



Leicester
City Council

WARDS AFFECTED
All

CABINET

15 DECEMBER 2003

JOB EVALUATION, PAY AND GRADING

Report of Director of Resources, Access and Diversity

1. Purpose of Report

To approve the implementation proposals for a new pay and grading structure for Council employees.

2. Recommendations

That Cabinet;

- 1 give approval to a new pay and grading structure being developed with the preferred option being the new local job evaluation scheme
- 2 note the joint trade union position and support implementation by joint agreement so far as that is practically possible, noting the timescale set out in Appendix B
- 3 approve a planned effective implementation date of 1 April 2005
4. Note the financial implications and decide which of the Financial Options, presented in Section 5, should be built into the medium term budget strategy.
5. Support additional expenditure of £500,000 for implementation costs to be provided from the 2004/5 and 2005/6 budgets and note that these costs should be taken into account in preparing the budget.
6. note the planned project management arrangements and agree that the Service Director (HR & Equalities) consults with the Cabinet Link member for RAD on project progress and developments

3 History

- 3.1 The current Council job evaluation schemes are old. Of the two schemes currently applied at Leicester, one is over 30 years old the other 16. Neither scheme reflects modern local government or recent changes in employment law. Instead they reflect outmoded and old fashioned workplace practices including differentiating between 'blue' and 'white' collar jobs.
- 3.2 The schemes also lack credibility and conflict with current Council priorities e.g. our commitment to level 3 of the Equality Standard requires us to conduct an equal pay audit and act on its findings.
- 3.3 The 1997 national Single Status agreement placed a duty on local authorities to carry out a pay and grading review. A new locally developed job evaluation scheme has been designed that facilitates this and addresses these problems, and is fit for modern day employment purposes. Whilst Corporate Directors' Board and Members have consistently preferred a move to this new local scheme, Trade unions have consistently and formally stated a preference for the alternative National Joint Council (NJC) Scheme. Officers do not consider this scheme as appropriate for use at the City Council. All the work we have undertaken to date shows that implementing the NJC scheme would be significantly more expensive than the local scheme and entail greater contractual disturbance. It would also be more complex and expensive to operate, and generate greater implementation costs.
- 3.4 In November 2002, Directors' Board proposed that:
- the City Council should adopt a new pay and grading structure, with the application of the locally developed job evaluation scheme.
 - provision should be made available to cover additional paybill costs, subject to member approval.
 - A two year implementation period would be necessary to ensure that appropriate development work could be undertaken
- 3.5 Options have subsequently been developed for consideration and this report outlines the proposed way forward, following discussions with officers and elected members.

4. Summary of Financial Options – Impact on the Paybill

- 4.1 Three cost options have been developed, ranging from additional paybill costs of £0m to £5m after a 5 year period. These are set out below with a summary of the pros and cons against each, with reference to previously agreed criteria to be included within the scope of the exercise e.g. incorporation of pay supplements.

4.2 **Option 1: Nil cost after 5 years**

This is the low cost option but this will also have a potentially adverse impact on the level of contractual disturbance with the risk of employee relations difficulties, recruitment and retention problems, grievances etc.

The desired opportunities to consolidate and incorporate market supplements, allowances and bonuses into mainstream pay are severely restricted with this option.

4.3 **Option 2: £3m after 5 years**

This option adds £3m to the Council's paybill after a five year period. It reduces the level of contractual disturbance compared with the nil cost option and provides for some discretion to consolidate and incorporate market supplements, allowances and bonus.

This carries lower risks than the nil cost option.

4.4 **Option 3: £5m after 5 years**

This option adds £5m to the Council's paybill after a five year period. It reduces further the level of contractual disturbance and provides additional discretion to consolidate and incorporate market supplement, allowances and bonus.

This carries some risks but provides further mitigation against some of the risks associated with Options 1 and 2.

A summary of the costs over a 5 year period for each of the three options is shown in Appendix A. In considering the above options, Members are advised to consider the associated risks and action in mitigation as set out below in Section 6 (Appendix D).

5. Financial Implications (Paul Clarke, Financial Strategy)

- 5.1 The costs of job evaluation are based upon a sample of some 60 jobs, covering 2,500 postholders. This was determined to be a representative sample of all jobs within the Council at the outset of this project. However, prior to the implementation date, this sample will be expanded to ensure its continuing relevance. Implementation costs have been estimated by the Service Director (Human Resources & Equalities) and confirmed by the Strategic Resources Group. The vast majority of this expenditure is salaries and associated on-costs, for the analysts that will be required to carry out the individual job evaluations.
- 5.2 The impact of the costs of the project will be considered with the overall Council budget strategy.

6. Legal Implications (Alison Mapp)

- 6.1 Introducing a new Job Evaluation Scheme will result in posts being ranked differently and it may alter the position of posts within the current organisational structure. This means that some posts stand to lose or gain financially in terms of grading. For those posts that are downgraded, it is usual for the current post holders to have their pay protected for a fixed period of time.
- 6.2 Other legal implications are addressed in the Risk Assessment (Appendix D). Legal advice will be provided as to the implications of the Scheme and its implementation throughout the process so as to minimise the risk of the claims mentioned above being successful.

| OTHER IMPLICATIONS | YES/NO | |
|-------------------------------|------------|--|
| Equal Opportunities | Yes | The report concerns the issue of equal pay for equal value work. |
| Policy | No | |
| Sustainable and Environmental | No | |
| Crime and Disorder | No | |
| Human Rights Act | No | |
| Elderly/Low Pay | No | |

7. Risk Assessment

- 7.1 Introducing a new pay and grading structure is a major project that inevitably carries a number of risks with it. The attached Risk Assessment Matrix table (Appendix D) summarises some of the main risks and the control measures that exist or will be developed to mitigate them.

8. Proposed implementation arrangements

- 8.1 Given the scale of the project, it is proposed that formal Project Management arrangements are put in place to ensure the effective implementation arrangements. The Service Director (HR & Equalities) will be the Project Director. Strategic Resources Group will act as the Project Board and the Head of Human Resources will be the Project Manager. It is proposed that the Cabinet Link member for RAD is consulted regularly by the Project Director on progress.
- 8.2 Implementation costs of £500,000 are projected with 50% provision requested from the 2004/5 budget and the balance from the 2005/6 budget. Details are given in Appendix A and C. It is proposed that a team of officers are appointed as Job Analysts to carry out individual job evaluations. These may include current employees seconded from departments to the Project Team.

8.3 Implementation is due to commence in October 2004 following consultation with the Trade Unions and ironing out final issues with the scheme. The planned effective date of implementation is April 1st 2005.

9. Consultation

9.1 Human Resources Strategy Group, 4 November 2003
Resources, Access and Diversity Management Team, 5 November 2003
Strategic Resources Group, 11 November 2003
Joint Working Party on Job Evaluation, 14 November 2003
Job Evaluation Practitioners' Group, 17 November 2003
Chief Finance Officer and Finance Strategy team, 5 November 2003.

10. Report Author/Officer to Contact:

Ian McBride
Service Director (HR & Equalities)

Tel: 0116 252 6003

DECISION STATUS

| | |
|--------------------------------------|---|
| Key Decision | Yes |
| Reason | Part of policy and budget framework, revenue expenditure over £250,000 outside the approved revenue budget |
| Appeared in Forward Plan | |
| Executive or Council Decision | Cabinet |

APPENDIX A

Three Options – Summary of Costs

| Year | Nil Cost | £3 m Option | £5m Option |
|------|----------|-------------|------------|
| 1 | 1.0 | 1.3 | 1.5 |
| 2 | 2.6 | 3.4 | 3.8 |
| 3 | 2.8 | 3.9 | 6.0 |
| 5 | - | 2.8 | 5.0 |

Note: Costs include 'protection' for employees whose pay goes down.

APPENDIX B

IMPLEMENTATION TIMETABLE – KEY EVENTS

| WHAT | WHEN | WHO |
|--|--------------------------------|--|
| Review, agree and re-evaluate benchmark list | By July 2004 | JE Practitioners / Directorate DMTs / Joint Job Evaluation Working Party / SRG |
| Confirm financial projections | By July 2004 | Head of Human Resources / Chief Financial Officer |
| Develop and agree new pay and grading structure | By October 2004 | JE Practitioners / Joint Job Evaluation Working Party / SRG |
| Conclude negotiations with trade unions - On the choice of scheme | By February 2004 | Head of Human Resources |
| On detailed provisions | By October 2004 | |
| Implementation date | April 2005 | - |
| Evaluations | October 2004 – September 2006? | Head of Human Resources / Job Evaluation Team |

APPENDIX C

Implementation Costs

| Item | Estimated cost £ |
|--|---------------------|
| System upgrade , maintenance and licences | 22,000 |
| Legal support | 3,000 |
| Data supply | 3,000 |
| Laptop computers / equipment | 10,000 |
| Staffing: 6 analysts for two years @ S6, plus oncost / plus external Consultancy Support | 300,000 |
| Cost of Project Officer, plus support 2004/7 | 162,000 |
| Total | 500, 000 |

Risk Assessment Matrix

Appendix D

Note: L – Low M – Medium H – High

| Risk | Likelihood L/M/H | Severity Impact L/M/H | Control Actions (if necessary/or appropriate) |
|--|---------------------|-----------------------------|---|
| 1. Data used for projecting paybill costs is based on a sample size of 60 jobs covering 2,500 postholders. Actual costs could be more or less than figures projected (+/- 15%). | M | M | Sample is weighted to include high proportion of jobs likely to gain, therefore costs likely to be exaggerated. Prior to implementation, the sample size will be increased and costs re projected to ensure greater accuracy prior to formalizing implementation. |
| 2. Individual claims relating to equal value, breach of contract , unlawful deduction from wages or unfair dismissal (or associated claim for discrimination). | M | L | Close consultation or joint working with the Trade Unions will mitigate against mass or group claims but there are other procedures available in default of joint working. It is important for the Authority to act lawfully therefore consultation is important. The Authority will use its best endeavours to achieve change to post holders current terms and conditions of employment, by joint agreement. It should be noted that joint agreement would not necessarily prevent post holders from making employment claims. The decision to implement the new pay and grading structure will be a useful part of the Council's defence in any ET case. |
| 3. Trade Unions do not agree to joint implementation of the local scheme | M | L | We have a long record of consultation and joint working with the Trade Unions which can be evidenced. In default of joint working, the Council will nevertheless consult and follow the procedures in 2. |
| 4. Negative impact on employees resulting in morale, motivation and performance problems. | M | M | The risks will be mitigated by close working with the trade unions and consulted as above, a proactive communications campaign and the additional resources to ensure a speedy implementation. Project management arrangements will include regular monitoring of 'employee relations. The pay structure options have been designed to minimize the amount of contractual disturbance. For example the local scheme has far less disturbance than the NJC scheme favoured by the trade unions. |
| 5. Failing to adopt a new pay and grade structure, in addition to the inefficiencies of continuing to apply outdated, old fashioned workplace practices carries the risk of equal pay/equal value claims that could result in substantial financial liability. | L | H | Adopt a new pay and grading structure. |