

Report to:	EXECUTIVE CABINET
Date:	27 March 2019
Executive Member/Reporting Officer:	Councillor Bill Fairfoull – Deputy Executive Leader Tracy Brennand – Assistant Director (People and
Subject:	NJC PAY AWARD 2019/2020
Report Summary:	The report sets out the National Joint Council (NJC) Pay Award for 2019/20 and the proposed revised pay structure to align the Council's existing grading structure to the new national pay spine.
Recommendations:	<p>From the 1 April 2019 to:</p> <ol style="list-style-type: none"> 1. Implement the NJC Pay Award, which introduces a new national pay spine consisting of 43 spinal column points (SCP). 2. Implement the revised pay structure (Grades A to N) as detailed in Appendix 2. 3. The Council recommends the revised pay structure (Grades A to N) as detailed in Appendix 2 for adoption by all Governing Bodies of community, voluntary controlled and voluntary aided schools within the Borough, and that it applies to all support staff employed within these schools. 4. Introduce a clear framework and grading for professional and technical roles at Grades H to J inclusive to address recruitment and retention issues in these key roles and the Director of Governance and Pensions (Borough Solicitor) be authorised to finalise the document set out at Appendix 8 in consultation with the Deputy Executive Leader.. 5. The Foundation Living Wage Rate, which is reviewed each November, is implemented as a supplement to the relevant spinal column point(s) on the following 1 April. 6. That it is agreed that due to the implementation of the NJC Pay Award and new TMBC Pay Structure, which incurs significant costs the changes to employment terms and conditions in 2016 will not be reviewed further, as previously committed to, and the changes will therefore remain in place. 7. Implement the NHS Agenda for Change Pay Progression changes in accordance with the national pay agreement 2018 – 2021.
Corporate Plan:	This supports the strategic objectives set out in the People Plan with regards to the recruitment and retention of our workforce who constitute a large proportion of our residents, therefore positively impacting on their income levels, particularly at the lowest paid level.
Policy Implications:	The NJC Pay award and TMBC pay structure changes will impact on the annual Pay Policy Statement. The annual policy report will be amended accordingly, for the next report cycle in 2020.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	The financial implications are considered in section 5 of the report and the preferred option is Option C. The estimated forecast cost of Option C for the council is £3.7 million and this has been factored in to the budget proposals that were approved by Full Council on 26 February.

Legal Implications:
(Authorised by the Borough
Solicitor)

Set out in the report.

Risk Management:

The implementation of the NJC Pay Award is a legal requirement to ensure the terms and conditions of the affected workforce are upheld, without breach. The national changes, without local amendment, bring potential equality risk as they significantly disrupt the composition of the pay structure. The local amendments to create the new TMBC Pay Structure ensure a robust pay framework is in place to remunerate the workforce, whilst also supporting the strategic aims of the People Plan, to attract and retain the skills and expertise required to deliver services.

Background Information:

The background papers relating to this report can be inspected by contacting Jenny Dickie (HR Manager)



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1. INTRODUCTION

- 1.1 The National Joint Council (NJC) for Local Government Services provides the National Agreement on Pay and Conditions for Local Government. This sets out the terms and conditions for NJC staff, including the pay award (cost of living increase).
- 1.2 The most recent agreement sets out a two year pay award, which came into effect on 1 April 2018, for the period 1 April 2018 to 31 March 2020. The focus of the recent pay award is to achieve a fair and equitable pay increase in a challenging economic environment to support the lowest paid. To this end, the two year pay award is based on variable percentage increases, with the highest rises at the lower end of the pay spine, and introduces a new national pay spine in April 2019. A new national pay spine is introduced as the existing pay spine simply cannot absorb the impact of the National Living Wage to ensure higher pay for the lowest paid. The new pay spine has been created to withstand the future changes to the Living Wage rate, currently at £9.00 per hour, without the need for regular and fundamental pay structure reviews at a local level.
- 1.3 The pay award for the period 1 April 2018 to 31 March 2020 is as follows:

Year 1 (1 April 2018 to 31 March 2019)

To enable pay growth at the bottom of the pay scale higher percentage increases applied to spinal column points (SCP) 4 to 19, whereas a flat-rate increase of 2.0% applied to all higher points.

- On SCP 6, £1,380 (equivalent to 9.191%)
- On SCP 7, £1,380 (equivalent to 9.130%)
- On SCP 8, £1,380 (equivalent to 9.052%)
- On SCP 9, £1,380 (equivalent to 8.976%)
- On SCP 10, £1,250 (equivalent to 8.006%)
- On SCP 11, £1,200 (equivalent to 7.592%)
- On SCP 12, £1,050 (equivalent to 6.512%)
- On SCP 13, £900 (equivalent to 5.458%)
- On SCP 14, £900 (equivalent to 5.363%)
- On SCP 15, £900 (equivalent to 5.272%)
- On SCP 16, £900 (equivalent to 5.167%)
- On SCP 17, £900 (equivalent to 5.064%)
- On SCP 18, £800 (equivalent to 4.427%)
- On SCP 19, £700 (equivalent to 3.734%)
- On SCPs 20 and above, 2.0%

Year 1 changes have been implemented on 1 April 2018.

Year 2 (1 April 2019 to 31 March 2020)

In year 2 a new national pay spine is introduced based on the following:

- Reconfigured national pay spine consisting of 43 spinal column points (SCP); created by 'pairing off' existing SCP's 6 to 17 to create new SCP's 1 to 6 and creating equal steps of 2% between each new SCP 1 to 22 (equivalent to existing SCP 6 to 28)
- A bottom rate of £17,364 per annum
- A flat-rate increase of 2% to the new SCP 23 and above (equivalent to existing SCP 29 and above)

See **Appendix 1** for the new national pay spine.

- 1.4 The national pay spine provides a framework on which the Council applies its pay structure for the NJC workforce, circa 4300, employees (including schools). The existing pay structure has been in place since 2009 when the NJC job evaluation scheme was adopted, in accordance with the Single Status Agreement. Through the measurement of jobs under the NJC job evaluation scheme the Council ensures and maintains equality of pay, in accordance with the Equality Act 2010.
- 1.5 The introduction of a new national pay spine means that the existing pay structure and grade composition needs to be reviewed. This does not however affect the job evaluation scheme and ratings of jobs within the scheme; ensuring pay equity between jobs is maintained.

2 REVIEW CONSIDERATIONS

- 2.1 The Council and Schools are required to implement the NJC pay award in accordance with the terms and conditions of employment of those employees covered by the agreement. However the changes to the national pay spine present a number of challenges which need to be considered and managed to achieve compliance, a fit for purpose pay structure for the future and successful implementation. A summary of the challenges faced within Tameside are:
- SCP fit and impact to local pay structure;
 - Impact of new SCP's and potential detriment to employees to reach the equivalent maximum SCP;
 - Length of Grades;
 - Cost Implications;
 - Impact on School Budgets;
 - Implementation arrangements (sequencing – increment v's assimilate);
 - Living Wage Impact;
 - NJC integration with local Pay Spine (Grade K, L, M and N) and senior management pay;
 - Impact on existing market supplement payments.
- 2.2 The new 43 point pay spine does not fit neatly with the Council's current pay structure; direct mapping creates overlapping grades (Grade B and Grade C) and long pay bands (Grade E and Grade F).
- 2.3 The new national pay spine combines a number of existing SCP's into one SCP i.e. existing SCP's 6 and 7 become SCP 1 which compresses existing grades, thus reducing the number of incremental steps in the grade. It also introduces 5 new SCP's, points 10, 13, 16, 18 and 21, which in turn extends the length of existing Grades E and F to 7 and 8 SCP's respectively. The effect of the compressed and extended grades creates inequity between grades, the opportunity to progress incrementally, and poses risks relating to discrimination.
- 2.4 There are 5 new SCP's introduced as part of the new national pay spine, points 10, 13, 16, 18 and 21. As a consequence of the new SCP's the affected grades, Grade's E and F, have increased incremental progression steps, which means that it will take an existing employee longer to reach the equivalent grade maximum than in the existing structure. For example an employee in Grade E in the existing structure will take 5 years to reach the grade maximum, whereas it would take an additional year in the new structure.
- 2.5 The introduction and use of the 5 new SCP's in Grades E and F would result in existing staff on the current SCP's 20, 21, 24, 25 and 26 taking longer to reach the equivalent grade maximum in the revised pay structure. For the affected individuals consideration needs to

be given as to how they are accelerated through the grade to ensure it does not take them additional time to reach the equivalent grade maximum.

- 2.6 The impact of the new national pay spine on the existing pay structure changes the composition of a number of grades; some grades become compressed with fewer SCP's and some become extended with more SCP's. The national guidance advises that good practice (particularly where incremental progression is largely automatic) is to limit incremental progression to five years which is the case with a six point grade.
- 2.7 The pay award automatically requires a minimum cost increase to implement the cost of living allowance (average 3.8% increase). However the variation to the pay spine will mean that the required pay structure revision will increase costs further. These costs need to be managed within the Council's and Schools current financial envelope.
- 2.8 Similarly schools will have increased costs, particularly as a high number of school staff are in the lower grades where the salaries will rise by the highest percentage, further compounded by the required pay structure amendments. Again these increased costs need to be managed within the existing school budgets.
- 2.9 The implementation of the pay award coincides with the annual increment cycle. The NJC agreement is silent on the approach to be taken with regard to the sequencing of assimilation and increments when moving to the new pay spine on 1 April 2019. The transition arrangements therefore need to be considered, taking particular account of cost implications, with a consistent approach applied to all.
- 2.10 The Council currently pays a living wage supplement to pay the Foundation Living Wage (FLW) Rate to the lowest paid staff. The new pay spine uplifts the lowest salary significantly which will surpass the existing Foundation Living Wage Rate (£9.00 per hour / £16,913 p.a). The Council is however committed to the payment of the Foundation Living Wage and will continue to monitor the FLW rate and apply a supplement, as required. To date the FLW supplement has been applied on the 1 November annually, however the FLW Foundation permits implementation of the new annual rate by the following April after the increase in the November. Going forward it is proposed that where the FLW supplement is required it will be implemented on the 1 April to coincide with the national pay award and incremental progression scheme.
- 2.11 The existing pay structure has 10 grades (Grade A to Grade J) on the national pay spine which lead into a local pay structure for middle managers and Heads of Services (Grades K to Grade N), followed by the senior manager pay structure (Assistant Director to Chief Executive). The changes to the national pay spine need to be considered alongside the higher pay spines to ensure pay parity and pay differentials between jobs is maintained.
- 2.12 Locally there are a number of market supplement payments in place, primarily within Children's Services and Transport Services, to address recruitment and retention issues. These payments were implemented on the basis that a pay review would be undertaken to remove the market supplement requirement; establishing an appropriate pay rate for the jobs within the market.

3 OPPORTUNITIES

- 3.1 With any change whilst there may be challenges to overcome it also presents a number of opportunities. These include:
 - Review the existing pay structure (utilise all SCP's, rationalise grade length, support professional progression);

- Review the integration of the national pay spine with local pay spines;
- Resolve market supplement payments;
- Professional development progression.

- 3.2 The introduction of a new national pay spine enables the review of the existing pay structure to secure a robust pay framework for the future which supports the people plan to attract, retain and develop the workforce.
- 3.3 The review has provided the opportunity to consider using all the national pay points, adjust grade composition (number of SCP's in each grade) to support professional development and re-position the Council in the labour market, particularly in relation to professional roles where we have experienced challenges due to our benchmarking position with other local authorities across Greater Manchester (GM).
- 3.4 Consider how those with specialist skills and knowledge can be retained and rewarded to secure and stabilise the required workforce.

4 GREATER MANCHESTER INTELLIGENCE

- 4.1 Intelligence across Greater Manchester highlights the following:
- The new national pay spine does not fit neatly with the majority of existing pay structures, therefore adjustments are required
 - Pay structure changes include a range of approaches from changing the grade boundaries to omitting SCP's within grades that have become too long with the introduction of new national SCP's
 - Whilst the pay structure is being adjusted the majority intend to retain narrow band grades; LGA advice is not to exceed 6 SCP's in a Grade which allows 5 years' incremental progression maximum
 - In addition to the minimum pay award costs the pay structure adjustment costs are significant, particularly for schools
 - Financial models inform the approach to transition (assimilation v's increment); LGA advise that one consistent approach needs to be adopted
 - The implementation of the new national pay spine is a separate exercise from job evaluation; LGA advice is not to undertake job evaluation as part of the pay award implementation
 - Collective Agreement with Trade Unions may need to be considered to implement the changes

5 PROPOSAL OPTIONS & FINANCIAL IMPLICATIONS

Option A – apply national pay spine only

- 5.1 Simply implementing the new national pay spine will achieve compliance with the national agreement. This approach will however present a number of immediate and future issues, namely overlapping grades (Grade B and Grade C) and long pay bands (Grade E and Grade F).
- 5.2 This approach also fails to address existing local issues including, issues relating to the recruitment and retention of key professionals i.e. Children's Social Workers, market pay supplements, professional development and national and local pay spine integration.
- 5.3 Option A costs the least at £3.668m, including on-costs (based on a sequencing of assimilate then increment, which is the most economical model for this option). This cost ensures the required cost of living allowance is implemented, in accordance with the national agreement.

5.4 Of the £3.668m, £2.520m is a cost to the Council and £1.148m is a cost to Schools.

Option B – apply national pay spine with minor adjustments

5.5 Option B applies the national pay spine and removes the immediate issues created through assimilation to retain a coherent pay structure. Specifically the grade overlap between Grade B and Grade C and the long pay bands at Grade E and F are removed.

5.6 Similarly to Option A, this approach fails to address existing local issues including, issues relating to the recruitment and retention of key professionals i.e. Children's Social Workers, market pay supplements, professional development and national and local pay spine integration.

5.7 Option B costs £4.125m, including on-costs (based on a sequencing of increment then assimilate, which is the most economical model for this option). Therefore the additional cost of this option from the required implementation cost (option A) of the pay award is £457k.

5.8 Of the £4.125m, £2.785m is a cost to the Council and £1.340m is a cost to Schools.

Option C – apply national pay spine with significant changes to the pay structure

5.9 This option applies the national pay spine and introduces a number of fundamental changes to the pay structure to secure a pay framework for the future that supports attraction, development and retention of the workforce.

5.10 The key changes are:

- Utilise all national SCP's (1 to 43)
- Pay bands not exceeding 6 SCP's (SCP range from 2 SCP's at the lower end of the pay structure to 6 SCP's in the middle of the pay structure; Normal Distribution Pay Structure)
- Review of local pay values and additional SCP's at Grades K to N to achieve continuation from the top national SCP value, whilst maintaining pay differentials and parity between the NJC spine and the Chief Officer grades.
- Introduction of professional grade development bar points to recognise qualification/experience specialisms (subject to professional criteria assessment – **Appendix 8**)
- Additional headroom in a number of grades, allowing future progression for the majority of the workforce.

5.11 The introduction and use of the 5 new SCP's in Grades E and F would result in existing staff on the current SCP's 20, 21, 24, 25 and 26 taking longer to reach the equivalent grade maximum in the revised pay structure. To counter this potential detriment for approx. 431 employees, they will be accelerated to leapfrog the new SCP's at the appropriate time in the future. This accelerated incremental progression will need to be managed over the four subsequent years to implementation year, to 2023/24.

5.12 The acceleration costs over the four year period are as follows:

Year	Increment Acceleration Cost (£)
2019/20	0.00
2020/21	105,395.58
2021/22	158,056.50
2022/23	146,018.64
2023/24	64,422.48
Total	473,893.21

- 5.13 Option C costs £4.863m, including on-costs (based on a sequencing of increment then assimilate, which is the most economical model for this option). The acceleration increment costs are a further £474K0.m in the subsequent 4 years, up to 2023/24. Therefore the additional cost from the required implementation cost of the pay award is £1.195m.
- 5.14 Of the £4.863m, £3.651m is a cost to the Council and £1.212m is a cost to Schools.
- 5.15 Option C is the preferred option as it addresses the local issues whilst ensuring the cost of living rise is implemented. Whilst this option does bring increased costs, this financial impact is outweighed by the creation of a pay structure that supports workforce development and retention; positioning the Council as an attractive employer.
- 5.16 See **Appendix 2** for Options A to C pay structures and cost implications.
- 5.17 See **Appendix 3, 4 and 5** for cost information at SCP level.
- 5.18 See **Appendix 6** for implementation costs comparison analysis and future incremental cost projection to 2022.

6 EQUALITY IMPACT ASSESSMENT

- 6.1 As part of the review, any changes to the existing pay structure need to be considered to understand the equality impact on the workforce. As such an initial workforce assessment has been undertaken to consider the impact if Option C was implemented, particularly focusing on headroom within a grade (number of increments) in relation to the following characteristics, gender, ethnicity, disability and age.
- 6.2 The workforce analysis shows:
- The majority of the workforce gain headroom in Option C.
 - Overall average increase in headroom for Council employees is 1 increment and 0.83 increment for School employees.
 - Gender – Males in schools fair slightly better than average with an average change of 1.15 additional increments.
 - Ethnicity and Disability - there is a significant number of employees who are in the 'Not Stated' category, with both groups having a higher than average headroom in Option C.
 - Ethnicity – BME groups in both the Council and Schools fair slightly below the average at 0.82 and 0.76 respectively.
 - Disability – Both those with and without a disability fair below average, although those with a disability the average headroom is lower than for those without a disability.
 - Age – Both the younger (up to 39 years old) and older (65+ years old) age groups have below average headroom in Option C. Some of these employees/groups tend to populate the lower grades where the headroom is limited due to the type of jobs as they do not require the development and/or skills of higher level jobs.
- 6.3 Existing recruitment and increment practice will remain in place, whereby employees commence at the bottom point of the grade, except where salary matching principles apply and/or career progression principles (Grade H, I and J only). This consistent approach ensures pay equity at appointment and during progression.
- 6.4 Employment policies/practices including the People Plan and Recruitment and Selection guidance will support the workforce, including those with protected characteristics, to secure job opportunities and develop skills to enhance their careers.

7 TERMS & CONDITIONS OF EMPLOYMENT

- 7.1 The implementation of the NJC pay award is in accordance with the terms and conditions of employment for the affected employees. Similar to previous pay awards it adds significant costs to the Council and Schools. However this year's pay award amplifies costs incurred due to the requirement to revise the pay structure, ensuring it is fit for purpose for the future to attract and retain a skilled workforce.
- 7.2 This additional cost implication means that future workforce costs will need to be managed and controlled effectively to achieve the long term financial challenges. With this in mind the Council had previously reviewed employee terms and conditions in 2016 which were subject to further review. As a result of the pay award changes the changes to employment terms and conditions in 2016 will not be reviewed further and the changes will therefore remain in place.

8 NHS PAY AWARD TERMS AND CONDITIONS PAY PROGRESSION

- 8.1. Similarly to the NJC national pay agreement for NJC staff the NHS has in place the Agenda for Change agreement for NHS staff which applies to the CCG workforce. The 2018 framework agreement on the reform of Agenda for Change introduced provisions to move to a new pay system with faster progression to the top of pay bands through fewer pay step points. For new employees and promotions increments will no longer be annual but will happen after two, three, four or five years. All existing employee, who are not promoted in the period, will continue to receive annual increments until April 2021.
- 8.2. The majority of CCG employees are already at the top of their pay band. Most others will reach it by the end of the agreement as a result of the accelerated incremental progression they will get over the next three years.
- 8.3. For existing employees who are not at the top of their pay band by 2021, together with those who get promoted into a new band, and for new employees incremental progression will work quite differently. A new progression framework will be developed ready for use from 1 April 2019 onwards.

Requirements for pay progression

- 8.4. The payment of an increment is linked to appraisals, before allowing employees to progress to the next pay point and will not be paid.
- 8.5. The requirements for progressing to the next pay point will be that employees:
- Are up-to-date with any statutory or mandatory training (providing that this has been made available to them)
 - Do not have a live formal disciplinary sanction on their record at the time they are due to progress
 - Do not have a formal capability process underway at the time they are due to progress
 - Have completed appraisals in line with the organisation's appraisal cycle and standards
 - For employees who are line managers – they are up-to-date with all the appraisals they need to complete for employees they manage
- 8.6. The progression process will require managers to be alerted in advance when an employee is coming up to the date where they are eligible to progress to the next pay step. The manager will then be responsible for working with the employee to complete the necessary review of their progression requirements, and for notifying payroll that the pay increase can be activated with effect from their progression date.

Current employees who will not reach the top of their band by the end of the deal April 2021

- 8.7. Some current employees will not reach the top of the band by the end of the three year period. These employees will effectively switch in April 2021 from the current system of annual progression to the new system. The agreement provides that they can carry past service with them into the new system and credit it towards the time they need to wait before they can progress to the next pay step. For example, under the new system a new employee starting at the bottom of band 6 will take five years to get to the top. So if an employee currently in band 6 has only reached the intermediate point in band 6 by 2021, but has four years' service, they will be able to progress to the top after just one more year. This way their total journey time will have been five years.

Re-earnable pay linked to appraisals for bands 8c, 8d and 9

- 8.8. Once employees in bands 8c, 8d and 9 reach the top of their pay band, the progression requirements described above will need to be met each year. If they are not, the basic salary could be reduced by 5% or 10% for that year. This can be restored the following year if the employee has met the requirements at that time. All employers are waiting for further guidance on the application and practicalities of this change. On receipt of the guidance the required changes will be implemented accordingly.

9 IMPLEMENTATION & COMMUNICATION

- 9.1 The new national pay spine is to be implemented as part of the existing 2 year pay award on 1 April 2019. The national agreement therefore sets out the timeline for the implementation of the revised pay structure on the same date, 1 April 2019.
- 9.2 Consultation with the Trade Unions has been ongoing since Autumn 2018. Feedback to date has been positive and supportive of the proposals, as it offers an enhanced pay structure over and above the requirements of the pay award. However, the Trade Unions are keen to ensure that transition to the revised pay structure doesn't adversely impact on employees in future years, whereby it takes longer to reach the equivalent grade maximum. Where this occurs in Grade E and Grade F they would like the affected employees to be accelerated through the new SCP, as explained in 5.14.
- 9.3 Amendments have been introduced following consultation with the Trade Unions, particularly relating to perceived detriment due to grade length and reaching the equivalent grade maximum.
- 9.4 A detailed communication plan will direct both manager and employee communications and what it means for individuals. Information will be communicated through a range of processes including, SMT briefing, headteacher briefing, manager and team briefing, Wire article, intranet updates and school notifications.
- 9.5 An Information Booklet (**Appendix 9**) will be circulated ahead of the implementation date to support managers and employees in understanding the changes. Employee Drop-In Sessions with Trade Union and HR representatives are scheduled for March 2019 to enable employees to talk through the changes and ask any questions they may.
- 9.6 The proposals will be subject to the Council's Governance process in advance of the proposed implementation date in April 2019.
- 9.7 Concurrent engagement with Schools to adopt and implement the proposed pay structure along with the pay award will be undertaken.

10 RECOMMENDATION

10.1 As set out at the front of the report.