

<b>Subject:</b>	<b>Proposals Arising from the Pay and Reward Review 2019</b>	
<b>Date of Meeting:</b>	<b>10 October 2019</b>	
<b>Report of:</b>	<b>Executive Director for Finance &amp; Resources</b>	
<b>Contact Officer:</b>	<b>Alison Mcmanamon</b>	<b>Tel: 01273 290511</b>
	<b>alison.mcmanamon@brighton-hove.gov.uk</b>	
<b>Ward(s) affected:</b>	<b>(All Wards);</b>	

**FOR GENERAL RELEASE**

**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1. As part of *Our People Promise* (the programme of work to implement a clear and improved employment offer for staff) the Reward & Policy Team in HR has conducted a review of Brighton & Hove City Council's Pay & Reward package.
- 1.2. The review seeks to address concerns about recruitment and retention in some key professional and front line roles, and improve our overall reward package as far as possible within the financial constraints on the council.

**2. RECOMMENDATIONS**

It is recommended that:

- 2.1. Policy & Resources Committee (P&R) considers the Reward proposals outlined in Section 3 for implementation on or before April 2020.
- 2.2. P&R notes the report including continuing work to support and consult on changes to the pay line.

**3. CONTEXT / BACKGROUND INFORMATION**

**Reasons for the Review**

- 3.1. The key drivers for undertaking a Pay & Reward Review were as follows:
  - Reward and recognition are key elements of Our People Promise (**see Appendix 1**);
  - Potential erosion of the bottom of the pay scales due to increases to the Voluntary Living Wage;
  - Emerging concerns over the competitiveness of the council's Employment Offer, including but not limited to pay;
  - Staff and Trade Union (TU) feedback on low pay following a number of years of pay rises below the increase in the cost of living;

- Increases in the local cost of living, especially housing costs, reducing the attractiveness of the council's pay offer in spite of a relatively generous non-pay package including annual leave, flexible working, and pension entitlement.
- 3.2. Given the ongoing budget constraints efforts were focussed in two areas:
- Finding ways to improve pay that are relatively affordable; and
  - Looking beyond pay to establish what else could be done to improve the overall Employment Offer, based on what employees would like to see and what other employers have done locally and nationally.
- 3.3. Research and initial modelling of changes to the council's pay line has been undertaken in order to understand the potential costs of addressing pay differentials with other councils. The intention is to continue this work in order to understand more clearly the costs of addressing these issues.
- 3.4. Meetings have been held with the TUs as part of this review, and their feedback and ideas have been used to inform proposals.
- 3.5. A series of Reward Focus Groups for staff have been run, which were also attended by TU colleagues. This has resulted in a range of proposed reward initiatives designed to benefit existing employees and to improve recruitment outcomes. There were 2 sessions open to employees from across the council. Other bespoke sessions were also held for Social Workers in FCL, and in City Parks in order to ensure that a wide range of views were heard from front line staff.
- 3.6. Feedback from the Focus Groups confirmed that in addition to pay, employees value other aspects of working at BHCC, e.g. time off from work.

### **Recent developments on pay (NJC)**

- 3.7. Nationally, TUs have submitted their claim for 2020/21 which includes a 10% pay increase and extra annual leave. Officers' view is that the claim is likely to increase employees' expectations of what is achievable and affordable at a time when budgets remain under significant pressure. Therefore there is a need to ensure a balance between aspiration and affordability.
- 3.8. A 10% pay award would cost an estimated £17.8m in 2020/21, including on-costs, compared to the £3.5m cost of a 2% increase. This would be an unaffordable increase without making very significant savings (which would inevitably mean reductions to employee numbers) to fund the increase.
- 3.9. A day's additional annual leave as per the TU claim would incur a notional cost of approximately £0.7m, plus additional agency costs of £12K.

### **The Current Offer**

- 3.10. The council's pay and benefits offer currently consists of:
- Base salary and allowances package

- A defined benefit pension scheme (LGPS)
  - Generous sick pay and paid annual leave package
  - Cycle to Work and travel loans
  - A staff benefits portal offering a range of discounts on goods and services
- 3.11. The above package compares well with local employers in many respects. For example, sick pay and annual leave entitlements tend to be more generous than in the private sector. Furthermore, the LGPS, a defined benefit scheme, is superior to many of the defined contribution schemes available in the private sector, although our research shows that significant numbers of lower paid staff are opting out, potentially due to affordability (see paragraph 3.14 onwards – Pay Scales).
- 3.12. Over time, other councils and local employers have added to their employment offers in order to remain competitive. Over the last 18 months the council has developed Our People Promise, a range of benefits and improvements to the employment offer that is becoming a well-established brand for the council as an employer **(see Appendix 1)**.
- 3.13. The remainder of Section 3 sets out proposed aspirations around pay and introduces a range of reward proposals requiring approval from Policy & Resources Committee.

#### Pay Scales

- 3.14. The council's pay line dates back several decades and research indicates that pay for some roles is significantly below that of comparable councils, including members of the Orbis partnership. It should be noted that aligning the council's pay to Orbis partners would require significant additional investment in the pay line and is likely to be unaffordable.
- 3.15. Lower pay affects services and staff in different ways. At lower grades the rising local cost of living, especially housing costs, has had a substantial impact on financial wellbeing **(see Appendix 2)** and there are recruitment problems for certain roles, such as Care Workers. Higher up the grade scale there are difficulties in recruiting key professional staff (e.g. Social Workers) and increased reliance on market supplements **(see Appendices 3 and 4)**.
- 3.16. Whilst there are budget restrictions within which the council needs to work, it is proposed that the review of the pay line will continue in consultation with TU colleagues so that consideration can be given to potential future changes to the pay line.
- 3.17. Feedback from staff who attended the Reward Focus Groups in Spring 2019 provided evidence of concerns beyond pay, suggesting that there are many improvements the council could make to its employment offer at no or low cost (with some potential for cost savings). The following additional staff benefits are proposed:

### Professional Fees

- 3.18. It is proposed that the council reimburses employees for professional fees where ongoing professional membership is essential for continuation in a role, and employees are unable to practice unless they are registered (e.g. Social Workers). This brings the council more in line with other authorities and will respond to feedback from staff, and can be implemented at an estimated cost of circa £0.07m, and funded from existing service budgets.

### Annual Leave Purchase Scheme

- 3.19. An Annual Leave Purchase Scheme (ALPS) enables employees to 'buy' additional annual leave with the cost spread across the leave year. The purpose of an ALPS is to provide additional flexibility for employees in respect of planned time off. The scheme sits alongside existing policies such as parental leave, and addresses some of the issues that are raised by staff about the importance of time-off and avoiding 'burn-out'.
- 3.20. Our research indicates that where an ALPS has been introduced at other councils it has been well received by employees and, as a by-product only, has led to savings. For example, at Wiltshire County Council savings of £0.234m were achieved last year (352 applications out of around 10,000 staff). If similar take-up were achieved at BHCC savings could be around £0.2m.
- 3.21. It is proposed that a policy is now developed for a launch in April 2020.

### Rental Deposit Loan Scheme

- 3.22. Housing costs are a significant issue for staff living and working in Brighton and Hove (**see Appendix 2**). Combined with (arguably) low pay in many cases this creates the potential for financial problems for staff and recruitment difficulties for the council, especially among younger workers. Research has highlighted that the number of staff living in the city has declined significantly in the past 10 years, from 77% to 70% for the whole workforce and from 78% to 68% for younger workers.
- 3.23. Loans would be available to both new and existing staff, and it is believed that the scheme would act as a recruitment tool, attracting younger workers in particular. Loans would be repaid via payroll deduction. It is proposed that a policy is now developed for launch in early 2020.

### Pensions Awareness

- 3.24. At the Reward Focus Groups employees expressed their interest in understanding more about pensions generally and the LGPS in particular. Historically, Prudential ran awareness sessions which were very popular with staff. Since then the Pensions Team at East Sussex County Council have run occasional sessions, but these are now coming to an end as the team is no longer able to resource them.
- 3.25. It is proposed to arrange for a third party provider to run sessions tailored to the LGPS. A provider has been identified that the council has worked with previously,

and who have received positive feedback for pre-retirement sessions they run for council staff.

#### Pay protection for Medical Redeployees

- 3.26. During discussions with Trade Unions on the Reward proposals they raised the issue of employees redeployed into lower graded roles for medical reasons. Currently this group does not receive pay protection.
- 3.27. Research suggests that the council's practice is out of step with other councils. The number of staff affected and therefore costs of changing this approach are relatively small (circa £0.040m based on current numbers redeployed).
- 3.28. Approval is therefore sought to amend Redeployment / Pay Protection policy / policies to include this group of staff.

#### Salary Sacrifice (Shared Cost) AVCs

- 3.29. Members of the Local Government Pension Scheme (LGPS) are able to make Additional Voluntary Contributions (AVCs) via a scheme operated by Prudential. Under the current arrangements employee contributions are deducted from gross pay in the same way as main LGPS contributions, meaning that tax relief is received on the amount contributed.
- 3.30. Under a Shared Cost AVC Scheme (SCAVCS) employees are able to save on National Insurance contributions (NICs) by agreeing to sacrifice part of their salary in exchange for the employer paying into their AVC Scheme. As a by-product, the council is able to make savings on associated employer NIC's, estimated at up to £0.09m net of costs in Year 1.
- 3.31. Many other councils have already set up a SCAVCS – see Appendix 6 for a list.
- 3.32. The SCAVCS applicable to Brighton & Hove City Council is administered by a third party provider (PS Tax) and is fully compliant with HMRC rules and LGPS regulations. No procurement exercise is necessary as the relationship is between PS Tax and Prudential, the chosen AVC provider of the LGPS (**see Appendix 5**.)

#### Financial Wellbeing

- 3.33. Financial wellbeing schemes or, salary deduction loan schemes are a relatively recent development in employee benefits. The loans are provided by Financial Conduct Authority (FCA) authorised providers for a range of purposes, most frequently debt consolidation. Deductions are taken directly from the employee's net salary which means that the provider is able to offer preferential interest rates which can significantly reduce monthly repayments.
- 3.34. The loan offer is supported by a suite of financial education tools aimed at helping employees to manage their finances more successfully, and so provide a holistic financial wellbeing service. The tools are available via a website and the main providers also offer information sessions on council premises at no cost to the council. Our research indicates that where such schemes have been introduced, they have been well received by staff – for example at West Sussex.

While the number of schemes is still relatively low, a number of councils are actively considering introducing a scheme in the future.

- 3.35. While the scheme is cost neutral it is considered best practice to carry out a procurement exercise. East Sussex County Council is aiming to implement its own Financial Wellbeing Scheme and, as an Orbis partner, Brighton & Hove City Council is able to join this exercise (although the two councils will decide separately when / whether to implement).
- 3.36. It is proposed that following the procurement exercise the council will have the option of partnering with the pre-identified provider. We will bring a further report to Policy & Resources Committee for a final decision on whether or not to proceed with implementation of the Scheme.

#### **4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS**

- 4.1. A review of pay and benefits was undertaken across similar organisations and locally. The above proposals are considered to be in line with best practice.
- 4.2. As part of this process the council was able to leverage the benefits of the Orbis partnership by drawing on the experience of East Sussex County Council in designing and implementing a range of similar policies.
- 4.3. We have contacted a number of councils as part of this exercise in order to establish how our Employment Offer compares in terms of the scope of the offer and how it is received by employees. Key conclusions:
  - The current BHCC offer is matched by most other councils and often exceeded.
  - The proposals outlined above bring BHCC's offer into line with most other councils
  - In the case of Annual Leave Purchase schemes, pay protection for medical redeployees and payment of professional fees in particular, BHCC is in the minority in not offering these
  - Financial Wellbeing initiatives are at an earlier stage of development with fewer councils having adopted a scheme, but where they are introduced they appear to be popular with staff (e.g. West Sussex).

#### **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1. Reward Focus Groups were run for staff (see 3.5) and TU's, and the output from these sessions, plus research across a number of other organisations have been used to shape proposals. There were many other ideas and contributions that came out of the focus groups that are being taken forward under other work-streams, including wellbeing initiatives. This approach is aligned with the collaborative approach we have taken to developing other aspects of Our People Promise.

5.2. Constructive conversations have been held with TUs who are supportive of the proposals, and there are a number of ideas that are being explored further as a result of these discussions.

5.3. As a result of the TU consultation, a proposal to cover medical redeployees within the pay protection policy has been added to this report, and comments in respect of prioritising certain initiatives have been taken on board.

## 6. CONCLUSION

6.1. The council wishes to continue the development of *Our People Promise*, central to which is the design of a modern, flexible and competitive employment offer, including fair pay and a range of attractive staff benefits.

6.2. Having introduced the My Staff Shop benefits portal in 2018 the new proposals will build upon this to help ensure that the council remains an employer of choice.

6.3. By continuing to hold conversations on the council's pay line and undertaking associated design and analysis the council will be in a position to implement any agreed changes in the future.

## 7. FINANCIAL & OTHER IMPLICATIONS

### Financial Implications:

7.1. Analysis suggests that lifting the council's pay line to address the key drivers identified in paragraphs 3.14 to 3.16 could cost between £2m - £5m. Further work is required in order to model different options.

7.2. Additional costs need to be considered in the context of a potentially higher than anticipated national pay award in future years, which may influence the options modelled.

7.3. The non-pay proposals set out in Section 3 are all relatively low cost or cost neutral and / or may produce savings, as follows:

<b>Proposal</b>	<b>Financial Impact</b>
Payment of Professional Fees	Estimated £0.07m per annum
Annual Leave Purchase Scheme	Potential savings (unknown, but potentially up to £0.200m)
Rental deposit loans	Cost neutral (small default risk)
Financial Wellbeing package	Cost neutral
Shared Cost AVC's	Potential net savings (c£0.090m per annum)
Pay Protection to Medical Redeployees	Estimated £0.040m per annum based on cases in the past year
Pensions Awareness Sessions	Cost neutral

7.4. Taking all of the current proposals together, they are not considered to be of corporate financial significance and, being likely to be cost neutral or better, are expected to be deliverable within the council's approved budget framework.

*Finance Officer Consulted: Nigel Manvell*

*Date: 09/09/19*

Legal Implications:

- 7.5. The council is under a statutory duty to promote equality of opportunity and to eliminate discrimination (Public Sector Equality Duty). Through the continued development and evolution of Our People Promise, the council by adopting the proposed initiatives of improving the current employment offer for all staff, would be evidence of the council's compliance with this statutory duty.

*Lawyer Consulted: Carol Haynes*

*Date: 17/09/19*

Equalities Implications:

- 7.6. These proposals are designed to improve the council's employment offer and as such will support the goal of achieving improved recruitment outcomes, including improving the diversity of job applicants, as identified in the Fair & Inclusive Action Plan. Specific actions are likely to particularly benefit some groups of people sharing protected characteristics, such as the Rental Deposit Loans potentially benefitting younger staff; Pay Protection for Medical Redeployees potentially being advantageous to disabled staff; and the Annual Leave Purchase Scheme creating more flexibility and benefitting staff with caring/parental responsibilities. Improvements to pay and other financial benefits overall will benefit all lower paid staff and are likely to disproportionately benefit women, due to the UK-wide financial penalties accruing to women over their working lives (arising from parental and caring responsibilities, greater likelihood of part-time working and lower pension contributions). Removing or minimising disadvantages suffered by people due to their protected characteristics and taking steps to meet the needs of people from protected groups where these are different from the needs of other people are permitted actions within the Equality Act 2010.

*Equality Officer Consulted: Sarah Tighe-Ford*

*Date: 17/09/19*

Sustainability Implications:

- 7.7. None

**8. SUPPORTING DOCUMENTS**

1. Our People Promise – Summary
2. Chart 1 – Local Government Pay and local cost of living
3. Chart 2 – Hard to Recruit posts
4. Chart 3 – Market Supplements paid currently
5. Shared Cost AVC's proposal and list of current customers