

CORPORATE RESOURCES OVERVIEW AND SCRUTINY

Date of Meeting	Thursday 9 May 2019
Report Subject	Review of Pay Policy and Pay Model
Cabinet Member	Cabinet Member for Corporate Management
Report Author	Chief Executive and Senior Manager, Human Resources and Organisational Development
Type of Report	Strategic

EXECUTIVE SUMMARY

This report updates on (1) progress made on pay modelling review work for the implementation of the second year of the two year National Joint Council (NJC) pay agreement (2018/19-2019/20) and (2) changes made as part of the maintenance of the Single Status Agreement (2014).

Year Two of the NJC pay agreement includes the introduction of a 'new' pay spine with assimilation to newly created spinal column points. The agreement introduces far greater change than a simple cost of living monetary award. If the Council were to implement the second year of the two year NJC pay agreement as per the national model on a straight like for like 'read across' our pay model would be disrupted to such an extent that it would no longer meet our organisational design and pay policy principles, and might also be open to challenge on the grounds of gender inequality. Therefore, our pay model has been fundamentally reviewed to accommodate the national pay agreement. Any new model needs to pass the tests of being legal and equitable, workable and sustainable, acceptable and affordable.

The Council has set budget provision aside in the 2019/20 budget to meet the costs of the pay agreement. The Council also has to have a competitive pay model, to ensure that we can recruit and retain, and aspires to become a Foundation Living Wage Employer (as set out in the draft Council Plan for 2019/20).

In January 2019 Cabinet invited the Chief Executive to conclude negotiations with the Trade Unions and to agree and implement a revised pay model using his delegated powers provided that:-

- (a) the new pay model meets the tests as set out in the report;
- (b) the new pay model passes an independent Equality Impact Assessment; and
- (c) the recurring base cost does not exceed the provision within the draft 2019/20 budget by a tolerance greater than 5%.

If the Council is to maintain the integrity of the pay model, it is important that organisational structures are regularly reviewed. This extends to the design of individual job roles and responsibilities. Maintenance ensures the continued fairness, equitability and affordability of the pay and grading structure in compliance with Equal Pay Legislation. The Council's framework for maintaining job design is the Job Evaluation Policy.

RECOMMENDATIONS

1	That the Committee (1) notes and welcomes the progress made in reviewing the Pay Model to incorporate the national pay agreement and (2) notes the other information contained within the report.
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REPORT DETAILS

1.00	BACKGROUND
1.01	All National Joint Council (NJC) local government employees experienced a nationally imposed three year pay 'freeze' from 2010 – 2013. Pay for the rest of the public sector was 'only' frozen for two years. Those on the lowest pay points 6 – 12 (8-12 locally) are paid below the UK Foundation Living Wage rate of £8.45. The national pay agreement aims to address low pay directly.
1.02	Public sector pay increases have generally remained at 1% since 2013. Whilst there have been pay rises above 1% at the low end of the pay spine to keep pace with the National Minimum Wage (since its introduction in April 2016) employees above SCP18 have received pay rises of only 1% annually since 2013.
1.03	The differential in pay between grades introduced to prevent equal pay claims post the Single Status Agreement has been eroded over last two years as a result of increases at the lower end of the pay scale. This has resulted in wage compression and has compromised recruitment and retention in a number of occupational groups.
1.04	Collective agreements reached by the NJC are incorporated into contracts of employment. Year one of the two year pay agreement was implemented in June 2018 with the increase back-dated to 1 April 2018.
1.05	Year two of the NJC pay agreement includes the introduction of a 'new' pay spine with assimilation to newly created spinal column points. Introduction locally necessitates fundamental change to the pay model/spine which we

	<p>operate as follows:</p> <ul style="list-style-type: none"> • a lowest pay rate of £9.00 per hour (£17,364) on new Spinal Column Point (SCP)1 (equivalent to old SCPs 6 & 7); • the 'pairing off' old SCPs 6-17 incl. to create new SCPs 1-6 inclusive; • equal steps of 2.0% between each new SCPs 1 to 22 incl. (equivalent to old SCPs 6-28 inclusive.); • new SCPs 10, 13, 16, 18 and 21 are created to which no old SCPs will assimilate (by creating equal steps between these pay points); and • a 2.0% pay increase on new SCPs23 and above (equivalent to old SCPs 29 and above).
1.06	Annual progressive pay increments due on 1 April were implemented as normal for those eligible.
	Pay Modelling
1.07	<p>If the Council were to implement the second year of the two year NJC pay agreement as per the national model on a straight like for like or 'read across' basis our pay model would no longer meet our organisational design and pay policy principles, and might not be free from challenge on the grounds of gender inequality. The following impacts would be seen on our pay model:-</p> <ul style="list-style-type: none"> • overlapping grades; • large pay 'jumps' between grades; • non-incorporation of the newly created spinal points; • large differentials between the bottom and top of some grades; • an inconsistent number of spinal points per grade; and • reduced protection against potential equal pay claims through the erosion in certain grades.
1.08	<p>A number of options were considered by a senior officer group which oversees maintenance of employment terms and conditions and cost (consisting of the Chief Executive, Chief Officer (Governance), Corporate Finance Manager, Senior Manager Human Resources and Organisational Development, and members of the Human Resources and Finance Teams).</p> <p>The options reviewed were as follows:</p> <ol style="list-style-type: none"> 1. implement the national pay award using the national model; 2. leave the current grade boundaries as they are and amend the spread of spinal points within each grade; or 3. a full review of the pay and grading structure including amending grade boundaries and the spans of spinal points.
1.09	<p>The third option was the only feasible option on the grounds that it could achieve:</p> <ul style="list-style-type: none"> • an effective pay structure, linked to jobs at this level with clear design principles, such as grade spans of between 5% and 10% and no grade overlaps; • a more equal spread of job evaluation points;

	<ul style="list-style-type: none"> • addressing the gap between the Greater Local Provincial Council (GLPC) and the senior Hay evaluated positions to support recruitment and retention; • accredited Foundation Living Wage Employer status; and • bringing employees on other terms and conditions into scope, for example, JNC Craft or 'red book' employees, to simplify employment policy and management.
1.10	<p>A number of meetings with the Trade Unions and representatives of the officer group have progressed positively and decisively with a number of 'models' being developed, considered and/or ruled out for not meeting all of the objectives set by the group.</p> <p>In January 2019 Cabinet invited the Chief Executive to conclude negotiations with the Trade Unions and agree and implement a revised pay model using his delegated powers provided that:-</p> <p>(a) the new pay model meets the tests as set out in the report; (b) the new pay model passes an independent Equality Impact Assessment; and (c) the recurring base cost does not exceed the provision within the draft 2019/20 budget by a tolerance greater than 5%.</p> <p>Local agreement was reached on the preferred model in March 2019. The overall outcome of the new model, not only results in the implementation the new national pay spine provided for as part of the two year agreement, but achieves a smoothed pay spine, addresses pay parity and addresses the gap between our Greater London Provincial Council (GLPC) core pay and Hay senior pay scales.</p>
1.11	<p>The new pay model has passed the tests of being legal and equitable, workable and sustainable, acceptable and affordable.</p> <p>Initial communications to employees were circulated 19 March 2019. It has been agreed (and communicated) that the effective date of the new pay model is 1 April 2019. The target date for implementation date is July 2019, backdated to April 2019. Increments due on 1 April 2019 have since been applied.</p>
1.12	<p>In addition to an internal Equality Impact Assessment, an independent Equality Impact Assessment was commissioned which in summary found the proposed amendments to the pay and grading structure to be a positive development that achieves the following:</p> <ul style="list-style-type: none"> • a better relationship between the pay arrangements of those covered by the NJC for local government services and Chief Officers • all grades consist of an equal number of increments • a narrowing of the overall gender pay gap in basic pay • a greater percentage increase in salary for female employees • no bias in terms of gender as a result of the proposed assimilation to grade
1.13	<p>Each of the recognised Trade Unions UNISON, GMB and UNITE having</p>

	referred the proposed model and independent Equality Impact Assessment to their respective regional offices have sought and gained approval to implement the new Pay and Grading Structure as a negotiated and updated revised collective agreement. Final approval was given in mid-April.
1.14	Work has now commenced on the implementation of the pay model. The first critical activity being a data cleanse and realignment of portfolios on iTrent which has at the time of writing been completed. The new model will be applied in a test environment for vigorous testing before being transferred into the live environment.
	Maintenance of the Single Status Agreement, and Organisational Change and Redesign
1.15	<p>Preserving the integrity of the pay model is critical if we are to protect the Council from equal pay claims. Governance of the ongoing maintenance and monitoring of the Single Status Collective Agreement ensures the integrity of the Agreement is preserved. This is achieved in part through the provision of regular Equal Pay Audits and follow-up action plans, in addition to service redesign.</p> <p>The formal system used by the Council to evaluate jobs that were in scope of the Single Status Agreement is known as the Greater London Provincial Scheme (GLPC). Using an objective Job Evaluation Scheme helps to ensure that there is clear rationale for the value attached to all positions, and that the Council's remuneration schemes comply with employment legislation, in particular the Equal Pay Act.</p>
1.16	<p>Job evaluation and review is the ongoing process of evaluating new roles and reviewing existing roles that change over time. Requests for job evaluation and review are made by management based on the business needs of the department, usually as either:</p> <ul style="list-style-type: none"> • the result of organisational redesign; • the need for new work to be undertaken; or • because the demands of a role have changed significantly. <p>The Council's Job Evaluation Policy (Appendix B) details the criteria measured during job evaluation. Positions are measured using information provided in the Job Evaluation Questionnaire submitted by the line manager and how the position relates to the ten scheme specific factors which include supervision/management of people, creativity and innovation, contacts and relationships, decisions, knowledge and skills.</p>
1.17	The majority of services within portfolios have been through some degree of organisational change since the implementation of the single status agreement in June 2014. On each occasion, this necessitates a review of the operating model including structures, roles and responsibilities. These reviews are essential to ensure that services can adapt and respond to the changing external environment and be delivered in the most cost effective way.

2.00	RESOURCE IMPLICATIONS
2.01	There is base provision within the draft 2019/20 Council Fund Budget of £3,250,910 (inclusive of the £1,084,012 year one pay pressure). The provision was derived from an initial calculation and is sufficient to meet the cost of the new pay model.
3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	Consultations have taken place with Chief Officers and their portfolio management teams. Consultations have also taken place and concluded with the recognised Trade Unions.
4.00	RISK MANAGEMENT
4.01	A local authority could be at risk of challenge from its employees in addition to the recognised trade unions if it fails to implement the nationally agreed pay award or a suitable alternative negotiated and agreed locally.
4.02	Collective working has ensured that the pay modelling undertaken has progressed positively in broad alignment of the principles governing the nationally agreed pay award for 2019/20.
5.00	APPENDICES
5.01	Appendix A – LGS Pay Circular dated 10 April 2018 Appendix B – Job Evaluation Policy
6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	Contact Officer: Sharon Carney, Senior Manager, Human Resources and Organisational Development Telephone: 01352 702139 E-mail: Sharon.carney@flintshire.gov.uk
7.00	GLOSSARY OF TERMS
7.01	LGS – Local Government Services NJC – National Joint Council GPLC – Greater London Provincial Scheme Hay Job Evaluation – nationally recognised Job Evaluation Scheme for senior management other work groups