

Brighton & Hove City Council

Policy & Resources Committee

Agenda Item 125

Subject: Review of Council Grading Structure

Date of meeting: 9th February 2023

Report of: Executive Director for Governance, People & Resources

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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

- 1.1 At the meeting of the Policy & Resources Committee on 7th July 2022 a report was presented which recommended changes to the Council's grading structure affecting approximately 3,800 staff on the lowest grades. These changes resulted in increases in basic salary of between 2% and 9.2% for our lowest paid staff.
- 1.2 An amendment to the recommendations in this report was passed which asked for a future report to Policy & Resources Committee before Budget Council in 2023, outlining a comprehensive review of staff pay grades and structures right across the council, to identify any changes needed to ensure our staff are paid at competitive rates, and that staff retention and recruitment are made easier
- 1.3 This report responds to the request from Policy & Resources Committee.

2. Recommendations

- 2.1 That Committee notes the work that has been undertaken and the conclusions set out below.

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 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.

- 3.3 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. Following this the national context changed and the Council became increasingly 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 As a consequence the discussions with Trade Unions expanded to consider proposals for changes beyond just the deletion of the bottom grade. This culminated in final proposals which were approved at Policy & Resources Committee on 7th July 2022.
- 3.5 The proposals included an increase in the minimum hourly rate paid by the Council from £9.90 to £10.60, and increases of pay between 2% and 9.2% for approximately 3,800 council staff, many of who are in frontline roles including in schools. These changes were implemented in September 2022 with new higher salary rates backdated to 1st January 2022.
- 3.6 These proposals achieved a balance between improving the pay of a substantial number of Council staff employed on the bottom grades with cost/affordability.
- 3.7 Following the request from the Committee to conduct a wider review, this has now been undertaken and considered the issues facing the Council in terms of recruitment and retention of staff and how the Council's pay compares to pay levels in the wider labour market as well as the national context for local government pay. This review has been undertaken in an increasingly challenging financial context, with affordability of options a key factor.

National Pay Context

- 3.8 In November 2022 the national pay award for local government services staff agreed a flat cash increase in salary of £1,925 per annum (pro rata for part time staff) backdated to 1st April 2022. The Council implemented the new rates of pay and the arrears due back to 1st April 2022 in the December payroll and this provided a further substantial increase in pay for our lowest paid staff. This national pay award, combined with the local changes to the Council's pay scales, resulted in increases in the rate of pay of between 10.5% and 19.3% for approximately 3800 staff on the Council's lowest grades.
- 3.9 Work on reaching an agreement on the 2023 local government pay award between the National Employers and Unions is expected to commence in January 2023.

- 3.10 There are significant challenges that will need to be considered in future national negotiations that make it problematic to accurately estimate the likely award. These challenges include:
- Significant increases in the Real Living Wage (national legal minimum wage), which could result in the removal of the lowest points on the national pay scales, resulting in the potential for reduced differentials or the need to further restructure the lowest pay scales (the work already completed locally makes it less likely there will be an impact in this council)
 - Inflation is still high at 9.2%¹ in the 12 months to December 2022 but expected to reduce to between 5 and 6% by the end of 2023.
 - affordability is likely to be a critical issue in this years negotiations.
 - Trade Unions likely to be seeking substantial increase given context around cost of living and in the context of unprecedented levels of industrial action nationally linked to pay.

Recruitment

- 3.11 For some time there has been difficulties recruiting across the country. Unemployment is very low although it increased slightly in the last quarter that data is available (as at end of November 2022). Numbers of available vacancies nationally has been at an historic high since 2021 but this peaked in May 2022 and has been on a downward decline ever since. Brexit has also had an impact in terms of potential labour supply. All of this leads to a tight labour market with employers competing for staff which has contributed to greater pay growth.
- 3.12 However it is predicted that the UK will be in recession during 2023. The impact of this on the labour market is unknown. Unemployment is anticipated to rise a little and the number of employers that are expecting to need to make redundancies is slightly increasing although from a low base.
- 3.13 The level of recruitment in the Council has been at an unprecedented level since the start of the Covid-19 pandemic and the Council has experienced difficulty recruiting across the board and in areas where this has traditionally not been a problem. However restrictions to recruitment that have been put in place in order to address significant in year budget pressures and the extremely challenging ongoing financial climate in future combined with the wider economic outlook may well reduce some of these difficulties.
- 3.14 In order to respond to the increasingly competitive environment, the Council is implementing a new model to develop a more strategic approach to recruitment and investing in our recruitment function to develop more strategic and professional capacity to lead on developing our marketing and employer branding strategy, providing greater professional support for recruitment campaigns and ensuring our processes are as efficient as possible.

¹ Office for National Statistics (ONS), released 18 January 2023, ONS website, statistical bulletin, [Consumer price inflation, UK: December 2022](#)

Retention

- 3.15 The Council's rate of turnover (ie the percentage of employees who left the Council's employment) as at end of September 2022 was 12%. This has remained broadly static for some years with only a slight up tick in the last year. This rate of turnover is reasonable and in line with public sector averages.

Pay Benchmarking

- 3.16 The Council subscribes to a benchmarking facility provided by South East Employers which currently enables the Council to benchmark pay across 113 roles in 11 other local authorities in the south east.
- 3.17 This data shows us that across the roles that we benchmark against, there is a mixed picture in terms of whether the Council is paying above or below the south east average. In posts graded below management/professional grades most of our roles benchmark better than the south east average. Above this approximately three quarters of our roles benchmark below the south east average. A chart showing the benchmarking data is shown in **Appendix 1**.

Market Supplements

- 3.18 The Council can pay an additional market supplement in relation to posts where there are difficulties recruiting which are having a serious impact on service delivery and where pay is a factor that is impacting the ability to recruit because the normal rate the Council pays for the role is not competitive. Market supplements are approved following a thorough business case that sets out the evidence to support the payment of a supplement.
- 3.19 The Council currently applies a market supplement to approximately 25 roles across the Council with the majority in children's social work roles. Most of the roles in the benchmarking analysis described above that are paid below the South East average do not have market supplements applied.

Conclusions

- 3.20 The Council has recruitment difficulties in certain areas, mainly in specific specialist or professionally qualified roles, most of which are long standing and where many Councils struggle to recruit. More recently there have been wider difficulties recruiting across a much wider range of roles than usual linked to the national labour shortages.
- 3.21 While recruitment has been particularly difficult in the most recent period, there is some uncertainty going forward as to the economic and labour market outlook that may affect levels of unemployment and labour supply as well as the very significant financial climate for the Council. In addition with the exception of one service area there have been no new market supplements requested. The Council is also implementing a new recruitment model which will increase the professional recruitment expertise

and support for the organization to maximise our success at attracting a diverse and skilled range of candidates.

- 3.22 The Council has substantially invested in raising pay levels in the lowest grades in the Council which will have aided recruitment and the benchmarking data suggests that for the majority of roles at this level the Council pays in line with or better than the South East average.
- 3.23 The conclusion of the review that has been undertaken is that further structural change to the Council's pay and grading structure should not be pursued at this time. The biggest challenges the Council faces are in relation to particular roles where it is especially difficult to recruit, market pay is a material factor contributing to the issue and there is serious impact on service delivery as a result of the difficulty recruiting. The Market Supplement Policy is the mechanism the Council has to respond to such issues.
- 3.24 The Council is currently undertaking a review of the Market Supplement Policy and consulting with Trade Unions on this and this review will be completed before 31st March 2023.
- 3.25 The very difficult financial context for the Council and schools also substantially limits the Council's ability to make material changes to the Council's pay structure. The Council will further consider the design of our pay and grading structure in the next financial year and the options there may be for taking a different approach and consider this in the context of the Medium Term Financial Strategy and a need to review the number of management grades.
- 3.26 As part of Our People Strategy to be launched this year we will maintain a clear focus on continuing to review, develop and communicate our non-pay benefits package as well as continued work on financial wellbeing.

4. Analysis and consideration of alternative options

- 4.1 The Council could look to make changes to the Council's grading structure to address some of the market pay issues the Council faces and ensure more of our roles are paid better compared to other council's. However any viable option would require very substantial additional funding being allocated in the context of a very difficult and very uncertain financial situation.

5. Community engagement and consultation

- 5.1 The Council has sought the views of Trade Unions.
- 5.2 Trade Union colleagues have raised many issues around pay over the last two years, including increasing concerns about cost of living in the city. These concerns were responded to by the council and were a significant driver for the low pay changes implemented by the Council as described in paragraphs 3.1 to 3.6. The Council also continues to review and develop its

package of non pay benefits and support in relation to financial wellbeing such as the successful launch in 2022 of a Rental Deposit Loan Scheme.

- 5.3 Whilst several improvements have been made in response to concerns, there continues to be a view from Trade Unions that the grading structure is flawed and that in some areas pay compares unfavourably to other councils. The Trade Union's view is that this should be addressed with a redesign of the grading structure to lift pay. Specifically, Trade Unions have said the Council needs to look at the pay for staff on scales 5 and 6 (the next two grades up from those improved in 2022).
- 5.4 Paragraphs 3.16 and 3.17 in this report describes the pay benchmarking that has been undertaken comparing roles in a number of south east local authorities. This information shows a mixed picture and explains that the Council has some roles which benchmark less favourably against the reference group, particularly higher up the pay scales. However not all roles benchmark unfavourably, and where pay is lower than market pay, not all roles have difficulty recruiting or the same level of impact on critical service delivery. Roles at scale 5 and 6 benchmark relatively favourably in the benchmarking data.
- 5.5 The Council also needs to balance affordability against the challenges that recruitment difficulties can create and section 4 clarifies the very challenging financial context for making wholesale changes to the grading structure. There is a mechanism to address acute problems with recruiting where market pay is an issue and the Market Supplement Policy is being reviewed.
- 5.6 TU colleagues continue to be involved in reviewing and improving our employment offer through our staff consultation mechanisms, and specifically are currently being consulted on the review of the Market Pay supplement policy.

6. Financial implications

- 6.1 There are no direct financial implications arising from the recommendation of this report. Staff pay is a significant proportion of council expenditure across schools, the Housing Revenue Account and the General Fund and therefore any changes to pay can have significant financial implications. The changes to the grading structure approved at July 2022 Policy & Resources Committee and the National Pay award for 2022/23 have been reflected in Targeted Budget Management reports to this committee and are included in budget estimates for 2023/24.
- 6.2 The budget setting process for future years includes an estimate of the average percentage increase for pay awards and this is ultimately determined by nationally agreed settlements. Any options for amending the current pay structure must be considered in the context of affordability. The councils challenging financial position for future years is detailed in Budget reports elsewhere on this agenda.

Name of finance officer consulted: James Hengeveld

Date consulted (25/01/2023):

7. Legal implications

- 7.1 There are no legal implications arising from the information noted in this report. If the Council wished to make decisions impacting on staff pay, this would need to follow appropriate consultation with staff and Unions and comply with relevant legislation.

Name of lawyer consulted: Elizabeth Culbert Date consulted
(25/01/2023):

8. Equalities implications

- 8.1 There are no direct equalities implications arising from the recommendations in this report. The review of the Market Supplement Policy that is referred to will factor in and ensure relevant equalities issues are considered, particularly related to equal pay. An equalities impact assessment will also be completed in relation to that piece of work.

Supporting Documentation

Appendix 1 – Salary Benchmarking

