

READING BOROUGH COUNCIL

REPORT BY HEAD OF HR AND ORGANISATIONAL DEVELOPMENT

TO:	PERSONNEL COMMITTEE		
DATE:	8 NOVEMBER 2018	AGENDA ITEM:	4
TITLE:	NEW NJC PAY SPINE - PROPOSAL FOR IMPLEMENTATION		
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The National Joint Council (NJC) reached agreement on a two year pay agreement for 2018-20 which includes the introduction of a new pay spine on 1 April 2019. This report outlines the background to the new pay spine and makes a recommendation for implementing the new pay spine at the Council.
- 1.2 The new NJC pay spine is attached as appendix 1. An Equality Impact Assessment is attached as appendix 2 showing the impact of the introduction of the new pay spine to employees covered by NJC terms and conditions of employment.

2. RECOMMENDED ACTION

- 2.1 That Personnel Committee agree the proposal to implement the new pay spine using Option 2 (i.e. to consider awarding an increment first and then assimilate employees to the new pay spine, and to introduce the new pay spine without the new spinal column points) with effect from 1 April 2019.

3. POLICY CONTEXT

- 3.1 There was overwhelming support among councils for restructuring the national pay spine during the regional pay consultations which took place throughout 2017. Other key messages were that councils wanted a clear longer-term plan, rather than a series of single year deals; that a revised pay spine should be 'future proofed' in order to absorb annual changes to the National Living Wage (NLW); have equal differentials between each spinal column pay point; should not cause equal pay problems for employers; and should require the minimum amount of time and effort for employers to implement and assimilate. The NJC set up a pay spine review group to look at what could be done from a technical point of view.

- 3.2 At the time of the Chancellor's statement in 2015 the minimum hourly rate on the 'Green Book' pay spine was £7.00. That meant that it would have to increase by approximately £2.00 in five years if the initial 'target' for the NLW in 2020 of £9.00 was to be reached. By way of context, the increase in the bottom rate from £5.00 to £7.00 had taken thirteen years to achieve (2002-2015).
- 3.3 The two-year pay agreement covering 1 April 2016 to 31 March 2018, made some headway in bridging that gap and introduced minimum hourly rates of £7.52 (1 April 2016) and £7.78 (1 April 2017). This agreement included some further bottom-loading in each of the two years to assist in maintaining differentials and then annual pay awards of 1.0% further up the pay spine. This two-year deal added 2.40% to the national pay bill. The two-year increase for the lowest pay point was 10.28%. These rates provided some headroom in relation to the NLW which was £7.20 (1 April 2016) and £7.50 (1 April 2017). The 1 April 2018 rate was £7.83.
- 3.4 The NJC pay agreement for 2018-20, following the work of the review group and following consultation with the trade unions nationally, is as follows:
- A bottom rate of £9.00 per hour (£17,364 per annum) on new Spinal Column Point (scp) 1 (equivalent to old scps 6 and 7)
 - 'Pairing off' old scps 6-17 inclusive to create new scps 1-6 inclusive
 - Equal steps of 2.0% between each new scps 1 to 22 inclusive (equivalent to old scps 6-28 inclusive, covering grades RG1 to RG5 inclusive on the Council's pay structure)
 - 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

4. THE PROPOSAL

- 4.1 The Council's current NJC pay spine has ten RG grades; RG1 through to RG10. RG1 has scp 11 as its highest point and RG2 has it as its lowest point. The Council uses scp 11 as the lowest entry point for roles within the NJC spine.
- 4.2 The introduction of an additional five scps to the new pay spine would have the effect of extending RG4 from its current position of eight scps (the most scps in any of the RG grades) to a total of 12.
- 4.3 There is no requirement to use all of the scps in the new pay spine; it is for councils to determine their inclusion or not but to consider the impact this has.
- 4.4 The NJC agreement is silent on the approach to be taken by councils with regards to the chronology of assimilation and increments (i.e. whether to assimilate to the new pay spine first and then apply an increment or vice versa). The two approaches produce different outcomes but either approach is acceptable and whatever option taken should be implemented consistently across all employees covered by the agreement.

- 4.5 In anticipation of the new national pay spine being introduced, a provision of £515k has been made in the 2019/20 budget to accommodate the increased cost of implementing the new pay spine.
- 4.6 Finance colleagues have carried out a pay modelling exercise using three options, as shown in Table 1 below:

Table 1:

Option	Description	Total Cost Council (£m)	Total Cost Schools (£m)	Total Cost (£)
Baseline	NEW Salary as at 1 April 2019	25.517	15.846	41.363
Option 1	Assimilate first and then increment	25.951	16.065	42.016
Option 2	Increment first and then assimilate	25.932	16.034	41.966
Option 3	Assimilate first and then increment & introduce new scps	25.843	16.026	41.868

- 4.7 The saving on selecting Option 2 over Option 1 is a reduction of £0.049m (including schools based staff) on total cost. If Option 3 is chosen and the new scale points are introduced into the existing grading structure, this would be the lowest cost option but would also have the impact of extending RG4 from its current position of eight scps to a total of 12. This would mean it would take employees 11 years to reach the top of the grade, rather than eight years as now, which could potentially create equal pay implications. The alternative is for a new grading structure to be designed to accommodate the new scale points. However, this is more complex to achieve and is not recommended at the current time.
- 4.8 The recommendation is to introduce the new pay spine using Option 2, i.e. to consider awarding an increment first and then assimilate employees to the new pay spine, and to introduce the new pay spine without the new scps. This option is £100k less than the budget provision, as shown in Table 2 below.

Table 2:

	2018/19 £m	2019/20 £m	2020/21 £m
Cost of Option 2	0.000	25.932	TBC
Baseline Cost (already funded)	0.000	25.517	TBC
Net Additional Cost	0.000	0.415	TBC
Less Provision for cost of new pay spine	0.000	-0.515	-0.910
Other running costs			
Capital financings costs			
Total Expenditure	0.000	-0.100	TBC

- 4.9 It will be imperative that appraisals are completed by the due date of end of February 2019 as this is the mechanism for determining if an increment is due so that an employee can then be transferred to the new pay spine and receive the 'cost of living' pay award. This has been discussed with the Corporate

Management Team who have confirmed that they will endeavor to ensure that these timescales are met for all employees within their directorate.

4.10 The following assumptions have been made in the figures in Table 2:

- Only 50% of staff will progress through the gateway in their grade.
- The expenditure above excludes school based staff.
- 2018/19 is based on the forecast pay-bill based using September 2018 salaries.
- 2020/21 is derived by adding 2% to 2019/20 pay-bill

5. CONTRIBUTION TO STRATEGIC AIMS

5.1 Terms and conditions negotiated by the NJC will be incorporated into employees' contracts of employment. The introduction of a new pay spine will have this affect. The process for implementing the new pay spine can be determined by Reading Borough Council and options for doing this are outlined in the proposal above. The proposals have been considered on the basis of the cost and efficiency of their implementation, thereby contributing to securing the economic success of Reading and the provision of affordable job opportunities. The proposals allow for the continuing application of the grading structure and future proof the Council against the National Living Wage increases and so provide stability.

6. EQUALITY IMPACT ASSESSMENT

6.1 An Equality Impact Assessment (EIA) has been completed to assess the options for implementing the new pay spine and their impact in terms of gender. The EIA is attached at Appendix 2. The grade of an employee has already been determined by job evaluation taking account of job content. The impact of all three options is neutral in terms of gender as shown in the Equality Impact Assessment in Appendix 2.

7. LEGAL IMPLICATIONS

7.1 The implementation of the new pay spine is a collective agreement and forms part of an employee's contract of employment. There are options available to the Council as part of the proposal which need to be consulted on with the trade unions.

8. FINANCIAL IMPLICATIONS

8.1 Financial implications are detailed within the report.

SCP	01-Apr-17		1 April 2018		01-Apr-19			Old SCP[s]
	£ per annum	£ per hour*	£ per annum	£ per hour*	New SCP	£ per annum	£ per hour*	
39	£34,538	£17.90	£35,229	£18.26	33	£35,934	£18.63	39
40	£35,444	£18.37	£36,153	£18.74	34	£36,876	£19.11	40
41	£36,379	£18.86	£37,107	£19.23	35	£37,849	£19.62	41
42	£37,306	£19.34	£38,052	£19.72	36	£38,813	£20.12	42
43	£38,237	£19.82	£39,002	£20.22	37	£39,782	£20.62	43
44	£39,177	£20.31	£39,961	£20.71	38	£40,760	£21.13	44
45	£40,057	£20.76	£40,858	£21.18	39	£41,675	£21.60	45
46	£41,025	£21.26	£41,846	£21.69	40	£42,683	£22.12	46
47	£41,967	£21.75	£42,806	£22.19	41	£43,662	£22.63	47
48	£42,899	£22.24	£43,757	£22.68	42	£44,632	£23.13	48
49	£43,821	£22.71	£44,697	£23.17	43	£45,591	£23.63	49

*hourly rate calculated by dividing annual salary by 52.143 weeks (which is 365 days divided by 7) and then divided by 37 hours (the standard working week in the National Agreement 'Green Book')

Appendix 2

EQUALITY IMPACT ASSESSMENT - Implementation of New Pay Spine

This is an equality impact assessment for the implementation of the new NJC pay spine.

Objectives of the Proposal

To implement the new nationally agreed pay spine with effect from 1 April 2019.

There are options available to the Council as part of this implementation in two areas:

1. assimilation onto the new pay spine followed by an increment where appropriate; or awarding an increment where appropriate followed by assimilation onto the new pay spine and
2. whether to introduce 5 new spinal column points into the Council's existing grading structure in RG3 and RG4.

The recommendation is to implement the new pay spine using option 2 from the pay modelling exercise which is to award an increment where appropriate and then assimilate.

Collection of data

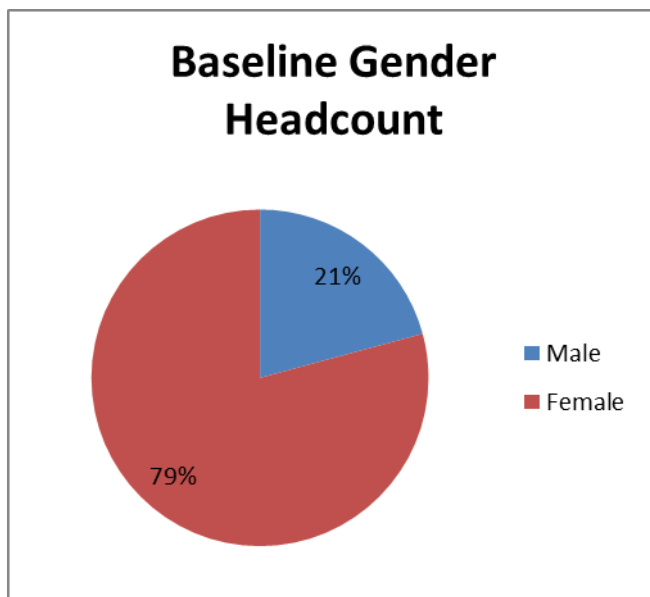
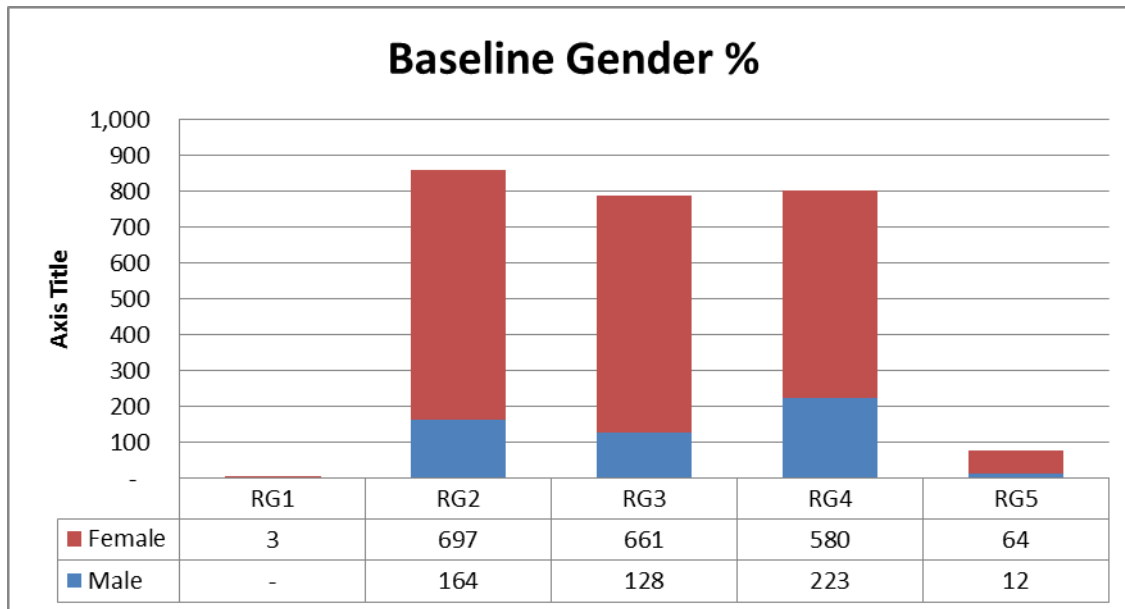
The Council reported in the 2017 Equality Audit that:

- Women made up 78.4% of the workforce. Initial data for the 2018 audit is showing that this figure has marginally increased to 78.5%.

Summary

Following some extensive pay modelling the following shows the impact that implementing the new pay spine will have using option 2 - to award an increment where appropriate and then assimilate.

Gender	Roles	FTE	% Roles	% FTE
Female	2,611	1,104	79%	76%
Male	701	350	21%	24%
Total	3,312	1,454	100%	100%



The split of male and female show that there would not be an adverse impact using option 2, the figures show the percentage of men and women is very close to those that will be reported in the 2018 Equality Audit and therefore no group is adversely disadvantaged.