

South Lakeland District Council

Human Resources Committee

Tuesday, 11 December 2018

National Pay Agreement 2018-20: New Pay Grades

Portfolio:	Cllr Jonathan Brook – Portfolio Holder Housing, Innovation & People
Report from:	David Sykes - Director People and Places
Report Author:	Charles Officer - Human Resources Advisor Helen Smith – Financial Services Manager
Wards:	Not applicable
Forward Plan:	Not applicable

1.0 Expected Outcome

1.1 The National Joint Council pay agreement for 2018-20 includes the introduction of a new pay spine on 1 April 2019. The Council is expected to implement the new pay spine to ensure every employee has an increase in pay of at least 2% from 1 April 2019.

2.0 Recommendation

2.1 **It is recommended that Human Resources Committee:-**

(1) Considers and endorses the new pay spine as attached to this report; and

(2) Recommends to Full Council the implementation of the new spine pay with effect from 1 April 2019

3.0 Background and Proposals

3.1 The authority is part of the National Joint Council for Local Government Services (NJC) which nationally negotiates pay and grading. In April 2018, national employers agreed a pay settlement for 2018/19 and 2019/20 for the majority of staff, excluding the Chief Executive and Directors. The settlement for 2018/19 was straightforward with a pay award of 2% for most spinal column points (SCP) and higher percentage increases for staff on lower pay grades.

3.2 The Council currently complies with requirements to pay the National Living Wage and has an aspiration to pay the Real Living Wage as defined by the Living Wage Foundation. The new pay agreement will mean the Council will pay the equivalent of the Real Living Wage from 1 April 2019 to all staff except apprentices. Apprentice salaries will remain in line with the national minimum wage. The Living Wage Foundation announced their new pay rates on 5 November 2018 of £9.00 per hour outside London for all employees over 18 years of age. Real Living Wage employers should implement the new pay rate within 6 months of the announcement.

- 3.3 The pay settlement for 2019/20 is complex due to a new national pay spine. As well as the increase in the bottom rate for the new spine increasing to £9.00 per hour, the main changes are:
- i. The current lowest 12 SCPs are condensed to 6 new pay points with SCPs 6 and 7 becoming the new SCP 1, SCPs 8 and 9 become the new SCP 2 and so on;
 - ii. The current gaps between pay points are replaced with even increments of 2% between new SCPs 1 to 22 (equivalent to SCP 6 to 28 on the current spine). This involved inserting 5 new SCPs; and
 - iii. From new SCP 23 (old SCP 29) a flat rate increase of 2% and retention of the current random differentials.

Councils are expected to implement the new pay spine to ensure every employee has an increase in pay of at least 2% from 1 April 2019.

- 3.3 Councils have a certain amount of flexibility when adopting the new pay spine locally. The Council's existing pay grades are shown at Appendix 3. Officers have considered a number of options to amend the existing SLDC pay grades to reflect the new pay spine while avoiding introducing new anomalies. There are particular issues around the current grades B, C and D where the SCP at the top of the existing grades will be deleted.

- 3.4 Appendix 4 shows the proposed new pay grades. The main proposed changes are:

- i. Merging grades B and C. The alternative would be to maintain 2 separate grades with either a significant overlap or only 2 SCPs per scale. The latter option could be regarded as unfair as all other pay grades would have 4-5 SCPs.
- ii. Raising the top of grade D to new SCP 7 to maintain grade D at 4 SCPs and setting grades F and G as 5 SCPs with no overlap.
- iii. No changes are proposed to grades from the new SCP 22 and above i.e. grades H upwards.

- 3.5 Where staff have commenced employment with the Council since 1 October 2018 they would normally be due to receive their first increment after six-months. In some cases this could result in staff moving to new grades on 1 April 2019 and then receiving a further increment shortly after, leaving them on a higher SCP than colleagues who had been in the role longer. It is therefore proposed that where an employee would be due an increment after 1 April but whose pay has already increased by one or more SCP as part of the movement to new grades then no future increment would be due after six months.

- 3.6 The Council will commence implementation of the new Customer Connect staffing structure from April 2019. This new structure is in the process of being developed and will have regard to the proposed pay scales as the financial implications of the new structure are finalised.

4.0 Consultation

- 4.1 All affected employees will be notified in writing of the new pay grades as required by their contract of employment.
- 4.2 Collective consultation has taken place with trade unions and members through the Joint Consultative Panel on 27 November 2018. The JCP supported the proposals and welcomed the uplift which was equivalent to the Real Living Wage.

5.0 Alternative Options

- 5.1 Agreements reached by the NJC are collective agreements so the Council is required to implement the new pay spine.
- 5.2 There are a number of different options for changing the Council's pay grades. The proposal in this report balances equality issues with potential costs.

6.0 Links to Council Priorities

- 6.1 The proposed pay spine has been agreed nationally and it is compulsory for the Council to implement.

7.0 Implications

Financial, Resources and Procurement

- 7.1 All options have been costed over 4-years with the costing for the preferred option being extended to 5-years to identify the cost for all staff to be at the top of their pay grade.

The costings have been prepared on the basis of:

- a) Current incremental progression will continue but where the bottom of the new grade is more than one increment above the current SCP they will move directly to the bottom of the new grade;
- b) It has been assumed that staff will receive their annual increment (where applicable) before they are moved to the new grade. The alternative approach is to move to the new grade and then to apply increments. Either option is acceptable but the same approach should be used for all staff covered by the agreement;
- c) All costs include National Insurance and pension contributions but have not been reduced for the 4% vacancy factor;
- d) Budgets are based on staff as at January 2018 which were approved by Council in February 2018 and adjusted for any changes to posts and grades in the establishment agreed by Human Resources Committee in July 2018; there is no allowance for turnover during the 4-years modelled;
- e) Future annual pay settlements have been modelled at 2% in line with the Medium Term Financial Plan assumptions.

- 7.2 The modelling has been carried out based on the establishment agreed by Human Resources Committee in July 2018. Since that date the pay grades for driver/loaders in the streetscene section have been re-evaluated under the job evaluation scheme and their grade has increased from E to F. The cost of this change has been excluded in the calculation so as to ensure the revised salary costs only reflected the impact of the proposed changes to the pay grades.

Year	Base Budget - July 2018		Budget -		Increase due to		Increase due	
	Establishment, Current Grades	Proposed Grades	Budget Increase		Streetscene Regrade		to Proposed Grades	
	£000	£000	£000	%	£000	%	£000	%
2018/19	13,921	13,987	66	0.5%	66	0.5%	0	0.0%
2019/20	14,049	14,281	232	1.7%	84	0.6%	148	1.1%
2020/21	14,235	14,583	348	2.4%	118	0.8%	230	1.6%
2021/22	14,533	14,954	421	2.9%	166	1.1%	255	1.8%
2022/23	14,833	15,326	493	3.3%	169	1.1%	324	2.2%
2023/24	15,139	15,658	519	3.4%	173	1.1%	346	2.3%

The Draft Budget report to Cabinet on 28 November 2018 included an estimate of the cost of the new pay grades as a budget pressure. The estimates in that report are slightly higher than the latest estimate as it was based on an earlier, slightly more expensive option. The draft budget figures will be revised downwards in the next budget update report.

Human Resources

- 7.3 All affected employees will need to be consulted as any changes in pay spines and grades represent a change in their contract of employment. Changes that are negotiated nationally or locally are incorporated into employee's contracts of employment. Any changes, which occur, will be advised to employees within 28 days of this change.

Legal

- 7.4 As part of the arrangements with the NJC, the authority is required to implement any pay settlement in accordance with the agreement negotiated with national employers. Members need to be aware of the pay settlement when considering the legal requirement to deliver a balanced budget.
- 7.5 When considering matters of pay and grade, the authority is required to consider any equality issues that might arise. Furthermore, there is a need to consult with affected staff.

Health, Social, Economic and Environmental

- 7.6 Have you completed a Health, Social, Economic and Environmental Impact Assessment? Yes (Attached at Appendix 2)
- 7.7 Summary of health, social, economic and environmental impacts: As part of the proposed new spine scale, we envisage positive impacts on Employment, Income and Poverty. The greatest positive impact will be applied to the lowest earners due to the increase from National Minimum wage to National Living Wage of £9 per hour.

Equality and Diversity

- 7.8 Have you completed an Equality Impact Analysis? Yes (attached at Appendix 1)
- 7.9 Summary of equality and diversity impacts: The proposals will have a positive benefit to lower paid staff and will reduce the pay gap between lower and higher graded staff.

Risk

Risk	Consequence	Controls required
That Council is exposed to challenges from an equalities perspective	Potential costs and loss of reputation	Proposals based on national changes to pay spine, amendments to grades minimised, necessary amendments reviewed for equalities impact.
The proposed pay model is unaffordable	Council unable to balance budget, cuts to staffing or services required to balance budget.	Many options have been considered to find a proposal that balances cost and equalities requirement. Proposal costed for all employees to progress to top of scale so maximum possible cost identified. Projected costs included in Draft Budget 2019/20 – 2023/24 report to Cabinet on 28 November 2018.
Council does not implement new SCP agreed nationally	Agreements reached by the NJC are collective agreements so the Council is required to implement the new pay spine.	

Contact Officers

Charles Officer, Human Resources Advisor, 01539 793188,
Charles.officer@southlakeland.gov.uk

Helen Smith, Financial Services Manager, 01539 793147, h.smith@southlakeland.gov.uk

Appendices Attached to this Report

Appendix No.	Name of Appendix
1	Equality Impact Assessment
2	Health, Social, Economic and Environmental Impact Assessment
3	Existing SCP and Grades from 1/4/18
4	Proposed SCP and Grades from 1/4/19
5	Comparison of existing and proposed SCP and Grades
6	Mapping from existing to proposed SCP and Grades
7	Financial Implication of proposed Grades

Background Documents Available

Name of Background document	Where it is available
None	

Tracking Information

Signed off by	Date sent
Legal Services	9/11/18
Section 151 Officer	13/11/18
Monitoring Officer	13/11/18
SMT	13/11/18

Circulated to	Date sent
Assistant Director	N/A
Human Resources Manager	13/11/18
Communications Team	N/A
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	N/A
Ward Councillor(s)	N/A
Committee	HR Committee 11/12/18
Executive (Cabinet)	12/12/18
Council	18/12/18