ANNUAL HOLIDAYS – SINGLE MEETING REVIEW

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REASON FOR ITEM

In January 2013 a suggestion was submitted via the employee 'HIP Money Box' scheme concerning the Council's approach to holiday leave management. It was suggested that pressures caused by employees taking holiday at the end of the leave year could be alleviated by introducing 'variable leave years'. Instead of the whole workforce adhering to a leave year running from April to March, each employee would have an individual leave year dependent on, for example, their own employment start date or their birthday. The HIP Steering Group considered this suggestion and recommended that it was forwarded for review to the Corporate Services & Partnerships Policy Overview Committee.

OPTIONS OPEN TO THE COMMITTEE

1. Members to consider the information contained in the report
2. To receive evidence from the witnesses present at the meeting.
3. To consider any recommendations (if necessary) which this Committee would wish to submit to the relevant Executive decision maker.

AIM OF THE REVIEW

To review the Council's current holiday leave management for Council employees and to examine if moving to a 'variable leave year' would make any improvement on service planning with the authority.

TERMS OF REFERENCE OF THE REVIEW

- To examine the Council's current holiday leave management procedure.
- To assess the statistical information which is available which identifies the patterns of holiday taken by the Council's workforce and to examine if there any emergent patterns which could impact on service delivery
- To examine the alternative holiday leave procedures which could be introduced and to assess their feasibility in terms of cost and the suitability of current HR systems.
- To consider recommendations (if necessary) on the outcome of the review.

KEY ISSUES

- What is the Current Holiday Leave Procedure which this Council has for its workforce?
- To look at the distribution of holiday leave across the Council and to see if there are patterns which may cause problems in any particular service area.
- To look at the advantages and disadvantages of the different approaches to 'Fixed Annual Leave Year' and 'Variable Leave Year' Holiday
- What are the cost implications and HR system changes which would be needed if the holiday management system and procedure changed?

Corporate Services & Partnerships Policy Overview Committee – 12 November 2013

Part I – Members, Public and Press

Current Holiday Leave Procedure

1. The Council currently operates a fixed annual leave year for all employees synchronised with the financial year starting on the 1 April and continuing until the 31 March. Holiday entitlement is calculated and available to employees from the beginning of this period. An element of flexibility is provided by the Council's policy to allow employees to 'carry over' up to 5 days holiday leave into the following annual leave year.

2. Leave entitlement, holiday requests and manager authorisation for leave is administered through an online self-service module of the Council's current HR system *ResourceLink*.

3. Employees are responsible for managing their holiday entitlement and for ensuring that they give reasonable notice to their manager when requesting leave. Managers should consider the impact of all holiday requests before authorising leave. Managers can refuse requests where there would be a detrimental impact to service provision, for example where a number of other employees are absent during the requested period.

Patterns of Holiday Leave Distribution

4. An analysis of the distribution of employees annual holiday for 2012/13 has been completed and the results illustrated in figure 1.
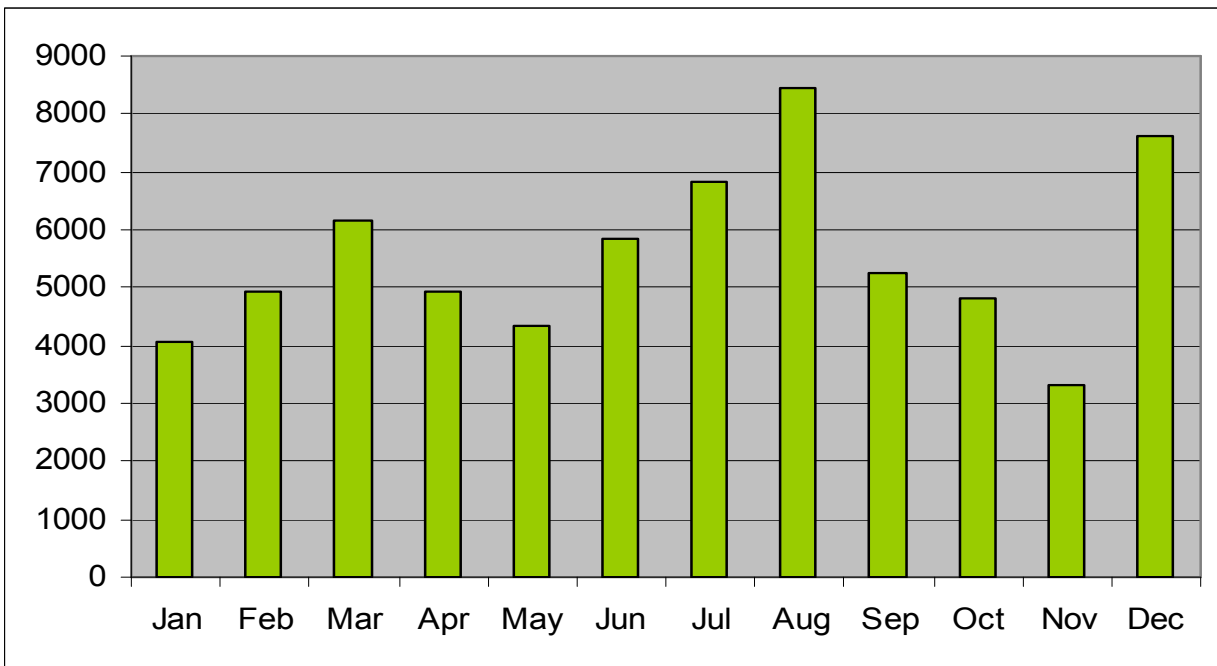

Figure 1: Holiday Leave Distribution 2012/13

5. Unsurprisingly the highest instances of leave correspond with the summer holiday period during the school holiday months of July and August. The next most significant

peak is in December, where a significant 'spike' occurs corresponding with the Christmas and New Year period.

6. A third peak is seen in March, at the end of the holiday leave year. However, the March peak is seen as a gradual trend progression rather than a significant 'spike'. This is potentially due to being the spring month equidistant between Christmas and Summer and thus a popular time to request leave. It is not clear from this data that March is actually a particularly problematic month when it comes to holiday leave.

Relative Benefits of 'Fixed Annual Leave Year' and 'Variable Leave Year' Approaches

7. The primary argument for the variable leave year approach is that it avoids having a single period where all employees are looking to 'use up' any outstanding leave entitlement. It can prevent 'bottlenecks' where employees are refused leave because too many requests have been submitted over a set period. Some organisations promote the benefit of 'choice' where they offer a flexible entitlement start date.

8. The primary argument for an annual leave year is simplicity of managing and administrating the process. Service planning and scheduling is simplified when there is only the single leave year to consider, rather than having to consider each employee's individual leave year. It is potentially easier to manage larger teams when there is a consistent leave year across the team.

Implications and Cost of Change

9. Effective holiday leave management will support effective service delivery, however this is more a function of good management rather than HR policy. The major HR concern would be the financial and resource cost of transitioning from the current annual leave year to a personalised leave year.

10. If the Council did move from an annual leave year to a personalise year, the Council's HR system would need to be reconfigured by the supplier in order to manage any changes to the leave year. The Council is planning to move to a new HR platform in early 2015 and so there is a diminished return in value for any new development investment made to the system. The supplier cannot confirm precisely how long reconfiguration would take but with comprehensive testing we would assume at least 10 days consultancy work which would have an obvious cost implication.

11. HR and ICT resources would need to be redirected to implement any change. Any change would also have accounting implications. It is an accounting requirement that any holiday carried over from one leave year to the next is accrued and published in the Council's annual Statement of Accounts as a reserve in the Accumulated Absence Account. Currently, because all employees are on the same leave year, this simply involves running an accrual report as part of the year end financial processes. If the Council chose to move away from a leave year that synchronises with the financial year then the HR system would need to be configured to calculate all accruals based on individual leave years. This functionality would also require bespoke development work by the HR system supplier, which again would incur a considerable cost .

12. In order to change to a variable year the Council would need to engage in a consultation process with all employees. This would require significant administrative support to be directed towards the consultation process.

Analysis

13. The assumption that moving to a variable holiday year would provide significant business benefits is currently only based on anecdotal evidence. The distribution of holiday leave across 2013/14 indicates that there is no significant 'spike' at the end of the financial year which would cause service disruption. The holiday leave usage trend seems to show natural growth through February and April with a mirrored decrease through April and May. The pattern seems to be seasonal rather than due to the current holiday leave approach.

14. However an annual year is administered it is the effectiveness of the management within the service which determines the effectiveness of workforce planning. Changing the process will not necessarily improve holiday planning if it is caused by poor management practice. In fact, the added complexity of managing a flexible leave year may actually cause more disruption. Managers who are proactive, communicate frequently with their teams and prioritise workforce resourcing have no issues with the current holiday leave year.

15. The current holiday leave policy which allows employees to carry over up to 5 days holiday has the benefit of alleviating any potential 'bottleneck' at the end of the holiday year. The Statement of Accounts accrual account demonstrate that a significant number of employees do carry over a proportion of their holiday into the following year. Human Resources indicate that there are no reported cases of employee grievances around holiday leave which suggests that this is not an issue within the organisation.

16. Transitioning to variable leave years would at this time incur significant financial cost and would require considerable resources to be assigned to deliver the change. There is no compelling evidence to suggest that there would be any return on this investment. However, the transition to a new HR platform in 2015 would provide an opportunity to change the approach to holiday planning. Consideration of the advantages of variable leave years could be included in the design and development stages of the new HR system as the project develops over the next 18 months. The decision around which approach to use could be then informed by both stakeholder consultation as well as an assessment of technological functionality.

WITNESSES

- Mike Talbot, Council's Organisational Development Manager
- Nancy LeRoux – Deputy Director –Strategic Finance

PAPERS WITH THE REPORT

Appendix A – Other HIP Money Box Suggestions which are related to holiday leave

1. September 2009

Change all staff leave year starting dates to the first day of the month after they joined e.g. somebody starting in September would start from 1st October. This would prevent problems caused in March where lots of staff are taking leave to use up their entitlements making it difficult to cover all services efficiently. This system was introduced in a previous authority where I worked and the change over was very smooth despite initial fears that it would be difficult to implement. It meant that leave was more evenly spread across the whole year.

Response:

This principle has been agreed already, although the Council has already changed its carry over provisions to reduce the likelihood of too many employees trying to take leave towards the year end. We would expect managers to be managing the way in which employees use their leave so as to avoid such situations, but clearly a more flexible leave year as suggested would reduce the problem further. The commencement of the new arrangements is linked to changes that are necessary on the Resourcelink HR/Payroll system to make it work.

2. October 2011

Change the leave calendar so that peoples leave is based on their birthday year. For example, if your birthday falls on 5th November, you leave year would run for twelve months from the 1st December.

By each person having their own leave year, it would eliminate the rush of employees trying to take leave at the same time, which can often result in fewer staff around when it is potentially a busy time with the new financial year approaching. This could make the balance of people who are in work each month more even throughout the year allowing teams to be more efficient and aid their work planning.

Response:

HR have considered the possibility of changing the leave year to be based upon individual's birthdays. However, it was determined that at this time it would not be financially viable because it would require replacing the Resourcelink / My View holiday booking system to accommodate these changes. Indicative costs for implementing a Time & Attendance system that could accommodate this and be integrated to our payroll system is £100K with additional annual subscriptions circa £25K. A project reviewing the HR systems functionality is now underway but changes would not be able to be applied until after September 2013.

Additionally, preventing the build up of holiday accrual at the end of the financial year can be achieved in a far more cost effective way through introducing robust holiday planning and management across all services. The current leave policies and HR system supports this approach.

3. January 2013

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Why doesn't Hillingdon Council introduce a personal leave year for members of staff as part of the overall conditions of service review currently underway?

There would be less pressure for annual leave to be taken at a concentrated time of year ensuring that leave allocation was dispersed throughout the year. I recognise that staff/managers have a responsibility to ensure that leave is well managed but inevitably days are held back to cover emergencies and then the pressure is for everyone to have used their allocation by 31st March.

Response:

This is an attractive suggestion and Human Resources have considered the possibility of changing the leave year to be based upon individual's birthdays. However, it was determined that at this time it would not be financially viable because it would require replacing the Resourcelink / My View holiday booking system to accommodate these changes. Indicative costs for implementing a Time & Attendance system that could accommodate this and be integrated to our payroll system is £100K with additional annual subscriptions circa £25K.

Also a more cost effective approach would be to prevent the build up of holiday accrual at the end of the financial year through introducing robust holiday planning and management across all services. The current leave policies and HR system supports this approach.