



## GENERAL PURPOSES AND LICENSING COMMITTEE – 28 APRIL 2003

### CABINET – 28 APRIL 2003

## PROPOSED CHANGES TO THE COUNCIL'S PAY AND REWARD STRATEGY

### 1 INTRODUCTION

- 1.1 This report outlines the proposed changes to the council's pay and reward strategy and pay structure. It details the financial implications and recommends that the proposed changes are approved, subject to the results of employee consultation.
- 1.2 At the time of writing this report, the employee consultation exercise had not concluded, therefore there may be some amendments to the detailed proposals in light of the feedback received from employees.

### 2 BACKGROUND

- 2.1 The council operates a local pay structure which is based on an agreed job evaluation scheme. One of the principles of the local pay structure is that an independent pay consultant will be engaged on a regular basis to review the council's pay against the market.
- 2.2 In 2001 Knightsbridge Partnership were engaged to review the Council's pay structure. The principle findings were:
  - Bands 1 and 2 are paid below the market
  - Band 3 is slightly above the market
  - Bands 4 and above are paid on the market
  - The length of the bands was not achieving any benefits to the council as pay at the bottom of each band was significantly below the market
  - The large jump between bands 2 and 3 was not beneficial and needs to be addressed.
- 2.3 The proposed pay structure attached as Appendix 1 is a response to these recommendations, together with further research into market pay levels.
- 2.4 In addition, employee side have raised the issue of the national Single Status Agreement which the council is committed to achieving. The council runs a risk of an equal pay claim if it could be shown that an employee's terms and conditions are unfavourable compared to a job of equal value. One of the main aspects of the single status agreement is that all employees should work the same hours per week, and their pay should reflect this. The proposed package will see all employees' pay based on a 37 hour working week.

- 2.5 Within the spirit of single status, one further anomaly is being addressed – that the payment of luncheon vouchers to employees at outlying offices. This is an historic payment which dates back to local government re-organisation in 1974, and is based on compensation that was paid to some employees who lost canteen facilities when they transferred from predecessor councils. It is not equitable to continue to make this payment to some employees on two grounds. Firstly any subsidy to the cost of food provided at Appletree Court has now been removed. And secondly this payment is only made to management, administrative, professional and technical employees, which is counter to the spirit of single status.
- 2.6 The payment of luncheon vouchers is a highly emotive issue. Legally an employer may serve 13 weeks notice on employees of a change in terms and conditions. Due to the sensitivity surrounding luncheon vouchers, the employer's original offer was to serve 12 months notice on employees. However, following a proposal by employee side, the employer has agreed to a one-off payment equivalent to 24 month's luncheon vouchers to compensate for their immediate withdrawal.

### **3 PROPOSED CHANGES**

- 3.1 The detail of the agreement is attached at Appendix 2.
- 3.2 This agreement has been negotiated by the pay panel which represents both elected members and the council's employee side. Throughout the negotiations it has been stressed that the offer is a package which must be agreed in its entirety.
- 3.3 During the negotiations, employee side made very strong representations regarding employee concerns and requirements, and the original employer offer was amended in the light of these representations.
- 3.4 The main points in the package are:
- From 1 October 2003, all pay would be based on a 37 hour working week.
  - A revised pay structure where all pay bands would have a number of increments removed from the bottom of the band on a phased basis over three years. This will ensure that all employees are paid the market rate for their job.
  - The top two increments in current band 3 would be removed, as the pay consultant has advised that these are paid above the market rate. For any existing employees currently paid in band 3, incremental progression up to the current top of band would be protected for 3 years.
  - A band has been created between the current bands 2 and 3. A job evaluation exercise will be carried out for the employees in bands 1B, 1C, and 2 to establish their correct banding within the new pay structure. This exercise will take place between now and October 2003, with the new pay structure being effective from October 1, 2003.
  - In leave year 2003/4 an extra statutory day would be added to the leave entitlement of employees who do not receive it, plus an additional day in leave year 2004/5.
  - Luncheon vouchers would no longer be paid, but all employees who currently receive them would get two years' worth as compensation.

- Additional increments would still be paid out at the top of bands where there are particular recruitment or retention difficulties. Directors would also be able to approve additional increments where an individual has developed beyond the requirements of the job.
- The payment frequency for all employees will be monthly rather than weekly.

#### **4 FINANCIAL IMPLICATIONS**

4.1 As shown below there is a significant cost to the council of achieving these changes to the pay structure. This is set against a backdrop of continued financial constraints. The elected member representatives on pay panel have accepted that it is necessary to incur these substantial additional costs in order to address the issue of low pay, and also to ensure there is equal treatment for employees in Leisure and Commercial Services.

4.2 The cost of achieving these changes are shown in the following table:

<b>Year</b>	<b>Cost</b>
2003/4	£116,000
2004/5	£154,000
2005/6	£86,000
2006/7	£16,000
2007/8	£16,000
<b>Total</b>	<b>£388,000</b>

4.3 Within the expenditure planning process a provisional sum of £375,000 was identified for pay and reward over the next 5 years, subject to formal negotiations. In finalising the budgets, a sum of £50,000 was identified for pay and reward in 2003/4 within the contingency provision. Overall the cost of the final package is broadly in line with the original projection. However, as part of the negotiations with employee side, the proposals have been re-phased, with more expenditure up front than in the latter years. It will therefore be necessary to find an additional sum of £66,000 from reserves for the current financial year.

4.4 In estimating the cost of the overall package it is not possible to accurately calculate the cost of national insurance and super-annuation, as this will differ according to individual employees' circumstances. NI and super-annuation costs will be further refined once the job evaluation exercise has taken place. It is anticipated that these will be broadly contained within the overall financial figures.

#### **5 CRIME AND DISORDER AND ENVIRONMENTAL IMPLICATIONS**

5.1 None

#### **6 EMPLOYEE SIDE COMMENTS AND VIEWS OF INDUSTRIAL RELATIONS COMMITTEE**

- 6.1 The proposal is subject to formal consultation with employees. Employee side will report their initial feedback at Industrial Relations Committee on 17 April, and the views of IRC will be sent to members of this committee as soon as they are known.
- 6.2 Members are requested to approve the overall package subject to some fine tuning which may be necessary in light of the employee feedback. It is not envisaged that this would have an impact on the overall funding requirements.
- 6.3 The Trade Unions have indicated that they may conduct a formal ballot of their members on the proposals. It must be stressed that the negotiations leading to this agreement have been on the entire package. If the package is not acceptable to employees, the Council will have the option to withdraw the proposals entirely.

## **7 CONCLUSION**

- 7.1 The proposed revision to the pay structure will keep the council's pay in line with the market. Creating a band between the current bands 2 and 3 will enable jobs to be correctly evaluated in line with market pay, and will assist with recruitment and retention of key employees.
- 7.2 Paying all employees on a 37 hour a week, and offering all employees the same basic holiday entitlement (from 2004) go a long way towards meeting the council's commitment to achieving single status, and reduce the risk of an equal pay claim.

## **8 RECOMMENDATIONS**

- 8.1 It is therefore recommended that:

(For Cabinet)

- 8.1.1 Cabinet approve the financial implications of the proposed package, including the use of the Council's reserves to fund £66,000 expenditure in 2003/4.

(For General Purposes and Licensing)

- 8.1.2 General Purposes and Licensing Committee agree the proposed changes to the pay and reward strategy contained in Appendix 2, subject to minor fine tuning which may be required following formal consultation with employees.

### **For further information contact**

Jayne Griffiths  
Head of Personnel  
023 8028 5482 <mailto:jayne.griffiths@nfdc.gov.uk>

DRAFT - NFDC PROPOSED PAY STRUCTURE - EFFECTIVE 1 OCTOBER 2003

APPENDIX 1

Leave Days	Salary	Hourly Rate	SCP	BAND 1	BAND 2	BAND 3	BAND 4	BAND 5	BAND 6	BAND 7	BAND 8	BAND 9	BAND 10	BAND 11	BAND 12	BAND 13
REPLACES EXISTING BAND				1A/1B	1C	2	NEW BAND	3	4	5	6	7	8	9	10	11
	£73,611	£38.1545	77													*
	£71,457	£37.0380	76													*
	£69,384	£35.9635	75													£69,384
	£67,401	£34.9357	74	*												£67,401
	£65,481	£33.9405	73	*												£65,481
	£63,615	£32.9733	72	*												£63,615
	£61,800	£32.0325	71												*	£61,800
	£60,054	£31.1275	70													£60,054
	£58,365	£30.2521	69													£58,365
	£56,739	£29.4093	68													£56,739
	£55,167	£28.5945	67													£55,167
	£53,664	£27.8154	66													£53,664
	£52,209	£27.0613	65													£52,209
	£50,820	£26.3413	64													£50,820
	£49,491	£25.6524	63											*		£49,491
	£48,216	£24.9916	62											*		£48,216
	£46,962	£24.3416	61													£46,962
	£45,966	£23.8253	60													£45,966
	£45,033	£23.3417	59													£45,033
	£44,109	£22.8628	58										*			£44,109
	£43,191	£22.3870	57										*			£43,191
	£42,435	£21.9951	56													£42,435
	£41,667	£21.5971	55													£41,667
	£40,905	£21.2021	54													£40,905
	£40,149	£20.8102	53													£40,149
	£39,375	£20.4091	52													£39,375
	£38,619	£20.0172	51										*			£38,619
	£37,713	£19.5476	50										*			£37,713
	£37,095	£19.2273	49													£37,095
	£36,345	£18.8385	48													£36,345
	£35,586	£18.4451	47													£35,586
	£34,812	£18.0439	46													£34,812
	£34,026	£17.6365	45													£34,026
	£33,216	£17.2167	44													£33,216
	£32,481	£16.8357	43													£32,481
	£31,710	£16.4361	42													£31,710
	£30,921	£16.0271	41													£30,921
	£30,147	£15.6259	40													£30,147
	£29,361	£15.2185	39													£29,361
	£28,602	£14.8251	38													£28,602
	£27,699	£14.3571	37													£27,699
	£26,898	£13.9419	36													£26,898
	£26,145	£13.5516	35													£26,145
	£25,464	£13.1986	34													£25,464
	£24,948	£12.9312	33													£24,948
	£24,249	£12.5689	32													£24,249
	£23,544	£12.2034	31													£23,544
	£22,869	£11.8536	30													£22,869
	£22,158	£11.4850	29													£22,158
	£21,432	£11.1087	28													£21,432
	£20,610	£10.6827	27													£20,610
	£19,941	£10.3359	26													£19,941
	£19,305	£10.0062	25													£19,305
	£18,690	£9.6875	24													£18,690
	£18,120	£9.3920	23													£18,120
	£17,544	£9.0935	22													£17,544
	£17,049	£8.8369	21													£17,049
	£16,614	£8.6114	20													£16,614
	£16,023	£8.3051	19													£16,023
	£15,462	£8.0143	18													£15,462
	£14,904	£7.7251	17													£14,904
	£14,619	£7.5774	16													£14,619
	£14,268	£7.3954	15													£14,268
	£13,950	£7.2306	14													£13,950
	£13,665	£7.0829	13													£13,665
	£13,413	£6.9523	12													£13,413
	£13,059	£6.7688	11													£13,059
	£12,789	£6.6288	10													£12,789
	£12,012	£6.2261	9													£12,012
	£11,310	£5.8622	8													£11,310
	£10,656	£5.5232	7													£10,656
	£10,116	£5.2433	6													£10,116

yr 1 scp taken away  
 yr 2 scp taken away  
 yr 3 scp taken away



yr 1 scp added added  
 yr 2 scp added added  
 yr 3 scp added added

## **PAY AND REWARD STRATEGY**

**APRIL 2003**

### **BASIS OF AGREEMENT**

#### **1. HOW THE NEGOTIATIONS HAVE PROGRESSED**

- The Pay panel comprises Councillors Mel Kendall; Maureen Robinson and Maureen Holding, and employee side representatives Jean Barras (Unison), Jack Warren (TGWU) and Jeff Patching (GMB). The pay panel has been advised by the Head of Personnel and the Chief Executive.  
The pay panel met on 5 times between January and April 2003.
- Throughout the negotiations both sides were clear that the negotiation was on an entire package.

#### **2. EMPLOYERS FINAL OFFER**

- 2.1** The proposed amendments to the pay structure are attached, and there are these important points of principle:
- The Council's realistic position on pay and reward is to pay at least at the market for all pay bands.
  - The proposed pay structure is based on revised job evaluation break points to align us with the market. This will particularly affect jobs in the current band 2. Some jobs will fall into the new band 3 and some will fall into the new band 4.
  - All employees' pay will be based on a 37 hour working week.
  - Some employees in Commercial services will be required to work an additional 2 hours per week. This will be paid at plain time, and will be treated as contractual overtime, which will be paid during periods of annual leave and sickness, and will be taken into account for the calculation of maternity pay and superannuation.
  - Any overtime in addition to contractual overtime will be paid at normal overtime rates, subject to the employee working more than 37 hours in the week in which the overtime is worked.
  - There is a significant cost of moving to 37 hour working week for all employees. The employer is prepared to fund these additional costs in line with its stated intention to move towards single status

for all employees. However, the cost of achieving incremental progression for all employees would not be sustainable at this time. Employees in Commercial Services, Catering and Leisure who are currently on fixed points will remain on fixed points – there will be no incremental progression. All jobs will be subject to job evaluation, and the pay point will fall within the relevant pay band.

- Incremental progression for these groups of employees will be reviewed in three years time – ie April 2006.

### **3. IMPLEMENTATION**

The implementation date for the new pay structure will be 1 October 2003, to allow for jobs in current bands 1 and 2 to be re-evaluated to ensure they are in the correct pay band.

All employees will be paid on a 37 hour week basis with effect from 1 October 2003.

Pay points will be removed from the bottom, and added to the top on a phased basis.

### **4. THE WHOLE PACKAGE**

Reaching agreement on the proposed pay structure depends on agreement to the following clauses:

#### **4.1 Luncheon vouchers**

- There is no longer any justification for paying luncheon vouchers as the subsidy on food has been removed from the catering facilities at Appletree Court. The employer considers in terms of single status and Equal Pay it is not equitable to give luncheon vouchers to some employees at outlying offices and not others.
- The employer's original offer was to serve one year's notice that luncheon vouchers will be withdrawn. Following representations from employee side, the employer acknowledges it is in the interests of all parties to move quickly and also to recognise the impact of the loss of luncheon vouchers. The employer's offer is therefore to make a one off cash sum equivalent to an individual's two year entitlement to luncheon vouchers. This is the employer's final offer.

## 4.2 Relocation arrangements

- It is in the interests of the employees and employer that the position is clear if the Council requires an employee to work from a different office location. As part of this agreement it will be a condition of employment that all employees accept that they may be required to work at any office/depot within the Council's district. If they are required to move base, the training mileage rate, currently 28.6p per mile, would be paid for 12 months, for any **additional** mileage incurred. The normal Council policy on consultation with employees and employee side would apply before any decision is taken on relocation.

## 4.3 Monthly pay

- As part of the move to single status, it is appropriate that the same payment method is applied to all employees. As part of this agreement it will be accepted by both sides that there is a commitment to achieve monthly pay for all employees during pay year 2003/4. The exact timing of implementation will be subject to more detailed discussions.

## 4.4 Protection for employees on existing pay structure.

Following representations by employee side, the revised employer's position is that where the top of a band is reduced (ie current band 3/new band 5) future increments up to the current top of band will be protected for three years for existing employees. This protection will not extend to new employees, or to employees taking a new employment contract.

Where job evaluation results in a downgrading of the job, protection will be given to an employee's current rate of pay for three years. Annual pay awards will be applied but not increments, in order to close the gap between the existing rate of pay and the job evaluated rate of pay. After a maximum of three years, the rate of pay will drop to the highest pay point applicable to the new job evaluation score.

This does not change the Council's normal policy when dealing with re-organisation/re-structuring. If job ceases to exist following a re-structure, the employee will be placed on the "at risk register". Any offer of redeployment will be at the rate of pay applicable to the job they have been redeployed into.

## 5. OTHER BENEFITS

- To further **single status**, it is proposed from leave year beginning 1<sup>st</sup> April 2003 to give one additional extra statutory day to all employees who do not currently receive it in Commercial Services and Catering Services, and give the second day from leave year beginning 1<sup>st</sup> April 2004.



- Commercial services employees will be paid double time with time off in lieu for working overtime on a bank holiday. With the agreement of the employee and manager, the time off in lieu may be converted into pay.
- **Bonus Scheme** for all employees. It is proposed to raise the limit of the bonus scheme from £1000 to £2000. Bonuses can be paid by Director approval subject to a business case, where a manager identifies an employee's outstanding performance.
- **Use of the "shaded area" on the pay structure.** As well as a means to recruit and retain employees by the application of a market supplement, criteria will be revised to allow managers to use the shaded area where the employee has developed the job beyond the limits of the current job description, but it is not appropriate to justify a regrading.

## 6. PERFORMANCE RELATED PAY SCHEMES

- With the abolition of CCT and trading accounts, and the introduction of the 37 hour working week, it is no longer appropriate for an annual performance payment to be paid in Commercial services. Notice has already been served on all employees in Commercial Services.

### **Catering**

- Similarly the Catering service will no longer have a trading account or a surplus, so no PRP will be available. Significant increases in pay have been made to Catering employees as part of £5 minimum wage and the proposed introduction of a 37 hour working week. As part of this agreement, it will be agreed that the PRP in Catering will cease from 1 April 2003.

### **Leisure**

- The Leisure PRP will be replaced by the Council's bonus scheme. Leisure services budgets will include sufficient provision to fund bonus payments for exceptional performance. As part of this agreement, it will be agreed that the PRP in Leisure will cease from 1 April 2003.