

CABINET

Approval of the Fair Pay Package (Incorporating the Pay & Grading Structure) 6 October 2009

Report of the Chief Executive

PURPOSE OF REPORT				
To enable the Cabinet to consider the updated financial information in respect of the preferred pay and grading structure and to consider recommending to Council to approve the financial implications of the proposed fair pay package.				
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>	Referral from Cabinet Member
Date Included in Forward Plan	February 2009			
This report is public				

OFFICER RECOMMENDATION

That the financial implications of implementing the proposed Fair Package, incorporating the Pay and Grading structure 9.5.4.5 be recommended to Council.

1.0 Introduction

- 1.1 At its meeting in December 2008 the Cabinet considered a number of Pay & Grading structures, and expressed a preference for the pay and grading structure identified as 9.5.4.5.
- 1.2 At its meeting on the 20th January 2009, the Cabinet considered the pay and grading structure identified as 9.5.4.5 in detail with supporting information on the Human Resource and Financial implications. The resolution at the meeting was that the structure identified as 9.5.4.5 be recommended to Council as the projected cost of the new structure falls outside of the budget and policy framework.
- 1.3 As part of the Fair Pay Project, the Officers have completed the evaluation of all post within the Council and have also heard all appeals under Stage One of the appeals process. The financial implications of this work, and changes to the information previously presented to Cabinet are set out later in this report.
- 1.4 As part of the work toward the implementation of the Fair Pay / Job Evaluation outcomes a review of other terms and conditions of service has also taken place. The results of this work are set out for information in a proposal document which forms **Appendix One** of this report.

- 1.5 The Pay and Grading structure identified as 9.5.4.5 (which is attached at **Appendix One (A)**) and is the preferred grading structure of JCC, Personnel Committee and Cabinet, has formed the basis on which the officers have progressed with the Fair Pay Project.
- 1.6 Using structure 9.5.4.5, all employees were notified of the score which their post had returned following the Job Evaluation process and the grade and increment point on the proposed pay and grading structure. It is based on this structure that Stage One Appeals have been heard.
- 1.7 It is proposed that should the Pay and Grading structure and Fair Pay Package be approved then these will be implemented from 1 April 2010.

2.0 Human Resources (HR) Implications

- 2.1 Where at all possible best practice advises that long and /or overlapping grades should be avoided. Although the structure identified as 9.5.4.5 has these features it remains the preferred structure to take the Council forward in the short term.
- 2.2 The HR implications set out in the report of the 21 January 2009 remain valid, in that the gender equality impact assessment work on the structure identified as 9.5.4.5 does not appear to raise any impact on the basis of gender. That said, the long and overlapping grades do present a risk that must be managed by the officers to ensure that no indirect discrimination is allowed to develop. A feature of the Fair Pay proposals set out in the attached package is that an annual equality audit will be undertaken as a means of regularly testing the validity of the pay and grading structure.

3.0 Financial Implications

- 3.1 The financial information provided to Cabinet and Personnel Committee in January 2009 has been updated and moved forward to reflect the outcome of Stage 1 appeals and a new implementation date of 01 April 2010. **Appendix One (B)** provides a comparison between the latest position and that reported to Members in January.
- 3.2 **Appendix One (B)** shows that the previous costings for the preferred structure identified additional costs of £18K by Year 3, whereas the latest position shows that the additional Year 3 cost has risen to £507K, albeit the impact is delayed by one year due to the change in implementation date. This is an increase of £489K.
- 3.3 The main reasons for the increase in cost are as follows :

- Application of Job Evaluation Reserve -£226K
The previous projections still had a balance on the Job Evaluation reserve at the end of Year 3, but this would now all be used within the 3 year period.

- Successful Stage 1 appeals +£229K
All Stage 1 appeals have now been completed and the results incorporated into the projections. No assumption has been made for the outcome of Stage 2 appeals.

- Reduced level of Job Evaluation Reserve +£42K
As a result of the JE process taking longer than originally anticipated temporary contracts have been extended, together with additional

costs associated with the recruitment and employment of a replacement project manager.

- Reduced turnover assumptions +£153K
It had originally been assumed that additional turnover savings of £100K per annum would be available, however this has been revised down to £50K per annum to take account of the impact of a number of Service restructure savings that are built into current budgets.
- Indicative Market Supplements +£130K
An initial review has been undertaken of posts that may require Market Supplements to be applied. It should be noted however that the supplements are only budgeted for a two year period and are not assumed to continue indefinitely.
- Other Budget / Pay Modeller system changes +£161K
The budget projections have been updated to reflect the final position as approved by Budget Council on 04 March 2009. In addition the latest 1% 2009/10 approved pay award has been incorporated together with all establishment changes made to date.

- 3.4 As stated above the latest projections do not take account of the impact of any Stage 2 appeals that may be successful. In addition, the impact of changes to the overtime rates have yet to be quantified, and again no additional cost has been included. It has been made clear to Trade Unions however that, as a matter of principle, the budget for overtime will not be increased and this risk will need to be managed by Officers.
- 3.5 Previous assumptions in relation to non-pay elements covering the additional cost of annual leave entitlement and car leasing savings remain unchanged.
- 3.6 The overall position shows that, based on an implementation date of 01 April 2010, and allowing for incremental progression for all staff, the preferred structure would give rise to additional costs estimated at £507K in 2012/13 (Year 3), which is £394K for General Fund and £113K for HRA. These costs are not included within current budget projections and therefore they add further financial pressure – they represent a required saving of something like 18 average Full Time Equivalent (FTE) posts.
- 3.7 Projecting this forward to 2018/19, and assuming all staff progress to the top of their grade, the additional annual cost would be £1.3M, which is equivalent to 40 FTE posts. Whilst the assumption of full incremental progression for all staff is hypothetical to a degree, based on current experience it is not expected that the real position would give fundamentally different results.
- 3.8 Officers cannot recommend that this situation proceeds without further management intervention.. For this reason the Fair Pay Package document includes a paragraph which clearly sets out that the preferred grading structure of the JCC, Personnel Committee and Cabinet is still considered to be the best structure to assimilate employees following the Fair Pay Review. However, the financial implications in the medium to longer term of this structure are unsustainable. It will therefore be necessary to review and amend the grading structure within 2 years of implementation. This would be the case even if there were no organisational changes planned (extract from **Appendix One** Paragraph 20.2).

4.0 Details of Consultation

- 4.1 The recognised Trade Unions have played an integral and valued part in the progress of the Fair Pay Project since its inception. The officers and Trade Unions have met regularly during the life of the project and consultation on a number of items within the fair pay package has previously been undertaken.
- 4.2 The full package of proposals, detailed in the document at **Appendix One** have been the subject of further consultation which commenced on the 8 September 2009, when the package was presented to the Single Status –Sub Group and was considered at the Joint Consultative Committee (JCC) on the 01 October 2009. Briefings open to all staff; have also enabled Management to present the details of the proposed package and the implementation plan.
- 4.3 At this time we have not received comments from the local Trade Union branches but it anticipated that further information may be received from the regional office within the coming weeks.

5.0 Options and Options Analysis

Option 1

To recommend the Fair Pay package in total to Council including the preferred Pay and Grading structure.

Option 2

Whilst Officers would not recommend removing any elements of the Fair Pay package there are one or two elements that are not integral to the Pay and Grading Structure such as the proposals around Annual Leave (see paragraph 11 of **Appendix One**) and those in respect of Pay Protection (see paragraph 4 of **Appendix One**).

Option 1 is the preferred option .

6.0 Conclusion

6.1 The cabinet is requested to make a recommendation to Council

RELATIONSHIP TO POLICY FRAMEWORK

The Council is committed to good standards of employment practice and to the principles of equality. The aim of the Fair Pay project is to ensure that pay and grading is fair, and that posts are remunerated based on an objective assessment of their relative value to the organisation. The Council is firmly committed to the principle of equality.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing).

Implementing a new pay and grading structure should ensure that remuneration arrangements and grading structures are fair and equitable, and that the Council is able to present a robust defence against a future equal pay claims.

FINANCIAL IMPLICATIONS

As set out in the body of the report, and in the appendices. The estimated costs of the structure are clearly outside of the budget framework and would therefore need to be referred on to Council.

SECTION 151 OFFICER'S COMMENTS

Whilst the financial implications are based on a number of key assumptions and there are therefore risks attached, it is felt that they represent a reasonable estimate of the additional costs facing the Council, should Structure 9.5.4.5 be adopted.

Since January, it is clear that both the medium and long term costs attached to the preferred structure have increased – although even back in January the long term costs were very high. At that time though, decisions were provisional, some elements of the package had not been assessed and there was still the opportunity to re-model and take other action. No re-modelling is recommended, however, and now the Council is requested to take final decisions on the preferred structure.

In the past, in forming a view regarding any preferred option, Members have been advised to consider both the HR and financial issues in context of the Council's financial prospects, its aspirations for future (long term) service delivery, and its responsibilities as an employer.

That is still that case now, but as the report highlights, taking a decision to implement 9.5.4.5. as set out is viewed as unaffordable in the medium to longer term. Without a clear and strong commitment to review the structure again within 2 years, the s151 Officer would advise against the structure's adoption. Should Members be prepared to take on and act on this commitment, however, then this would help mitigate the financial risks. It must be recognised though that any future review must seek to shorten grades, amongst other things, as the length of grades and the resulting incremental progression adds real pressure over time. It also gives rise to questions regarding value for money, e.g. do the posts covered in any long grade really give the opportunity for staff to develop and add value each year, over up to a 10 year period, to justify such incremental progression.

LEGAL IMPLICATIONS

There are no legal implications directly arising from this report

DEPUTY MONITORING OFFICER'S COMMENTS

The Deputy Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

None

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