

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.

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) 29, 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 2018-19.

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 2014, 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 6.47:1 - 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 (excluding Gedling BC) is around £107,092 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 Foundation 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 £18,759 is an improvement of almost £900 against the previous year's figure. Although around 7% lower than the average for other district councils the local increases to pay following the local review in 2016 has resulted in improved effectiveness in terms of the filling of vacant posts that had previously been difficult to fill. Although the improvement to local pay has had an effect in raising levels of pay, there are 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 3% 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 continue to be relevant to this organisation as the national agenda forces continued efficiencies to be implemented and for new models of working to be applied.

Following an independent review of the Council's pay structure a revised grading system was applied across the whole organisation from April 2016. Although there remain posts in the organisation that still prove difficult to fill, there is evidence that salary increases have helped to generate a good pool of response to vacancies for senior or specialist posts in occupational areas where we had previously experienced difficulty in attracting talent and as a consequence some excellent appointments have been made.

As a result of the local pay review our median earnings have increased from £17,891 last year to £18,759 this year. 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 potential risk identified is that the Chief Executive's pay has remained un-reviewed for a number of years and currently stands at around 5.4% under the mean average of other district council chief executives. This is a reduction against last year's difference of 6.1% although the pay data will contain a margin of error due to the different "snapshot" dates available from Pay Policy Statement published data. No meaningful comparator analysis has been undertaken for Director-level posts for some time and if there was to be any review of senior pay, these posts might also be included in order to determine their fit against local market rates.

4.2 National Living Wage (NLW) and the national public sector pay agenda

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 would 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 now currently stands at £7.50 per hour. Currently there is no impact to the Council as our normal minimum hourly rate of £8.19 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.

Even with the likely lifting of the 1% “pay cap” that was imposed on public sector organisations in 2013 the change to the lowest pay rates in the national local government pay spine will not inflate sufficiently rapidly to meet this target. Consequently the Local Government Association is building proposals for consultation with trade unions to fundamentally review how the national pay spine might be developed over coming years to ensure that it is fit for purpose both in the short and medium terms.

There has been no firm proposal made yet by the “Employers’ Side” for a new pay spine model but once implemented, there is potential for there to be cost implication due to the increased pay bill necessary to meet new legislative requirements. Our salary estimates for next year reflect the changes that may be necessary. Also, if pay differentials are not properly maintained in the lower parts of the pay spine when it is reviewed then it will be necessary to ensure that the job evaluation scheme continues to reflect difference effectively to ensure that equal pay claims do not arise.

These issues are not new and although since the last Pay Policy Statement there has been no published material development in this area of national pay strategy for the public sector, it is expected that very shortly, a formal position will be announced.

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 Principles of pay and reward; Pay Strategy

The committee had highlighted a need for a document to be included in the Pay Policy Statement that provided a more strategic overview of the Council’s position in relation to its policies covering pay. Consequently, a “principles of pay and reward” statement was included within the body of last year’s. The committee expressed a view that this document could be further developed into a Pay Strategy. Referencing the guidance offered by this committee a Pay Strategy has been developed through Senior Leadership Team and put to the Joint Consultative and Safety Committee in November for comment. The JCSC was supportive of the wording of proposed Pay Strategy that is now included in the Pay Policy Statement (at Appendix iA). The strategy document incorporates both strategic principles and operational practices.

5.2 Gender Pay Gap

From 2017, any organisation that has 250 or more employees must publish and report specific figures about their gender pay gap.

The gender pay gap is the difference between the average earnings of men and women, expressed relative to men's earnings.

The data to be collected, relevant at 31 March 2017 and each year thereafter is the:

- Mean gender pay gap
- Median gender pay gap
- Mean gender pay gap in bonus pay
- Median gender pay gap in bonus pay
- Percentage of males and females in each of the four pay quartiles.

Employers must both publish their gender pay gap data and a written statement on their public-facing website and report their data to government online using the gender pay gap reporting service.

Organisations must publish within a year of the snapshot date. This year's data and the narrative endorsed by Senior Leadership Team for Gedling Borough Council is now published and is included in the Pay Policy Statement at Appendix iB.

6. **Implementation of the Pay Policy Statement**

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 2014.

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

	Actual data at 30/11/17	Stated or derived data from 2017/18 Pay Policy Statements (Data assumed current at January 2017 unless otherwise stated)							
	Gedling BC	Ashfield DC	Bassetlaw DC	Broxtowe BC (Old PPS 2015/16)	Mansfield DC	Newark & Sh DC	Rushcliffe BC (Old PPS 2016/17)	Nottm City	Notts CC (Feb 2016)
Ratio of highest to lowest pay	6.47:1	6.39:1	6.38:1	7.41:1 (at top of grade)	6.19:1	7.2:1	7.79:1	10.11:1	10.68:1
Ratio of highest to average (mean) pay	4.53:1	N/a	4.3:1	N/a	4.31:1	N/a	N/a	7:1 (3:1 exc. Ch. Exec)	N/a
Ratio of highest to median pay	5.46:1	4.54:1	5.0:1	5.38:1	4.93:1	5.84:1	N/a	8:1 (3:1 exc. Ch. Exec)	8.92:1
Average (mean) pay (equivalent full time salary) £	£22,619	N/a	£24,172 Deduced	N/a	£22,843	N/a	N/a	£23,000 Deduced	N/a
Median pay (equivalent full time salary) £	£18,759	£22,434	£20,788 Deduced	£19,657 (est.)	£19,939	£19,642	N/a	£20,200 Deduced	£19,048
Highest paid worker (exc allowances etc) Top of grade assumed unless stated otherwise	£102,316	£101,758	103,938	Scale of £93,293-£105,757	£98,475	£114,625	£118,000	£161,600	£171,700 (Jan 17)
Lowest paid worker (FTE salary- not training post)	£15,807	£15,917 (At April 16)	£16,303 (At Nov 16)	£14,275	£15,917 (At April 16)	£15,917 (At April 16)	£15,144	£15,917 (including Living Wage supplement- at April 16)	£16,303 (including Living Wage supplement at Nov 16)

Data excludes training posts and temporary pay grades for TUPE transferees.

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