

Pay and Grading and Equal Pay Financial Analysis June 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 in 2007/08. As the implementation is not going to be from 1st April 2007 then only part of this budget will be required during 2007/08 and therefore there will be further one-off funds available during the year.

	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 of implementing the new scheme.

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	382	1,594
One-off funding allocated	0	0	30
Project Costs	-120	-329	-750
Legal Costs (One-Off)	-39	0	0
Equal Pay			-1,967
Cost of borrowing for Equal Pay			-49
Total Funding Available	382	1,594	1,474

Equal Pay

The current estimated cost of equal pay compensation payments including tax and national insurance is £4.1m including an estimate of £1.25m for payments to eligible employees from 1st April 2007. 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 £1.5m
- Children's Services provision £0.09m
- Capital Sum (borrowing) £0.543m
- Contribution from one-off budget £1.967m

Project Costs

The budget allocated for project costs in 2005/06 was £120k but this out-turned at £141k. The budget for 2006/07 was £350k but this out-turned 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 £1.474m of one off costs available until completion of the project. Proposals to allocate this will be made by the project board in its October meeting but there will be calls on this budget from the bonus buyout, project costs for 2008/09 and a provision for equal pay claims that are not settled within budget.