

DRAFT - Pay Policy Statement 2015

Appendix A

Introduction and purpose

1. The purpose of this statement is to set out the council's approach to setting the pay of its employees (excluding those working in local authority schools) by identifying:
 - the methods by which salaries of all employees are determined;
 - the detail and level of remuneration of its most senior staff (chief officers), as defined by the relevant legislation;
 - who is responsible for ensuring the provisions set out in this statement are applied consistently throughout the council, and for recommending any changes to council.
2. Once approved by council, this policy statement will come into immediate effect and will be subject to an annual refresh.

Legislative framework

3. Section 38(1) of the Localism Act 2011 requires local authorities to produce an annual pay policy statement.
4. Under section 112 of the Local Government Act 1972, the council has the 'power to appoint officers on such reasonable terms and conditions as the authority thinks fit', subject to the provisions of section 41 of the Localism Act (namely for decisions in relation to terms and conditions of chief officers to comply with the pay policy statement).
5. In determining the pay and remuneration of all of its employees, Herefordshire Council will comply with all relevant employment legislation. With regard to the equal pay requirements contained within the Equality Act, the council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality proofed job evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

Organisational context

6. All local authorities are reducing services as the government has indicated that it will continue to significantly reduce the funding it provides to local government across England. Direct government funding is being cut by over 40% in the worst cases.
7. In addition Herefordshire Council serves ever more people, particularly in essential areas such as children's safeguarding and adult social care. Nonetheless we must reduce expenditure in total by approximately £33m in the period 2014/15 – 2016/17; to hit this target we must make savings of £9m in 2015/16, on top of the £34m savings delivered in the previous three financial years.
8. We have managed to reduce our costs substantially by working in better ways and being more efficient, including a reduction in the number of senior posts, and a reduction in the salary levels of chief officer posts. We will keep doing this but there is little opportunity left to reduce costs without reducing our services further.
9. We have less, so, even after efficiencies, we must do less.

10. Our priority areas are, within the resource available to us, to keep children and young people safe, and give them a great start in life, enable residents to live safe, healthy and independent lives, and invest in projects to improve roads, create jobs and build more homes.
11. To continue to fund those priority services we have to radically reduce, or stop completely, the funding of all other services. Even in our priority areas we have to make reductions to balance our budget. This means changing the way those services are provided and by managing demand.

Pay structure / national frameworks

12. Herefordshire Council is committed to fair pay and grading determined by a robust and objective job evaluation process. The *national job evaluation scheme* is used for all posts up to HC7 and the *Hay job evaluation scheme* for all posts above this level.
13. Based on the application of the job evaluation process, the council uses the nationally negotiated pay spine (attached at Appendix 1) as the basis for its local pay rates in relation to job grades. This determines the salaries of the large majority of the non-school based workforce, together with the use of other nationally defined rates where relevant. National pay increased by 2.2% in January 2015.
14. All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and or as determined by council policy. In determining its grading structure and setting remuneration levels for all posts, the council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times those services are required.
15. New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate.
16. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. In accordance with the council's policy on market forces, where this is necessary the council will ensure the requirement for such a market forces supplement is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector. Any market forces supplement will be payable for a pre-determined fixed period and will be subject to ongoing review.
17. The council does not make use of performance related pay for any of its employees.

Senior management remuneration

18. For the purpose of this statement 'senior management' means 'chief officers' as defined within section 43 of the Localism Act. The posts falling within this definition are listed below, with details of their remuneration (excluding standard pension contribution) as at 3 November 2014.
19. An organisation chart at Appendix B shows the current reporting structure of chief officers and their direct reports. The structure shows evidence of removing management roles and increasing the spans of control i.e. number of direct reports, which means fewer layers between the head of paid service and junior staff.

Permanent posts	*Annual salary (excluding on costs) £	**Total pay £
CEO Herefordshire Council (<i>head of paid service</i>)	145,000	
Director for economy communities and corporate	120,000	120,181
Director of children's wellbeing (0.9 fte)	108,000	
<i>Section 151 officer (1 day a week) Annual salary of future appointment to be in place by September 2015 (subject to job evaluation)</i>	33,800 (90,000)	
<i>Director of public health Annual salary of future appointment to be in place by September 2015 (subject to job evaluation)</i>	(80,751)	(95,751)
Public health consultant	84,667	
Public health consultant	84,667	
Assistant director governance (<i>monitoring officer</i>)	90,000	
Assistant director commissioning and education	80,751	
Assistant director economic environmental and cultural services	80,751	
Assistant director place based commissioning	80,751	
Head of community and customer services and project director broadband	70,682	
Head of adult safeguarding and transformation	70,682	
Programme director – housing and growth (effective 1 March 2015)	74,550	
Head of practice development	56,165	
Health improvement programme manager	49,473	
Head of communications and web	53,232	
Finance business partner	54,679	
Head of technical accounting	45,320	
Management accountant (0.92 fte)	40,594	
Head of corporate assets management	50,451	
Property services manager	50,451	
Service manager – ICT commissioning	44,414	

* Annual salaries quoted are effective 1 January 2015 and not inclusive of on costs which are typically an additional 24%. Also excluded are two days unpaid annual leave deducted annually as per contracts of employment.

** Total pay includes any additional payments e.g. market forces supplements, allowances, benefits-in-kind as defined in the local government transparency code 2014.

Additions to salary of chief officers

20. The chief executive is the returning officer for Herefordshire. No additional payment is made for fulfilling this duty.
21. The council does not apply any bonuses, pension enhancements (subject to para. 26 below) or performance related pay at this time to its chief officers or to other staff within its workforce. No other pay benefits are paid to chief officers at the time of producing this statement. Relocation for new employees and mileage are classed as expenses, ie are not tax deductible and relate to additional costs incurred.

Recruitment of chief officers

22. Herefordshire Council's rules with regard to employment of staff are set out within the employment rules contained within section 4.9 of the constitution, available at the following link:
<http://councillors.herefordshire.gov.uk/ieListDocuments.aspx?CId=332&MId=4894&Ver=4&Info=1>
23. Where the council requires short term focus on a particular transformation or turnaround priority, it will consider and utilise engagement of specialist consultancy companies under 'contracts of service' rather than employing individuals. Currently, there are three areas where this is applicable. These are children's safeguarding performance improvement; adult wellbeing, public health and commissioning transformation; and financial/resources stability. In the case of the first two, the contracts of service are costing no more than any substantive post at this level including on costs. The contract of service cost for finance/resources transformation will cost slightly more and this was previously agreed with the employment panel on 3 June 2014. These services will continue to be sourced through a relevant procurement process in accordance with the council's contracts procedure rules, ensuring the council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service.

Contract of Service provision	Annual budget £000	Equivalent people
Adult care, public health & commissioning transformation	143	1
Public health	125	1
Adults wellbeing commissioning	105	1
Finance/resources transformation	117	1
Safeguarding and early help	103	1
Adults wellbeing operations	97	1

These figures should not be confused with or interpreted as a salary that an interim person would receive through a contract for service arrangement as the budget covers the cost of the service provided, plus the cost of the agency managing the contract and does not directly relate to the value of the remuneration paid to the individuals carrying out the work.

24. Any officer previously employed by Herefordshire Council in receipt of a severance or redundancy payment when their employment ceases may not be re-employed by the authority (including under a contract of service or as an agency worker) until a period of at least six months has elapsed, unless through exceptional circumstances (in which case the payment would be claimed back on a pro-rata basis).

25. Any officer appointed to the council who has been made redundant within the previous two years from an organisation covered by the Redundancy Payments (Continuity of Employment in Local Government etc) (Modification) Order 1999 (as amended) (which applies to local authorities and related bodies) will have their previous continuous service taken into account for the purpose of calculating annual leave, sick pay, maternity / paternity entitlements. For the purpose of redundancy, the calculation of service would be the date of return to Herefordshire Council.

Payments on termination

26. The council's policy on termination of employment of employees prior to reaching normal retirement age, in accordance with regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and Regulation 12 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007 (as amended), is to base redundancy payments on the statutory calculation multiplied by 1.5.
27. Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made in accordance with the relevant process as set out in the council's employment rules.

Pensions

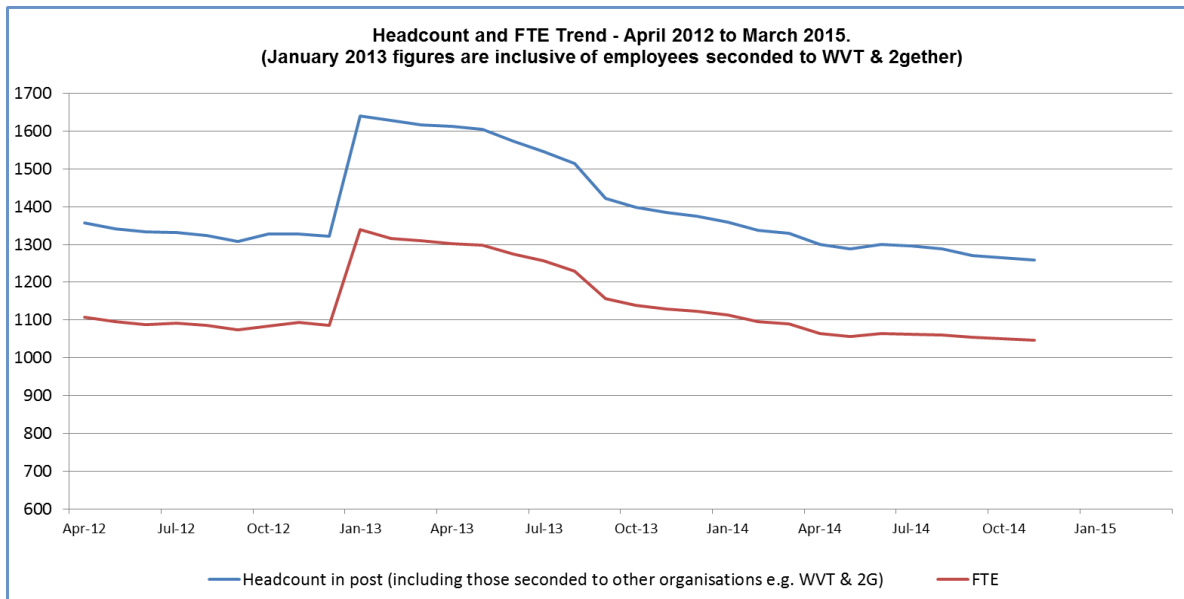
28. Subject to qualifying conditions, employees have a right to join the nationally determined local government pension scheme. The employee contribution rates, which are defined by statute, are as of 1 April 2014:

Whole time pay rate	Contribution rate
Up to £13,500.99	5.5%
£13,501.00 to £21,000.99	5.8%
£21,001 to £34,000.99	6.5%
£34,001.00 to £43,000.99	6.8%
£43,001.00 to £60,000.99	8.5%
£60,001.00 to £85,000.99	9.9%
£85,001.00 to £100,000.99	10.5%
£100,001.00 to £150,000.99	11.4%
£150,001.00 and above	12.5%

29. Scheme members have the right to opt to pay half rate contributions in return for half the benefits.
30. The employer contribution rates are set by actuaries advising the pension fund; these are reviewed on a triennial basis in order to ensure the scheme is appropriately funded. The current rate, as of 1 April 2014 is 24%. This includes an element of past service deficit funding.

Broader workforce perspective

31. This section of the pay policy statement applies to the non-schools workforce only.
32. The overall spend of Herefordshire Council is approximately £319 million. Approximately £36 million is spent on employing the non-schools workforce in relation to basic salaries (including national insurance and superannuation) of directly employed staff to which this policy relates. As at 3 November 2014 (the most recent data available at time of drafting) there were 1049.21 full-time equivalent (FTE) posts across the organisation.



NOTE: The increased headcount and FTE figures in January 2013 are due to the inclusion of Herefordshire Council employees who were seconded to Wye Valley Trust to September 2013, and those who continue to be seconded to 2gether. This data was not previously recorded in the council's figures. The headcount and FTE trend continues to fall.

33. As at 3 November 2014, the median basic salary was £22,443 (excluding national insurance and superannuation). The mean average salary (workforce cost exclusive of national insurance and superannuation divided by headcount) is £25,717 which has reduced from £28,343 in December 2013. The median chief officer annual salary is £70,682 (excluding national insurance and superannuation) this has reduced from £79,013 last year.
34. For the purpose of this pay policy statement, and in accordance with the provisions of section 38 of the Localism Act, Herefordshire Council defines "lowest paid employees" as those paid on full time (37 hours) equivalent salaries in accordance with the minimum spinal column point currently in use within the council's grading structure. As at 3 November 2014, this is scp10 £14,013 per annum – there are three people paid at this level. The council employs apprentices who are not included within the definition of 'lowest paid employees'.
35. The current pay levels within the council define the multiple between the lowest paid (full time equivalent) employee and the chief executive as 1:10 (reduced from 1:11) and; between the lowest paid employee and average chief officer as 1:5 (reduced from 1:7). The multiple between the median full time equivalent earnings and the chief executive is 1:6 and; between the median full time equivalent earnings and median chief officer is 1:3 (reduced from 1:4). The multiple between the median salary and the chief executive is 1:5. This data will be refreshed in line with the publishing of the statement of accounts and will be available within the statement of accounts and on the website.
36. The authority implemented two days unpaid leave through collective bargaining in May 2013 that applies to all roles within the organisation (excluding schools, TUPE transferred NHS staff and those employed on a term time only contract). The two days are confirmed by the organisation and coincide with the christmas bank holidays. Local decisions in relation to leave are taken within critical services that continue through this period.
37. The council values the contribution that interim workers make to achieving organisational objectives. They enable a flexible employment model that makes it possible for the council to attract expertise that is not otherwise internally or locally available. Where the nature of the work is time limited utilising interims may be the more cost effective approach by mitigating

long-term substantive costs and potential redundancy circumstances. It is normal for organisations going through significant transformation to have a flexible workforce model to achieve the challenging priorities and respond to the associated budget pressures.

38. That said, the agency worker market also needs to operate within a cost and quality model which is affordable. The council has signed up to the west midlands children's agency social worker protocol which seeks to be transparent about cost and ensure consistent quality.

Accountability and decision making

39. In accordance with the council's constitution, the employment panel (in respect of the chief executive, monitoring officer, Section 151 officer and directors) or the chief executive (all other employees) is responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the council.
40. For those pay accountability matters identified within the Localism Act as being reserved to council, the employment panel will be the body accountable for formulating recommendations to council including the undertaking of an annual review of this statement before recommending its approval to council as one of the suite of documents council approves as part of its medium term financial strategy. The pay policy statement therefore forms part of the budget and policy framework of the council.
41. In addition to approval of this statement, the right of approval of new salary packages over £100,000 is reserved to council. In such circumstances the employment panel will be the body accountable for developing recommendations to council.

Member pay

42. This pay policy statement does not relate to councillors. Information on councillor allowances can be found at <http://councillors.herefordshire.gov.uk/ecSDDisplay.aspx?name=allowances>.

Publication

43. After approval by council, this statement will be published on the council's website. In addition, senior employees (directors and staff who report to directors who are employed on head of service pay grades) are included in the council's annual statement of accounts (available at: <https://www.herefordshire.gov.uk/government-citizens-and-rights/democracy/council-finances/>) that includes a note setting out the total amount of:

- Salary, fees or allowances paid to or receivable by the person in the current and previous year.
- Any bonuses so paid or receivable by the person in the current and previous year.
- Any sums payable by way of expenses allowance that are chargeable to UK income tax.
- Any compensation for loss of employment and any other payments connected with termination.
- Any benefits received that do not fall within the above.

Herefordshire Council pay and grading structure – 1 January 2015
Appendix 1

Grade	National SCP (scp50 & above are local)	Annual Pay Rate	Hourly Pay Rate(£)
HC1	5	£13,500	6.9974
	6	£13,614	7.0565
	7	£13,715	7.1088
HC2	7	£13,715	7.1088
	8	£13,871	7.1879
	9	£14,075	7.2954
	10	£14,338	7.4317
HC3	10	£14,338	7.4317
	11	£15,207	7.8822
	12	£15,523	8.0460
	13	£15,941	8.2626
HC4	13	£15,941	8.2626
	14	£16,231	8.4129
	15	£16,572	8.5897
	16	£16,969	8.7955
HC5	17	£17,372	9.0043
	18	£17,714	9.1816
	19	£18,376	9.5247
	20	£19,048	9.8731
	21	£19,742	10.2328
HC6	21	£19,742	10.2328
	22	£20,253	10.4976
	23	£20,849	10.8066
	24	£21,530	11.1595
	25	£22,212	11.5130
	26	£22,937	11.8888
HC7	26	£22,937	11.8888
	27	£23,698	12.2833
	28	£24,472	12.6845
	29	£25,440	13.1862
	30	£26,293	13.6283
	31	£27,123	14.0585
HC8	31	£27,123	14.0585
	32	£27,924	14.4737
	33	£28,746	14.8998
	34	£29,558	15.3207
	35	£30,178	15.6420
	36	£30,978	16.0567
HC9	36	£30,978	16.0567
	37	£31,846	16.5066
	38	£32,778	16.9897
	39	£33,857	17.5489
	40	£34,746	18.0097
HC10	41	£35,662	18.4845
	42	£36,571	18.9557
	43	£37,483	19.4284
	44	£38,405	19.9063
	45	£39,267	20.3531

HC11	46	£40,217	20.8455
	47	£41,140	21.3239
	48	£42,053	21.7971
	49	£42,957	22.2657
	50	£44,124	22.8706
HC12	51	£45,320	23.4905
	52	£46,552	24.1291
	53	£47,820	24.7863
	54	£49,117	25.4586
	55	£50,451	26.1500
HC13	56	£51,824	26.8617
	57	£53,232	27.5915
	58	£54,679	28.3415
	59	£56,165	29.1117
HoS2		£70,682	36.6364
		£72,591	37.6258
		£74,550	38.6412
HoS1		£76,563	39.6846
		£78,631	40.7565
		£80,751	41.8554