

BRISTOL CITY COUNCIL

FULL COUNCIL

15th March 2016

Title: The Council's Pay Policy Statement for 2016/17

Ward: N/A

Member Presenting Report: Councillor Mike Wollacott
(Chair, Human Resources Committee)

RECOMMENDATION

That the Full Council agrees the Pay Policy Statement for 2016/17.

Summary

The purpose of this report is to consider the Council's Pay Policy Statement for 2016/17. The Localism Act 2011 requires local authorities to agree and publish a pay policy statement annually before the start of the financial year to which the statement relates.

The significant issues in the report are:

- The Council will meet its goal of narrowing the gap between the highest and lowest earner to a ratio of 10:1.
- Reform of the of the Council's pay structure is planned taking the UK Living Wage as its starting point.
- There are proposals to make a number of changes to pay for chief officers in line with wider reform of the Council's pay structure.
- Proposed changes in law will affect the Council's policy on severance payments and re-employment of people who have left other public sector jobs.

Policy

1. The Localism Act 2011 requires local authorities to agree and publish a pay policy statement annually before the start of the financial year to which the statement relates.

Consultation

2. Internal

Senior Leadership Team (19th January 2016)

Trade Union Pay and Reward Meeting (25th January 2016)

Human Resources Committee (18th February 2016). The relevant extract of the draft minutes of the Committee's meeting is as follows:

- a) *The Service Director, Human Resources introduced the report with a presentation outlining the key drivers for the pay structure reform and summarised the following points:*
- b) *The Council is increasingly uncompetitive in pay terms for senior roles currently classified as Service Managers and Service Directors. These roles are increasingly complex and the Council requires people with high levels of technical knowledge and expertise, for example, in planning, highways engineering, information technology, social work, etc. It is proving harder to both retain existing employees in service manager and service director roles and attract the right people to vacancies.*
- c) *Due to an upturn in the local economy, staff are being lost to organisations in both the public and private sector. Independent market testing through recruitment agencies and pay benchmarking exercises with the Local Government Association highlights that service manager roles are currently 16.5% below market median and up to 30% below similar-sized local authorities.*
- d) *Pay pressures are being experienced throughout the pay structure and as a Living Wage employer there is also increased pressure on pay differentials at the bottom of the pay structure. More people are being paid the same for carrying out different work. Correcting this would be a wholesale programme of work, and the Council must be able to get value from its pay structure.*
- e) *Pay is only one part of Bristol's employment proposition, for example, in addition to wider benefits, career development, flexible working and work life balance.*
- f) *A future-proofed pay framework needs to be flexible and robust and designed with transparency and fairness to meet equal pay*

legislation. There has been success to date working with trade unions. Due to on-going pressures on costs, revisions to the pay framework will need to be cost-neutral and will not be funded by workforce reductions lower down in the structure.

- g) In responding to questions from councillors the following points were noted as part of the discussion:*
- h) Relocation packages could be offered up to £6,000.*
- i) There had been a three year cost of living pay freeze in local government from 2010 which had contributed to difficulties in recruitment and retention.*
- j) Discrepancies in pay can be caused by the size of the organisation, the spans of control. Figures are taken from organisation's published rates.*
- k) There are currently interim service directors in legal, finance, and children and families services. Each senior recruitment exercise can cost in the region of £15k and when recruitment is unsuccessful, further search, selection and interim appointment costs are incurred.*
- l) The ambition is to achieve a ratio of no more than 10:1 between the highest and lowest paid member of staff.*
- m) The Committee considered the public forum statement by Unite in conjunction with this item (appended to the minutes). The following points were noted:*
- n) The increasing difficulties in appointing and retaining staff of the appropriate experience and capability on the current pay and grading structure.*
- o) Concerns were expressed that headcount must reduce in order to accommodate the higher wage costs, which will result in less people available to carry out the same amount of work.*
- p) Concerns expressed that further staff reductions will increase the high levels of stress and anxiety already experienced in the organisation.*
- q) The HR Business Partner summarised the proposal. The following points were noted:*

- r) *It was clarified that the pay proposal for strategic and service directors included the expected 1% national pay award. Members asked that this was made explicit in the pay policy statement. Action: Richard Billingham*
- s) *The proposed change on 1st April represents a move away from the traditional incremental, time served pay progression. A new system will include an uplift band. Uplift pay is non-consolidated - it could be awarded or withdrawn and is non-contractual and non-pensionable.*
- t) *The City Director is currently paid a spot salary and there were no plans to change the pay. However, were a vacancy to arise in the future it would be necessary to review the reward package against the current market rate. The City Director's pay is covered by separate national terms and conditions of employment (the Joint Negotiating Committee for Chief Executives of Local Authorities) and a 1% pay offer has been made by the Employers' Side for 2016/17.*
- u) *The intention is to review the whole pay structure, Bristol Grades 1-15, (Bristol Grades 1-5 were affected by the Living Wage) working in partnership and negotiation with trade unions, by April 2017. Members considered that reference to this should be included in the Pay Policy. Action: Richard Billingham*
- v) *There would be change at service manager level (Bristol Grades 16-18) from April 2016.*
- w) *There are a number of different pay grades including Soulbury and NHS grades which may in the future be incorporated in to the pay structure. The aspiration being for a simpler pay structure across the organisation*
- x) *Resolved: that the Committee recommends the Pay Policy Statement for 2016/17 to the Full Council noting the comments and actions as stated.*

Resolved: that the Committee recommends the Pay Policy Statement for 2016/17 to the Full Council noting the comments and actions as stated."

3. External

None.

4. Context

- 4.1 It is essential that the Council attracts and keeps people with the right talents and commitment to lead and deliver great services to Bristol's citizens. At the same time the Council has to get the best value for the taxpayer.
- 4.2 The Pay Policy Statement explains the Council pay policies for its highest and lowest-paid employees. It is written and published in line with the Localism Act 2011 (the Act) and guidance issued by the Secretary of State (the Guidance).
- 4.3 The Council aims to reform its pay structure during 2016/17. The new pay structure will take the UK Living Wage (as set by the Living Wage Foundation) as its starting point and will cover Bristol Grades 1 to 18 in a phased approach. Proposals will be subject to equality impact assessment and will be negotiated with the trade unions. Regular reports will be provided to the Human Resources Committee.
- 4.4 A number of changes are proposed to the Council's Pay Policy Statement in relation to chief officers, specifically:
 - a. The salary of the City Director will be no more than 10 times the UK Living Wage (as set by the Living Wage Foundation). This will achieve the Council's ambition to narrow the gap between its highest and lowest-paid employees. For 2016/17 the City Director's salary will stay at £160,000 unless a pay award is agreed by the Joint Negotiating Committee for Chief Executives of Local Authorities (which the City Director is contractually entitled to receive). The Employers' Side has offered a 1% pay award with effect from 1st April 2016. If accepted, the salary of the City Director would be £161,600 (10.15 times the salary of the lowest-paid employee).
 - b. The salary of Strategic Directors will be 85% of the City Director's salary. The new salary takes into account any pay award agreed by the Joint Negotiating Committee for Chief Officers of Local Authorities.
 - c. The salary of Service Directors will be set in line with the median market rate in order to address current recruitment and retention problems. The new salary takes into account any pay award agreed by the Joint Negotiating Committee for Chief Officers of Local Authorities.
 - d. Market Pay Supplements will be replaced by an Uplift Band. The Uplift Band will be applied to Service Directors by the Selection

Committee where it is determined to be necessary to ensure that the pay of a job is sufficiently competitive to attract a field of suitable candidates.

- e. An Uplift Band may be payable to Service Directors to reward exceptional performance. The maximum Uplift Band is 15% of the Competence Rate for Service Directors. Any Uplift Band will be non-contractual and non-pensionable. The Council's "My Performance" performance management framework will be used to determine and evidence the case for application of the Uplift Band for exceptional performance. The framework includes a two level moderation process to ensure the objective, fair and consistent application of any uplift for exceptional performance. The Human Resources Committee will receive an annual report that details the pay of Chief Officers including decisions to continue, increase, reduce or end an Uplift Band.

- 4.5 Increases in pay of Strategic Directors, Service Directors and Service Managers will be contained within the current budget envelope through the review and realignment of some responsibilities and the reduced use of interim managers to cover currently vacant posts.
- 4.6 The Government is currently legislating to introduce a cap of £95,000 on exit payments, which the Full Council may be allowed to waive, subject to guidance from HM Treasury that is yet to be published.
- 4.7 The Government is also changing the law to require public sector workers who receive a severance payment to pay part of it back if they start another public sector job within 12 months of leaving.
- 4.8 The Pay Policy Statement for 2016/17 forms Appendix A to this report. It fully complies with the requirements of the Localism Act 2011, and guidance issued under that Act by the Secretary of State.

5. Proposal

That the Full Council agrees the Pay Policy Statement for 2016/17.

6. Other Options Considered

None.

7. Risk Assessment

The Localism Act 2011 requires local authorities to agree and publish a pay policy statement annually before the start of the financial year to

which the statement relates.

Public Sector Equality Duties

- 8a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
 - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice; and
 - promote understanding.
- 8b) The Council’s Pay Policy Statement mostly reflects the Council’s existing policy, which will have been the subject of previous equality impact assessments and equal pay audits.

Legal and Resource Implications

Legal

This report sets out the Council’s position on pay in accordance with the legal obligations contained in section 22 of the Localism Act 2011.

(Advice provided by Shahzia Daya, interim Service Director: Legal and Democratic Services)

Financial
(a) Revenue

The financial impact of the pay policy will be contained within the 2016/17 budget envelope.

(b) Capital

Not applicable.

(Advice provided by Julie Oldale, interim Service Director: Finance)

Land

Not applicable.

Personnel

Appropriate consultation will take place with all affected employees. The Council will continue to work closely with Trade Unions in the development and implementation of future reform proposals.

(Personnel advice provided by Mark Williams, HR Business Partner: Place, HR Policy & Strategy)

Appendices:

Appendix A: Pay Policy Statement for 2016/17

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
Background Papers:

None.

Bristol City Council

Pay Policy Statement for 2016/17

1. Introduction

- a. It is essential that the Council attracts and keeps people with the right talents and commitment to lead and deliver great services to Bristol's citizens. At the same time the Council has to get the best value for the taxpayer.
- b. This Statement explains the Council pay policies for its highest and lowest-paid employees. It is written and published in line with the Localism Act 2011 (the Act) and guidance issued by the Secretary of State (the Guidance). It was approved by the Full Council on 15th March 2016.
- c. The Guidance is clear that decisions on pay policies should be made by councillors. The Council is committed to making sure that all councillors have a say on how pay decisions are made, especially about its highest-paid employees. To achieve this, the Statement is reviewed every year. The Mayor is consulted, and any proposals he makes are taken into account. The draft statement is then considered by the Human Resources Committee and finally by the Full Council. Both meetings are open to the public.
- d. In line with the law (the Local Authorities (Elected Mayor and Mayor's Assistant) (England) Regulations 2002), the pay of the Mayor's Assistant is set as the Mayor thinks fit, within the financial resources available to the Council.
- e. As recommended by the Guidance, this Statement sets out clearly and separately its policies on each of the requirements listed in the relevant sections of the Act. The Guidance says that this is to help enable taxpayers to decide whether they are getting value for money in the way that public money is spent on local authority pay and reward.
- f. The Council is committed to equal pay for all its employees and to removing any bias in its pay systems related to age, disability, gender, race, religion or belief or on the grounds of being bisexual, gay, lesbian or transgender. Equal pay applies to all contractual terms and conditions as well as pay.

2. Development priority for 2016/17

- a. The Council will work to reform its pay structure during 2016/17 with the intention of implementing changes from April 2017. The new pay structure will take the UK Living Wage (as set by the Living Wage Foundation) as its starting point and will cover Bristol Grades 1 to 18 in a phased approach. Proposals will be subject to equality impact assessment and will be negotiated with the trade unions. Regular reports will be provided to the Human Resources Committee.

3. Pay of the Council's highest-paid employees

- a. The Council's highest-paid employees are called "chief officers" and are made up of the City Director, Strategic Directors and Service Directors.
- b. The Council's policy is that the City Director's salary should be no more than 10 times the salary of the lowest-paid employee. For 2016/17 the City Director's salary will stay at £160,000 unless a pay award is agreed by the Joint Negotiating Committee for Chief Executives of Local Authorities which the City Director is contractually entitled to receive. The Employers' Side has offered a 1% pay award with effect from 1st April 2016. If accepted, the salary of the City Director would be £161,600 (10.15 times the salary of the lowest-paid employee).
- c. The Council's policy is that the salary of Strategic Directors will be 85% of the City Director's salary. For 2016/17 the salary of Strategic Directors will be £136,000 (2015/16: £130,909). The salary incorporates any pay award agreed by the Joint Negotiating Committee for Chief Officers of Local Authorities.
- d. The Council's policy is that the salaries of Service Directors are set in line with the market rate. For 2016/17 the appointment salary for Service Directors will be £94,601 (2015/16: £90,989). The salary incorporates any pay award agreed by the Joint Negotiating Committee for Chief Officers of Local Authorities.

4. Pay of the Council's lowest-paid employees

- a. The Council's lowest-paid employees are those who are paid the UK Living Wage, which is set by the Living Wage Foundation. The Council has adopted this definition because it has decided that none

of its employees should be paid less than the UK Living Wage. For 2016/17, the UK Living Wage is £8.25 per hour, which equates to a minimum salary of £15,917 (based on a full-time week of 37 hours).

- b. Apprentices in their first year are paid £5 per hour. Apprentices in their second year are paid £5 per hour until they are 18 years old and then at the National Minimum Wage for their age. Apprentices in their third year are paid the UK Living Wage (as set by the Living Wage Foundation). An additional allowance of £25 per week is paid to apprentices who have left local authority care, and this is paid throughout their apprenticeship for as long as they live in independent accommodation.
- c. Interns, student placements and trainees are not employees.

5. Relationship between the pay of the Council’s highest and lowest-paid employees

- a. Will Hutton’s 2011 Review of Fair in the Public Sector recommended that all public service organisations publish their top to median pay ratio to allow the public to hold them to account. The Government’s terms of reference for the Hutton review suggested that no public sector manager should earn more than 20 times the lowest paid person in the organisation.
- b. The change in these ratios at the Council over recent years is shown in the following table:

Date	Top to median pay ratio	Top to lowest salary ratio
31 st March 2012	-	15.6:1
31 st March 2013	-	12.35:1
31 st March 2014	6.68:1	12.87:1
31 st March 2015	6.29:1	11.85:1
31 st December 2015	6.75:1	11.33:1

- c. For 2016/17 the Council’s top earner (the City Director) will be on a salary of £160,000 and the lowest-paid person will be on a salary of £15,917. This means that on 1st April 2016 the Council’s top to lowest salary ratio will be 10:05.

6. Pay of chief officers when they start

- a. Chief officers will be paid the rate for the job.

- b. An Uplift Band may be payable to Service Directors to ensure that the pay of a job is sufficiently competitive to attract a field of suitable candidates. The maximum Uplift Band is 15% of the Competence Rate for Service Directors. Any Uplift Band will be non-contractual and non-pensionable. The Selection Committee decides if an Uplift Band should apply. In reaching its decision the Committee will look closely at the business case, including external benchmark data.
- c. The Guidance says that the Full Council should have the opportunity to vote before salary packages totalling £100,000 or more are offered for new appointments. Through its Constitution the Full Council delegates this to the Selection Committee.

7. Increases and additions to pay for chief officers

- a. The pay of chief officers will be reviewed each year through this Statement. Pay awards agreed by the Joint Negotiating Committee for Chief Executives of Local Authorities and the Joint Negotiating Committee for Chief Officers of Local Authorities will be taken into account.
- b. An Uplift Band may be payable to Service Directors for retention reasons. The maximum Uplift Band is 15% of the Competence Rate for Service Directors. Any Uplift Band will be non-contractual and non-pensionable.

8. Performance-related pay for chief officers

- a. An Uplift Band may be payable to Service Directors to reward exceptional performance. The maximum Uplift Band is 15% of the Competence Rate for Service Directors. Any Uplift Band will be non-contractual and non-pensionable. The Council's "My Performance" performance management framework will be used to determine and evidence the case for application of the Uplift Band for exceptional performance. The framework includes a two level moderation process to ensure the objective, fair and consistent application of any uplift for exceptional performance. The Human Resources Committee will receive an annual report that details the pay of Chief Officers including decisions to continue, increase, reduce or end an Uplift Band.

9. Bonuses for chief officers

- a. There are no bonuses for chief officers.

10. Pay of chief officers when they leave

- a. When a chief officer leaves they will be paid in line with what they are entitled to under their contract of employment (their notice period is three months) and the Council's policies as they apply to all employees of the Council (there are no policies just for chief officers).
- b. The Guidance says that the Full Council should have the opportunity to vote before severance packages costing £100,000 or more are paid to employees leaving the Council. The Government intends to go further than this and cap the cost of an employee leaving a job in the public sector at £95,000. This is likely to be implemented at some point in 2016/17. Councils may be given the authority to approve severance packages that cost more than £95,000 by a vote of the Full Council, but guidance on this has not yet been published. Until this change happens, the Council's current policy will continue, which is that the severance packages of chief officers are approved by the Human Resources Committee.
- c. The Government also intends to change the law so that someone who takes a severance package in the public sector can only work in the public sector again in the following 12 months if they pay back part of their severance payment. This is also likely to be implemented at some point in 2016/17. Until this change happens, the Council's current policy will continue, which was negotiated with the trade unions and previously agreed with the Human Resources Committee. The Council's current policy is that employees who leave due to voluntary severance will not be re-employed by the Council in a paid job or engaged directly or through a company on an "off-payroll" basis for 12 months after they leave. (Off-payroll means a person who is paid via a company rather than through the payroll as an employee). Employees who leave due to compulsory redundancy are free to apply for re-employment with the Council at any point after they've left.

11. Paying chief officers "off-payroll"

- a. The Council's policy is that chief officers must always be paid through the payroll unless there are exceptional, temporary reasons

that justify engaging someone on an “off-payroll” basis. Where an off-payroll arrangement is used the Council will always ask the contractor to confirm that they are complying with the law on tax and National Insurance. The Council will consider ending contracts where that confirmation is not received.

12. Returning Officer fees

- a. The Council’s Returning Officer for elections and referendums is appointed by the Full Council and may or may not be a chief officer. Fees are paid for these duties. Rates are set by the Government and vary depending on the type of poll. They are published prior to each election. The City Director is currently also the Council’s Returning Officer for elections and referendums.

13. More information about the pay of chief officers

- a. The Council is committed to being open about its policies on pay. Approved pay policy statements are published on the Council’s website at www.bristol.gov.uk/council-spending-performance/senior-officers-pay. Other information that the Council has to publish under the Local Government Transparency Code 2015 is available via that webpage.