

REPORT OF:
Lead Member for Finance and Support Services
And
Executive Support Member for Finance, Procurement, Workforce and Industrial Relations

TO
Workforce Panel
ON
22nd November 2022

TITLE: Equitable Pay and Reward Strategy – Pay Review Update

RECOMMENDATIONS:

That Workforce Panel is asked to consider the content of the report:

- To note the processes undertaken in relation to an organisational-wide review and development of a revised pay model.
 - To agree to enter in to the formal consultation with staff through the joint trade unions in relation to the revised structure and to achieve a Collective Agreement.
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EXECUTIVE SUMMARY:

Significant challenges have recently been felt across all sectors regarding recruitment and retention of high-quality staff. This is for several reasons, including the impact of the COVID-19 pandemic and an unstable economic climate. Salford City Council has not been immune to these challenges and has experienced a marked increase year on year in staff turnover as well as problems filling vacancies, particularly for specialist positions and senior officer posts which in turn can have a detrimental impact on service delivery as it affects the capacity and capability to deliver quality services for residents and businesses.

These problems have been exacerbated by the offering of more competitive pay rates by similar and neighbouring local authorities, leading to many staff seeking similar positions elsewhere. Additionally, Salford City Council's exemplary commitment to being a Foundation Living Wage employer, whilst pertinent, has

presented an issue for fair pay with the erosion in differentials between pay levels as living wage rates have increased on an annual basis.

To rectify these issues, it was agreed that formal discussions with the joint trade unions should commence to review and refresh the current pay structures and pay line in its entirety with a clear focus on fair and equitable pay across the organisation. This review has been undertaken over the past number of months with a range of evidence-led processes being incorporated into the work to ensure robust analysis in reaching a conclusion. Joint discussions on the model have now reached a conclusion with all parties comfortable with the position and proposed model which is ready to go through a formal consultation process with staff members via the recognised trade unions.

BACKGROUND DOCUMENTS:

KEY DECISION: N/A

DETAILS:

1. Background

1.1 Staff recruitment and retention has posed a significant challenge across all sectors in recent years. A rapidly changing economic climate and the continuing impact of the COVID-19 pandemic has resulted in historically high vacancy rates and a depleted labour market. Salford City Council has not been immune to these challenges and has experienced a marked increase year on year in staff turnover as well as problems recruiting people to vacant positions. The impact is being felt on the capacity and capability to maintain and deliver quality services with increased reliance on temporary workers through agency. This is a growing concern given the lack of stability and consistency in the delivery of some of our key frontline services that relying on a transient workforce can bring.

1.2 Whilst across the council we have historically benefited from high levels of retention and long service the position has changed significantly in recent years with our turnover rate increasing from 8.3% in 2019 to 13.8% in 2022. There are several key service areas across the council where rates are significantly higher, which when combined with increasing difficulties with the ability to recruit high calibre staff has resulted in high vacancy rates and more roles being covered by agency workers and contractors to mitigate impact on service delivery.

1.3 The recent LGA Peer Review also identified that a specific area of focus around retention and succession planning was needed, particularly in relation to senior officers. Alongside this recent health and care reforms transferring the responsibility for the leadership of the integrated health and care system at a local level to the City Council through the Place Based Lead role increases the level of accountability and

responsibility for the Chief Executive in this role. This will need to be factored in to remuneration level with funding of changes factored in to the costs associated with the locality leadership structures. In addition, whilst many of the city council's frontline roles benefit from a higher rate of pay than the market average due to a pay model based upon the Foundation Living Wage as a minimum pay rate, the significant year on year uplifts has led to an erosion of differentials creating further issues at the middle and upper pay bands.

1.4 There are also issues regarding the competitiveness of pay rates within the city council compared to regional neighbouring local authorities. Within a number of technical and professional fields, Salford's pay rates are statistically lower and do not compare favourably which has led to a marked increase in turnover as a result of staff leaving to take up similar positions in other councils.

1.5 Analysis of the available exit interview data identified that 30% of respondents either disagreed or strongly disagreed with the statement that 'the salary reflected the responsibilities of the role' with 25% citing better salary as a reason for leaving. In addition, the application of the Market Enhancement Policy with additional payment for specific roles has been necessary in order to attract people with the right skills at the right level including Social Workers, Public Health Consultants and Surveyors.

1.6 Evidence from all three directorates indicate that these issues are being felt across the organisation with significant implications for workforce planning and maintaining essential services for residents. Challenges with attracting and retaining high-quality staff will be further exacerbated in future given the markedly high rate of staff over the age of fifty-five who will be looking towards retirement in the near future.

1.7 To rectify this, it was agreed by senior leaders that an organisational-wide pay review should be conducted with the clear objectives of ensuring fair and equitable pay across all levels of the council. This will also allow for the installation of competitive salaries with other similar public bodies in order to attract a high calibre of talent required to deliver high quality services which is indicative of Salford's strong ethos of equality within its workplace culture. The review has considered our local pay structures and pay-line in its entirety and has been conducted jointly with the recognised trade unions at a local level. It should be noted that it is separate from the national pay negotiations on the cost-of-living increase.

1.8 The working process of the review was agreed to be conducted and implemented over the course of nine months, bringing together skills and expertise from a number of teams to ensure concluding findings were methodically researched, analysed for all implications and, above all, to be fair and equitable across the organisation. The review should also be noted within the context of the deepening cost of living crisis with inflation at the highest level in four decades and projected to steadily increase.

1.9 Whilst the city council has experienced a notable decrease in funding from national government over the past 12 years despite increased demand for services, the city council are committed to ensuring staff are appropriately remunerated for their quality of work. The findings from the recent LGA Peer Review highlighted that ***"the Council benefits from a number of high performing officers who are highly***

regarded within GM and in some cases nationally. This includes those officers who bring key strengths in terms of strategic management, as well as those who act as a real engine room for change and service delivery. Staff here are highly committed, proud and loyal to Salford, however knowing how competitive the market can be for officers of this calibre, it will be important for the Council to consider this matter carefully. These officers most typically lead high performing services, are fully bought into 'The Salford Way' and have also established good quality, collaborative relationships with relevant partners. In light of this, carefully consider the Council's approach to retention and succession planning.” In response to the findings and recommendations from the Peer Review it was agreed that these issues should be addressed through a local whole council pay review as detailed in the agreed action plan and reported to the Overview & Scrutiny Board on 5th October 2022. Whilst pay is only one strand of the wider review of organisational development and workforce planning, it is a significant element by which to inform capacity and capability to deliver quality services for residents and businesses through:

- Enabling high staff satisfaction across the workforce, thus decreasing turnover and ensuring sufficient staffing resources are in place to allow all services to perform to the highest standard.
- Attracting and retaining excellent talent across the workforce, ensuring significant expertise is brought to all teams and allowing for key experience to be embedded throughout the organisation.
- Allowing for clear workforce planning to be undertaken avoiding the need for the reliance on short term agency or consultancy services and therefore providing stability and continuity, particularly in frontline services, for residents and businesses.
- Continuing to foster positive relations with recognised trade unions within the city council at a time when the threat of industrial action at a national level across public sector bodies has become apparent.

2. Approach to Conducting the Review

2.1 The approach to the review has brought together resources and expertise to ensure the objectives and key principles remained central to any proposed modelling brought forward to decision-making. This includes a number of initiatives being implemented to provide a robust evidence framework from which to gather intelligence and inform any potential changes as outlined below. By ensuring a strong evidence-led basis for decision making, the proposed model to be taken forward has therefore been robustly analysed across a range of different factors.

Comparative Evidence Gathering

2.2 To emphasise the importance of reviewing pay scales across the organisation and ensuring competitive salaries are offered to attract the best talent, numerous forms of evidence was analysed as part of the review. This included the creation of an evidence framework to allow comparative analysis with other local authorities

which are broadly similar in size and scope to the council in terms of finances, population size and demographics, and equality data.

2.3 Analysis was then undertaken for average pay rates across statistical neighbours, other GM local authorities and other public and private sector comparators using evidence from a range of internal and external sources, including the Hays UK salary data, greater.jobs benchmarking data and information provided by other local councils. This robust approach allowed for the modelling to fully account for gaps in Salford's recruitment and retention process in particular job areas where it had been identified Salford's pay rates were not as competitive as they could be.

2.4 As outlined above, the erosion of differentials between pay points and grades within the city council's pay structures was also a contributing factor in undertaking the pay review. To ensure this component was central to the findings, analysis was carried out on city council pay internally.

2.5 Data gathered was then collated and fed into the Power Bi application to inform the models being developed. The working model and workforce data were uploaded into the application to ensure accurate and robust impact assessments could be undertaken.

Comprehensive Equality Analysis

2.6 To ensure potential modelling did not have a disproportionate impact on particular groups, equality impact analysis was carried out on an ongoing basis throughout the course of the review. Informing this approach, a newly designed equality survey which was broken down by protected characteristics as laid out in the Equality Act, 2010 was distributed across the organisation with internal communications urging staff to complete the form. The survey was created in coordination with workforce equality groups which ensured it was in line with best practice and used the most relevant wording regarding inclusivity. A new digitalised process was implemented to make it as simple as possible for staff in supplying their equality data with the trade union groups providing a point of access for staff who may lack digital accessibility.

2.7 The gathered equality data was then amalgamated alongside proposed pay modelling. All care was taken to ensure the data was anonymised and access was restricted to only certain members of staff involved in the equality impact assessment process. The outcome of the review and proposed model provide a positive outcome for all and a summary of findings are outlined below with further details contained within the EIA:

- There was no significant disproportionate impact as a result of applying the revised model when analysed across the range of protected characteristics.
- The most notable impact was found within the 'gender' protected characteristic, with females receiving a lower increase in basic pay on average compared to males under the revised model. The differences are likely to be accounted for by the fact that there is a significantly higher proportion of females on part-time contracts than males, thus receiving less pro-rata. It

should also be noted that this evidence is in line with the city council's most recent reporting of the gender pay gap. As further assurance and to mitigate the impact of part-time worker analysis was undertaken on the basis of revised hourly rate which again showed no disproportionate impact from the revised pay model.

A Joint Approach

2.8 The review was undertaken in conjunction with the recognised trade unions in line with the city council's commitment to co-design and engagement on issues affecting the workforce building on the well-established relationships and strong employee relations.

2.9 A joint working group was established who jointly agreed the key guiding principles to underpin this review and which have remained the core reference point throughout, these are detailed below.

This review and revised structures will:

- Be underpinned by the City Council's commitment to being a Foundation Living Wage employer.
- Strengthen the council's ability to offer competitive salaries.
- Be funded within the available financial provision which will mean that additional funding on pay will increase the overall budget pressures for the council and schools.
- Incorporate the pay line and structures in their entirety across all pay bands.*
- Result in no employee experiencing a reduction in annual salary level.
- Maintain the integrity of the job evaluation schemes.
- Be equitable, equal pay compliant through an equal pay audit and consider any gender and race pay gaps.
- Extend to all council employees, including buy in from schools, as has been achieved with similar historical reviews.**
- Be implemented as a variation to contract through collective agreement with the joint trade unions in line with agreed protocols.

* Will not apply to teachers, Soulbury or JNC for Youth & Community for whom separate arrangements apply.

** Excluding voluntary aided schools and academies however, support will be provided to reach separate agreement with these employers.

2.10 The joint working group have met at least weekly to share data and information, understand the issues and develop potential solutions including the proposed pay model and consider the impact assessments of the review, including any potential disproportionate impacts on groups who share a protected characteristic and financial implications.

2.11 The discussions on the revised model have now reached a conclusion with all parties comfortable with the position reached and we are now at the point to move forward and formally consult to reach a collective agreement.

2.12 If agreed, the next stage will therefore be to commence formal consultation through the recognised trade unions in line with our collective bargaining arrangements to reach collective agreement followed by formal approval through Workforce Panel in January 2023 and full council in February 2023 (subject to achieving a balanced budget position) to implement.

Communications

2.13 In parallel with the joint working with the recognised trade unions an internal communications strategy was developed to support the pay review. This highlighted the processes being undertaken to all staff in a range of ways, including through the MyZone intranet space and senior leader's monthly blogs.

2.14 The strategy will continue to be implemented throughout the period of consultation and formal decision making to ensure awareness across the workforce of the proposed changes and positive impact for the organisation and individuals.

3.0 Proposed Pay Model

3.1 The robust evidence-led approach outlined above allowed a strong basis upon which to build a sufficient and equitable framework for undertaking the pay modelling that accounted for a range of factors. This has resulted in the development of the revised pay model which is now ready for formal consultation.

3.2 In line with the agreed key principles for the review the proposed model addresses issues appertaining to pay differentials, reduces overlap between grades, incorporates the recently announced foundation living wage increase with £10.90 as the minimum pay rate, includes the 2022 national pay award offer, and addresses the issue of comparability and ability to offer competitive salaries at all levels. The review and proposed model incorporates the pay line in its entirety across all grades and guarantees no reduction in pay rates whilst maintaining the integrity of the job evaluation schemes. This approach has ensured that the model is fair, equitable and equal pay compliant as evidenced by the equal pay audit and equality impact assessment.

3.3 The model addresses the key issues as outlined above and negates the need for the ongoing payment of market rate enhancements and recruitment and retention allowances. The ability to offer competitive salaries at all levels will aid with the retention of high calibre staff and the ability to attract quality candidates for roles which will improve vacancy rates and in turn reduce the need for and reliance on temporary agency workers thus reducing costs and ensuring stability and continuity in service delivery and capacity and capability to deliver quality services for residents and businesses.

4.0 Conclusion

Ensuring fair and equitable pay across the organisation is imperative in order to recruit and retain a high calibre of talent and provide quality services for residents and businesses within the city.

Therefore, that Workforce Panel is asked to consider the content of the report:

- To note the processes undertaken in relation to an organisational-wide review and development of a revised pay model.
- To agree to enter in to the formal consultation with staff through the joint trade unions in relation to the revised structure and to achieve a Collective Agreement.

KEY COUNCIL POLICIES:

EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS:

Are contained in the body of the report.

ASSESSMENT OF RISK:

Stability and capacity of the workforce is reported as a strategic risk in the Council's Strategic Risk Register with a likely impact and major risk for the continuity of the delivery of quality service provision if action is not taken to address. This review is reported as a priority action to mitigate the impact and address the issues as outlined.

LEGAL IMPLICATIONS Supplied by: Jeanette Williams, Principal Solicitor, Employment Team

In order to address significant challenges throughout the City Council regarding recruitment and retention of staff, it was agreed that formal discussions with the joint trade unions should commence to review and refresh the current pay structures and pay line in its entirety with a clear focus on fair and equitable pay across the organisation.

The findings of the review are set out in this report and joint discussions on the proposed model have now reached a conclusion. Workforce Panel is asked to note and agree that a formal consultation process will now take place with the trade unions and employees with a view to reaching a collective agreement on the proposed model.

If an agreement on the model is reached, Workforce Panel will be asked to approve implementation in January 2023 and delegate responsibility for the local collective agreement to the Assistant Director of HR & OD.

Workforce Panel can only agree to the implementation of the new model **in principal**, as any changes are subject to the approval of Full Council in providing a balanced budget for 2023/24.

Furthermore, there is a requirement for transparency in setting pay and any changes to the pay structure and this will need to be reflected in the City Council's annual pay policy statement.

FINANCIAL IMPLICATIONS Supplied by: Joanne Hardman, Chief Finance Officer

The estimated maximum cost is £5.1m (with an additional £1m for non-teaching support staff based in schools), reflecting all employees at the top of the revised pay scale and all associated employer on-costs. The full costs of the pay model will not be incurred in year one, with the total increase in 2023/24 estimated at £4.1m due to assimilation and use of existing funding for market retention. The financial impact of any reduced use of agency workers as set out in paragraph 3.3 will be reported in service budget monitoring reports and reflected in future budget projections. Given the council's existing pay scale is below neighbouring and comparative authorities this increase seeks to address the imbalance and should not drive further inflationary pressure within this market.

The report indicates that the proposed model reflects the 2022 national pay award, the cost of which is estimated to be £7m (further £3.4m for schools). As previously advised, these additional costs exceed the provision of £3.5 million that was made at the point the budget was set and these additional costs are not covered by core funding from the government despite a nationally negotiated pay award.

The budget process for both the annual 2023/24 budget and the medium term financial strategy is underway. The forecast funding gap for 2023/24 reflects the potential cost of the pay review, however, whilst we have identified a number of potential savings opportunities (at this point all savings are yet to be approved) we are still working to reach a balanced position for 2023/4. In addition, funding gaps are anticipated to increase for the remainder of the medium term financial strategy period, to 2025/26. On that basis, further work is needed to identify sufficient, quantifiable and deliverable savings to ensure that the pay review is affordable. The local government sector is facing significant uncertainty due to the current economic climate. Whilst the Chancellor will be issuing an Autumn Statement on 17 November which will hopefully give greater clarity on the direction of travel for local government funding we will not understand our own funding allocations until mid-late December as in previous years. At that point we will need to restate our budget position and ensure we have sufficient savings to deliver a balanced budget.

PROCUREMENT IMPLICATIONS Supplied by: n/a

HR IMPLICATIONS Supplied by:

Are contained within the body of the report.

CLIMATE CHANGE IMPLICATIONS Supplied by: n/a

OTHER DIRECTORATES CONSULTED: ALL

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WARDS TO WHICH REPORT RELATES:

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