



**Glasgow City Council**  
**City Administration Committee**

**Item 6**

29th September 2022

**Report by Executive Director of Finance and Director of Legal  
and Administration**

**Contact: Martin Booth/Elaine Galletly Ext: 73837/74653**

## **EQUAL PAY**

### **Purpose of Report:**

To update members on the progress made in settling equal pay claims, and to seek delegated approvals for both the funding strategy and settlement proposals.

### **Recommendations:**

Committee is asked to:-

1. Note the report and progress made in settling equal pay claims;
2. Approve the funding strategy as set out in this report including the sale and leaseback of properties listed in Appendix 1 in accordance with the draft terms set out in Appendix 2;
3. Delegate authority to the Chief Executive and the Executive Director of Finance to conclude all legal and financial agreements associated with the terms of this report; and
4. Note that a further report will be brought back to the City Administration Committee once all legal and financial terms are concluded in relation to the funding strategy and the ongoing settlement negotiations.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes  No  consulted: Yes  No

## **1 Background to Equal Pay Negotiations**

- 1.1 The Council is committed to resolving the issue of equal pay claims, making sure that everyone who works for the Council is paid equally for equal work.
- 1.2 Since 2009, former and existing employees have presented equal pay claims against the Council and its ALEOs relating to the period from the implementation of our current WPBR pay and grading structure on 1 April 2006 to date.
- 1.3 On [7 February 2019](#), CAC approved the terms of a settlement provisionally agreed with Claimants Representatives of Action4Equality, UNISON, GMB and UNITE (“the Claimants’ Representatives”). Pursuant to that approval and associated delegated authority, the Council has concluded settlements in excess of 15000 claimants.
- 1.4 The settlement concluded in 2019 did not fully extinguish the Council’s equal pay liability and was expressly confined to eligible claims lodged on or before an agreed cut-off date. The Council is therefore currently negotiating the settlement of residual equal pay liability in relation to new claims up to 31 March 2018, and from 1 April 2018 onwards in relation to accruing liability which will cease upon the implementation of the new pay and grading structure.
- 1.5 On [10 March 2022](#), CAC approved a further phase of settlement to allow new claims and those from certain ALEOs to be settled up to the period 31 March 2018. Authority was delegated to the Chief Executive and the Executive Director of Finance to conclude all legal and financial agreements in relation to these further settlements. It was also noted that anticipated costs of this further phase of settlements was around £30m which was included in the previously agreed estimates within the 7 February report (para 1.3 above).
- 1.6 The CAC report of 10 March 2022 further approved officers continuing with negotiations on any other settlements and to bring back a further report to committee for approval in relation to any such proposals.

## **2. Background to Funding Strategy for Equal Pay Settlements**

- 2.1 In 2019, a funding strategy was developed to meet the Council’s equal pay obligations based on realising the value of the property assets of the Council family.
- 2.2 City Property Glasgow (Investments) LLP, a wholly owned Council arms-length company (CPGI), was requested by the Council to consider what capital could be realised from the property assets of both CPGI and the Council. This included releasing equity value in CPGI’s commercial property portfolio, and the option of sale and leaseback of certain Council operational properties.

- 2.3 The market was approached to provide loan finance for both the refinancing of the existing CPGI portfolio, and the sale and leaseback arrangements. In relation to the sale and leaseback, the Council generated a capital receipt from the disposal of certain operational properties to CPGI and, in turn, leased these assets back at a commercial rent, for a specified term. CPGI funded the acquisition of these assets through debt finance provided by commercial funding institutions. Debt repayments would be met from lease rental income over the loan term.
- 2.4 On [7 February 2019](#) the City Administration Committee approved the funding strategy for the sale and leaseback of those assets. A further report was provided to the Committee on [31 October 2019](#) detailing the procurement process undertaken to identify 3 preferred funders and the conclusion of legal and financial agreements in relation to the funding strategy. The funding strategy required 3 new special purpose vehicles to be set up, all of which are ultimately owned by the Council. These new special purpose vehicles, together with CPGI and City Property (Glasgow) LLP, for the purposes of this report, are referred to as the City Property Group (“CPG”).
- 2.5 However, the funding achieved at that time was insufficient to provide for settlement of the entire liability of the Council for equal pay claims.

### **3. Update on Equal Pay negotiations**

- 3.1 Negotiations have been progressing with Representatives of the main claimant group in relation to settlement of the new claims and ALEO claims for the period up to 31 March 2018. Initial discussions have also taken place for the period from 1 April 2018. Future discussion will seek to achieve settlement of the whole period up to the date on which the new Pay and Grading Scheme is implemented (“the Gap Period”). There are a number of key issues common to both periods which all sides are working to resolve. Even where those key issues are resolved and an agreement reached in principle, a significant amount of work will need to be undertaken to process offers and payments.
- 3.2 In parallel, negotiations are also taking place with representatives of smaller groups of claimants whose claims straddle both the pre 31 March 2018 period and the Gap period. Settlement of all of these claims will bring an end to the equal pay litigation against the Council.
- 3.3 As with the 2019 agreement, the final costs will only be known once negotiations have successfully concluded and the calculation of individual offers complete. The Council intends to negotiate a central settlement with HMRC to determine the rate or rates at which tax and national insurance contributions require to be deducted. The anticipated costs represent the total costs to the Council, including an estimate of employer contributions for national insurance and pensions.

- 3.4 If Committee approves the settlement proposal in principle, officers representing the Council will seek to reach agreement with the Claimant Representatives on both the calculation of individual settlement offers and the date from which settlement payments will be made. This is subject to approval of the Funding Strategy as outlined in this report.

#### **4. Update on Pay and Grading**

- 4.1 It is through the implementation of an Equal Pay compliant Pay and Grading Scheme (PGS), based on the output of the current Job Evaluation exercise that Equal Pay liability comes to a final conclusion. To that end a PGS Project has been formed, comprising of HR, Legal, Finance, and ICT Workstreams. To date they have started engagement with the Trade Unions, initially focused on the principles that should underpin the new scheme. A joint workshop has also been held to assist officers and Trade Union colleagues on the technical aspects of the project. This was delivered by the Council's independent SJC Job Evaluation expert
- 4.2 The implementation date of the new PGS is planned by April 2024. This is a highly complex piece of work with a range of inter-dependencies, including the timely results of job evaluation, PGS design, financial modelling, and significant payroll revision. Throughout this period further engagement and consultation with the Trade Unions and the workforce is planned.

#### **5. Funding Strategy**

- 5.1 The CPG was asked by the Council to seek further opportunities to generate additional finance to support the financial settlement of the remaining equal pay liability. The existing funders from the 2019 funding strategy were approached in relation to procuring debt finance, to support further sale and leaseback arrangements, similar to those put in place in 2019.
- 5.2 Following the evaluation of proposals received from existing funders, a preferred funder has been identified. The preferred funder requires the establishment of 2 new legal entities in order to achieve separation from the existing loan arrangements in place and to meet the requirements of the funding agreement with that funder. A new limited liability partnership ("LLP") and a limited company have therefore been incorporated.
- 5.3 The new LLP is called City Property Glasgow (Operations SL3) LLP ("SL3") and it follows the same structure and governance as the existing City Property LLPs. The ownership is the same as CPGI, with the Council owning 99.9999% and City Property (Glasgow) LLP owning 0.001%. The new limited company will be called City Property Glasgow (SL Operations 3) Limited. It will have limited functions and will consist of 2 senior Council officers and the Managing Director of City Property. The shares in the limited company will be owned by SL3 and will likely be subject to a share pledge. SL3 and the new limited company will form part of the CPG.

- 5.4 The list of operational property assets to be included as part of the funding strategy is set out in Appendix 1. Draft lease terms are contained at Appendix 2. Independent advice has been taken in relation to the value of the properties and annual lease rentals. The total value of the properties is circa £200million. The recurring lease costs will be provided for in the Council's revenue budget from 2023/2024. Part year costs during 2022/23 will require to be met from within available resources.
- 5.5 The 3 cultural and sporting assets listed in Appendix 1 are currently leased to Glasgow Life for a peppercorn rent and are governed by an overarching Property Agreement. The sale and leaseback proposal will not change the arrangements in place with Glasgow Life. The City Chambers and the educational establishments are operated directly by the Council. All operational activity carried out at these establishments will continue as normal and will not be affected by the sale and leaseback proposals. None of the property assets included in the list in Appendix 1 are considered to form part of the Council's Common Good.
- 5.6 The Council and the CPG have engaged independent financial and legal consultants to provide advice throughout the process and CPG's Board has been advised of the proposals.
- 5.7 The sale and leaseback capital receipts will significantly contribute to the overall funding available for the settlement of the remaining equal pay liability. Together with existing reserves, the total funding available to settle our equal pay liabilities (including all costs) will be circa £270million.

## **6. Next Steps**

- 6.1 A due diligence process and property evaluation process is ongoing and will be concluded before financial close is reached, which is estimated to be in Autumn this year.
- 6.2 SL3 and the new limited company will enter into a number of contractual commitments with the preferred funder and the Council. The Council may also enter into contractual arrangements with the preferred funder, for example, in respect of provision of a financial guarantee. The exact terms of this are still subject to detailed negotiation but, it is expected to be in similar terms to guarantees granted previously.
- 6.3 A further report will be brought to the City Administration Committee once all legal and financial terms are concluded in relation to the funding strategy and in relation to the ongoing settlement negotiations.
- 6.4 Delegated authority is sought for the Chief Executive and Executive Director of Finance to conclude all legal and financial agreements associated with the terms of this report.

## 7. Policy and Resource Implications

### Resource Implications:

*Financial:* The total sum available for settlement of all equal pay claims is circa £270 million. This includes the new claims (para 1.5), and all anticipated costs to the Council (including an estimate of employer national insurance and pension contributions).

The recurring revenue costs associated with the funding strategy will be provided for in the 2023/2024 and subsequent years Budgets. The sale and leaseback transactions will be subject to Best Value.

*Legal:* Legal Services will ensure that all legal implications associated with the terms of this report are implemented.

*Personnel:* No direct personnel implications, however, for as long as WPBR continues as the Council's pay and grading model so also does an equal pay liability. CAC has approved the adoption of the SJC Job Evaluation Scheme and progress in this will be reported via the appropriate City Policy Committee.

*Procurement:* Funding is being procured by the CPG following appropriate procurement procedures.

### Common Good:

The properties listed in Appendix 1 are not on the list of Common Good assets. There are no conditions in the titles that would suggest that they were acquired to be held as part of the common good.

### Equality and Socio-Economic Impacts:

*Does the proposal support the Council's Equality Outcomes 2021-25? Please specify.* Yes, settlement of the litigation relates directly to Outcome 2. Glasgow City Council female employees are supported to overcome any challenges that gender may present.

*What are the potential equality impacts as a result of this report?*

There should be no direct operational impact as a result of the sale and leaseback. However this will be kept under review during the course of implementation.

*Please highlight if the policy/proposal will help address socio-economic disadvantage.*

Settlement of the litigation will have a positive financial impact for claimants, many of whom live in Glasgow.

### **Climate Impacts:**

*Does the proposal support any Climate Plan actions? Please specify:*

N/A

*What are the potential climate impacts as a result of this proposal?*

N/A

*Will the proposal contribute to Glasgow's net zero carbon target?*

N/A

### **Privacy and Data Protection Impacts:**

No data protection impacts identified.

## **8. Recommendations**

### **8.1 Committee is asked to:-**

1. Note the report and progress made in settling equal pay claims;
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3. Delegate authority to the Chief Executive and the Executive Director of Finance to conclude all legal and financial agreements associated with the terms of this report; and
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**List of Operational Property Assets**

Kelvingrove Art Gallery

Kelvin Hall

Gallery of Modern Art

City Chambers

Sighthill School Campus

Gowanbank School Campus

## Appendix 2

### Proposed Lease Terms

- 1. Landlord:** City Property Glasgow (Operations SL3) LLP
- 2. Tenant:** Glasgow City Council
- 3. Tenant's Solicitor:** To be confirmed
- 4. Subjects:** As detailed at Appendix 1
- 5. Lease Duration:** To be agreed but likely to be between 30 and 40 years
- 6. Date of Entry:** To be agreed
- 7. Rent:** Rent will be paid annually at the rate detailed in the Lease Schedule, reviewed in line with rent review mechanism (see below)
- 8. Rent review:** The rent will be subject to annual fixed rent increase. The value and date it will be effective from is to be agreed
- 9. Use**  
The subjects shall continue to be used for the existing purposes and for no other purpose without Landlord's Consent.