

# **CORPORATE COMMITTEE**

**30 JANUARY 2019**

## **REPORT OF DIRECTOR FOR CORPORATE SERVICES**

### **PAY POLICY AND NEW PAY SPINE**

#### **1.0 PURPOSE OF REPORT**

- 1.1 To gain approval for the 2019/20 Annual Pay Policy Statement so that it can be published in line with the requirements of the Localism Act 2011.
- 1.2 To highlight and gain approval for the introduction of the new national pay spine effective from 1 April 2019.
- 1.3 To review the Council discretions in relation to the Local Government Pensions Scheme. (LGPS) to ensure they are fit for purpose.

#### **2.0 RECOMMENDATIONS**

- 2.1 **That the local arrangements for implementing new national pay spine are approved in line with Appendix A effective from 1 April 2019**
- 2.2 **That employees receive any increment due on the 1 April 2019 in advance of the new pay spine being applied as detailed at 4.2**
- 2.3 **That the Corporate Committee comment on the attached Pay Policy Statement for 2019/20 at Appendix B before it is presented to Full Council for consideration and adoption.**
- 2.4 **That the Corporate Committee comment on the proposed revisions to the pensions discretions and Appendix C before they are presented to Full Council for consideration and adoption.**

#### **3.0 KEY ISSUES**

##### **Pay spine**

- 3.1 The National Joint Council (NJC) pay agreement for 2018 to 2020 included the introduction of a new pay spine from 1 April 2019. The new spine has the following changes:
  - A bottom rate of £9.00 per hour (£17,364) on new Spinal Column Point (SCP)1 (equivalent to old SCPs 6 & 7)
  - 'Pairing off' old SCPs 6-17 incl. to create new SCPs 1-6 incl.
  - Equal steps of 2.0% between each new SCPs 1 to 22 incl. (equivalent to old SCPs 6-28 incl.)
  - 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.
  - New pay points mean that the current number of pay points in some of the grade changed

- On new SCPs 23 and above (equivalent to old SCPs 29 and above), 2.0% increase on 2018 rate
- 3.2 Due to the changes in the new spine it is not possible to fully match across the local pay bandings as they are currently. The final SCP for band 2 and band 4 have been paired off resulting in the boundary straddling between one SCP. This also potentially reduces the number of points in the lower bands even creating a single point band.
  - 3.3 At bands 6, 7 and 8 the introduction of new points results in broad pay bands, over 5 points. Incremental points are applied to employees salary's each year therefore introducing more points in a band results in a longer period of time for an employee to reach the top of the band. The guidance from LG Employers and view of UNISON is that 5 points should be the maximum number of points in a band.
  - 3.4 To ensure that bands are not too broad it is proposed that 2 points of the new spine are not used locally. These are new points 12 and 18 which would be the bottom point of bands 7 and 8. This ensures a better differential between the bands and increased incentive when employees are successful in gaining progression through a career grade or new role.
  - 3.5 In order to avoid single point bands at the lower end of the scale it is proposed that the bands are linked. Band 1 would no longer be in use and the new scale will start at band 2. The top point of band 2 will be the same as the bottom point of band 3. This will apply as well in band 4 and 5 where the top point of band 4 will be the same as the bottom point in band 5.

### **Pay Policy Statement**

- 3.6 The Localism Act 2011 requires the Council to prepare a Pay Policy Statement each year. The Pay Policy Statement must articulate the Council's approach to a range of issues relating to the pay of its workforce. This is the eighth year that the Pay Policy Statement has been prepared. The policy reflects the recent national pay negotiations. The policy must be approved by council and is attached at Appendix B for this committees approval before it is submitted to the Council meeting in February 2019.

### **Pension Discretions**

- 3.7 The pension regulations require the Council to formulate, publish and keep under review its policies in respect of certain areas of the Pensions Scheme where it may exercise its discretion. There are five such discretions, as follows:-
  - (i) Power of employer to award additional pension;
  - (ii) Funding of additional pension contributions (shared cost);
  - (iii) Flexible retirement;
  - (iv) Switching on rule of 85; and
  - (v) Waiving of actuarial reduction.
- 3.8 Details of the discretions and the Council's current policy in relation to how they are exercised are set out in Appendix C. Minor amendments are proposed in relation to the delegations where roles and structures have altered. There are also an additional five discretions, whilst there is no requirement to have a written policy in respect of these, it is advisable for Scheme employers to have a written policy in

order that members can be clear on these matters. There are also included in Appendix C

3.9 Following the introduction of the LGPS (Amendment) Regulations 2018, two new discretions are set out for consideration below (further information is also included in Appendix C)

- (i) Former employees seeking to access unreduced pension on the grounds of compassion - this is where the former member elects for voluntary early retirement before their normal pension age, and the deferred benefits which would normally be reduced for early payment, are not reduced. **It is proposed that the Council will not apply this discretion, unless there are exceptional circumstances.**
- (ii) Switching on the Rule of 85 – provisions covering former members who left after 1 April 1998 but before 31 March 2014 – this is where a former member who has not attained normal pension age but who has attained the age of 55 or over, may elect to receive immediate payment of a retirement pension in relation to an employment, if that member is not an employee in local government service. **It is proposed that the Council will not apply this discretion.**

#### 4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 In April 2017 a decision was made to move away from the Living Wage Foundation (LWF) rate of pay to the National Living Wage (NLW). This resulted in some employees having their salary protected at the LWF rate of £8.25. This was due to end in April 19. With the bottom of the new spine being £9.00 per hour the protection arrangement will naturally end with no detrimental impact on employees.

4.2 The new pay spine will come into effect on 1 April 2019 which is the same time as the annual incremental progression is applied. The chronology of these two actions has an impact on employees salaries. Applying the pay spine followed by the increment is less favourable to employees than applying the increment followed by the new spine. The difference has been estimated at around £3k. Due to limited cost implication it is therefore proposed that the option which favours the employee is chosen; apply the increment followed by the new pay spine.

4.3 The pay spine, Pay Policy Statement and Pension Discretions outlined in this report replace any previous agreements made by the Council.

#### 5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 Whilst the proposal is to remove the first points of bands 7 and 8 in order to provide more incentive for career progression, it should be noted potentially it would be a cheaper option to remove the points at the top of the band and restrict progression, however the impact of this is not significant and would be detrimental to employee motivation relating to pay and reward.

5.2 A number of the pension discretions, if adopted, could lead to significant pension capital costs being incurred by the Council (depending on the age and service of the employee). The proposed discretions have been written to minimise the

possibility of the Council facing substantial pension capital costs in the future, but to allow those discretions where there may be a “winwin” situation for the employee and the Council.

## **6.0 LEGAL IMPLICATIONS/POWERS**

- 6.1 The agreements reached by the NJC are collective agreements and are incorporated into employees’ contracts of employment. As a result the changes will take effect automatically. The new spine will replace entirely the current spine and accordingly employees will assimilate across from their current SCP to the new corresponding SCP in April 2019.

## **7.0 COMMUNITY SAFETY**

- 7.1 There are no Community Safety matters as a result of this report

## **8.0 EQUALITIES**

- 8.1 A full Equality Impact Assessment of the implication of the new pay spine is required

## **9.0 RISKS**

9.1

<b>L I K E L I H O O D</b>	<b>A</b>	<b>Very High</b>				
	<b>B</b>	<b>High</b>				
	<b>C</b>	<b>Significant</b>				
	<b>D</b>	<b>Low</b>		1, 2, 3		
	<b>E</b>	<b>Very Low</b>				
	<b>F</b>	<b>Almost Impossible</b>				
			<b>Negligible 1</b>	<b>Marginal 2</b>	<b>Critical 3</b>	<b>Catastrophic 4</b>

#### IMPACT

<b>Risk No</b>	<b>Risk Description</b>
<b>1</b>	Pay spine is not amended to reduce pay points in a band resulting in potential pay claims
<b>2</b>	No clear Pay Policy in place results in unstructured awards of pay and potential pay claims
<b>3</b>	Pension discretions are not applied in the most cost effective way resulting in increased costs

#### 10.0 CLIMATE CHANGE

10.1 This report has no impact on climate change

#### 11.0 CONSULTATION

11.1 Consultation and engagement has taken place with the local and regional branch of UNISON and the council's Joint Staff Working Group has also considered the proposals.

#### 12.0 WARDS AFFECTED

12.1 This in an internal policy – no wards are affected

Contact Officer Sarah-Jane O'Connor

Date: 16 January 2019

Appendices : Appendix A – Proposed new pay spine  
Appendix B – Proposed Pay Policy Statement  
Appendix C – Reviewed Pension Discretions

Background  
Papers:

Reference : X : Committees\