

Manchester City Council Report for Resolution

Report to: Personnel Committee – 12 December 2018

Subject: Proposed New Pay Structure

Report of: Director of HR & OD

Purpose of Report

The purpose of this report is to seek approval for changes to the existing pay structure for staff employed by the Council on Grades 1 – 12, which are required in order to implement year 2 (2019-20) of the NJC Pay Agreement.

Recommendations

Personnel Committee is asked to:

1. Agree the adoption of the new grade structure and spinal column points, as set out in Appendix 2, to be applied across staff employed by the Council on Grades 1 – 12 with effect from 1 April 2019.
2. Agree the sequence of implementation for existing staff and the arrangements for new starters, set out in sections 4 and 5 of this report
3. Agree that the bar for enhanced overtime payments will remain at the top of Grade 6, which will now be (new) SCP 25.
4. Note that whilst the NJC pay award covers staff up to (new) SCP 43 in Grade 10, the Council's grade structure will continue to extend up to Grade 12 (new) SCP 51.
5. Commend the new pay line to Council, with the intention that the new grade structure be formally endorsed by full Council in March as part of the Pay Policy Statement.

Wards Affected:

All

Financial implications for the revenue and capital budgets

The estimated revenue budget requirement for the mainstream workforce, including transition to the new pay spine, totals £6.020m inclusive of on-costs. This sum is within the amount allowed for in the Council's budget.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

National Joint Council for Local Government Services 2018 and 2019 - PAY SCALES & ALLOWANCES - 10 April 2018

Pay Policy Statement 2018/19 - Personnel Committee - 7 March 2018

1. Background

- 1.1 This report proposes changes to the existing pay structure covering staff employed by the Council on Grades 1 – 12, which are required in order to implement year 2 (2019-20) of the NJC Pay Agreement, and accommodate the new (nationally agreed) pay spine.
- 1.2 These proposals have been developed in consultation with the Treasurer and the Executive Member for Finance & Human Resources.
- 1.3 The trade unions have been consulted and there is support at national and regional levels for the proposals contained in this report, as well as in-principle support for a collective local agreement being reached.
- 1.4 Subject to formal agreement with the trade union side, and approval by Personnel Committee, a new pay spine and grading structure up to and including Grade 12 will be implemented with effect from 1 April 2019.

2. Introduction

- 2.1 In April 2018 agreement was reached between the National Employers and the NJC Trade Union side on the rates of pay applicable from 1 April 2018 and 1 April 2019, for the majority of Council staff, paid from Grade 1 up to and including Grade SS2 . The Award for 2018/19 has now been fully implemented.
- 2.2 The NJC agreement for 2018-20 includes the introduction of a new pay spine on 1 April 2019. This change has been necessitated by the introduction of the new National Living Wage and the Government's stated aim of seeing this reach £9 per hour by 2020 which could not effectively be delivered whilst maintaining the integrity of the current national pay structure.
- 2.3 The new pay spine has been developed and agreed nationally on the following basis:
 - A bottom rate of £9.00 per hour (£17,364) on new Spinal Column Point (SCP) 1 (equivalent to old SCPs 6 & 7). The standard working week in the pay award calculations is 37 hours per week.
 - 'Pairing off' old SCPs 6-17 incl. to create new SCPs 1-6 incl.
 - Equal steps of 2.0% between each new SCPs 1 to 22 incl. (equivalent to old SCPs 6-28 incl.)
 - 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), 2.0% increase on 2018 rate
 - A comparison of the Council's existing pay spine and the 2019/20 pay spine is provided within APPENDIX 1.

2.4 Whilst the NJC Pay Spine is nationally agreed, the alignment of grades to this is a local decision determined by individual organisational pay policies. Adopting the new national spine therefore poses potential challenges to the Council in ensuring the integrity of existing pay and grading arrangements is retained in transitioning to the new arrangements and 'pinning' local grades to the newly agreed Spinal Column Points.

2.5 This report proposes a transition to the new spine in April 2019 with the aims of:

- Maintaining the integrity of the Council's agreed pay and grading structure and focusing proposals and discussions on the practical implementation of the pay award and not broader issues of pay and grading
- Ensuring the award implementation reflects national guidance issued by the NJC
- Assuring implementation pays due regard to equality (a full Equality Impact Assessment has been conducted).
- Implementing the award within the parameters of affordability.
- Continuing to ensure the Council's lowest paid employees are paid at least the UK Living Wage. It is worth noting that subsequent to the pay award being agreed, in November the Living Wage Foundation recommended an increase to the Living Wage to £9.00 per hour for 2019 - the Council operates on a standard working week of 35 hours, therefore the minimum hourly rate for the Council will equate to £9.51 per hour following the Award's implementation.

3. Implementation Approach

3.1 As outlined above, the intention is to implement the award, as far as is practicable, through a straight line transition from the current pay structure, however, three variations are proposed to this, in order to accommodate the new pay spine.

3.2 Two of these proposed variations seek to ensure adherence to the national guidance issued by the NJC and the Council's pay policy and are *required*. The third proposal acts to support equity in the pay structure, ensure a consistent approach to enabling in-grade progression, this variation is not necessarily required but is commended.

3.3 Variation 1 (Required) - New SCP 6 becomes the top of Grade 3 and those staff on the existing SCP 17 as at 1 April 2019 move immediately to the new SCP 7:

3.3.1 The new SCP 6 would, on a straight line transition, cut across Grades 3 and 4. Whilst NJC guidance is clear that there is no automatic issue with this in principle, in practice it would mean a significant departure from MCCs pay and grading arrangements. Firmly placing this point in Grade 3 will, in effect, mean those at the bottom of Grade 4 transition to a higher point.

3.4 Variation 2 (Required) - the following spinal column points are not utilised by the Council:

3.4.1 New SCPs 12, 16 and 18 within Grade 5 :

Alignment of the new pay spine with MCC grades would change the number of pay points in a range of grades. This is most pronounced in Grade 5 where the SCPs would, on a straight line basis, increase from 5 to 8.

Consistent with NJC advice and in support of equality the proposal is to agree that the new SCPs 12, 16 and 18 are left *dormant*, rather than deleted:

- SCP 18 is a new point and no staff would therefore transition here. Whilst making this point dormant would increase the pay differential between progression points, a wider 'jump' to the top SCP can be justified given the bar and assessment process for incremental progression to this point and hence assurance of full competency prior to progression.
- SCP 16 is a 'new' point in grade 5 with no equivalent in our existing pay structure, and not using this point (in addition to SCP's 12 and 18) would allow the Council to retain 5 spinal column points within Grade 5.
- SCP 12 is the bottom point of the grade and there is a logic in a wider differential being place in staff movement here (i.e. movement between grades). Making this point dormant would mean that those staff moving from the bottom point of Grade 5 would transition to SCP 13 on 1 April.

3.4.2 New SCP 20 within Grade 6:

Consistent with NJC advice and in support of equality the proposal is to agree that new SCP 20 is left *dormant*, rather than deleted:

- SCP 20 is the bottom point of the grade and there is a logic in a wider differential being place in staff movement here (i.e. movement between grades), and would allow the Council to retain 5 spinal column points within Grade 6. Making this point dormant would mean that those staff moving from the bottom point of Grade 6 would transition to SCP 21 on 1 April.

3.5 Variation 3 (Proposed): - Introduction of a new point of pay within Grade 1 between SCPs 1 and 2 through the application of a non consolidated supplement.

3.5.1 On a straight line transition Grade 1 would include only one SCP. Whilst it is possible to progress on this basis there are a number of implications:

- There would be no progression prospect at this grade and there would be no means of acknowledging when staff become fully competent in the role.
- Grade 1 would be unique in this regard creating a potential accusation that we are treating the lowest paid staff differently.

- 3.5.2 The creation of a new point of pay as a non consolidated supplement between SCPs 1 and 2 would address this issue and provide a positive example of the Council going further than is required in supporting development of the lowest paid employees.
- 3.5.3 The proposal is that this pay point would be set at £9.60 per hour with effect from 1 April 2019, (9p per hour greater than SCP1) and created through the application of a non-consolidated supplement to SCP1, which would be subject to annual review as part of the development of the annual Pay Policy Statement.
- 3.6 The agreed NJC pay award covers staff up to Grade 10 however the Council's grade structure extends up to Grade 12, therefore 2% increase for 2019 will be applicable to Manchester Grades 11 and 12. which reflects current terms and conditions of employment.
- 3.7 It is also worth noting that senior grades SS1 and SS2 are also governed by NJC (Green Book) terms and conditions, hence the 2% NJC pay award will also be applied to these grades. Two year pay award agreements were also reached by the other negotiating bodies in 2018, including the JNC for Craft Workers, Chief Officers and Chief Executives. The national pay awards for 2019 for these bodies will be implemented with effect from April to the existing pay structures.
- 3.8 The proposed implementation approach has been subjected to an Equality Impact Assessment and there are no discriminatory or detrimental impacts.
- 3.9 The following points should also be noted:
- The 'bar' set at the penultimate point in each grade will remain and progression to the top of each grade will continue to be dependant upon a competency assessment being completed.
 - The bar for enhanced overtime payments will remain at the top of Grade 6, which will now be SCP 25.
 - Any subsequent revisions to the pay structure (including reinstatement of any of the dormant spinal column points) are subject to approval by Personnel Committee.
 - The transition to the new pay spine in 2019/20 will require additional budget provision and this is outlined within section 6 below.

4. Sequence of Implementation

- 4.1 Local Authorities have discretion over the sequence in which they *transition* to the new pay award and implement *incremental progression*. The proposal is that we sequence the implementation through incremental progression first followed by transition - i.e. individuals who are eligible for incremental progression on 1 April 2019, are progressed on the current (2018) spine point

structure and then assimilated onto the appropriate point on the new pay spine. This is seen as the most equitable approach to delivering the award and managing the associated increases of pay for each SCP.

- 4.2 Once a collective agreement has been reached with trade unions, the new pay spine arrangements will be incorporated into individual contracts of employment for the relevant NJC staff. Staff will be notified in January (with the caveat that this is subject to the pay line being formally endorsed by full Council in March).
- 4.3 If approved by Personnel Committee, the pay line would be formally endorsed by full Council in March as part of the Pay Policy Statement, and implemented with effect from April 2019.

5. Arrangements for New Starters

- 5.1 The Council's current agreed approach to incremental progression sets out that:
 - Those employees commencing work between 1 April and 31 September each year progress up one increment on 1 April of the following year and on the same date thereafter within the grade.
 - Those employees commencing work between 1 October and 31 March progress six months after their start date and the following 1 April, and then each 1 April thereafter.
- 5.2 To avoid inconsistency of application across the workforce during transition, as a one-off arrangement, it is proposed that those staff on SCPs 8,12,14 and 17 within Grades 2, 3 and 4 who commenced their employment between 1 October 2018 and 31 March 2019 will receive their increment early (progressing to SCPs 9,13,15 and 18 respectively) on 1 April 2019 alongside those on the same SCPs who commenced employment in the first half of the financial year. (This will, in effect, mean there are no employees on SCPs 8, 12 and 17 to transition as these points are at the bottom of their respective grades).
- 5.3 All of these employees will then all transition to their new aligned SCPs (SCPs 2,4,5 and 7) as per the proposed approach. All employees on SCPs 2, 4,5 and 7 will then progress together on 1 April 2020 to the next SCP.
- 5.4 It should also be noted that as part of the transition to the new pay spine existing SCPs 10 and 11 merge to create new SCP 3. As new SCP 3 as at the top of Grade 2 there is no impact here.
- 5.5 At all other grades and SCPs the normal progression arrangements and timescales will apply.

6. Financial Impact

6.1 The estimated budget requirement for the 2019/20 pay award, including transition to the new pay spine, totals £6.020m inclusive of on-costs, on the basis that:

- Assimilation to be on a straight line basis in so far as is possible - consistent with the details outlined within the NJC pay agreement for 2019/20 – please see **APPENDIX 1**.
- The structure of the proposed pay and grading structure for 2019/20 taking into account discretionary adjustments is shown within **APPENDIX 2**.

This sum has been included within the Council's budget model and forecast for 2019/20.

6. Schools

7.1 Support staff within maintained schools are paid in accordance with NJC terms and conditions and the Council's Pay Policy. Schools will therefore need to assess the potential financial impact taking into account their current (local) budget principles and practices. The estimated financial impact for schools is heavily dependent upon the approach adopted within individual schools when budgeting for pay.

7.2 The estimated financial impact for schools including the pay award and proposed variations in implementation (e.g. SCP 1A etc) would be circa £2.5m, on the basis that:

- Estimated costs relates to Manchester community schools (i.e. excluding Academies / free schools, foundation schools and voluntarily aided schools)
- It only relates to community schools that use the Council's payroll service
- Schools budget for employees on the same basis as the Council
- The broad number of staff employed on NJC terms and conditions in schools.

7.3 Proposals were communicated to schools during October. Once approved by Personnel Committee, schools will be advised on how to apply the new pay arrangements.

8. Employee Engagement

8.1 Trade unions have been consulted on extensively on the proposed new pay structure and there is support at national and regional levels for the proposals contained in this report. Furthermore following local consultation exercises with their members, including relevant schools-based staff, the trade unions have indicated in-principle support for a collective local agreement being reached through a meeting on the Local Joint Consultative Committee for Employees within the purview of the NJC for Local Government Services.

9. Comments from Director of HROD

- 9.1 These proposals have been developed by myself in consultation with the City Treasurer and the Executive Member for Finance & Human Resources. Trade unions have been consulted with extensively and the proposed new pay structure has been subjected to an Equality Impact Assessment.

10. Comments from Trade Unions

- 10.1 Trade Union comments will follow.

11. Conclusion

- 11.1 The proposals set out above will make the necessary changes to the existing pay structure for staff employed by the Council on Grades 1 – 12, which are required in order to implement year 2 (2019-20) of the NJC National Pay Agreement.