

# CABINET

## PAY AND GRADING STRUCTURE 11th November 2008

### Report of Chief Executive

PURPOSE OF REPORT			
To advise Cabinet of the progress on the development of a Pay and Grading Structure since its last meeting on the 7th October 2008.			
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
		Referral from Cabinet Member	<input type="checkbox"/>
Date Included in Forward Plan	October 2008		
This report is public			

#### RECOMMENDATIONS OF COUNCILLOR KERR

(1) That progress be noted.

#### 1.0 Introduction

- 1.1 At its meeting on the 7th October 2008, Cabinet received an update on the Fair Pay process and the development of a new pay and grading structure. It was reported that significant work had been undertaken and that a range of options had been developed which officers were rigorously checking. It was reported that it was proposed to consult with the trade unions and bring the proposed pay and grading structure to Cabinet at this meeting, although there were risks attached to this timetable in the light of the consultation exercise.
- 1.2 Three pay and grading structures were presented to the Joint Consultative Committee (JCC) at its meeting on the 8th October 2008. These are attached as Appendix 1 to this report. Each model is based on the salary scale projected forward to pay rates for 2009/10 and sets out the grades in the new structure with the spinal column points. The job evaluation points allocated for each grade are also shown.
- 1.3 The JCC also received a report on a proposed draft Market Supplement Policy. Many organisations pay market supplements when the grading determined by evaluation of a post may lead to an inability to recruit and retain employees due to a variance between the internal grading structure and the external market. Market supplements are recognised under equal pay legislation if there is a material reason to justify paying more than other posts which are graded similarly, and provided that any market supplement is reviewed regularly.

1.4 In addition to the salary scale, there are a number of other pay and non-pay elements which need to be agreed as part of the overall package. These include bonus payments, unsocial hours and shift allowances, standby payments, overtime payments, tied tenancies, sickness, holidays and leased cars. It was reported to the JCC that negotiations were ongoing with the trade unions on these items.

## 2.0 Financial Considerations

2.1 The costings associated with the three structure options put forward are subject to two main variables, firstly the outcome of appeals and secondly the application of the Market Supplement policy. However, the basic financial implications are based on pay protection being applied in line with the agreed policy, an assumption that annual salary turnover savings will be £100,000 greater than currently estimated, which is in line with the average outturn position for the last three years, and full application of the Job Evaluation Reserve (£718,000). The Reserve was created to help fund anticipated transitional costs associated with Fairpay, including back pay and pay protection. It does not need to be used for equal pay claims, however, as a separate provision is held specifically for that purpose.

2.2 Taking on board these assumptions, and looking at the overall 3 year position in line with the medium term revenue planning cycle, the initial estimated cumulative impact on the budget for each structure is currently as follows :

		<b>2009 - 2012</b>
		<b>Years 1 to 3</b>
		<b>£</b>
Structure.9.5.4 (Extended Grades):	Cumulative Cost	438,000
	Less Use of Reserve	(718,000)
	Less Assumed Increase in Turnover	<u>(308,000)</u>
	Cumulative Net Position	(588,000)
Structure 9.5.4 (Original Grades)	Cumulative Cost	717,000
	Less Use of Reserve	(718,000)
	Less Assumed Increase in Turnover	<u>(308,000)</u>
	Cumulative Net Position	(309,000)
Structure 9.5.4.2 (Extended Grades)	Cumulative Cost	844,000
	Less Use of Reserve	(718,000)
	Less Assumed Increase in Turnover	<u>(308,000)</u>
	Cumulative Net Position	(182,000)

2.3 These figures cover all Council services, i.e. General Fund and Council Housing (i.e. Housing Revenue Account).

2.4 As mentioned earlier though, the above figures will be adversely affected by the application of the Market Supplement Policy and the outcome of negotiations and appeals etc. Should these change the position from a net saving to a cost, then a further review of the grading structures will be undertaken in line with the planned process, to try to ensure as far as possible that a cost neutral position is achieved. Should this not be possible, then it would also be necessary to consider service restructures to ensure the overall staffing budget is not exceeded in the medium term.

- 2.5 In addition to looking at the three year position, however, each structure has also been projected over a ten year period to assess the maximum possible financial impact, i.e. worst case, with every employee at the top of their new pay scale. When compared with the maximum annual costs of the current pay bill, the results are as follows:

		Year 10
Structure 9.5.4 (Extended Grades)	Additional annual cost	£235,000
Structure 9.5.4 (Original Grades)	Additional annual cost	£762,000
Structure 9.5.4.2 (Extended Grades)	Additional annual cost	£1,019,000

- 2.6 This shows that the three structures could add between £235K to just over £1M to the maximum annual pay bill. It is highly unlikely that this position would ever be reached, as staff turnover ensures that there is always some progression through the grades, but this longer term position does need consideration and it will need addressing. In essence, it represents a further financial risk for the Council and would mean that some restructuring savings would be needed in order for the new pay and grading structure to be cost-neutral in the longer term (if not in the medium term), to ensure costs are contained within the budget framework.
- 2.7 All the financial information and projections will continue to be checked, updated and reviewed further as the pay and grading structure is developed. Furthermore there may well be other financial implications arising as a result of the negotiations on other benefits, and also more detailed analysis between the respective Funds of the Council will be provided.
- 2.8 Personnel Committee is due to meet on the 10th November 2008, and will receive the above financial information, together with an update on progress on the consultation and negotiation with the trade unions on the new pay and grading structure. A similar update will be provided to Cabinet at this meeting. Members will appreciate that because consultation and negotiations are ongoing, it is not possible to provide this information at the time of publication of this agenda. The Personnel Committee will also be asked to approve a Market Supplement Policy, taking account of any comments received as part of the consultation process.

### **3.0 Details of Consultation**

- 3.1 Consultations and negotiations are continuing through meetings between the Human Resources Manager and those trade union representatives who have been involved throughout the job evaluation process, and through Single Status meetings. At the JCC it was agreed that the trade unions would provide the Human Resources Manager with full details of the information they were requesting to enable them to consider the proposed structures, and this is ongoing.

### **4.0 Options and Options Analysis (including risk assessment)**

- 4.1 At this stage, Cabinet is simply being asked to note progress.

## 5.0 Conclusion

- 5.1 This report provides Cabinet with details of the model pay and grading structures being considered, and financial information about each.

### **RELATIONSHIP TO POLICY FRAMEWORK**

The Council is committed to good standards of employment practice and to the principles of equality. The Fair Pay project will 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 pay and grading review will ensure that remuneration arrangements and grading structures are fair, and that the Council is able to defend future equal pay claims.

### **FINANCIAL IMPLICATIONS**

As contained within the body of the report.

### **SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has been consulted and her comments reflected in the report. At this stage, for financial planning purposes, the Fairpay exercise is assumed to be cost neutral (allowing for the assumed increase in staff turnover savings, which should be noted,) but the work undertaken so far starts to give an initial assessment of the potential financial risks facing the Council and this can be factored into the planning process. Any updated financial information will also be incorporated into the budget process and reported accordingly.

### **LEGAL IMPLICATIONS**

There are no legal implications arising directly from this report.

### **MONITORING OFFICER'S COMMENTS**

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

### **BACKGROUND PAPERS**

None

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