

Committee(s)	Dated:
Establishment Committee – For decision Finance Committee – For decision Policy Committee – For decision	9 July 2018 24 July 2018 6 September 2018
Subject: Maternity, Adoption and Shared Parental Leave – funding mechanism	Public
Report of: The Chamberlain	For Decision
Report author: Philip Gregory, Deputy Director, Financial Services	

Summary

The Establishment Committee decided to enhance the maternity, adoption and shared parental pay provisions at their meeting in December 2017. At subsequent meetings of the committee a request was made that the enhanced pay provision would be funded centrally. This report sets out how this request can be implemented.

Recommendation(s)

Members are asked to:

- Approve the approach to fund maternity, adoption and shared parental pay provisions as set out in the report.

Main Report

Background

1. In December 2017, the Establishment Committee decided to enhance the maternity, adoption and shared parental pay provisions following a report of the Director of HR. This increased maternity, adoption and shared parental pay to full pay (including SMP) for the first 16 weeks with the following 24 weeks paid at half pay (including SMP).

Current Position

2. Members of the Establishment Committee questioned why the costs arising from the enhanced pay provisions could not be met from a central budget. It was agreed that a report back on alternative methods of funding should be reported.
3. After a lengthy debate, Members agreed that these payments should be funded centrally rather than by local risk budgets, recognising that a central budget would need to be top sliced from all departmental budgets.

4. The Chamberlain advised that this would require a late adjustment to the budget but agreed to bring a report back to the Committee to implement Members' decision

Options

5. In order to ascertain the budget adjustment required to enact the policy to fund maternity, adoption and shared parental pay centrally it is important to consider the impact on the local risk budget of the host department of the individual taking leave.
6. The following scenarios illustrate the budget pressure that could emerge within a local risk budget as a result of a maternity, adoption or shared parental leave period. For comparison, each option assumes that the individual returns after 40 weeks leave, that the 40 weeks leave is taken within one financial year and is costed on the basis of a grade G employee (incl. on-costs and claiming back SMP).
7. Scenario 1: individual on leave is not replaced/backfilled.

£'000	Annual Salary Budget	Salary Costs			Total cost	Underspend/ (Overspend)
		16 weeks @ full pay on leave	24 weeks @ half pay on leave	12 weeks @ full pay at work		
Employee	80.0	17.6	15.4	18.5	51.5	28.5

8. Scenario 2: individual on leave is covered through a secondment at the same grade.

	Annual Salary Budget	Salary Costs			Total cost	Underspend/ (Overspend)
		16 weeks @ full pay on leave	24 weeks @ half pay on leave	12 weeks @ full pay at work		
Employee	80.0	17.6	15.4	18.5	51.5	28.5
Seconded	-	24.6	36.9	-	61.5	(61.5)
Total:					113.0	(33.0)

9. Scenario 3: individual on leave is covered by an agency engagement at a daily rate of £350.

	Annual Salary Budget	Salary Costs			Total cost	Underspend/ (Overspend)
		16 weeks @ full pay on leave	24 weeks @ half pay on leave	12 weeks @ full pay at work		
Employee	80.0	17.6	15.4	18.5	51.5	28.5
Agency	-	28.0	42.0	-	70.0	(70.0)
Total:					121.5	(41.5)

10. The scenarios illustrated above show a range of budget variances from a £29k underspend to a 42k overspend for a single employee taking maternity, adoption or shared parental leave.

Proposals

11. In each scenario crediting the cost of the maternity, adoption or shared parental leave (£52k) to the department would create a departmental underspend of £80k, £19K and £10k respectively. Allocating additional budget in this way does not represent sound financial management and has the potential to create significant budget underspends across the Corporation.
12. It is proposed that a central funding source is identified to allocate resources at year end should a budget pressure be created as a result of marginal costs incurred as a result of maternity, adoption or shared parental leave being taken. This will ensure that departments are no worse off as a result of a maternity, adoption or shared parental leave period when compared to an individual at the same spinal point who does not take maternity, adoption or shared parental leave.
13. In scenario one, the department will be managing the workload of the individual on leave and will benefit from the underspend of £29k. In scenarios 2 and 3 the overspends would be created of £33k and £42k respectively. These will be funded centrally, subject to being capped at the equivalent cost of the employee on maternity leave.
14. Budget monitoring of employee costs takes place throughout the year on an individual basis and therefore identifying the marginal costs incurred as a result of a maternity, adoption or shared parental leave period will be straightforward. Heads of Finance will be able to notify the Corporate Accountancy team when such a budget pressure materialises and cannot be contained with a local risk budget in order for central funding to be applied.
15. The approach outlined above will ensure that good budgetary discipline is maintained whilst achieving the ambition of the Committee that departments are not financially worse off as a result of the maternity adoption and shared parental pay policy.
16. It is proposed to draw down from reserves to fund the marginal costs as described above during 2018/19 in order to assess the quantum of provision that may be required in future years and whether a claw back from local risk salary budgets is appropriate.

Conclusion

17. The maternity, adoption and shared parental pay policy adopted by the Establishment Committee may result in budget pressures to departments' local risk budgets. Assessing the budget pressure and funding required on a case by case basis as part of routine budget monitoring will allow central funding to be allocated in the most prudent manner.

Appendices

- None

Background Papers

Establishment Committee report: Maternity, Adoption and Shared Parental Pay,
December 2017

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