

## **Report to: Appointments and Conditions of Service Committee**

**Subject: Localism Act: Pay Policy Statement**

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### **1. Purpose of the report**

The purpose of the report is to ask the Appointments and Conditions of Service Committee to approve the proposed Pay Policy Statement and method of implementation, and also to recommend its referral to, and adoption by Council for subsequent publication on the Council's website.

### **2. Background**

The purpose of the Statement is to increase accountability in relation to payments made to senior members of local authority staff by enabling public scrutiny.

Section 38 of the Localism Act 2011 requires local authorities to publish a Pay Policy Statement by 31 March each year for the following financial year. Other regulations also require the Council to openly publish certain information and of particular relevance to the Pay Policy Statement is the statutory Local Government Transparency Code 2015. This report presents a proposal for the Gedling Borough Council Pay Policy Statement 2017-18. This is the sixth time that the Statement has now been produced.

A Pay Policy Statement must set out the authority's policies relating to the:

- remuneration of its Chief Officers
- remuneration of its lowest-paid employees
- relationship between the remuneration of its Chief Officers and the remuneration of its employees who are not Chief Officers.

The Statement must include the definition of lowest-paid employees adopted by the authority and the reasons for adopting that definition.

The Statement must include the authority's policies relating to the:

- level and elements of remuneration for each Chief Officer
- remuneration of Chief Officers on recruitment
- increases and additions to remuneration for each Chief Officer
- use of performance-related pay for Chief Officers
- use of bonuses for Chief Officers
- approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the authority
- publication of and access to information relating to remuneration of Chief Officers.

The Pay Policy Statement may include information relating to the policy on employment terms and conditions for all Chief Officers.

The Statement must be approved by a resolution of the authority before the 31 March immediately before the financial year to which it relates but may also be amended by resolution during the year; it must be published on the authority's website as soon as possible after approval. Publishing the Pay Policy Statement in the format recommended in Appendix 2 also meets the additional requirements under the statutory elements of the Local Government Transparency Code 2015 in particular relating to information about trade union facilities (time allowed for union duties), senior salaries and the pay multiple. The earlier 2014 Regulations also require that data under the Code is published on the first occasion before 3 February 2015 and annually thereafter. In order to comply with the publication requirement, it is intended that the Pay Policy Statement will be published on the Council's website straight after the Council resolution.

The term 'Chief Officer' referred to above includes:

- The Head of Paid Service designated under section 4(1) of the Local Government and Housing Act 1989 (the Chief Executive)
- The Monitoring Officer designated under section 5(1) of that Act (the Director of Organisational Development and Communications)
- A statutory Chief Officer mentioned in section 2(6) of that Act (the Deputy Chief Executive and Director of Finance (and the Council's Section 151 Officer))
- A non-statutory Chief Officer mentioned in section 2(7) of that Act (the Director of Health and Community Wellbeing by virtue of reporting directly to the Head of Paid Service);
- A deputy Chief Officer mentioned in section 2(8) of that Act (all Service Managers by virtue of reporting directly to statutory and non-statutory Chief Officers).

Of the above listed posts only the Chief Executive, Deputy Chief Executive, Directors and the Service Managers for Financial and Legal Services are paid a salary above £62,000 per annum which is the value of the Senior Civil Service minimum pay band recommended under the Code of Practice for Data Transparency at which information on roles and remuneration of senior officers is published.

Local authorities were already required to publish, under the Accounts and Audit (England) Regulations 2011 (Statutory Instrument 2011/817), both the number of employees whose remuneration in that year was at least £50,000 and details of remuneration and job title of certain senior employees whose salary is at least £50,000.

For each “Chief Officer” as defined above, the Pay Policy Statement must include the following information:

- the Chief Officer’s salary,
- any bonuses payable,
- any charges, fees or allowances payable,
- any benefits in kind to which the Chief Officer is entitled,
- any increase or enhancement to the Chief Officer’s pension entitlement, and
- any amounts payable to the Chief Officer on the Chief Officer ceasing to hold office under or be employed by the authority.

Appendix 2 shows the proposal for the full Pay Policy Statement for Gedling Borough Council for the year 2017-18.

### **3. General approach to pay and publication of information**

The proposed Pay Policy Statement has been drafted to comply with the requirements of the Localism Act 2011, the Local Government Transparency Code 2015, the requirements of the Accounts and Audit (England) Regulations 2011 and other best practice guidance offered by the Local Government Association and the Association of Local Authority Chief Executives.

The Localism Act in itself does not necessarily require the Authority to publish actual salary band amounts, however, other regulations and best practice do lead us to this position, particularly for Chief Officers. In the spirit of openness and transparency the proposed Pay Policy Statement encapsulates the principles derived from these myriad sources.

In order to meet the deadlines required by the Localism Act and the Transparency Code, the data used in this annual statement is current at 30 November in each year.

Although focused specifically on our own pay policies and related practices, other limited comparator data is also included in this introduction, particularly in respect to ratios between highest and lowest pay. The report shows that the Borough Council’s local ratio of highest:lowest pay rates is 6.53:1 - this compares favourably with the ratio of 20:1 suggested as a reasonable maximum figure in the original Hutton review into fair pay, and the many examples found in the private sector where multiples way in excess of this are not uncommon.

Key pay information, including such ratios of pay, has been collected from a range of Pay Policy Statements issued by other local councils. Unfortunately not all authorities readily publish up-to-date information and so comparison is difficult and some information is more than a year old. This data is shown at Appendix 1. Summary conclusions that may be drawn from this data include:

- In 2014 Gedling Borough Council and most neighbouring district councils moved to a minimum pay rate at, or around, the Living Wage Rate at that time. This represented a proportionately large change to the basic hourly rate. As senior pay levels have not altered at the same rate, this change has had the effect of materially reducing the highest:lowest pay ratio in a positive way for most district councils including Gedling. Although since 2014 not all Councils have continued to pay at the Living Wage Rate most, including Gedling, have policies that recognise the issue of low pay by applying policy to make salary payment at a rate above the lowest national pay point for local government.

- The average (mean) salary for a Nottinghamshire District Chief Executive is around £106,777 at the top of grade. This means that the salary of the Chief Executive at Gedling is around 5.4% lower than for neighbouring district councils.
- The lowest pay rates in each organisation are similar with some difference likely to be accounted for by the timing of data production. Some organisations do pay at the Living Wage rate.
- Although not all districts have provided clear data about absolute levels of median pay in their current Pay Policy Statement, against those that have, Gedling's figure of £17,891 appears to be around 6% lower than the average for other district councils. Last year the difference was around 9%. Although the improvement to local pay has had an effect in raising levels of pay, there will be a number of reasons for the median pay still being below the average for other districts including the fact that some organisations having outsourced services that traditionally contain a higher proportion of lower-paid workers. There is limited data provided about average (mean) levels of pay but the information available suggest that Gedling's average is around 7% lower than the average mean pay level for other district councils. Again, this variance can be influenced by a number of factors including the proportion of the workforce retained in-house in which pay levels are lower for large groups of employees such as leisure services waste and grounds maintenance.

## 4. Risks and responses

### 4.1 Relative pay

Pay is particularly relevant in a turbulent job market and in organisations where the size of the workforce is likely to contract but where the need for more developed skill sets is needed in the workforce that remains. These issues are relevant to this organisation as the national agenda forces continued efficiencies to be implemented and for new models of working to be applied.

The issue of relative low pay across the organisation was highlighted as an issue of risk in last year's Pay Policy Statement with reference to an earlier recommendation to, "Note the pay differential with other neighbouring local authorities and to ask officers to bring forward recommendations relating to pay and reward to address this potential threat". As a result of this, independent consultants were engaged to identify if there was significant risk, and if such risk did exist, what should be the specific areas in which to focus remedy. The findings of this research suggested that pay in the organisation was generally low when compared with others across all pay grades and that this disparity grew in terms of proportion in the more senior posts of the organisation.

Following this independent study a revised grading system was applied across the whole organisation from April 2016. The commitment made and honoured was that at the point of implementation of the new pay arrangements, all employees would be better paid.

Although there are posts in the organisation that prove difficult to fill, there is evidence that salary increases have helped to generate a good pool of response to vacancies for senior posts in occupational areas where we had previously experienced difficulty in attracting talent and as a consequence some excellent appointments have been made. Examples of recent appointments in posts that have previously been difficult to fill include the Solicitor (Litigation and Licensing) in our Legal team, our Planning Officer due to start in January and the new Environmental Health Officer in Public Protection.

As a result of the local pay review our median earnings have increased from £17,372 to £17,891. Next year this is likely to increase further (to around £18,500) as a majority of employees are not yet on the maximum pay point in the new pay scales. This change has reduced the ratio between the pay of the Chief Executive and median pay and although the ratio still remains higher than some other neighbouring district councils as identified in section 3, comparisons (where they are available) should not be treated on a “like-for-like” basis as the ratios will be affected by the staffing structures in place and which services still remain in-house.

A risk identified is that the Chief Executive’s pay has not been reviewed for a number of years and now stands significantly lower than the potential maximum pay of other local district council Chief Executives. Currently the top pay point within the Gedling scale is £101,303. For other districts the median pay at top of grade is £105,129 (GBC is 3.6% lower). The other districts’ level of mean pay stands at £107,878 (GBC is 6.1% lower). Although the pay data for our organisation is current, for other districts the information is taken from their Pay Policy Statements and as such will be slightly out of date; based on the national pay awards this year the actual figures are likely to be around £1,000 per year higher than those stated.

#### 4.2 National Living Wage (NLW)

Although the idea of a “living wage” has been a familiar one for some years through the work of the Living Wage Foundation, in July 2015 the Chancellor of the Exchequer announced that the UK Government will introduce a compulsory minimum wage premium for all staff over 25 years of age, and referred to it as the ‘national living wage’.

The government’s NLW rate was introduced in April 2016 and was set at £7.20 per hour. Currently there is no impact to the Council as our minimum hourly rate of £8.04 per hour (other than for apprentices and intern training posts) is already set above this rate and well above the minimum pay point in the national pay spine. Nationally, however, the government’s ambition to be delivered through the Low Pay Commission is that the minimum wage for workers over the age of 25 should be set at 60% of median earnings by 2020. The government estimates that this would mean a rise to around £9 per hour by 2020; the LGA estimates a figure of around £9.30- £9.40 per hour.

Should this ambition be fully realised there will be huge impact on the public sector both in terms of affordability and also in respect to equal pay. Estimates for Gedling Borough Council would suggest that for employment costs alone (there will be other increased costs relating to contract prices for bought-in services) the cost impact will be substantial. At current pay levels, at least the first four of the Council’s local pay bands will be subsumed by the raised pay rate and differentials in work recognised through job evaluation will be removed. Clearly this will have substantial employee relations issues. This is a matter that the LGA is considering as part of the annual pay review although currently there seem to be no obvious solutions to address this difficulty. Since the last Pay Policy Statement there has been no published development in this area of national pay strategy for the public sector.

It is proposed that once the national picture becomes clearer in respect to national pay points and general pay policy through guidance from the LGA, then a further report outlining the Council’s options will be brought to this committee for consideration.

## 5. Other developments

### 5.1 Training grade

During 2016 the Council approved the creation of a “training grade”. The main reason for this change was the reform of the funding mechanism for national apprenticeships planned for 2017. This reform will lead to the demise of most apprentice training agencies, the bodies that acted as an employer for apprentices which means that going forwards the Council will need to be both employer and host for apprentices.

The first apprentice engaged under these new arrangements started in November this year in the Executive Office.

The policy relating to the training grade is included for the first time in the Pay Policy Statement.

### 5.2 Principles of pay and reward

As part of the review of last year’s Pay Policy Statement, Members highlighted a need for document that provided a more strategic overview of the Council’s position in relation to its policies covering pay. Consequently, this change has been made and a “principles of pay and reward” statement has now been included as an integral part of this year’s Pay Policy Statement.

### 5.3 Simplification of pay

As part of the pay review in 2016 pay bandings were simplified and are now designed to reflect the “rate for the job” more clearly and without the need for additional payments through the separate “Principal Officer Incentive Scheme” which has now been withdrawn and reference to it removed from this year’s Pay Policy Statement.

## 6. Implementation of the policy

Subject to the views of this committee and the adoption at Council, the Pay Policy Statement will be published on the Council’s website immediately after resolution, and annually thereafter and included in the Council’s Publications Scheme. It will be published as a Microsoft Word document which is a “machine-readable” format as required by the Local Government Transparency Code 2015.

During any year, changes to policy approved by Committee and minor amendments to levels of earnings resulting from annual nationally-determined pay awards may be made to the published policy during the year without further referral back to Council. Otherwise, each year a Pay Policy Statement will be brought back to Council for formal approval and adoption.

## 7. Recommendation

The Appointments and Conditions of Service Committee is **recommended** to:

- i) Approve the proposed Pay Policy Statement and method of implementation and
- ii) Recommend its referral to, and adoption by, Council for subsequent publication on the Council’s website.

**APPENDIX 1**

	<b>Actual data at 30/11/16</b>	<b>Stated or derived data from 2016/17 Pay Policy Statements (Data assumed current at January 2016 unless otherwise stated)</b>							
	<b>Gedling BC</b>	<b>Ashfield DC (Aug 15)</b>	<b>Bassetlaw DC</b>	<b>Broxtowe BC (Old PPS 2015/16)</b>	<b>Mansfield DC</b>	<b>Newark &amp; Sh DC</b>	<b>Rushcliffe BC</b>	<b>Nottm City</b>	<b>Notts CC (Feb 15)</b>
Ratio of highest to lowest pay	6.53:1	6.41:1 (6.73:1 at top of grade)	6.40:1 (at top of grade)	7.41:1 (at top of grade)	6.4:1 (at top of grade)	7.49:1	7.79:1	10.57:1	10.56:1
Ratio of highest to average (mean) pay	4.61:1	N/a	3.9 (2014/15 mean used)	N/a	4.3:1	N/a	N/a	7:1 (4:1 exc. Ch. Exec)	N/a
Ratio of highest to median pay	5.66:1	4.6:1 (4.83:1 at top of grade)	N/a	5.38:1	4.9:1	6.83:1	N/a	8:1 (4:1 exc. Ch. Exec)	8.92:1
Average (mean) pay (equivalent full time salary) £	£21,941	N/a	£26,125 (estimate)	N/a	£22,447	N/a	N/a	£22,032	N/a
Median pay (equivalent full time salary) £	£17,891	£21,614	N/a	£19,657 (est.)	£19,742	£16,615	N/a	£19,317	£19,048
Highest paid worker (exc allowances etc) Top of grade assumed unless stated otherwise	£101,303	Scale of £99,500-£104,500 (Ratios based on lowest pay point)	Scale of £98, 829-£101,889	Scale of £93,293-£105,757	Scale of £97,500 - £102,500	Scale of £95,633 - £114,624 (current actual £113,490)	Scale of £106,000-£118,000 (2014/15)	£160,000	£170,000
Lowest paid worker (FTE salary- not training post)	£15,507	£15,523 (At April 2016)	£15,917 (01 April 16)	£14,275	£15,917 (01 April 16)	£15,146 (including Living Wage supplement)	£15,144	£15,144 (including Living Wage supplement)	£15,516 (including Living Wage supplement)

“N/a”: Not available in Pay Policy Statement