

## ITEM 15(b) UPDATED PAY POLICY STATEMENT FOR 2012/13

### PAY POLICY STATEMENT FOR 2012/13

#### 1. Purpose of the Policy

- 1.1 The council is required by ss38 to 43 of the Localism Act 2011 to produce an annual pay policy statement. It must be approved by Full Council each year by 31 March prior to the financial year to which it relates, and must then be published on the council's website.
- 1.2 The statement sets out the council's policy with regard to:
  - The remuneration of chief officers (as defined in 4.1);
  - The remuneration of the lowest paid employees (as defined in 6.2); and
  - The relationship between chief officers' remuneration and that of officers who are not chief officers.
- 1.3 It is important to note that this policy is not proposing changes to the approach to the remuneration of chief officers, it is simply codifying the council's current approach, as required by the Localism Act.
- 1.4 Remuneration includes salary or payment under a contract for services, expenses, bonuses, performance related pay and severance payments.
- 1.5 The objectives of this policy are:
  - 1.5.1 to set remuneration at a level sufficient to attract and retain adequately experienced, trained and qualified individuals to deliver the council's priorities,
  - 1.5.2 to reflect fairness and equality of opportunity, and
  - 1.5.3 to set out the council's approach to remuneration in a fair and transparent manner.

#### 2. Pay Framework

- 2.1 The Council's pay framework was implemented in April 2007 in line with national guidance, with the grade for each role being determined by a job evaluation process. This followed a national requirement for all local authorities, and a number of other public sector employers, to review their pay

and grading frameworks to ensure fair and consistent practice for different groups of workers with the same employer. As part of this the council determined a local pay framework for NJC posts, up to grade 15.

- 2.2 In exceptional circumstances, basic pay for any officer may be supplemented by a market supplement if market evidence on demand for these skills supports it. This will be agreed by the Chief Executive and the Head of Human Resources.
- 2.3 This pay policy statement does not relate to:
- teaching staff and associated youth and school advisory roles where pay is governed by national consultation groups
  - contractors
  - companies wholly or partially owned by the council
  - the receipt or distribution of any payments received by the Chief Executive in her role as Returning Officer

### **3. Pay Awards**

- 3.1 The council's policy on pay awards for all employees, including chief officers, is to follow national negotiations. There has been no annual pay award to any group of staff since April 2009, and the last pay award for chief officers was in April 2008.
- 3.2 The Council will implement any national settlement reached in respect of the financial year 2012/13, however it is anticipated that there will be no such settlement, and that there will be a further freeze for all officers.

### **4. Definition of Chief Officers**

- 4.1 As is required by the Localism Act, for the purpose of this policy, chief officers are defined as:
- Head of Paid Service (Chief Executive)
  - Monitoring Officer (Solicitor to the Council)
  - S151 Officer (Executive Director - Strategic Resources)
  - Statutory Chief Officers : Executive Director - Children's Services & Executive Director - Adult Social Services
  - Non-Statutory Chief Officers : Executive Director - Operations and any post that reports directly to the Chief Executive (other than administrative posts)
  - Deputy Chief Officers: anyone who reports directly to a statutory or non-statutory chief officer (other than administrative posts).
  - Any self-employed individual engaged by the council in one of the categories above

A list of posts and officers included in this definition is attached at Appendix 1.

## **5. Policy relating to remuneration of Chief Officers**

- 5.1 The current policy relating to the remuneration of chief officers is that it is broadly based on evaluation under the Hay system, but has also historically been mainly market driven. Salary on appointment has regard to the relative size and challenge of the role compared with other chief officer roles within the council, and account is also taken of other relevant available information, including the salaries of chief officers in other similar sized councils.
- 5.2 Full Council is responsible for approving the appointment or dismissal of the Head of Paid Service (Chief Executive), the s151 Chief Finance Officer (Executive Director – Strategic Resources) and the Monitoring Officer (Solicitor to the Council) following the recommendation of such an appointment or dismissal by Employment Committee, which will include a recommendation on the appropriate remuneration on appointment. All Cabinet members have a right to object to the appointment or dismissal before the recommendation is made.
- 5.3 Employment Committee is responsible for approving the appointment (including remuneration) or dismissal of all other Directors and Heads of Service, only some of whom are chief officers. All Cabinet members have a right to object to the appointment or dismissal.
- 5.4 The council does not use performance related pay for chief officers, nor does it pay bonuses. It has not ruled out that it may introduce some performance related pay in the future, but this will be dependent upon gaining Silver Investors in People status, and further developing its Performance Development Review (PDR) system, and managerial training, so that it can be satisfied that it has a sufficiently sophisticated system to ensure that any performance related pay system is fairly applied in accordance with employment legislation.
- 5.5 Incremental progression for chief officers is not automatic and in practice there is rarely any incremental progression for chief officers. Any progression is at the discretion of the chief executive and appropriate cabinet member, and is normally linked to a change in responsibilities, or agreed on recruitment following an initial period in the role. This contrasts with salary progression for NJC evaluated posts where increments are paid in accordance with agreed council policy, usually on an annual basis. Incremental progression for NJC evaluated jobs is automatic within the pay range for the job, and takes place until the maximum incremental point within the pay range is achieved. Thereafter the employee is only eligible for any annual cost of living award negotiated by the appropriate bodies.
- 5.7 Information relating to the remuneration of Senior Officers is published annually in the statement of accounts, and also in accordance with the Department of Communities and Local Government's (DCLG) Transparency Code. The Council will continue to follow these requirements when determining disclosure for chief officers. Information in relation to payments made under a contract for services, (for Chief Officers who are self-employed) will be published at the same time.

## **6. Policy relating to remuneration of the council's lowest paid employees**

- 6.1 The Localism Act requires the council to determine who its lowest paid employees are. It may adopt any definition which most appropriately fits local circumstances, providing it explains in the policy why that definition has been adopted.
- 6.2 For the purpose of this policy, the Council defines its lowest paid employees as those in the bottom 10% of employees by remuneration. This includes those on grades 1 to 5, and these grades have been objectively evaluated against their job content, in accordance with the NJC scale. There are approximately 100 employees in this bracket at the time of writing this policy. The average remuneration package for those employees is in the region of £15,931. For employees who work part-time, their salary is calculated pro rata of the full-time equivalent. When adult social care staff transfer back to the council from the PCT on 1<sup>st</sup> March 2012, this is likely to decrease the average remuneration package of the bottom 10%, as there is a high number of lower paid staff in that service.
- 6.3 Various options for the definition of lowest paid employees have been considered with the Cabinet Member for Community Cohesion and Safety (who is the portfolio holder for Human Resources). Her preference and recommendation to council is to adopt the definition explained above. This definition has been selected because it captures a meaningful number of employees and avoids the distortions that might occur with a very small group, or the excessive averaging that would be required if a larger group was used, such as the lowest quartile. This definition has been agreed with the relevant trade unions.
- 6.4 Former council employees who have transferred to external contractors with whom the authority has contracted to perform services are excluded from this definition.

## **7. Policy relating to remuneration of all employees**

- 7.1 The council's policy is to differentiate between remuneration of its employees by setting different levels of basic pay to reflect differences in responsibility, but not to differentiate on other allowances, benefits and payments it makes. The council has separate policies relating to travel and subsistence, redundancy, relocation, and other entitlements, and does not differentiate between chief officers and those who are not chief officers in respect of entitlement to these benefits. Similarly, all officers who work on elections are entitled to payment for specific roles such as count supervisor or count assistant, at rates agreed each year by the Returning Officer, and the rates agreed relate specifically to the election role undertaken, and not to the grade or employment status of the officer undertaking the role.
- 7.2 Mobile phones
- Officers including chief officers, are entitled to be provided with a mobile phone or other personal data device if it is necessary to carry out their duties. Personal use is permitted, but must be reimbursed in accordance with council policies, so this is not classified as a benefit in kind for tax purposes.
- 7.3 Policy on receipt of salary & pension

The Local Government Pension Scheme (LGPS) does not allow current employees to receive their pension at the same time as their salary unless it is under a flexible retirement arrangement. New starters may join who are already in receipt of a pension from previous service in the LGPS or another pension provider. It is also the council's policy not to re-engage officers who have left the council on a redundancy basis, except in exceptional circumstances where the Chief Executive considers it necessary for continuity of an essential service.

#### 7.4 Enhancement of pension benefits

Most employees are eligible to join the local government pension scheme, which in certain circumstances provides for the exercise of discretion that allows retirement benefits to be enhanced. Pension regulations require the council to issue a written policy statement on how it will exercise the various discretions provided within the scheme, and this is published as a separate document entitled "Local Government Pension Scheme Discretionary Policy". That policy was approved by Employment Committee in March 2010. Under the policy, the council will consider each case on its merits, but its usual policy is not to enhance benefits for any of its employees, with no distinction made between chief officers and those who are not chief officers. Different rules apply to those in the Teachers Pension Scheme

#### 7.5 Termination of employment

In relation to the termination of employment, the council will have due regard to the making of any appropriate payments where it is in the council's best interests. Any such payments will be in accordance with contractual or statutory requirements and take into account the potential risk and liabilities to the council, including any legal costs, disruption to services, impact on employee relations and management time. The council will have specific regard to the legal requirements which apply to the termination of employment of the Head of Paid Service, the s151 Officer, and the Monitoring Officer.

### **8. The relationship between the remuneration of the council's chief officers and those who are not chief officers**

- 8.1 The Localism Act requires the council to state the relationship between the remuneration of chief officers and those who are not chief officers, and leaves the council the flexibility to determine how to express this. This was considered in the Hutton report, which was asked to explore the case for a fixed limit on pay dispersion in the public sector through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. Hutton concluded that this was not helpful, and that the most appropriate metric is the top to median earnings. However, the council would not expect that the remuneration of its highest paid officer would exceed 20 times the remuneration paid to its lowest paid employee, except in exceptional circumstances, which must be specifically authorised by the Employment Committee and reviewed annually. The Chief Executive's remuneration is currently 10.68 times the remuneration of the lowest paid employees.

This is summarised below:

<b>Chief Execs salary</b>	£170,175
<b>Lowest salary (using bottom 10)</b>	£15,931
<b>Ratio</b>	10.68 : 1

- 8.2 Hutton considered that the most appropriate metric to track the pay dispersion across the organisation is the multiple of the remuneration of the Chief Executive to the median average remuneration across the organisation's workforce.

The current calculation and ratio is as follows:

	<b>Median average remuneration</b>
<b>Chief Exec's salary</b>	£170,175
<b>Average</b>	£27,849
<b>"pay multiple" ratio</b>	6.11 : 1

- 8.3 The median average remuneration is calculated as follows:

the full time equivalent salaries of every employee are listed in order of value, and the value of the employee in the middle is used. In this case, the council currently has 1084 employees covered by this pay policy. When all of these salaries are listed in order, the total salary package of the 543rd employee is £27,849

- 8.4 A graph showing pay dispersal across the council as at February 2012 is included at Appendix A. This is likely to fluctuate as the shape of the council changes, particularly if services are transferred into, or out of the council's control.
- 8.5 The transfer of adult social care staff into the council with effect from 1<sup>st</sup> March 2012 is likely to see the average remuneration reduce. The ratio will therefore increase as a consequence, but it must be made clear that this is not as a result of any increase in chief officers' pay.

## 9. Review of the Pay Policy Statement.

- 9.1 As has been referred to within this report, the Adult Social Services function transfers from the PCT to the council with effect from 1<sup>st</sup> March 2012. There will be some officers who fall within the definition of chief officers for the purposes of this policy, and as already referred to, there will also be an impact on the relationship between the remuneration of chief officers and those who are not chief officers. At the time of writing this policy, the final lists of those staff transferring to the council is not confirmed, and it is therefore not possible to factor those elements into this policy. It is proposed that following the transfer, the pay policy is revised, and an amended pay policy brought back to council for approval.
- 9.2 Thereafter, this policy will be kept under review in the light of external best practice and legislation, internal data on recruitment and retention, and external pay data. Any changes will be discussed with all stakeholders including recognised trade unions before being presented to council for approval. Council will approve its Pay Policy Statement at least on an annual basis, normally at the council meeting in February when the council's budget is considered.

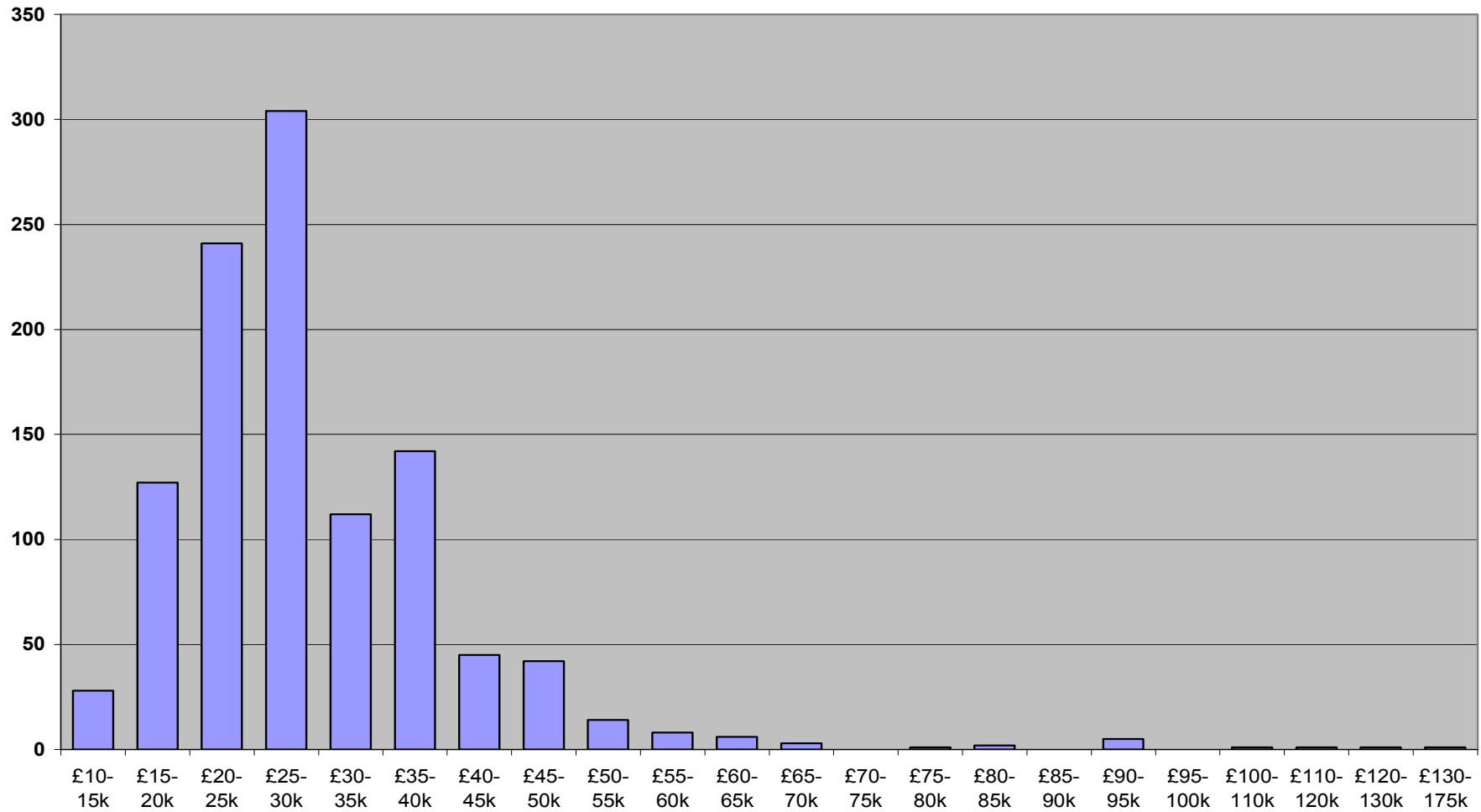
## 10. Notes

- 10.1 this pay policy statement is not intended to be a statement of terms and conditions for a chief officer's employment contract;
- 10.2 nothing in this pay policy statement is intended to revoke other council policies related to pay, or terms and conditions of employment;
- 10.3 this pay policy statement has been prepared having regard to the guidance given by the Secretary of State in relation to sections 38 to 43 of the Localism Act 2011.

**APPENDIX A :LIST OF ROLES INCLUDED IN THE DEFINITION OF CHIEF OFFICER AS DEFINED IN 4.1 OF THE PAY POLICY**

<b>ROLE</b>	<b>OFFICER IN POST AT FEBRUARY 2012</b>
Chief Executive (Head of Paid Service)	Gillian Beasley
Solicitor to the Council (Monitoring Officer)	Helen Edwards
Executive Director – Strategic Director (s151 officer)	John Harrison
Statutory Chief Officers: Executive Director – Children’s Services Executive Director - Adult Social Services	Malcolm Newsam (Interim) Terry Rich (Interim)
Non-statutory Chief Officers: Executive Director - Operations	Paul Phillipson
Head of Growth & Regeneration	Andrew Edwards
Head of Strategic Communications	Vacant
Head of Legal Services	Kim Sawyer
Head of Governance	Diane Baker
Legal Services Practice Manager	Elliot Smith
Head of Strategic Finance	Steven Pilsworth
Head of Business Transformation	Paul Tonks (Interim)
Deputy Chief Officer - Assistant Director Education & Resources	Jonathan Lewis
Deputy Chief Officer Assistant Director Strategic Commissioning & prevention	Vacant
Deputy Chief Officer Assistant Director Children’s Community Health	Janet Dullaghan
Deputy Chief Officer Assistant Director Safeguarding Families & Communities	Ann Goldsmith (Interim)
Project Manager –Uni@PBORO	Robert Digby
Head of Commercial Operations	Annette Joyce
Head of Business Support	Karen Franklin
Head of Neighbourhoods	Adrian Chapman
Head of Planning Transport & Engineering	Simon Machen





**APPENDIX B : GRAPH SHOWING PAY DISPERSAL ACROSS THE COUNCIL**