

TRAFFORD COUNCIL

Report to: Employment Committee
Date: 10th December 2018
Report for: Decision
Report of: Corporate Director of People

Report Title

Implementation arrangements regarding the national two year pay deal for 2019/20.

Summary

This report provides details of the proposed changes to Bands 1 to 5 of the Council's NJC pay structure, to ensure equality compliance, with minimum disruption to current pay arrangements and budgets.

The constitution requires that this is approved by Council. This report seeks the approval of the Employment Committee to the proposed arrangements and agreement that the recommendation to full Council is that it should be approved.

Recommendation(s)

To agree to the introduction of the new grade bands that span the current Bands 1 to 5 as described in the report under Option 2.

To note that Unison and GMB have provided written confirmation of their support to the recommended option and UNISON have been involved in the development of the proposal.

Contact person for access to background papers and further information:

Name: Sara Saleh
Extension: 4007

Relationship to Policy Framework/Corporate Priorities	These proposals align with the council's Corporate Priorities in respect to 'Low Council Tax and Value for Money' and 'Reshaping Trafford'
Financial	The financial impact on the Council will be contained within the Revenue Budget and Schools will be required to manage the increase within their individual DSG allocations Minimal
Legal Implications:	The implementation process will be fully compliant with employment and equalities legislation.

Equality/Diversity Implications	An Equality Impact Assessment is being undertaken in line with the Equality Framework.
Sustainability Implications	None
Staffing/E-Government/Asset Management Implications	The introduction of the new minimum hourly rate of £9.19. This is a really positive step for those entering on the pay ladder and will better support our recruitment offer.
Risk Management Implications	See impact on catering & cleaning A review of Catering and Cleaning Service contracts will be undertaken to ensure we have a robust contractual position in advance of the implementation of the pay award, to mitigate risk of redundancy costs following potential TUPE exercises.
Health & Wellbeing Implications	N/A
Health and Safety Implications	N/A

1.0 Background

- 1.1 Agreement was reached between the National Employers and the NJC Trade Union Side on rates of pay applicable from **1 April 2018** and **1 April 2019**. This was a 2 year pay deal which included the introduction of a new pay spine from 1 April 2019 that is based on the following:
- A bottom rate of £9.00 per hour (£17,364) on new Spinal Column Point (SCP)1 (equivalent to old SCPs 6 & 7) based on a 37 hour week and for Trafford this equates to £9.19 per hour on a 36.25 working week;
 - Recognition of the future changes to the minimum wage;
 - Renumbering of spinal column points in recognition of amalgamated old SCPs 6-17 incl. to create new SCPs 1-6 inclusive;
 - Equal steps of 2.0% between each of the new SCPs 1-22 inclusive (equivalent to old SCPs 6-28 incl.)
- 1.2 In 2014, the pay structure in Trafford was revised into a more linear structure, removing all overlapping grades. A new pay grade of Band 12 was introduced at the top of the pay structure in recognition of the gap to senior management grade SM4C.
- 1.3 The Councils current entry level is Band 1, SCP 6 which has an hourly rate currently of £8.67 and SCP7 has an hourly rate of £8.73. Both entry level points are below the current Real Living Wage rate of £8.75 but above the National Minimum wage of £7.38 and National Living Wage of £7.83 per hour.
- 1.4 In April 2019, following the implementation of the NJC pay award, the Council's lowest hourly rate and entry level will be £9.19 per hr which means we will be above the Real Living Wage and National Minimum Wage rates as they currently stand.

Explaining UK Wage Rates

	THE MINIMUM WAGE <small>Government minimum for under 25s</small>	NATIONAL LIVING WAGE <small>Government minimum for over 25s</small>	REAL LIVING WAGE <small>The only wage rate based on what people need to live</small>
WHAT IS IT?	£7.38	£7.83	£8.75 across the UK and £10.20 in London
IS IT THE LAW?	Statutory	Statutory	Voluntary
WHAT AGE GROUP IS COVERED?	21 and older	25 and older	19 and older
HOW IS IT SET?	Negotiated settlement based on recommendations from businesses and trade unions	A % of medium earnings, currently at 55%, it aims to reach 60% of median earnings by 2020.	Calculation made according to the cost of living, based on a basket of household goods and services
IS THERE A LONDON WEIGHTING?	No London Weighting	No London Weighting	Yes - Separate higher rate for London

1.5 Having a linear and equal pay compliant pay structure will assist with a fairly straight forward transition to the new pay spine along with incremental progression for most staff in January 2019. The new pay spine introduces a new numbering system corresponding to the new pay rates and proposed options for implementation are outlined below.

2.0 Design Principles & Scope

2.1 The principles outlined below have been constructed to assist with the design of the new pay structure;

- Minimise impact on pay for staff;
- 5 spinal column points as a maximum per band;
- No overlapping bands;
- Increment first then assimilate to new pay spine where appropriate;
- No job re-evaluations;
- Equality compliant;
- Minimum impact to budgets.

2.2 All staff employed by Trafford Council and Schools in our control will be included in the implementation of the new pay spine. An early communication has been issued to all schools to alert them to these changes. A series of meetings have taken place with Head teachers to communicate the changes so they are fully prepared and can factor the new proposals into their financial planning.

2.3 There is capacity available via SLA's with Trafford's Schools Finance and HR teams to offer advice and guidance for those Schools who buy back those services. It is anticipated that those Trafford Schools who do not buy back will receive assistance from their own advisers.

3.0 Pay Structure Design

- 3.1 There is a degree of local flexibility for implementation of the new pay spine and this proposal sets out Trafford's options and recommended approach.
- 3.2 A pay modelling exercise was undertaken to identify the cost impact to the Council's salary budgets for staff on Bands 1 to 5 and a range of options were developed utilising the above design principles.
- 3.3 Benchmarking has been carried out to identify how other Councils across GM are approaching implementation and there is a varied approach consistent with their local pay scales and grading structures. One issue that Trafford will not have to grapple with is the principle of whether to pay annual increments first then implement the pay award as in the main our incremental progression occurs in January. For roles where this does not apply, in the main in schools, we will adopt the position currently negotiated with GM Trade Unions of increment first.
- 3.4 In line with the Government's pledge to increase the National Living Wage to £9.00 per hour from 2020, this exercise enables us to achieve this sooner and based on our 36.25 hrs per week, the new hourly rate for entry level and the bottom point from 1st April 2019 will be £9.19 per hour.
- 3.5 This is a really positive step for those entering on the pay ladder and will better support our recruitment offer, as well as enabling a better standard of living for people working in Trafford.

4.0 Impact on Catering/Cleaning staff

- 4.1 Trafford's catering and cleaning services are operated on a commercial base through service level agreements to schools. The customer base is open to private sector competition and the private sector is unlikely to advance the award of the National Living Wage prior to 2020 or even exceed the recommended £9.00 per hour. In practical terms this would place the current service in Trafford at a commercial disadvantage from April 2019 as it would be paying a minimum of £9.19 per hour as described in paragraph 3.4 above.
- 4.2 The financial impact in 2019/20 of adopting the minimum £9.19 per hour on catering and cleaning is approximately £274k and the Council has included this amount in its Medium Term Financial Plan (MTFP) for 2019/20 in order to smooth the commercial impact on the service until 2020.
- 4.3 An alternative proposal has also been costed which looks at the feasibility of introducing a new additional SCP locally at £17,024 (equivalent to £9.01 per hour for a 36.25 hour week) for new starters

from 1 April 2019. However, this option is not considered viable as any savings generated would be minimal, plus the additional local SCP would be below the lowest level agreed nationally between the National Employers and the NJC Trade Union Side.

- 4.4 From 2020/21 it is assumed in the Council's budget plans that private sector competitors will move to the National Living Wage of £9 per hour and hence the catering and cleaning service will be better able to retain and grow its business as a result. There is still an element of risk in this assumption however as staff costs are still likely to be comparatively higher and this will need to be further reviewed during the 2019 budget setting process.
- 4.5 There may be potential redundancy costs where employees are engaged across multiple schools on one contract for their role and TUPE liability will be difficult to apportion. We are currently assessing the contractual position of all posts in the catering and cleaning service and seeking legal advice in order we mitigate risk and financial liability.

5.0 Pay Structure Options (Bands 1 to 5)

- 5.1 As referenced in Paragraph 3, a number of options have been explored and these are outlined below.

Option 1

- 5.2 This proposal shows the position if we mapped across from the current pay structure to the new pay spines. This would create long pay bands at Band 3 and Band 4. This option is not recommended due to the length of time it would take to reach the top of these bands and does not align to the design principles of a maximum of 5 spinal column points per pay band.

Cost for Option 1 is £1.090m and £0.8m for Schools staff.

Option 2

- 5.3 The new pay spine involves the amalgamation of old SCP 16 and SCP 17 in pay Band 3 and the creation of a new amalgamated SCP 6 at £19,171. In this option we are proposing to remove this new spinal column point in keeping with our design principles so that we create a smaller pay band.
- 5.4 Trafford has not used the old SCP 16 since the pay structure was reviewed in 2009 so there is no impact for this point. In overall terms, this option would create a higher entry level at Band 3 and would incur a small total additional cost of approximately £3k for those staff who are mainly casual employees on static grade points. Most current employees will not be on this starting point from incremental progression in January.

- 5.5 We are also proposing to remove SCP 13 which is a new point proposed in the 2019 pay award in Band 4 to keep to the design principals of 5 SCP's per grade.
- 5.6 This is a positive proposal as the costs are minimal and the new starting salary for Band 3 would be at a higher spinal column point with the removal of the old SCP 17 which would also assist with our attraction strategy.

Cost for Option 2 is £1.089m and £0.8m for Schools staff

Option 3

- 5.7 This proposal also removes current SCP's 16 and 17 in Band 3 and also removes new SCP 16 in the new pay spine in Band 4. Again the cost impact is similar to Option 2 and is mainly expected to impact on casual employees.

For both Options 2 and 3 the entry level for new employees is higher in Band 3, the only difference is the removal of a different incremental point in the grade to meet the design requirements for a smaller pay band.

Cost for Option 3 is £1.092m and £0.8m for Schools staff

The overall costs to the council including Schools of adopting the new pay structure highlighted in all options, with a 2% increase in all other pay grades, will be in the region of £2.8m and includes the additional costs to the Catering & Cleaning Service of £274k included in the MTFP for 2019/20.

6.0 Implementation

Trade union engagement

- 6.1 Consultation has taken place with the Trade Unions on proposed changes to the pay structure, with a view to reaching a collective agreement. UNISON and GMB has provided written confirmation that they are satisfied with the option 2 proposal.
- 6.2 Voluntary aided schools will continue to be offered the opportunity to mirror the Council's collective agreement with Trade Unions to assist them to implement the changes.

Communication to staff

- 6.4 Early engagement with staff will also take place once we have reached mutual consensus on the pay structure design.

7.0 Recommendations

- 7.1 Both Options 2 & 3 presented meet the design principles and there are very little financial differences between them. However, Option 2 has less impact on the workforce by removal of the new, lower, spinal column point 13. For that reason the recommended option for implementation is Option 2.

8.0 Conclusion

- 8.1 The proposal for option 2 offers a robust and equitable pay structure, where there will be minimal impact on staff. Implementing the new pay spine also narrows the incremental percentage gaps between SCP's and meets our aspirations to pay above the Real Living Wage and National Minimum Wage pay rates.
- 8.2 A review of Catering and Cleaning Service contracts will be undertaken to ensure we have a robust contractual position in advance of the implementation of the pay award, to mitigate risk of redundancy costs following potential TUPE exercises.