

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet
AUTHOR: Finance and Resources Director

10 November 2005

PAY AWARD POLICY

Purpose

1. To agree amendments to the Council's pay policy, approved by Cabinet in May 2003, namely that:
 - i) future pay awards should be based on a range of pay data rather than the Pay Indices, which were originally adopted,
 - ii) the pay line should be reviewed every 4 years instead of every 2 years.

Effect on Corporate Objectives

2.	Quality, Accessible Services	Reward is an important factor in the recruitment and retention of staff, essential to deliver the Council's corporate objectives.
	Village Life	
	Sustainability	
	Partnership	

Background

3. As part of the review of the Council's pay and grading structure, which was implemented in April 2003, Cabinet approved a pay policy, which outlined an approach for rewarding Council employees. In applying this policy in practice, a few issues have come to light that need to be resolved.
4. A key element of the policy was for the authority to move outside the nationally negotiated pay settlement and replace it with a local agreement. The basis of the local agreement was to be set by reference to two pay indices: the average of the Income Data Services Average Earnings Index for the public sector and the Office for National Statistics New Earnings Survey. In the first year of applying this formula, investigation revealed that the indices are one and the same, and are derived from the Office for National Statistics (ONS).
4. Subsequent discussion with the consultants PricewaterhouseCoopers (PwC) who advised the Council on the pay and grading review, resulted in the recommendation that the Council should determine its pay award by reference to the ONS Average Earnings Index. This meant that for 2004/2005 the pay award was 4.2%. The pay award was accompanied by a package of measures, in particular, changes to the flexitime system.
5. A Joint Panel representing the employers and unions convenes every year to agree the pay award. The Panel consists of Resources and Staffing Portfolio Holder, Chief Executive, Finance and Resources Director, HR Manager, Chair and Branch Secretary of Unison and GMB Regional Officer.

6. The Council's pay policy states that the pay award will be implemented following Member approval. The Constitution states that Cabinet must decide to approve or reject pay awards or allowances outside national agreements or beyond the provision made in the budget for inflation. Pay awards within budget or within the national pay agreement may be approved by the Resources and Staffing Portfolio Holder.
7. The Council's pay policy also includes a commitment to review the payline (the market pay line which is used for determining pay grades) by benchmarking 20 jobs every 2 years. The benchmarking exercise enables the Council to assess where it is in the market in relation to pay.

Considerations

8. In advance of this year's pay award negotiations, it came to light that the Index which was used to determine last year's pay award was based on the total increase in salaries paid and therefore included increments and other bonuses. In light of the Council's current circumstances it was felt inappropriate to continue to apply this formula and PWC was asked to propose a different index for this year's pay award. They subsequently recommended applying the Retail Price Index (RPI). It was agreed with the Unions to move away from the ONS Average Earnings Index as the sole determinant of the pay award. Instead a range of pay data was proposed including the RPI, other local pay settlements and the local government pay settlement.
9. For 2005/2006, 3% was budgeted by the Council for the pay award. Taking into account the above range of pay data, and following a ballot of Unison members, this year the pay award of 2.9% was approved by the Resources and Staffing Portfolio Holder.
10. With regard to the review of the pay line, the cost of the benchmarking exercise was quoted at approximately £6,000. Coupled with the fact that the pay review had been carried out recently and that there had been a significant pay award in 2004/2005, it was agreed with the Unions that the payline exercise should be carried out every 4 years rather than every 2 years, subject to the approval of Cabinet.

Options

11. Options are to remain with the Average Earnings Index, revert to the national local government pay settlement or apply another single source of determining the pay award. However this would restrict the Council's flexibility in balancing the need to be competitive in the local pay market with the need for affordability, when negotiating the pay settlement.
12. For the payline, the Council could choose to extend further the length of time between reviews of the payline. However, if the Council wants to ensure that it is paying the market rate and remaining competitive, any period longer than 4 years could leave the Council's reward system out of date.

Financial Implications

13. By postponing the review of the payline, savings of £6000 have been put forward as part of the capping budget cuts exercise.

Legal Implications

14. None.

Staffing Implications

15. A change in the policy would affect all staff; hence the Unions (Unison and GMB) have been involved throughout.

Risk Management Implications

16. The Council's reward strategy is key in influencing staff morale, recruitment, turnover and performance .It is important therefore to remain competitive while meeting the demands of affordability.

Consultations

17. Unison and GMB have been consulted throughout this process.

Recommendations

18. That Cabinet agree:
- (a) that future pay awards should be based on a range of pay data, including the RPI, local government pay settlement and other public sector settlements,
 - (b) the payline should be reviewed every 4 years.

Background Papers: the following background papers were used in the preparation of this report: Reward Review, Pay Structure – report to Cabinet, 22 May 2003, Pay Award 2004/2005 –report to Cabinet 20 July 2004.

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