

Fair Pay Project 31st July 2008

Report of the Chief Executive

PURPOSE OF REPORT				
To update Cabinet on the Fair Pay process and the financial decisions that will need to be made as part of the process, and in particular to determine the approach to be adopted in dealing with Equal Pay claims.				
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>	Referral from Cabinet Member
Date Included in Forward Plan	30th June 2008			
This report is public.				

RECOMMENDATIONS OF COUNCILLOR DAVID KERR:

(1) That Cabinet note the progress made with the Fair Pay project, and the need for a new pay and grading structure to be approved later in the financial year, including provision for pay protection.

(2) Exempt

1.0 Introduction

1.1 Whilst the terms and conditions on which staff are employed is, as a matter of law, a non-executive function, and is the responsibility of the Personnel Committee, the financial and budgetary elements of staffing are a matter for Cabinet. Members will be aware that the National 2004 Pay Agreement for Local Authorities required councils to conduct a review of pay and grading arrangements. This is being undertaken within this Council as the Fair Pay project.

1.2 Cabinet last considered a report on the Fair Pay Project at its meeting on the 25th July 2006, when it resolved that the outcome of Job Evaluation be managed within the existing pay bill, but that further contributions be made to the existing earmarked reserve in anticipation that there would be some transitional costs arising in respect of pay, and that this be incorporated into the then forthcoming review of the Medium Term Financial Strategy. Minute 33 refers.

- 1.3 Over the last four financial years, a total of £826,000 has been set aside in the reserve, and of this £107,675 has to date been spent on the project, mainly on computer software and additional staffing costs.
- 1.4 As Members may be aware, a job evaluation of all posts below Service Head level (excluding Craft Workers who were not part of the National Agreement) has been undertaken using the Greater London Provincial Council Scheme. This involved an interview with individual employees or representatives of groups of employees, based on a questionnaire, with the information being input to the computerised system to establish a points score for each post. This was followed by a lengthy moderation process when a Moderation Panel comprising Service Heads and union representatives examined the results to ensure a consistent approach within Services and across the Council as a whole.
- 1.5 The data, together with data relating to salaries and other related costs, has now been input in the Pay Modeller computerised system, and this will enable a new pay and grading structure to be developed. It is still intended that the new structure will be cost neutral, in that the future total pay bill should not increase as a result of the Fair Pay process. The National Agreement did not anticipate an overall increase to the future pay bill.
- 1.6 There will, however, be transitional costs arising from the need to provide pay protection for employees whose salary decreases as a result of the Fair Pay process. Pay protection was discussed at the Joint Consultative Committee (JCC) on the 28th February 2008, and Management's proposal was that pay protection should be based on a sliding scale as set out below:

Year 1 – 100% of difference between old and new salary

Year 2 – 50% of difference between old and new salary

Year 3 – 25% of difference between old and new salary

This was welcomed by the unions, who recommended that it should be put as part of the final pay and grading package. It is anticipated that the costs of pay protection would be met from the reserve. Clearly, the actual amount will not be known until the pay modelling process has been completed and a new pay and grading structure agreed. The unions expressed a preference for the new pay and grading structure to take effect from the date of implementation rather than being backdated. This would mean that pay protection would commence from the date of implementation for a period of three years. It is envisaged that no back pay would be payable except where there is a valid statutory equal pay liability.

- 1.7 There will also be costs arising from equal pay claims. These cannot be quantified accurately at this stage, but a report on the close-down of accounts elsewhere on this agenda refers to the immediate funding for this issue, and further outline information on costs is provided in the sections below.

2.0 Proposal Details

- 2.1 With regard to the new pay and grading structure, pay modelling will be undertaken by officers in order ultimately to establish a points to pay line and a grading structure. It is anticipated that a number of possible structures will be discussed with the Trade Unions, through the Single Status and JCC meetings, and any recommendations considered by Personnel Committee. The final pay and grading structure would need to be approved by Personnel Committee, as the elected member body responsible for determining the terms and conditions on which staff are employed.

2.2 In addition, the pay and grading structure will need to be approved by Cabinet in view of the financial and budgetary implications. It is anticipated that a report would initially be brought to Cabinet in September, with approval for the final pay and grading structure being sought in January 2009 following any appeals from employees.

2.3 With regard to equal pay claims, twenty claims have to date been lodged against the Council in the Employment Tribunal.

2.4 Exempt

2.5 Members may be aware, through the national press, of the equal pay claims faced by many local authorities, and of the activities of certain specialist solicitors in private practice who encourage employees to make such claims. Such solicitors have also brought claims against trade unions, and the effect of this is that the unions are nervous of being subject to legal action themselves if they do not bring claims on behalf of their members. Local authorities have been aware for some time that they are perhaps vulnerable from claims from groups of employees who are traditionally predominantly female.

2.6 Exempt

2.7 Exempt

3.0 Details of Consultation

3.1 The trade unions have been involved in and supportive of the Fair Pay project to date. Clearly, it would be inappropriate to carry out any consultation as to how the Council intends to deal with any equal pay claims made against it.

4.0 Options and Options Analysis (including risk assessment)

4.1 Cabinet is asked to note the progress of the Fair Pay project and the need for it to approve any future pay and grading structure later in this financial year. At that stage, information about the transitional cost of pay protection will also be available.

4.2 Cabinet is also asked to consider its approach to dealing with equal pay claims. The remainder of this paragraph is exempt.

5.0 Officer Preferred Option (and comments)

5.1 Exempt

6.0 Conclusion

6.1 This report provides Cabinet with an update on the progress of the Fair Pay project, and Members' views are sought in particular on the Council's approach to equal pay claims.

RELATIONSHIP TO POLICY FRAMEWORK

The Council is committed to good standards of employment practice and to the principles of equality. The Fair Pay project will ensure that pay and grading is fair, and that posts are remunerated based on an objective assessment of their relative value to the organisation. The Council is firmly committed to the principle of equality.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Implementing a pay and grading review will ensure that remuneration arrangements and grading structures are fair, and that the Council is able to defend future equal pay claims.

FINANCIAL IMPLICATIONS

As referred to in the Outturn report elsewhere on the agenda, in addition to the Fair Pay Reserve a separate provision of £300K for equal pay claims has been established in the last year.

As a separate move, the Head of Financial Services has also submitted an application to Government to capitalise any equal pay settlements. If successful, effectively this would give the Council the opportunity to consider whether it wishes to fund the costs of equal pay claims over a number of years, rather than as a one-off from the provision. The outcome of this application is not expected until the autumn, however. Once, known, all available options for funding equal pay claims can then be appraised accordingly.

In terms of Fair Pay generally, the financial assumptions will be reviewed and updated as appropriate in reviewing the Medium Term Financial Strategy, which is also scheduled to be completed in the autumn.

SECTION 151 OFFICER'S COMMENTS

The S151 Officer has been consulted and has no further comments.

LEGAL IMPLICATIONS

The Legal implications are included in the main body of the exempt report.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and her comments incorporated in the report.

BACKGROUND PAPERS

The background papers are exempt

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