

EMPLOYMENT COMMITTEE	AGENDA ITEM No. 5
2 MARCH 2023	PUBLIC REPORT

Report of:	Matt Gladstone, Chief Executive	
Cabinet Member(s) responsible:	Cllr Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Mandy Pullen - Assistant Director HR & Development	Tel. XXXXXX

ANNUAL PAY POLICY STATEMENT

RECOMMENDATIONS	
FROM: Chief Executive	Deadline date: <i>Employment Committee 2 March 2023. Full Council for approval 22 March 2023</i>
<p>Members of Employment Committee are requested:</p> <p>1. To note the content of the Pay Policy Statement for 2023/24 and make any suggestions as appropriate before being recommended for approval at Full Council on 22 March 2023</p>	

1. ORIGIN OF REPORT

1.1 This report is submitted to Employment Committee following CLT being made aware of the contents.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to ask Employment Committee to note the content of the Pay Policy Statement for 2023/24 ahead of this being issued to Full Council recommended for approval, and to note the content of the Gender Pay Gap Report. The policy is attached as Appendix 1 to the report.

2.2 This report is for the Employment Committee to consider under its Terms of Reference No. 2.3.2.6
To promote and pursue a policy of equal opportunities in employment.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	
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4. BACKGROUND AND KEY ISSUES

- 4.1 Council is required by the Localism Act 2011 to pass a resolution approving the Pay Policy Statement for each financial year.
- 4.2 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 the relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers.
- 4.3 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provided by the Department of Communities and Local Government (DCLG) "*Openness and accountability in local pay: Draft guidance under section 40 of the Localism Act*" and supplementary guidance.
- 4.4 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.
- 4.5 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.
- 4.6 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.
- 4.7 The pay policy statement at Appendix 1 demonstrates that between January 2022 - January 2023 the median salary in the council increased from £32,234 to £34,723. 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 £35,137 to £37,575. 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.
- 4.8 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.
- 4.9 The Chief Executive's remuneration is currently 8.5 times the remuneration of the lowest paid employees (for a definition of the comparator see 6.2 above). This has slightly decreased since last year's figure of 9 to 1 which may be due to a decrease in the quantity of staff in the lower pay bands and despite of an increase in the Chief Executives Salary.
- 4.10 The lowest salary* increased from £19,288 to £21,143.18 which meant that the ratio of the highest salary to the lowest salary decreased from 9 to 1 to 8.5:1.

**The lowest paid employees are defined as those in the bottom 10% of employees by remuneration.*

5. CORPORATE PRIORITIES

5.1 The Pay Policy links to the following Council's Corporate Priority

1. Sustainable Future City Council
 - How we Work
 - How we Serve
 - How we Enable

6. CONSULTATION

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

7. ANTICIPATED OUTCOMES OR IMPACT

7.1 The Committee take note and the Pay Policy Statement is published on the council website

8. REASON FOR THE RECOMMENDATION

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

9. ALTERNATIVE OPTIONS CONSIDERED

9.1 As the Council is required by the Localism Act 2011 to pass a resolution approving the Pay Policy Statement for each financial year there are no other alternatives to this document.

10. IMPLICATIONS

Financial Implications

10.1 The pay policy has been checked and approved by the Executive Director of Corporate Services with all costs factored into the Financial Strategy.

Legal Implications

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

Equalities Implications

10.3 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.

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

11.1 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

12. APPENDICES

PAY POLICY STATEMENT FOR 2023

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 regards to:

1.2.1 The remuneration of chief officers (as defined in 4.1);

1.2.2 The remuneration of the lowest paid employees (as defined in 6.2); and

1.2.3 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 their 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 the year, 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	1.5% increase on the salary payable	1 April 2021
	An increase of £1,925	1 April 2022
Joint Negotiating Committee for Chief Officers	1.5% increase on the salary payable	1 April 2021
	An increase of £1,925 on all HAY pay bands	1 April 2022
National Joint Council Single Status	An uplift of 2.75% for SCP 1 An uplift of 1.75% for SCP 2 and above	1 April 2021
	An increase of £1,925 on all NJC pay points 1 and above. An increase of 4.04 per cent on all NJC allowances.	1 April 2022
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	An increase of 1.75 per cent on all other spinal column points	1 September 2021
	An increase of £1925 on all pay points on the Support Worker and Professional ranges	1 September 2022
Soulbury	An increase of 1.75 per cent on all other spinal column points	1 September 2021
Centrally employed Teachers	A 5% increase across all pay ranges and allowances with higher increases to some parts of the main pay range	1 September 2022

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

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 Legal & Governance)
- s151 Officer (Executive Director of Corporate Service)
- Statutory Chief Officers: Executive Director of People Services and Director of Public Health
- Non-Statutory Chief Officers: Executive Director Place & Economy. 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 Legal & Governance) or the Chief Finance Officer (Executive Director of Corporate Service) 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 The council operates a performance related progression scheme for senior officers which was amended after the introduction of a new ongoing performance management scheme that replaced the previous annual appraisal scheme and its ratings. To progress through the pay grades, their manager completes a document detailing the rationale for progression, which includes examples of exceptional performance. This is then signed off by the Chief Executive.

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, with further joint appointments confirmed since 2017. During 2022, a review of all sharing arrangements has taken place and continues into 2023. The role of Chief Executive was the first to become a purely PCC role from January 2022, and further roles have been decoupled since.

Where sharing arrangements remain in place, 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 January 2023 payroll, the 10% is based on a total of 1298 staff (i.e. 130) with a fulltime equivalent salary between £13,728 and £23,915. The average remuneration package for those 130 employees is in the region of £21,143.18. For employees who work part-time, their salary is calculated pro rata to the full-time equivalent rate. The minimum figure has decreased and the average salary has increased since last year. This is because there are less staff employed on lower grades this year than last. For example, in 2022 there were 81 people earning between £15000-£19999, whereas in 2023 there were 38 earning between £15000-£19999. So although the minimum salary of the staff was £13,727.88, less people on the lower grades this year in general will bring down the value of the 10th percentile FTE salary plus fixed pay allowances.

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 laptop, 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.

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 (Executive Director of Corporate Service), and the Monitoring Officer (Director of Legal & 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 shutdown - Employees at Grade 12 and above (£42,503) (or equivalent) have three day's pay deducted to cover the close down period between Christmas and New Year annually. Normally, those below this level have the choice to take annual leave instead of unpaid leave. For 2023 these employees had to take annual 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. For those staff who opt for an annual staff car parking permit, the amount is dependant on their salary level. Staff also have an option to pay for an occasional car parking permit on a 'pay as you go basis' at a flat rate for all staff. Car parking charges have not been deducted from salaries in this policy.

8. Relationship between the remuneration of the council's chief officers and non 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.

The council would not expect that the remuneration of its highest paid officer would exceed 20 times the remuneration paid to its lowest paid employees, except in exceptional circumstances, which must be specifically authorised by the Employment Committee and reviewed annually.

The Chief Executive's remuneration is currently 8.5 times the remuneration of the lowest paid employees (for a definition of the comparator see 6.2 above). This has slightly decreased since last year's figure of 9 to 1 which may be due to a decrease in the quantity of staff in the

lower pay bands and despite an increase in the Chief Executive's salary.

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

	31 Jan 20	31 Jan 21	31 Jan 22	31 Jan 23
Chief Executive's salary	£173,596	£173,596	£173,596	£179,742
Lowest salary package (using bottom 10%)	£18,666	£19,515	£19,288	£21,143
Ratio	9.30 to 1	8.89 to 1	9 to 1	8.5:1

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 22		Jan 23	
	Median	Mean	Median	Mean
Chief Executive's salary	£173,596	£173,596	£179,742	£179,742
Average	£32,234	£35,137	£34,723	£37,575
"pay multiple" ratio	5.39 to 1	4.94 to 1	5.18:1	4.78:1

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 2023 the council had 1298 employees covered by this pay policy. When all these salaries are listed in order, the total salary package of the 649rd employee is £34,723. An increase of £2,489, or 7.72%, from 2022.

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 1298). This rate has increased by 6.93% to £37,575 from £35,137 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 2023 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 have both increased this year. This could be due to more staff employed on higher grades this year than last. The salary of the lowest 10% of the workforce has increased this year.

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

CHIEF OFFICERS IN THE COUNCIL

ROLE	OFFICER IN POST	SHARING ARRANGEMENT
<u>Statutory Chief Officers:</u>		
Chief Executive (Head of Paid Service)	Matthew Gladstone	N.A.
Director of Legal & Governance (Monitoring Officer)	Rochelle Tapping	N.A.
Executive Director of Corporate Services & S151 Officer	Cecilie Booth	N.A.
Executive Director of People Services	Charlotte Black (Acting)	Shared from Cambridgeshire County Council
Director of Public Health	Jyoti Atri	Shared from Cambridgeshire County Council
Executive Director of Children's Services	Elaine Redding	N.A.
<u>Non-statutory Chief Officers:</u>		
Executive Director Place & Economy	Adrian Chapman	N.A.
<u>Deputy Chief Officers</u> (employees who report directly to a Statutory Chief Officer):		
Service Director: Financial Services	Patricia Phillipson	N.A.
Chief Internal Audit	Steve Crabtree	N.A.
Director of Commercial Partnerships & Property & Assets	Simon Lewis	N.A.
Service Director Children's & Safeguarding	Sharmain Lawrence	N.A.
Service Director Commissioning	Will Patten	Shared from Cambridgeshire County Council
Service Director Education	Jonathan Lewis	Shared from Cambridgeshire County Council
Service Director Adults & Safeguarding (Director of Adult Services)	Debbie McQuade (Acting)	Shared with Cambridgeshire County Council
Deputy Monitoring Officer	Amy Brown	N.A.

Assistant Director Human Resources & Development.	Mandy Pullen	N.A.
Deputy Director of Public Health	Emmeline Watkins	N.A.
Assistant Director of IT & Digital Services	Samantha Smith	Shared from Cambridgeshire County Council
Deputy Chief Officers (reports directly to non-statutory Chief Officer as per constitution):		
Assistant Director for Planning	Jim Newton	N.A.
Assistant Director for Regulatory Services	Peter Gell	N.A.
Assistant Director for Community Safety	Rob Hill	N.A.
Assistant Director for Growth & Regeneration	Nick Carter	N.A.
Assistant Director Housing	Sean Evans (Acting)	N.A.

APPENDIX B: DISTRIBUTION OF SALARIES ACROSS THE COUNCIL

