

# **APPENDIX K**

## **WAVERLEY BOROUGH COUNCIL**

**EXECUTIVE - 3 FEBRUARY 2009**

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**Title:**

**EQUAL PAY AUDIT REPORT AND EQUAL PAY REVIEW**

**[Portfolio Holders: Cllr Ms Denise Le Gal and Cllr Mike Band  
[Wards Affected: N/A]**

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**Summary and purpose:**

To report on the results and implications of the Equal Pay Audit undertaken by South East Employers and to suggest budget provision to undertake an equal pay review in 2009/10.

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**How this report relates to the Council's Corporate Priorities:-**

Achieving equality of treatment for all employees helps to ensure that the Council's corporate objectives are delivered.

**Equality and Diversity Implications:**

An Equal Pay Audit enables Waverley to establish the extent to which it has, or has not, made progress towards the implementation of equal pay.

**Resource/Value for Money Implications:**

The resource implications are detailed in the report.

**Legal Implications:**

Under the Equal Pay Act, employers are required to ensure that staff are paid fairly regardless of their gender. In addition, in 2004 NJC (National Joint Council) agreement set a timetable for all authorities to have completed and implemented equal pay reviews by 31 March 2007. The agreement was designed to take into account the findings of the Local Government Pay Commission, which argued that local government had an equal pay, rather than low pay, problem. Whilst Waverley was not covered by the NJC agreement, as a good employer, it is important that the Council conducted an Equal Pay Audit to establish the extent to which it has, or has not, made progress towards the implementation of equal pay. Then following the audit, conduct a review to ensure compliance with employment law.

The issue of an equal pay review was raised at the Finance Seminar in October 2008 and it is estimated that an equal pay review will cost around £50,000 to undertake. This is a one off cost, which could be met from the revenue reserve. In addition to this cost, there is likely to be some on-going revenue cost arising from the review, some of which may be offset over time as pay arrangements at Waverley are

adjusted to the outcome of the review. It is expected that the review will be complete by September 2009, to be followed by detailed consultation with Staffside. Any actions arising from the review are unlikely to be implemented before 2010/11.

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## **Introduction**

1. The 2003 report of the Local Government Pay Commission (LGPC) concluded that the gender gap between male and female full-time employees, comparing average hourly earnings, was 14%; the average hourly pay of full-time females was 86% of their male counterparts. The LGPC found that, overall, progress in local authorities towards developing equal pay and reward systems for both male and female employees were some way off completion. This comment must be seen in the context of the number of authorities that have yet to introduce a formalised job evaluation / job value process. Waverley has used a formal Job evaluation system since the late 1980's.
2. To analyse all the pay arrangements the subsequent 2004 National Joint Council (NJC) pay agreement included a requirement on local authorities and trade unions to complete and implement Local Pay Reviews by 31 March 2007. Waverley, like a number of local authorities did not achieve the March 2007 deadline.

## **Equal Pay Audit**

3. A Definition - To compare the pay of women and men performing equal work; explaining any pay gaps and closing those, which cannot be justified on grounds other than gender. It is best practice to undertake an equal pay audit at regular intervals. Regular pay audits will ensure that equality of pay becomes embedded in the culture of the Council and does not regress over time.
4. Following a tendering process Waverley instructed South East Employers to undertake the equal pay audit. The main stages of the audit process are: -
  - To cover all employees;
  - To identify any differences of pay between the genders;
  - To review the reasons for, and possible causes of, differences in pay, in particular whether these can be attributed to direct or indirect sex discrimination; and
  - To determine how to close the gaps in pay that cannot be attributed to reasons / causes other than sex discrimination.
5. An Equal Pay Audit identifies potential areas of risk where there may be issues of unequal pay and reduce the risk of legal challenge which may be expensive, time consuming and damaging to the morale of the staff and the image of the Council as an employer.
6. An Equal Pay Audit also provides the Council with the opportunity to ensure that it adopts best practice in employment policies and procedures as well as being equality-proofed; it also enables it to actively promote its success in achieving equality of treatment for all its employees.

## **The Audit Results**

7. The Audit identified that
  - of the top 27 (5.26%) posts within the Council, i.e. those graded at Band 4 and above, 21 postholders are male, 77.78%, and 6 are female, 22.22%. Historically such senior level posts within local government were the province of the male employee, although generally there is now a more noticeable move towards equality of the sexes.
  - the gender split is male (30.22%) and female (69.78%);
8. The audit showed no overt inequalities of treatment between the genders, but raised concerns about the operation of the job evaluation scheme, pay scales, pay protections and supplementary payments. The law requires that there must be commonality in the basic elements of the terms and conditions for all staff, eg pay scales, pay rates, where an analytical job evaluation scheme is in use that it is applied consistently for all posts, etc.

## **Job Evaluation (JE) system**

9. The use of an analytical JE scheme is good practice and can form a very strong management defence against equality claims; it is therefore vital that where such a scheme is in use that its operation and application are both rigorous and consistent. Waverley has used the Hay system since the late 1980s. The audit has highlighted that the scheme has not been operated systematically and other pressures have impacted on the grading of posts.

### Findings

- 83 posts are paid above their evaluated banding.

Note: In the early 1990's the pay scales were revised from scales with 5 points to 10 points within the same salary bandings, so each increment became smaller and each grade had 3 maximum points either a, b, or c. It is possible that some of these anomalies arise from that time, as staff in post at that time were protected on their existing maximum which in all cases was the a point, i.e. the top of the scale.

- 81 posts have not been evaluated.

## **Payscales**

10. The audit has highlighted that it is bad practice and inconsistent to have pay scales of differing incremental lengths; C have 6 incremental points, B have 8 and A have 10. The grades are too long; it is not realistic to expect someone on an A range to take up to 10 years to reach the maximum point of the banding, and could also be discriminatory on the grounds of age. The pay scales overlap. Again this is bad practice as Waverley could have a long serving junior officer on a higher salary than a new more senior officer. Best practice is to have distinct (not overlapping) salary grades with no more than 4/5 incremental points.

### **Distribution of grades**

11. The numbers of male and female employees were profiled against each Band, showing 35.67% of posts are on one Band, Band 9, and that 72.71% of posts are in the three lowest Bands, 8, 9 and 10. The result of the audit highlights this as being an almost covert attempt to suppress bandings and hence salaries.

### **Protected salaries**

12. If a post is downgraded following a review, or an employee is redeployed into a lower graded post, it is Waverley's policy to protect the postholder's salary only, not hours nor enhancements for out of hours etc (without the award of pay awards or increments) and conditions until such time as the salary and conditions of the new post match and overtake the "protected" salary and conditions. This does not comply with equal pay requirements and best practice would be to limit the protection, for 4 years on a sliding scale or for three years in full. At the end of the period the salary would reduce to the maximum (normal progression) increment of the resultant grade.

### **Market supplements**

13. The audit has highlighted the lack of consistency in our application and lack of regular review of market supplements. Supplements appear over the years to have been added to salaries without a formula or policy, and without a review period, leaving Waverley with a legacy of a wide range of supplements paid. Some supplements are based on % ranging from 6% to 12.5% and others on fixed sums, which leads officers to speculate that the granting of supplements was perhaps budget driven. There is no policy in place to review supplements once awarded, they currently are open ended until the employee leaves.

### **Conclusion**

14. The recommendations from the audit are that Waverley
  - Develops a new pay structure and Pay Policy to include:
    - Salary scales, Method of Salary Progression – Service/performance, etc.
    - Pay benchmarking – Comparisons with competitors
    - Review Timetable – How and When do you review
    - Implementation of Decisions – Effective date
    - Market Position – Where does the Council place itself in the job market
    - Staff Turnover – Setting parameters for acceptable levels of turnover and the review process should it fall outside of the range
    - Market Supplements/Appointment Allowances – If they are used, how are they used and how are they reviewed
    - Flexible Benefits – If they are used, how are they used and how are they reviewed

- Reviews the application of the Job Evaluation system and re-evaluates all posts
  - Develops a policy determining finite time protection limits for salary and associated conditions of service matters;
  - Determines a resolution for any current officers who may still have indefinite “personal” protection; and
  - Develops a Policy on the payment of market supplements.
15. Waverley has a small HR team with 1.7 FTE professionally qualified officers. This project cannot be covered from within existing HR staffing without dropping other important HR activities and altering timeframes. (The HR team is to reduce its staffing following the Star Chamber process by 1.1 staff). The alternative would be for the work to be undertaken externally. In terms of speed of completion and credibility with Staffside this would be the favoured option with costs in the region of £50,000. It is suggested that, subject to Council approval, the one-off cost of this Review should be met from the Revenue Reserve. Any future costs arising from the review would be a revenue cost.

### **Recommendation**

It is recommended to the Council that £50,000 from the Revenue Reserve Account is allocated to fund the Equal Pay project to ensure compliance with Equal Pay legislation and that officers consult with the portfolio holders for Human Resources and Finance when preparing the brief for the review.

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### **Background Papers (DCEx)**

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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