

**By:** Deputy Leader of the Council and  
Director of Personnel & Development

**To:** Personnel Committee      **Date:** 16 May 2008

**Subject:** Pay & Reward

**Classification:** Unrestricted

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## **SUMMARY:**

**This paper outlines the significant progress KCC has made within its Reward Strategy by developing a modern and flexible employment package.**

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### **1. Single Status**

KCC has delivered Single Status, ie the pay and Terms & Conditions harmonization for approximately 4,000 former manual worker employees. This was done both to deliver to KCC responsibilities under the 1997 national obligations and also because KCC wants to treat its employee's equitably and fairly.

By taking the initiative and implementing Single Status ahead of other authorities, we are in a good position to defend ourselves against equal pay challenges. These still could be internal but more likely to be no win no fee solicitors who are encouraging group actions against both authorities and Trade Union members alike if they suspect the best deal for employees has not been implemented.

Equal pay reviews have also been undertaken, reviewing base pay for gender differences and has also included ethnicity in the second review. No significant pay gaps were found, however recommendations on starting salaries were made and are being implemented through JRIT. The current third phase now considers allowances and demonstrates KCC's ongoing commitment to review and address pay issues proactively and again in partnership with the Trade Unions.

### **2. Pay Scale Changes**

The introduction of pay scale changes from the implementation of Single Status for the lower grades has been applied to the whole of the Kent Scheme pay spine, resulting in a more modern, equitable and flexible structure.

- **Shorter Grades** With shorter grades now introduced, it takes less time to reach grade maximum resulting in greater inherent equality between men and women. This helps deliver to our equality agenda and manages the risk of potentially very expensive equal pay claims against the authority.
- **Reduced Grade Overlap** The new pay scale design has reduced the overlap between successive grades. For some grades this previously lead

to the perverse situation where a direct report was being paid more than their line manager.

- **Half Increments** We know from experience, when KCC introduced PRP in 1990 that having only full increments is inflexible and drives costs upwards. Using half increments builds in more flexibility and enables managers to deliver the right message to employees within a budget sensitive environment.
- **'Advanced Box' Payments** Individuals who are at the top of their grade needed a mechanism to be rewarded within the formal TCP cycle, resulting in the introduction of the advanced box. This means that individuals at their grade maximum who are assessed at excellent or exceptional can receive a one off cash lump sum equivalent to a half or a whole increment respectively. This is important as a way to help managers recognise, reward and motivate this large group, around one third of employees.
- **Extend Maximum Pay** The upper pay points have been extended as an attempt to remain competitive for key senior management roles. This has helped bridge some of the gap between top of KS15 and M grades and reduces the need for the use of spot salaries which, because of their nature, have negative equal pay implications and also make it less easy for the principles of TCP to apply.
- **Incremental Step Consistency** Prior to the review of the pay scale the difference between successive increments varied between 1.9% and 6.2%. The steps are now much more consistent and average 2.7%.

### 3. Pay Bargaining

We have now concluded the fourth year of local pay bargaining with our recognised Trade Unions. The ability for the Trade Unions to put their case forward on an annual basis was a result of the productive dialogue and agreement to deliver Single Status.

Typically the Trade Union side wishes to maximise the amount available on the Cost of Living award because this is most beneficial to all of their members. However, all wider aspects of benefits and policies are also considered. Previous years have included the increase of minimum annual leave from 22 to 24 days and the removal of 16 & 17 year old pay rates.

Being able to negotiate outside of the national pay process enables KCC to deliver increases on 1<sup>st</sup> April rather than what could be many months later. The award is confirmed at the end of our established process involving negotiations and reporting to COG, Cabinet and Full Council in February each year.

Local pay is now operated by around 50% of authorities in our region.

This year, as a result of negotiations, the initial pay offer made by KCC was increased from 2.0 to 2.5%. Around two thirds of employees also receive an

incremental scale move as a result of the Total Contribution Pay process worth an average of 2.7%.

#### **4. RPI, CPI and Cost of Living Awards**

Every year a cost of living award is applied to Kent Scheme. The amount is a balance between what the budget can allow and what we need to pay to remain competitive.

Appendix 1 shows the relative increase in Retail Price Index (RPI), Consumer Price Index (CPI), National pay awards (NJC) and the Kent Scheme (KS), since 1990, the introduction of local pay. The average length of service of Kent Scheme staff is 7 years, which has been used to reflect the changes since the year 2000 (Appendix 2), indicating a less competitive trend recently for Kent Scheme increases. Appendix 3 also shows the percentage increases each year. Interestingly, the Government uses CPI as the measure for public sector pay which over time will result in a diminution of pay relative to wider living costs.

#### **5. Pay Scale Profile**

The profile of assignment counts for each grade on the Kent Scheme pay scale is shown in Appendix 4. This includes employees on fixed pay points and linked grades in order to give as complete a picture as possible. The graph shows that the vast majority of our staff are on the lowest grades. A count of the number of people at the top of grade is shown in Appendix 5 (excluding fixed pay points and linked grades) indicating that this is close to one third of employees. March 2008 data has been used to calculate the average salary of £17,710 which includes full and part time employees.

#### **6. Total Reward**

Recently KCC has been developing a more sophisticated and holistic approach to the designing, delivering and communicating of our wider employment package.

We do not have the same bonuses, stock options and share plans as in much of the private sector so we need to make the most of our resources, one of which is being a large employer.

Although pay is always going to be the main element, there is so much more to include, some of which can be quantified in terms of cost e.g. Pension, allowances, holidays etc and much of which cannot e.g. employee support, fairness of treatment, culture etc.

Unless we communicate this in a way which explains clearly what is on offer then we miss a great opportunity to both attract and retain staff and to tell people both why they should work and stay here.

A significant amount of work has been invested in developing the voluntary benefits package which now allows all employees, pensioners and member to access discounts and cashback from over 1,500 organisations. The launch of this via our provider Asperity has been the most successful in both private and public sector and we remain the only local authority to offer this currently.

The Local Government Pension Scheme is of particular note, given its increase in perceived value due to many organisations within the private sector closing their deferred benefit schemes and replacing them with defined contribution schemes with very uncertain pension provision.

Total Reward is not done for altruistic purposes. Increased employee engagement through the use of employer provided benefits is likely to increase discretionary effort leading to improved service delivery.

Maximising the flexibility, relevance and choice in the employment package is a way of doing this and an overview of some of the key components in the package is given in Appendix 6.

## **7. The Future**

We need to continue to review the design of the Kent Scheme pay scale to make sure it remains competitive in the wider market and continues to focus reward on individuals who demonstrate higher levels of personal contribution.

It is however possible to consider other mechanisms for individuals to progress up their pay band both in terms of speed and amount.

Any development to pay structures should continue to embody the key principles used in the wider reward strategy of simplicity, equality and business focus.

## **8. Recommendation**

Personnel Committee is intended to acknowledge the success of the wider developments which have resulted from Single Status and to recognise and endorse the extensive employment package available and its communication using the concept of Total Reward.

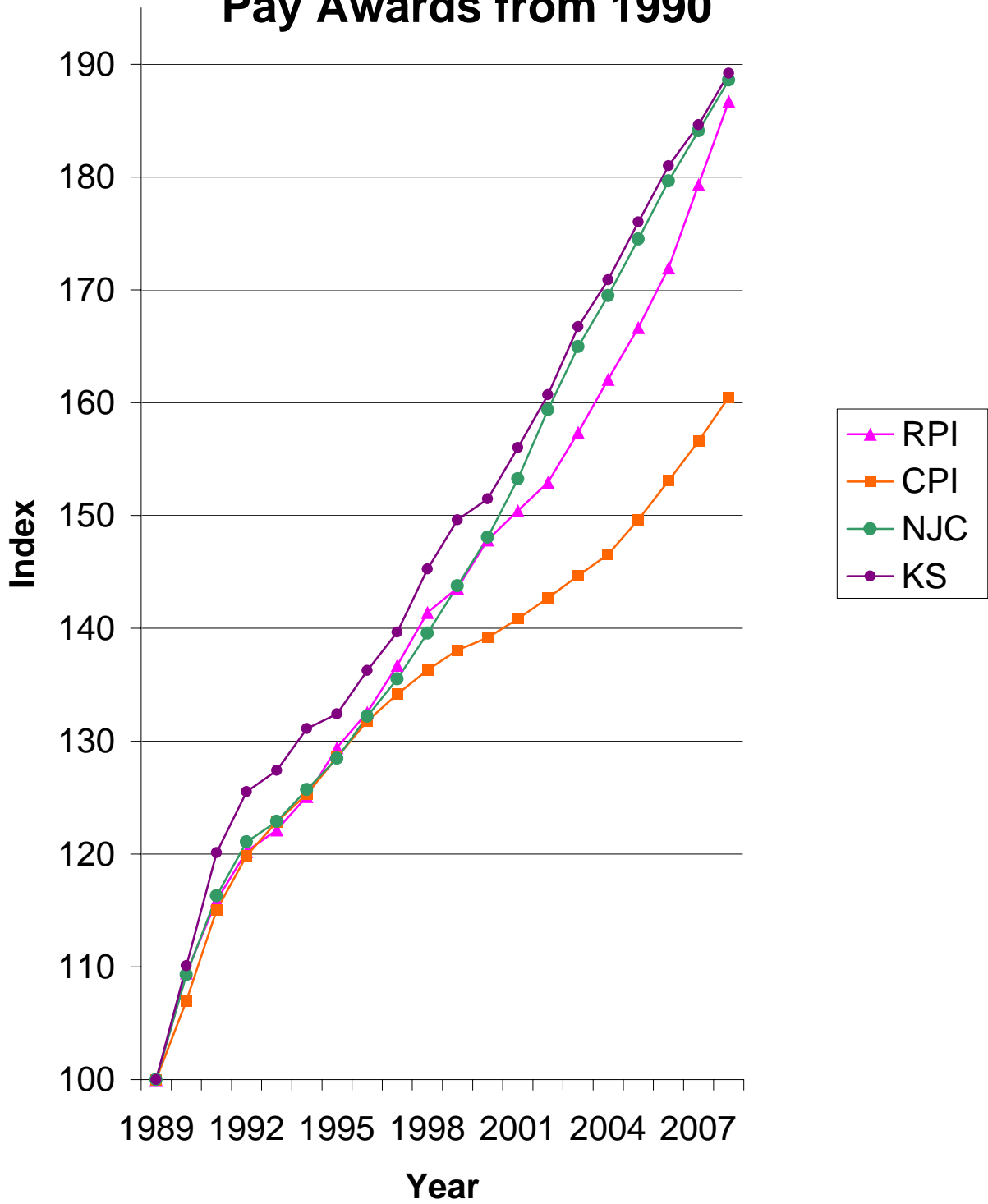
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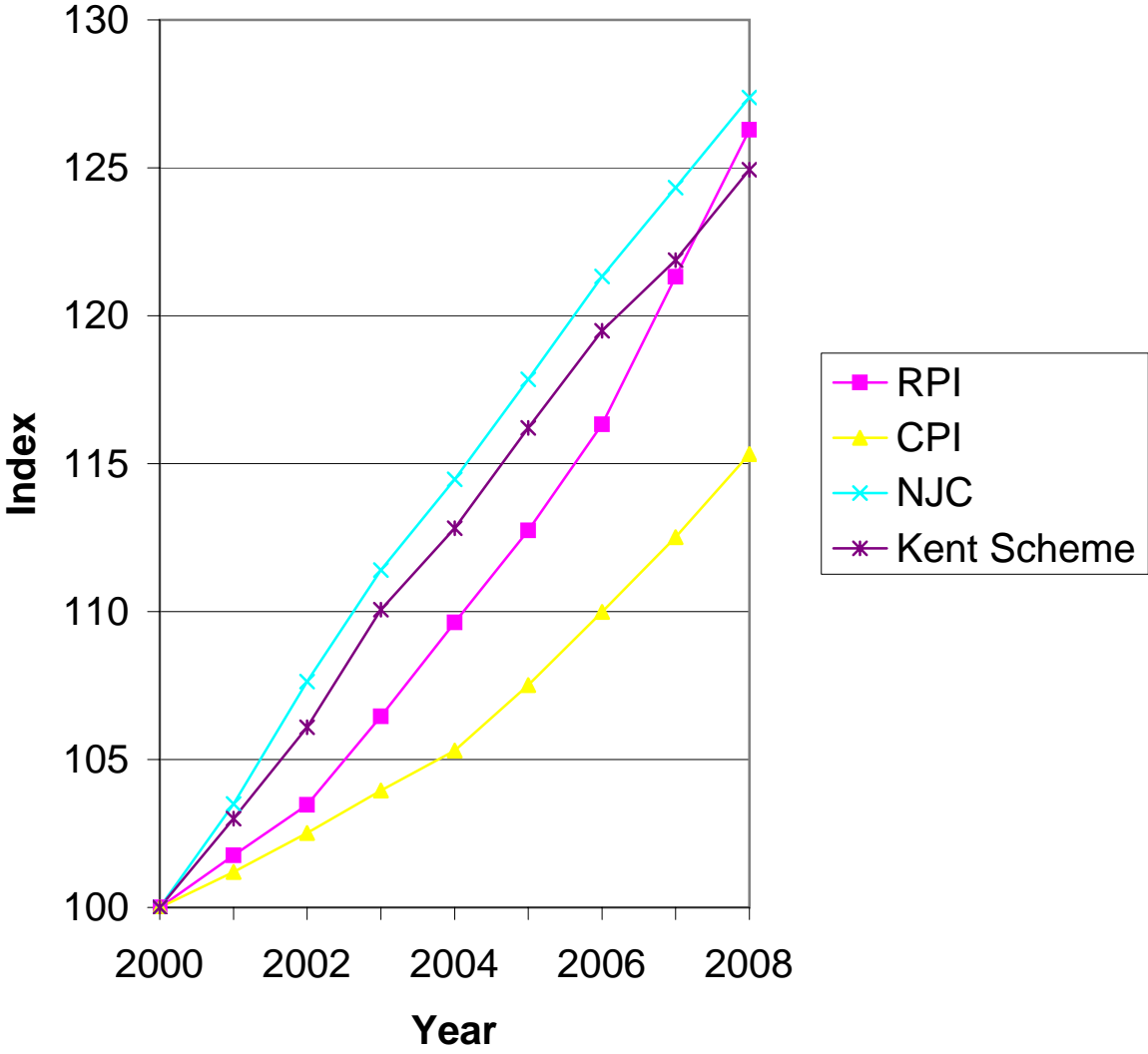
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APPENDIX 1.

## Comparison of Cost of Living and Pay Awards from 1990



# Comparison of Cost of Living and Pay Awards from 2000



Comparison of Indices versus Percentage Increases

## APPENDIX 3

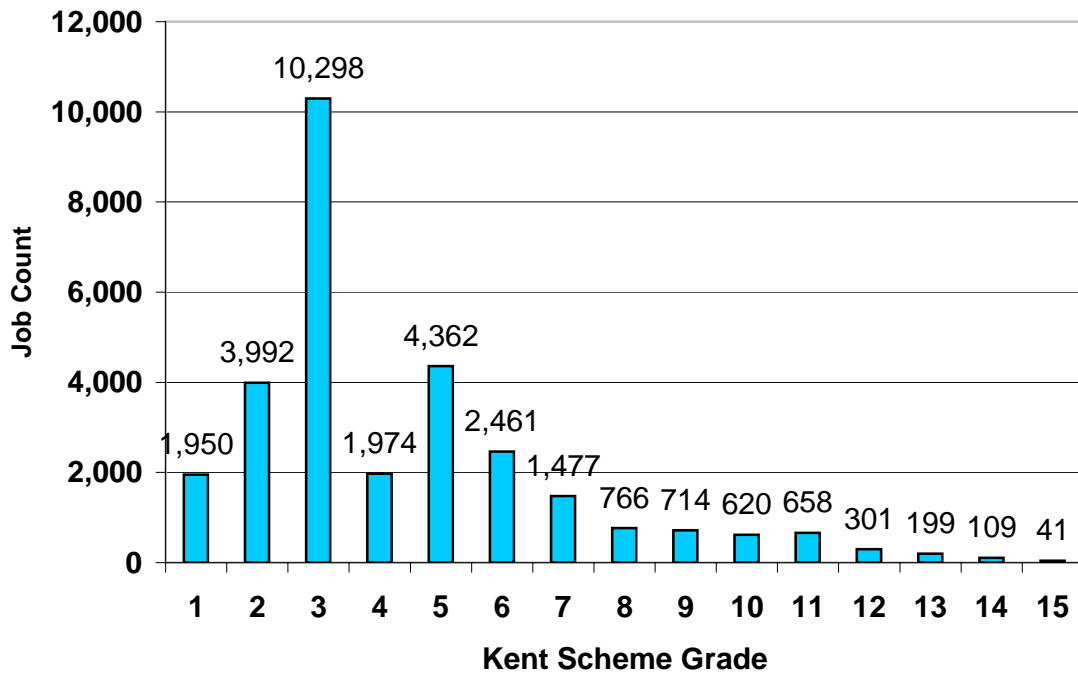
Year	RPI Index	%	CPI Index	%	NJC Index	NJC (%)	KS Index	KS (%)
1989	100.0		100.0	5.1*	100.0		100.0	
1990	109.5	9.5	107.0	7.0*	109.3	9.30	110.1	10.10
1991	115.9	5.9	115.0	7.5*	116.3	6.40	120.1	9.10
1992	120.2	3.7	119.9	4.2*	121.1	4.10	125.5	4.50
1993	122.1	1.6	122.9	2.5*	122.9	1.50	127.4	1.50
1994	125.1	2.4	125.3	2.0*	125.7	2.30	131.1	2.90
1995	129.4	3.5	128.6	2.6*	128.5	2.20	132.4	1.00
1996	132.6	2.4	131.8	2.5	132.2	2.90	136.3	2.90
1997	136.7	3.1	134.2	1.8	135.5	2.50	139.7	2.50
1998	141.4	3.4	136.3	1.6	139.6	3.00	145.2	4.00
1999	143.6	1.5	138.1	1.3	143.8	3.00	149.6	3.00
2000	100.0	3.0	100.0	0.8	100.0	3.00	100.0	1.25
2001	101.8	1.8	101.2	1.2	103.5	3.50	103.0	3.00
2002	103.5	1.7	102.5	1.3	107.6	4.00	106.1	3.00
2003	106.5	2.9	104.0	1.4	111.4	3.50	110.1	3.75
2004	109.6	3.0	105.3	1.3	114.5	2.75	112.8	2.50
2005	112.7	2.8	107.5	2.1	117.8	2.95	116.2	3.00
2006	116.3	3.2	110.0	2.3	121.3	2.95	119.5	2.83
2007	121.3	4.3	112.5	2.3	124.3	2.475	121.9	2.00
2008	126.3	4.10	115.3	2.5	127.4	2.45	124.9	2.50

\* Retro calculated figure

Bold figures where KS award  
greater than NJC

## APPENDIX 4

### Assignment Count of Employees on Kent Scheme



KS	Assignment count	Assignment %	Grouped assignment count	Grouped assignment %
1	1950	6.52%	25037	83.67%
2	3992	13.34%		
3	10298	34.42%		
4	1974	6.60%		
5	4362	14.58%		
6	2461	8.22%		
7	1477	4.94%	2957	9.88%
8	766	2.56%		
9	714	2.39%		
10	620	2.07%	1928	6.44%
11	658	2.20%		
12	301	1.01%		
13	199	0.67%		
14	109	0.36%		
15	41	0.14%		
	<b>29922</b>	<b>100.00%</b>	<b>29922</b>	<b>100.00%</b>

**KCC Staff at top of grade****APPENDIX 5**

<b>Grade</b>	<b>Nos at Grade Max</b>	<b>Nos on Grade</b>	<b>%</b>
<b>KS1.K01</b>	1060	1901	55.8
<b>KS2.K02</b>	369	3979	9.3
<b>KS3.K03</b>	4189	10233	40.9
<b>KS4.K04</b>	163	1932	8.4
<b>KS5.K05</b>	1482	4150	35.7
<b>KS6.K06</b>	758	2303	32.9
<b>KS7.K07</b>	352	1257	28.0
<b>KS8.K08</b>	166	621	26.7
<b>KS9.K09</b>	150	576	26.0
<b>KS10.K10</b>	127	533	23.8
<b>KS11.K11</b>	160	578	27.7
<b>KS12.K12</b>	79	282	28.0
<b>KS13.K13</b>	47	190	24.7
<b>KS14.K14</b>	30	108	27.8
<b>KS15.K15</b>	7	41	17.1
<b>Total *</b>	<b>9139</b>	<b>28684</b>	<b>31.9</b>

**\* - Excludes Fixed  
Pay Points and  
Linked Grades**

## **Total Reward – Key elements of the employment package**

## **APPENDIX 6**

- Pay
- Pension
- Annual Leave
- Allowances – including overtime, car, first aid
- Policies – Buy/Sell Annual Leave
- Reward and Recognition
  - Appraisal process
  - Cash, non-cash and Quality Service Awards
  - Development and Training
- Equality - Equal pay reviews undertaken, Equalities groups
- Leave - Maternity, Paternity & Adoption, Personal, Study, Sabbaticals, Career Break
- Flexible working - Part-time, Flexi-time, Job sharing, 9 day fortnight
- Health
  - Hospital Savings Association (HSA)
  - Benenden Healthcare
  - Health screening
  - PMI advice line
  - Voluntary discounts on Health clubs and gyms
- Employee Support
  - Work & Wellbeing
  - Support Line
  - Workplace Mediation
  - Redployment
  - Employment Assistance Programme
  - Health and Safety
  - Coaching for Performance
  - Stress Management
  - Help Fund
  - Equalities
- Tax Efficient Salary Sacrifice - Childcare vouchers, Cycle 2 Work, Mobile phones
- KentRewards.com
  - Discount and cashback on over 1,500 organisations
  - 10% discount on Adult Education courses
  - Over 150 local provider discounts
- Virtual Staff Club - 100s of trips, 1000s of tickets, Variety of events, County wide pickups