

EMPLOYMENT COMMITTEE	AGENDA ITEM No. 4
18 FEBRUARY 2021	PUBLIC REPORT

Report of:	Chief Executive	
Cabinet Member responsible:	Councillor Farooq, Cabinet Member for Digital Services and Transformation	
Contact Officer(s):	Mandy Pullen - Assistant Director HR & Development	Tel. 863628

ANNUAL PAY POLICY 2021/22

R E C O M M E N D A T I O N S	
FROM: Chief Executive	Deadline date:
<p>Members of Employment Committee are requested:</p> <p>To note the content of the Pay Policy Statement for 2021/22.</p>	

1. PURPOSE AND REASON FOR REPORT

1.1 The purpose of this report is to ask Employment Committee to note the content of the Pay Policy Statement for 2021/22 ahead of this being issued to Council recommended for approval. The Policy is attached at Appendix 1 to the report.

2. BACKGROUND AND KEY ISSUES

2.1 Council is required by the Localism Act 2011 to pass a resolution approving the Pay Policy Statement for each financial year.

2.1.1 The Localism Act (the Act) requires that the council approves a pay policy statement that sets out the authority's policies for the financial year relating to the remuneration of its chief officers, the remuneration of its lowest paid employees and also the relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers.

2.1.2 The Act contains specific items that must be included in the Pay Policy, and the statement recommended to council is compliant with those requirements. It has also been drafted having regard to the guidance provided by the Department of Communities and Local Government (DCLG) "*Openness and accountability in local pay: Draft guidance under section 40 of the Localism Act*" and supplementary guidance.

2.1.3 The requirement to approve, publish and comply with a Pay Policy Statement builds on the Code of Recommended Practice for Local Authorities on Data Transparency that has led to the council already publishing data on senior salaries and the structure of the council's workforce. The requirement in the Act is based on the premise that elected members should have a significant input into how decisions on pay are made, particularly decisions on senior pay, and that they are open about policies that determine those decisions, to enable local taxpayers to take an informed view of whether local decisions on remuneration are fair and make the best use of public funds.

2.1.4 The Act and government guidance recognises that each local authority is an individual employer in its own right and has the autonomy to make decisions on pay that are appropriate to local

circumstances and which deliver value for money for local taxpayers. The Act does not impose policies, and only requires that authorities are open about how their own policies and local decisions are made.

- 2.1.5 Should the pay policy be amended during the financial year the Council would be required to approve such amendments and publish the amended policy accordingly.
- 2.1.6 The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 requires employers with 250 or more employees to publish statutory calculations every year showing how large the pay gap is between their male and female employees on a 'snapshot date' of 31 March 2020. The relevant data will be published on the Peterborough City Council website and the gender pay gap reporting pages of the gov.uk website before the deadline of 30 March 2021.
- 2.1.7 The pay policy statement at Appendix 1 demonstrates that between January 2020 - January 2021 the median salary in the council increased from £31,371 to £32,624. This is determined where 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. The mean salary increased from £33,748 to £35,633. This is where the full-time equivalent salary packages of every employee are added together and then divided by the total number of employees. It should be noted that adding the salaries together is not the same as calculating the total pay bill. This is because full time equivalent salaries are used for these figures, but in the council a significant number of staff have part time contracts.

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. Since 2013 the council's ratio has reduced in seven out of eight years which demonstrates a downward trend.

The Chief Executive's remuneration is currently 8.89 times the remuneration of the lowest paid employees (for a definition of the comparator see 6.2 above) Our lowest paid staff have seen an increase of 27.09% in eight years, a much more significant rise than the chief executive whose salary has increased by only 2.01%. Reasons for this are (a) there was no pay award for the Chief Executive role for four years, (b) the Chief Executive did not accept the national pay award in April 2018, April 2019 and April 2020, and (c) lower paid staff were awarded a pay award in April 2017, 2018 and 2019 that was significantly higher than the rest of the workforce.

The lowest salary* increased from £18,666 to £19,515 which meant that the ratio of the highest salary to the lowest salary decreased from 9.30:1 to 8.89 to 1. *The lowest paid employees are defined as those in the bottom 10% of employees by remuneration.

3. CONSULTATION

- 3.1 All changes to terms and conditions of employment are subject to consultation with the trade unions.

4. IMPLICATIONS

Financial Implications

- 4.1 The pay policy has been checked and approved by the Corporate Director of Resources.

Legal Implications

- 4.2 The pay policy sets out clearly the expectations detailed in the Localism Act.

Equalities Implications

- 4.3 An initial equality impact assessment (IEQIA) has not been carried out on the pay policy itself. However, IEQIA's are carried out on any changes that are proposed that impact on pay. One was undertaken for the revised pay scales effective from 1 April 2019.

5. BACKGROUND DOCUMENTS

- 5.1 The following have been used to prepare this report:-

- Openness and accountability in local pay under section 40 of the Localism Act and supplementary guidance
- Section 38 (1) of the Localism Act
- Section 40 (1) of the Localism Act
- Repayment of Public Sector Exit Payments Regulations 2015
- Equality Act 2010 (Gender Pay Gap Information) Regulations 2017

6. APPENDICES

- 6.1 Appendix 1 – Pay Policy 2021/20

APPENDIX ONE



PAY POLICY STATEMENT FOR 2021/2020

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 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 Remuneration includes salary or payment under a contract for services, bonuses, performance related pay and severance payments.

1.4 The objectives of this policy are:

- 1.4.1 To set remuneration at a level sufficient to attract and retain adequately experienced, trained and qualified individuals to deliver the council's priorities,
- 1.4.2 To reflect fairness and equality of opportunity, and
- 1.4.3 To set out the council's approach to remuneration in a fair and transparent manner.

2. Pay Framework

2.1 The Council's main pay framework was implemented in April 2007 in line with national joint council (NJC) 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 spinal column point 54. Changes to the grading structure were required from 1 April 2019 to take account of the revised pay points agreed nationally.

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. The process and terms of these payments is clearly detailed within the council's Market Supplement policy.

2.3 This pay policy statement does not relate to:

- staff of local authority schools
- 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, has been to follow national negotiations. During 2019-2020 the following pay awards were implemented:

Table One - Pay Awards made during the year

Terms and Conditions type	Increase awarded	Date effective
Joint Negotiating Committee for Chief Executives of Local Authorities	Increase of 2.75% with effect from 1 April 2020. <i>The JNC negotiated a 2.75% award but the Chief Executive declined to accept it and therefore <u>no increase was paid.</u></i>	1 April 2020.
Joint Negotiating Committee for Chief Officers	With effect from 1 April 2020: Increase of 2.75%	1 April 2020
National Joint Council Single Status	With effect from 1 April 2020: Increase of 2.75%	1 April 2020.
NHS	Spinal column point increase to those who had not reached the top of their grade only. The NHS pay award was not paid.	Variable dates depending on anniversary date of job holder.
Youth & Community JNC	With effect from 1 September 2020: Increase of 2.75%	1 September 2020
Soulbury	With effect from 1 September 2020: Increase of 2.75%	1 September 2020
Centrally employed Teachers	Increase of 2.75% on every Teacher, Upper Teacher, all allowances and Leadership pay scales.	1 September 2020

3.2 Where staff have been transferred into the council their contractual terms and conditions will be static at the point of transfer. This will apply in all cases excluding those where the council has the possibility of participating in the negotiation process of such collective agreements concluded after the date of the transfer. This will mean that any pay award negotiated after transfer will not be paid (providing the council had no possibility of participating in the negotiation process).

3.3 There is incremental 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. Centrally employed Teachers

incremental pay progression is governed by the national performance related pay scheme and is not automatic.

4. Definition of Chief Officer

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 (Director of Law & Governance)
- s151 Officer (Corporate Director of Resources)
- Statutory Chief Officers Executive Director: People & Communities and Director of Public Health
- Non-Statutory Chief Officers: Executive Director: Place & Economy, Director: Customer & Digital Services, Director Business Improvement & Development. 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)

A list of posts and officers is attached at Appendix A. The Deputy Chief Officers included are as defined by the council's constitution.

5. Policy relating to remuneration of Chief Officers

5.1 Local government has changed radically; this council is no exception and many of our services are now provided externally. During 2013/14 senior manager pay scales were reviewed and the following parameters agreed by members of Employment Committee:-

- Senior manager role profiles should be evaluated independently under Hay, which is the council's chosen job evaluation system for senior managers.
- It was agreed that there should be seven pay bands which are anchored at the 50th percentile (market median) and range between 10% below or 10% above this market anchor point. Application of the council's Market Supplement policy will be considered in cases where the market dictates a rate that is above the 50th percentile and evidence is provided to support this.
- Pay protection would be applied to those who saw a reduction in their salary in accordance with the council's existing Redundancy Policy pay protection arrangements.
- Salary upon appointment will be set in accordance with the Guidance Document on Setting Senior Manager Pay.

5.2 Full Council is responsible for approving the appointment of the Head of Paid Service (Chief Executive). Full Council is responsible for confirming the dismissal of the Chief Executive and for confirming the dismissal of the Solicitor to the Council (Director of Law & Governance) or the Chief Finance Officer (Corporate Director of Resources) following the recommendation of such a dismissal by Employment Committee. All cabinet members have a right to object to the appointment or dismissal before the recommendation is implemented.

5.3 Employment Committee is responsible for approving the appointment (including remuneration) or dismissal of all other Chief Officers and Deputy Chief Officers. All Cabinet members have a right to object to the appointment or dismissal.

5.4 Full Council is responsible for approving salary grades of £100,000 or more in respect of a new appointment. The Employment Committee, under its delegated powers will determine the salary to be paid within the grade approved by Council. Full Council is responsible for approving severance packages beyond £100,000 for staff leaving the organisation.

5.5 In November 2016, the Council introduced a performance related progression scheme for senior

officers. This scheme provides for those employees to progress within their existing pay grade based upon their performance. In order to progress within the scheme an employee must demonstrate key success factors and achieve a minimum of a level 4 score on their Personal Development Review (Frequently Exceeds Agreed Expectations).

5.6 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 (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 example if a Chief Officer is paid through a third party) will be published in accordance with the Transparency Code requirements.

5.7 The council commenced sharing its senior management team with Cambridgeshire County Council in 2015. The first role to be shared was the Chief Executive. This was to give Peterborough and the county a stronger voice nationally to promote economic development and to create greater opportunities for jointly commissioned services and sharing of best practice between the two councils. The Corporate Director: People & Communities moved to a shared role in 2016. Peterborough City Council remains the employer of both job holders. A similar arrangement applies to the Director of Public Health who is employed by Cambridgeshire but shared with Peterborough.

Since June 2017, as further opportunities have arisen, more joint appointments have been confirmed with the aim of building a whole system approach around shared priorities and community outcomes; cost efficiencies is a crucial part of the programme and requires a greater degree of collaboration between local public services, their partners, providers and with the public than has ever previously been experienced in local government. The salary costs (including on costs) of all roles are shared by both authorities and this practice also applies when sharing additional posts which are not chief officer or deputy chief officer roles.

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. At 31 January 2021 the 10% is based on a total of 1247 staff (i.e 125) with a full time equivalent salary between £15,117 and £21,722. The average remuneration package for those 125 employees is in the region of £19,515. For employees who work part-time, their salary is calculated pro rata to the full-time equivalent rate. The minimum figure has decreased slightly, the maximum and average figures have both increased since last year. This will be as a result of the TUPE transfer of the ICT Services from Serco to PCC.

6.3 The definition used to define the lowest paid workers is the same as the definition applied in the 2014/15 Pay Policy and all subsequent policies. 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 was previously 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 and apprentices are excluded from this policy.

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, and in respect of certain allowances that are only paid to the lower grades, 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. When undertaking election duties officers are not employed by the council for the purposes of this work. 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 Equipment

Officers (including chief officers) are entitled to be provided with a mobile telephone, a Chromebook, and/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. The ability to work in an 'agile' way necessitates the need for the majority of officers to be supplied with a mobile telephone. This supports the council's new ways of working.

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 within twelve months 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 Teacher's Pension Scheme and the NHS 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 (Chief Executive), the s151 Officer (Corporate Director of Resources), and the Monitoring Officer (Director of Governance).

7.6 Other adjustments to pay

Various changes were introduced on 1 April 2017 to employee terms and conditions which affected pay. The council gave a commitment to its Trade Unions that there would be no further significant changes to terms and conditions until 2021 unless there are exceptional budget pressures.

Christmas close down - Employees at Grade 12 and above (£39,880) (or equivalent) have three day's pay deducted to cover the close down period between Christmas and New Year annually. Those below this level have the choice to take annual leave instead of unpaid leave. These deductions are not included in the figures within this policy.

Car Parking - Employees who wish to park their car at work have to pay for their car parking. The amount is dependant on their salary level. Car parking charges have not been deducted from salaries in this policy.

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. Since 2013 the council's ratio has reduced in seven out of eight years which demonstrates a downward trend.

The Chief Executive's remuneration is currently 8.89 times the remuneration of the lowest paid employees (for a definition of the comparator see 6.2 above) Our lowest paid staff have seen an increase of 27.09% in eight years, a much more significant rise than the chief executive whose salary has increased by only 2.01%. Reasons for this are (a) there was no pay award for the Chief Executive role for four years, (b) the Chief Executive did not accept the national pay award in April 2018, April 2019 and April 2020, and (c) lower paid staff were awarded a pay award in April 2017, 2018 and 2019 that was significantly higher than the rest of the workforce.

Table two - Ratio of Chief Executive's salary to lowest salary

	Feb 13	Feb 14	31 Jan 15	31 Jan 16	31 Jan 17	31 Jan 18	31 Jan 19	31 Jan 20	31 Jan 21
Chief Executive's salary	£170,175	£170,175	£170,175	£170,175	£171,877	£173,596	£173,596	£173,596	£173,596
Lowest salary package (using bottom 10%)	£15,011	£15,779	£16,062	£17,129	£17,202	£17,043	£17,775	£18,666	£19,515
Ratio	11.34 to 1	10.78 to 1	10.59 to 1	9.93 to 1	9.99 to 1	10.18 to 1	9.76 to 1	9.30 to 1	8.89 to 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 average remuneration of the organisation's workforce. The table below shows both the mean and the median average.

Table three - Ratio of Chief Executive's salary to median and mean average salary

	Jan 20		Jan 20	
	Median	Mean	Median	Mean
Chief Executive's salary	£173,596	£173,596	£173,596	£173,596
Average	£31,371	£33,748	£32,624	£35,633
"pay multiple" ratio	5.53 to 1	5.14 to 1	5.32 to 1	4.87 to 1

8.3 The 'average salary' is calculated as follows:

Median – where 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, in January 2021 the council had 1247 employees covered by this pay policy. When all of these salaries are listed in order, the total salary package of the 623rd employee is £32,624. An increase of 11.25% since 2018.

Mean - where the full time equivalent salary packages of every employee are added together, and then divided by the total number of employees (in this case 1247). This rate has risen by 5.63% over the year. It should be noted that adding the salaries together is not the same as calculating the total pay bill. This is because full time equivalent salaries are used for these figures, but in the council a significant number

of staff have part time contracts.

8.4 A graph showing pay dispersal across the council as at January 2021 is included at Appendix B. It should be noted that if an employee is seconded to another council or to a role as part of a shared service and the rate of pay is higher, then the council is reimbursed the extra pay. The pay dispersal figures fluctuate as the shape of the council changes, particularly if more services are shared, and/or further services are transferred into, or out of the council's control.

8.5 The median and mean salary in the council, and the salary of the lowest 10% of the workforce have all increased this year. The ratios comparing the Chief Executive's pay to the lowest salaries has also changed as the Chief Executive's pay has remained static whereas the lowest salaries have seen the biggest increase. This is explained further at para 8.1.

9. Review of the Pay Policy Statement

9.1 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 when the council's budget is considered.

9.2 The transfer of further staff into or out of the council is likely to have an impact on salary differentials in the future.

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 CHIEF OFFICERS IN THE COUNCIL

ROLE	OFFICER IN POST	SHARING ARRANGEMENT
Chief Executive (Head of Paid Service)	Gillian Beasley	Shared with Cambridgeshire County Council
Director of Law & Governance (Monitoring Officer)	Fiona McMillan	Shared from Cambridgeshire County Council
S151 Officer (Corporate Director Resources)	Peter Carpenter	N.A.
<u>Statutory Chief Officers:</u>		
Executive Director: People & Communities (Director of Children's Services)	Wendi Ogle-Welbourn	Shared with Cambridgeshire County Council
Director of Public Health	Dr Liz Robin	Shared from Cambridgeshire County Council
Service Director Adults & Safeguarding (Director of Adult Services)	Charlotte Black	Shared from Cambridgeshire County Council
<u>Non-statutory Chief Officers:</u>		
Executive Director Place & Economy	Stephen Cox	Shared from Cambridgeshire County Council
Director of Business Improvement & Development	Amanda Askham	Shared from Cambridgeshire County Council
Director of Customer & Digital Services	Sue Grace	Shared from Cambridgeshire County Council
<u>Deputy Chief Officers</u> (employees who report directly to a Statutory Chief Officer):		
Service Director Financial Services & Deputy S151 Officer	Kirsty Nutton (Acting)	N.A.
Service Director Communities & Safety	Adrian Chapman	Shared with Cambridgeshire County Council
Service Director Children's & Safeguarding	Patrick Williams	Shared with Cambridgeshire County Council
Service Director Commissioning	Will Patten	Shared from Cambridgeshire County Council
Service Director Education	Jonathan Lewis	Shared from Cambridgeshire County Council
Deputy Monitoring Officer	Amy Brown	N.A.
Assistant Director Human Resources & Development.	Mandy Pullen	N.A.
Deputy Director of Public Health	Vacant	Shared from Cambridgeshire County Council
<u>Deputy Chief Officers</u> (reports directly to non-statutory Chief Officer as per constitution):		
Service Director Highways & Transport	Graham Hughes	Shared from Cambridgeshire County Council
Assistant Director Growth & Regeneration	Vacant	N.A.
Assistant Director Housing	Vacant	N.A.

APPENDIX B: DISTRIBUTION OF SALARIES ACROSS THE COUNCIL



