

COUNCIL PAY & GRADING REVIEW FINAL PROPOSALS

EXECUTIVE MEMBER: Cllrs J Bowman/N Williams
LEAD OFFICER: Len Glead, Human Resources Manager
REPORT AUTHOR: Len Glead, HR Manager/Sheena Mounsey, HR Adviser

Summary

To present the proposed package of changes to employees' terms and conditions of employment, following completion of the Council's Pay and Grading Review, and incorporating remaining harmonisation proposals to achieve Single Status for employees employed under the National Agreement of the National Joint Council (NJC) for Local Government Services.

Recommendation:

That Council approve the proposals for formal agreement with the Trades Unions and the workforce.

1. INTRODUCTION

- 1.1 In March 2006, the Executive agreed to progress towards the development of a Pay and Workforce Strategy for the Council. This decision was a local response to the national Pay and Workforce Strategy (PWS), a Government initiative supported by the Local Government Association and the Employers' Organisation. The national PWS was designed to provide a framework for delivering improved services, greater efficiency, and better customer focus. All three objectives are key priorities for Copeland Borough Council.
- 1.2 Among the 5 key priorities of the national PWS was the development of appropriate arrangements for pay and rewards (including Job Evaluation, Equal Pay, and Single Status)
- 1.3 Separately, the Implementation Agreement attached to the 2004 3-year national pay deal, stated that "Local Pay Reviews must be completed and implemented by all authorities by 31 March 2007". This was largely a result of what was perceived by the Trades Unions to be slow progress nationally towards the achievement of Single Status and the local reviews of grading structures which had been a key feature of the 1997 NJC Agreement (known as the "Green Book"). That Agreement had, for the first time, brought together the terms and conditions of former Manual Workers and former Administrative, Professional, Technical and Clerical (APT&C) staff.

- 1.4 Executive reviewed the proposals at its meeting on 26 May, and decided that, subject to final scrutiny of the finance aspects, the report be recommended to Council for formal agreement with the Trades Union and the workforce. Final scrutiny of the financial aspects has since been completed, and the Section 151 Officer's comments are recorded at the end of this report.

2. PROJECT FRAMEWORK

- 2.1. Members of Full Council were updated with the progress of the project at an open meeting on 9 September 2008, and have received regular updates via the Pay and Grading Newsletters. The presentation at that meeting set out the purpose, features and design objectives of the project, as follows:

2.2 Purpose

- To complete implementation of the 1997 Single Status Agreement (harmonising hours of work, sick pay etc.; eliminating residual bonus)
- To complete a Local Pay Review required by 2004 National Pay Agreement

2.3 Features

- Open and transparent approach with Joint Management/Trades Union Steering Group
- More than 200 jobs evaluated by interview with jobholder and manager
- New proposed rational and simplified Pay Structure developed
- Ongoing communication to all throughout the project
- Appropriate funded jobs **included** as part of the process to avoid pay and grading discrimination (Please note: the **costs of funded roles are not included** in the financial impact of the process in Section 8 of this report.)
- Corporate Team roles **excluded** because they operate to a different set of terms and conditions.

2.4 Pay Structure Design Objectives

- To correctly reflect the output of the job evaluation exercise
- To be able to withstand an equality impact assessment
- To be robust enough to support recruitment and retention issues
- To work within the budget available

2.5 Single Status Objectives

- Elimination of residual bonus scheme payments

- Elimination of standard working week anomaly (Currently 50:50 split between 37 hours and 35 hours 25 minutes)
- Giving progression opportunities to all jobs
- Harmonisation of sick pay and overtime payments

3. JOB EVALUATION PROCESS

3.1 The Job Evaluation process which forms the basis of the Pay & Grading Review has involved the following stages:

- Assigning “value” to jobs based on 13 NJC Scheme Factors – Knowledge; Mental skills; Interpersonal skills; Physical skills; Initiative & Independence; Physical Demands; Mental Demands; Emotional Demands; Responsibility for People; Responsibility for Supervision; Responsibility for Financial Resources; Responsibility for Physical Resources; Working Conditions
- Evaluating every job by interview with job holder and manager, using the NJC “Gauge” Software. Where the same job was filled by a number of employees, representatives from the job holder group were used to conduct the interview.
- Initial results “moderated” by Heads of Service and reviewed by joint Steering Group, to ensure corporate consistency
- Oversight by a Joint Management/Union Steering Group
- Pay modelling (lining the ranking list generated by job evaluation up against the national salary “Spinal Column” and drawing grade lines)
- Individual notification of outcomes to employees through their line manager
- Use of a jointly developed Appeals Process

3.2 The output from the job evaluation process is a Ranking List of all jobs, according to the evaluation scores achieved. It is against this ranking list that the proposed grading structure has been developed.

4. PROPOSED PAY STRUCTURE

4.1 The proposed new pay structure (attached as Appendix 1) is a very much simplified structure with 12 grades and a clear rationale (compared with the current 55 grades). The other key characteristics of the proposed structure are:

- Runs from Spinal Column Point 5 to Spinal Column Point 47
- 2 progression steps from minimum to maximum in grades 1 to 4
- 4 progression steps from minimum to maximum in grades 5 to 12
- Consolidates residual bonus into basic pay
- 191 “Greens” (Employees who benefit from an immediate improvement in grade and pay)
- 165 “Whites” (Employees whose job’s current grade sits within their new grade, but where there may be extra “headroom” – progression steps beyond the current salary maximum)

- 14 “Reds” (Employees whose job’s place in the ranking list positions them in a grade with a lower salary range than their current grade, and who will be eligible for salary protection)
- 7 “Market Factor Supplement Reds” (Employees whose job’s place in the ranking list positions them in a grade with a lower salary range than their current grade, but where there is evidence that consequent recruitment and retention problems justify the use of a MFS to maintain the current salary level. These posts were agreed by Personnel Panel in April 2009).
- Includes proposed Pay Protection under which the employees who are in the “Reds” category would have their current salary “frozen” and maintained for 3 years, in line with past Council practice.

4.2 The proposed structure has a number of features which are important in ensuring its fairness and integrity. These include:

- Grade points ranges are logical in relation to scores and grade length
- All grades have progression
- No overlapping grades

5. SINGLE STATUS HARMONISATION

5.1 In addition to the changes which will be brought about by the introduction of the new grading structure, the Pay and Grading Review package will also include the following final steps towards Single Status:

- A 37 hour standard working week for all employees (The national standard). Differing hours of work is currently a significant inequality within Copeland Borough Council. Currently (May 09) 50.27% of employees work 35.42 hours weekly and 49.73% work 37 hours. This is an historical anomaly attributable to the former Compulsory Competitive Tendering regime and other influences. This inequality had to be rectified. Nationally, the Trades Unions and Employers in local government have recognised and accepted that pay and grading reviews may result in the need for employees to offer additional productivity to balance increased costs. The financial viability of the proposed pay structure relies on acceptance of a 37 hour base working week for all employees. It irons out this major inequality, allows the structure to be affordable, and offers increased capacity to the Council in return for the substantial increase in the pay bill. It could be said to reflect a concession on the part of employees in return for the benefit of a grading structure which requires only a small number of employees to have their jobs downgraded. It also brings the Council into line with other Cumbrian Authorities and with what has been the national standard since 1997. It will result in all employees being paid at the same hourly rate for undertaking work paid at the same grade and spinal point. Reducing all employees to the unusually short 35 hours 25 minutes base working week could not be achieved within the budget available, and would reduce the capacity of an organisation already struggling to achieve its business objectives within the current working arrangements. It would also affect our ability to successfully win ‘external work’, and would be a potential barrier to future approaches to service delivery, including shared services.

- Harmonisation of sick pay arrangements (currently some former manual workers have limitations on sick pay as a result of TUPE transfers into the organisation)
- Universal application of National Agreement overtime payment conditions, where applicable
- A revised Annual Leave policy which removes the former grade-related entitlement (attached as Appendix 2) with an understanding that the annual leave entitlement will be reviewed within 3 years from the date of final agreement.

6. CURRENT EMPLOYEE RELATIONS SITUATION

- 6.1 The negotiations in relation to the Pay and Grading Review proposals have been conducted in an open and positive atmosphere. The Regional Full-time officials of Unison, the GMB and Unite have been closely involved throughout in support of Copeland's representatives. They have consistently spoken positively about the open and transparent way in which the whole project has been managed, and the positive impact of the widespread communication programme which has supported it.
- 6.2 Both sides have recognised that during the course of the project and the negotiations there has been a huge change in the external environment, brought about by the "credit crunch" and world-wide financial turmoil. Both sides also acknowledge the pressures this is likely to bring about on the public finances and on local government in particular.
- 6.3 The proposals set out in this report were put to the Trades Unions at a meeting of the Single Table Negotiating Group on 3 April 2009. At the conclusion of the negotiations, the Union side stated that "We agree with the process and admire the Authority for keeping all informed and involved. We recognise the Authority has gone as far as it can go through negotiation and the package presented to the Trade Unions is the final offer by the authority".
- Since the complexities of some recent Equal Pay litigation outcomes have meant that the Trades Unions are currently wary of specifically recommending Pay and Grading settlement deals to their members, the endorsement described above appears to be as positive an outcome to the negotiations as could be expected.

7. IMPACT ON CORPORATE PLAN

- 7.1 Whilst the successful implementation of the proposed changes to employees' terms and conditions of employment does not directly impact on the Corporate Plan as such, the important corporate benefits of concluding the project should not be underestimated. The Council will have achieved several key organisational benefits:
- A completed Local Pay Review, giving a defensible pay and reward framework, involving Job Evaluation to objectively decide relative job size.
 - A jointly agreed approach to job grading which can be used into the future.
 - Elimination of historical bonus schemes which were potentially discriminatory, and questionable under Equal Pay legislation.
 - An Equality Impact Assessment to ensure that there are no pay gaps due to gender or other discriminatory elements.

- A concluded Single Status Agreement to harmonise conditions and redress historical anomalies.
- A significant capacity increase brought about by the introduction of the 37 hour week for those employees previously having a 35 hour 25 minute contractual working week.
- A simplified grading structure which is robust enough to support recruitment and retention issues.

7.2 An independent Reward Expert has carried out an Equalities Impact Assessment in relation to the proposals, in order to ensure that they are acceptable from an Equal Pay point of view. The content of the report considered the choice of job evaluation scheme, the job evaluation process, the proposed structure, allowances, pay protection and gender pay gap. The Executive summary from the assessment is positive, and the Authority is complimented on its approach and communication processes throughout. The extensive data from the assessment will be shared with the Trades Unions in order to assist their independent assessment, and speed up the process.

8. FINANCIAL IMPLICATIONS (INCLUDING SOURCES OF FINANCE)

8.1 Market intelligence from similar reviews elsewhere in England suggests that the typical implementation costs of this type of pay and grading review are between 2.50% and 5.00% of Councils pay bills.

8.2 The Council's original 3 year Medium Term Financial Strategy (MTFS) running from 1st April 2008 to 31st March 2011, incorporated a permanent increase of £450,000 in the pay bill to accommodate the outcome of the Pay & Grading Review. The MTFS was updated as part of the budget setting process agreed by Council at its meeting in February 2009, and the current MTFS runs for the period 2009/10 to 2011/12. The costs of the proposed pay and grading structure to March 2012 can be funded from the updated Medium Term Financial Strategy.

8.3 The pay and grading proposals set out in this report will add 4.04% to the Council's pay bill (approximately £325,000) for 2009/10, the year of implementation. This includes the financial impact on current vacancies and those that have been 'frozen' as a result of vacancy management. Included in this proposal are the pay protection costs for those employees whose jobs have been down-graded, amounting to an additional £16,000 per annum, and the award of market factor supplements to avoid potential recruitment and retention difficulties in key skill areas, totalling £17,000 per annum.

These figures exclude the financial impact on externally- funded roles within the organisation, as these roles are not funded from internal Council resources.

8.4 The final package presented to the Unions is based on paying arrears (as already budgeted for), on basic pay, to 1 April 2008 to those employees due an immediate Spinal Column Point (SCP) increase. Those employees whose current SCP Point sits within their proposed new grade will assimilate on their current SCP and receive incremental progression within the new structure starting 1 April 2010.

- 8.5 The cost of these arrears is estimated at £292,000, and this can be funded from a provision for arrears included in the provisional revenue outturn for 2008/09 (year-end results). An existing earmarked reserve, established to help fund pay protection for a defined period, can be applied for the three year period to fund the pay protection costs as well as the cost of the market factor supplements for the same three year period.
- 8.6 During the life of the current medium term financial strategy, work is already underway on the Workforce Planning Strategy. This will be necessary to ensure that the Council has a sustainable cost base, which includes resources for staffing, into the future, beyond 2012.

9. FINAL STAGES OF PROJECT

- 9.1 The proposals set out in this report now need Council approval to be formally put nationally to the Trades Unions who will undertake their own Equalities Audit of the package. Under the Council's collective bargaining arrangements, the Unions will then put the package to their members in a ballot.
The implications of recent case law together with a known back-log of outstanding audits have slowed down the Trades Unions' response process, which unfortunately is outside of the Council's control.
- 9.2 Assuming a successful ballot outcome, all employees will then be bound by the new arrangements, and their contracts of employment varied accordingly. If the ballot result rejects the offered package, the Council will have to consider its position.
- 9.3 The timing for completion of the project remains difficult to determine because of these final stages. Every effort will continue to be made to accelerate progress wherever possible.

10. RECOMMENDATION

- 10.1 The project has achieved its objectives set out in paragraph 2.2 above. The Council is therefore invited to approve the proposals set out in this report for final presentation to the workforce and implementation.

List of Appendices

- Appendix 1** Proposed New Pay Structure
Appendix 2 Proposed Revised Annual Leave Policy

List of Background Documents:

National Pay & Workforce Strategy
Circular NJC 404 Re Payscale 2004-5 Annex 2
CBC Market Factor Supplement Policy

List of Consultees:

Acting Chief Executive
Corporate Team

Councillor Elaine Woodburn
 Councillor J Bowman
 Councillor N Williams

CHECKLIST FOR DEALING WITH KEY ISSUES

Please confirm against the issue if the key issues below have been addressed. This can be by either a short narrative or quoting the paragraph number in the report in which it has been covered.

Impact on Crime and Disorder	None
Impact on Sustainability	None
Impact on Rural Proofing	None
Health and Safety Implications	None
Impact on Equality and Diversity Issues	These proposals are designed to create a pay and grading structure which meets all equalities requirements
Children and Young Persons Implications	Not applicable
Human Rights Act Implications	None
Monitoring Officer comments	Proposals are being recommended by Executive to Council.
S. 151 Officer comments	The pay and grading proposals for the period 2008/09 to 31 st March 2012 have been reviewed. The total resources for the Pay & Grading Review i.e. the revenue budget for pay, the provision for arrears and the earmarked reserve, will fund the proposed pay and grading structure for the life of the current MTFs. The costing estimates cannot, however, take into account unknown changes for cost of living and possible changes to statutory obligations (e.g. National Insurance contributions). The calculations have been reviewed at current prices to ensure base budget comparisons. Looking beyond 2012, the Workforce Strategy is required to ensure longer term sustainability. Therefore the outcome of the Pay and Grading Review will be factored into annual revisions of the Council's budget requirement in future years as it reflects an on-going cost to the authority.

Is this a Key Decision? YES