

POLICY & RESOURCES COMMITTEE ADDENDUM 1

4.00PM, THURSDAY, 7 JULY 2022

HOVE TOWN HALL - COUNCIL CHAMBER

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ADDENDUM

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Subject: Review of Council Grading Structure

Date of meeting: 7th July 2022

Report of: Executive Director of Governance, People & Resources

**Contact Officer: Name: Kenneth Simpson – Head of HR (Strategy)
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Ward(s) affected: All

For general release

Note: Urgency

By reason of the special circumstances below, and in accordance with section 100B(4)(b) of the 1972 Act, the Chair of the meeting has been consulted and is of the opinion that this item should be considered at the meeting as a matter of urgency.

Note: Reasons for urgency

The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that the information set out in the report was not available due to ongoing discussions and consultation.

1. Purpose of the report and policy context

- 1.1 This report provides an update to the Committee on the progress of negotiations with Trade Unions on a review of the Council's grading structure and asks the Committee to agree to proposed changes.

The proposals if agreed will provide a substantially improved package for our lowest paid staff, many of whom are in frontline roles, as well as implementing the decision to remove the bottom grade of the Council's grading structure which was agreed by Committee in October 2021.

- 1.2 This report asks the Committee to delegate authority to the Director of Human Resources & Organisational Development to take all necessary action in order to implement the proposed changes.

2. Recommendations

- 2.1 That Committee, having considered the information in the part 2 report, agrees to the proposed changes to the grading structure outlined in

paragraph 3.8 and 3.9 and Appendix 2 and that these changes are backdated to 1st January 2022.

- 2.2 That Committee agrees to the proposed assimilation of staff from the current grading structure to the new grading structure as outlined in Appendix 3 from 1st September 2022 with increased salary rates being backdated to 1st January 2022.
- 2.3 That Committee delegates authority to the Director of Human Resources & Organisational Development, following consultation with the Chief Executive and Chief Finance Officer, to take all necessary actions to implement these changes as soon as is practicable.

3. Context and background information

- 3.1 The Council has a long standing commitment to ensuring that its pay and reward package demonstrates how staff are valued and supported to serve the city and ensures a competitive offer that enables effective recruitment and retention. The Council has, for a number of years, been a Real Living Wage (RLW) employer (formerly known as the Voluntary living Wage).
- 3.2 In October 2021, the Council committed to working with its recognised Trade Unions (Unison and GMB) to develop proposals to remove scale 1/2, the bottom grade of the Council's pay structure, and therefore lifting the Council's minimum rate of pay.
- 3.3 Since then the national context has changed and the Council has been concerned about the impact of the cost of living crisis on staff and work is ongoing to make sure staff are supported as far as possible.
- 3.4 The council has a package of financial benefits that is kept under review and includes a generous pension scheme, supportive employee loans (such as a rental deposit scheme) and a variety of staff discounts for travel and other offers including discounts on food shopping and other essentials.
- 3.5 The proposals also take account of the significant increases expected in the legal minimum National Living Wage (NLW) over the next two years (forecast at £10.95 by April 2024) that would likely overtake the lowest two council grades (see appendix 1). In addition, the council are part of the NJC national pay negotiations, and in addition to the increases proposed in this report, it is likely that the pay award for the 22/23 financial year will be substantially more than the 1.75% applied in the 21/22 financial year.
- 3.6 In the context of the current cost of living crisis, the national pay context and the challenging financial context, the Council has been working to develop proposals to improve pay for our lowest paid staff that go further than the decision to remove the bottom grade of the Council.

Proposals for Change

- 3.7 The Council has been consulting and negotiating with the recognised Trade Unions on proposed changes to the Council's grading structure. This process has now concluded and a final proposal has been provided to the Trade Unions.
- 3.8 The full detail of the proposals and the new grading structure that the Committee is asked to agree is set out in Appendix 2. The proposed assimilation of Council staff from the current grading structure to the new grading structure and that Committee is also asked to agree is set out in Appendix 3.
- 3.9 The proposals include an increase in the minimum hourly rate paid by the Council from £9.90 to £10.60, and increases pay between 2% and 9.2% for approximately 3,800 council staff, of which approximately 2,500 are in schools, with a further national pay award pending with effect from 1st April 2022. It is proposed that the changes outlined in appendix 2 are implemented with staff moving to their new spinal column points from 1st September 2022, and the higher salaries back dated to 1st January 2022.
- 3.10 **Appendix 2** shows the current grading structure and the proposed new grading structure alongside this. **Appendix 3** shows the new spinal point staff would move to upon implementation and the percentage increase in pay rate that staff on each current spinal point would receive as a result of the proposals.
- 3.11 As part of the discussions with Trade Unions the Council also committed to engaging with them on the issue of progression in the organisation and how we support career development, for example considering the use of career grades.

4. Analysis and consideration of alternative options

- 4.1 The Council could choose to retain the current grading structure and allow the national local government pay negotiations to complete. However in the last few years it has taken a long time for the pay awards to be agreed (the 2021 pay award was only implemented in March 2022 a full year after it was due to be effective).
- 4.2 This would likely mean a delay in improving the pay of staff affected by these proposals at a time when the cost of living crisis is creating huge difficulties for people now.
- 4.3 It is also likely that Trade Unions would consider this approach to be unacceptable given the work that has been done so far and therefore would have a serious negative impact on industrial relations.
- 4.4 There are many different variations of the proposals that could be considered but these would only make marginal differences and various options have been explored in the negotiations with Trade Unions as the

proposals have developed. Options that would reduce costs would mean fewer people would benefit or benefit to a lesser extent. Lower cost alternatives could also affect hierarchical reporting structures. Trade Unions would also likely not accept such options that had been explored during negotiations. Options that would further increase the pay rates at any level would add further cost that is considered unaffordable.

5. Community engagement and consultation

- 5.1 The Council has been engaging, consulting and negotiating with the recognised Trade Unions for a number of months which has led to the Council's proposals developing in response to feedback from the Unions.
- 5.2 Lead Members have also been kept informed of progress.
- 5.3 The proposals have an impact on staff employed in schools and therefore a substantial financial impact on schools. The Council has provided briefings on the proposals and potential impact to representatives of school phase groups and the School's Forum. Schools are supportive of fair pay for staff in schools and recognize the increasing difficulties recruiting staff and that pay has not kept pace with other sectors such as supermarkets. However schools are concerned that school funding and the settlements from Government do not provide for the funding of these increases. The financial implications set out in this report sets out the support provided to schools in relation to these changes.

6. Conclusion

- 6.1 The Council is committed to improving the pay of its lowest paid employees. There are a range of internal and external drivers which mean we feel we have to action as the rising National Living Wage and Real Living Wage will overtake our bottom grades quickly in the next two years.
- 6.2 Private sector employers are increasing their bottom pay rates in the same context so we risk not being able to compete in an environment where nationally unemployment is lower than it has been for some time and there are more vacancies than workers.
- 6.3 The national cost of living crisis and current predicted levels of inflation being higher than have been for many years and are predicted to rise further are impacting staff now.
- 6.4 The proposals have been carefully developed over a period of time with our recognised Trade Unions which support implementing improvements in the pay of our staff as soon as possible. These proposals achieve a balance between improving the pay of a substantial number of Council staff employed on the bottom grades, many of whom are frontline staff including in schools, and with cost/affordability.

7. Financial implications

- 7.1 The proposed grading changes affect staff across the council including schools, the Housing Revenue Account as well as the General Fund. The estimated ongoing increase in pay costs across these 3 funding areas in 2022/23 is set out below and includes allowances for employers National Insurance and Pension contribution costs: -

Fund	£m
General fund	1.195
Schools	1.701
Housing Revenue Account	0.143
Total	3.039

- 7.2 For the General Fund, the 2022/23 budget, approved at Budget Council in February 2022 included recurrent funding for pay related issues with c£1.100m remaining. Therefore approval of this settlement is broadly in line with the remaining funding allocated. Any costs above the provision, estimated at £0.095m will be reflected in Targeted Budget Management TBM reports throughout 2022/23.
- 7.3 The additional costs to the HRA will be reflected in HRA TBM reports and, subject to the HRA's overall financial position, may require a contribution from HRA reserves.
- 7.4 Schools have the greatest number of staff who would benefit from these changes and therefore the greatest financial impact when considered collectively. However the number of staff members affected and cost of changes varies significantly between schools and therefore the financial impact will depend on their current financial position and projected position from September 2022 when the numbers on roll change.
- 7.5 The financial impact is expected to be borne by schools. Schools have the ability to have licensed deficits to spread financial recovery plans over a number of years when facing financial difficulty however the additional burden of these employee costs when combined with existing or projected financial pressures may put recovery plans at risk. The council will review with schools on a case by case basis the overall impact of the grading changes and may need to consider options for supporting those at the greatest risk of financial instability. However, there is no provision for any financial support to be provided by the council for costs arising from April 2022, and any support provided will therefore impact on the General Fund and will need to be reflected in Targeted Budgeted Management reports to this committee.
- 7.6 The grading and spinal point changes, if approved will be implemented in September 2022. Those staff who will not be at the top of their new grade in September will progress to the next point on their grade in April 2023. The

cost of future incrementation from April 2023 will be accounted for in the budgets set for 2023/24 allowing for staff turnover.

- 7.7 The salary increase from these spinal point changes is proposed to be backdated to 1 January 2022 to provide an additional cash sum for staff.
- 7.8 The estimated overall cost of backdating is £0.985m for the General Fund and Schools and council has set aside a provision in 2021/22 to cover these costs. Therefore schools will not have to cover any backdating costs prior to 1/4/2022.
- 7.9 Backdating costs for the HRA is estimated at £0.042m.

Name of finance officer consulted: James Hengeveld Date consulted (30/06/22)

8. Legal implications

- 8.1 The Policy & Resources Committee is responsible for setting policy on pay and conditions of employment within Brighton & Hove City Council. All roles will continue to be graded using a Job Evaluation Scheme to ensure roles of equal value are paid equitably.

Name of lawyer consulted: Elizabeth Culbert Date consulted 30.06.22

9. Equalities implications

- 9.1 Most minority groups represent a slightly higher proportion of the affected group than their proportion of the Council wide workforce however the protected characteristics of the staff who will benefit from these proposals are broadly in line with the overall protected characteristics of the Council as a whole. These proposals will mean our lower paid staff have more money to help mitigate some the pressures resulting from the rising costs of living.
- 9.2 No adverse impacts have been identified for any particular group as a result of these proposals. All of the proposals for change represent a positive impact for all those staff affected with an immediate and backdated permanent increase in pay.

10. Sustainability implications

- 10.1 These proposals will positively impact a large number of Council employees, providing substantial increases in pay for staff on our lowest grades. A majority of staff employed by the Council live within the city and a greater number of staff on lower grades are likely to live closer to their workplace. Higher levels of pay may contribute to the local economy and local businesses as staff who live in the city have improved pay.
- 10.2 In addition those who do not live in the city will likely attend work in the city, particularly frontline workers.

Supporting Documentation

Appendix 1 – Impact of Rising National Living Wage

Appendix 2 - Detailed Proposals for Changes and new Proposed Grading Structure

Appendix 3 - Assimilation of Staff onto the New Grading Structure

Appendix 1 - Impact of Rising National Living Wage

The National Living Wage (NLW), which is the legal minimum wage in the UK, rises every year and Government has a target for the NLW reaching two thirds of median earnings for those over age 21 and over in 2024. Based on the latest wage growth forecasts the Low Pay Commission project that the NLW will rise to £10.32 per hour from April 2023 and £10.95 from April 2024. This forecast is the highest rate yet predicted for the NLW in 2023 and 2024 and there is no guarantee it won't rise further, due to the ongoing economic volatility, potential impact of the international context and expected further increases in the rate of inflation.

For context the current Council bottom grades and hourly rates are shown below:

Grade	Spinal Column Point	Salary Per Annum £	Hourly Rate £
Scale 1-2	3* Real Living Wage Rate	19,099.93	9.90
	4	19,264	9.99
Scale 3	5	19,650	10.19
	6	20,043	10.39
Scale 4	7	20,444	10.60
	8	20,852	10.81
	9	21,269	11.02
	11	22,129	11.47

What this shows is that the NMW could very rapidly overtake much of the current bottom three grades although it should be noted that the pay award that will be effective from April 2022 has not been agreed yet. However what is clear is that nationally there will need to be substantial increases and changes to the bottom of the national Local Government pay spine in order to at least keep up with the NMW.

Appendix 2 - Detailed Proposals for Changes and new Proposed Grading Structure

The proposed changes to the grading structure and that the Committee is asked to approve are:

- The deletion of all spinal column points (SCP) up to SCP 6 making SCP 7 (currently £10.60 per hour) the Council's minimum rate of pay.
- Scale 3 will be increased to SCP 7&8 (from the current level of SCP 5&6) and will be the grade for all staff currently evaluated as Scale 1/2
- A new grade of 4a will be established on SCP 9&10 and will be the grade for all staff currently evaluated as Scale 3
- A new grade of 4b will be established on SCP 11&12 and will be the grade for all staff currently evaluated as Scale 4
- SCP 13 will be brought back into use as the minimum SCP of Scale 5 (currently SCP 12 is the minimum point of Scale 5), and Scale 5 will now comprise of SCP 13,14,15 and 17
- All grades above Scale 5 remain the same as the current grades

Current Grade	Current Scale point	Current Hourly Rate	Current Salary (£)	Proposed Grading Structure from 1st January 2022		Current Hourly Rate	Current Salary (£)
Scale 1-2	RLW	9.90	19,099	N/A	RLW	9.90	19,099
	4	9.99	19,264	N/A	4	9.99	19,264
Scale 3	5	10.19	19,650	N/A	5	10.19	19,650
	6	10.39	20,043	N/A	6	10.39	20,043
Scale 4	7	10.60	20,444	Scale 3	7	10.60	20,444
	8	10.81	20,852		8	10.81	20,852
	9	11.02	21,269	Scale 4a	9	11.02	21,269
	10	11.25	21,695		10	11.25	21,695
	11	11.47	22,129	Scale 4b	11	11.47	22,129
12	11.70	22,571	12		11.70	22,571	
Scale 5	13	11.93	23,023	scale 5	13	11.93	23,023
	14	12.17	23,484		14	12.17	23,484
	15	12.42	23,953		15	12.42	23,953
	16	12.66	24,432		16	12.66	24,432
	17	12.92	24,920		17	12.92	24,920
Scale 6	18	13.18	25,419	Scale 6	18	13.18	25,419
	19	13.44	25,927		19	13.44	25,927
	20	13.71	26,446		20	13.71	26,446
	21	13.98	26,975		21	13.98	26,975
	22	14.26	27,514		22	14.26	27,514

Note:

- Orange shaded spinal points are not/will not be in use
- A national pay award that will increase all the above rates is due with effect from 1st April 2022 but has not been agreed yet

Appendix 3 - Assimilation of Staff onto the New Grading Structure

The proposed assimilation of staff from the old grading structure to the new grading structure from 1st September 2022 that the Committee is asked to approve are:

- Staff whose role is evaluated as Scale 1/2 will move to SCP 8 (top of new Scale 3)
- Staff whose role is evaluated as Scale 3, currently on SCP 5 will move to SCP 9 (1st point of new Scale 4a)
- Staff whose role is evaluated as Scale 3, currently on SCP 6 will move to SCP 9 (1st point of new Scale 4a)
- Staff whose role is evaluated as Scale 4, currently on SCP 7 will move to SCP 11 (1st point of new Scale 4b)
- Staff whose role is evaluated as Scale 4, currently on SCP 8 will move to SCP 11 (1st point of new Scale 4b)
- Staff whose role is evaluated as Scale 4, currently on SCP 9 will move to SCP 11 (1st point of new Scale 4b)
- Staff whose role is evaluated as Scale 4, currently on SCP 11 will move to SCP 12 (top of new Scale 4b)
- Staff whose role is evaluated as Scale 5, currently on SCP 12 will move to SCP 13 (1st point of new Scale 5)

Current Grade	Current SCP	Current Salary	New spinal column point	Salary on new SCP £	Total % increase under proposals
Scale 1-2	RLW	19,100	8	20,852	9.2%
	4	19,264	8	20,852	8.2%
Scale 3	5	19,650	9	21,269	8.2%
	6	20,043	9	21,269	6.1%
Scale 4	7	20,444	11	22,129	8.2%
	8	20,852	11	22,129	6.1%
	9	21,269	11	22,129	4.0%
	10				
	11	22,129	12	22,571	2.0%
Scale 5	12	22,571	13	23,023	2.0%
	13				
	14	23,484	14	23,484	0.0%
	15	23,953	15	23,953	0.0%
	16				
	17	24,920	17	24,920	0.0%

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