

DECISION-MAKER:	COUNCIL		
SUBJECT:	PAY AND ALLOWANCES		
DATE OF DECISION:	16 JULY 2014		
REPORT OF:	LEADER OF THE COUNCIL		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY
None

BRIEF SUMMARY

The purpose of this report is to approve the recommended changes to the Council's Pay Policy and Allowances framework and associated terms and conditions in order to ensure the Council is equal pay compliant and embraces opportunities to modernise HR procedure and practice

The proposals affect all employees of the Council (approx. 6000) with the exception of: Teachers; support staff in Voluntary Aided (VA)/Trust and Academy schools; Modern Apprentices (separate pay framework); Non SCC employees who work for the Council (No Limits; St. James'; Women's Aid; NHS (including Public Health staff who transferred under COSOP (Transfer of Undertakings (TUPE) equivalent) and have retained NHS pay).

The proposals if approved will replace all existing local arrangements and agreements. The timeline proposes 1st November 2014 to commence implementation and affords a period of three months for management and union meetings with staff and a union ballot of members. The aim is to implement the changes through the process of collective agreement. This removes the need to serve notice and dismiss and re-engage all affected staff.

RECOMMENDATIONS:

- (i) To consider this report and, as the Council's preferred option
 - (a) Implement the proposed changes to terms and conditions of employment (Pay and Allowances) achieved through collective agreement with recognised Trade Unions.

Or, if necessary

 - (b) Implement the proposed changes to terms and conditions of employment (Pay and Allowances) through the dismissal and re-engagement of affected staff if the union ballot rejects the proposed changes.

- (ii) To delegate to the Head of Human Resources authority to negotiate the final details and take any action necessary to implement this report.
- (iii) To authorise the Head of Legal and Democratic Services to amend the Officer Scheme of Delegation so that any decisions to amend or change pay and allowances are only exercised by or with the prior approval of the Head of Human Resources.

REASONS FOR REPORT RECOMMENDATIONS

1. Equal pay legislation and the associated Code of Practice require that men and women doing equal work, and work rated of equal value receive equal pay. The Council's existing pay and remuneration scheme significantly fails to meet this legal requirement. Compensation payments have been made with the risk of further claims being made as areas of inequality and existing local arrangements and agreements continue to be in place. New claims continue to be received supported by trade union bodies.
2. To achieve equity, fairness, modernisation and affordability within a changing, diverse and service focused organisation.
3. To ensure future consistency of practice and governance and ensure the openness and transparency of pay and allowances.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

4. Maintaining the existing pay and allowance arrangements was rejected as this perpetuates unfairness and inequalities; leads to the establishment of further local arrangements and agreements; and increases the risk of pay related claims and the associated litigation. There is a significant potential liability to the Council if claims and counter claims are pursued.
5. Limiting the scope of the review was rejected as it would create on-going risks and issues and would lead to failure to address key areas of concern and pay compliance. It would also raise the profile of existing anomalies and inequalities which could be used to inform equal pay and equal value claims across the organisation.
6. Reduction of the allowance offering for overtime, weekend working and irregular hours was considered and rejected due to the high impact on key service areas and lower paid employees as well as the capacity of the Council to provide a full service to the community. Failure to reach the basis of a collective agreement with the unions would result in the dismissal and re-engagement of the workforce and could prompt potential industrial action which would impact on the citizens of Southampton and prompt the pursuit of equal pay claims.

DETAIL (Including consultation carried out)

7. The wider transformation agenda is running in parallel to the review of pay and allowances and this will inevitably propose changes to working practices that impact on workforce requirements and numbers. The objectives of the Pay and Allowances proposals are therefore; to achieve equity, fairness,

modernisation and affordability within a changing, diverse and service focused organisation and to provide a clear framework going forward for pay and allowances for all .

8. Background meetings with recognised trade union officials were held during 2013 with more focused meetings in place from November 2013 onwards as proposals evolved (Unison, Unite, GMB, UCATT, NUT, AEP, Aspect, Prospect, Voice).

The formal timetable for extended union negotiations has run from February 3rd 2014 to June 24th 2014 with the aim of working towards agreement across as many areas as possible and reducing the risk of prolonged industrial action and employee disengagement. The schedule of meetings was agreed with all recognised unions to ensure all relevant matters were tabled and meaningfully consulted on.

- 9 Sub group meetings were also held to discuss key affected areas (Soulbury, Craft posts; Job Evaluation process). Service managers have informed the proposals through the provision of key information around existing practices and arrangements and service manager workshops were included in the review of HR policies.

- 10 The project Board (chaired by the Director of Corporate Services) includes representatives from Finance, Legal, Communications, Human Resources(HR) and People and Place Directorates and the Service Manager (Capita) HR Pay. The Council's Management Team (CMT) have been consulted and involved throughout the process and senior managers, Head Teachers and Chairs of Governors have been informed of the overview as the work has progressed.

- 11 As the aim was to try and achieve the basis of a collective agreement on behalf of the employees with the unions there has been limited direct employee communication about the detail to date. There is a fully supported, management led communications plan in place; staff briefings have been held from July 2nd onwards and there are internet/intranet/and helpdesk links available for all.

- 12 The Unions will hold staff meetings once the Council decision is known and they will, subject to the Council decision, ballot members during September with a view to recommending acceptance of the proposals. If achieved by agreement there will be no requirement to serve notice of dismissal and re-engagement on affected staff and the implementation plan can proceed for November 2014 onwards.

In the event that agreement is not confirmed there will be at least a 3 month notice period of changes as part of the dismissal process if the Council proceeds on this basis. This would delay overall implementation by at least one month.

PROPOSED CHANGES

Pay Grade

- 13 The proposal (Appendix 1) is to have a single pay structure for all areas of the Council with the retention of the top 8 points of each pay grade and the incorporation of a living wage (as set by the Living Wage Foundation) into

the grade structure. This reduces grade overlap year on year and sees an increase in hourly rate for any person earning less than £7.65 per hour. Current pay grades are up to 11 spinal points long and carry both equal pay and Age Discrimination risks. The pay grades have resulted in pay anomalies in areas where additional increments (+1 and +2) were awarded to create differentials for supervision roles in some cases and reflect the removal of allowances previously in place – these have been locally arranged/agreed and are not applied consistently across the Council

Living Wage

14. The Leader has made a commitment to implement a Living Wage with effect from September 2013. As this has an impact on the overall pay structure (including schools) it was agreed with the unions and Cabinet that the living wage discussions would form part of the wider Pay & Allowances work. The living wage changes will be in place from November 2014 (and backdated to September 2013) and changes to the overall pay grade (reduction in pay points) effective from April 2015 to take account of April incremental rises.

Allowance Framework

15. The implementation of a single, standard Allowance framework for all in scope areas of the Council will replace all existing local arrangements and agreements (150+) and will ensure fairness and consistency of practice. Attachment (Appendix 2 Allowance framework) shows the detail. No new arrangements / agreements will be made without Head of HR approval. This is reflected in the recommendations. Schools will be advised to implement the proposals with costs to be met from school budgets. However, it is their decision whether they do so or not. Finance support is being provided to model the impact of these issues. The principles of hours worked for hours paid at the evaluated grade for posts will be applied and will see an end to existing 52 week contracts in schools (for those who do not work the required weeks) and Task and Finish practices in Waste Services. This also affects retainer payments still in place for some posts in some schools. Whilst many of these have been phased out over time some still remain and will be looked at on an individual basis to address the required changes and minimise the impact on the affected people.

Craft Posts

16. Former Red Book Craft posts have been evaluated and will be assimilated on to the pay structure with tool allowance (at national Red Book level) paid as a monthly supplement. This affects all 242 existing posts of which 7 will see a drop in basic pay. This change will simplify future pay reviews and pay negotiations and see incremental pay rises for trade staff.

Soulbury Posts

17. Soulbury posts have been evaluated and will be assimilated on to the pay and allowance framework with a Soulbury adjusted supplement in place to reflect the nationally agreed levels of remuneration. This affects all 19

existing posts. None will see any drop in pay level. This change may impact on the future retention and recruitment of Education Psychologists and School Improvement partners who wish to remain in a context which more directly follows nationally recognised pay and conditions of service for their respective professions. Few other authorities have moved Soulbury staff away from a direct link with national pay and conditions, some choosing instead to buy the service in from neighbouring authorities.

Payroll simplification and changes to Job Evaluation

18. The changes to the payroll and job evaluation processes will release savings as part of the Capita Strategic service contract (£95k and £40K respectively) and improve process efficiencies for managers across the Council. Posts affected by the move to monthly pay will be offered transitional, interest free loans (to be repaid over a 12 month period or sooner if the person leaves Council employment) to help manage the switch from weekly/fortnightly pay and there will be access to financial services advice locally for further general information.
- Foster Carers are paid weekly and this will continue to be the case. Changes to the job evaluation process will be planned through a work group involving HR, officers and trade union representatives. The aim is to move towards a more consistent and efficient process whereby jobs can be matched to existing, evaluated posts and the requirement for panels would be reduced. Similar work has been achieved across schools (a generic suite of documents is now available for use and helps speed the process of recruitment and consistency of practice and pay)

Contractual Car Allowance and Car Parking

19. The proposals include the implementation of revised contractual car user status and the allocation of car parking passes in line with confirmed criteria. Current allocation of car allowance and car parking is inconsistent, in some cases unnecessary and is based on historic practices. Changes to Car Allowance and car parking will see a reassessment of contractual car user status (to be assigned to a post not a person) against the revised criteria agreed with the unions (Appendix 3). Payment to approved posts will include a monthly allowance, mileage paid at existing HMRC rates and a non-contributory car park pass for City based posts. Future assessment of posts for contractual car user status will be completed as part of the job evaluation process using the confirmed criteria.
- All other car park passes will be removed and replaced with access to a wider staff parking option scheme in line with other large, City based employers. Sustainable transport options for staff will continue to be promoted. An extension and increased take up of Car Club facilities will be monitored through the Transport Co-ordination unit and reviewed on an ongoing basis.
- There will be no monthly allowance for any post at Chief Officer level and payment for parking will be in line with that offered to all staff. The location of a car park space for CMT and Chief Officers who take up the offer of the contributory parking scheme and Elected Members will be determined by and at the discretion of the Director of Corporate Services.

HR Policies

20. There is currently a lack of clarity around existing core HR policies and procedures and what is deemed contractual. Any changes made to policies are currently subject to review which includes trade unions with a view to reaching agreement. This has worked to date but in the event of any discord there would be a need to formally serve notice on staff in order to realise any changes. The proposal is to revise/reissue policies for Disciplinary; Grievance; Code of Conduct; Probationary period; Attendance Management; Performance Management; Termination of Employment and Pay Protection (limit to 2 years post restructure)
- To modernise the Council's approach the proposal is to have ONLY Disciplinary and Grievance Policies and the Code of Conduct as contractual. Revised policies for consultation have been developed with the Local Government Association (LGA) to ensure we adopt best in class across the sector (supplemented by management workshops). They set out the policy but not all the accompanying procedure and guidelines some of which we would **not** wish to make contractual.
- The changes include a proposal to rationalise the Employment Appeals Panel process (EAP) through the reduction of Member involvement in the process.
- In respect of all policies HR would continue to work with trade union colleagues in any review and revisions.
- As this work is progressed and agreed all policies will be available via the intranet.

RESOURCE IMPLICATIONS

Capital/Revenue

21. From the outset of discussions, there has been a recognition that the review of Pay and Allowances was primarily about fairness and modernisation, and that the aim of the review was not one of achieving significant savings to the overall pay bill.
22. This has been an important principle which the Council has adhered to in undertaking the review, and has been helpful in that it has demonstrated that the Council has not undertaken the review solely from a financial perspective to deliver savings.
23. In terms of the final set out proposals agreed with the Trade Unions to be taken to a ballot of members, there is in fact an overall increase in cost from 2014/15 onwards.
24. For the current financial year, there is an increase in cost to the General Fund of £283K. The current proposal is that the Council will seek to absorb this in year cost within existing budgets; should this lead to any particular budget issue at year end, and then this could be covered by either a draw from the Pay Reserve, a draw from contingencies or from General Fund reserves.
25. From 2015/16 onwards, the full year cost to the General Fund to implement the proposed changes are estimated to be £483k ongoing. This cost will be

built into the 2015/16 budget and managed through the budget process for that year.

26 There will also be an impact on the Housing Revenue Account and schools. At this stage it is estimated that the financial impact will be broadly neutral to the HRA.

27 Any impact on schools would need to be funded from within individual school budgets. As the Council does not have access to all employee information in relation to schools, it has not been possible to model the overall impact of the changes.

Property/Other

26. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

27. Equal pay is an aspect of sex discrimination law and has been in force for over 40 years. It gives the right for men and women to be paid the same for the same, or equivalent, work. Where men and women are paid at different rates for the same, or similar, work, the employer must prove that there is a reason for it which is not gender-related. The obligations can be found in both European and UK law. In terms of UK law, the Equality Act 2010, which replaced the previous anti-discrimination laws with a single Act, gives women (and men) a right to equal pay for equal work. The 2010 Act replaced previous legislation on equal pay, including the Equal Pay Act 1970, the Sex Discrimination Act 1975, and the equality provisions in the Pensions Act 1995. The action set out in this report address the significant risks the Council faces by not being equal pay compliant. Additionally, S 111 and S112(2) Local Government Act 1972 are applicable.

Other Legal Implications:

28. None

POLICY FRAMEWORK IMPLICATIONS

29. None

KEY DECISION n/a

WARDS/COMMUNITIES AFFECTED:	none
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SUPPORTING DOCUMENTATION

Appendices

1.	Pay Grades Chart (Paragraph 13)
2.	Allowance Framework (Paragraph 15)
3.	Criteria for Car User (Paragraph 19)
4.	Equalities Impact Assessment

Documents In Members' Rooms

1.	None
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Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	Yes
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Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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