

Manchester City Council Report for Resolution

Report to: Personnel Committee - 12 December 2016

Subject: Senior Salaries Review

Report of: Deputy Chief Executive (People, Policy and Reform)

Summary

On 4 August 2016 Personnel Committee requested that an analytical job evaluation scheme for all senior officers above Grade 12 be conducted, with recommendations for senior salaries to be submitted to this Committee and where appropriate to Council.

Officers have therefore undertaken a review to produce a new job evaluation scheme for these roles and a proposed pay and grading structure. This report explains the way in which the review was conducted with external independent support; and its outcomes.

The outcome is a new evaluation scheme and a pay and grading structure which is fair, transparent, and affordable.

Recommendations

That the Committee:

1. Note the outcome of the review to create a new analytical job evaluation scheme for senior roles, and the application of this scheme to produce a new pay and grading structure for these roles.
2. Note the consultation to date and the on-going individual and collective consultations required.
3. **Approve** the proposed pay and grading structure and implementation with effect from April 2017, subject to the completion of the required consultation with individual members of staff and subject to approval by Council in March 2017 in relation to grades where remuneration is or could exceed £100,000.
4. **Delegate** to the Chief Executive the authority to complete the consultation with staff and Trade Unions, and to implement the scheme subject to any material changes which arise from the consultation exercise being reported to this Committee.
5. Note that the application of the scheme result is in a saving over the three year budget period 2017/20 of £243,875.

6. **Approve** the Senior Manager Job Evaluation Appeals Process as set out in the Appendix to this report.
7. Note that following implementation the changes to how senior posts are evaluated and the senior pay and grading structure will require amendments to the Council's Pay Policy Statement in March 2017, following approval by the Personnel Committee in February 2017.
8. Note that a further report be submitted to this Committee on progression through incremental points on the new pay scales following wider consultation.

Wards Affected All

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable City: supporting a diverse and distinctive economy that creates jobs and opportunities	<p>The introduction of an equality proofed analytical job evaluation scheme for senior roles ensures a transparent and fair approach to senior pay.</p> <p>The provision of a transparent pay structure with career progression will make the city a destination of choice for talented people as an attractive place to live and work, supporting the skills base for the city.</p>
A highly skilled City: world class and home grown talent sustaining the City's economic success	
A progressive and equitable City: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon City: a destination of choice to live, visit, work	
A connected City: world class infrastructure and connectivity to drive growth	

Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy:
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

The gross additional costs over the three year budget cycle are £456,712 on the basic salary wage bill (an additional 1.6%).

The net position, taking into account planned savings within the senior management structures, pay protection costs and additional pension and National Insurance costs is a reduction of £243,875 in resources required over the three year cycle.

The cost of the external support for the evaluation of posts was met from within the revenue budget of the HROD service.

Financial Consequences – Capital

Impact on capitalised salaries. This will be incorporated into any future capital business cases for approval.

Contact Officers:

Name: Sir Howard Bernstein
Position: Chief Executive
Telephone: 0161 234 3006
E-mail: h.bernstein@manchester.gov.uk

Name: Geoff Little
Position: Deputy Chief Executive
Telephone: 0161 234 3280
Email: g.little@manchester.gov.uk

Name: Mark Grimley
Position: Interim Director of HR / OD
Telephone: 0161 600 8380
Email: m.grimley@manchester.gov.uk

Name: Carol Culley
Position: City Treasurer
Telephone: Tel 0161 234 3406
Email: c.culley@manchester.gov.uk

Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Personnel Committee – 4 August 2016; Report of Chief Executive
Full Council – 16 March 2016: Pay Policy Statement 2016/17

1.0 Introduction

- 1.1 The Council's Pay Policy Statement sets out a commitment to a robust system for evaluating the appropriate level of remuneration for all posts in the organisation from Grade 1 to Chief Executive Level.
- 1.2 Salary levels for the vast majority of the workforce (between spinal column points 6 to 57) are set via an analytical mechanism in accordance with the Council's Pay Policy through a delegated power from the Personnel Committee (SCP 6 in the minimum point currently used within MCC). A job evaluation scheme for all officers, Grade 1 to 10, has been in place since 2009; and for officers Grade 11 and 12 since 2010. The Personnel Committee has responsibility for setting remuneration for all roles within the Council's organisational structures up to £100,000 and recommends the appropriate pay to Council, for all roles at or above £100,000 basic salary.
- 1.3 A report to this Committee on 4th August 2016 recognised that the Council did not have an evaluation process for evaluating roles above Grade 12 to ensure parity, transparency and fairness that was consistent with good practice. The Committee therefore requested that an analytical job evaluation process for all senior officers above Grade 12 be undertaken, concluding with recommendations for the organisation and detail of senior salaries to be submitted to a future meeting and, where appropriate, to Council. Originally the proposed dates for submitting recommendations for senior salaries to the Committee and then Council where appropriate, were 16 November and 30 November 2016 respectively. By agreement with the Chair of Personnel Committee the date for reporting to Personnel Committee was rescheduled to 12 December 2016 to complete financial and legal due diligence.
- 1.4 The Council needs to pay employees fairly, when equivalent roles are compared internally and compared to external organisations, in order to be able to attract and keep the talent it needs to shape the future and meet our top-flight ambitions for the City as set out in the Our Manchester Strategy.
- 1.5 The implementation of an analytical scheme for senior roles creates an opportunity to ensure, and clearly demonstrate, that there is fairness and transparency in the way that posts are evaluated throughout the Council, and, to bring clarity to the way that pay is determined for posts in that cohort. This approach would result in a consistent type of methodology being applied to all roles from Grade 1 to Chief Executive level.

2.0 Objectives

- 2.1 The objectives for the review were to:
 - Adopt and implement a job evaluation scheme that demonstrably creates an objective means for determining pay and grading of senior officers, with a particular emphasis on ensuring gender parity.

- Engage all post holders in the target cohort and the Trades Unions in the process to create transparency and communicate more widely the change in approach as a signal of greater openness.
- Introduce a pay line that allows the Council to attract and retain the talent it needs to meet its current and future needs supported, where appropriate, by a market supplement policy, and an appeals policy.
- Ensure that any changes to senior pay is affordable within the three year budget 2017-20

3.0 Governance

3.1 The arrangements for conducting the review included:

- A Strategic Project Team comprising the Executive Member for Finance and Human resources, The Leader of the Council, the Chief Executive and key senior officers. This team has set the overall direction on reward, including the financial parameters.
- A Staff Reference Group comprising of representatives from the senior management structure and Trade Unions. This has met regularly to review the project as it progressed and to provide key insight into the approach and potential impact of the review as it developed.
- A Project Team consisting of officers from the Council's HR/OD service and the North West Employers Organisation (NWEO) undertook the technical work to develop proposals.

4.0 The Job Evaluation Process

4.1 After a competitive tender exercise, the North West Employer's Organisation (NWEO) was appointed as independent external advisers to the review. NWEO were chosen on the basis of their understanding of Greater Manchester and the working arrangements and relationships with partners and the Greater Manchester Combined Authority.

4.2 NWEO undertook the evaluation of roles using the LGA Senior Management Scheme. This is an established job evaluation process, specifically developed for senior managers by the Local Government Employers. The evaluation process focuses on four main factors, knowledge, challenge and discretion, impact and accountability for resources, using evidence supplied by job-holders through completion of structured questionnaires.

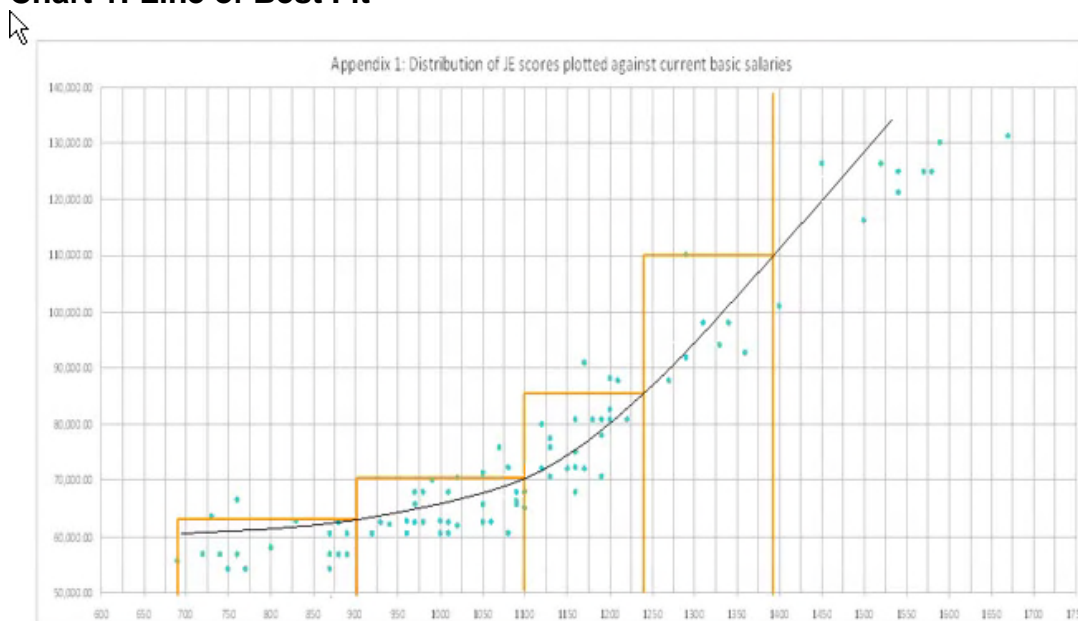
4.3 The criteria used in the scheme acknowledges the high expectations placed on the leadership team, the level of strategic vision and leadership required, the degree of influence at a regional and national level the responsibility for delivering the long term priorities for the City.

4.4 Prior to being asked to complete the questionnaire, all job-holders within scope were invited to a briefing to provide an understanding of the scheme,

explain the how information would be collected and provide advice on completing the questionnaire, which was then issued.

- 4.5 Job holders completed questionnaires which were verified by their relevant line manager before being approved by the relevant Strategic Director.
- 4.6 An external Job Evaluation specialist conducted interviews with a cross-section sample of 15 managers. The roles selected for interview comprised a combination of current levels of pay, directorates, and differing specialisms. The purpose of the interviews was to explore the context in which the post holder and their colleagues operate, to gain an understanding of the overall culture and values under which the post holder and other roles work, and to clarify the range and spread of jobs.
- 4.7 The completed questionnaires for all roles were then assessed and evaluated. This was followed by a brief period spent reconciling evaluations using separate external assessors to moderate scores to produce the final job ranking framework.
- 4.8 To design the grades and pay levels, a line of best fit was used to maintain cost neutrality. (Chart 1, below). Roles above and below the line were then pegged to the line of best fit (resulting in some roles reducing against the likely anticipated salary and some roles gaining).

Chart 1: Line of Best Fit



- 4.9 Having established the cost neutrality, bands were placed between two score points, checking that roles of similar levels are maintained within bands. This resulted in the progressive pay structure, including spine points to allow for progression through a grade.
- 4.10 To maintain close to cost neutrality, the cost model has been projected over 3-years to allow for the mitigation of pay protection, a policy of the Council

applied when employees suffer a detriment as a result of changes to their position which have an adverse impact on pay (see section 8, below).

5.0 Appeals

5.1 A three stage appeals process, set out in Appendix 2, has been developed, the aim of which is to:

- Provide an objective and transparent process for Council employees whose jobs have been evaluated, to exercise their right of appeal;
- Define the criteria that employees may use as grounds for appeal;
- Provide the employee, his/her representative and his/her manager the opportunity to state their views on the reasons for the appeal; and
- Give structured consideration to the line of argument put forward and provide a prompt response to the appellant.

5.2 Appeals may be submitted within 20 working days of receipt of notification of the job evaluation outcome.

6.0 Pay Structure

6.1 The Job Evaluation exercise provided objective evidence to rank senior jobs in terms of their relative skills and importance to and within the Council. A separate but related piece of work was then undertaken to develop a pay structure, so that the evaluated jobs can be placed within logical pay bands.

6.2 In designing the pay structure key considerations were:

- To achieve a pay proposal that reflected the job evaluation rank orders whilst seeking to remain within the existing overall budget envelope.
- That the reward strategy supports the Our Manchester strategy with a strong link to the aims of the emerging 'Our People' Strategy in terms of attracting and managing talent.
- A single grading structure based on analytical job evaluations which will provide fairness and provide protection against any equal pay claims.
- Fewer grades with clear, objective reasons are likely to be fair and justifiable

6.3 These proposals support an at-a-glance understanding of organisational hierarchy, remuneration levels and job responsibilities. It is proposed that every job in a category shares a common role profile made up of two parts – the first, a generic set of descriptors and accountabilities for any role at that particular level to allow a level of tolerance, and the second a shorter set of descriptors relevant to the portfolio of the specific post.

6.4 The proposal is to implement a grading and spine point structure with 5 Grades (Senior Salary Grade 1 to 5) and each with six incremental points. By the end of the pay protection period, it is proposed to reduce this to four points to make the structure simpler, and more consistent with the remaining grading structure of the Council. This is set out in table1, below.

Table 1: Proposed Grade and Increment Structure (including pay award assumptions for 2019/20)

Grade	Point	2017/18	2018/19	2019/20
SS1	11	£ 57,340		
	12	£ 58,494	£ 59,079	£ 59,670
	13	£ 59,656	£ 60,253	£ 60,855
	14	£ 60,849	£ 61,458	£ 62,072
	15	£ 62,066	£ 62,687	
	16	£ 63,308	£ 63,941	£ 64,580
SS2	21	£ 64,574		
	22	£ 65,865	£ 66,524	£ 67,189
	23	£ 67,183	£ 67,854	£ 68,533
	24	£ 68,526	£ 69,212	£ 69,904
	25	£ 69,897	£ 70,596	
	26	£ 71,295	£ 72,008	£ 72,728
SS3	31	£ 74,175		
	32	£ 75,659	£ 76,415	£ 77,179
	33	£ 77,172	£ 77,943	£ 78,723
	34	£ 78,715	£ 79,502	£ 80,297
	35	£ 80,289	£ 81,092	
	36	£ 83,830	£ 84,668	£ 85,515
SS4	41	£ 90,419		
	42	£ 92,227	£ 93,150	£ 94,081
	43	£ 94,072	£ 95,013	£ 95,963
	44	£ 95,953	£ 96,913	£ 97,882
	45	£ 97,872	£ 98,851	£ 99,840
	46	£ 99,830	£ 100,828	
	47	£ 101,826	£ 102,845	£ 103,873
SS5	51	£ 117,314		
	52	£ 119,306	£ 120,499	£ 121,704
	53	£ 122,412	£ 123,636	£ 124,872
	54	£ 127,513	£ 128,788	£ 130,076
	55	£ 131,723	£ 133,041	
	56	£ 137,045	£ 138,415	£ 139,800
CEO	Spot salary	£ 195,000	£ 195,000	£ 195,000

7.0 Market Factors

- 7.1 The evaluation process and resultant application of salary bandings and levels of pay is designed to take account of the relative worth of substantive roles. There may be exceptional circumstances where market pressures would otherwise prevent the Council from being able to recruit or retain staff with a particular skill or group of skills, for example ICT and specialist legal skills. A market supplement is an addition to the basic pay of a post which temporarily increased the pay for a post without altering the grade of a post which has been determined by the Job Evaluation process.

- 7.2 When it is deemed necessary the Council will ensure the proposed remuneration for such a role, or group of roles, is objectively justified in accordance with the Council's policy on market rate supplements. A separate report on this policy appears elsewhere on this agenda.

8.0 Pay Protection

- 8.1 The Council's arrangements for pay protection apply in certain circumstances, including the setting of a lower grade or rate of pay for an individual in post following Job Evaluation. Where the change results in a lower overall remuneration package than their existing rate of pay (as defined by their former contract of employment) pay will be frozen at the existing level until such time as the overall pay package of the newly evaluated post equals or exceeds the "frozen" level of remuneration for a maximum period of three years from the date they are allocated/appointed to the new post/grade.

9.0 Staff Engagement and Consultation

- 9.1 Throughout the process consultation and briefings took place with the recognised Trade Unions with a view to reaching an agreement to implement the outcomes of the evaluation exercise. This included the Reference Group referred to in para. 3 above.
- 9.2 Through a reference group, we have sought input from staff across the organisation in senior positions. We have also undertaken briefings at the start of the process and more recently, prior to the publication of this report.
- 9.3 As some of the group of officers affected are not part of a formal bargaining unit, we are required to undertake individual consultation about the proposals and the impact on individuals, subject to approval of the proposals by this Committee. The formal consultation period started on the 23rd November and will close on the 22nd December.
- 9.4 At the conclusion of the consultation, and subject to the decisions of the Personnel Committee, employees will be given written notice of a variation (under statutory terms) to their terms and conditions of employment, along with the right of appeal against the job evaluation score.

10.0 Financial Impact

- 10.1 The senior job evaluation covers 120 posts within the Council's establishment. This is approximately 2 per cent of the total workforce. The basic salaries are currently £9.2 million out of a total workforce basic wage bill of £163 million (5.5%).
- 10.2 Over the three year budget cycle the proposals will provide savings of £229,037, a reduction of 0.8 per cent of the total management wage bill. This includes planned changes to the senior management structure that will release savings over the three years, a reduction of 2.4 per cent.

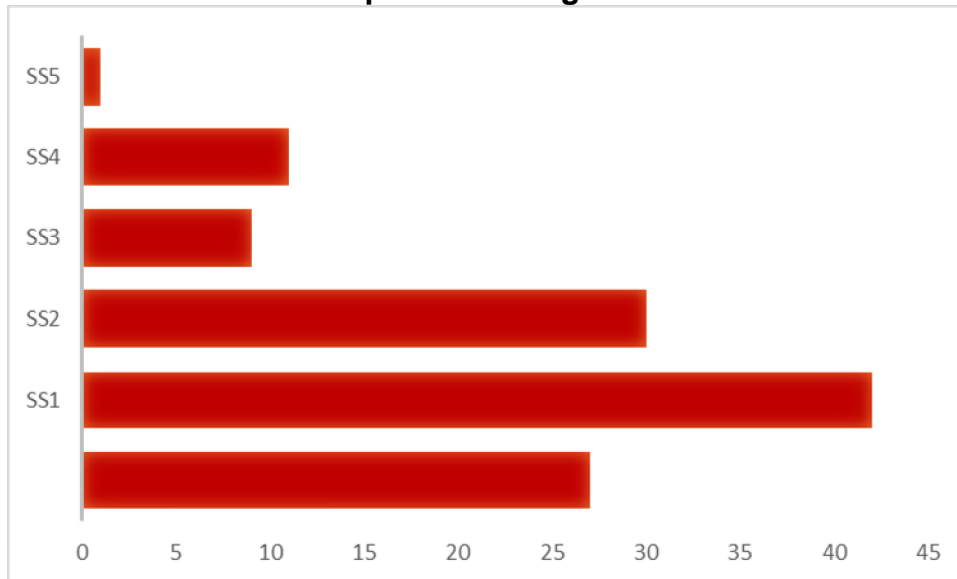
- 10.3 In addition there are pay protection costs of £42,873 over the three years giving a net saving of £186,164.
- 10.4 The above costs are based on basic pay plus additional payments (exiting pay protection, market rate supplements and retention payments). There will also be costs and savings relating to employer National Insurance and pension contribution costs. These are around 31% of total pay so will increase the net saving to £243,875.
- 10.5 The full financial impact by year is set out in table 2, below.

Table 2: Three year analysis against baseline assumptions

	2016/17 Total Pay £	2017/18 Total Pay £	2018/19 Total Pay £	2019/20 Total Pay £	Overall 3 year budget £
Baseline (Assuming 1% a year pay award)	9,262,768	9,346,835	9,429,506	9,519,488	28,295,829
Forecast cost of new pay structure	9,322,967	9,399,548	9,591,848	9,761,144	28,752,541
Variance to baseline	60,199	52,713	162,342	241,657	456,712
Planned changes to the senior management structure		(221,584)	(229,953)	(234,211)	(685,748)
Net Cost / (saving)		(168,872)	(67,612)	7,446	(229,037)
Pay protection		17,621	14,041	11,211	42,873
Net Cost / (saving) after pay protection		(151,251)	(53,571)	18,657	(186,164)
Net saving on Pension and National Insurance Costs		(46,888)	(16,607)	5,784	(57,711)
Net Cost / (saving) including on costs		(198,139)	(70,178)	24,441	(243,875)

- 10.6 The grade distribution of the proposed pay structure is shown in Chart 2, below.

Chart 2: Distribution of posts within grades



10.7 In the first year of implementation, 6 posts would be subject to pay protection arrangements totalling £17,621. Over the three years, this reduces to £11,211. By the end of pay protection, 3 posts will still see a detriment to their current position, although one of these posts is currently vacant – therefore only two current employees are negatively impacted as a result of these proposals after three years.

11.0 Key Policies and Considerations

- Equal Opportunities Policy - Use of an analytical process to develop the pay structure for posts above Grade 12 strengthens the Council's ability to ensure equality in the way in which senior jobs are rewarded. Equal Opportunities Policy – An Equality Impact Assessment has been carried out to ensure that the operation of the job evaluation scheme does not discriminate against any groups
- Risk Management – development of an equal pay-proof grading structure and the application of salary levels, including use of market supplements and retention payments to reflect the specific requirement and circumstances of roles will attract and retain staff of the appropriate skills, knowledge, experience, abilities and qualities to allow the Council to meet its strategic objectives and operational commitments.
- Legal Considerations Proposals have been developed in line with the Council's legal obligations as an employer and the Council's corporate workforce policies, including commitment to fair pay. The Council is required to produce an annual Pay Policy Statement setting out key terms and policies of remuneration. The 2017/18 Pay Policy Statement will set out the Council's Pay Policy and Pay Structure for Senior Managers.

12.0 Comments from Trade Unions

“UNISON notes the content of this report on Senior Salaries and in particular that the outcome if agreed will be that all roles within Manchester City Council will now be remunerated based upon an analytical job evaluation scheme.

We look forward to working with the Chief Executive to ensure that the ongoing consultations required are conducted in a manner that allows UNISON's members views to be properly considered.”

13.0 Comments from Interim Director HR/OD

- 13.1 The Committee tasked senior officers of ensuring that the pay and grading for senior managers was fair, equitable and transparent. It was also important to ensure that, wherever possible, the cost to the Council should take into consideration the pressures on front line services and should not significantly exceed the current budget envelope.
- 13.2 The proposed scheme meets the criteria set by the Committee and establishes a pay and grading structure in line with Grades 12 and below, creating an equitable scheme throughout the organisation.

Appendix 1: Appeals Policy (Senior Management Job Evaluation)

SENIOR MANAGER JOB EVALUATION APPEALS PROCESS Manchester City Council

Scope

This procedure shall apply to all posts within the remit of the Senior Manager Job Evaluation Scheme.

The aim of this appeals procedure is to:

- provide an objective and transparent process for Council employees whose jobs have been evaluated, to exercise their right of appeal;
- define the criteria that employees may use as grounds for appeal;
- provide the employee, his/her representative and his/her manager the opportunity to state their views on the reasons for the appeal; and
- give structured consideration to the line of argument put forward and provide a prompt response to the appellant

The purpose of this process is to resolve matters related to the grading of senior roles; there is no recourse to other procedures e.g. the Employee Dispute Resolution Policy on matters of pay/grading.

Grounds for Request

Where a new post has been evaluated, appeals may be submitted within 20 working days of receipt of notification of the job evaluation outcome, on the following grounds only:

- a) the scheme has been wrongly applied
- b) the job questionnaire did not provide complete information
- c) it is believed that an equivalent job is more highly graded and paid

In submitting an appeal the employee must set out the grounds for the appeal. Employees need to be aware that following a formal appeal, the job will be assessed 'in the round' and grade of the role could increase, decrease or stay the same. All JE appeal requests must be evidence-based. Employees may seek the assistance of a trade union representative or colleague, in the preparation of their case.

JE appeals will not be accepted from employees who have left the employment (or submitted their resignations) of the Council nor where the request does not meet the criteria outlined above.

Stage 1 – Informal Review by Line Manager, supported by HR

- The employee will need to raise the issue with his/her line manager on an informal basis in the first instance.

- The manager will consider the issues raised and provide an explanation to the employee. In clarifying such matters the manager will be supported by an HR officer trained in job evaluation.
- If the employee is not satisfied with the explanation then they can submit the appeal to HR for formal consideration.
- If pursuing to the next stage, the employee will need to ensure that the appeal against the grade awarded is accompanied by the grounds of appeal and the evidence supporting these grounds.
- In circumstances where the manager does not validate or agree with the request, the manager must provide the rationale/evidence for their decision.
- Information from both the employee and the line manager will be sent through to the HR team.

Stage 2 - Formal Review of the Evaluation

- i) The role will be analysed (desktop review) by a trained specialist, who will take account of the information received from employee and the line manager.
- ii) As the job will be assessed 'in the round', the grade of the role could increase, decrease or stay the same
- ii) Following this revaluation a recommendation will be made to a Panel comprising the Director of HR/OD and the Trade Union Joint Secretary for consideration.

Stage 3 – Consideration of Appeal and Outcome

The Panel (Director of HR/OD along with the Trade Union Joint Secretary) will review the independent assessment and the appeal information and provide a final outcome. This may be done in writing or after a meeting with the appellant, the line manager and the independent evaluator, although this is not a requirement.

In the event the panel members fail to agree, the original decision i.e. the recommendation by the trained specialist, will stand.

There are no further routes for appeal following this stage.

Note:

The above process will apply to appeals against job evaluation outcomes immediately following the implementation of Senior Manager Job Evaluation. Requests for re-grading relating to job changes, further down the line, will not be put forward for re-evaluation unless validated by the line manager. In such circumstances the employee will have the right to request a review of that decision by another appropriate manager within the service/directorate.