



**NORTHAMPTON
BOROUGH COUNCIL**

Item No.

9

Name of Committee
CABINET

**Directorate: People, Performance &
Regeneration**

**Corporate Manager: Howard
Crabtree**

Date: 3 July 2006

Report Title

**Pay and Grading Review: Briefing Report, Choice of Job
Evaluation Scheme and Resource Implications**

Key Decision

YES

1. Recommendations

- To note the report.
- To approve the use of the computerised version of the National Joint Council Job Evaluation Scheme to undertake the evaluation of jobs in the Council.
- To approve the resource implications and funding for project implementation.

2. Summary

A Pay & Grading Review project has been set up:

- To deliver the Council's obligations under the Joint National Agreement on Single Status which provides for a pay and grading review to be jointly agreed and implemented by 31st March 2007.
- To support the Recovery Plan by providing a pay and grading framework that rewards employees appropriately to ensure they can be recruited, retained and motivated to deliver the Council's services to the required standards. The HR Strategy's Pay and Reward objective supports this aspect of the Recovery Plan.

This is a challenging project that will require significant financial and human resources to implement within the timescale. It should be noted that the Craft workers (Red Book) are not covered by this agreement.

3. Report Background

The Joint National Agreement on Single Status was agreed in 1997 and updated in 2004 when it was determined that pay and grading reviews had to be completed by 31st March 2007. These agreements address concerns about equality and fairness of working hours, pay and grading within the local government workforce. Following the implementation of the Root & Brach Review attention can now be given to completing implementation of this Agreement to support the Council's Recovery Plan.

There are a number of key steps in undertaking the pay and grading review which include: choice of job evaluation scheme, identification of resources, agreeing a timeline, evaluating a number of benchmark jobs, evaluating all jobs, finalising the rank order of jobs based on the job evaluation exercise, agreeing a pay structure that reflects the Council's requirements and negotiating this together with any back pay and protection requirements with the Trade Unions.

4. Options and Evaluation of Options

The first critical step to commencing the review is the choice of job evaluation scheme. 3 options have been considered: The National Joint Council Scheme (NJC) which is recommended by National Employers and trade Unions; the 'London Scheme' developed by the London Government Provincial Councils which is being used by a number of Councils across the country; and a proprietary scheme e.g. HAY. The latter option was discounted due to cost and the fact that it is not specifically geared to Local Government.

An analysis was undertaken of the other 2 schemes and views sought from Councils using them. There are pitfalls to using both, however from a sample of evaluations done elsewhere using each scheme, they produce a rank order of jobs that is almost identical. It is therefore recommended that the NJC Scheme is used so that Northampton can benefit from the experience and support available from the National Employers and Regional Trade Unions representatives.

It is further recommended that the computerised version of the scheme is used to enable a robust record of all evaluations undertaken which will allow analyses to be undertaken easily and over time. The software required to run the scheme was purchased c. 1999 but has not been used since 2003 when it was decided to suspend the pay and grading project being undertaken at the time.

A specialist system is required for Pay Modelling; the system is available from Link HR Systems. There are options to purchase or lease the system for 1 year. It is recommended that the system is leased and Consultant time purchased from Link to operate it. This removes the need to train the project team in a specialist system which based on the experience of other Councils is complicated to use to its full capacity. It is likely that if we purchased it, we would require extensive Consultancy time to operate it successfully.

5. Resource Implications (including Financial Implications)

The Council has a number of key improvement priorities to address between now and March 2007. These improvements will demand considerable input from managers at all levels to drive forward and produce the targeted improvements. Whilst implementation of the National Agreement is essential the work involved has the potential to divert management time away from improvement priorities. In order to minimise the impact of the Pay and Grading project it is proposed to establish a small but experienced team to reduce the demands on management time. Further, the use of the computerised version will reduce administrative and processing time.

The estimated "one off" cost of the dedicated Project Manager is in the budget for 2006/7. However, the cost of project administrator, specialist job analysts, evaluation training for the computerised system and pay modeller were not detailed or evaluated. The estimated costs of the project implementation are set out below:-

Project Manager	Already budgeted
Project Administration	£ 15000
Specialist Job Analysts	£ 60000
Job Evaluation Training	£ 5000
Pay Modeller	£ 22000
Contingency	£ 10000
Total	£112000

There is no provision in the 2006/7 accounts for this expenditure and balances are considered to be at a minimum prudent level given the profile of risks faced by the Council. There is no real choice but to proceed with the project as its delay would almost certainly lead to significantly higher costs through claims against the Council.

The options considered as to funding are deletion of existing budgetary provisions in 2006/7 or temporary diminution of balances in the later part of 2006/7 that would be replenished from additional provisions in 2007/8 budgets.

It is recommended the temporary diminution of balances is pursued. In this case, the provision of this £112,000 must be a first call on budgetary provision for 2007/08.

An estimated £800,000 has been budgeted for in pay costs in 2007/8, this is approximately 2.75% of the pay bill. It is difficult to predict more accurately until initial evaluations and pay modelling have been undertaken. The experience of other Councils nationally suggests that the pay bill impact can range from 2-10%, with a national average of 3.5-5%. Future updates will be provided to Cabinet in time for 2007/8 budget process.

6. Risk and Opportunity Issues

This is an opportunity to both meet the requirements of a National Agreement and to develop a pay & reward framework that will enable the Council to recruit, retain and motivate employees to deliver the right services to the right levels to the people of Northampton. The risk of doing so is a significant cost to the pay bill above current provisions. Further there will be input required from key staff to ensure timely implementation.

The job evaluation scheme currently used is out of date, does not fully reflect equality issues and has decayed over time. It could therefore be open to challenge. Therefore the risk of not implementing the National Agreement is to incur potential Equal Pay Claims that in turn will have costs implications.

The risk of not using the National Joint Scheme would be to incur delays in gaining TU approval to one of the other Schemes.

There could be a risk that National Trade Union negotiating issues resulting from Tribunal cases elsewhere could impact on our ability to conclude negotiations with the Trade Unions.

7. Consultees (Internal and External)

Internal	Directors, Corporate Managers, and Trade Union colleagues have been consulted and are in agreement to the approach proposed.
External	The Regional Officers of Unison and GMB have been consulted.

8. Compliance Issues

A: How Proposals Deliver Priority Outcomes

Recovery Plan

Rewarding and motivating employees appropriately contributes to their ability to deliver the Recovery Plan.

Corporate Plan

Pay & Reward is a key objective of the HR Strategy within the Corporate Plan.

B: Other Implications

Other Strategies

The project will be resource intensive in terms of the management time required to complete it, and potentially detract from other priorities.

Finance Comments



£800,000 has been budgeted for 2007/8, however, the risk is that the cost could be higher. This will have an impact on the Medium Term Financial Strategy, and 2 review points have been built in (September and December) to reflect this. In addition there will be the need to claw back the additional resources above budget being spent on the project in 2006/2007.

Legal Comments

All employers are required to ensure that their pay and grading systems comply with The Equal Pay Act.

9. Background Papers

Title	Description	Source
Pay & Grading Review – Information for Improvement Board	Presentation and paper highlighting the key issues associated with this project.	Annie Tillson, 13 th June 2006.
Joint National Agreement, 1997, 2004.	Detailed terms and implementation of the Agreements	'Green Book'
HR Strategy and Action Plan	Details the direction HR needs to take to deliver the Recovery Plan	Howard Crabtree, 2006

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