

**REPORT TO:** Council

**DATE:** 4 March 2015

**REPORTING OFFICER:** Strategic Director – Policy & Resources

**SUBJECT:** Pay Policy Statement 2015 – 2016

**PORTFOLIO:** Resources

**WARDS:** Borough-wide

## **1.0 INTRODUCTION**

- 1.1 The Localism Act 2011 requires every local authority to prepare a pay policy statement each year which details the Council's approach to a range of issues relating to the pay of its workforce, particularly its senior staff (Chief Officers) and its lowest paid employees.
- 1.2 This report details the Council's recommended Pay Policy Statement for 2015/16. The statement will be subject to annual review and approval by Full Council by 31<sup>st</sup> March each year. In exceptional circumstances, the statement may be reviewed/amended in-year by the Full Council.
- 1.3 On approval the statement will be published on the Council's website following each annual review.

## **2.0 RECOMMENDATION: That Council adopts this Pay Policy Statement for the Municipal Year 2015/16.**

## **3.0 LEGISLATIVE FRAMEWORK**

- 3.1 The Council is committed to transparency and fairness in the pay and remuneration of all its employees. In determining the pay and remuneration of all of its employees, the Council will comply with all relevant legislation and has had regard to the Guidance issued by the Department for Communities and Local Government in February 2012.
- 3.2 The Localism Act requires the Council to produce a policy statement that covers a number of matters concerning the pay of the Councils staff; principally it's Chief Officers and the Authority's lowest paid employees. This pay policy statement meets the requirements of the Localism Act 2011 and takes account of the guidance issued by the Secretary for Communities and Local Government "Openness and Accountability in Local Pay : Guidance under Section 40 of the Localism Act".

- 3.3 The statement complies with the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010, and where relevant, the Transfer of Undertakings (Protection of Employment) Regulations 2006.
- 3.4 With regard to the equal pay requirements contained within the Equality Act, the Council ensures that there is no pay discrimination in its pay and grading structures and that all pay differentials are objectively justified through the use of job evaluation mechanisms, which directly establish the relative levels of post grades according to the requirements, demands and responsibilities of the job role.
- 3.5 This pay policy statement does not apply to schools maintained by the Council and there is not a requirement to do so.

#### **4.0 THE PAY POLICY STATEMENT**

4.1 Under Section 112 of the Local Government Act 1972, the Council has the power “to appoint officers on such reasonable terms and conditions as the authority sees fit.” The purpose of the Statement is to provide transparency with regard to the Council’s approach to setting the pay of its employees by identifying;

- The methods by which salaries of all employees are determined;
- The detail and level of remuneration of its most senior staff, i.e., chief officers, as defined by relevant legislation;
- The Committee responsible for ensuring the provisions set out in this Statement are applied consistently throughout the Council and recommending any amendments to the full Council.

#### **5.0 BACKGROUND – PAY STRUCTURE**

5.1 The Council uses the NJC nationally negotiated pay spine (i.e. a defined list of salary points) as the basis for its local pay structure, based on the application of the job evaluation process to determine the salaries of the majority of its staff.

5.2 The Council adopts the national pay bargaining arrangements in respect of the national pay spine and any agreed annual pay increases negotiated with the joint trade unions. The first pay award for staff on Green Book terms and conditions since 2009 was agreed and backdated to 1<sup>st</sup> April 2013. The award was for a 1% increase on all spinal column points in the NJC pay spine. This was then agreed for staff on Soulbury terms and conditions. Following protracted negotiations the pay award for 2014 for staff on NJC terms and conditions was award at 2.2% effective from 1<sup>st</sup> Jan 2015. With an additional Non-Consolidated payment made to staff in post at 1<sup>st</sup> Dec 2014.

- 5.3 The position for staff on JNC terms and conditions (Chief Officers) is different. There had been no pay increase for Chief Officers since 2008/09. This had the effect, in real term impact as if there had been 18% of loss of earnings during this period. In January 2015, agreement was reached on a 2% increase for all JNC officers who earned under £99,999. No award was agreed for officers earning over this amount.
- 5.4 In 2012/13 all employees of the Council agreed to vary their contracts of employment by taking four days unpaid leave for a period of three years as a budget saving measure. This agreement ended in 2014/15 however, following a period of consultation with the trade unions, they agreed to ballot their membership about entering into a local agreement to extend the agreement for a further 12 months. The results of the ballots were positive and four days unpaid leave will be taken in 2015/16. This has the effect of a 1% annual pay cut but does contribute to the enabling the Council to present a balanced budget.
- 5.5 All other pay related allowances are the subject of either national or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined locally.
- 5.6 Starting salaries for new appointments will normally be made at the minimum of the grade, although this can be varied where necessary to secure the best candidate for the job. From time to time it may be necessary to take account of the external pay market in order to attract and retain the best employees with particular experience, skills and abilities. Where necessary, the Council will ensure that the requirement for such payments is objectively justified by reference to a clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the public sector and where such retention payments are necessary, they will be subject to local negotiations.
- 5.7 There is a formal job evaluation process for new positions created or for proposed changes to existing job grades. For positions which are subject to the National Joint Council (NJC) for Local Government Services ('Green Book'), the grading review is undertaken with representation from the Human Resources Division, the Trade Unions and the Manager, using the Local Government Single Status Job Evaluation Scheme (the NJC scheme) to evaluate posts up to grade HBC 11.
- 5.8 The following employee groups are not presently paid in accordance with an evaluated grade/role determined by the Council and instead nationally or locally determined rates apply.
- Employees whose pay and conditions are determined by the Soulbury Committee
  - Employees who have transferred from the NHS to the Council

- Employees who have retained terms and conditions following a TUPE transfer to the Council
- 5.9 Any temporary supplement to the salary scale for any grade is approved in accordance with the “Green Book” criteria on such matters and can only be approved by the Chief Executive in consultation with the Head of Human Resources.

## **6.0 SENIOR MANAGEMENT REMUNERATION**

6.1 For the purposes of this Statement, senior management means “chief officers” as defined within the Localism Act. The posts falling within the statutory definition are set out below with details of their basic salary at 01 April 2014:

- Chief Executive
- Strategic Directors
- Operational Directors
- Director of Public Health
- Officers reporting to the Chief Executive

The Act defines posts reporting directly to or accountable to the Chief Executive as non-statutory Directors. There is currently one officer reporting directly to the Chief Executive who meets the statutory definition.

- 6.2 The basis of salary levels of Chief Officers was established following a review exercise in April 2005 carried out by Tribal Resources, using the Hay system to evaluate grades and salary points.
- 6.3 The details of salaries of the Council’s Chief Officers can be found on the Council website and are published as part of the Council’s Annual Abstract of Accounts.
- 6.4 The arrangements and factors considered in determining progression through the relevant grade is incremental progression awarded on an annual basis until the top of the grade is reached.
- 6.5 The Council employs 2458 staff in 2547 posts and is responsible for spending annually over £313 million of public money.
- 6.6 The terms and conditions applicable to officers on director grade and above are as determined by the JNC for Chief Executives, the JNC for Chief Officers of Local Authorities or NHS as amended, supplemented or superseded by the Council from time to time. A handbook is available via the Local Government web site: <http://www.lge.gov.uk/lge/dio/2546689>

## **7.0 RECRUITMENT OF CHIEF OFFICERS**

- 7.1 The Council's policy and procedures with regard to the recruitment of chief officers is as contained in the Council's Constitution which is reviewed annually by the full Council.
- 7.2 When recruiting to all posts the Council will take full and proper account of all provisions of relevant employment law, its recruitment guidance and equal opportunities policies.
- 7.3 The determination of any newly appointed chief officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment.

## **8.0 ADDITIONS TO SALARY OF CHIEF OFFICERS**

- 8.1 Incremental progression through the grade is time related i.e., employees are entitled to receive an increment (i.e., the next salary point on the pay spine in accordance with the maximum of the grade) on an annual basis and this cannot be withheld or varied from the agreed pay spine, under the employment contract, unless formal proceedings on capability have been implemented.
- 8.2 To meet specific operational requirements it may be necessary for an individual to temporarily take on additional duties to their identified role. The Council's arrangements for authorising any additional remuneration (e.g., honoraria, acting up) is dependant upon the provision and approval of a business case to the Chief Executive and relevant Strategic Director in consultation with the Head of Human Resources.
- 8.3 Officers required to use a vehicle for Council business are currently entitled to an essential car user allowance, currently £1,000pa from April 2013. The Chief Executive, Strategic Directors and Operational Directors are also entitled to this payment.
- 8.4 The Chief Executive also receives reimbursement for the duties undertaken as a returning officer.
- 8.5 Additions to pay are negotiated for all employees, including those covered by the NJC ('Green Book') and JNC terms and conditions.

## **9.0 PENSION CONTRIBUTIONS**

- 9.1 Where employees have exercised their 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

Pension Fund and reviewed on a triennial basis in order to ensure the Scheme is appropriately funded. The current employer's rate, set at April 2014 is 20.6%.

- 9.2 The employee contribution rates, which are defined by statute, are currently based on their annual full time equivalent rate of pay at the following rates:

Rate of Contribution	Annual Rate of Pay (01 April 2014 to 31 March 2015)
5.5%	<i>Up to £13,500</i>
5.8%	<i>£13,501 - £21,000</i>
6.5%	<i>£21,001 - £34,000</i>
6.8%	<i>£34,001 - £43,000</i>
8.5%	<i>£43,001 - £60,000</i>
9.90%	<i>£60,501 - £85,000</i>
10.5%	<i>£85,001 - £100,000</i>
11.40%	<i>£100,001 - £150,000</i>
12.50%	<i>More than £150,000</i>

## 10.0 PAYMENTS ON TERMINATION

- 10.1 The Council's approach to (statutory) and discretionary payments on termination of employment of chief officers, prior to reaching normal retirement age is set out within its Pensions Discretions Policy and in accordance with Regulation 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 (and if adopted) Regulations 12 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007.
- 10.2 The Council's Policy on Voluntary Early Retirement and Voluntary Redundancy are contained in its Staffing Protocol which was approved by the Appointments Committee on 21<sup>st</sup> September 2009 with revised terms to reflect the changes to the Local government Pensions Scheme in April 2014 being agreed by the Committee on 4<sup>th</sup> February 2015. The Staffing Protocol can be found below. These arrangements apply to all employees at all levels.

<http://intranet/documents/efficiencydocs/staffprotocol1111rev>

## 11.0 PUBLICATION

- 11.1 Upon approval by full Council, this Statement will be published on the Council's website.
- 11.2 For posts where the full time remuneration is at least £50,000, the Council's Annual Statement of Accounts will include a note setting out the total amount of:

- Salary, fees or allowances paid to or receivable by the person in the current and previous years;
- Any bonuses so paid by way of expenses allowance that are chargeable to UK Income Tax;
- Any compensation for loss of employment and any other payments connected with termination;
- Any benefits received that do not fall within the above.

## **12.0 LOWEST PAID EMPLOYEES**

12.1 Employees not on Chief Officer or Soulbury terms and conditions are paid in accordance with the National Joint Council (NJC) for Local Government Services ('Green Book'). The basic pay for each 'Green Book' employee consists of a salary scale containing a number of spinal column points on the NJC pay spine.

12.2 An increment is awarded on an annual basis up to the maximum of the salary grade. The normal increment date is 01 April. Pay awards are generally awarded with effect from 01 April, although the date can be influenced by the negotiation process. The current pay award runs from 01/01/2015 to 31/03/2016

12.3 The current pay award removed the lowest spinal column point on the NJC pay scale – 005 wef 1<sup>st</sup> October 2015. The pay spine will then start at 006 which equates to a full time equivalent salary of £13,614 per annum. In the meantime, SCP 005 increased to £13,500 wef 01/01/2015

12.4 The relationship between the rate of pay for the highest paid employee and the mean average earnings across the Council is recommended as the best way of illustrating the relationship between the two. This is called the pay multiple and for this Authority, the pay multiple is 1:7.28.

12.5 The Hutton Review asked for a pay multiple between the highest and the lowest paid median average salary not to exceed 1:20. On this basis, the Council has a pay multiple of 1:8.56 well within the recommended range.

12.6 As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate. In addition, upon the annual review of this Statement, the Council will also monitor any changes in the relevant 'pay multiples' and benchmark against other comparable local authorities.

## **13.0 ACCOUNTABILITY AND DECISION MAKING**

13.1 In accordance with the Constitution of the Council the Appointments Committee is responsible for decision making in relation to the

recruitment, pay, terms and conditions and severance arrangements relating to employees of the Council.

#### **14.0 FINANCIAL IMPLICATIONS**

14.1 The Pay Policy Statement must be prepared for the financial year 2015/16 and each subsequent financial year. Once in place, it will provide the public with a clear rationale to explain the Authority's approach to pay.

#### **15.0 POLICY IMPLICATIONS**

15.1 The requirements under the Localism Act to produce and publish the Pay Policy Statement supplements existing duties and responsibilities that the Authority, as an employer, has, particularly its responsibilities under the Equality Act 2010 to avoid discrimination and provide equal pay.

#### **16.0 EQUALITY AND DIVERSITY ISSUES**

16.1 The Pay Policy Statement will assist the Council to monitor remuneration across the Council and provide a fair system which avoids discrimination.

#### **17.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

17.1 There are no background papers under the meaning of the Act.