

Manchester City Council Report for Resolution

Report to: Personnel Committee – 13 March 2019

Subject: Pay Policy Statement 2019/20

Report of: Deputy Chief Executive & City Treasurer

Purpose of Report

This report introduces the draft Manchester City Council Pay Policy Statement for 2019/20 and seeks approval of the statement by the Committee prior to its agreement by Council.

The statement is cognisant of the organisational context and the impact of the 2019/20 budget. It sets out the direction of travel in relation to pay for Manchester's officers for the year ahead and details how this will support the delivery of the City Council's aims and objectives.

The statement has been developed to comply with the legal requirement set out under section 38 (1) of the Localism Act 2011 and takes account of the outcomes of the senior pay and grading review undertaken in late 2016 as well as relevant legislative requirements.

The Statement also includes information on the Council's 'Gender Pay Gap' and work to proactively promote workforce equality, in accordance with the requirement to carry out Gender Pay Reporting set out within The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017.

Recommendations

The Committee is requested to:

1. Note the content of the draft Pay Policy Statement and commend it for approval by the Council at its meeting on 27 March 2019.
 2. Note the organisation's Pay and Grading Structure for the financial year 2019/20 appended to the Pay Policy Statement and commend it for approval by the Council at its meeting on 27 March 2019.
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Wards Affected: All

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and	The Council's most senior managers drive the work of the organisation to transform and deliver its

distinctive economy that creates jobs and opportunities	obligations and objectives. The Pay Policy Statement proposed sets out arrangements which seek to balance the need for the proper remuneration of its employees to attract and retain the skills needed to deliver the organization and City's objectives (Our Manchester) and the cost of this to the communities it serves. It is based on the principles of fairness, equality and value for money and in line with both relevant legislative requirements and the framework set by the Council's Constitution.
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 implications for the revenue and capital budgets:

None

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Background Documents

The documents listed overleaf 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.

Report to Personnel Committee, 03 February 2016: *Pay Policy Statement*

Report to Personnel committee, 12 December 2016: *Senior Pay and Grading*

Report to Personnel Committee, 15 November 2017: *Senior Pay and Grading Update*

Report to Personnel Committee, 07 March 2018: *Pay Policy Statement*

Report to Personnel Committee, 12 December 2018: *Proposed New Pay Structure*

Report to Personnel Committee, 29 January 2019: *Senior Pay and Grading Update*

1.0 Introduction

- 1.1 Under section 38 of the Localism Act 2011, local authorities are required to publish a 'Pay Policy Statement' on an annual basis, focused on senior employees. Approval of the Statement cannot be delegated. The Act sets out that a Pay Policy Statement must include:
- A local authority's policy on the level and elements of remuneration for each chief officer¹.
 - A local authority's policy on the remuneration of its lowest-paid employees (together with its definition of "lowest-paid employees" and its reasons for adopting that definition)
 - A local authority's policy on the relationship between the remuneration of its chief officers and other officers
 - A local authority's policy on other specific aspects of chief officers' remuneration: remuneration on recruitment, increases and additions to remuneration, use of performance-related pay and bonuses, termination payments, and transparency.
- 1.2 The scope of the Pay Policy Statement excludes all staff employed in schools.
- 1.3 The Council's current Pay Policy Statement was commended by this Committee on 7 March 2018 and approved by Council on 21 March 2018. This Statement reflected a new, analytical, approach to the evaluation of senior posts (including Chief Officers) which has been further enhanced this year through the introduction of an approach to performance related incremental progression for senior officers.
- 1.4 The Statements of previous years have provided a strong framework for effective governance and transparency with regard to pay and remuneration. The intention is to continue and strengthen these arrangements through the 2019/20 Statement.
- 1.5 The 2019/20 Pay Policy Statement aligns to the overall priorities, activities and context of the organisation and wider public sector, and seeks to provide transparency around decisions affecting pay and remuneration in this context.
- 1.6 The Pay Policy Statement forms a key component of the organisation's approach to managing its workforce in general and recognition and reward in particular and is a key contributor to the priorities set out within the Council's People Strategy
- 1.7 The statement also includes information on the Council's 'Gender Pay Gap' which, as a public sector organisation, the Council is required by publish

¹ It should be noted, that Manchester currently does not use the term 'Chief Officer' when describing posts. The statutory definition for the purposes of the statement is set out at Appendix A of the Pay Policy Statement for background

annually. Alongside the required tables a supporting narrative has been included which details ongoing work by the organisation to proactively promote workforce equality in general and gender equality in particular.

- 1.8 The Statement is one element of the organisation's overarching approach to transparency and accountability. It is supported by comprehensive information on the organisation's structure and the salary for senior posts as well as the equality make-up of the workforce which is available on the Council's website and updated on at least an annual basis.

2.0 The Pay Policy Statement

- 2.1 The draft Pay Policy Statement for 2019/20 is appended to this report. The statement summarises the organisation's approach to pay and remuneration for the year ahead in a number of key areas and sets this within the organisational and national context.
- 2.2 The Statement does not set policy, but rather summarises the approaches already endorsed by this Committee and seeks to bring together key information in one place for clarity. It will act to help this Committee and the wider public hold the organisation to account for its pay related decisions for the year ahead.
- 2.3 The Pay Policy Statement includes information on the Authority's salary multiple, the ratio between the highest paid officer (the Chief Executive) and the median rate for all officers within the scope of the Statement. As of April 2019, the salary multiple between the highest paid officer (the Chief Executive) and the median rate for all officers within the scope of this policy is 8.17:1. This represents a reduction in the multiple as set out within the 2018/19 statement (8.33:1).
- 2.4 The Localism Act is clear that the statement must be approved by the Council and approval is sought to present the draft statement to Council for endorsement later this month.
- 2.5 Once approved, the Pay Policy Statement will come into effect on 1 April 2019, being subject to review at least annually through this Committee and, ultimately, Council.
- 2.6 In April 2018 pay awards were agreed nationally which would cover the financial years 2018/19 and 2019/20. The local implementation of the 2019/20 element of the national award has required a substantive change to the organisation's grading structure. The Council has worked closely with the recognised Trade Unions to secure a collective agreement to these changes which were agreed by this Committee in December 2018 and are reflected in the pay and grading structure appended to the Pay Policy Statement.

3.0 Senior Pay and Grading

- 3.1 The 2017/18 Pay Policy Statement endorsed a new structure for senior salaries based on an analytical method of job evaluation. In November 2017 this Committee further agreed an approach to the progression of Officers through the incremental points of these new grades (SS1 - SS5). In summary, this approach includes grade progression which is dependent on demonstrating overall annual improvements in performance, measured by delivery against a set of corporate and directorate objectives which are set at the start of each year and cover a range of operational and strategic indicators, on a “balanced scorecard”. To allow time for effective implementation, those not at the top of their grade band progressed automatically in April 2018. Thereafter, individuals are now working within this structured annual framework of performance with progression in April 2019 reviewed against those objectives set in April 2018.
- 3.2 In line with the agreed implementation approach, in 2018/19 the first spine point in each grade band within Senior Grades SS1-5 was deleted. The spine points will be further reduced in 2019/20 by removing the penultimate spine point in each grade band. The revised grades for 2019/20 are included within the pay structure appended to the Pay Policy Statement. - For the purpose of clarity, senior grade spine points have been renumbered to account for these deletions, with the new numbering included within the pay structures appended.
- 3.3 In January 2019 Personnel Committee approved the retention of Bands SS1 – SS5, and the removal of Band SS6 which was replaced with two new, separate grades:
- Deputy Chief Executive £150,000
 - Chief Executive £198,900

These grades are placed on spot points and aligned to the pay negotiations of the appropriate JNC negotiating body.

4.0 Gender Pay Gap Reporting

- 4.1 The Council is required by law to carry out Gender Pay Reporting on an annual basis in line with the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017. Reporting is based on a ‘snapshot’ date of 31 March 2018 and must include:
- the difference between the mean and median hourly rate of pay of male and female employees.
 - the difference between the mean and median bonus pay received by male and female employees.
 - the proportions of male and female employees who were paid a bonus, and
 - the proportions of male and female employees in the lower, lower middle, upper middle, and upper quartile.

- 4.2 It is worth emphasising that a 'Gender Pay Gap' is not the same as an issue of 'Equal Pay'. The Council has a long standing commitment to equality and a solid analytical approach to pay and grading in line with the Single Status Agreement. As a result, the Council is confident employees receive the same remuneration when carrying out the same or equivalent work. The gender pay gap therefore does not stem from paying men and women differently. Rather, it is the result of the roles in which men and women work within the organisation and the salaries that these roles attract.
- 4.3 The Council is accredited at the highest level (Excellent) through the Equalities Framework for Local Government which considers a number of areas of the organisation's work, including its role as an employer. In support of this, a number of measures are in place to ensure equal opportunity for all staff and encourage the employment of local residents. This includes the Manchester Living Wage, a strong approach to supporting flexible working at all levels and activity to support the personal growth and development of staff in line with the People Strategy.
- 4.4 The tables include within the Pay Policy Statement the Council's reportable figures. As can be seen, these figures demonstrate a mean gap of 9.0%². (This is a slight decrease from last year's figure of 9.1%.) Whilst this is significantly below the mean gap for the UK of 17.9%³ the Council is committed to continuing to reduce this differential.
- 4.5 More detail is contained within the Pay Policy Statement, but in headline terms the gap here is related to three areas which all closely align with national trends⁴:
- The proportion of low paid staff in the workforce (23% of the workforce (over 1,600 employees) in Grades 1 to 3 roles) which are often part-time and many of which are term-time-only. These roles are predominantly filled by women and have a significant impact on our overall pay gap.
 - The Council has an ageing workforce with a high proportion of female employees. Nationally, the pay gap widens with age; older women experience a larger pay gap compared to their male peers than younger women compared to their male peers.
 - A gap in the top quartile of pay.
- 4.6 These areas need to be set against a negative gender pay gap across the middle portion of the organisation (i.e. women, on average, are paid more than men), an overall workforce which is approximately two thirds female and one third male and a Strategic Management Team (SMT) which has a higher number of women than men (5 out of 8).

² The difference between the mean hourly rate of pay of male employees and female employees

³ Source: October 2018 Office for National Statistics (ONS) *Annual Survey of Hours and Earnings (ASHE) figures*

⁴Source: Equality and Human Rights Commission, 2017 *The Gender Pay Gap*

4.7 Whilst, as noted above, the key factors here align with the national trend, the Council is committed to undertaking action which will support a positive reduction in the gender pay gap (i.e. through increasing the average pay of women and not reducing overall pay or removing lower paid roles from the organisational structure). Key activities in support of this include:

- The review of ways of working across the organisation to identify and promote increased flexibility in working practices has continued, supporting people to more effectively balance home and work commitments; and driving increased flexibility as the norm in roles at all levels of the organisation. The Our Ways of Working programme provides the means with which to take this work forwards. The Council's overarching plan has been reviewed and endorsed by Timewise, with Manchester now formally recognised as a 'Timewise Council'.
- Ongoing work as part of the People Strategy to enhance the Council's core Learning and Development offer and approach to supporting development and progression, with a particular emphasis on strengthening development opportunities for frontline staff.

5.0 Comments of the Director of HROD

5.1 I have been consulted on the draft Pay Policy Statement for 2019/20 and am confident that it will continue to provide an effective and open framework for the management of pay to all employees across the authority.

5.0 Comments from the Trade Unions

To follow

6.0 Conclusion

6.1 The development of a Pay Policy Statement and its approval by the Council is a requirement under the Localism Act 2011. The statement appended below is Manchester's seventh annual statement and will support a continued understanding of the organisation's approach to remuneration set within the context of the overall direction of the organisation to improve services and, ultimately, deliver better outcomes for Manchester residents.

6.2 Members are asked to note content of draft Pay Policy Statement and commend it for approval by the Council at its meeting on 13 March 2019.