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4. NEW PAY GRADE STRUCTURE (TR)

1. Purpose of the report

To inform Members about the Authority's current labour market position regarding its pay structure; and to seek a decision from Members on proposal for new pay grade structure.

Key Issues

- The Authority's pay structure has fallen behind regional comparators meaning it is harder to recruit and retain skilled and experienced staff.
- Since 2021, the Authority's employee turnover rate has almost doubled from the pre-pandemic rate of 9%.
- It is Government policy that the National Living Wage (NLW) will reach 66% of average earnings by April 2024. The National Employers' Side of the National Joint Committee (NJC) believe local government should not be a minimum wage employer, so maintain headroom between the NLW and bottom of national pay spine. As a result, since 2015, the national pay awards have been weighted towards the lower grades.
- The flat cash NJC pay award in the last two years is disproportionately beneficial for lower grades, equating to a higher percentage increase (in total 22%) than higher grades. The Authority's current pay structure shows that higher graded posts are furthest from the regional Public Sector median.
- The economic environment remains volatile. In May to July 2023, annual growth in wages (excluding bonuses) was 7.8%, the same as the previous 3-month period and the highest regular annual growth rate since comparable records began in 2001.
- The Authority's ability to pay the amounts believed fair and competitive, is hampered by the continued Defra grant freeze National Park Authorities are experiencing.

2. Recommendations

1. **That Members note the Authority's market position of its pay structure in comparison to direct competitors for labour.**
2. **That Members approve the new pay grade structure proposed – Option 3B**
3. **That Member support exploration of recruitment and retention incentives to be used for hard to fill posts**
4. **That Members support a review of Authority allowances with regional local authorities and other national park authorities.**

How does this contribute to our policies and legal obligations?

3. Our ambitions for 2023/24. Enabling Delivery Aim: The Authority is inspiring, pioneering and enabling in delivering the National Park vision. Objective C (People) to have highly engaged, healthy and inclusive staff and volunteers. Action for transformative change: Develop and implement our pay strategy.

Background Information

4. Pre-pandemic, employee turnover rate was constantly below 10%. The last two years

have shown a marked increase in staff turnover, and the rate remains at 17% as at 30 September 2023. The turnover rate in the Planning service during this time has been 25%.

The current pay structure was adopted in November 2019 following the implementation of the new National Pay Spine with effect from April 2019 which merged 12 points into 6 at the bottom of the pay scale and added 5 pay points between 20 and 28 points. A pay modelling exercise was undertaken to identify a pay grade structure to comply with the Age regulations within the Equality Act 2010 and develop a consistent number of increments in the grades with no overlaps. This new pay grade was implemented at an additional cost of at least £215K.

At the same time an additional exercise was undertaken to estimate the cost of moving our salaries to align with the median for Public Sector (East Midlands) and Not for Profit (National). This exercise arose as a result of a benchmarking exercise on National Parks salaries conducted by Yorkshire Dales NPA, which showed our Authority in the lower quartile for most comparator roles. The financial position at the time meant any move towards the either of these medians was unaffordable.

In March 2020, the first lockdown measures came into force across the UK finally lifting in early 2022. An outcome from the pandemic has been that flexible working and in particular, working from home, has become the norm for UK office-based employees. The advantage the Authority had as an employer offering excellent flexible working arrangements has been eroded.

In 2021, the 'great resignation' was the name given to the trend of people in the UK who chose to quit or change their jobs, largely attributed to the life changes caused by the pandemic. It became an employee's market with low unemployment rates (4.5%) and a rise in the economic in activity rate (thousands of over-50s left the labour market). There were record number of vacancies (1.2million in September) and a rise in 'hard-to-fill' vacancies. Wages started to rise, 6% higher than in 2020, in response.

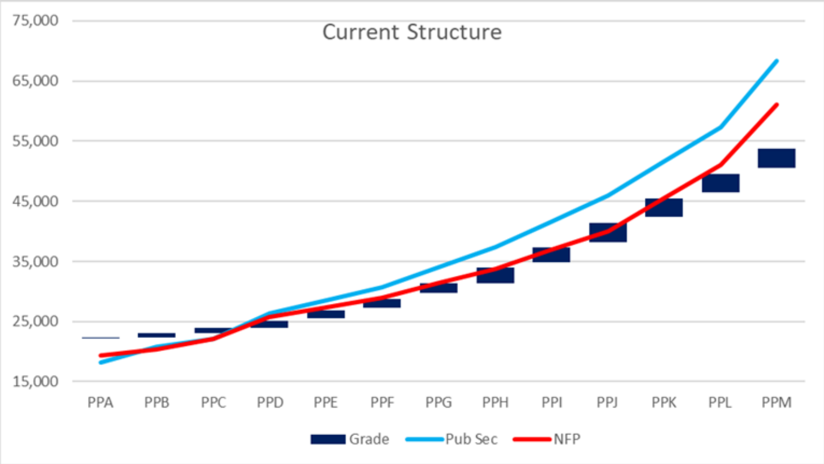
In 2022, Russia invaded Ukraine in February which had a negative impact on cost of fuel, food and energy. The Consumer Prices Index (CPI) which measures inflation surged to 10.1% in the year to July, reaching 11.1% in October – taking it to its highest level in 41 years. Wage growth, despite rising at their fastest rate in more than 20 years, were still much lower than CPI rate and marked a cut in real term pay (source: Office for National Statistics).

With increasing numbers of hard to fill vacancies at the Authority, the CEO, Phil Mulligan set out what he was minded to do with the organisational restructure in order to afford an improved pay strategy. In February 2023, the Members approved in principle the recalibration of the Authority's pay grades based on pay modelling exercise from December 2022 data. The preferred, and affordable pay modelling option at that time was for the pay grades to rise to 102% of the East Midlands Public Sector median (although some of the lower grades are already on or above the median).

At the Authority meeting on 28 July 2023 to approve the new organisational structure, the CEO's intention remained to set the pay grades above the current EM PS median (102%) to allow for the lag of annual pay awards being implemented across the sector. At the time it was noted that the economic environment remained volatile, with the UK annual wage growth rate at 7.3% in the three months to May 2023 compared with the same period the year before. Therefore, for due diligence and to provide up to date information regarding the labour market position of the Authority's pay structure, another pay report was commissioned.

The September exercise demonstrated the Authority has fallen even further behind the market since starting to explore pay in early 2023. The exercise included the proposed pay award of £1,925 or 3.88% (whichever is higher to the salary figures) to enable appropriate comparison of the market. This pay award was agreed on 1 November.

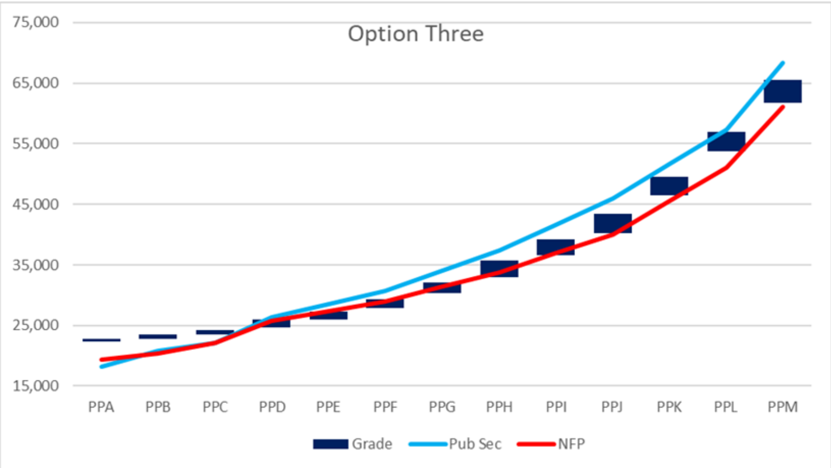
The Current Structure graph shows our market position as at 15 September 2023 compared to the East Midlands Public Sector median (light blue) and the Whole country Not for Profit Sector median (red). Our pay grades A to M are shown as boxes (dark blue)



The market data suggests that grades A to C are either around the market median or above and that grades D to M are below market median for the Public Sector and slightly below compared to the Not-for-Profit Sector (NFP). This, in part, is due to the NJC's drive to increase the pay for lower paid employees, whereas the data will tend to sit around the National Living Wage rates.

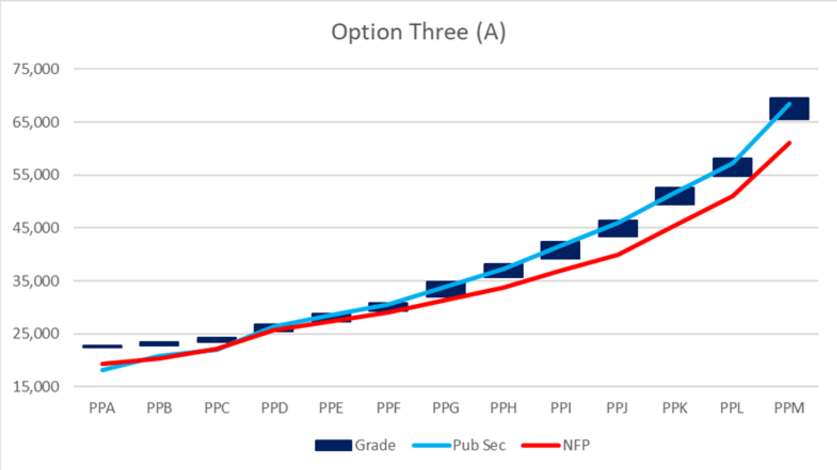
The forecast in the pay report (Sept 2023) shows that the current pay structure, without any pay increases, will cost 2.8% more by the year 2028/29. The forecast does not account for inflation.

The Option Three graph below, is the same pay grade option as included in the previous reports, and was originally designed around 102% of the regional Public Sector median in March this year. However, the revised data for the Public Sector has significantly shifted and this model no longer meets the market median for the public sector. However, it is an affordable option and is the closest to matching the regional Public Sector Median. This was the preferred option that went to consultation.



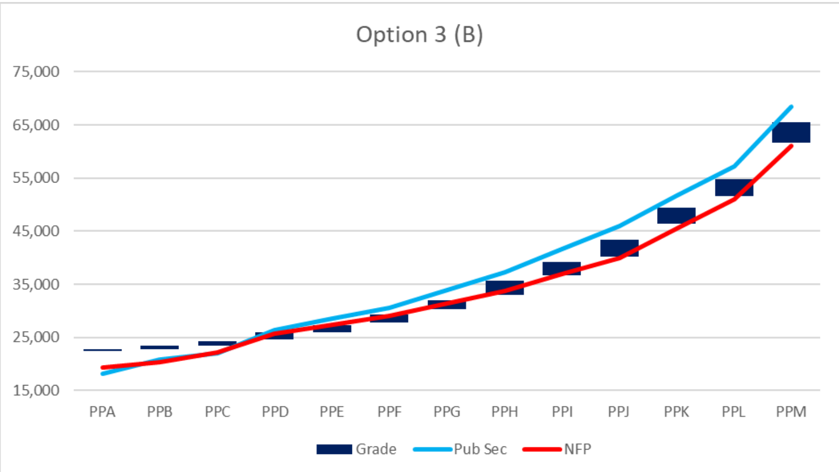
The forecast in the pay report (Sept 2023) shows that the cost for this structure will increase to around 4.7% by the year 2028/29.

This Option 3A graph show the structure designed around 102% of regional Public Sector median as at 15 September. As pay is moving relatively quickly due at the moment due to high levels of inflation and a 'tight' job market, just matching the median will in fact mean the Authority is 'behind the curve' due to the built-in lag in collecting data, analysing data, and then uploading the database. Therefore, this structure aimed to be above the median to account for the lag described.



The forecast in the pay report (Sept 2023) shows that the cost for this structure will increase to around 11.1% by the year 2028/29. The five-year projection costs are forecast to be £0.938 million more than the current structure costs.

This Option 3B graph below is a variation of Option 3 on the previous page. This structure was generated as a result of feedback from staff during the consultation period where it was suggested that one option could be to move to a structure where there was a standard distance below the regional Public Sector median. From the current structure grades A – D are already above or within one spinal column point of the Public Sector median. This structure grades E – M are two spinal column points below the maximum increment of the Public Sector median grade structure.



The forecast in the pay report (Sept 2023) shows that the cost of this structure will increase by 4.5% by the year 2028/29.

The diagram below shows our current grade structure and on the far right, our grade structure at the regional Public Sector (PS) median. The middle grade structure shows option 3, the preferred option at the start of the consultation on the National Pay Spine with the orange boxes indicating the two spinal column difference from the PS Median. The emboldened demarcation for grade L indicates where it moves to with option 3B

2023/24 - Current Pay Structure

SCP			
1			
2	A	£22,366	B
3		£22,737	B
4	C	£23,114	B
5	C	£23,500	
6	C	£23,893	D
7		£24,294	D
8		£24,702	D
9		£25,119	D
10	E	£25,545	
11	E	£25,979	
12	E	£26,421	
13	E	£26,873	
14		£27,334	F
15		£27,803	F
16		£28,282	F
17		£28,770	F
18		£29,269	
19	G	£29,777	
20	G	£30,296	
21	G	£30,825	
22	G	£31,364	H
23		£32,076	H
24		£33,024	H
25		£33,945	H
26	I	£34,834	
27	I	£35,745	
28	I	£36,648	
29	I	£37,336	
30		£38,223	J
31		£39,186	J
32		£40,221	J
33		£41,418	J
34	K	£42,403	
35	K	£43,421	
36	K	£44,428	
37	K	£45,441	
38		£46,464	L
39		£47,420	L
40		£48,474	L
41		£49,498	L
42	M	£50,512	
43	M	£51,515	
44	M	£52,615	
45	M	£53,716	

2023/24 - Option 3/3B

SCP			
1			
2	A	£22,366	
3	A	£22,737	B
4		£23,114	B
5	C	£23,500	B
6	C	£23,893	
7	C	£24,294	
8		£24,702	D
9		£25,119	D
10		£25,545	D
11	E	£25,979	D
12	E	£26,421	
13	E	£26,873	
14	E	£27,334	
15		£27,803	F
16		£28,282	F
17		£28,770	F
18		£29,269	F
19		£29,777	
20	G	£30,296	
21	G	£30,825	
22	G	£31,364	
23	G	£32,076	
24		£33,024	H
25		£33,945	H
26		£34,834	H
27		£35,745	H
28	I	£36,648	
29	I	£37,336	
30	I	£38,223	
31	I	£39,186	
32		£40,221	J
33		£41,418	J
34		£42,403	J
35		£43,421	J
36		£44,428	
37		£45,441	
38	K	£46,464	
39	K	£47,420	
40	K	£48,474	
41	K	£49,498	
42		£50,512	
43		£51,515	
44		£52,615	
45		£53,716	L
46		£54,791	L
47		£55,886	L
48		£57,004	L
49		£58,144	
50		£59,307	
51		£60,493	
52	M	£61,704	
53	M	£62,938	
54	M	£64,197	
55	M	£65,481	

2023/24 - PS Median

SCP			
1			
2	A	£22,366	
3	A	£22,737	B
4		£23,114	B
5	C	£23,500	B
6	C	£23,893	
7	C	£24,294	
8		£24,702	
9		£25,119	D
10		£25,545	D
11		£25,979	D
12		£26,421	D
13	E	£26,873	
14	E	£27,334	
15	E	£27,803	
16	E	£28,282	
17		£28,770	F
18		£29,269	F
19		£29,777	F
20		£30,296	F
21		£30,825	
22	G	£31,364	
23	G	£32,076	
24	G	£33,024	
25	G	£33,945	
26		£34,834	H
27		£35,745	H
28		£36,648	H
29		£37,336	H
30	I	£38,223	
31	I	£39,186	
32	I	£40,221	
33	I	£41,418	
34		£42,403	J
35		£43,421	J
36		£44,428	J
37		£45,441	J
38		£46,464	
39		£47,420	
40	K	£48,474	
41	K	£49,498	
42	K	£50,512	
43	K	£51,515	
44		£52,615	
45		£53,716	L
46		£54,791	L
47		£55,886	L
48		£57,004	L
49		£58,144	
50		£59,307	
51		£60,493	
52		£61,704	
53		£62,938	
54	M	£64,197	
55	M	£65,481	
56	M	£66,817	
57	M	£68,154	
58		£69,490	

SEE Appendix 1 Pay Modelling Report – Sept 2023 v4, which has been revised as a result of feedback to include Option 3B, for full details.

Proposals

5. The Authority can afford to pay for options 1, 2, 3 and 3B.

Option 3 was the preferred option set out to the Members at the end of July Authority meeting and shared with staff during the consultation period.

Feedback from the consultation proposed an option where '*bands from D to M move to a standard percentage point below the East Midlands median'*. This proposal was explored. As part of the terms and conditions set out in the 'Green Book' (page 13, section 5.1): *'the basic pay of each employee will consist of either a point or points in the local government pay spine'*. Therefore, the standard measurement to use must be in spinal column points. This approach to pay modelling had been considered previously by the management team, as seen in the Pay report (June 2021).

In Option 3, grades A to D are either above on within one spinal column point of the regional Public Sector median, and therefore it is not proposed to move them. Grades E to M with the exception of grade L, are two spinal column points below the maximum increment of the grade as set at the regional Public Sector median. In Option 3, grade L sits on the regional Public Sector median at scale points 45 to 48. Moving grade L to scale points 43 to 46 in option 3B, makes the model more robust and seen to be fairer and more in line with the objective to follow the regional Public Sector median

Are there any corporate implications members should be concerned about?

Financial:

6. SEE Appendix 2 – which shows the impact of options 2,3,3A, 3B and 5 on the Mid Term Financial Plan (MTFP)

Option 1 was excluded as it was felt that this would not go far enough to address any of the recruitment and retention issues.

The MTFP forecasts for options 2, 3, 3A, 3B and 5 were calculated based on the establishment from the outcome of the organisational change including all temporary and permanent posts. The data provided to Members in July 2023 excluded temporary funded posts on the basis that the costs and income would be equal and opposite.

The assumptions included within the MTFP forecasts are shown at appendix 2. All options were calculated in the same way with the same assumptions with only pay being changed for each option.

All of the forecast options show that the budget surpluses from the earlier financial years would need to be held in reserves to fund the later financial years.

Option 2 shows a cumulative surplus figure across financial years 2023/24 to 2026/27, with a cumulative deficit of £601k for 2027/28. This option will give the Authority a full 3 financial years to put measures in place to increase income or reduce costs for the 2027/28 budget.

Option 3 shows a cumulative surplus figure across financial years 2023/24 to 2025/26, with a small cumulative deficit of £51k for 2026/27 and a cumulative deficit of £711k for 2027/28. This option will give the Authority 2 financial years to put measures in place to increase income or reduce costs for the 2026/27 and 2027/28 budgets. It is felt that the deficit of £51k in 2026/27 at 0.32% of the gross expenditure budget can be covered by the plans for additional income generation.

Both options 3a and 5 show in year and cumulative deficits from 2024/25. This is too soon and the values involved are too large for the Authority to address in the timeframe available. The costs of implementation are simply too great compared to the funding available to the Authority.

Option 3B shows a forecast cumulative surplus figure across financial years 2023/24 to 2026/27, with a cumulative deficit of £634k for 2027/28. This option will give the Authority 3 financial years to put measures in place to increase income or reduce costs for the 2027/28 budgets and beyond.

Risk Management:

7. The main risk is that the pay proposal is insufficient to attract and retain key staff in business-critical posts therefore we continue to generate a high number of hard to fill vacancies. This in turn may lead to more frequent use of market supplement payments which will undermine the integrity of the job evaluation scheme.

Changes to pay is invariably divisive and can impact on morale particularly where the proposal is to pay some of the grades proportionally more than others.

SEE Appendix 3 – consultation feedback
See Appendix 4 – staff representative feedback on option 3B

Equality, Diversity and Inclusion:

All of the pay structure options within the Pay Report have been developed to comply with the Age regulations in the Equality Act 2010 in relation to the Act's section on pay and benefits that are related to length of service.

Overall, analysis of the proposed pay grade structure shows an improved position on the equality of pay when looking at sex and age.

SEE Appendix 5 – Peak District National Park Authority – equality analysis.

9. Appendices

Appendix 1 - Pay report – September 2023 v4

Appendix 2 - MTFP OPTIONS 2, 3, 3A, 3B AND 5

Appendix 3 - CONSULTATION FEEDBACK

Appendix 4 - STAFF REPRESENTATION FEEDBACK ON OPTION 3B

Appendix 5 - EQUALITY ANALYSIS

Report Author, Job Title and Publication Date

Theresa Reid, Head of People Management, 22 November 2023
Theresa.Reid@peakdistrict.gov.uk