

SINGLE STATUS – MANAGEMENT PROCESS

1. Reason for Report

To request Members to agree the management approach to implementing the Single Status Agreement in the context of the Council budget agreed by the Full Council on 8 February 2007.

2. Report Summary

The draft Single Status Agreement has many benefits. Budget provision of £6M has been made in 2007/08 to support its implementation and this will require further efficiencies and savings; and very rigorous management.

3. Glossary of Terms

FTE - Full Time Equivalent
SSA - Single Status Agreement

4. Recommendations

Members are asked to:

4.1 agree to support the co-operative joint approach to Single Status by unions and management;

4.2 agree that to achieve the savings necessary to implement Single Status a Natural Wastage/Redeployment and Efficiency Programme spanning three years should be commenced;

4.3 agree that as Natural Wastage alone is unlikely to achieve the essential economic effect this will be supplemented by further efficiency programmes and voluntary severance;

4.4 agree that the resources identified in section 11.4, needed to manage the implementation of the Single Status Agreement must be put in place and funded from the Single Status budget;

4.5 note that the advent of an agreement on Single Status, if ratified by the Council and joint trade unions, has significant benefits in increased service and workforce flexibility and in reducing the risk of equal pay claims in the future; and

4.6 agree that management action to enable redeployment is a precursor to the potential success of a vacancy management/natural wastage budget strategy.

5. Corporate Plan Links and Contribution

This report links to the financial planning/management elements of the Corporate Plan.

6. Resources/Value for Money Assessment

Financial Resourcing

6.1 The Pay Model will cost £6.2M per annum. The costs of appeals and restructuring are in addition and not readily quantifiable. However for prudent budget purposes a figure of £2M is sensible. That said the cost of restructuring will not appear overnight and will phase in over the three year period. This gives the potential to manage costs beyond that budgeted for. There are three ways of consolidating the workforce to achieving this:-

- a) Natural Wastage - cheapest and least contentious but difficult to manage the consequences;
- b) Voluntary Severance - most expensive but can yield significant savings in the right circumstances. It is also a managed process;
- c) Compulsory Redundancy - more costly than a) but not as expensive as b) above. It is a managed process but fraught with industrial relations, political and publicity consequences.

6.2 With turnover showing some thirty posts per quarter it can be hoped to achieve the bulk of any balancing by the Natural Wastage route (over three years). This could be supplemented as needed by Voluntary Severance. However there are significant difficulties and resource implications in this approach. These are dealt with below.

6.3 A more high level financial report was submitted to Finance Sub Committee on 2 February 2007 and this is attached as **Appendix 1** to this report.

Human Resources

6.4 To balance random Natural Wastage with targeted business need requires very considerable management, administration and re-training. No Service is resourced for large scale redeployment and re-training of employees on the scale required by Natural Wastage alone. Furthermore this is at a time when vacancy management under the Financial/Efficiency Strategy assumes a 2% vacancy requirement.

6.5 In relation to the viability of Natural Wastage, it seems unlikely that the vacancies needed to make savings will be available and also that, even with a well resourced team to manage the process, some posts will have to be filled by means other than by redeployment. For example Social Work Services require specialist qualifications unable to be acquired in a short timeframe. This reduces the capacity of "turnover" to provide a solution. In turn this brings the other two means of making savings into sharper focus. The Council has to view a combination of a) and b) above in conjunction with revised service delivery and re engineering as the only alternative in terms of making savings.

7. Risk Assessment

7.1 Provided the project to manage downsizing is adequately resourced and key management decisions are taken quickly there is the potential for the required savings to be achieved over the 3 years.

7.2 Not to proceed with Single Status runs a high risk of damage to morale, industrial relations and, financially, from Equal Pay claims.

7.3 Coming at a time of industrial relations stress (due to single status) some employees may challenge the procedures put in place to achieve the necessary efficiencies and savings. This may lead to delay and difficulty.

8. Consultations

The Corporate Management Team, Director of Finance, and Joint Trade Unions (GMB, TGWU and Unison) have been consulted and their comments incorporated into this report. However, in particular, the Trade Unions have made it clear that they are totally opposed to Compulsory Redundancy. They would support both Voluntary Severance and Natural Wastage. They also wish to work with the Council to achieve efficiencies.

10. Background

10.1 The Equal Pay Act 1970 and the employment and contractual agreements driving national negotiations require an "equalities proof" pay and grading structure and conditions package to be applied. Not to do so results in the chaotic situation of ungoverned Equal Pay claims carrying on into the foreseeable future. It may also lead to greater long term costs. Accordingly negotiations have been ongoing to seek to reach a position where a package on Single Status able to be recommended to both the Council and union members has been conducted over several years.

10.2 A series of intense and challenging negotiations has been undertaken over the last two months. A Joint Project Board with the Trade Unions and the Chief Executive as Project Executive and Lead Negotiator was established. This approach has enabled a point to be reached where the unions have agreed a Single Status package which they may be willing to recommend to their members. However to manage the costs within budget requires active management.

11. Way Forward

11.1 The terms of the Single Status deal have been submitted for external review for an added equality check. Following this the package will be submitted to the Unions' separate National Offices for signing off in equalities terms. Assuming the model agreement passes these tests, or is amended accordingly, then there will be a report to Members seeking approval for the package and a programme of employee consultation prior to a ballot of union members.

11.2 If the ballot result is favourable the intention is to implement the pay structure and agreed changes to terms and conditions.

11.3 Importantly, unions have agreed to a co-operative joint approach to restructuring, service delivery, methods of working flexibly and a modernisation agenda. In return the Council has confirmed that employees' roles will be enhanced to meet the new business needs and staff will be re-trained to enable new ways of working. This will enable efficiencies; however some costs will inevitably be incurred as a result of lifting employees' outwith pay protection.

11.4 The three paragraphs above chart the way forward on the SSA itself and the consequences are dealt with here. Due to timing and structural mismatches the potential exists for the budget saving potential from redeployments not to materialise. This risk is very real and can only be reduced by:

(i) Clear management decisions to re-engineer/change services, thus identifying the available pool of labour for redeployment into vacancies as they arise;

(ii) Strong management action to manage and hold vacancies either as straight savings or for a period long enough to manage redeployment; and
 (iii) Creating a team (possibly partly of redeployed persons) to handle the work associated with communicating with potentially redundant employees about redeployment and managing them into vacancies to be filled. The strength of this team is estimated to be approximately 6 FTE costing approx. £138,000pa. The team will be led by an Officer and core staff within Human Resources supported by additional staff based within major services. The team would comprise of either temporary or staff on attachment for the three years of the implementation phase from 1 April 2007.

11.5 The Human Resources policies and procedures to permit this process are in place and have been used previously. However the scale of the task is unprecedented. Accordingly a set of rules and guidance based on these existing policies will need to be drawn up jointly with the trades unions to avoid misunderstanding and difficulty. No doubt managers will also find these helpful.

12. Key Issues

12.1 The cost of Single Status exceeds the budgeted provision.

12.2 The only readily identifiable means of making savings is by reducing employment over time.

12.3 Natural Wastage, already feeding the 2% vacancy requirement, is unlikely to achieve the savings target on its own due to structural imbalance and difficulty in re-training.

12.4 A combination of Natural Wastage and Voluntary Severance is still very challenging but with efficiencies agreed by the unions and identified by managers may potentially be sufficient should this be the route pursued.

12.5 A resource to manage this process has to be made available.

12.6 Management has to quickly and clearly re-engineer service provision and identify who is available for redeployment.

<p>David Archibald Group Manager Human Resources Corporate Services</p> <p>Date of Report: 14 February 2007</p> <p>File Ref: CS/HR/3 DA/JR</p> <p>APPENDICES - 1</p>	<p>Leslie Jardine Corporate Director of Corporate Services Council Offices English Street Dumfries DG1 2DD</p>
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FINANCIAL IMPLICATIONS OF EQUAL PAY AND SINGLE STATUS

1. Reason for Report

To advise Members of the financial implications of Equal Pay and Single Status. This report focuses on financial issues but touches on the Human Resources dimensions. These are to be the subject of further more detailed consideration at the Asset Management Committee on 20 February 2007.

2. Report Summary

2.1 A draft single status agreement, providing for an equitable pay and grading scheme has been jointly developed in partnership with the recognised trades unions. The draft agreement provides for a co-operative joint approach between management and unions to restructuring, service delivery, flexible methods of working and promotes a modernising agenda.

2.2 The potential costs of equal pay are extremely difficult to predict. Costs incurred to date amount to around £5m and a mid-range estimate of the total cost of equal pay is around £11m. However, there is a potential for costs to materially exceed this level and this report identifies potential costs of almost double this estimate. The report also advises Members that the Council has a current provision of almost £11m to meet the costs of equal pay.

2.3 Given the magnitude of the potential costs of equal pay, the report justifies the imperative of arriving at a draft settlement for Single Status. The annual costs of single status are estimated at £6.2m per annum for the pay model with approx £2m additionally needed for possible appeals outcomes. The annual budgetary provision is only £4.5m and this figure requires that the workforce be managed in a way which improves productivity, enriches work experiences and widens opportunities for existing staff. It is assumed natural wastage is the main tool of workforce consolidation and this necessitates a new financial profile which maintains the costs of Single Status within the 3-year financial envelope of £13.5m.

2.4 The financial consequences require to be met by a programme of efficiencies and savings and it is recognised that any reduction in employee numbers to meet these financial targets is best secured through natural wastage and voluntary severance.

3. Glossary of Terms

- COT3 - Central Office of Tribunals Form 3
- ET - Employment Tribunal
- FTE - Full Time Equivalent
- SSA - Single Status Agreement
- 3Cs - Care, Catering and Cleaning

4. Recommendations

Members are asked to:

4.1 note that to achieve the savings necessary to implement Single Status a Natural Wastage/Redeployment and Efficiency Programme incorporating job enrichment and redeployment opportunities should be commenced;

4.2 note that as natural wastage alone is unlikely to achieve the essential economic effect this will be supplemented by further efficiency programmes and voluntary severance;

4.3 note that the advent of an agreement on Single Status, if ratified by the council and joint trade unions, has significant benefits in increased service and workforce flexibility and in reducing the risk of equal pay claims in the future; and

4.4 agree that a provision for equal pay of £10.937m less sums paid in settlement be maintained by the Council.

5. Corporate Plan Links and Contribution

This report links to the financial planning and management elements of the Corporate Plan.

6. Resources/Value for Money

6.1 The costs of equal pay could be as much as £22m however a mid-range estimate of costs is closer to £11m which is broadly in line with the current provision. Details are provided at **Appendix 1**.

6.2 The costs of the single status pay and grading model are estimated at £6.2m per annum with a further £2m being a mid-range estimate for the agreed cost of appeals. Appeals will require to be backdated to 1 April 2007 as this is the date of implementation of the SSA.

6.3 The Pay and Grading Model is designed to ensure both pay equality and economy. The deal includes elements to ensure that the workforce is both more flexible and productive, including job enrichment, and this should assist in achieving value for money and modernising services.

7. Risk Assessment

7.1 The risks of Equal Pay are now well identified and have largely been managed through COT 3 agreements. The remaining risks are to be considered through the medium of Employment Tribunals. The Council has retained the best legal advice to manage this risk.

7.2 Single Status still has risks associated with

- equalities checking the pay and grading model.
- Trade Union acceptance of the scheme.
- A ballot of Trade Union members on the deal.

Equalities checking should mean more ready approval by Trade Union Headquarters. A well orchestrated communication campaign should "sell" the deal to the workforce thereby enabling a satisfactory outcome from the ballot of trade union members.

8. Authorities and Legal Implications

8.1 Employers are required to pay male and female employees equally under the Equal Pay Acts 1970.

8.2 The Council as part of COSLA entered into joint collective bargaining with the trade unions. These bargains are incorporated into individual contracts of employment. In this case, for employees within the scope of the Scottish Joint Council. That means that it is legitimate to introduce the SSA. However it is more difficult to be specific in contractual terms when it comes to the question of how to introduce the SSA. This is due to the ambiguities of the wording of the original agreement and the requirement for local bargaining.

9. Consultations

The Corporate Management Team, and Joint Trade Unions (GMB, TGWU and Unison) have been consulted and their comments incorporated into this report. In this context the joint Trade Unions have stressed their opposition to compulsory redundancy.

10. Background

10.1 **Appendix 1** shows the current financial estimates of the costs of equal pay. Most employees in the Care, Catering and Cleaning Functions have settled and provision has been made for the 3% of those workforce groups who have not. The settlement was until 30 September and a further provision may be required to cover equal pay until single status is implemented.

10.2 Other Categories of Employment

The Council currently faces over 300 ET claims for equal pay. The majority of these are for categories of employment where little case law exists and where the grounds of the claims are, at least in part, less clear than for the 3Cs and other "high risk" employees. They have been submitted on a test case basis affecting groups. This creates difficulties. For example in the group "Classroom Assistants" there are employees assisting in relatively simple tasks supporting children with limited or no special needs. However, there are also Support for Learning Assistants who deal with children with profound difficulties and extreme behaviour patterns, sometimes combined. There are other groups for whom a similar wide spectrum of responsibilities is evident and for these reasons estimating the true risks are impossible. Beyond this there are further "piggyback" claims which may "emerge" if some of the current claims succeed.

10.3 The Single Status pay and grading model is estimated to cost £6.2m per annum, including pay preservation over 3 years. A further £2m per annum is provided as the mid-range estimates of the cost of grading appeals through job descriptions changing since evaluation.

With a draft agreement between the Council and Trade Unions on the implementation of single status a serious consideration of how it is to be implemented in financial and human resources terms is now necessary. Mid-range costs of Single Status are estimated at £8.2m including appeals costs. CMT have

considered the issue and are firmly of the view that the costs should be limited to an average of £4.5m per annum over the 3 year planning period. To achieve this the number of staff employed by the authority will have to be consolidated. Staffing can be reduced in 3 ways:

- natural wastage,
- voluntary severance,
- compulsory severance

Of these three, natural wastage is both the cheapest and the one most likely to engender positive attitudes from council staff. However, it does have risks that:

- the rate of staffing reductions could be relatively slow with associated costs,
- staff providing vital services may leave.

At the same time the Council will be going through a period of considerable business transformation and furthermore, as part of the single status agreement, staff in jobs which have been downgraded should be subject to retraining, redeployment and job enrichment. This will require a considerable investment in retraining staff. A further merit of managing the workforce consolidation through the process of natural wastage stems from its relatively modest cost which will minimise the magnitude of staffing reductions. It is estimated that approximately 33 f.t.e staff leave per quarter and on this basis it is estimated that it could take 18 months to reduce staffing budgets in a manner which can be accommodated within the overall financial envelop of £13.5m over a 3 year period. The budgetary provision to match this approach is estimated as £6.0m in 2007-08 followed by £3.75m in each of the following two financial years. The effects of this approach on balances are to reduce them by £1.5m more by 31st March 2008. However, the rate at which the Council moves to a balanced budget thereafter, quickens. The detailed Human Resources implications of the SSA will be reported to the Asset Management Committee on 20 February 2007. Further close examination of this model will be necessary as the Human Resources implications are further examined. Nevertheless the profile of £6m in 2007/08 and £3.75m in each of the two subsequent years is based on the best available information and is as robust as is possible at the time of writing. The detailed calculations are attached at **Appendix 2**.

<p>David Archibald Group Manager Human Resources Corporate Services</p> <p>Date of Report: 1 February 2007</p> <p>File Ref: equalpayandsinglestatus-finsub020207</p>	<p>Leslie Jardine Corporate Director of Corporate Services Council Offices English Street Dumfries DG1 2DD</p>
<p>APPENDICES - 2</p>	

Appendix 1

IMPLEMENTING SINGLE STATUS

	£m
Pay and Grading Model	6.2
Potential Appeals	<u>2.0</u>
	<u>8.2</u>
Budget Provision	<u>4.5</u>
Shortfall	<u>£3.7</u>

Average cost of DGC f.t.e employee £22.3k

Staff Reduction Target 165

Assume 33 staff goes through natural wastage per quarter

Cost + (165 employees x £22.3k x 1.25)/2

= £2.3m or £750k per annum

Additional staff reduction to pay for transition	<u>£750k</u>	= <u>34</u>
	£22.3k	

Total staff reduction C 200

	2007/08	2008/09	2009/10	Total
Present Budget Profile	£4.5m	£4.5m	£4.5m	£13.5m
New Budget Profile	£6m	£3.75m	£3.75m	£13.5m

Summary of Potential Costs of Equal Pay

		£000s
Payments agreed and made to staff	1	4,699
Administration & Legal costs	2	<u>113</u>
Equal Pay Costs to Date		4,813
Potential Costs of unaccepted offers	3	189
Potential compensation 1/10/06 - 31/03/07	4	<u>645</u>
Potential Cost of Equal Pay for High Risk Groups		5,646
Potential costs of CAs & SLAs at tribunal	5	5,263
Potential costs of non-offer staff at tribunal	6	5,169
Potential costs of classroom assistants not yet at tribunal	7	<u>5,624</u>
Potential Costs of Equal Pay		21,703

Funding Available

Budget Provision Identified (as per Finance Sub 19/01/06)		4,987
2006/07 Single Status Budget		4,500
Service Reserves	8	<u>1,450</u>
		10,937

* All figures shown are inclusive of tax liabilities.

Other than the 'Equal Pay Costs to Date' all other figures are estimates and are dependant on, amongst other things, the results of tribunals which are exceptionally difficult to predict.

Notes:

- 1 These are the compensation payments made and accepted by 1,785 staff members.
- 2 These costs include the costs which will be incurred in securing the services of an advocate to represent the Council at employment tribunals.
- 3 These are the potential costs of 56 people who were offered the compensation package but who did not accept the offer. Some of these people are at employment tribunal at the moment.
- 4 These are the potential costs of further payments to employees to extend compensation to 31/3/07 for those who have already accepted compensation for the period up to 30/9/06.
- 5 If the 245 classroom assistants & support for learning assistants currently at employment tribunal were awarded compensation, then these costs represent the potential costs of settling with all of this category of staff (391).
- 6 These potential costs relate to groups of staff (including clerical assistants, janitors and leisure attendants) who have not been offered equal pay compensation. Within these groups 39 individuals have gone to tribunal and the potential cost shown is based on the potential costs of settling with all of these categories (575).
- 7 There are a number of classroom assistants, support for learning assistants & clerical assistants (337) who have not yet applied to an employment tribunal but who may use that route if the previous category of classroom assistants were successful at employment tribunal. These staff could cost £5,624K if they were successful.
- 8 £1.676 Million is currently held in service reserves through Single Status budget provision not utilised in previous years. Current year Single Status management/admin costs (estimated at £105k) will require to be funded from this source and there will be further costs incurred in the new financial year. The figure of £1.450 Million available to help address Equal Pay is therefore an estimate that will require to be further reviewed.