



Committee and date

Council

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Amendment to Pay and Reward Policy

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1.0 Summary

- 1.1 As a council we are experiencing significant difficulties recruiting and retaining qualified and skilled staff. The policies and strategies that we have previously employed to combat this (market supplements, honoraria etc.) are reducing in effectiveness and inevitably, there will be greater negative impact on services if this issue is not addressed.
- 1.2 There is evidence from a number of sources of the issues. The initial feedback from the peer review highlighted pay and reward as a barrier to achieving council aspirations. The recent LGA report also evidence the necessity to improve pay to attract and retain staff.
- 1.3 In social care particularly children's social workers are moving to neighbouring authorities and it is becoming increasing difficult to recruit to the vacancies.
- 1.4 This report sets out the background to the proposed amendments to the Pay and Reward Policy Statement that was previously approved by full council as part of the Financial Strategy. The amendments are required to implement the proposed changes to pay and reward.

2.0 Recommendations

- 2.1 That Full Council consider and approve the amendments to the Pay and Reward Policy as set out in Appendix 1.

3.0 Background

- 3.1 Pay in the public sector and local government in particular has been restricted since 2010, with no annual pay award in 2010, 2011, 2012 and 2014 and any increases capped at 1% since 2016.
- 3.2 In 2011, Shropshire Council made other changes to terms and conditions of employment. Incremental progression through a grade was frozen for two years, sick-pay entitlement was reduced and a number of allowances including essential car user allowance were removed.
- 3.3 The most significant of the changes on the workforce was the cut in pay. Whilst the lowest pay grades were protected the remainder of the workforce was subject to the cut in pay. The reduction was implemented over two years and was a real terms cut of 4.4%. Furthermore, since 2012 this differential from the nationally negotiated rates has increased to 5.71% at its highest.
- 3.4 Terms and Conditions of Employment in Local Government are normally determined by collective bargaining – for workers in local government and schools, pay and other terms and conditions are determined by a negotiating body; the National Joint Council (**NJC**) for local government services. The **NJC** is made up of representatives of the employers and the recognised trade unions. In the absence of any local collective bargaining, the changes to terms and conditions were achieved through dismissing and re-engaging the workforce.
- 3.5 Senior pay, which is negotiated differently through the Joint Negotiating Committee for Chief Officers of Local Authorities (JNC) was also impacted by these changes including the cut to pay. In addition to this in, 2013 the top two grades were in effect removed cutting Chief Executive Pay from £180,000 pa to £99,000 pa and reducing Director Pay from £145,000 to £97,000 pa.

4.0 Impact of Shropshire Council Pay Rates Being Lower than the National Pay Rates

- 4.1 The impact of these lower rates of pay compared to the rates paid by other local authorities is now impacting significantly on Shropshire Council's ability to recruit and retain staff with the right skills, knowledge and experience. This is evidenced in a number of ways. Failure to fill vacancies and needing to re-advertise in some

cases multiple times. Inability to recruit to certain roles is placing a reliance on agency staff that is expensive and unsustainable.

- 4.2 This is not just limited to areas that have in the past been difficult to recruit to, as we are now experiencing difficulties recruiting to more generalist posts e.g. finance officers and IT technicians.
- 4.3 Difficulties in recruiting qualified staff brings an additional cost of agency staff to cover the gaps that cannot be recruited to. Typically an agency social worker in children's services cost £60,000 pa which is almost double the cost of a social worker who is directly employed but the council.
- 4.4 The policies that have been put in place in to bridge the gap in recruitment eg; market supplements and payment of honoraria for existing staff to take on more responsibilities are starting to lose effectiveness and further more significant impact on service delivery will be inevitable. In addition, continued use of such policies will ultimately lead to pay inequality.

5.0 Senior Pay

- 5.1 Senior Pay scales (SPB) within the Council were last reviewed by Price Waterhouse Cooper (PWC) in 2010; this review implemented 4 levels of senior pay. Since then there has been considerable pay variations with the pay bands and there are currently 19 different pay points within this group of staff.
- 5.2 To address the level of grade drift since the last review all SPB posts are being Job Evaluated against the LGA Job Evaluation Scheme for Chief Officers.
- 5.3 Separate to this in March this year a Senior Workforce Advisor from the LGA was commissioned to undertake a benchmarking exercise on levels of senior pay in Shropshire Council compared to other comparable local authorities.

5.4 The LGA analysis of current pay for senior managers at comparative Councils is set out below

Authority	Chief Executive	Strategic Directors	3rd and 4th Tier Roles
Plymouth	£153,015	People £132,306 Place £125,641 Trans(2) £102,345 Excluded PH's	11 3 rd tier roles £55,118 to £101,429
North Tyneside	£146,300	2 excluding PH £121,050 Dep CX Health Education Care Safeguarding £101,067	20 posts ranging from £74,255 to £96,740
Southampton	£176,087	Under review pay grade £119,399 to £143,258	13 posts £62,377 to £111,175
Bristol	£160,000 (prev salary)	Subject to review proposal - Exec Dir £135 to £165,000	Level 2 £94,000 to £120,000 Level 3 £85,000 to £105,000
North East Linc	£135,000	Deputy CX Children's and Adults £120,000	9 director posts £80- £90k (1 on 95k)
Dudley	£166,650	2 Exec Dir £125,000 and £118,170	8 posts £90,000 32 posts from £53,916 to £67,586

5.5 The report concluded

'All Councils are faced with the challenge of recruiting and retaining senior staff in what is a relatively small pool of appropriately qualified individuals, e.g. children's and adult's services. They face continuing challenges for the necessary skills and experience from the private sector and other public sector bodies.'

'the chief executive post should be pitched somewhere within the range £160,000 to £175,000.' (LGA March 2018).

5.6 Based on the above there is evidence that the Council is paying significantly less for some senior roles and if we want to recruit his will need to be addressed.

6.0 Gender Pay Gap

- 6.1 It is important to recognise that Pay and Reward Policy Statement is separate to and independent of the Gender Pay Gap. The pay and reward policy is about ensuring equality and transparency in pay. The Gender Pay Gap is about the quantum of staff in each pay grade and the ratio of men and women in those grades.
- 6.2 The way in which the Gender Pay Gap is calculated means that, these changes in themselves do not impact Shropshire Council's Gap.
- 6.3 However there is a greater benefit to the lower spinal column points where the increase is 12.86%. This means that because of the ratio of women to men in these grades they will benefit the most.
- 6.4 Strategies to close Shropshire Council's Gender Pay Gap are being explored and will be reported separately as necessary.

7.0 Proposed Summary Changes to Pay and Reward Policy

- 7.1 The following changes are proposed to the Pay and Reward Policy
 - 7.1.1 The implementation of the % pay award from 1 April 2018 and a return to the NJC rates of pay from 1 October 2018.
 - 7.1.2 A review of the pay and grading structure for NJC staff in 2019, including market supplements and additional payments, will be undertaken in consultation with the trade unions and changes agreed through further amendment of this pay policy.
 - 7.1.3 Senior Pay will be amended as set out in the Pay and Reward Policy at Section 4.4.4

8.0 Financial Implications

- 8.1 Implementation of the proposed changes within the pay policy is approximately £6.8m from 2019/20, although £1.5m has already been built into the base budget (to cover the expected pay award) leaving a funding gap of £5.3m in a full year. To implement the new pay policy from 1 October 2018 will create a part year financial impact on 2018/19 in the order of £2.1m.

- 8.2 To fund the base budget financial implications from 1 April 2019, the following proposals are being progressed:
- Review of Adult Social Care/Children’s Social Care joint commissioning with the CCG. This proposal alone has the capacity to deliver sufficient savings to cover the full year impact of the proposed pay policy, but may not deliver to a sufficient quantum within the required timescales.
 - Public Health commissioned outcomes review. This may have the capacity to deliver savings in the order of £2m but will require a detailed review to be completed over the early summer to finalise proposals.
- 8.3 These proposals will be progressed over the year to deliver a part-year saving in 2018/19 to meet 1 October 2018 implementation. In addition, a further review of external funding, corporate assumptions and contingencies will be undertaken, but has the capacity deliver a minimum of £0.5m savings within year, although this would be one-off and will need a detailed review before figures can be finalised.
- 8.4 An updated Financial Strategy will be brought back to Cabinet in July to provide greater detail of how the part-year and full-year savings will be achieved, ahead of implementation of the new pay policy from 1 October 2018.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Cabinet Member:- Peter Nutting
Local Member:- All members
<u>Appendices:-</u> Appendix 1 Pay and Reward Policy Statement For All Council Staff 2018-2019 Appendix A – Shropshire Council Pay Scales (NJC Staff) Appendix B – Pensions and Retirement Policy Appendix C – Redundancy and Compensation Policy Appendix 2 Comparative Pay Data Report