

# North Yorkshire County Council

## Executive

4<sup>th</sup> December 2018

### Implementing the National Pay Award – Changes to the Grading Structure for Council Staff

Report of the Assistant Chief Executive (Business Support)

<b>1.0</b>	<b>Purpose of report</b>
1.1	To consider changes to the grading structure for council staff on NJC terms and conditions in response to the national pay agreement.
<b>2.0</b>	<b>Background</b>
2.1	The national agreement reached in April' 18 applied a two year pay award of a 2% pay increase to all staff on NJC terms and conditions but bottom loaded so staff on grades at the bottom of the pay spine receive a much higher percentage increase, as much as 16% at the bottom points. This bottom loading continues the format of national agreements in previous years. The agreement also introduces a new national pay spine as of April '19 which differs significantly from the current one. The national pay spine stops at spinal column point (scp) 49 and continues thereafter with a locally agreed spine which is increased by national pay awards. The national NJC pay awards apply to all staff on NJC terms and conditions regardless of whether they are on the national pay spine ie it applies to staff on the locally agreed pay spine with the exception of those in other national pay bodies.
2.2	A working group with UNISON and directorate representatives established in November '17 in anticipation of a new pay spine has met on a regular basis, with detailed modelling work undertaken by a smaller subgroup of specialist pay staff in HR and UNISON pay and conditions officers with finance colleagues working on the various proposals and iterations to ensure all proposals are fully costed.
2.3	The working group followed the principles of the Council pay policy which has governed all pay arrangements and changes since 2007; <i>A “one employer” approach which does not permit varying benefit arrangements for different staff groups such as senior managers. The approach is to have a pay and benefit structure which:</i> <ul style="list-style-type: none"> <li>• <i>Is fair and equitable for all staff,</i></li> <li>• <i>Addresses the need as an employer to link pay to performance</i></li> <li>• <i>Has the ability to address staffing difficulties where and when they occur.</i></li> <li>• <i>Incorporates the application of national and local collective agreements</i></li> </ul>
2.4	In addition the group set out to develop a new grading structure and assimilation approach which took account of the need to: <ul style="list-style-type: none"> <li>• maintain appropriate differentials between grades</li> </ul>

- minimise the need for spot salaries/single point grades
- allow for performance related progression within grades, including maintaining the ability to withhold or remove incremental progression based on performance
- have grades of an appropriate size to allow for progression but without posing an equal pay risk
- place posts within pay bands on the basis of their current job evaluation scores but adjust bands where appropriate
- assimilate posts with minimum adverse impact on existing staff
- as far as possible contain the costs of implementing a new pay scale
- consider the whole pay spine including posts on the locally determined section.
- ensure the pay structure remains fit for purpose to attract and retain staff with the right skills and attributes
- ensure key professional posts remain competitive with regional and national rates (eg Social Workers, engineers, planners)

2.5 The proposed changes have an additional cost over a 5 year period which has already been included in the budget at an estimated £2m. The initial cost for 19/20 is some £250k with further annual costs in future years. The full annual cost of £1.5m (around 1% of the pay budget) does not occur until April 2024. Of this cost, the majority, over £1m, is at grades J to N which contain front line practitioners and senior practitioner/professional posts. There are some but more limited costs for traded services and schools and consultation with these has been ongoing. The cost per average primary school is 0.5% of pay budget and for secondary schools 1%.

2.6 These costs, in the main resulting from the national pay award, should be considered in the context of pay restraint since 2010. There was no pay increase for local government staff between 2010 to 2013, between 2013 and 2016 increases were restricted to 1% for non “low paid” staff and locally negotiated pay changes in 2011/12 which contributed over £2.5m savings, reduced terms and conditions by among other things; introducing 2 days unpaid leave (0.8% pay cut), removing enhanced payment for overtime, reducing mileage allowance to below HMRC rate, further reducing other unsocial hours payments, removing a number of allowances and entitlements and limiting others further. For the most senior managers there was no pay increase from 2010 to 2016 with the first increase at 1 % coming in 2016 and 2017 and 2% in 2018.

2.7 Initial consideration was given to simply mapping the existing pay grades onto the new pay spine, essentially moving them over from where they are on the existing pay spine to the nearest point in value on the new pay spine. However this is not feasible mainly due to the bottom loading of the pay award and the removal of the lower spinal column points which significantly erodes pay differentials across most pay grades. To illustrate, simply mapping to the nearest point would require staff across some four existing pay bands (1 - 4) and part of band 5 to be on the same pay grade, with supervisors or team leaders on the same pay grade as the staff they manage and there being no pay differential based on scope and remit of roles. The majority of council staff are in these bands, so over 3000 staff (some 45% of the workforce) across 5 pay bands covering hundreds of roles, would be on the bottom same single point band A.

### 3.0 Consideration of recruitment and retention pressures

In the context of very low unemployment locally (currently 3.2% for North Yorkshire compared to national average of 4.3% and some 1,500 job seekers county wide with only approx. 150 under 24 years) and ongoing difficulties recruiting to professionally qualified posts from a national field, the pay group considered that in some areas the top of the pay band should be increased to assist recruitment and retention where evidence of difficulty existed. On this point, the working group looked at existing and likely future costs of recruitment and retention difficulties and the current need to increase pay by market supplements, recruitment and retention payments and accelerated increments. It was considered that if the proposals increase pay these payments will in the main no longer be needed and can be used to offset the cost of grading increases for relevant staff groups/posts.

3.1 Whilst NYCC continues to perform well, relative speaking, in recruiting and retaining staff, it is clear the situation is becoming more difficult. Information on the recruitment position, market data, comparator salaries and the cost of alternative labour supply if recruitment is not possible has been collated for professionally qualified posts and is provided as background papers. This identified the following;

- Potential increased agency cost. Typically agency workers cost 25% more than directly hiring staff although costs can exceed this in scarce labour markets. Eg agency social workers are approx. £30 per hour compared to £17 for permanent staff, ie 76% higher. Costs for interim senior managers on an agency/consultancy basis can be considerable. If recruitment difficulties increase so will demand for agency use and associated spend. Also there will be an increased need to use specialist and executive head hunters, who charge introduction/search fees of typically 25-30% of starting salary. To date NYCC agency spend remains low compared to other authorities (around £500k pa if IR35 is excluded) and even for role such as social workers there is very little use compared to other authorities which tend to run on 10 -30% agency use. Likewise there is virtually no use of interim or consultants. However this year for the first time external recruitment agents had to be engaged to recruit some professional staff.
- In the event of very poor recruitment there would be a need to move to outsourced provision for some services which would significantly increase costs. For example for legal services the cost of external legal support is £42 per hour for a solicitor and for engineering services it is £56 an hour.

3.2 Pay is always a consideration in recruitment but obviously not the only one and significant efforts are made by all, including managers, to promote NYCC as an employer and vacant jobs in particular. There is a focus on improving candidate attraction using technology with Social Media being used to target passive job seekers alongside professional networking and staff supporting recruitment by telling their stories through video's, quotes and case studies which are used to create interest in jobs and NYCC as an employer. The wider staff offer including good terms and conditions, such as leave and pension, flexible working, a good working environment, access to training and development are all promoted.

3.3 **Comparator pay;** work on pay profiles looking at the market rate for posts, particularly hard to fill posts shows that the proposed new grading structure does not deliver high pay levels relative to other authorities and for many roles continues to provide salaries slightly lower than those in comparator authorities/employers, however it does close the gap. Details are available in background papers. Annual benchmarking takes place for senior management posts and shows that (taking into account proportion of locally maintained schools, the level of outsourcing and the lack of use of interim or consultants) NYCC remains one of the leanest management structures nationally and pays below most similar sized authorities for senior management posts.

#### 4.0 **Proposed Grading Structure**

4.1 The proposed new grading structure is provided at Appendix 1 (including job evaluation scores) and the outcome for staff in terms of their position on the current grading structure compared to the new one is as follows:

- Staff in current bands 1-6 move onto the new pay spine in line with their position on the current pay spine but with pay gain due to the new pay spine removing the bottom 7 points which significantly increases pay for these groups
- Staff on bands 7-9 gain additional pay from the new grading structure by having access to 2 additional scps. These bands are now 6 scp in length compared to the previous 4, starting at the nearest comparable point on the new pay spine but ending 1 increment higher.
- Staff on bands 10-12, retain a grade with 4 scps but start at a higher point than the nearest one on the current pay spine and gain 1 scp at the top so essentially move up compared to their current grade.
- Band 13-16 have changed significantly and are replaced by 3 new longer grades L, M and N which instead of 4 are now 5 SCPs. These are the grades which cover entry, standard and senior professional/practitioner posts and have staff groups which attract the majority of market supplements and recruitment and retention payments. These payments will in the main be removed as unnecessary on the adoption of this proposal. Lengthening these pay bands provides further incremental progression in future years which will hopefully impact on retention levels and also enable new staff to be recruited at a higher pay level where necessary.
- Management grades at Senior Manager (SM), Assistant director (AD) and Director 1 (Asst CEX grade) are increased in value line with the rest of the grading structure. Specifically SM1 increases by 1 scp and AD bands have been split into three bands from the current two with the higher band restricted to four posts. The senior management grading structure has not changed since 2007 but has been significantly impacted by restructures which have removed some 20% of management posts overall and 30% at AD level and made most posts larger. For AD roles this has resulted in a move to more posts being at AD2 and it was felt there needed to be a greater ability to distinguish between the different sized posts in this band. Senior management posts often attract market supplements and recruitment and retention payments, evidence of ongoing recruitment difficulties, which will in the main be removed by this structure.
- The Chief Officers Appointment and Disciplinary Sub Committee, which is responsible for Chief Officer pay and grading, has considered and supported a proposal to combine current grades Director 2 and 3 into a

single grade in order to address the changed job evaluation outcomes, bring the grades into line with the pay policy and remove any potential equal pay issue.

Overall the proposals increase the value of the top of pay grades across the board which will hopefully help with recruitment and retention without the need to use market supplements and other payments to the same extent as now.

## **5.0 Financial Implications**

5.1 There has been significant work on modelling the new pay structure relative to the workforce and the cost is spread over 5 years with limited costs of some £250k in year one across a workforce of some 7500 staff. It was always clear there would be a cost in implementing the new pay spine given the need to retain differentials between jobs whilst removing the bottom 7 points. The cost of the new pay structure is based on the need to retain differentials but also to recruit and retain posts, particularly professional practitioner posts in new bands K, L, M and N (current bands 12-16) which contain starter posts, standard and experienced practitioner and professional posts for social workers, planners, engineers, accountants, lawyers, trading standards, public health analysts etc. The proposed new pay spine and grading structure incorporates the 2% national pay award with the majority of the additional cost going into bands J, K, L, M and N whilst the lower grades having significantly benefited from unavoidable cost of the removal of 7 points. The immediate cost is limited because the majority of the cost arises from future increments due to extended or changed grades and this further cost is subject to usual progression criteria and spread over future years.

5.2 To finalise the modelling and limit costs consideration was given to mitigation costs including:

- Incremental progression - 12% of staff do not progress annually due to not meeting performance criteria.
- Recruitment, retention related and market supplement payments - £171k annually will no longer be needed
- For grant and income funded posts any additional cost to the grading structure will not be funded from NYCC core budgets.
- Known/ anticipated reductions in posts during the 5 year cost period.
- Assimilation arrangements which limit costs in the first year and overall

## **6.0 Assimilation Arrangements**

6.1 To limit the cost in year 1 and spread it over a longer timeframe, the following approach to assimilation has been agreed with UNISON. Incremental progression will be applied to the existing grading structure as of midnight on 31<sup>st</sup> March '19. So staff will either receive an increment or have one withheld/removed under the current grading structure and on the basis of where they then sit on that grading structure they will move over ie assimilate to the closest point on the new grading structure on 1<sup>st</sup> April. Given that the new grading structure incorporates the national agreed 2% on assimilation staff will move to the nearest point upwards and no-one will be put on a point lower than the point they would have remained on in the current grading structure. This means whilst there is an immediate increase for all staff in terms of a new scp this is at or slightly above the 2% pay award with further increase coming in future years for staff in a longer pay grade and/or with additional or higher value increments in terms of head room.

## **7.0 Timetable for implementation**

7.1 Subject to Executive approval the timetable for full approval and implementation is:

- Details and costs to be included in the council budget report for 20<sup>th</sup> February including the recommendation from the Chief Officers Sub Committee. The full proposals will be included in the Pay Policy Statement which forms part of the budget report for approval.
- Initial staff communications this month and full staff communications after Full Council approval in the run up to implementation on 1<sup>st</sup> April.

## **8.0 Legal Implications**

8.1 The proposed changes are in response to the national pay agreement. Such agreements are expressly incorporated into all staff statements of particulars ie contracts and as such implementation is a legal requirement. How the agreement is implement and the national pay spine used is a matter for local authorities to determine in accordance to their local agreements with trade union. All changes to grades as proposed are covered by the collective agreement with UNISON which is incorporated into all staff employment contracts so individual consultation on changes to contract is not required.

## **9.0 Consultation Undertaken and Responses**

9.1 The proposals have been developed in partnership with UNISON and form part of the collective agreement.  
The proposals have also been considered and supported by the Members Workforce Planning Group which comprises of members from all political groups.

## **10.0 Human Resources Implications**

10.1 The proposals seek to help address ongoing and future recruitment difficulties.

## **11.0 Equalities Implications**

11.1 An Equalities Impact Assessment has been completed for the proposed grading changes and shows no adverse impact. This is attached at Appendix 2. It is anticipated that the proposals if implemented will improve the current gender pay gap position.

## **12.0 Recommendation(s)**

To consider and approve the grade changes for staff on NJC terms and conditions outlined in this report in response to the national pay award.

County Hall  
Northallerton  
20 November 2018  
Author of report – Justine Brooksbank  
Assistant Chief Executive (Business Support)  
Presenter of report – Justine Brooksbank  
Background Documents – Benchmarking data/information

**Appendix 1**

New scp	April 19 Salary	<b>NEW NJC PAY STRUCTURE PROPOSED FOR APRIL 2019</b>	
1	£17,364		GRADE A - 217-258
2	£17,711	GRADE B - 259-308	GRADE C - 309-345
3	£18,065		
4	£18,426	GRADE D - 346-369	
5	£18,795		
6	£19,171		
7	£19,554		GRADE E - 370-397
8	£19,945	GRADE F - 398-422	
9	£20,344		
10	£20,751		
11	£21,166		
12	£21,589		
13	£22,021		GRADE G - 423-447
14	£22,462		
15	£22,911		
16	£23,369		
17	£23,836		
18	£24,313	GRADE H - 448-474	
19	£24,799		
20	£25,295		
21	£25,801		
22	£26,317		
23	£26,999		GRADE I - 475-509
24	£27,905		
25	£28,785		
26	£29,636	GRADE J - 510- 550	
27	£30,507		
28	£31,371		
29	£32,029		
30	£32,878		GRADE K - 551 - 587
31	£33,799		
32	£34,788	GRADE L - 588-624	
33	£35,934		
34	£36,876		
35	£37,849		
36	£38,813		
37	£39,782		GRADE M - 625-713
38	£40,760		
39	£41,675		

40	£42,683	GRADE N - 714 - 941	
41	£43,662		
42	£44,632		
43	£45,591		
44	£46,503		
45	<b>£48,000</b>	NBSM1 942- 1043	
46	£50,000		
47	£51,875		
48	£54,275		
49	£55,840		
50	£57,933	NBSM2 1044-1190	
51	£60,105		
52	£62,359		
53	£64,500		
54	£66,000		
55	£67,500		
56	£68,850		
57	<b>£70,250</b>	NBAD1 1191-1320	
58	£72,955		
59	£75,763		
60	£78,680		
61	<b>£82,500</b>	NBAD2 1321-1600	
62	£85,676		
63	£88,975		
64	<b>£94,000</b>		
65	£95,880	NBAD3 1601-1760	
66	£98,000		
67	<b>£101,000</b>	NBDIR1 1761-2015	
68	£104,889		
69	£109,100		
70	£110,950		
71	£113,170	DIR2,3 2016-2700	
72	£115,430		
73	<b>£118,000</b>		
74	£122,543		
75	£127,250		
76	£133,261		
77	<b>£137,249</b>		
78	£141,500	CE grade (unchanged) 2701-	
79	£146,000		
80	£168,000		
81	£172,000		
82	£176,300		
83	£180,423		

## Appendix 2

<p><b>Initial equality impact assessment screening form</b> (As of October 2015 this form replaces 'Record of decision not to carry out an EIA')</p> <p>This form records an equality screening process to determine the relevance of equality to a proposal, and a decision whether or not a full EIA would be appropriate or proportionate.</p>	
Directorate	Central Services
Service area	Human Resources
Proposal being screened	Implementation of 2018-20 NJC pay award
Officer(s) carrying out screening	Emily Wren
What are you proposing to do?	<p>Proposing a new pay band structure for NJC staff in response to the new national pay spine from 1<sup>st</sup> April 2019. The current points 6 to 49 are replaced with a new spine from 1-43, with the bottom 12 old points paired off to 6 new points and an additional 5 new points in the old bands 7 to 9 range.</p> <p>To adapt to the new pay spine a new pay structure is proposed which is fair, relevant and fit for purpose, and which has been developed jointly with Unison.</p> <p>The existing Bands 1-16 would be replaced with grades A to M, with changes to SM, AD and Director grades to reflect role changes, workforce needs and recruitment market.</p>
Why are you proposing this? What are the desired outcomes?	<p>The response to the NJC national pay agreement for Apr 2018 – Mar 2020 is delivered in the context of the current pay policy contained in the local collective agreement which is reviewed annually and ensures a “one employer” approach and does not permit varying benefit arrangements for different staff groups. The approach is to have a pay and benefit structure which:</p> <ul style="list-style-type: none"> <li>• Is fair and equitable for all staff.</li> <li>• Addresses the County Council’s need as an employer to link pay to performance.</li> <li>• Has the ability to address staffing difficulties where and when they occur.</li> <li>• Incorporates the application of national and local collective agreements and any authority decisions on pay.</li> </ul>
Does the proposal involve a significant commitment or removal of resources? Please give details.	It will require additional investment of £1.5m which has been included in the budget. This covers NYCC posts, with a further approx £350k for schools’ posts and £150k for traded services.
<p><b>Impact on people with any of the following protected characteristics as defined by the Equality Act 2010, or NYCC’s additional agreed characteristic</b> As part of this assessment, please consider the following questions:</p> <ul style="list-style-type: none"> <li>• <b>To what extent is this service used by particular groups of people with protected characteristics?</b> The Council’s pay structure applies to all staff covered by NJC terms and conditions, including staff with protected characteristics.</li> </ul>	

## Appendix 2

- Does the proposal relate to functions that previous consultation has identified as important?  
N/A

- Do different groups have different needs or experiences in the area the proposal relates to?  
Analysis has been undertaken to measure the impact of the proposed new structure on staff with protected characteristics.

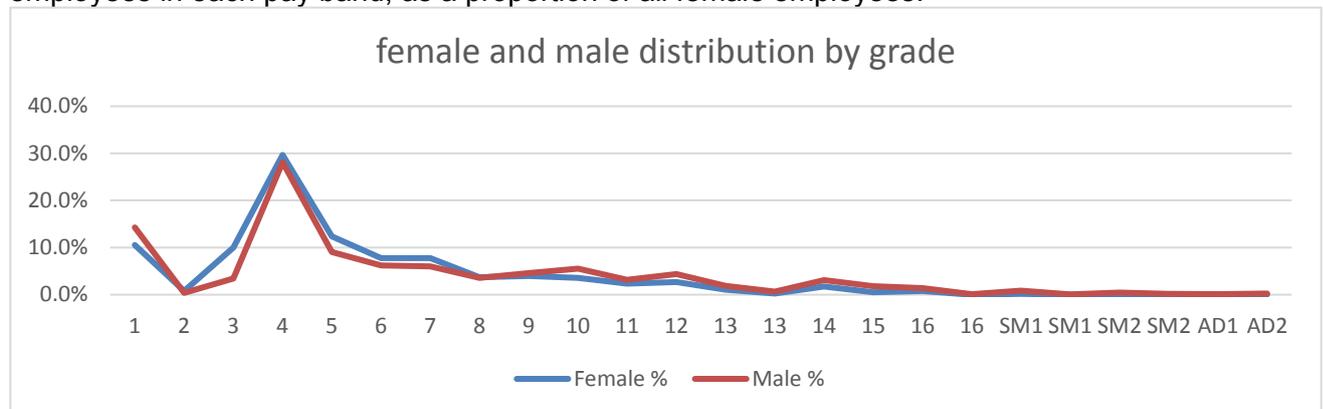
In the last workforce analysis only 1.2% of staff identified as minority ethnic, and only 1.0% identified as having a disability. The numbers are too small to obtain accurate results for impact across the range of pay bands.

Detailed analysis of the impact by gender has been undertaken and is summarised below.

The impact of the proposal has been assessed on all staff in post as at July 2018, including relief workers and based on headcount. The proportion of the workforce by gender measured in this way is 82% female and 18% male.

The current pay arrangements as reported in the published Gender Pay Gap for 2017 is a pay gap of 12%. Men are paid on average 12% more than women. Rigorous job evaluation scrutiny ensures that men and women are paid equally for work of equal value, but are not represented equally across all pay bands.

Because there are more female than male workers, the number of females in each band are generally higher than the number of males. However the graph below demonstrates the proportion of male employees in each band as a proportion of all male employees, and again the proportion of female employees in each pay band, as a proportion of all female employees:



While a higher % of the total male workforce is employed in the entry Band 1 (14.3%) than the % of the total female workforce (10.5%), between Bands 2-8 a higher % of the female workforce occupy these bands than the proportion of the male workforce. From Band 9 and above this trend is reversed and a higher proportion of the male workforce is employed in Bands 9 and above than the % of the female workforce.

Whilst recognising there is a gender pay gap, it is important that the new pay structure does not add to the gender pay gap and instead should contribute to its reduction.

The impact of the new pay structure has been measured using 3 different approaches:

1. Measuring the increase from the bottom of the old band to the top of the new grade
2. Measuring the increase from the maximum of the old and new grades demonstrates
3. Measuring the increase from the midpoint of the old band to the midpoint of the new grade

For each approach the % increase for women and men assimilating to the new grade has been measured.

**Method 1** which measures the full span increase from bottom of the old band to the top of the new grade shows an 18.21% increase for women and marginally higher 18.31% increase for men.

**Method 2** which measures the increase from the maximum of the old and new grades demonstrates a 10.70% increase for women and slightly lower 10.48% increase for men.

**Method 3** which measures the increase at the midpoint of the old band and new grade (the method used for budget purposes) illustrates an 11.71% increase for women and 11.26% increase for men. Assimilation to the new pay grade will be wholly based on the job evaluated score for each post, to eliminate any possibility of unconscious bias in assimilation decisions.

This analysis suggests there is no adverse impact on staff with a protected characteristic and that it is likely, in a modest way, to contribute to a reduced gender pay gap from 2020 onwards.

## Appendix 2

If for any characteristic it is considered that there is likely to be a significant adverse impact or you have ticked 'Don't know/no info available', then a full EIA should be carried out where this is proportionate. You are advised to speak to your <a href="#">Equality rep</a> for advice if you are in any doubt.			
Protected characteristic	Yes	No	Don't know/No info available
Age		X	
Disability		X	
Sex (Gender)		X	
Race		X	
Sexual orientation		X	
Gender reassignment		X	
Religion or belief		X	
Pregnancy or maternity		X	
Marriage or civil partnership		X	
<b>NYCC additional characteristic</b>			
People in rural areas		X	
People on a low income		X	
Carer (unpaid family or friend)		X	
<b>Does the proposal relate to an area where there are known inequalities/probable impacts</b> (e.g. disabled people's access to public transport)? Please give details.	Should contribute in a modest way to addressing the gender pay gap.		
<b>Will the proposal have a significant effect on how other organisations operate?</b> (e.g. partners, funding criteria, etc.). <b>Do any of these organisations support people with protected characteristics?</b> Please explain why you have reached this conclusion.	The new pay rates should not have an adverse impact on other organisations.		
<b>Decision (Please tick one option)</b>	EIA not relevant or proportionate:	X	Continue to full EIA:
<b>Reason for decision</b>	Preliminary analysis shows no adverse impact from this proposal to implement the latest NJC pay agreement.		
<b>Signed (Assistant Director or equivalent)</b>	<i>Justine Brooksbank</i>		
<b>Date</b>	26.11.2018		