

EMPLOYMENT MATTERS COMMITTEE

20 NOVEMBER 2013

PAY AND GRADE REVIEW

Report from: Tricia Palmer, Assistant Director, Organisational Services

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Summary

To update the Committee on the progress of the Pay and Grade Review Project.

1. Budget and Policy Framework

1.1 The staffing implications of pay and grading are a matter for this committee, which can decide on the policies and processes supporting any changes in staffing.

2. Background

2.1 On 4 July 2013 the Committee noted the principles of and the progress made in relation to the implementation of a new pay and grading structure using job families and a contribution based pay scheme. Since then a significant amount of work has taken place to review the options available and model the cost of staffing implications of any proposals. At the Employment Matters Committee meeting of 26 September 2013, Members asked for further analysis to be carried out on the various options. Section 3 below outlines the details of this.

2.2 As per the Chancellor's 2013 budget statement, automatic progression of pay simply for time served purposes within the public sector will be removed from 2015 from those areas who have not already done so.

3. Options

Option 1- Retain the current grading scheme and continue to freeze increments, with the possibility of a small across the board pay award.

This was not recommended for further work by the Employment Matters Committee on 26 September 2013. However, it is proposed that this option remains on the table for consultation. If this proposal is agreed it will still require either a collective agreement with the trade unions or the need to dismiss and re-engage staff on new

contracts. These new contracts would provide for spot salaries and no recommendations for progress in the foreseeable future.

Option 2- Implement a new pay and grade structure

Pay analysis was undertaken by Hay, but on further analysis of the costs, including those associated with casual staff, the costs significantly increased by approximately £300,000 and therefore no further work was carried out.

Option 3- Retain current grades, but reduce to five points as shown at appendix 1.

Pay modelling has been carried out to assess the impact of this proposal, including grading the principal officers on the NJC scheme. Only 15% of the workforce are currently at principal officer level, and therefore only these posts have been re-evaluated. This option does not take into account job families and generic profiles for all roles.

This proposal involves reducing the grades to five points, by freezing the pay for those individuals who are on the top three points and removing the bottom two points of the grade. In addition, as the grades are shorter the likelihood of incremental drift and a significantly increasing pay bill is reduced.

Option 4 – Implement a new pay and grade structure as shown at Appendix 2

Pay modelling has been carried out to assess the impact of this option, and all of the current posts have been re-evaluated against the NJC scheme, allocated roles to job families, and where appropriate created generic role profiles. It also introduces a slightly different pay structure for professional social care staff and team managers, which takes account of the national issues in relation to recruitment and retention of these staff.

There are a number of positive elements to this option:-

It removes spinal points 4-6 from the pay scale completely, which would result in these staff getting a pay increase.

It introduces a five point grade for all levels which meets equal pay requirements. The only exceptions are professional social care staff and the principal officer 3 grade which is 7 points.

As the grades are shorter the likelihood of incremental drift and a significantly increasing pay bill is reduced.

We also looked at increasing option 4 to a six point grade as detailed at appendix 3.

Option 5 – Implement a new pay and grade structure as shown at Appendix 4

Pay modelling has been carried out to assess the impact of this option, and as with option 4 above, all of the current posts have been re-evaluated against the NJC scheme, allocated roles to job families, and where appropriate created generic role profiles. It also introduces a slightly different pay structure for professional social care staff and team managers, which takes account of the national issues in relation to recruitment and retention of these staff. This option removes incremental pay

points from the grade range. Instead progression from the bottom to top of the range will be by percentage increase agreed as part of the budget setting process. The start and end of each range have however been tied into existing spinal point values.

There are a number of positive elements to this option:-

It also removes spinal points 4-6 from the pay scale completely, with the first range starting from the value of spinal point 7, which would result in these staff getting a pay increase.

The number of individuals who would have no impact on pay is higher than any other option, and there are significant reductions in the number of red circles and the average amount protection per person.

The differential between the bottom and top of each range is fairly evenly distributed which reduces the likely impact of pay drift and an increasing pay bill.

It is more flexible in approach to rewarding people than having fixed incremental points.

3.1 A comparison of the implementation outcomes and four year costs of options three, four and five are shown in the table below. An assumption has been made that there will be no increments in year one for those staying on their current spine point, and all staff will receive at least one increment from year two in options three and four:-

Outcomes / Costs	Option 3 Retain current pay structure remove bottom 2 and top 3 points	Option 4 New pay structure 5 points	Option 4A New Pay Structure 6 Points	Option 5 New Pay Structure Salary Ranges
Year One – Implementation Costs	£587,063 (£843,060 if immediately move to bottom of new grade)	£615,916	£464,656	£377,479
Year Two – Incremental Costs	£707,887 (of which £274,030 are costs to bring those staff who were one away as result of implementation, to bottom of new grades) £700,404 (if all staff went to bottom of new grade in year 1)	£988,776	£1,066,682	Dependent on the agreed % increase ranges from a maximum of £106,010 for 0.25% to £848,080 for 2%

Outcomes / Costs	Option 3 Retain current pay structure remove bottom 2 and top 3 points	Option 4 New pay structure 5 points	Option 4A New Pay Structure 6 Points	Option 5 New Pay Structure Salary Ranges
Year Three Incremental Costs	£632,506	£907,432	£920,366	Dependent on the agreed % increase ranges from a maximum of £108,395 for 0.25% to £882,004 for 2%
Year Four Incremental Costs	£645,238	£749,851	£774,652	Dependent on the agreed % increase ranges from a maximum £108,666 for 0.25% to £899,644 for 2%
Green Circles (Below minimum of new grade Immediate Pay Increase)	854 (30%)	417 (14%)	396 (14%)	305 (13%)
Average Increase	£687 pa £987 pa (if immediate move to new grade)	£1470 pa	£1391 pa	£1031 pa
White Circles (No change to salary)	854 (30%)	1803 (63%)	1780 (63%)	2163 (77%)
Red Circles/Fixed Points (Above maximum of new grade)	1104 (40%) (991 fixed points) (113 protected salary)	527 (22%)	634 (22%)	277 (10%)
Average amount of Salary Protection	£5406 pa (red circles only)	£2154	£2524	£1604

3.2 Comparisons have been made of options 3, 4 and 5 against the latest IDS local authority pay report (September 2013) to assess the impact of introducing new scales against market rates. As can be seen from the graphs

shown at Appendix 5 all options retain salary ranges which are comparable to the national picture for local authorities.

3.3 Progression within all options will be subject to performance management and not automatic. The proposed principles of the scheme would be:-

- Individual assessment against both work related targets and competence
- Distinction between entry level and experienced staff
- Fair and equitable
- Easy to administer

Targets to be set April 2014 with first assessment to take place early 2015. This would mean no incremental progression to be paid April 2014.

3.4 Options 1 and 3 are not without risks in relation to equal pay, particularly where it is proposed that individuals are frozen at or near the top of the grade, whilst other employees will not be given access to these spine points.

3.5 It will be important to consider the pay protection arrangements for red circles, but as it stands the collective agreement to come out of national pay and terms and conditions specifies 100% pay protection for years 1 and 2, followed by 25% for year 3. However the pay protection arrangements could be subject to further negotiation which may improve on this within year 3.

4. Advice and Analysis

4.1 Further analysis has been undertaken of all three original options, as well as continuing the complex pay modelling process to develop two additional options. Comparisons of market rates has also been undertaken to ensure that we continue to be able to attract and retain staff. For the reasons detailed above as a result of this process, option 2 is not considered viable to take forward. Option 1 retains the current structure, but with no incremental progression for the foreseeable future, option 3 retains the current structure, but works towards reducing the lengths of grades over time. Option 4 introduces a brand new pay structure, and aims to protect the lowest paid in the organisation by removing points 4 to 6 from the pay scale. Option 5 also protects the lowest paid in the organisation and introduces a revised pay structure, but has the least impact overall.

4.2 A revised timetable is shown at Appendix 6.

5. Risk management

Risk	Description	Action to avoid or mitigate risk
The funding of a new pay and grade scheme.	Year one costs incurred by potential increases in grade.	Robust financial pay modelling.

Possible detrimental impact on the morale of the workforce.	The risks of implementing a new pay and grading structure are related to the morale and goodwill of employees, who may see this as a further attempt by the council at eroding their pay following the freezing of increments and the withdrawal from pay-related NJC terms.	Meaningful consultation, a communication strategy and staff briefings to allay fears.
Resources issue in terms of implementation.	Implementation of a project of this scale will involve significant resources (predominantly from HR Services) in terms of: <ul style="list-style-type: none"> - preliminary work in scoping of the scheme. - Producing the generic job profiles and allocation of individuals to profiles. - consultation with managers and staff on proposals. - Payroll and systems. 	The preliminary work has been completed within current resources, but once the agreed proposal is known a review of resources required for implementation will be undertaken.

6. Consultation

- 6.1 Consultation with the trade unions will be undertaken via the Corporate Consultative Committee, Joint Consultative Committee and ad hoc meetings when required. Employees will be formally consulted on the proposals in writing and where appropriate meetings and workshops will be held.
- 6.2 Members of the Disabled Workers Forum, Lesbian, Gay, Bisexual and Trans Forum and the Black Workers Forum will be asked to comment at the point of the Diversity Impact Assessment is undertaken. It is intended that this will be undertaken once the proposals for consultation are agreed.
- 6.3 It is proposed in the timetable to report the outcome of consultation to the Joint Consultative Committee and Employment Matters Committee on 29 January 2013. A final decision will be made at the budget Council meeting on 20 February 2013.

7 Financial and legal implications

7.1 Financial implications

- 7.2 The financial implications of implementing a new pay and grade scheme have been taken into account on each option. The detailed finances will be calculated once the options for consultation are known.

7.3 Legal Implications

- 7.4 The implementation of a new grading structure and the introduction of contribution based pay would necessitate a change to the current contractual terms and conditions of employment for council employees. In order to implement these changes, it will be necessary for the council to enter into a collective agreement with the recognised trade unions or reach individual agreements with employees to vary existing contracts or terminate existing contracts and re-engage employees on new contracts including the new terms. The effect of a collective agreement is that the proposal would become binding on individual contracts of employment.
- 7.5 In the absence of a collective agreement, the council could reach agreement with individual employees to agree a variation to their current contracts of employment where upon the employees new grade and salary would be incorporated into the individual employee's contract of employment.
- 7.6 In the event that an agreement cannot be reached with the individual employee or a collective agreement cannot be reached with the Trade Unions, the council is statutorily obliged to commence formal consultation with the trade unions under section 188 of the Trade Union and Labour Relations Act 1992. This formal consultation period is for 45 days given that the number of employees affected are potentially over one hundred.
- 7.7 The council will also be required to commence meaningful individual consultation with employees who are not in agreement to the variation to their contracts of employment. This period of consultation would be undertaken alongside the collective consultation with the trade unions. At the end of the formal 45-day period and after having taken in to consideration any consultation responses, the council would have the ability to vary unilaterally the existing contracts of employment, by issuing the employee with the contractual notice to terminate their current employment contract and then issue the new contract of employment incorporating the new terms and conditions of employment. If the individual employee maintains an objection to the new terms imposed, a right of appeal would be available and details of the appeal process would be provided at that time. There is a risk that legal challenges may be brought should agreement not be reached with employees either individually or collectively with the trade unions as the termination and offer of re-engagement amounts to a dismissal in law.
- 7.8 Successful legal challenges will be minimised by ensuring that full and meaningful consultation takes place and that Diversity/Equality Impact Assessments are carried out as per the council's obligations under The Equality Act 2010.
- 7.9 The Council must ensure that the process for any changes to contracts of employment complies with the required statutory obligations to inform and consult employees both collectively and individually under Section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992 and in addition complies with its re-organisation procedures.

8. Recommendation

- 8.1 It is recommended that consultation commences on 25 November 2013 as per the proposed timetable, as set out in Appendix 6 to the report, on options 1, 3 and 5 and the principles of the contribution based pay scheme.

Lead officer contact

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Background papers

Employment Matters Committee Report 18 April 2013
Employment Matters Committee Report 4 July 2013
Employment Matters Committee Report 26 September 2013

Appendix 1

	1st April 2009	Hourly Rate 2009	Option 3																	
57	49,384	25.5970																		
56	48,338	25.0549																		
55	47,320	24.5272																		
54	46,318	24.0078																		
53	45,341	23.5014																		
52	44,381	23.0039																		PO2 49-53
51	43,440	22.5161																		
50	42,525	22.0418																		
49	41,616	21.5707																		
48	40,741	21.1171																		
47	39,855	20.6579																		PO1 44-48
46	38,961	20.1945																		
45	38,042	19.7182																		
44	37,206	19.2849																		
43	36,313	18.8220																		
42	35,430	18.3643																		
41	34,549	17.9077																		
40	33,661	17.4474																		
39	32,800	17.0011																		
38	31,754	16.4589																		
37	30,851	15.9909																		
36	30,011	15.5555																		
35	29,236	15.1538																		
34	28,636	14.8428																		
33	27,849	14.4349																		
32	27,052	14.0218																		
31	26,276	13.6195																		
30	25,472	13.2028																		
29	24,646	12.7747																		
28	23,708	12.2885																		
27	22,958	11.8997																		
26	22,221	11.5177																		
25	21,519	11.1539																		
24	20,858	10.8113																		
23	20,198	10.4692																		
22	19,621	10.1701																		
21	19,126	9.9135																		
20	18,453	9.5647																		
19	17,802	9.2272																		
18	17,161	8.8950																		
17	16,830	8.7234																		
16	16,440	8.5213																		
15	16,054	8.3212																		
14	15,725	8.1507																		
13	15,444	8.0050																		
12	15,039	7.7951																		
11	14,733	7.6365																		
10	13,874	7.1913																		
9	13,589	7.0435																		
8	13,189	6.8362																		
7	12,787	6.6278																		
6	12,489	6.4734																		
5	12,312	6.3816																		
4	12,145	6.2951																		
Point	GRADES																			

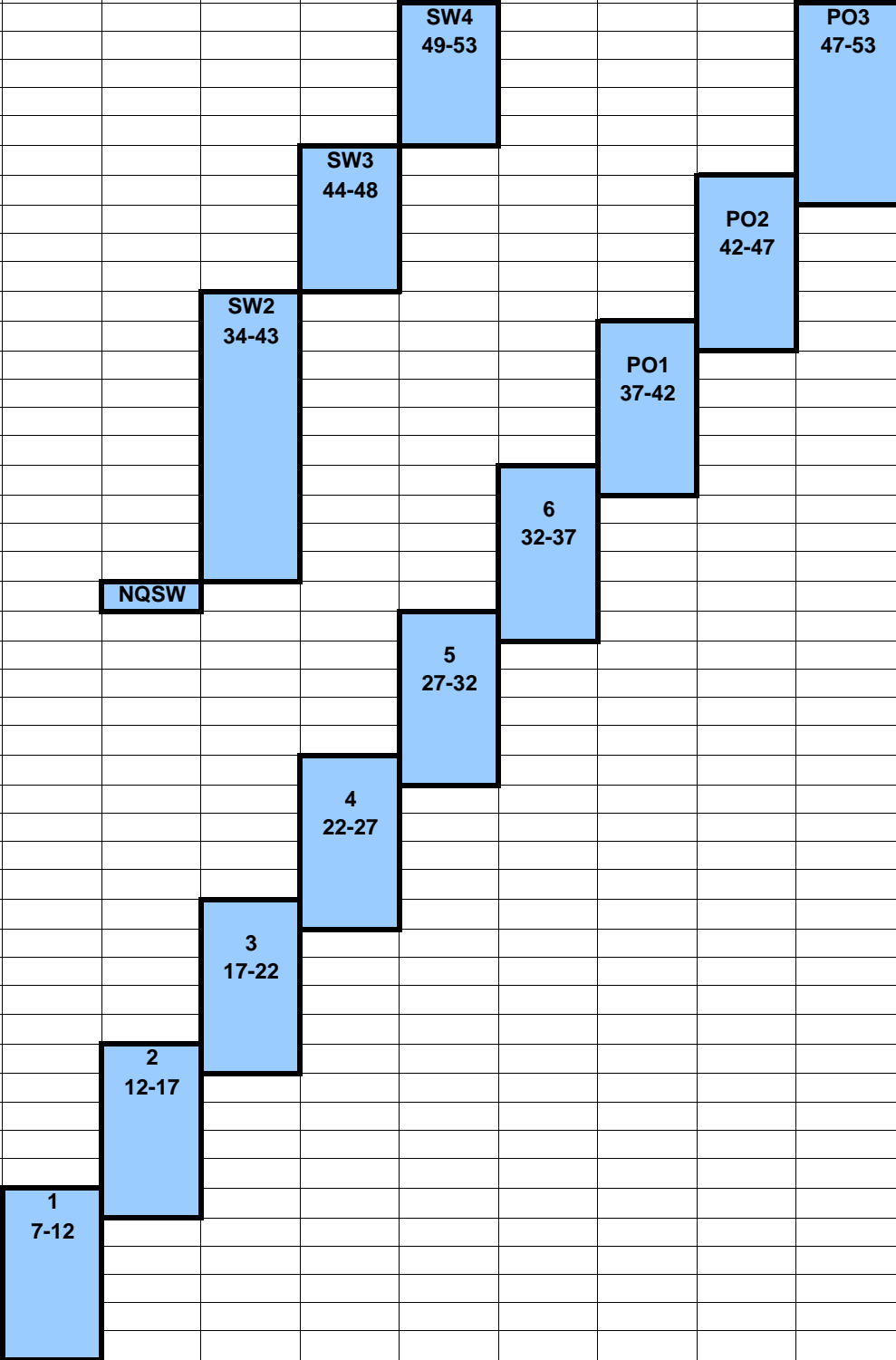
Appendix 2

		Option4					
	1st April 2009						
57	49,384						
56	48,338						
55	47,320						
54	46,318						
53	45,341						
52	44,381				SW4 49-53		
51	43,440						PO3 47-53
50	42,525						
49	41,616						
48	40,741				SW3 44-48		
47	39,855						
46	38,961						PO2 42-46
45	38,042						
44	37,206						
43	36,313			SW2 34-43			
42	35,430						
41	34,549					PO1 37-41	
40	33,661						
39	32,800						
38	31,754						
37	30,851						
36	30,011					6 32-36	
35	29,236						
34	28,636						
33	27,849			NQSW			
32	27,052						
31	26,276					5 27-31	
30	25,472						
29	24,646						
28	23,708						
27	22,958						
26	22,221				4 22-26		
25	21,519						
24	20,858						
23	20,198						
22	19,621						
21	19,126				3 17-21		
20	18,453						
19	17,802						
18	17,161						
17	16,830						
16	16,440				2 12-16		
15	16,054						
14	15,725						
13	15,444						
12	15,039						
11	14,733				1 7-11		
10	13,874						
9	13,589						
8	13,189						
7	12,787						
6	12,489						
5	12,312						
4	12,145						
Point		GRADES					

Appendix 3

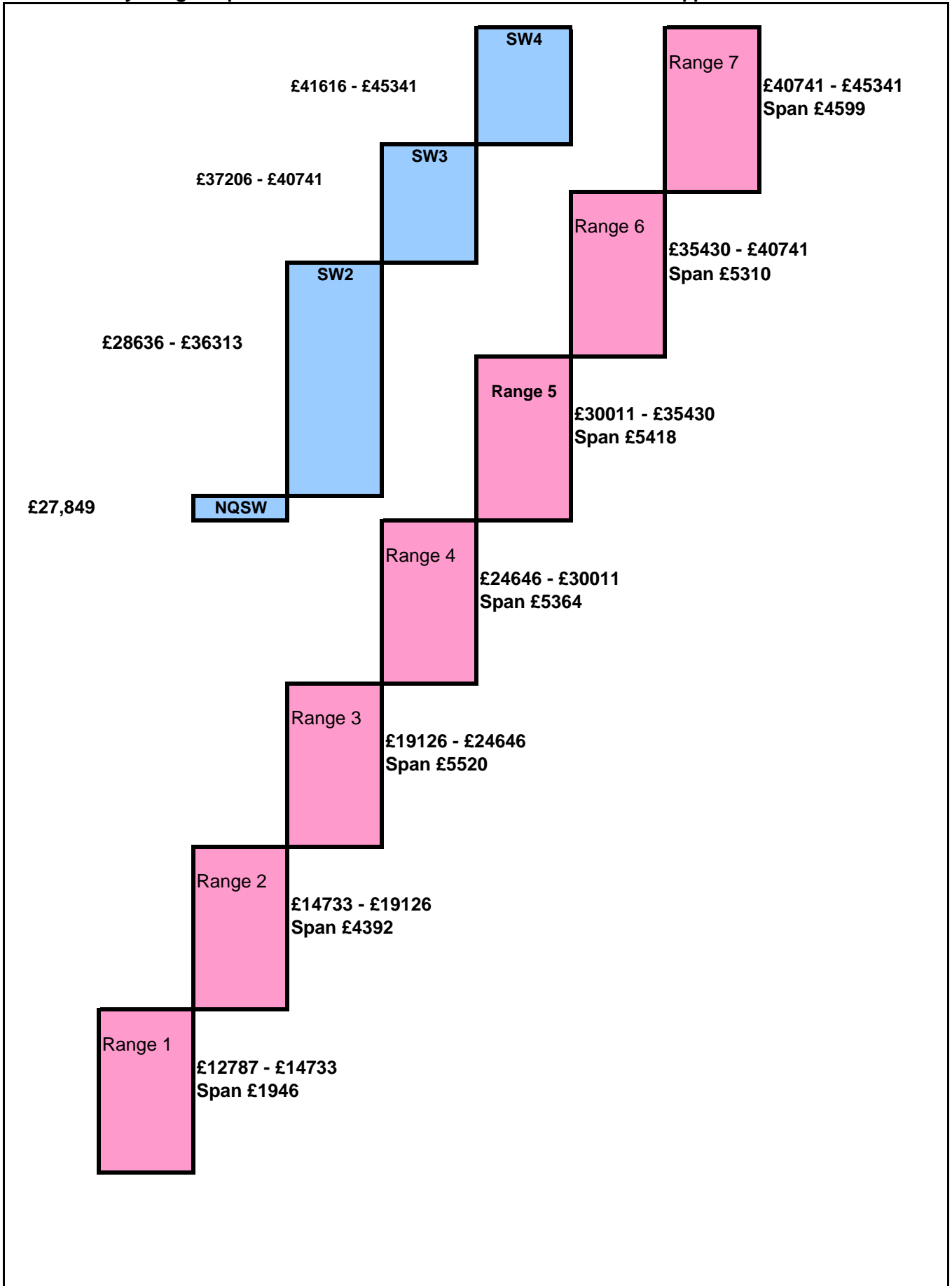
Option 4a

	1st April 2009										
57	49,384										
56	48,338										
55	47,320										
54	46,318										
53	45,341										
52	44,381										
51	43,440										
50	42,525										
49	41,616										
48	40,741										
47	39,855										
46	38,961										
45	38,042										
44	37,206										
43	36,313										
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37	30,851										
36	30,011										
35	29,236										
34	28,636										
33	27,849										
32	27,052										
31	26,276										
30	25,472										
29	24,646										
28	23,708										
27	22,958										
26	22,221										
25	21,519										
24	20,858										
23	20,198										
22	19,621										
21	19,126										
20	18,453										
19	17,802										
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8	13,189										
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4	12,145										
Point		GRADES									



Pay Ranges Option 5

Appendix 4



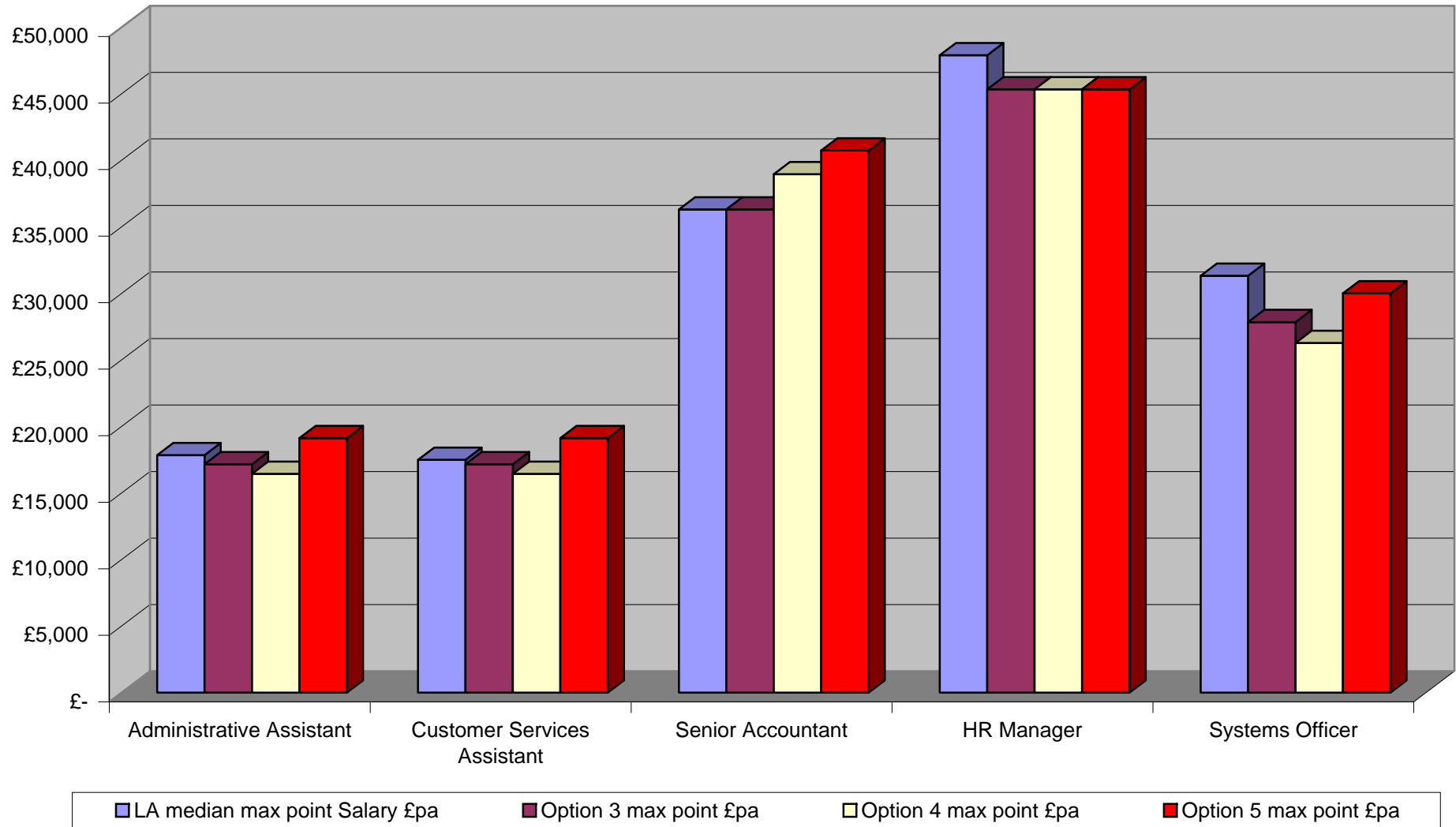
Salary Comparisons against IDS Salary Survey - Grade Maximum (Appendix 5)



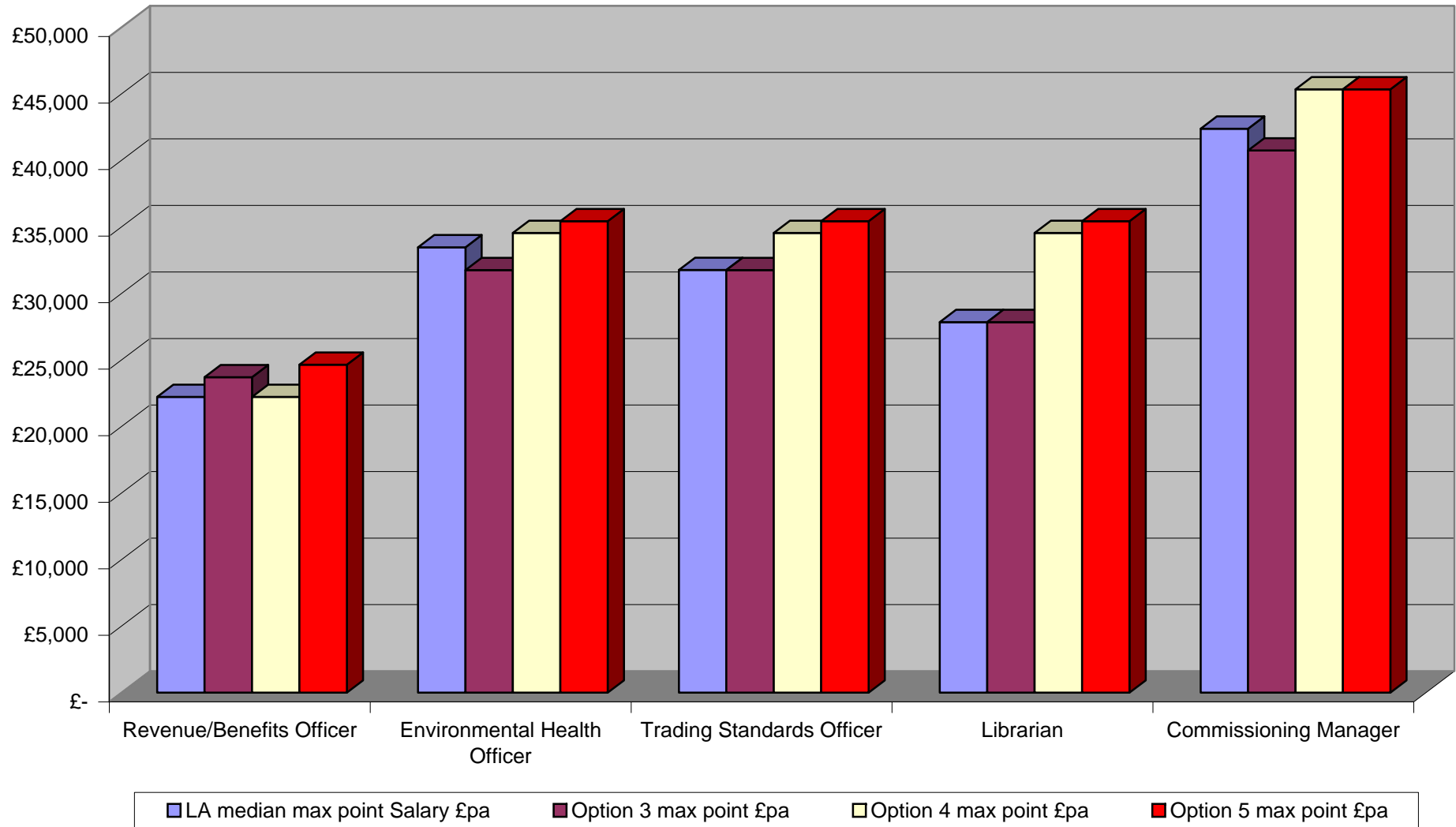
Salary Comparisons against IDS Salary Survey - Grade Maximum (Appendix 5)



Salary Comparisons against IDS Salary Survey - Grade Maximum (Appendix 5)



Salary Comparisons against IDS Salary Survey - Grade Maximum (Appendix 5)



Pay and Grade timetable

Date and time	Meeting	Project plan key dates
October 2013		
Friday 18 October 2013	Corporate Consultative Committee	Consider comparisons of options
October 2013	Corporate Management Team Briefing	Consider comparisons of options
November 2013		
20 November 2013	6pm Special Joint Consultative Committee 7pm Special Employment Matters Committee	To agree way forward
22 November 2013	Corporate Consultative Committee	To confirm consultation arrangements
Monday 25 November 2013		Commence formal consultation with staff and trade unions(45 days minimum)
December 2013		
Throughout Month	Staff Briefings Headlines and pay and grade news updates	To run throughout consultation period at various sites
January 2014		
Wednesday 8 January		Consultation ends – 45 days
Wednesday 8 January	Extended Management Team	Update on consultation
Wednesday 22 January	Corporate Management Team	Update on consultation.
Wednesday 29 January	Joint Consultative Committee + Employment Matters Committee	Employment Matters Committee considers consultation responses and makes a recommendation to full council.
Throughout month	Staff briefings Headlines and pay and grade news updates	To update on outcomes of consultation and next steps
February 2014		
Tuesday 11 February	Cabinet	Papers required by 27 January
Thursday 20 February	Council – Budget setting	Make final decision.
Friday 21 February		If no collective agreement or individual agreement and proposal agreed at full council, commence dismissal/reengagement process.

Points to consider:

- The Council budget setting meeting is taking place on Thursday 20 February, 2014. Should there be a requirement for Council to make a formal decision on implementing a new grading structure then there are implications for the payment of increments to staff from 1 April 2014 as contractual notice for some staff will extend into May, and the collective agreement on the freezing of increments expires on 31 March 2014. Clearly if a collective agreement is signed prior to 31 March 2014 there is no issue.