

JNC Grade Structure Review:

BUSINESS CASE FOR CONSULTATION

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1. BACKGROUND

The Council is currently faced with exceptional changes that will see the workforce both reshaped and resized to meet the unprecedented challenges that the budget reductions will bring over the next three years.

In addition to budgetary pressure there have been concerns regarding senior leadership capacity and capability that were identified in the reports of Lord Warner and Sir Bob Kerslake.

In response to these challenges the Future Council Programme was established in 2015 with reshaping and resizing the workforce forming part of the Forward sub programme. Part of the scope of the sub programme is to create new workforce design principles and a framework to reshape the 'Future Council' that will look to review roles, structure and the employment offer.

The original decision to undertake this review was taken in 2015, with a number of discussions at CLT. The decision to adopt the LGE JNC evaluation scheme was made in the summer of 2015 and all roles were then subsequently evaluated under the scheme. This review was then temporarily put on hold whilst there was an initial exploration of the impact of the workforce savings proposals that were launched in December 2015, on this work. It is noted that there have been a number of changes to JNC membership since then so this paper outlines, background, context and details of the review undertaken.

In line with the programme the JNC grade framework is being reviewed to make sure that it is fit for purpose for the future needs of the Council. The current grading structure dates back to 2008 with the method of evaluation to align roles to a grade not being associated with any nationally recognised benchmarked scheme.

The Council now needs to ensure it has modern pay and reward framework for the JNC cadre going forward. In light of this we are undertaking the following steps to achieve that;

- Job Evaluation – this has involved evaluating all JNC roles utilising the Local Government Employers evaluation scheme to establish a rank order for the council that could be used as a basis to review the grading structure.
- Pay modelling – this has now been undertaken to establish a grade structure model for this consultation and further information can be seen in section 5.
- Performance and development framework – This will be reviewed to establish a framework for the JNC cadre to enhance performance and to develop the senior leadership capacity and capability going forward.

Additionally there are a basket of proposals that have been developed to reduce the cost of employment as part of the workforce savings proposals that could impact on the terms and conditions of JNC officers. These are as follows:

- Freeze the payment of performance related rewards for three years

- Removal of subsistence allowance where working away from home
- Review of JNC pay – potential for a 5% reduction
- Keep contractual hours the same, but work out the salary based on an FTE of 37 hours per week for both full and part time employees. This would mean a reduction of 1.35% for both full and part time employees.
- Removal of retirement gifts and testimonials

2. SCOPE

The review will cover all officers on JNC terms and conditions that are aligned to the current 10 grade structure. In addition to this cohort, a small number of equivalent Public Health roles will also be included. (All roles under the NJC terms and conditions will **not** be in scope of this review, but will be subject to a separate options appraisal).

The review initially explored the efficacy of a number of different job evaluation schemes. It was identified that the Local Government Employers (LGE) job evaluation scheme was the best fit.

Subsequently all of the above officer roles were evaluated under the scheme to establish the rank order of roles. The rank order has then been used to model the grading framework that is being presented for this consultation.

The scale of the future changes the Council face mean there is a requirement to deliver a challenging transition to what will be a new Council.

The Future Council has already looked to identify where we are going from and to as an organisation and what that means for our leaders and senior managers such as the following;

- Distributive, community leaders, aligned to the Council's values and behaviours
- Ability to lead, manage and collaborate across organisational boundaries and impact outside of structural sphere of influence
- Great partners, commissioners, contract managers and whole systems thinkers
- Effective performance managers who enable employees to give and achieve their best
- Self-serve, use their discretion to make values based decisions

In order to meet this challenge there will inevitably be new skills, capabilities behaviours and attitudes required to work towards what will be seen as the new normal, as well as embedding our recently developed values and behaviours.

We are looking to develop broad role profiles that align to the proposed grading structure whilst still maintaining the specialisms required for the role and will look to encompass the leadership qualities that the Council believes are going to be key to our success in meeting the challenges.

In addition to this we will need to review the performance management framework for the JNC cadre to ensure it is effectively aligned to our ambition of achieving excellence.

3. FINANCIAL CONTEXT

There were originally 57 FTE in scope of this review with an employee cost of £5,338,293 based on basic salary costs. However, this number has fluctuated during the review due to restructuring and budget savings, and will continue to do so with starters and leavers within the cohort.

The review of the pay and grading framework is in itself is not a cost saving exercise and the modelled proposed structure has been done so to be as close to cost neutral as possible.

Whilst the proposed grade structure aims to be cost neutral there will still be an element of salaries increasing (green circles) and salary reductions (red circles) which is inevitable in such a review.

The proposal to review JNC pay has a cost saving of £361k (inclusive of on-costs) attached to it. Savings are also associated with the proposal to freeze performance related pay for three years, cease subsistence pay and retirement gifts.

4. PURPOSE & DESIGN PRINCIPLES

The purpose of the review is to deliver a new grade structure that is aligned with our vision for our future leaders and provides the flexibility to both attract and retain the capabilities to deliver the vision of the of the future Council. The design principles to achieve this have been defined as follows.

- Reduces the number of grades from 10 to be aligned with the future senior role profiles.
- Progression within the framework will be clearly linked to delivering on the Council priorities, values and the behavioral standards.
- Salary ranges with no set spinal points that will allow flexibility in the level of compensation, enabling the Council to relate reward in consolidated pay to actual performance and the ability pay.
- Contractual flexibility to allow growth within the role to reflect the changing organisational objectives
- It will support the notion of one Council with the expectations of corporate leadership and role flexibility
- Cost neutral on current budget spend for JNC consolidated pay
- Minimise equal pay risk in the new structure
- Transparent, clear and easy to understand
- This structure will set precedent for any future changes to the NJC pay framework

Additionally there is now an overall requirement to identify appropriate mechanisms for addressing the workforce savings proposals. The proposed design principles to inform these are proposed as follows:

- Secure the pre requisite savings
- Seek to minimize the impact on recruitment and retention

5. MODELLING APPROACH & PROPOSED GRADING STRUCTURE

It is often the case that one objective will push modelling in a direction that conflicts with another objective or a constraint. Without a significant additional budget, there is rarely a perfect pay structure that supports all objectives whilst conforming to all constraints.

There are an almost infinite number of possible pay structure variations. The modelling approach is not to look for the perfect pay structure; at least not initially. The modelling approach is to look at a broad range of pay structures and progressively eliminate them in order to ensure the design principles are incorporated into the structure.

As the number of models remaining reduces they are analysed in greater detail. The outcome is a small number of pay structures that can be considered as 'options', which *best fit* the objectives and constraints set by the Council.

In order to reach a proposed grading structure the pay modelling process has involved working through multiple models on differing numbers of grades that were possible options. The models were then appraised and eliminated until they have the desired components. In addition to meeting the agreed design principles the chosen proposed model needed to meet the following criteria after the various options were appraised;

- There to be clear gaps between grades - this reduces the risk of equal pay issues where an employee in a lower grade can be paid higher than an employee scoring higher that is within the next grade.
- There to be logic in the structure design – this is where salary spans and gaps between grades follow logic rather than being random that could be interpreted as manipulation to achieve a desired outcome.
- The structure achieves the desired number of grades first time and doesn't use a phased approach to get to that number.

The number of grades within the models appraised varied and ranged from as high as seven down to four. For each of the models several variations were produced with differing logic for the spans and gaps before the model was discounted.

The proposal for the new grading structure looks to reduce from ten grades down to four in order to align to senior role profiles of Assistant Director, Service Director, Strategic Director and Chief Executive.

The table below illustrates the main components of the structure.

Role	Grade Label	Min Score	Min £	Max £	Span £	Span %	Gap £	Gap %
Chief Executive	B04	1900	172,272	211,033	38,761	22.5%		
Strategic Director	B03	1490	128,802	157,782	28,980	22.5%	14,490	50%
Service Director	B02	1170	96,300	117,968	21,668	22.5%	10,834	50%
Assistant Director	B01	-----	72,000	88,200	16,200	22.5%	8,100	50%

The table above can be interpreted as follows

- Grade Label – this is the grade description and is solely the identifier for the grade band
- Min Score – this is the minimum score required from your evaluation to be placed within the grade band
- Min £– this is the minimum salary for the grade band
- Max £– this is the maximum salary for the grade band
- Span £ - the monetary difference between the minimum and maximum salary for the grade band
- Span % - the percentage difference between the minimum and maximum for the grade band
- Gap £ - the monetary gap between grade bands
- Gap % - The percentage gap between grade bands

The structure offers a logical 22.5% span between the minimum and maximum salary of each grade band. Then the gap between grade bands is based on 50% of the grade span. This structure has been selected for consultation as the number of grade bands align to the four role profiles and it is more logically based compared to the alternative four grade models. In comparison to the previous structure the salary spans were around 11% and grades overlapped by up to 6% with no gaps between grades until beyond L07.

6. ASSIMILATION METHODOLOGY

Assimilation to the grade band will be based on the evaluation score from the JIQ as follows

	Score Range	
B01	800	1169
B02	1170	1489
B03	1490	1899
B04	1900	

Placement within the salary range will be based on your current salary as follows.

- Where your current salary is below that for the grade minimum you will be assimilated to the minimum salary for the grade band (Green Circle)
- Where your current salary is within the salary range you will be assimilated into the grade band at your current salary (White Circle)
- Where your current salary is above the grade maximum you will be assimilated to the maximum for the grade band (Red Circle)

Where salary is reduced as part of the assimilation process the proposal is that there will not be any pay protection.

7. PERFORMANCE AND DEVELOPMENT

As part of the alignment to the new grading structure it is proposed that there will be four role profiles that define the senior leadership for the council as follows.

- Chief Executive
- Strategic Director
- Service Director
- Assistant Director

Whilst there will still be unique duties and responsibilities within roles, the proposed role profiles will define the generic expectations of an officer operating at a senior level within the Council.

With wider salary spans there will be an expectation of salary progression within a grade being reliant on a performance framework that will allow the Council vary the level of reward based on the ability to pay and the level of performance. However, in line with the wider proposals we are consulting on freezing performance related pay from when the Future Council Workforce contract comes into force for NJC employees. This will also form part of the consultation with JNC officers to make the same comparative change.

8. FUTURE COUNCIL WORKFORCE CONTRACT PROPOSALS

A number of the proposals within the basket of options to achieve savings from the cost of employment will impact on JNC officers and cumulatively this could have a significant impact on the pay and reward package. The proposals which were included in the S188 notice issued in December 2015 are as follows:

- Freeze the payment of performance related increments for three years
- Removal of subsistence allowance where you are working away from home
- Amendments to the standard working week to be increased 37 hours whilst contractual hours remaining the same that gives a potential 1.35% reduction in salary. So where you are currently full time on 36.5 hours per week this would be seen as a proportion of 37 hours week so your FTE reduces from 100% to 98.65% See appendix 1 for examples of pension implications
- Review of JNC pay – potential for a 5% reduction
- Removal of retirement gifts and testimonials

These proposals have been developed in the following financial context:

- BCC Gross Expenditure for 2016/17(excluding HRA, Schools Funding & Benefits Payments) is £1,475m
- Employee expenditure for 2016/17 (excluding HRA, Schools Funding & Benefits Payments) is £424m
- Total savings identified in 2016/17 of £88m
- A further £75m savings are required in 2017/18 with a further £88m being needed by 2019/20 i.e. £251m total annual on-going savings by 2019/20

8.1 Considerations

Employee costs is one of our most significant controllable budgets

- We are proposing to reduce headcount by c. 1,200 this financial year and there is a strong likelihood that there will be further significant reductions in 17-18 and 18-19
- We are also proposing to reduce the costs of employment so that we do not have to further reduce our headcount.

These proposals have been developed based on a preference to further reduce the costs of employment rather than the number of people employed.

- An additional reduction in the number of post holders at JNC level at this point in time could impact on our performance and delivery of the outcomes we need to secure for our citizens.

We fully recognise the potential that this could have on individuals, however on balance we believe that the council still offers significant opportunities for senior leaders

- A revised reward package that will offer greater choice through salary sacrifice schemes that enable employees to acquire a benefit that is of value to them whilst making potential savings in tax and NI by reducing their salary for a set period. Examples of a new scheme would be a 'Green Car Scheme' that would give

access to a brand new car that includes road tax, fully comp insurance, maintenance/servicing in return for a set deduction in salary for a specified period.

- Continued access to a defined benefit pension scheme that gives access to a guaranteed income at a time you will most need it.
- The ability to achieve greater work/life integration by giving employees more control over their work and where and when it's done whilst at the same time rethinking the way we achieve our goals through output driven outcomes by being more agile. This should allow you to bring work and life more closely together by knowing you can come to work whilst still making personal appointments and finish your projects. Whilst at the same time providing the right work-life support from career management, technology, flexibility in hours, wellbeing initiatives etc. with the goal of maximising productivity and delivering best value to the Council.

8.2 Review of pay proposals

There is a proposal to achieve a saving of £361k (including on-costs) from the JNC pay budget which is the equivalent of a 5% pay reduction. The effect of this reduction to pay based on current JNC pay scale as at April 2016 would be as follows;

Grade	SCP	Apr-16	Less 5%
L01	1	70,929	67,383
L01	2	72,243	68,631
L01	3	73,556	69,878
L01	4	74,870	71,126
L01	5	76,183	72,374
L01	6	77,497	73,622
L01	7	78,810	74,870
L02	9	75,102	71,347
L02	10	76,492	72,668
L02	11	77,883	73,989
L02	12	79,274	75,310
L02	13	80,665	76,631
L02	14	82,055	77,953
L02	15	83,446	79,274
L03	17	79,274	75,310
L03	18	80,742	76,705
L03	19	82,210	78,099
L03	20	83,678	79,494
L03	21	85,146	80,889
L03	22	86,614	82,283
L03	23	88,082	83,678
L04	25	83,446	79,274
L04	26	84,992	80,742
L04	27	86,537	82,210
L04	28	88,082	83,678
L04	29	89,627	85,146
L04	30	91,173	86,614
L04	31	92,718	88,082
L05	33	91,791	87,201
L05	34	93,491	88,816
L05	35	95,190	90,431
L05	36	96,890	92,046
L05	37	98,590	93,661
L05	38	100,290	95,276
L05	39	101,990	96,890

Grade	SCP	Apr-16	Less 5%
L06	41	100,135	95,129
L06	42	101,990	96,890
L06	44	103,626	98,445
L06	45	105,444	100,172
L06	46	107,262	101,899
L06	47	109,080	103,626
L07	49	106,353	101,035
L07	50	108,323	102,906
L07	51	110,292	104,777
L07	52	112,262	106,648
L07	53	114,231	108,519
L07	54	116,201	110,391
L07	55	118,170	112,262
L08	57	139,516	132,541
L08	58	142,100	134,995
L08	59	144,684	137,449
L08	60	147,272	139,909
L08	61	149,860	142,367
L08	62	152,439	144,817
L08	63	155,018	147,267
L08A	75	131,300	124,735
L08A	76	132,563	125,934
L08A	77	133,825	127,134
L08A	78	135,087	128,333
L08A	79	136,350	129,533
L08A	80	137,613	130,732
L08A	81	138,875	131,931
L10	65	184,325	175,109
L10	66	191,900	182,305
L10	67	195,687	185,903
L10	68	199,475	189,501
L10	69	203,262	193,099
L10	70	207,050	196,697
L10	71	210,837	200,296
L10	72	214,625	203,894
L10	73	218,412	207,492
L10	74	222,200	211,090

Please note that SCP43 is no longer used due to the discrepancy caused by the previous pay award on 01 January 2015 where it became lower than SCP42.

8.3 Review of working week

The proposal is to increase full-time contracted working hours from 36.5 to 37 hours but retain the current contractual hours at 36.5 hours for full time employees but calculate pay as a proportion of 37 hours. This would mean a 1.35% reduction in pay for all employees – full-time and part-time

Whilst for the majority of local authorities the standard working week is 37 hours in Birmingham as part of Single Status, BCC arrangements are that full-time staff are paid for working 37 hours per week even though they work 36.5 hours at present.

9. CONSULTATION AND IMPLEMENTATION

We would like your views and you are invited to comment on the proposed changes as part of the consultation. In order for you to share your views we intend to consult during July and August. In addition to sending out this business case we will:

- Consult with your trades union representatives
- Carry out directorate consultation sessions
- One to one consultation to discuss how the grading proposal could affect you
- One to one consultation on the proposals to change terms and conditions as part of the Future Council Workforce Contract

10. NEXT STEPS

The following table briefly describes the next steps in the process and offers a proposed timeline for achievement.

Description	Activity	Timeline	Owner
Consultation	Share business case	July/August 2016	Claire Ward/Pete Yeung
	Directorate consultation briefing		
	One to one consultation meetings		Strategic Directors
	Trades Union consultation		
Structure agreed	Consider consultation feedback	September 2016	Claire Ward/Pete Yeung
	Draft final business case		
	Communicate to employees		
	Secure internal governance sign off		
Grade Assimilation	Contractual change issued	November 2016	Claire Ward/Pete Yeung
	Assimilation to grading structure	July 2017	

Role Profile	Develop new role profiles that align to new grading structure	November 2016	Claire Ward/Pete Yeung
Performance and Development	Create performance framework	December 2016	Shauna Posaner
Future Council Workforce Contract consultation	Share business case	July/August 2016	Claire Ward/Pete Yeung
	Directorate consultation briefing		
	One to one consultation meetings		Strategic Directors / Line manager
	Trade union consultation	June – September 2016	Claire Ward
Future Council Workforce Contract	Decision made regarding final recommendations	November 2016	Claire Ward
	Implementation of new contract	July 2017	Claire Ward

Appendix 1 Pension Implications

Impact on Pension benefits Full Time employee Pre 14 scheme	Impact on Pension benefits Part-time employee Pre 14 Scheme	Impact on Pension benefits Part-time employee Post 14 CARE scheme	Impact on Pension benefits Full Time employee Post 14 CARE scheme
<p>No change. As pre 14 pension benefits are based on the full time equivalent pay and the FTE pay will not change. The hours change is after April 2014 so will not affect the service calculation for pre 14 service. Example Current hours are 36.50/36.50 pay is £20k, revised actual pay is £19729 for 36.50 hours and full FTE equivalent for 37 hours is £20k. Pre 2014 pension benefits will still be calculated on the FTE pay of £20k</p>	<p>No change. As pre 14 pension benefits are based on the full time equivalent pay and the FTE pay will not change. The hours change is after April 2014 so will not affect the service calculation for pre 14 service. Example Current hours are 18.25/36.50 actual pay is £10k, revised actual pay is £9864 for 20 hours and full FTE equivalent for 37 hours is £20k. Pre 2014 pension benefits will still be calculated on the FTE pay of £20k</p>	<p>If pay reduces the pension benefits will reduce accordingly The CARE benefits are based on 1/49th pay for each year. Therefore, the benefits will reduce. For example current pay is £20k for 36.50 hours. CARE benefits would be 1/49th of £20k = £408. The revised pay would be £19729 and the CARE benefits would be 1/49th = £402. This will only be effective from the implementation date. Previous years are protected</p>	<p>If pay reduces the pension benefits will reduce accordingly - 1.35%. The CARE benefits are based on 1/49th pay for each year. Therefore, the benefits will reduce. For example current pay is £10k for 18.25 hours. CARE benefits would be 1/49th of £10k = £204. The revised pay would be £9864 and the CARE benefits would be 1/49th = £201. This will only be effective from the implementation date. Previous years are protected</p>

Appendix 1 - continued

Additional Pension Impacts
Reduced death in service lump sum. This is based on the last 365 days pay. In cases of ill health retirement the ill health enhancement will be reduced as this is based on CARE pay
If your pay is reduced or increases to your pay are restricted in your last ten years of continuous employment with your employer because you downgrade or move to a job with less responsibility, or as a result of a job evaluation/equal pay exercise, or because of a change to what is specified as pensionable pay in your contract (using the definition of pensionable pay before 1 April 2014), or is restricted for some other reason, you may have the option to have your final pay calculated as the average of any three consecutive years' pay in the last 13 years (ending on a 31 March). Such an option must be made to the Fund no later than one month before leaving. You cannot make use of this option to use earlier years pay in working out your benefits if the reduction or restriction to your pay was as a result of the loss of a temporary increase in pay, or resulted from a reduction in your grade in order to take retirement benefits on flexible retirement.

For further information on pension implications you should contact Sally Plant via email on sally.plant@birmingham.gov.uk or by telephone on 07823 534910.