Option 3

Staff are given the agreed pay award in 2011/12 but no pay award in 2012/13 or 2013/14 (pay freeze) and are not allowed to incrementally progress in any year.

Figure 4: Option 3 Calculations

Year	2011/12	2012/13	2013/14
Planned salary budget	£343,467,942	£353,365,319	£363,521,206
Savings due to removal of pay award	£ --	£ 6,869,359	£ 7,067,306
Savings due to removal of incremental progression	£ 2,968,646	£ 3,028,019	£ 3,088,580
New salary budget	£340,499,296	£343,467,942	£353,365,319
Total annual savings	£ 2,968,646	£ 9,897,378	£ 10,155,886

C.1.4 Option 4

All incremental progression is honoured but a new structure for progression is implemented. New staff will come in at lower salaries.

Figure 5: Option 4 Calculations

Year	2011/12	2012/13	2013/14
Planned salary budget	£343,467,942	£353,365,319	£363,521,206
New starters	507	507	507
Staff in new salary structure	507	1,015	1,522
Salary budget for staff in new salary structure	£ 24,042,756	£ 49,471,145	£ 76,339,453
New starter salary costs	£ 22,840,618	£ 46,997,587	£ 72,522,481
New salary budget	£342,265,804	£350,891,762	£359,704,233
Annual savings against budget	£ 1,202,138	£ 2,473,557	£ 3,816,973

C.2. Overtime

Figure 6: Overtime Assumptions

As-is Assumptions

Annual overtime payments	£ 7,352,773
Current overtime rate 1	1 ½
Current overtime rate 2	2

As-is assumptions – (Tribal)

Proportion of overtime at rate 1 -	80%
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To- be Assumptions – Reduced overtime rates

New overtime rate 1	1 1/3
New overtime rate 2	1 ½

To-be assumptions – Just one lower overtime rate

New overtime rate -	1 1/3
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C.2.1. - Option 7

Departments could be set objectives to reduce overtime through management and use improved working patterns to reduce overtime requirements.

Figure 7: Option 7 Calculations

Reduction in overtime worked	20%	30%	40%	50%
Annual savings	£ 1,470,555	£ 2,205,832	£ 2,941,109	£ 3,676,387

C.2.2. - Option 8

Overtime rates are reduced.

Figure 8: Option 8 Calculations

	Rate 1	Rate 2
Annual overtime payments at current rate	£ 5,882,218	£ 1,470,555
Annual overtime payments at new rate	£ 5,228,639	£ 1,102,916
Annual savings	£ 653,580	£ 367,639
Total annual savings		£ 1,021,218

C.2.3. - Option 9

Overtime rates are reduced to one lower rate.

Figure 9: Option 9 Calculations

	Rate 1	Rate 2
Annual overtime payments at current rate	£ 5,882,218	£ 1,470,555
Annual overtime payments at new rate	£ 5,228,639	£ 980,370
Annual savings	£ 653,580	£ 490,185
Total annual savings		£1,143,765

C.2.4. - Option 10

Amount of overtime worked is reduced by 20% (Option 7a) AND overtime rates are reduced (Option 8).

Figure 10: Option 10 Calculations

	Rate 1	Rate 2
Annual overtime payments at current rate	£ 5,882,218	£ 1,470,555
Annual payments after 20% reduction in overtime worked	£ 4,705,775	£ 1,029,388
Annual overtime payments at new rate	£ 4,182,911	£ 772,041
Annual savings	£ 1,699,308	£ 698,513
Total annual savings		£ 2,397,821

C.3. Allowances

Figure 11: Allowances Assumptions

As-is Assumptions

Annual on call payments	£ 1,800,213
Payments made for allowances (excl. overtime and on call)	£ 3,220,533

C.3.1. - Option 11

Departments could be set targets to reduce on call payments by examining rotas and also assessing whether staff are on call are actually required to be called out.

Figure 12: Option 11 Calculations

	10%	20%	30%
Reduction in call out worked			
Annual savings	£ 180,021	£ 360,043	£ 540,064

C.3.2. Option 12

Remove all remaining allowances and ensure that the rate for the job and working patterns covers the range of duties and requirements - using overtime in only very exceptional occasions.

Figure 13: Option 12 Calculations

Annual savings	£	3,220,533
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C.4. Sick Pay

Figure 14: Sick Pay Assumptions

As-is Assumptions

Current full sick pay allowance (non-manual)		6 months
Current half sick pay allowance (non-manual)		6 months
Current full sick pay allowance (manual)		3 months
Current half sick pay allowance (manual)		3 months
Staff employed		7,249
Manual workers		1,300
Staff turnover		7%
Average salary (non-manual)	£	36,600
Average salary (manual)	£	25,500
Non manual workers		5,949

As-is Assumptions – (Tribal)

Staff sick for 12 months		1%
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To- be Assumptions – Reduction in sick pay

New full sick pay allowance		3 months
New half sick pay allowance		3 months

To-be Assumptions – Staged reduction in sick pay

First year full sick pay allowance		4 months
First year half sick pay allowance		4 months
Second year full sick pay allowance		3 months
Second year half sick pay allowance		3 months

To- be Assumptions – One sick pay allowance for all workers

New full sick pay allowance		4 months
New half sick pay allowance		4 months

C.4.1. Option 13

Apart from manual staff, all other staff are on 6 months full pay and 6 months half pay. The proposal is to bring all staff in line with manual workers based on 3 months full pay and 3 months half pay.

Figure 15: Option 13 Calculations

	Full Pay		Half Pay		Total
Current allowance per person	£	18,300	£	9,150	£ 27,450
New allowance per person	£	9,150	£	4,575	£ 13,725
Saving per person	£	9,150	£	4,575	£ 13,725
Annual savings	£	544,334	£	272,167	£ 816,500

C.4.2. Option 14

Move to new sickness pay scheme over a couple of years: have a half way of 4 and 4 for one year and then move to 3 and 3.

Figure 16: Option 14 Calculations

Year 1

	Full Pay		Half Pay		Total
Current allowance per person	£	18,300	£	9,150	£ 27,450
New allowance per person	£	12,200	£	6,100	£ 18,300
Saving per person	£	6,100	£	3,050	£ 9,150
Annual savings	£	362,889	£	181,445	£ 544,334

Year 2

	Full Pay		Half Pay		Total
Current allowance per person	£	18,300	£	9,150	£ 27,450
New allowance per person	£	9,150	£	4,575	£ 13,725
Saving per person	£	9,150	£	4,575	£ 13,725
Annual savings	£	544,334	£	272,167	£ 816,500

C.4.3. Option 15

Move to new sickness pay scheme for all staff, with 4 months full pay and 4 months half pay.

Figure 17: Option 15 Calculations

Non-manual staff

	Full Pay		Half Pay		Total
Current allowance per person	£	18,300	£	9,150	£ 27,450
New allowance per person	£	12,200	£	6,100	£ 18,300

	Full Pay	Half Pay	Total
Saving per person	£ 6,100	£ 3,050	£ 9,150 -
Annual savings	£ 362,889	£ 181,445	£ 544,334 -

Manual staff

	Full Pay	Half Pay	Total
Current allowance per person	£ 6,375	£ 3,188	£ 9,563
New allowance per person	£ 8,500	£ 4,250	£ 12,750
Cost per person	£ 2,125	£ 1,063	£ 3,188
Annual cost	£ 27,625	£ 13,813	£ 41,438
Total annual saving			£ 502,896

C.5. Pensions

Figure 18: Pensions Assumptions

As-is Assumptions

Annual pension costs	£ 34,000,000
Staff employed	7,249
Staff turnover	7%
Current employee contribution	5%
Current employer contribution	13.6%
Current average employer contribution -	£ 4,690

To-be Assumptions – Option 1

New employee contribution	6%
New employer contribution	12.6%
Voluntary scheme take up	80%

To- be Assumptions – Option 3

New employer contribution	6%
Voluntary scheme take up	80%

C.5.1. - Option 16

Change the membership from compulsory to voluntary (or opt in) membership.

Figure 19: Option 16 Calculations

Year	1	2	3
New starters	507	507	507
People in scheme	406	812	1,218
Annual savings	£ 476,000	£ 952,000	£ 1,428,000

C.5.2. Option17

Increase the contribution rate for employees and reduce the employer contribution rate.

Figure 20: Option 17 Calculations

Annual saving	£ 340,000
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C.5.3. Option 18

Cease providing a final salary scheme to all new staff and implement a Defined Contribution scheme.

Figure 21: Option 18 Calculations

Saving per person in scheme	£ 2,621
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Year	1	2	3
New starters	507	507	507
People in scheme	406	812	1,218
Annual savings	£ 1,064,000	£ 2,128,000	£ 3,192,000