

Human Resources Committee

21 February 2019

Local Implementation of 2018 – 2020 National Agreement – New National Pay Spine

Report of the Executive Director of Corporate Services

1.0 Purpose of the Report

1.1 The purpose of this report is to seek approval to amend the council's pay and grading structure from 1st April 2019 in order to implement the 2018 – 2020 National Agreement for a new National Pay Spine, comply with the NJC's related guidance, and maintain the council's compliance with the pay recommendations of the Living Wage Foundation.

2. Description of the Decision

2.1 Members are invited to consider the contents of this report, and approve the proposal for implementation from 1st April 2019.

3. Background

3.1 The National Joint Council pay agreement for 2018-20 includes the introduction of a new pay spine on 1 April 2019 that is based on the following:

- A bottom rate of £9.00 per hour (£17,364) on new Spinal Column Point (SCP)1 (equivalent to old SCPs 6 & 7);
- 'Pairing off' old SCPs 6-17 inclusive to create new SCPs 1-6 inclusive;
- Equal steps of 2.0% between each new SCPs 1 to 22 inclusive (equivalent to old SCPs 6-28 inclusive);
- By creating equal steps between these pay points, new SCPs 10, 13, 16, 18 and 21 are generated to which no old SCPs will assimilate. This means that in some organisations the current number of pay points in a grade might change;
- On new SCPs 23 and above (equivalent to old SCPs 29 and above), a 2.0% increase on 2018 pay rates.

The national agreement achieves the joint objectives of the LGA and the unions to ensure that the local government pay spine is future proofed against projected increases in the statutory National Living Wage while also redesigning the pay spine to tackle the compression of points at the lower end that has resulted from many years of bottom-loading of national pay awards, which has been problematic for some councils and raised the prospect of equal pay challenges.

This national collective agreement will be incorporated into the council's employees' contracts of employment, but the council has some choices about exactly how some aspects of the national agreement are applied, given how the council currently uses

the existing national pay spine. This report sets out the detailed proposals, which have been the subject of consultation with the trade unions.

- 3.2 The council's current grading structure (attached at Appendix 1), was approved by Human Resources Committee and Cabinet in 2015 as part of the Workforce Transformation Project, and was implemented in 2016. This whole-scale review of pay and grading (and terms and conditions) of the entire organisation was the subject of very detailed equality impact assessment before implementation, and is the council's first line of defence against equal pay litigation.
- 3.3 The current pay and grading structure is based upon the national pay spine, but does not use all of it; for example our lowest grade is Grade 1, SCP 11 – 13, and we do not use the national spine points below 11, as we adhere to the recommendations of the Living Wage Foundation in setting our lowest pay rate; for 2018-19 this is SCP 11 (£8.82 per hour / £17,007 p.a.) which is marginally above the LWF rate of £8.75.
- 3.4 The objectives that had to be balanced against each other in formulating our detailed proposal for 2019 include:
- complying with the national agreement;
 - controlling the additional costs of implementation;
 - maintaining the council's compliance with the pay recommendations of the Living Wage Foundation
 - maintaining a pay and grading structure that is robust to challenge and can be used to defend any equal pay litigation; and
 - ensuring that employees have clarity and transparency about their future incremental progression.

The guidance and FAQs provided by the NJC have been taken fully into account in designing the council's proposal.

4.0 Proposal

- 4.1 It is proposed that the council's pay and grading structure be amended from 1st April 2019, as shown at Appendix 2. The proposal minimizes the amount of change. There are no changes to the grade boundaries nor any changes to how role profiles are graded. The lowest grade, Grade 1 will comprise New Spinal Column Points 3 and 4; the lowest pay rate from April 2019 will be £9.36 per hour which exceeds the LWF's 2019 rate of £9.00. This gives employees on the lowest rate an increase of 6.1 % on 1st April 2019.
- 4.2 It is further proposed that the existing rules for annual incremental progression will not change and that current employees entitled to incremental progression on 1st April 2019 under the current grading structure will receive their increment as planned, before the new grades are applied thereafter. This means that the changes to the incremental progression for employees (i.e. the introduction of new SCP 10 in Grade 3, new SCP 13 and SCP16 in Grade 4 and new SCP18 and SCP 21 in Grade 5) will be effective from 1st April 2020, allowing the council and employees to plan their

finances. This proposal will avoid any financial detriment to employees contractually entitled to an increment in April 2019, but will allow the council to moderate the additional costs of the national agreement in 2020 and 2021. The minimum pay increase on 1st April 2019 will be 2%; the maximum increase (excluding any incremental progression) will be 7.3% for those employees moving from old Grade 1 old SCP 12 (£17,173) to new Grade 1 new SCP 4 (£18,426).

- 4.3 The proposed local implementation of the changes to the national pay spine will change the lengths of some of the grades. Current Grades 1 and 2 are both three SCPs long; they will both be replaced by new grades that are two SCPs long (new Grades 1 and 2). Current Grade 3 is four SCPs long and will be replaced by a new grade that is five SCPs (new Grade 3). Current Grades 4 and 5 are both four SCPs long and will both be replaced by new grades that are six SCPs long (new Grades 4 and 5). The NJC guidance in this respect states that the length of grades should recognise the time period required for an employee to become fully competent in their role; good practice (particularly where incremental progression is automatic) would limit incremental progression to five years - which is the case with a six point grade.

5.0 Equality Implications

- 5.1 The proposals have been subject to an equality impact assessment, to examine whether they have an excessive disparate impact on men or women, in comparison with the gender split of the workforce as a whole. Broadly, there is no disparate impact.
- 5.2 The current grading structure was designed with the principle that all grades were four SCPs long, except Grades 1 and 2 which were three SCPs each. The proposed changes to grade lengths, is a direct consequence of the objectives and purposes of the new national agreement, i.e. the raising of lower pay rates to future proof the national pay spine in line with actual and projected increases in the statutory National Living Wage, in combination with this council's decision to comply with the minimum pay recommendations of the Living Wage Foundation. As set out in paragraph 4.3 above, the best practice guidance highlighted by the NJC is being adhered to.

6.0 Financial Implications

- 6.1 The cost of the implementation of the national agreement in the way proposed, including the baseline 2% annual increase for all employees, this has been included in the council's proposed revenue budget for 2019 – 2020 and future implications included within the Medium Term Financial Plan.

7.0 Consultation

- 7.1 The trade unions UNISON, UNITE and GMB have been consulted on the content of this report and were provided with the additional background information as part of the discussions. The unions accepted that the council's proposal is reasonable and is

compliant with the new national agreement. However, they also asked the council to consider a significantly different grading structure, which would not use SCP 12 in new Grade 3 and with different (higher) grade boundaries for new Grade 4, new Grade 5 and new Grade 6. They explained that their objective is to seek to address their members' perceptions that employees in those grades were, in general, adversely affected by the Workforce Transformation Project. However, they have provided no data to support such a perception.

7.2 Having carefully considered the unions' counter proposal, it does not meet the council's objectives as set out in paragraph 3.4 above. It would cost more than the council's proposal and, in particular, making unnecessary changes to the grade boundaries of three highly populated grades cannot be done without introducing unnecessary risk that the revised structure might not be robust to challenge and could not be used to defend any equal pay litigation.

7.3 Given that the unions have accepted that the council's proposal is reasonable and is compliant with the new national agreement, it is therefore recommended that the unions' counter proposal be declined and the council's original proposal, as set out in this report, be approved.

8.0 Reason for Decision

8.1 The reasons for the decision are set out in the report, i.e. to amend the council's grading structure from 1st April 2019 in order to implement the 2018 – 2020 National Agreement for a new National Pay Spine, comply with the NJC's related guidance, and maintain the council's compliance with the pay recommendations of the Living Wage Foundation.

9.0 Alternative Options

9.1 It would be possible to design different grading models to the one proposed, using the new national pay spine, in order to achieve different objectives. However, it is considered that the proposal set out in this report best meets the council's objectives in relation to minimum pay rates, cost, equal pay and risk management.