

## Corporate Scrutiny Committee 15<sup>th</sup> August 2023

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| <b>Report Title</b>              | <b>Update on Pay and Grading</b>   |
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| <b>Relevant Executive Member</b> | <b>Leader of the Council</b>   |

### List of Appendices

- Appendix A - Job Family Framework**
- Appendix B - Proposed Pay Structure**
- Appendix C - Proposed Terms and Conditions**

### **1. Purpose of Report**

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- 1.1. The purpose of this report is to outline the NNC proposed pay structure and employment terms and conditions to be recommended for adoption by Full Council.
- 1.2. The report enables Corporate Scrutiny Committee the opportunity to consider the recommended proposals and their financial implications.
- 1.3. A summary of key steps and actions of the pay and grading project is also included for information and context.

### **2. Executive Summary**

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- 2.1 The council does not have a pay and grading structure, or a complete set of employment terms and conditions of employment that are specific to NNC. The workforce is currently made up of employees who remain on their previous councils' terms and conditions, protected by TUPE legislation (c60% of the workforce); and employees who are on 'interim' / hybrid North Northamptonshire Council terms and conditions (c40% of the workforce).
- 2.2 TUPE legislation (Transfer of Undertakings Protection of Employment Rights) protects those employees who transferred to North Northamptonshire Council from one of our predecessor councils and who's role has not changed since the

transfer. Employees who are in this position remain on their previous councils' terms and conditions (including salary, pay scales, annual leave, allowances and redundancy pay) until such time that their role is changed significantly, or they apply for a new internal role. For example, if an employee was employed by Corby Borough Council before vesting day on 1<sup>st</sup> April 2021 and their role has not significantly changed since, they will continue to be employed under Corby Borough Council pay, terms and conditions.

- 2.3 New starters who have joined the council since 1<sup>st</sup> April 2021, or who have changed roles since that time, have been appointed to 'interim' North Northamptonshire Council pay, terms and conditions. These comprise of a small number of terms and conditions that were agreed before vesting day and those which were inherited from our predecessor councils.
- 2.4 Equal pay and retention considerations mean that it is not sustainable to continue using 'interim' arrangements for new appointments. Equally, the hybrid arrangements do not support the council's ambition to be an employer of choice.
- 2.5 A proposed pay structure for NNC and an accompanying set of terms and conditions have been developed, in consultation with the councils recognised trade unions and shared with employees. These have been designed to support the attraction and retention of skilled employees and provide a robust defence against potential equal pay claims.
- 2.6 For clarity, employees who transferred from a previous council and whose role has remained the same, will not be impacted by the new pay and grading arrangements. TUPE legislation does not allow for a unilateral move of all employees to the proposed NNC pay, terms and conditions, often referred to as "harmonisation".

### **3. Recommendations**

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- 3.1 It is recommended that the Corporate Scrutiny Committee:
  - a) Consider the report and the recommended pay, terms and conditions and provide feedback.
  - b) Make recommendations to Council, the decision maker for this matter.
- 3.2 Reasons for Decision
- 3.3 Implementing a new pay structure and terms and conditions for North Northamptonshire Council is an important decision, which will shape our workforce of the future. It is essential therefore that there is good scrutiny of the decisions that will be brought to members to determine.
- 3.4 Decisions relating to new pay and grading arrangements have significant financial implications for the Council and whilst these have been built into the Medium-Term Financial Plan, Corporate Scrutiny have a key role in reviewing what these implications look like and mean for the Council.

### **4. Report Background**

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- 4.1 North Northamptonshire Council was legally formed on 1<sup>st</sup> April 2021. This date is commonly referred to as “Vesting Day” and is the day in which the Borough Council of Wellingborough, Corby Borough Council, East Northamptonshire District Council, Kettering Borough Council and Northamptonshire County Council were abolished and replaced by the new North Northamptonshire Council. The abolished councils are referred to as “Predecessor Councils”.
- 4.2 The shadow North Northamptonshire Council, which was established prior to the 1<sup>st</sup> April 2021, agreed a small number of employment terms and conditions to ensure that the council was able to operate effectively from an employment perspective from day one. The shadow council also agreed to adopt the following National Pay arrangements (including national pay awards and annual increments):
- NJC (‘Green Book’) for most employees. The National Joint Council (NJC) is a negotiating body made up of unions and local government employers – it negotiates local government pay in England, Wales and Northern Ireland.
  - Chief Executive / Chief Officer pay arrangements for Corporate Leadership Team members.
  - Soulbury (‘Blue Book’) for educational psychologists and school improvement professionals (*Schoolteachers are employed on statutory teacher pay and conditions*).
- 4.3 Since Vesting Day, the pay and grading project team have been negotiating and consulting with the council’s recognised Trade Unions on the outstanding pay, terms and conditions; as well as regularly briefing the Corporate Leadership Team, the Executive, elected members and employees.
- 4.4 Developing a new pay structure and accompanying set of terms and conditions is an incredibly complex undertaking, especially in a large organisation that has a considerable number of roles and services. The first task was the design of a job family framework to underpin a sustainable pay and grading structure. In simple terms, the job family framework orders all the roles across the council into a distinct number of job families. NNC proposes 9 job families and all roles (except for Soulbury and Teacher roles) within NNC fit into at least one of these job families.
- 4.5 A job family is a group of roles with similar characteristics, which are engaged in similar type work, for example, business administration, although the level of accountability, skill and competence will differ from role to role, depending on scope and range of responsibilities required. To measure this objectively, it is necessary to use a job evaluation scheme.
- 4.6 Job evaluation is a systematic method that is used to determine the relative size of jobs across an organisation. The aim of job evaluation is to compare jobs with each other to create a pay structure that is fair, equitable, and consistent for everyone.
- 4.7 Prior to unitary, the shadow council agreed to adopt two job evaluation schemes, the NJC evaluation scheme for most roles and the HAY evaluation scheme for senior roles.

- 4.8 As stated, the evaluation schemes measure the level a role sits within a job family by awarding points for various factors, such as the knowledge and qualifications required to do the role, line management responsibilities and physical demands. Generally, the higher the overall score a role receives, the higher the level within the job family and the higher the salary.
- 4.9 A summary of the proposed job families for NNC can be found in Appendix A.
- 4.10 The NNC proposed pay structure has 17 levels, which cover all roles in the organisation, with level 17 being the Chief Executive role. This translates to 17 pay grades/ bands. Within each pay band there are incremental pay points, designed so that employees can develop and grow in their role.
- 4.11 The pay structure has been designed with several key principles:
- the number of steps in the pay bands reflects a best practice pay and grading structure, the organisational structure and the scope and responsibilities of the roles at each level
  - a clear gap between each pay band to provide:
    - a notable increase in pay when taking on a role with bigger responsibilities;
    - encouragement to progress a career with NNC through supporting clear career pathways;
    - a competitive pay structure to attract and retain employees as part of our commitment to being an employer of choice; and
  - one consistent and transparent pay scale that extends beyond NJC and covers all roles within our organisation up to and including the Chief Executive.
- 4.12 The national NJC pay spine currently starts at spinal column point 2 (£20,441 per annum (£10.60 /hr) and stops at spinal column point 43, and employers who adopt the national pay arrangements have some flexibility to determine which pay points they adopt and where they wish to start and end their pay spine.
- 4.13 The proposed NNC pay scale starts at £21,575 per annum (£11.18 / hour). This is based on 2022 pay values as the 2023 NJC pay award has not yet been agreed at the time of writing. This is equivalent to spinal column point 5 on the national NJC pay scale. Benchmarking through looking at neighbouring councils, indicates many start their pay structures at the equivalent of NJC SCP 3 and 4 (£10.79 /hr and £10.98 / hr). Furthermore, the (statutory) national living wage is £10.42 and the foundation living wage is £10.90. Starting at a higher spinal column point of (£11.18 / hour) in the NNC pay spine will provide a competitive advantage in recruiting and retaining talent in the organisation, as well as supporting employees at the lower end of the pay-spine.
- 4.14 A detailed breakdown of the proposed pay spine is shown in Appendix B.

#### Next Steps

- 4.15 Pending agreement at Council to adopt the proposed pay, terms and conditions, employees on the 'interim' terms will be moved across to the new arrangements.

To do this, their job will need to be evaluated. This activity is expected to be completed by November / December 2023.

- 4.16 There are three outcomes for employees on the 'interim' terms and conditions, following assimilation to the new pay structure: pay could decrease, remain the same or increase. Where pay is proposed to decrease, a 2-year period of pay protection will apply.
- 4.17 Employees on TUPE protected terms and conditions will see no change and will remain on their current terms and conditions. Over time the council should expect more and more employees to move onto the NNC terms and conditions as roles are transformed, employees move to new internal roles and new starters join the organisation.

## 5. Issues and Choices

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- 5.1 The council could choose to continue to employ people on 'interim' terms and conditions. However, this could leave the council open to equal pay claims and would therefore be considered unsustainable.
- 5.2 The council could choose to start its pay spine at a lower pay point and decrease the pay differential between pay bands. However, this is likely to impact NNC's ability to attract and retain good employees; or remain competitive in the local and national staffing market.

## 6. Implications (including financial implications)

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### 6.1 Resources, Financial and Transformation

- 6.1.1 Moving employees on interim terms and conditions to the proposed pay structure will require investment into the base salary budget. The annual percentage increase on this section of the pay bill (i.e. for those employees impacted) is as follows:

|                            | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|----------------------------|--------|--------|--------|--------|--------|
| Pay and Grading Investment | 4.6%   | 5.1%   | 4.6%   | 4.5%   | 4.1%   |

- 6.1.2 The Financial implications of assimilating employees who are on 'interim' terms and conditions are as below. Finance officers working on this project have produced detailed estimates of these financial implications and this work has informed the associated provisions made within the 2023/24 budget and MTFP. The following tables identify the annual movement required in the MTFP and are, therefore, cumulative. Note, these estimates are predicated on a notional implementation of 1<sup>st</sup> November 2023 although this is now likely to be 1<sup>st</sup> February 2024. This will impact the timing but not the value of the estimated associated costs.

### High Level Costs - Assumed Implementation Date 01/11/2023

finance and investment data based on the updated (scp5) pay structure

|  | General Fund    |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | 2023/24<br>£000 | 2024/25<br>£000 | 2025/26<br>£000 | 2026/27<br>£000 |
| <b>Pay and Grading Project</b>                                     |                 |                 |                 |                 |
| Staff on interim T&C's net increase in pay including on costs (GF) | 482             | 713             | 71              | (5)             |
| Staff on interim T&C's Pay Protection (GF)                         | 43              | 60              | (43)            | (60)            |
| Vacancies estimate (GF)  | 329             | 458             | (27)            | (73)            |
| <b>Total financial impact for staff on interim T&amp;C's (GF)</b>  | <b>854</b>      | <b>1,230</b>    | <b>2</b>        | <b>(137)</b>    |

|   | Housing Revenue Account |                 |                 |                 |
|---|-------------------------|-----------------|-----------------|-----------------|
|   | 2023/24<br>£000         | 2024/25<br>£000 | 2025/26<br>£000 | 2026/27<br>£000 |
| <b>Pay and Grading Project</b>                                      |                         |                 |                 |                 |
| Staff on interim T&C's net increase in pay including on costs (HRA) | 14                      | 26              | 12              | 3               |
| Staff on interim T&C's Pay Protection (HRA)                         | 11                      | 15              | (11)            | (15)            |
| Vacancies estimate (HRA)  | 19                      | 21              | (10)            | (3)             |
| <b>Total financial impact for staff on interim T&amp;C's (HRA)</b>  | <b>43</b>               | <b>62</b>       | <b>(8)</b>      | <b>(15)</b>     |

|   | DSG             |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2023/24<br>£000 | 2024/25<br>£000 | 2025/26<br>£000 | 2026/27<br>£000 |
| <b>Pay and Grading Project</b>                                      |                 |                 |                 |                 |
| Staff on interim T&C's net increase in pay including on costs (DSG) | 10              | 14              | (0)             | (1)             |
| Staff on interim T&C's Pay Protection (DSG)                         | 0               | 0               | 0               | 0               |
| <b>Total financial impact for staff on interim T&amp;C's (DSG)</b>  | <b>10</b>       | <b>14</b>       | <b>(0)</b>      | <b>(1)</b>      |

## 6.2 Legal and Governance

6.2.1 TUPE legislation has been considered as part of these proposals. TUPE protects employees at the point of transfer to an organisation and means that terms and conditions remain the same unless there is an economic, technical or organisational reason to change these. Usually this would be in the form of a restructure, a significant change in the role or where the employee voluntarily applies for a new role.

### **6.3 Relevant Policies and Plans**

6.3.1 This report supports the corporate plan to becoming an employer of choice

### **6.4 Risk**

6.4.1 There are no significant risks arising from the proposals in this report.

6.4.2 There is a risk to the council if the proposed pay structure and terms and conditions are not implemented. These include equal pay claims and the inability to attract and retain good employees.

### **6.5 Consultation**

6.5.1 Extensive consultation and negotiations have been undertaken with the councils recognised Trade Unions, informally since April 2021, and formally between September 2022 and May 2023.

6.5.2 The proposals have also been shared with managers and employees with over twenty briefing and drop-in sessions between 13<sup>th</sup> June and 3<sup>rd</sup> August. During this time no comments or feedback have been received that relate to amending the proposed pay structure or terms and conditions. Employees have expressed concern that those on TUPE protected terms and conditions won't be harmonised onto the proposed terms and conditions, however this is constrained by TUPE legislation.

### **6.6 Equality Implications**

6.6.1 An equality impact assessment has been undertaken on the proposed pay structure. This has involved comparing the current pay structures inherited from the sovereign councils with the proposed pay structure with regards to gender (Percentage Female to Male Pay) and Age. The proposed pay structure is more equitable on both accounts.

### **6.7 Climate and Environment Impact**

6.7.1 There are no climate and environment impacts arising from the proposals.

### **6.8 Community Impact**

6.8.1 There is no community impact arising from the proposals.

### **6.9 Crime and Disorder Impact**

6.9.1 There are no crime and disorder impacts arising from the proposals.

## **7. Background Papers**

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7.1 N/A