

**CITY AND COUNTY OF CARDIFF  
DINAS A SIR CAERDYDD**

**Employment Conditions Committee: 24 November 2004**

**Report of Chief Executive**

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**Implications of the 2004/5 Pay Award - NJC Staff**

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**Background**

1. The National Joint Council (NJC) for Local Government Services is the negotiating body for all employees who come under the provisions of the Single Status Agreement (formerly APT&C and manual employees). These employees represent the large majority of staff in Cardiff numbering approximately 11,000.
2. Negotiations for the 2004/5 pay award were completed on the 14th July and the settlement secured a 3 year deal on pay. On top of the pay award agreement was reached on the following issues
  - A new approach to local pay reviews: Local Authorities to reach local agreement to formulate comprehensive proposals for modernised pay and rewards policies by 31 March 2007.
  - A national joint review of conditions of service within part 2 of the national agreement.
  - Replacing prescriptive premium rates ( e.g. for shift, evening, overtime and weekend working) in the national agreement with a set of principles as recommended by the 2003 Pay Commission Report
  - Local Workforce Development Plans
  - A new agreement on shared principles for modernisation and improvement.
3. Implementing the agreement will have significant implications for the Council, both in terms of the resources required to negotiate and introduce the changes, and the costs of job evaluation and a revised pay structure.
4. The purpose of this report is to provide Members with details of the settlement and to recommend proposals for implementation.

**Issues**

**Pay Award**

5. With regard to pay a three year deal was agreed as follows:

Year	% Award
2004/5	2.75%
2005/6	2.95%
2006/7	2.95% (or the rate of the RPI at October 2005 whichever is the greater)

6. The cost of the pay award in 2004/05 is £4.3m. This exceeds the amount provided in the Council's budget which allowed for an increase of 2.5% amounting to £3.9m. In line with the Budget Report, the shortfall of £0.4m in 2004/05 will be met from within existing service area budgets.
7. The pay award is effective from the 1<sup>st</sup> April 2004 and was paid to staff in their August pay.

### **Local Pay Reviews**

8. To enable members to fully understand this issue it is necessary to give some background to the Single Status Agreement.
9. In 1997 a new National Agreement, known as the "Single Status Agreement" was introduced in place of the APT&C handbook (the Purple Book) and the Manual handbook (the White Book in Wales). The negotiating bodies for APT&C and Manual staff were merged to form the new NJC for Local Government Services. The purpose behind the changes was to harmonise the terms and Conditions of Service for Staff and Manual Workers. A new handbook, called the Green Book was published and it contained 4 parts as follows:
  - Part 1 – Key Principles
  - Part 2 – Key National Provisions
  - Part 3 – Other National Provisions
  - Part4 – Joint Advice
10. Part 1 sets out the key principles of the new NJC and its commitment to the local democratic control of services to the community, staff training & development, equal opportunities in employment, flexibility, joint negotiation and consultation at all levels with the recognised trade unions, trade union membership and stable industrial relations. Part 2 sets out some key national provisions e.g. annual leave. They are basic provisions that constitute, by their universal application, a minimum standard throughout the UK. Part 3 sets out some other national provisions that may be modified by local negotiation. Part 4 sets out joint advice on a variety of issues including Job Evaluation.
11. As far back as 1997 the National Employers acknowledged that local authorities might be vulnerable to litigation arising out of equal pay legislation. The "Local Government Single Status Job Evaluation Scheme", to quote its official title, was developed jointly by the NJC and was commended to all local authorities for immediate implementation. Section 4 of the Green Book goes into considerable detail on how the scheme should be implemented.
12. The 1997 National Agreement also made provision for local pay reviews to follow the implementation of single status. The job evaluation scheme referred to in the above paragraph was developed to facilitate this. However since 1997, progress in carrying out these reviews has been "patchy" and only 26% of all local authorities in England & Wales have completed the exercise. Most of the remainder have made some

progress but are nowhere near the implementation phase. The slow progress has been due, in part, to cost which is estimated at between 3% and 5% of the pay bill for the LGS group and in part, due to the potential destabilisation of local pay arrangements and therefore employment relations issues.

13. In addition, in some local authorities the issue has not been given the priority it perhaps deserved and the fact that there are now different job evaluation schemes on offer has also served to delay progress. It is fair to say that nationally, the trade unions have recognised the funding difficulties and have held off submitting equal pay claims and this has often been mirrored at local level with local officials either resisting its introduction altogether, or not pressing the issue.
14. In 1998, this Council agreed in principle to introduce job evaluation for its “Single Status” staff but did not commit to a particular scheme. Since then, no real progress has been made on the issue and the Council has taken the view that, if it does commit to undertaking formal job evaluation, the exercise has to be completed on a cost neutral basis. The Trade Unions will not agree to its implementation on this basis. In their view, the exercise cannot possibly be carried out on a cost neutral basis and they want the Council to acknowledge this at the outset.
15. However developments in recent months have made the need to carry out job evaluation imperative. The Employers Organisation have advised that a number of local authorities have been approached by solicitors working on a “no win no fee basis”. These solicitors have been able to make a direct approach to women staff and have been successful in enrolling large numbers for equal pay claims against the authority. Very large sums of money are involved in settling these claims, both in terms of cost to the authority and in terms of returns to the solicitors. Cardiff is particularly vulnerable because it has not based its current pay rates on an assessment of relative job size. In addition, there are large areas where traditionally male dominated occupations (e.g. refuse collection) receive non-measured bonus payments whereas employees working in female dominated occupations (e.g. catering, cleaning, home care) do not. Such areas will be particularly susceptible to equal pay claims.
16. Recognising the lack of progress that has been made on pay review and job evaluation, and the problems that LA’s may encounter if they do not progress these issues, the NJC have included in the pay settlement a time table for the completion of pay reviews. The Agreement commits Councils to enter into negotiations with Trade Unions with a view to reaching an agreement on new pay structures and systems by April 2006, and completing and implementing pay reviews by 31 March 2007. These negotiations should take place in accord with the pay and grading section of the 1997 Single Status Agreement and should include
  - A new pay and Grading Structure
  - Details of the approach to be taken to determine the relative size of the jobs included. (job evaluation)
  - Proposals for pay protection for any employees who suffer decreases in pay as a result of the review.
  - Proposals for premium rates (i.e. payment for overtime, unsocial hours, shift work etc.)
  - Proposals for Progression
  - Proposals for back pay for posts that are regraded.
  - Proposals for appeal for staff unhappy with their grades under the new arrangements.
  - An Equality Impact Assessment of proposed changes to pay, grading and other conditions

- An Equal Pay Audit
  - Proposals for dealing with bonus and productivity payments
  - Proposals for any cost savings or productivity improvements required to offset the cost of implementation
  - A timetable for completion by 31/3/07
  - Resources necessary for the pay review and their estimated cost.
17. The proposals must make clear how they are designed to take account of service improvement and promote better work-life balance for employees.
  18. The local timetable must include a date at which outstanding issues will be referred to an agreed third party for settlement.
  19. Local Authorities must propose a timetable for regular equal pay audits

### **Joint Review of Conditions of Service**

20. There will be a national joint review of the employee benefits contained in part 2 of the Green Book which contains the key National Terms and Conditions. This review will look specifically at car allowances, annual leave, sickness pay and leave, and maternity pay and paternity pay and leave. and will be completed by the 1<sup>st</sup> April 2005.
21. Part 3 of the Green Book has been amended to remove prescriptive premium rate for shift, evening, overtime and weekend working with a set of principles around which local authorities should negotiate new arrangements. These negotiations must be completed and implemented by 31 March 2007.

### **Local Workforce Development Plans**

22. Part 2 Section 3 of the Green Book which covers Training and Development has been amended and Authorities are now required to develop "Workforce Development Plans."
23. These plans must be closely linked to service delivery plans and should establish focus for the establishment of training and development priorities. Training and development should be designed to meet the corporate and service needs of authorities both current and in the future, taking into account the individual needs of employees.
24. Objectives for Training and Development Programmes should include the following
  - To enable employees to attain strategic objectives via investment in their employees
  - To promote equal access to learning
  - To encourage employees to develop their skills and level of responsibility to the maximum of their individual potential
  - To widen and modernise the skills profile of employees to maximise their versatility, employability and so job security.
  - To enable employees to raise productivity, quality and customer service in pursuit of sustainable improvement.
25. A new section has been drafted for inclusion in the Green Book which provides comprehensive guidance on the development of local workforce development plans.

## **Shared Principles for Modernisation and Improvement**

26. Both sides of The NJC will enter into discussions to reach a National Agreement on the improvement of services that will replace the current agreement on Best Value. This agreement will deal explicitly with Best Value, CPA, Treasury Guidance on staff transfer, efficiency, the code of practice on a two tier workforce and changes in pension transfer provisions.

## **Proposals for Implementation**

### **Local Review of Pay and Conditions of Service**

27. The settlement stipulates that these reviews must be completed and implemented by 31 March 2007. From the experience of other LAs who have completed such reviews the exercise is likely to take at least two years. It is proposed that a joint steering group consisting of officers and trade union representatives should be established at the earliest opportunity. This group should begin negotiations with regard to undertaking the local pay review, including the introduction of job evaluation, and the local review of terms and conditions of service.
28. The initial purpose of the steering group will be to formulate proposals for jointly undertaking the review. Once this has been achieved a further report will be prepared for committee giving details of an implementation plan, estimate of costs and the possible implications for the Council.
29. As stated above the Council's position in the past has been that Job Evaluation can only be introduced on a cost neutral basis. From the experience of other LAs this has proved to be an impossibility, and the NJC in reaching the pay settlement made some allowance for the possible increased cost of pay reviews. To make progress it will be necessary for the Council to reconsider its original cost neutral stance. However, in turn the trade unions should agree to enter into reasonable negotiations on terms and conditions with a view to gaining service improvements, greater efficiency and reducing costs that could help to alleviate some of the costs of job evaluation.

### **Workforce Development Plans**

30. The Council believes that investment in workforce development is essential to the sustainable improvement of local government services.
31. In terms of implementing this element of the Pay Settlement, a specific working group will be established, including trade unions and/or union learning representatives to map out a way forward. There is much good practise already in existence which this group could build on in its wish towards becoming a more learning organisation. Some progress has already been made e.g. consideration of elearning, coaching skills, graduates, school leavers etc.
32. The NJC also focuses on the need for authorities to assess existing and future skills requirements.
33. The Council has certainly already made progress in this area by the appointment within Human Resources of a Workforce Planning Officer. Experience has already been gained within the organisation e.g. NAW workforce planning requirements for social care.

## **Proposals**

34. It is proposed that a joint steering group of officers and trade union representatives be established to start negotiations about undertaking a local pay review, including the introduction of job evaluation and local terms and conditions of employment. It is also proposed that this steering group report back to this Committee in the near future with details of an implementation plan, estimate of costs and possible implications for the Council.

## **Investment for Reform/Benefit to service user**

35. In undertaking the pay review the Council will be able to tackle the issue of equal pay, and develop a modernised pay and reward system that will support a high performance and highly skilled workforce to better serve the people of Cardiff.
36. With regard to the requirement to produce Workforce Development Plans, the Council has already recognised that investment in workforce development is essential to provide sustainable improvement of local government services.

## **Council Policies Supported**

37. This report supports all Council Policies that require a skilled and motivated workforce to deliver their aims and objectives.

## **Advice**

38. This report has been prepared in consultation with relevant Corporate Directors and reflects their advice. It contains all the information necessary to allow Members to arrive at a reasonable view, taking into account the following advice.

## **Legal Implications**

39. The recommendations of this report raise no legal implications of themselves but various implications resulting from inaction are outlined in the body of this report. All decisions taken by or on behalf the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. standing orders and financial regulations; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

## **Financial Implications**

40. The cost of the pay award in 2004/05 is £4.3m. This exceeds the amount in the Council's budget which allowed for an increase of 2.5% amounting to £3.9m. In line with the Budget Report, the shortfall of £0.4m in 2004/05 will be met from within existing service area budgets.
41. It is not possible at this stage to estimate the costs of a local pay review, including the introduction of job evaluation and local terms and conditions of employment. This

will be considered by the joint steering group and will form part of a further report to the Employment Conditions Committee.

## **Human Resource Implications**

42. The review of the pay structure should result in a fair and non discriminatory grading structure for all employees who come under the terms of the Single Status Agreement.
43. In order for the Council to be able to properly answer and defend equal pay claims it is essential that the pay review, including job evaluation, be carried out. Apart from reputational damage, equal pay claims could prove very costly. Furthermore, the terms and conditions negotiated by the National Joint Council for Local Government Services form part of the contract of employment for these employees and failure to implement NJC agreements could result in claims for breach of contract.
44. The process of undertaking the pay review will be long and time consuming, and no doubt there will be issues which may make for difficult negotiations with trade unions (e.g. pay protection, back pay, revisions to existing terms and conditions).

## **Trade Union Comments**

45. The Trade Unions welcome the suggestion that a steering group be established to start negotiations on these matters. In particular UNISON have stated that they welcome the report and the partnership approach that informs it. They very much welcome the recommendation to revisit the previous position, that the Job Evaluation exercise had to be completed at nil cost. They welcome the proposal to set up the steering group with trade union participation as a central concept. There are a number of detailed issues that they will wish the group to consider e.g. the increased amount of time off Trade Union officers may need to participate in the process.

## **RECOMMENDATIONS**

It is recommended that:

- (i) a joint Steering group of officers and Trade union representatives be established to start negotiations about undertaking a local pay review, including the introduction of job evaluation and local terms and conditions of employment,
- (ii) this group report back to the Employment Conditions Committee in the near future with details of an implementation plan, estimate of costs and possible implications for the Council.

**BYRON DAVIES**  
**CHIEF EXECUTIVE**

**16 November 2004**