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| Report To: | Policy and Resources Committee | Date: | 13 November 2018 |
| Report By: | Head of Organisational Development, Policy & Communications | Report No: | HR/23 /18 /SMcN |
| Contact Officer: | Steven McNab | Contact No: | Ext. 2015 |
| Subject: | Review of Pay and Grading Model and Impact of Living Wage | | |

1.0 PURPOSE

- 1.1 The purpose of this report is to update the Policy and Resources Committee on work undertaken to redesign the Council Pay and Grading structure and to seek the agreement of the Committee to implement a revised pay structure for SJC employees with effect from 1 April 2019, subject to agreement being reached with the recognised trade unions. This report also updates members on the Chief Officer salary review.

2.0 SUMMARY

- 2.1 The Council, at its meeting on 22 February 2018, agreed as part of the management restructure report, that a review be undertaken of the pay and grading model for SJC and Chief Officers. This report details proposals for SJC employees and reports on the outcome of the chief officer salary review.
- 2.2 Most councils currently pay the Scottish Local Government Living Wage by way of a supplement to pay. As part of the national pay award negotiations in recent years, the employers' side of the SJC have committed to giving consideration to the consolidation of the Living Wage into existing (revised) structures with the deletion of spinal column points below the Living Wage rate.
- 2.3 Pay negotiation for 2017/2018 resulted in an agreement being reached in the SJC which included the following in relation to the Living Wage:
- The Scottish Local Government Living Wage (SLGLW) rate will be used as the minimum pay level for all pay including additional hours worked and all allowances.
 - Each employer will decide whether to consolidate the difference between the SCP rate and the SLGLW rate into basic pay or whether to pay it as an allowance. Regardless of whether it is consolidated or paid as an allowance, the SLGLW will be pensionable for hours worked up to the notional working week.
- 2.4 The erosion of pay differentials at the bottom end of the Council's current Pay and Grading structure is one of the key issues that the revised model seeks to address. Currently, all employees within Grades A, B & C are paid the same hourly rate (£8.75) notwithstanding that some of the posts within these Grades have supervisory responsibilities and that the Council's application of the SJC Job Evaluation Scheme clearly differentiates between the demands of the jobs in these grades.
- 2.5 The Corporate Management Team has considered a number of different pay and grading models taking into account the workforce and financial implications and the proposed revision to the pay and grading structure is detailed in Appendix 1.

- Embedding the living wage rate into the pay structure has been a key objective of the trade unions nationally since 2013 and positive discussions around the revised pay and grading model have taken place with local trade unions representatives who are currently consulting their membership on the proposals.
- 2.6
- 2.7 It is not proposed to revisit any Job Evaluation outcomes as part of the Pay and Grading review. Job holders will be assimilated to the revised pay structure based on the current Job Evaluation outcome for their job.
- 2.8 Details of the Chief Officer salary review are provided in section 8 of this report and it is recommended that Chief Officer salaries remain at their current level.
- 2.9 The Members' Budget Working Group has considered the content of this report and has agreed that the Policy & Resources Committee should be asked to agree the recommendations.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Policy and Resources Committee:
- Agrees to implement the revised pay and grading structure detailed in Appendix 1 with effect from 1 April 2019, subject to agreement being reached with the recognised trade unions;
 - Agrees to authorise the Head of Organisational Development, Policy and Communications to reach agreement with the trade unions on appropriate assimilation arrangements to map employees across to the revised pay and grading structure;
 - Notes the financial implications for the Council outlined in Section 9 of this report;
 - Notes that an independent Equality Impact Assessment has been undertaken by an equality specialist on the proposed pay and grading structure, details of which are outlined in section 7 of this report;
 - Agrees that, subject to approval to implement the revised pay and grading structure, the annual implementation of the revised Living Wage rate should be applied from 1st April each year as outlined in paragraph 4.4;
 - Notes the outcome of the review of Chief Officer's salaries outlined in section 8 of this report and agrees that Chief Officer salaries remain at their current level.

Steven McNab
Head of Organisational Development,
Policy and Communications

4.0 BACKGROUND

- 4.1 The Council, at its meeting on 22 February 2018, agreed to implement a revised management structure for the Council to be implemented over the period up to 2020. The new structure removes 12 senior management posts and delivers a recurring saving of £675k. To support succession planning and to enable the Council to retain skills and expertise, it was also agreed that a review is undertaken of the pay and grading model for all staff including the Chief Officers' pay model as the phased reduction in management is implemented. The outcome and recommendations of the review are detailed in this report.
- 4.2 The Corporate Management Team have considered a number of different Pay and Grading model options and from the ensuing discussion, certain goals and objectives were formed and the basis for a proposed model established. It is recognised that the existing structure is approximately 10 years old and from a best practice approach should be reviewed even in the absence of the Living Wage agenda which however, serves to encourage revision. A proposed revised pay and grading model has been identified by the Corporate Management Team with the following objectives:
- Incorporate the Scottish Local Government Living Wage as the minimum hourly rate
 - Address lost differentials within the groups of employees affected by the recent increases in the recommended level of the Living Wage
 - Reduce the number of grades in the Local Government Employees (LGE) structure
 - Rationalise and reduce the number of Senior Management Grades
 - Remove all abutments of the pay scales from adjacent grades
 - Reduce the number of increment pay steps per grade
 - Consider affordability.

The proposed revised Pay and Grading model detailed in Appendix 1 satisfies all of the objectives expressed above.

- 4.3 Given that the Living Wage rate is determined by an external body (Living Wage Foundation) the sustainability of any new model is an important consideration. Over the past few years increases in the recommended level of the Living Wage rate have out-stripped any national pay awards resulting in pay for our first three grades being overtaken by the minimum. Using the Corporate Management Team's preferred model as a base, assuming future National Pay Awards of 3% per annum and a Living Wage increases of £0.30 per annum, the proposed model would be sustainable for a number of years. However, given the uncertainty of national Pay Awards and Living Wage increases it is not possible to be definitive about the longevity of the revised model.
- 4.4 The recommended new Living Wage rate is announced on the first Monday of November each year and accredited employers should implement the new rate within 6 months. It has been customary for Inverclyde Council to implement the new rate as soon as possible after it is announced, but this is not the approach agreed in the SJC. It is proposed that once a revised Pay and Grading model is implemented, the Living Wage increase should be applied on 1 April the following year to run in tandem with the National Pay Award. If agreement is reached to fully embed the Living Wage into the Pay and Grading model, then it makes sense to treat it the same as all other points on the pay scale and makes the new pay structure more sustainable.

5.0 PROPOSALS

- 5.1 As outlined earlier in this report, the Corporate Management Team has considered the workforce and financial implications of a number of different pay and grading models and discussions have also taken place with the recognised trade unions. The Policy and Resources Committee should note the following in relation to the proposed model detailed in Appendix 1:
- The proposed model addresses the issue regarding lost differentials at the bottom end of the

current pay scale as a result of the Living Wage overtaking the current value of the relevant SJC spinal column points.

- The costs of introducing the preferred pay and grading structure are estimated to be approximately £0.8m with the vast majority of costs being invested in employees in the lowest 3 grades of the pay structure.
- Approximately 45% of the LGE workforce (1400 lower paid employees) will benefit from a salary increase through the introduction of the proposed model.
- The key groups of staff who would potentially see a salary increase are those currently graded 'C', 'D' and a small amount in Grade 'B'. These include ASN Auxiliaries, Classroom Assistants, Clerical Assistants, Early Years Support Assistants, Support Workers (Learning Disabilities), Senior Clerical Assistants, Gardeners (unqualified), Learning Assistants, Street Sweepers and Home Support Workers. This salary increase has a positive effect on the Gender Pay Gap as the majority of employees in the affected grades are female.
- For many employees higher up the grading structure there will be no movement. However, given that the number of incremental points have been reduced in many grades to remove overlaps, new employees to the Council will benefit from a 'higher' starting salary.
- There are currently 15 grades and the proposed model has 12 grades.

Details on the proposed pay and grading structure have been issued to all employees for their information and they have been advised that consultation is currently taking place with the trade unions.

6.0 TRADE UNION POSITION

- 6.1 The embedding of the Living Wage as the minimum hourly rate into the pay structure is a key objective of the trade unions nationally and positive discussions around the revised pay and grading model have taken place with local trade unions representatives who are currently consulting their membership on the proposals.
- 6.2 Unison have been providing information to their membership across the Council and will be conducting a postal ballot with a recommendation to accept the proposed pay and grading structure. It is likely that this ballot will take place during November but the outcome may not be known until mid-December. Both the Unite and GMB trade unions are undertaking similar ballots and have indicated the outcome will also be known in December 2018.
- 6.3 Subject to positive ballot results being returned, it is proposed that a collective agreement is signed with the trade unions to implement the revised pay and grading structure with effect from 1 April 2019.

7.0 INDEPENDENT EQUALITY IMPACT ASSESSMENT

- 7.1 An independent Equality Impact Assessment has been undertaken by an equality specialist on the proposed pay and grading structure. The key findings of the independent specialists report have highlighted a positive equality impact for our workforce and note that the proposed changes:
- address the issue of overlaps between the top point of the pay scale for each grade with the bottom point of the pay scale for the next higher grade;
 - reduce the number of incremental steps in the pay scales for each grade;
 - have a more logical progression in the number of incremental steps in adjacent grades;
 - will help reduce the gender pay gap across the job population as a whole.
- 7.2 The independent Equality Impact Assessment report concludes that the proposed revisions to the

Inverclyde LGE grading and pay structure:

- remain well-founded in the job evaluation results
- improve the technical integrity of the structure
- benefit the majority of employees in the lowest part of the grading structure
- virtually eradicate the gender pay gap in terms of basic pay for the 3 lowest grades – where gender based pay equality is the biggest issue for the Council's job population in terms of total remuneration
- strike an appropriate balance between the equalities obligations, operational requirement and affordability.

7.3 Fairer Scotland Duty

The implementation of the proposed structure improves the substantive pay of employees in the lowest three grades of the pay structure and, as such will have positive impact on reducing inequalities of outcome caused by socio-economic disadvantage.

8.0 CHIEF OFFICER PROPOSALS

- 8.1 Members will be aware that it was agreed by the Council that Chief Officers pay be reviewed during the period of implementation of the revised management structure. As part of the management structure review, a significant Chief Officer salary saving of £156,000 was achieved. However, in order to achieve this, additional responsibilities and expectations were placed on Heads of Service. Furthermore, as part of this pay review, detailed benchmarking of neighbouring authority salary scales has been undertaken to determine average pay levels which are important for the Council to be aware of in order to attract and retain good quality staff/candidates.
- 8.2 Chief Officer salaries are not part of the Council's core pay and grading structure. Following pay negotiations each year, COSLA issues a Chief Officer Pay Circular which confirms pay rates for all chief executives across the country and details a spinal column of Chief Officer pay points. Historically in Inverclyde Chief Officer pay rates were determined as a percentage of the Chief Executive's salary and were not paid on the COSLA spinal column. However the percentage relationship was broken in 2010/11 following a retrospective reduction in the pay award for chief executives. Nationally, most Chief Officers are placed on the COSLA spinal column rates.
- 8.3 A benchmarking exercise has been undertaken into the level of Chief Officer salaries across the region. In this regard, Corporate Directors' salaries in Inverclyde were found to be in the middle range – less than salaries paid in South Ayrshire, Renfrewshire and East Ayrshire but slightly more than those paid in comparable authorities such as West Dunbartonshire, East Renfrewshire and North Ayrshire. The average Corporate Director salary is £107,856 per annum. Inverclyde currently pay £107,769 per annum. It is difficult to compare the Statutory Officer roles across the nearby authorities as this responsibility can be incorporated into a Corporate Directors role or a Head of Service role. However, the average pay for Statutory Officers is between £89,902 and £93,289. Inverclyde Statutory Officers receive £87,790 per annum. Heads of Service salaries in Inverclyde were found to be the lowest across eight nearby authorities. The average pay for Heads of Service across nearby authorities is £83,693 with the highest paid receiving £95,709 per annum. Inverclyde Heads of Service receive £78,102 per annum.
- 8.4 Consideration was given to transferring our Chief Officers onto the COSLA national pay spine. However, the COSLA rates do not align readily with current pay scales within Inverclyde and therefore this would result in either detriment to current post holders or enhancement depending on the mapping process.
- 8.5 The Council's Corporate Director salaries are comparable with neighbouring authorities and although Statutory Officers and core Heads of Service salaries are lower in comparison it is proposed that, in light of the prevailing financial environment for councils, all our chief officer salary levels remain as they are at present.

9.0 Finance

9.1 Financial Implications

The current Financial Strategy highlighted a revised Pay and Grading Model as an imminent budget pressure and the current Pay Award allowance for 2018/20 contains approximately £0.75 million which could be allocated towards this. Clearly, if the current 2018/19 pay award increases or the 2019/20 Pay Award exceeds the 2% allowance, then this will reduce the available funding and introduce a new budget pressure.

One off Costs

| Cost Centre | Budget Heading | Budget Years | Proposed Spend this Report £000 | Virement From | Other Comments |
|-------------|----------------|--------------|---------------------------------|---------------|---------------------|
| Equal Pay | E.M.R | | 2 | | Equality Consultant |

Annually Recurring Costs/ (Savings)

| Cost Centre | Budget Heading | With Effect from | Annual Net Impact £000 | Virement From (if Applicable) | Other Comments |
|-------------|----------------|------------------|------------------------|-------------------------------|---|
| | | | Approx 830 | | Costings based on vacancies being filled at bottom of scale |

Legal

9.2 Legal services have been consulted on the proposed revised pay structure.

Human Resources

9.3 As outlined in the report.

Equalities

9.4 An Equality Impact Assessment has been undertaken which highlights a positive equality impact on for the workforce.

YES (see attached appendix)

NO - This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

10.0 CONSULTATIONS

10.1 Consultation has taken place with the Trade Unions and they are currently consulting their members on the proposed pay and grading structure.

11.0 BACKGROUND PAPERS

11.1 None.

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|-----------------|---------|---------|---------|---------|
| Grade 1 (A & B) | SLGLW | | | |
| Annual Salary | £16,417 | | | |
| Hourly Rate | £8.51 * | | | |
| Grade 2 (B & C) | SCP 21 | SCP 23 | | |
| Annual Salary | £17,112 | £17,652 | | |
| Hourly Rate | £8.87 | £9.15 | | |
| Grade 3 (D) | SCP 25 | SCP 27 | | |
| Annual Salary | £18,173 | £18,694 | | |
| Hourly Rate | £9.42 | £9.69 | | |
| Grade 4 (E) | SCP 30 | SCP 32 | SCP 34 | SCP 36 |
| Annual Salary | £19,562 | £20,063 | £20,700 | £21,337 |
| Hourly Rate | £10.14 | £10.40 | £10.73 | £11.06 |
| Grade 5 (F) | SCP 40 | SCP 42 | SCP 44 | SCP 46 |
| Annual Salary | £22,610 | £23,247 | £23,980 | £24,674 |
| Hourly Rate | £11.72 | £12.05 | £12.43 | £12.79 |
| Grade 6 (G) | SCP 50 | SCP 52 | SCP 54 | SCP 56 |
| Annual Salary | £26,198 | £26,970 | £27,780 | £28,610 |
| Hourly Rate | £13.58 | £13.98 | £14.40 | £14.83 |
| Grade 7 (H) | SCP 58 | SCP 60 | SCP 62 | SCP 64 |
| Annual Salary | £29,459 | £30,346 | £31,195 | £32,179 |
| Hourly Rate | £15.27 | £15.73 | £16.17 | £16.68 |
| Grade 8 (I) | SCP 66 | SCP 68 | SCP 70 | |
| Annual Salary | £33,124 | £34,146 | £35,150 | |
| Hourly Rate | £17.17 | £17.70 | £18.22 | |
| Grade 9 (J) | SCP 72 | SCP 74 | SCP 76 | |
| Annual Salary | £36,211 | £37,330 | £38,429 | |
| Hourly Rate | £18.77 | £19.35 | £19.92 | |
| Grade 10 (K) | SCP 78 | SCP 80 | SCP 82 | |
| Annual Salary | £39,625 | £40,821 | £42,018 | |
| Hourly Rate | £20.54 | £21.16 | £21.78 | |
| Grade 11 (L/M) | SCP 84 | SCP 86 | SCP 88 | |
| Annual Salary | £43,329 | £44,603 | £46,011 | |
| Hourly Rate | £22.46 | £23.12 | £23.85 | |
| Grade 12 (N/O) | SCP 96 | SCP 98 | SCP 100 | |
| Annual Salary | £51,779 | £53,303 | £54,904 | |
| Hourly Rate | £26.84 | £27.63 | £28.46 | |

Current Grades in brackets

* £8.75 is the current LW rate and was applied in Inverclyde from November 2017