

Pay and Grading and Equal Pay Financial Analysis December 2007

The financial analysis of the pay and grading project is split into three areas;

- Pay and Grading (ongoing base budget and one off)
- Equal Pay (one-off and capitalisation costs)
- Project Management Costs

Each area has specific budgets but they all inter-relate with each other. This financial analysis will cover all three areas and state the current position and highlight areas where the future estimate cost is still uncertain.

Pay and Grading

The table below shows the base budget that has been built up over three years to fund the cost of the new pay structure on an ongoing basis. Therefore, the bottom line is that the council has £2.616m base budget to fund the new pay structure with effect from April 2007. As the implementation is going to be from 1st April 2008 then all of this budget will be available during 2007/08 to fund one-off costs.

	2005/06 £'000	2006/07 £'000	2007/08 £'000
Budget Allocated	541	1,000	1,075
On-Going Funding in Base	541	1,541	2,616

The base budget allocations for 2005/06 and 2006/07 were not needed to pay for the new pay structure and therefore they have been utilised, along with amounts from other council reserves, to fund the one-off costs in relation to equal pay compensation payments and the project costs related to implementing the new scheme. The £2,616k base budget is needed to fund the cost of repaying the capitalisation borrowing which will be £180k per annum for 7 years and an on-going base budget for a team of staff to manage the new pay and grading system once it has been implemented, this is estimated to be £150k per annum. The remaining base budget of £2,286k is to provide for the on-going costs of the new salary structure. There will be other costs of implementing Job Evaluation which will fall on schools and the HRA and on traded services.

Equal Pay

The current estimated cost of equal pay compensation payments including tax and national insurance is £4.1m, if all the employees who have been made an offer under the council's scheme accept. If this were to be the case this cost would be funded from the following sources;

- Equal Pay Provision £1.500m
- LCCS provision £0.090m
- Capitalisation £1.069m
- Contbn from one-off £1.398m
- Total £4.057m

Project Costs

The budget allocated for project costs in 2005/06 was £120k but this outturned at £141k. The budget for 2006/07 was £350k but this outturned at £329k. The original budget for 2007/08 was £330k but after a thorough review it has become apparent that this is not enough to deal with all the outstanding issues and major costs of implementation, therefore an additional £420k from the one-off budget has been allocated to this area giving a total cost of £750k. This then leaves £2,286k of one off costs available until completion of the project.

The table below shows how the one-off costs from the above base budgets have been allocated so far.

	2005/06 £'000	2006/07 £'000	2007/08 £'000
Base Budget	541	1,541	2,616
One –off b/fwd	0	361	1,573
One-off funding allocated	0	0	335
Project Costs	-141	-329	-750
Legal Costs (One-Off)	-39	0	0
Equal Pay contribution			-1,398
Repayment of borrowing for Equal Pay			-90
Total One-Off Funding Available	361	1,573	2,286

Allocation of the one-off funding

The £2,286 of one off funds is all that will be available to implement the project from late 2007/08 into 2008/09. The estimated allocation of these costs falls around two main areas, the on-going project costs of implementation and the one-off costs relating to removing bonus from male manual work groups.

The implementation project will need to notify all staff of their own individual circumstances, provide for a help and advice line and manage an appeals process. It is estimated that this will cost £500k in 2008/09.