

## Agenda item 8

<b>Report title: Revision of Pay Policy Statement</b>	
<b>Report to:</b> Council	
<b>Report author:</b> Gavin Jones, Chief Executive and Head of the Paid Service	
<b>Date:</b> 12 December 2017	<b>For:</b> Decision
<b>Enquiries to:</b> Gavin Jones, Chief Executive or Pam Parkes, Director of Organisational Development and People	
<b>County Divisions affected:</b> All Essex	

### 1. Purpose of report

- 1.1. The Localism Act 2011 requires the Council to have pay policy statement adopted by council each year.
- 1.2. The Council must cover a number of statutory issues and the Council must comply with the policy. The pay policy statement may be revised at any time by a resolution of the Council.
- 1.3. The statement must set out the authority's policies relating to:-
  - (a) the remuneration of its chief officers:
    - a. the level and elements of remuneration for each chief officer,
    - b. remuneration of chief officers on recruitment,
    - c. increases and additions to remuneration for each chief officer,
    - d. the use of performance-related pay for chief officers,
    - e. the use of bonuses for chief officers,
    - f. the approach to the payment of chief officers on their ceasing to hold office under or to be employed by the authority
  - (b) the remuneration of its lowest-paid employees, and
  - (c) the relationship between—
    - (i) the remuneration of its chief officers, and
    - (ii) the remuneration of its employees who are not chief officers.
- 1.4. The Pay Policy Statement has been updated to provide the appropriate governance for the work that is currently underway to implement proposed

changes to the pay and grading system as part of organisation re-design Phase 2.

## **2. Recommendations**

- 2.1. That with immediate effect the document at appendix 1 be adopted as the pay policy statement for 2017/18 and 2018/19.
- 2.2. Note that the current pay policy statement will continue to have effect for current employees until their contracts of employees are changed by collective agreement, consent or otherwise.

## **3. Background and proposal**

- 3.1. Essex County Council is part way through an ambitious change programme in order to help deliver its strategic priorities for the next 4 years. This includes an organisation re-design and as part of this change programme, the Council has already redesigned pay for Directors and Executive Directors (layers 1 and 2). These changes are already reflected in the 2017/18 statement.
- 3.2. The current statement signalled the Council's intention to review pay for the large majority of ECC employees, ie those employed on ECC pay bands 1-9. The pay policy statement made it clear that any changes would need a change in the Pay Policy Statement.
- 3.3. As will be seen from appendix A to the draft pay policy statement, the current bands are long, with significant overlaps between bands. Progression through the band is slow, meaning that there is a wide variety in people's pay for the same job. This creates perception of pay unfairness. In addition, we use the national local government job evaluation system for bands 1-4 and then the Hay system for bands 5-9.
- 3.4. At the request of the Chief Executive, following consultation with the leader we have negotiated with the trade unions to formulate a new system of pay to replace current bands 1-9.
- 3.5. Agreement in principle has been reached with the trade unions who are now consulting their members help inform their decision as to whether or not a collective agreement can be signed.
- 3.6. The Pay Policy Statement cannot be signed without changing the Pay Policy Statement. Council is asked to approve the revised pay policy statement.
- 3.7. The proposed new pay system provides for:
  - Bands 1-9 to be replaced with new pay grades C-J.
  - There will be no overlap between bands.

- There will be no individual performance related pay, including for the current year.
- Clear policy guidelines on how to position pay on appointment and how to progress individual pay within the grade.
- Annual pay reviews will be determined locally but will need to be within the available budget approved by full Council.
- The aim will be for most employees to be in the middle zone of the grade after 3 years (based on the Public and Not-for-Profit pay market), with the top zone of each grade only available to employees meeting exceptional criteria to be determined by the Chief Executive or his delegate.
- Special rules will apply for social work practitioners in order to maintain competitiveness in this hard to recruit area.

3.8 It is proposed to implement the new pay grades between December 2017 and July 2018. Implementation will be broadly aligned to the implementation of the new structure of the Council.

#### **4. Policy context**

- 4.1. Essex County Council has produced a Pay Policy Statement for each year since 2012 to comply with the requirements of the Localism Act 2011.
- 4.2. A key aim of the organisational strategy is to transform the Council to achieve more with less. Whilst the current proposals will cost more in the short term, they will resolve issues relating to pay and are likely to improve the motivation and retention of the workforce.

#### **5. Financial Implications**

- 5.1 The proposed Pay and Grading Re-design entails an estimated initial investment of c£3.0m (c1.5% of the pay bill) in 2018/19 to increase salaries to new minimums based on the financial cost modelling. The current estimates for the commitment to pay progression the middle zone over a 3-year period equate to a further increase to the pay bill of circa 1.4% per annum (excluding any further increases that might need to be made as part of the annual pay review process, e.g. to take into account market movement in pay ranges).
- 5.2 This investment in Pay and Grading Re-design will provide both a “quid pro quo” to balance the modernisation of the new structure and a fairer distribution of pay across the workforce.
- 5.3 The funding of this pressure has been discussed at the Strategic Business Board and with cabinet members. Year one (2018/19) will be funded as a one off investment, and years two (2019/20) and three (2020/21) will be funded through existing budgets via:
- efficiencies i.e. service design, technology and headcount reductions
  - significantly reduce the use of in-year pay adjustments
  - reduce daytime flat-rate allowances

- change our overtime policy: from 1.5x to 1.0x Monday-Saturday, increase the threshold for the pay grade where overtime can be claimed and restricted to pre-planned/emergency only (with greater use of TOIL).

## **6. Legal Implications**

- 6.1. The pay policy statement is binding on those making decisions on the aspects covered by the policy.
- 6.2. In order to implement new pay policies the Council must change the pay policy statement.
- 6.3. Changing the Pay Policy Statement does not itself have any effect on existing contracts of employment, but the Council will seek to enter into a collective agreement with recognised trade unions which will change existing contracts of employment.
- 6.4. The Council's pay policy must comply with equalities legislation and we seek to ensure that it does this.

## **7. Equality and Diversity implications**

- 7.1. Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when ECC makes decisions it must have regard to the need to:
  - (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 7.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 7.3. The equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic. The new pay and grading structure and associated pay policy guidelines are being designed to ensure and uphold equality of pay, both pay determination upon appointment and pay progression through the grade. Financial modelling indicates the new pay and grading system will help ensure equality of pay across all protected characteristics once all pay movements have been applied over the 3-year modelling period. A detailed equality impact assessment will be included in the decision-making process to approve the additional financial requirements arising from the implementation of a new pay and grading system.

## **8. List of Appendices**

(available at [www.essex.gov.uk](http://www.essex.gov.uk) if not circulated with this report)

- 8.1 Pay Policy Statement for 2017/18 and 2018/19 (amended 12 December 2017)
- 8.2 Equality impact assessment - this is summarised in section 7 above.

## **9. List of Background papers**

Documents setting out proposed pay grades and how they would work.