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# **Equal Pay Audit 2022**

Governance and Audit Committee – 19<sup>th</sup> July 2023

Lead director: Miranda Cannon, Director of Delivery,  
Communication and Political Governance

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## Useful information

- Ward(s) affected: All
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- Report version number: 1

### 1 Summary

- 1.1 This report provides an overview of the outcomes of our recent Equality Pay Audit conducted in May 2022 by an independent specialist, Project HR (Reward Consultants).
- 1.2 The audit observed that “it is uncommon to carry out an equal pay analysis of base pay by gender and have few outcomes for further investigation. The findings pay credit to a well-constructed pay and grading structure and effective management of the Council’s pay policies. The Audit report overall concluded that we have robust provisions, criteria and practices within the organisation that prevent unequal pay.
- 1.3 A small number of recommendations were made to further investigate potential anomalies to ensure equality in pay remained.

### 2 Recommendations

- 2.1 The Governance and Audit Committee are asked to note and make comment on the report.

### 3 Background Information

- 3.1 As part of our commitments to equal pay within Leicester City Council we commit to undertake equal pay review audits periodically to determine whether there are any significant average differences in base pay within the protected characteristics (age, disability, ethnicity, marital status, religion or belief and sex).
- 3.2 The purpose of an equal pay review is to identify possible provisions, criteria or practices within an organisation that may be causing unequal pay; it is not to identify individual employees.
- 3.3 This equal pay review covers the pay arrangements for Local Government Services (LGS) employees, including those based in community and voluntary controlled schools and voluntary aided and foundation schools. Also included in scope are Chief Officers, employees on Soulbury terms and conditions, employees on Youth terms and conditions and FE Tutors.
- 3.4 We provided the data in February 2022 based on a snapshot of employees on 31 August 2021 which included 12 months of additional payments and allowances. The data included base salary and the protected characteristics of sex, age, disability, ethnicity, marital status and religion or belief. The analyses of base pay are based on all employees described in paragraph 3.3 in post in August 2021. Employees may have changed job or working arrangements or left the Council since the data was submitted.
- 3.5 The audit focused on the following areas.
  - LCC’s Job Evaluation Scheme

- Pay Structure and Pay Progression
- Analysis of base pay (age, disability, ethnicity, marital status, religion or belief and sex).
- Review of additional payments

## **4 Findings of the Report**

### **LCC's Job Evaluation Scheme**

- 4.1** Job evaluation is a means of establishing a robust and defensible rank order of jobs within an organisation. It measures the relative worth of jobs.
- 4.2** An analytical points-factor based job evaluation scheme provides LCC with the cornerstone for equal pay defence. Without such a scheme we cannot objectively justify grading structures and rates of pay.
- 4.3** The audit sought to review two key elements. Firstly, that LCC's scheme is appropriate for the range of jobs in the organisation. Secondly, the process used to evaluate jobs is fair, consistent and non-discriminatory.
- 4.4** LCC uses the Greater London Provincial Council (GLPC) job evaluation scheme for jobs below senior managers. This is a well-established and 'tried and tested' job evaluation scheme that is widely used in the public sector, particularly by most of the London Borough Councils.
- 4.5** The audit found the following.
- The JE scheme used by the Council and the method of operation should provide reliable and consistent job evaluation results.

### **Pay Structure and Pay Progression**

- 4.6** The purpose of analysing the Council's pay structure is to examine it for robustness in relation to equality and equal pay.
- 4.7** The Council generally operates one pay structure for the employees in scope of this equal pay review.
- 4.8** There is no grade overlap within the pay structure. This eliminates the risk of claims for equal pay for work of equal value caused by overlapping grades.
- 4.9** All employees were paid within the evaluated pay grade for the job.
- 4.10** Pay progression is by annual, time-served increments only, subject to satisfactory performance
- 4.11** The Council does provide for accelerated increments in exceptional circumstances where, for example, market supplements are justified however, the application of this was not investigated as part of this review.
- 4.12** The audit found the following.
- The Council generally operates one pay structure for all LGS employees. The grades are evenly constructed, there are three or fewer increments to a grade, and there is no grade overlap providing for a robust structure
  - There are no concerns with the construction of the pay structure.

### **Analysis of Base Pay - Introduction**

- 4.13** This section of the report contains an assessment of the Council's base pay arrangement on the protected characteristics of sex, age, disability, ethnicity, marital status and religion or belief.
- 4.14** The purpose of the analyses is to determine whether there are significant average differences in base pay between men and women, within different ethnicity categories, age groups and categories of disability, marital status and religion or belief.

- 4.15** The analyses do not include any additions to base pay, such as an honoraria payment, market supplement, unsociable hours payments, etc. It should be noted however that there are tight governance arrangements around each of these potential additions to base pay to ensure fair and consistent use and application.
- 4.16** Any differences in pay of 5% or more or patterns of differences of 3% or more will require investigation and explanation.

### **Analysis of Base Pay – Audit Findings**

- 4.17** When exploring Base Pay in relation to Gender, Age, Disability, Ethnicity, Marital Status and Religion and Belief the audit didn't find any significant areas of concern.
- 4.18** The audit found that most significant differences in pay across the groups could be accounted to the normal operation of our time-served incremental pay structure.
- 4.19** It identified a small number of irregularities that required further investigation. Most of these have been investigated and we are satisfied they can be clearly explained and that no action is required.
- 4.20** There was one recommendation that came out of this section of the audit. This was from within the analysis of Base Pay by Disability which identified that a small number of interrelated posts within Education should be separated out although the report notes this is a "minor housekeeping issue".
- 4.21** A full summary of findings and recommendations in relation to Base Pay can be found in Appendix A.

### **Analysis of Additional Payments – Introduction**

- 4.22** This section of the report contains an analysis of a range of additional payments by the protected characteristic 'gender'
- 4.23** The purpose of the analysis is firstly to identify where payments are made proportionately to both genders or disproportionately to one gender. It explores in more detail any average differences in pay which are 3% or more.
- 4.24** The Council spent £6.9m on the additional payments included in the review.

### **Analysis of Additional Payments – Audit Findings**

- 4.25** The analysis shows that the distribution of this cost was 62% to women and 38 % to men, which varies from the Council's gender profile of 70% women and 30% men.
- 4.26** This analysis identified that men were disproportionately receiving more additional payments than women in comparison to the Council's gender profile. This is most likely to be caused by occupational segregation, i.e., men occupying more roles than women which attract additional payments.
- 4.27** The analysis identified:
- No additional payments that were paid proportionately to women and men when compared to the gender profile
  - 1 additional payment that was paid slightly disproportionately to more women than men when compared to the gender profile
  - 9 additional payments that were paid disproportionately more to one gender compared to the other when compared to the gender profile (1 was paid disproportionately to more women than men and 8 were paid disproportionately more to men than women).
- 4.28** Each allowance has been examined in further detail. Where the payment of an additional payment was paid disproportionately more to one gender, further analysis has been carried out to determine job type, grade and area of the business to ascertain

whether there may have been an underlying policy, practice or criterion that is resulting in one group of employees being treated differently.

**4.29** Appendix B provides a summary of the findings and outlines any recommendations made by the auditor.

### **Conclusion**

**4.30** In conclusion the Equal Pay audit demonstrates that overall, we have a robust scheme that is supported through effective Policy and Procedures.

**4.31** There are several lines of enquiry that have been identified through the audit and we continue to review these in line with our overall policies and procedures to ensure equity in their application.

**4.32** We will be feeding back to the auditor on our findings in August 2023 with another periodic Pay audit scheduled for April 2024 covering financial year 2022 – 2023.

## **5 Details of scrutiny**

**5.1** The report and action plans have been to CMT

## **6 Financial, legal, equalities, climate emergency and other implications**

### **6.1 Financial implications**

There are no financial implications arising directly from this report. However, a robust pay and grading scheme minimises the risk of costly equal pay claims. – Colin Sharpe, Deputy Director of Finance, ext. 37 4081.

## **6.2 Legal implications**

The Single Status Agreement (SSA) required all local authorities to implement a job evaluation scheme (JES) with the purpose of preventing inequality of pay. The current JES used by LCC was implemented in compliance with the SSA.

The Equality Act 2010 (EA) operates to ensure that there is no inequality in terms based on sex. Where there is any such inequality, affected employees will be able to pursue an equal pay claim which, if successful, would put them in the position they would have been in had they been in receipt of equal pay. Where there is inequality of pay by reference to sex a claim will be successful unless an employer can establish a material factor defence.

A robust JES will operate to ensure that there is no inequality of pay based on sex. There are, however, circumstances where it may be necessary to depart from the strict terms of a JES. For example, market supplements to address recruitment and retention issues may produce inequality in pay but this is a recognised material factor defence where there is evidence to support it.

In addition to the above, the EA provides that a provision, criterion or practice is indirectly discriminatory where it would place those who share a protected characteristic at a particular disadvantage when compared to those who do not share it. If therefore there is inequality of pay between those who share a protected characteristic and those who do not, it will potentially be indirectly discriminatory. Indirect discrimination is unlawful unless it can be objectively justified.

As above, a robust JES will ensure that there is no inequality in terms. Any departure from it may be objectively justified where there is evidence to support it such as market supplements.

Paul Holmes  
Head of Law (Employment, Education and Litigation)

## **6.3 Climate change and carbon reduction implications**

There are no significant climate emergency implications directly associated with this report.

Aidan Davis, Sustainability Officer, Ext 37 2284

## **6.4 Equalities implications**

The Equality Act gives a right to equal pay for equal work. By law, employers must not pay an employee less, or give them terms and conditions that put them at a disadvantage, because of their disability, race, religion, sexual orientation or another protected characteristic. Employers are responsible for providing equal pay and for ensuring that the pay systems are transparent. The Equality and Human Rights Commission code of practice recommends equal pay reviews as the most appropriate method of ensuring that a pay system delivers equal pay free from discrimination.

The purpose of analysing the Council's pay structure is to examine it for robustness in relation to equality and equal pay. The report provides an overview of the outcomes of the Equality Pay Audit conducted in May 2022 by an independent specialist.

An Equal Pay Audit involves the specific comparison of pay investigating the causes of gaps by gender, ethnicity, disability or working pattern and planning to close any gaps that cannot be justified on grounds other than one of those characteristics. There are a number of benefits of conducting an equal pay audit, it can help to identify inequalities and supports rational, fair and transparent pay arrangements. Demonstrating the Council's values to external stakeholders and supports it to meet the public sector equality duty. The Council is committed to work life balance and provides a wide range of flexible working opportunities as a means to support, develop and retain employees at work

Overall, the audit showed the council to have a robust scheme that is supported through effective Policy and Procedures. Further investigation is being undertaken in relation to lines of enquiry identified to ensure that there is no exacerbated disparity in terms of pay arising from a protected characteristic.

Equalities Officer, Surinder Singh, Ext 37 4148

## **7 Background information and other papers**

Appendix A – Summary of findings and recommendations for the base pay analysis

Appendix B – Summary of findings and recommendations for the additional payment