

## **Pay & Reward Project Update**

### **SUMMARY**

- 1.1 This report updates the Committee on the current position in respect of implementing the National Single Status agreement for staff employed in Council Directorates, including how the Employer Side Negotiating Panel has exercised the delegated authority granted by the Committee on 18 July 2013.

### **RECOMMENDATIONS**

- 2.1 To note the current position on implementing the National Single Status Agreement for staff employed in Council Directorates.
- 2.2 To note the 'New Pay and Reward Package' document attached at Appendix 2 which represents how the Employer Side Negotiating Panel has exercised the delegated authority granted by the Committee on 18 July 2013.

### **REASONS FOR RECOMMENDATIONS**

- 3.1 This report provides feedback to the Committee on the current status of the implementation of the National Single Status Agreement.

### **SUPPORTING INFORMATION**

- 4.1 At its meeting on 18 July 2013 the Committee approved a package of proposals to harmonise terms and conditions of employment for all employees falling under the purview of the National Joint Council for Local Government Employees. The Committee also agreed to grant delegated authority to an Employer's Side Negotiating Panel consisting of the Leader of the Council, the Cabinet Member for Business, Finance and Democracy, the Cabinet Member for Adults and Health, the Chief Executive, the Strategic Director of Resources, the Strategic Director of Neighbourhoods and the Director of Human Resources and Business Support to conduct consultation with the trade unions.

- 4.2 The delegated authority granted by the Committee authorised the Employer's Side Negotiating Panel to develop detailed proposals to progress consultation with the trade unions party to the national Single Status Agreement (UNISON, GMB and UNITE) with a view to implementing a revised pay and grading structure and package of revised terms and conditions to apply to all Council employees within scope of the Pay and Reward Project with a target implementation date of April 2014.
- 4.3 Formal consultation with the trade unions commenced on 19 July when the Employer's Side Negotiating Panel presented the proposals set out in the Personnel Committee of 18 July 2013. At the initial meeting it was agreed that the Employer's Side Negotiating Panel and the trade unions would meet on a weekly basis to consider the Council's proposals in detail, to provide clarification on the basis for the proposals and to consider any counter proposals the trade unions wished to bring forward.
- 4.4 Following the initial meeting approximately 20 formal consultation meetings were held and the Director of Human Resources and Business Support has provided the Committee with regular updates of the progress of the discussions with the trade unions. At those meetings the trade unions sought clarification on the detail of aspects of the Employer's Side proposals but did not bring forward any counter proposals.
- 4.5 During September and October 2013 the Employer's Side presented the trade unions with proposals for a revised Pay and Grading structure based on the outcomes of the job evaluation review that had been applied to the 3,500 employees in Council Directorates in scope of the review. The final proposal was a new pay structure which contained 14 grades commencing at a new minimum earnings level of £14,880 for Grade 1 rising to £56,037 at the maximum point of new Grade 14 (equivalent to the existing maximum point of Head of Service 1). The impact of this proposal was to increase basic pay for approximately 60% of employees, with 20% remaining unchanged and with 20% suffering a reduction in basic pay.
- 4.6 In view of this impact and also mindful of the financial impact on some groups of employees of rationalising premium rate payments the Employer's Side Negotiating Panel modified the Council's initial proposal of two months' pay protection as follows:
- Up to 10% reduction in basic pay – 12 months' pay protection
  - 10.01 – 14.99% reduction in basic pay – 18 months' pay protection
  - In excess of 15% reduction in basic pay – 24 months' pay protection

The Employer's Side also proposed that existing employees be assimilated into the new pay structure based on length of service with the Council.

- 4.7 In view of the impasse in consultation and the trade unions' collective feedback that a collective agreement on the Council's proposed package of measures was unlikely based on consultation with their members, the Council issued a formal Section 188 statutory consultation notice on 19 November 2013 as a means of seeking alternatives to dismissing employees in order to achieve implementation of the new pay and grading structure.

- 4.8 Whilst the Employer's Side continued to meet with the trade unions during the period of the Section 188 notice the Council also issued details of the New Pay and Reward Package (which is attached at Appendix 2) direct to each individual employee in scope of the review along with details of their proposed new pay grade. At the point at which we were informed by the trade unions that a collective agreement was unlikely, individual employees were invited to agree to a voluntary variation of their contract of employment effective from 1 April 2014 to incorporate the new terms and conditions.
- 4.9 This offer of voluntary variation to contracts of employment was supplemented by an invitation to all employees to attend individual consultation events to learn more about the Council's proposals, ask any questions of clarification and to put forward any counter proposals they wished the Council to consider. Over 30 consultation events were held in December 2013 and January 2014 and these were attended by over 1,000 employees providing opportunities for both group and individual discussions, where the latter was preferred. Tailored team events were also provided where requested. These meetings were minuted and a report setting out details of the individual consultation events has been placed on the Equal Pay Review pages of iDerby in order that all employees can read the Council's proposals and how questions raised by employees were responded to.
- 4.10 Following the conclusion of the Section 188 notice on 2 January 2014 over 50% of employees in scope of the review had agreed to a voluntary variation of their contract of employment to incorporate their new pay grade and acceptance of the new terms and conditions of employment to be effective from 1 April 2014.
- 4.11 Those employees who did not accept a voluntary variation to their contract of employment were invited to attend a meeting convened under the Council's Disciplinary and Dismissals Policy. At this meeting they were dismissed from their current contract of employment with 12 weeks' notice and offered reengagement on new terms and conditions of employment which incorporate the new pay and grading structure and new terms and conditions of employment to be effective from 1 May 2014.
- 4.12 The outcomes of these meetings have been confirmed in writing and dismissed employees are still able to voluntarily agree to a variation to their contract of employment to be effective from 1 April 2014. 34 employees appealed against the decision to dismiss and offer reengagement and these appeals have now been considered and not upheld.
- 4.13 At present 73% of employees have now agreed to a voluntary variation to their contract of employment and the remaining 27% are now being issued with new contracts of employment to be effective from 1 May 2014. Service Directors have been notified of details of employees who have been dismissed and offered reengagement and have also been issued with advice on how to deal with practical aspects of implementation in order that they are able to manage service continuity from 1 May 2014.

- 4.14 The Committee is asked to note the overall approach being taken in order to ensure smooth implementation for non-schools workforce of the revised pay and grading structure and also to note the details of the new pay and terms and conditions of employment package as set out in the 'New Pay and Reward Package' attached at Appendix 2.
- 4.15 Upon completion of implementation for our non-schools workforce, project resources will be reprioritised to focus on progressing the project for our schools-based employees in scope. An update report will be presented at the next Personnel Committee.

<b>OTHER OPTIONS CONSIDERED</b>
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5.1 None

**This report has been approved by the following officers:**

<b>Legal officer</b>	Janie Berry, Director of Democratic and Legal Services
<b>Financial officer</b>	Jawaid Rehman, Associate, Weightmans LLP
<b>Human Resources officer</b>	
<b>Service Director(s)</b>	Karen Jewell, Director of HR and Business Support
<b>Other(s)</b>	

<b>For more information contact:</b>	Jon Redfern, Pay and Reward Project Manager 01332 643689 e-mail jonathan.redfern@derby.gov.uk
<b>Background papers:</b>	None
<b>List of appendices:</b>	1. Implications

	2. New Pay and Reward Package booklet
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## **Appendix 1**

### **IMPLICATIONS**

#### **Financial and Value for Money**

- 1.1 The arrangements set out in this report will enable the Council to harmonise terms and conditions of employment for all employees in scope of the Single Status review and adopt a framework of common terms and conditions of employment. The new arrangements will also help provide an objectively justifiable defence against potential future equal pay claims.

#### **Legal**

- 2.1 The adoption of a new pay and grading structure is necessary to ensure compliance with the Equality Act 2010 and guidance issued by the equality and Human Rights Commission (EHRC) and should enable the Council to manage equal pay liabilities. ACAS guidance advises that Employee Appeals should be heard without unreasonable delay.
- 2.2 In order to implement the new terms and conditions, the Council had to dismiss and reengage a significant number of employees. There is a risk of unfair dismissal claims arising in these cases but the fact the Council has followed its own Disciplinary and Dismissals Policy and Appeals Policy will provide the basis for a sound defence should there be any claims made to employment Tribunal.
- 2.3 Implementing a new pay scheme raises awareness amongst staff of historic pay inequalities. This has the potential to lead to equal pay claims but is no different to the position that all authorities that have implemented Single Status have been faced with.

#### **Personnel**

- 3.1 As set out in the report.

#### **Equalities Impact**

- 4.1 An Equality Impact Assessment has been carried out on the proposed new Pay and Grading structure and this demonstrates that the proposals have the effect of narrowing the gender pay gap in the Council.

#### **Health and Safety**

- 5.1 None

#### **Environmental Sustainability**

6.1 None

### **Asset Management**

7.1 None

### **Risk Management**

8.1 The measures proposed in this report will enable the Council to implement new pay and grading structure in a timely manner and provide an objectively justifiable defence against potential future equal pay claims.

### **Corporate objectives and priorities for change**

9.1 COD1



# **New Pay and Reward Package**

## **Variation to Terms and Conditions of Employment with Derby City Council to be effective from 1 April 2014**

### **1. Introduction**

#### **SINGLE STATUS – A REMINDER**

##### **What is 'Single Status'?**

Pay and terms and conditions for manual workers, 'blue collar', and administrative, professional, clerical and technical (APT&C) workers, 'white collar', in councils used to be negotiated nationally by two separate negotiating bodies.

In 1997 this group merged to form the National Joint Council for Local Government Services (which is also known as the 'Green Book') and the Single Status Agreement was developed. This agreement set out a commitment to harmonise the terms and conditions for these two groups of workers. The agreement also required councils to carry out a review of pay and grading arrangements for all jobs covered by the agreement. Derby City Council is required to comply with this national agreement. Introducing a new Single Status pay structure will also ensure the Council complies with the law on equal pay.

##### **What has the Council done so far?**

We have evaluated all roles within the Council (excluding support staff in community schools) that are covered by the agreement. We have also reviewed our pay, terms and conditions to develop a new pay and grading structure that is fair to all employees and ensures that everyone is entitled to the same pay for the same level of work.

##### **What will the proposed new pay and grading structure achieve?**

Our proposed new pay and grading structure will:

- Ensure that pay differences are based on the responsibilities of each job
- Provide a simple structure that is easy for everyone to understand and easy to manage.
- Help us to develop better ways of working so that we can continue to deliver high quality services.
- Enable us to motivate and retain our existing people, and to recruit new employees.
- Support the Council's policies on equality and diversity.

## 2. The new pay structure

SCP/ Former Manual Grades	Salary Scales for 2013/ 14 (£)	Old pay structure		New pay structure		NJC Score Range	Hay Know- How Score
5/ FMG 1&2	12435	Scale 1					
6/ FMG 3	12614						
7/ FMG 4	12915						
8/ FMG 5	13321						
9/ FMG 6	13725						
10	14013					*1-221	
11	14880			Grade1*			
12	15189		Scale 2		Grade 2	222-260	
13	15598						
14	15882	Scale 3		Grade 3			
15	16215					261-299	
16	16604						
17	16998						
18	17333		Scale 4		Grade 4	300-334	
19	17980						
20	18638						
21	19317						
22	19817	Scale 5		Grade 5		335-376	
23	20400						
24	21067						
25	21734						
26	22443		Scale 6		Grade 6	377-409	
27	23188						
28	23945						
29	24892	SO1		Grade 7		410+	132
30	25727						
31	26539						
32	27323		SO2		Grade 8		
33	28127						
34	28922	PO1					
35	29528						
36	30311						
37	31160					175	
38	32072		PO2	Grade 9			
39	33128						
40	33998						
41	34894	PO3			Grade 10		200
42	35784						
43	36676						
44	37578		PO4	Grade 11			
45	38422						230
46	39351	PO5					
47	40254						

48	41148						
49	42032						264
50	42844				Grade 12		
51	43623						
52	44427						
53	45204		PO6				
54	46059						304
55	47361				Grade 13		
56	48867						
57	50349	HOS2					
58	51774						350+
59	53196						
60	54618						
61	56037						

## How to find your new grade

Your new grade is included in the letter you received with this booklet. The Council's new pay structure is on the right. Each grade shows the minimum and maximum points of the new grade.

The information below is based on pay rates as agreed nationally for 2013/14.

Find the new grade that matches the grade in your letter. This is the grade that you will move to when we implement the new pay structure. For example, if your letter says Grade 4 then your new grade will be in the range SCP 17-21.

## Moving to the new structure

During the evaluation of the different jobs across the Council we scored each job and fitted them to the new grading system.

Assimilation is the term we use to describe how employees will move from the old pay structure to the new pay structure. You will be assimilated or moved across from the old pay structure on to the new pay structure in accordance with the rules set out below. Assimilation rules have been developed to ensure that all employees are moved to the new pay structure in a fair and consistent way. There are different rules depending on the individual outcome. These are as follows for employees whose new grade is Grade 3 or above:

- If the minimum SCP of your new grade is higher than your current SCP you will be assimilated to your new grade with effect from the date of implementation as per the table below (these are known as 'green circles')
- If your current SCP is included in the new grade (or Former Manual Workers whose job is evaluated as Grade 1) you will move to the new grade at your current SCP, plus one increment for each year of continuous service set out in the table below up to the fourth point of the grade (these are known as 'white circles')

- If the maximum SCP of the new grade is lower than your current SCP you will move to the top of the new grade with effect from the date of implementation and your basic pay will be protected in line with the pay protection policy (these are known as 'red circles')

<b>Length of continuous service with Derby City Council</b>	<b>Assimilation arrangements</b>
New starters after 31 March 2014	Assimilated to grade minimum
One year's service or less at 31 March 2014	Assimilated to second increment in new grade
Between one and two years' service at 31 March 2014	Assimilated to third increment in new grade
Two and more years' service at 31 March 2014	Assimilated to fourth increment in new grade

Where there are less than four increments in the new grade, then the above rules apply until the new grade maximum is reached.

## **Progressing through the new structure**

The Council intends to develop separate proposals for the adoption of performance related payments linked to the achievement of outcomes and objectives. These proposals will be submitted to the trade unions for consultation at the earliest opportunity.

In the meantime it is proposed that there will be no right to automatic incremental progression for any employee from 1 April 2014.

## **Pay Protection**

To help employees to deal with the impact of the equal pay review, the following pay protection arrangements will apply to employees whose basic pay decreases or package of basic pay plus contractual overtime decreases as a result of the pay review. If you are entitled to pay protection the letter sent with this booklet informs you of the period of protection you are entitled to.

At the end of the pay protection period the employee's pay will reduce to the maximum SCP of their new grade.

Protection of basic pay/ contractual overtime shall be applied on the following basis:

<b>Percentage reduction in basic salary</b>	<b>Number of months protected</b>
Less than 10%	12
Between 10% and 14.99%	18
15% plus	24

During the protection period you will not receive the annual pay award.

There will be no protection for loss of incremental progression; in other words, if the maximum SCP of your current grade is higher than the maximum SCP on the new grade there is no protection of the loss.

Pay protection does not apply to the loss of allowances.

### **If you currently receive pay protection**

If your current period of pay protection extends beyond 1 April 2014 the Council will honour this protection for the period of time outlined in the new pay protection arrangements or until the current protection expires – whichever is the more favorable.

### **Career grades**

A career grade post usually spans more than one grade and has specific criteria or requirements for the employee to meet (for example qualification or experience) before they can progress through the grade. This arrangement will continue and each career grade post will have an agreed framework setting out the requirements for the employee to progress through the career grade. Employees in these posts will be entitled to progress in accordance with the framework where they can demonstrate that they have met the relevant criteria.

### **Appeals**

It is important that individuals or groups can appeal against the outcome of the pay review. You will be able to appeal if you believe that:

- You have been matched against the wrong job evaluation or you do not agree that the content of the Job Information Questionnaire (JIQ) matches your job
- The JIQ used for evaluation purposes does not adequately reflect the duties of your job at the time of evaluation
- You believe that there has been a material change in the duties of your post since the JIQ was submitted and evaluated

If you are dissatisfied with the proposed grading of your job, the first thing to do is to register an 'Intent to Appeal' with the Pay & Reward project team.

This form must be completed and returned within 2 months of the date of the letter informing you of the proposed grade for your job. Your line manager will then be informed of your intention to appeal and every attempt will be made to resolve any issues informally. This is particularly relevant if your appeal relates to incorrect matching to a JIQ. If you remain dissatisfied with your outcome following the informal

stage of the appeal process you will be able to submit a full formal appeal.

Intention to Appeal Forms are available on iDerby, from your line manager or from the Pay and Reward Project Team.

You should be aware that there are no guarantees about the outcome of an appeal. As a result of an appeal your score, and therefore salary, could go up, down or stay the same and therefore so could the salary for your job.

### **3. Terms and conditions**

The following terms and conditions in relation to working time, annual leave arrangements, notice periods, elements of pay, allowances and expenses will apply from 1 April 2014. These replace all existing national and local agreements relating to terms and conditions of employment which are covered in Part 3 of the Green Book. Other terms and conditions of employment set out in individual Statements of Terms and Conditions of Employment remain unaltered.

#### **Working Week**

All contractual working hours worked Monday through to Sunday will be recompensed at plain time rate other than public holidays.

If you are required to work on a public holiday you will be paid, in addition to normal pay for that day, at plain time rate for all hours worked within normal working hours for that day. In addition, at a later date, time off with pay shall be allowed as follows:

- Time worked at less than half the normal working hours on that day – half day
- Time worked more than half the normal working hours on that day – full day

#### **All inclusive contracts**

The hours of work in any service area will reflect the needs and activities of that service. Service Directors may amend working times/ arrangements and roster patterns with a minimum of 30 calendar days' notice to meet the requirements of service delivery and following appropriate consultation.

Contractual hours, and therefore basic salary for all Council employees, other than Teachers and Head teachers, will be based on a standard working week of 37 hours covering 365.25 days a year including leap years (52.19 weeks).

#### **Full time equivalent working year**

Service Directors will be responsible for determining the working hours requirements for their service.

Similarly, individual employees will be able to request part time working hours to meet their own work-life balance requirements.

Employees will be paid according to actual hours worked and where this is less than a standard working week/ working year they will be paid a pro rata of the full time equivalent for their grade/ salary level.

Employees may be offered contracts in excess of 37 hours a week for part of the year and be granted additional paid leave or reduced working weeks for other parts of the year to ensure they do not work in excess of a full time equivalent year. In such cases hours worked in excess of 37 in a given week would not be regarded as overtime.

## **Additional hours/ Overtime working**

Employees will only be requested to work additional time in excess of their contracted or planned working hours when flexible working cannot be used and there is no other alternative for providing a service.

Additional hours worked in excess of 37 hours per week by employees at Grade 6 (max SCP 28) and below will be paid at an enhanced hourly rate of time and a quarter.

Employees graded above Grade 6 (max SCP 28) will be granted time off in lieu for additional hours worked in excess of 37 hours per week.

## **Standby and Call-out**

Where standby/ call-out is a requirement of the job this will be specified in your contract of employment.

All rota'd standby and call-out payments will be harmonised across the whole Council on the following basis:

- **Standby** – employees at Grade 6 (max SCP 28) and below receive an additional payment of two hours based on their substantive hourly rate for each 24 hour period they are on standby. Where the standby period is for 12 hours or less employees will receive an additional payment of one hour based on their substantive rate of pay.
- **Call-out** – employees at Grade 6 (max SCP 28) and below will be paid for time spent on the call-out at time and a quarter. Employees graded above Grade 6 (max SCP 28) will be granted time off in lieu for time spent on the call-out

All employees above Grade 6 (max SCP 28) will be required to carry out standby and undertake call-outs as and when reasonably required, such as in response to emergency situations. This will be deemed to be a requirement and part of the graded duties of the job.



## **Harmonisation of leave entitlements**

All employees will receive a standard annual leave entitlement of 26 days rising to 31 days after five years' continuous local government service. This entitlement consolidates previous extra statutory days and concessionary holidays.

The existing provision of eight days bank holidays remains unchanged.

All leave entitlements will be adjusted pro rata in relation to individual contractual hours/ normal working patterns.

Employees will be required to take leave from their standard entitlement on days on which their service is not open, including bank holidays and Christmas closedown, where appropriate. Service Directors will be responsible for making appropriate arrangements in this regard for their service area.

## **Purchase of additional leave**

Employees may purchase up to a maximum of ten days additional leave in any financial year commencing from the leave year 2015/16.

Applications for additional leave must be made in the previous financial year. Approval of such applications will be at the discretion of the appropriate Service Director and will be subject to the needs of the service.

Where individual employees meet the relevant HMRC criteria they are able to purchase additional leave through salary sacrifice. Details of this scheme will be published on iDerby prior to the leave year 2015/16.

## **Pay increases to be linked to performance**

The Council intends to develop separate proposals for the adoption of specific performance related payments linked to the achievement of outcomes and objectives of individuals and work groups.

Incremental progression will be dependent upon performance and proposals will be submitted to the trade unions for consideration at the earliest opportunity.

There will be no right to automatic incremental progression for any employees after 1 April 2014.

## **Minimum Earnings Level**

Effective from 1 April 2014 the Council will adopt a minimum rate of pay for all employees of SCP 11 (currently £14,880 a year, equivalent to £7.71 an hour). This will be adjusted in the future in line with pay awards determined by the NJC for Local Government Services.

## **Recruitment and Retention (R&R) Payments**

The Council has terminated recruitment and retention payments previously paid to employees under the purview of the NJC for Local Government Services effective from 1 April 2014.

### **Car Parking in city centre car parks**

Existing free City Centre car parking permits will be retained.

The Council will establish clear criteria for eligibility for new City Centre car park permits based on job holders requiring free city centre car park permits based on job holders requiring access to their own vehicle in order to undertake their normal duties. Employees who currently qualify for free car park permits to undertake their normal work duties will not be able to use their permit for domestic or recreational purposes.

The Council will also develop proposals for all city centre based employees to apply for city centre car park passes at a commercially discounted rate of £640 per annum. Employees who purchase permits will be eligible to use these permits for domestic and recreational purposes.

Where individual employees meet the relevant HMRC criteria they will be able to purchase car park permits through salary sacrifice.

### **Discretionary extension of sick pay in cases of critical illness**

The Council, at its discretion, will agree to consider and, if appropriate, extend sick pay at full or half rate for employees suffering critical illnesses at the point at which their contractual sick pay entitlement is exhausted.

## **ACCEPTANCE FORM**

If you wish to accept the changes to your terms and conditions of employment please sign the following Acceptance Form below and the accompanying letter and return one copy of the letter and booklet in the reply-paid envelope in accordance with the attached letter.

**ACCEPTANCE FORM**

I understand and accept the changes to my contract of employment set out in this booklet and the accompanying letter.

Signature .....

Name .....

Date .....