

# **Pay Policy Statement: 2021/22**

## **1. Introduction and Purpose**

The Pay Policy Statement sets out the Council's policy regarding remuneration in accordance with the requirements of Section 38 of the Localism Act 2011 (The 'Act') and associated statutory guidance. The purpose of the statement is to provide transparency regarding the Council's approach to setting the pay of its employees and includes:

- The methods by which salaries of all employees are identified
- The detail and level of remuneration of the most senior employees
- The detail and level of remuneration of the lowest paid employees
- The relationship between the remuneration of the highest and lowest paid employees
- Information in response to the requirement to provide 'Gender Pay Reporting' information in line with the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017

The Personnel Committee of the Council is responsible, on behalf of the full Council, for ensuring the provisions set out in this Statement are applied consistently throughout the Council. The Personnel Committee will also refer to Council any decisions affecting newly graded posts or upwardly regraded posts where the salary becomes £100,000 or more.

### ***Scope of this Policy***

This Pay Policy Statement relates to staff employed by Manchester City Council whose remuneration, including rate of pay and terms and conditions, are determined by and within the control of the authority. It therefore does not apply to:

- Staff employed by a third party contracted to work for the authority (although the comments under the sections below on *interim support* and *preventing tax avoidance* should be noted).
- Staff on secondment to or from the authority, where their rates of pay or terms and conditions are not determined by the Authority. The Authority's approach to secondments sets how pay with regard to individuals in this group is managed.
- All staff employed in schools, including temporary teaching staff, support staff and agency staff.
- Staff employed through the authority on behalf of a third party where remuneration and some or all of the other conditions of employment are not determined by the authority.
- Unpaid volunteers or individuals on work experience placements. Such placements are intended to give students and and/or individuals from the Council's social value priority groups experience of working in the public sector. These roles would not normally be expected to last longer than six weeks.

Once approved by the full Council, the Pay Policy Statement will come into effect on 1<sup>st</sup> April 2021 and will be subject to annual review.

### ***Legislative framework***

In determining pay the Council will comply with all relevant employment legislation. The Council is also bound by collective agreements and contractual arrangements which cannot be unilaterally altered.

Relevant legislation includes the Employment Rights Act 1996, Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, the Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended), Agency Workers Regulations 2010, and the Children & Families Act 2014.

The Council has taken steps to ensure there is no discrimination within its pay structures and that all pay differentials can be objectively justified. Where relevant, legislative obligation will supersede the approach and principles outlined in this statement, for example where terms and conditions are preserved as a result of contracts of employment transferring under TUPE.

## **2. Determining pay**

Salary levels for the workforce are set via analytical mechanisms. The Council operates a job evaluation scheme for officers at Grade 12 and below and a senior job evaluation scheme for roles at Grades SS1 – SS5 including DCX and CEX spot points. The pay and main contractual conditions of all employees of the Council are linked to a national pay bargaining structure relevant to the role (see *Collective Bargaining* below).

Pay can include elements applicable only to a specific group of employees, for example contractual arrangements and terms of the relevant national agreement. This includes, for example, specific allowances and additions to pay (e.g. overtime, flexibility payments which can be time limited and are subject to approval). In limited circumstances, time and cash limited pay protection may be applicable, arrangements for which have been agreed in accordance with relevant local negotiating arrangements.

Other additions to the salary of officers may be made in accordance with the Council's Constitution and stated policies (e.g. car user allowance). Such payments will be made in accordance with the principles of this statement and with approval by the delegated budget holder or approver. All such payments are made in order to support the delivery of effective services and adhere to the principle of value for money.

### ***Collective Bargaining***

The Council has a strong commitment to collective bargaining based on national salary structures and to full and open engagement with its workforce.

The continued requirement for cost reduction by the organisation will mean that in 2021/22 a balance will need to be struck between any proposed increases in individual pay and the need to ensure that workforce expenditure remains in line with the agreed budget for the workforce set in the context of the Real Living Wage and market conditions. The organisation's overarching strategy will be to ensure the cost

of its workforce falls within the budget allocation agreed by the Council in March 2021 as part of the organisation's overall budget for 2021/22.

The Council remains committed to the national pay structure and the relevant national agreements including those for the National Joint Council (NJC) for local government services, the Joint National Council for Chief Executives and the Joint National Council for Chief Officers. At the time of writing national discussions are ongoing in relation to a pay award for the 2021/22 period. However, as and when any national agreement is reached, this will be reflected in the Council's pay and grading structure appended to this statement.

The Authority will continue to consult with the trade unions representing its workforce on the impact of any changes in pay.

### ***Policy on Remunerating Chief Officers***

The Council's Chief Officers are the Strategic Management Team which includes the Chief Executive and those officers directly responsible for the key functions of the organisation. This information is currently available on the *Open Data* pages of the Council's website and will be updated on at least an annual basis to reflect changes to pay and the organisational structure and to support the Council's aim of enhancing transparency and clarity. Additional information, in accordance with the Accounts and Audit (England) Regulations 2011, is also included within the Council's Annual Statement of Accounts.

The Personnel Committee is responsible for making appropriate recommendations to Council for roles where a salary in excess of £100,000 is proposed. Relevant Chief Officers are responsible for determining pay for senior roles alongside the Director of HR and OD. Salary levels are proposed in accordance with an analytical job evaluation process within four pay bandings for SS1-3 and SS5, five bandings for SS4 and additional spot salary levels for the Deputy Chief Executive and City Treasurer, and Chief Executive as set out within the appendix to this Statement.

Since 2018/19 progression through the incremental points within these grades has been dependent upon individuals demonstrating overall annual improvements in performance, measured by delivery against a set of corporate and directorate objectives which is set at the start of each year and covers a range of operational and strategic indicators which are monitored throughout the year.

Employment arrangements for chief officers are linked to the relevant national agreements including the Joint National Council for Chief Executives and the Joint National Council for Chief Officers, and salary values are increased in accordance with any nationally agreed pay awards as determined by the appropriate national Joint Negotiating Committee.

### ***Bonus, Performance and Earn Back***

The Council does not generally pay bonuses for chief officers within the scope of this statement (notwithstanding the link between incremental progression and pay noted above) as it believes that it has sufficiently strong performance management

arrangements in place to ensure high performance from its senior officers. Any areas of under-performance are addressed rigorously.

The detail of any bonus payments will also be published in accordance with the Accounts and Audit Regulations 2015 and the Local Government Transparency Code 2015 respectively.

### ***Election Fees***

The Council is required to provide funding to the Returning Officer to discharge statutory functions relating to the administration of local government elections. The Returning Officer will make payments to those officers who undertake specific duties in relation to the elections (including to chief officers) in accordance with their role. The Chief Executive does not receive any additional payment for the role of Returning Officer for local government elections.

It should be noted that any fees which may be payable for duties undertaken in connection with national elections and referenda (such as Parliamentary General Elections or national referenda) or elections undertaken on a regional basis (Greater Manchester Combined Authority Mayoral Election) are not funded by the Council.

### ***Recruitment and Retention***

The Council's policy regarding the recruitment of all officers including senior officers is set out within the Recruitment and Selection Policy (this includes information relating to re-engagement). As indicated above, the Council aims to set appropriate pay levels, balancing costs with the need to attract and retain employees who contribute the appropriate skills, behaviours and experience needed to deliver its functions. From time to time, it is necessary to make additional payments within the Council's remuneration framework in order to secure or retain staff, with the appropriate skills, notably in roles where there is a national or regional shortage of such skills. Payments will be made in line with the Market Rate Supplement policy.

Statutory posts including the Chief Executive and Chief Officers can only be appointed to by a sub-committee of the Personnel Committee. Non-statutory posts may be appointed to by officers of the council, but consultation with the relevant portfolio member is necessary

When an individual is appointed to a role remunerated at a higher grade with multiple scale points, whether through internal or external recruitment, the individual will be appointed to the bottom point of the relevant grade. In exceptional circumstances, appointment at a higher scale point can be considered and agreed by the relevant Chief Officer.

### ***Interim Support***

Where the Council is unable to recruit officers, or there is a need for interim support to undertake essential work or provide cover for a substantive post, the Council will engage individuals on a temporary basis.

Such individuals will be sourced through a relevant procurement process in line with legal requirements, financial regulations and standards and the Council's agreed processes. This will ensure the Council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service and full compliance with legal requirements. The Council has made and implemented all the necessary adjustments required to assure compliance with the changes in relation to off-payroll working in the public sector (IR35) which came into effect from 6 April 2017 and will conform to the changes proposed to take effect from April 2021.

### ***Preventing Tax Evasion and Tax Avoidance***

The Council is fully compliant with the rules governing the prevention of tax evasion. In addition to this, the Council is committed to taking no part in the aiding of any form of tax avoidance. Council employees must take care not to engage in contractual arrangements which could be perceived as being primarily designed to reduce the rate of tax paid by any person or company.

### ***Living Wage Employer***

The Council aims to ensure that wages (salaries) in the City can sustain families and individuals and underpin a thriving economy. In 2015 the Council adopted a Living Wage Policy with the overarching aim to:

*Ensure that Manchester City Council employees, current and potential contractors and suppliers, and Manchester based employers are fully aware of the City Council's commitment to the Living Wage. The City Council firmly believes that increasing the number of people being paid at least the Living Wage will make a significant contribution to supporting residents out of poverty and reducing dependence on in work benefits.*

Manchester City Council is an accredited 'Living Wage Employer' and as such is committed to paying the 'real' living wage. In November 2020, the Living Wage Foundation announced the new real living wage hourly rate for the coming year of £9.50 per hour, an increase of 20p per hour. Accredited Living Wage Employers are required to implement the rise within six months. The Manchester Living Wage (MLW) will therefore be aligned to the new real living wage rate from 1 April 2021.

The (statutory) National Living Wage will increase from £8.72 to £8.91 from 1 April 2021 and be extended to 23 and 24 year olds for the first time. This statutory rate of pay is distinct from and currently below the current real Living Wage (£9.50) noted above.

The lowest rate of hourly rate of pay for a Council employee is currently £9.78 (SCP1) which is 28 pence per hour higher than the real living wage, reflecting the implementation of the NJC pay and grading structure. The Council is committed to paying a fair wage. It should also be noted that discussions are ongoing in relation to a national pay award for the period 2021/22 - any agreed pay award will increase the lowest hourly rate of pay accordingly.

### **3. Employee Cost and Salary Ratios**

The Council does not have a target for the ratio between the pay of the highest earners and other employees. It does not propose to set one, accepting the judgement of the Hutton Report, that such targets serve no useful purpose. However, it will monitor this relationship to ensure that the remuneration of the highest paid is not excessive and remains consistent with the needs of the Council as expressed in this policy statement.

As of January 2021, 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 7.7:1. This represents a 2% reduction in the multiple as set out within the 2020/21 statement (7.86:1).

This ratio results from the detailed implementation of the pay policies set out in this document and will vary marginally with time as the shape of the organisation and roles change.

### **4. Payments on Termination**

The Council's approach to severance and discretionary payments on termination of employment is set out within its policy on the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2000 and 2006 and the Local Government Pension Scheme Regulations 2007 as agreed by the Council's Personnel Committee. The Council applies this policy to all employees and in all cases. Any changes to this policy, whether permanent or time limited, will be agreed by the Personnel Committee.

In addition to the Council's Severance and Early Retirement (Efficiency) Policy Statement the City Solicitor has the authority to settle, if appropriate and in the interests of the Council, any actual or threatened legal proceedings as set out in Part 3 Section F of the Council's Constitution.

Any severance packages with a value in excess of £100,000 will be approved by Council before they are agreed. This policy applies to severance packages pursuant to a settlement agreement. However, it does not apply in relation to the cost of early access to, and/or enhancement of a retirement pension, where the employee's employment is terminated on grounds of ill health.

Provisions in the Finance (No.2) Act 2017 changed the rules on the taxation of termination payments to remove the distinction between contractual and non-contractual payments in lieu of notice, effective from April 2018. The Council continues to comply with these requirements.

From April 2020 employers will be liable to pay Class 1A national insurance contributions on termination payments above £30,000 that are subject to income tax by the employee. The Council will fully comply with this requirement.

## ***Exit Pay Cap and pension reforms***

Correct at the point of publishing this report, the Restrictions of Public Sector Exit Payments Regulations 2020 have been revoked. Further changes are expected, and requirements will be incorporated into this statement at the appropriate time.

## **5. Equality and Pay**

The Council is committed to equality and diversity in the workplace and to ensuring that remuneration of employees is fair and equitable. The organisation has been rated as 'Excellent' under the Equalities Framework for Local Government (EFLG) which included a review of arrangements in relation to employment. The Council has an agreed Equal Opportunity in Employment policy statement with any changes to this policy statement agreed by the Personnel Committee. This is supported by a programme of work to increase the diversity of the workforce at all levels and address those areas for improvement identified by the EFLG.

### ***Gender Pay Reporting***

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 2020 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.

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 well as an analytical approach to the evaluation of senior roles. As a result, the Council is confident employees receive remuneration within the same grade 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.

The tables below provide the information the Council is required to publish in line with the legislation cited above and is based on the snapshot date of 31 March 2020.

**Table A: Gender Pay Gap**

Gender Pay Gap (difference in hourly pay)		
	Mean	Median
Hourly Pay	8.0%	7.9%

The table above shows the percentage difference between the mean (average) and median (middle value) hourly rate of pay of male and female employees. The closer to 0 the lower the Gender Pay Gap.

**Table B: Bonus Pay**

The Council does not make any Bonus Payments which fall within the definition of Bonus for the purpose of Gender Pay Gap reporting.

**Table C: Pay quartiles by gender**

Gender Split with each Pay Quartile		
Hourly Pay Quartile	Male	Female
Upper Quartile	40.7%	59.3%
Upper Middle Quartile	32.8%	67.2%
Lower Middle Quartile	38.0%	62.0%
Lower Quartile	23.6%	76.4%

The table above shows the percentage of Male and Female employees in the lower, lower middle, upper middle and upper quartile pay bands. These quartiles have been calculated by working out the hourly pay for each employee and then ranking them in order from lowest to highest paid. This list is then divided (as equally as possible) into four sections to provide the above.

**Table D: Pay quartiles by mean gender pay gap**

Mean Hourly Pay within each Pay Quartile			Mean GPG by Quartile
Hourly Pay Quartile	Male	Female	
Upper Quartile	£23.67	£23.12	2.34%
Upper Middle Quartile	£16.00	£16.07	-0.42%
Lower Middle Quartile	£12.85	£12.71	1.10%
Lower Quartile	£10.24	£10.00	2.37%

The above table takes the four quartiles (as per Table C) and provides the mean (average) hourly pay for Male and Female employees within each quartile. The Gender Pay Gap for each quartile is then calculated against the mean hourly pay. Any negative figures show that, on average, Females are paid more than males.

The Council’s mean gap of 8.0% (2020/21: 8.1%) and median gap of 7.9% (2020/21: 9.8%) is significantly below the mean and median gap for the UK of 14.6% and

15.5%<sup>1</sup> respectively. However, the Council is committed to further reducing its pay gap.

As Table D above shows, gaps in pay are more pronounced in the bottom and top quartile and align closely with national trends.

The proportion of low paid staff in the workforce (c.20% of the workforce - over 1,500 employees - in Grades 1 to 3 roles) has a disproportionately high impact on the overall Gender Pay Gap. These roles are often part-time and many of these are term-time-only. Employment in these positions follows the national trend of being predominantly female and has a significant impact on the Council's overall pay gap.

This data needs to be set against a negative gender pay gap across the upper middle portion of the organisation (i.e. women, on average, are paid more than men) and the relatively narrow gap within the lower middle quartile; an overall workforce which is almost two thirds female and one third male; and a Strategic Management Team (SMT) which has a higher number of women than men (6 out of 8).

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 (Our Ways of Working programme) across the organisation to identify and promote increased flexibility is ongoing, supporting employees to more effectively balance home and work commitments, and driving increased flexibility as the norm in roles at all levels of the organisation.
- Apprenticeships are available to new and existing employees with qualifications starting from level 2 (NVQ/GCSE equivalent) to level 7 (post-graduate degree). They are available to people at any stage of their career looking to further develop skills and knowledge in their current role. In addition to this offer further work is ongoing at a regional level around promoting part-time and flexible apprenticeships with a particular focus on single parent families affected by the introduction of Universal Credit as well as others with caring responsibilities or disabilities that make full time employment problematic.

### *Ethnicity Pay Gap Reporting*

In October 2018, the Government launched its public consultation to bring forward its manifesto commitment to "ask large employers to publish information on the pay gap for people from different ethnic backgrounds". This consultation closed on 11 January 2019 and the government's response to the consultation is yet to be published. The consultation paper did not specify when the obligation might be introduced, however once this emerges and is ratified, the Council will amend its approach accordingly to ensure it is compliant.

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<sup>1</sup> ONS, Gender pay gap in the UK: 2020

## **6. Publication**

This Statement will be published on the *Open Data* pages of the Council's Website once it has been approved by Council.

In addition, details of senior posts are available on the Council's website together with information on the organisation's structure and the roles and responsibilities of individual officers. This information will be updated on at least an annual basis.

In order to comply with the regulations in relation to gender pay gap reporting the Council figures will, in addition to publication in this Statement, also be submitted via the dedicated government portal for publication on the designated government website.

Additional information on the organisation's workforce expenditure is set out in the Council's Annual Statement of Accounts.

Detailed information on the equality make-up of the organisation's workforce is also available on the Council's website.

## **Glossary of Terms**

### ***Chief Officer (statutory definition)***

Section 43(2) of the Localism Act defines a 'Chief Officer' for the purposes of the Pay Policy Statement as meaning the following:-

- (a) the Authority's Head of Paid Service
- (b) the Authority's Monitoring Officer
- (c) the Authority's Director of Children's Services
- (d) the Authority's Director of Social Services
- (e) the officer having responsibility for the administration of the Authority's financial affairs
- (f) any officer for whom the Authority's Head of Paid Service is directly responsible; or who, as respects all or most of the duties of his post, is required to report directly or is directly accountable to the Authority's Head of Paid Service; or who, as respects all or most of the duties of his post, is required to report directly or is directly accountable to the Authority itself or any committee or sub-committee of the Authority.
- (g) any officer who, as respects all or most of the duties of his post, is required to report directly or is directly accountable to one or more of the officers listed at points (a) to (f) above.

The definition of 'Chief Officers' excludes any officer 'whose duties are solely secretarial or clerical or are otherwise in the nature of support services'.

### ***Employer Pension Contributions***

Where employees have exercised their statutory right to become members of the Local Government Pension Scheme, the Council is required to make a contribution to the scheme representing a percentage of the pensionable remuneration due under the contract of employment of that employee. The rate of contribution is set by Actuaries advising the Greater Manchester Pension Fund and reviewed on a triennial basis in order to ensure the scheme is appropriately funded. The current rate is 18.5% but will be subject to revision at the direction of the pension fund.

### ***Flexibility Payment***

A flexibility payment is paid for roles where an employee is contractually required to work a regular pattern involving a non-standard rota, working 'over and beyond' normal working hours on a regular five, six or seven days out of seven pattern which includes late and weekend working. A graduated allowance will be included as part of the basic salary for the job, depending on the degree of inconvenience.

### ***FTE - Full Time Equivalent***

This term stands for full-time equivalent (not full-time employee) and translates the total hours worked by part-time employees into the number of equivalent full-time employees.

## ***Honorarium***

An honorarium is a payment made to an individual in a structured, funded role for specific, time-limited additional duties undertaken on top of their substantive role. This can be a way of developing staff whilst making sure the service is working effectively. An approval process is in place for any payments made. Any honorarium payment made to an employee above Grade 12, SCP 51 which is ongoing for over 12 months requires approval by the relevant Chief Officer and the Director of HR and OD.

## ***Median Salary***

The authority's median salary is based on the salary which is the numerical 'mid-point' when the organisations salaries are arranged from top to bottom in order of size. It is based purely on the actual salary assigned to the post (assuming the post is worked at 1 FTE). Salaries of vacant posts, casual members of staff, contractors, and other non-employees are not used for the purposes of this calculation. The current median salary is £27,041.

## ***On costs***

These are the additional costs of employment, over and above what is paid (or provided) to the employee by way of remuneration. There are two types of on cost, *direct*, which for the purpose of this Statement is deemed to be employer's National Insurance and pension costs and *indirect* which include items such as premises costs, the cost of support functions etc and are not applicable to this Statement.

## ***Pay / Remuneration***

For the purpose of this Statement 'pay' is referred to as remuneration and is consistent within the definition contained within the Localism Act.

## ***Pay Bill***

The total sum paid by the organisation inclusive of salary and on-costs.

## ***Salary / Spot Salary***

For the purpose of this Pay Statement, salary refers to its normally accepted meaning i.e. monetary pay.

A spot salary is a salary set at a specific sum, does not form a part of a pay band or contain increments to which the employee is entitled. Spot salaries are normally subject to increase in line with contractual provisions with regard to inflation.

## ***Senior Manager (Senior Officer)***

Any Officer in receipt of a basic salary in **excess** of Spinal Column Point 51.

## ***Severance Package***

Severance packages can comprise of a number of different payments or benefits made in relation to the termination of a person's employment, which include (but are not limited to):

- lump sum severance payments
- redundancy compensation
- termination payments on grounds of business efficiency
- early access to, and/or enhancement of, pension benefits (in respect of this the value is defined as the capital cost to the Council of the early release / enhancement).
- salary paid in lieu of notice

## Appendix A: Pay & Grading Structure 2021/22

Grade	SCP	Basic Pay	Grade	SCP	Basic Pay	Grade	SCP	Basic Pay
Grade 1	1	£17,842	Grade 7	26	£30,451	SS1**	11	£62,531
	1A*	£18,002		27	£31,346		12	£63,773
Grade 2	2	£18,198		28	£32,234		13	£65,048
	3*	£18,562		29	£32,910		14	£67,676
Grade 3	4	£18,933		Grade 8	30*	£33,782	SS2**	21
	5	£19,312	31		£34,728	22		£71,820
	6*	£19,698	32		£35,745	23		£73,256
Grade 4	7	£20,092	33		£36,922	24	£76,215	
	8	£20,493	Grade 9		34	£37,890	SS3**	31
	9	£20,903		35*	£38,890	32		£82,497
	10	£21,322		36	£39,880	33		£84,147
11*	£21,748	37		£40,876	34	£89,615		
Grade 5	13	£22,627	Grade 10	38	£41,881	SS4**	41	£98,592
	14	£23,080		39	£42,821		42	£100,563
	15	£23,541		40*	£43,857		43	£102,574
	17	£24,491	Grade 11	41	£44,863		44	£104,627
	19*	£25,481		42	£45,859		45	£108,853
Grade 6	21	£26,511	Grade 12	43*	£46,845	SS5**	51	£127,539
	22	£27,041		44	£48,139		52	£130,859
	23	£27,741		45	£49,174		53	£136,312
	24	£28,672		46	£50,428		54	£146,503
	25*	£29,577	47*	£51,515	DCX			£157,208
			48	£52,716	CEX			£208,457
			49	£53,851				
			50	£55,007				
			51*	£56,178				

\*\* Progression dependent on individuals demonstrating overall annual improvements in performance

\* Progression subject to competency review

\*\* Progression dependent on individuals demonstrating overall annual improvements in performance