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| MEETING: | Employment panel |
| MEETING DATE: | 14 January 2015 |
| TITLE OF REPORT: | Pay policy statement |
| REPORT BY: | Chief executive |

Classification

Open

Key Decision

This is not an executive decision.

Wards Affected

County-wide

Purpose

To consider a draft pay policy statement for recommendation to council; to recommend to council approval of salary packages in accordance with the provisions of the Localism Act 2011; and to update the employment panel on plans to progress permanent recruitment to senior management roles.

Recommendation(s)

THAT:

- (a) the pay policy statement summarising existing council policies (at Appendix A) be recommended to council for approval;**
- (b) the director of adults and wellbeing salary of £120,000 be recommended to council for approval, being over £100,000 pa;**
- (c) new salary packages are agreed for the following two posts based on the outcome of job evaluation that will be reported to committee verbally.**
 - Director of public health**
 - Director of resources (section 151 officer)**
- (d) it be noted that a recruitment campaign will commence in February 2015 to permanently recruit to a number of senior roles, including:**

- **Director of adults and wellbeing**
- **Director of public health**
- **Director of resources (section 151 officer)**
- **Assistant director – adults commissioning**

Alternative Options

1. There are no alternative options to recommendation a); the approval by council of a pay policy statement for the authority is a statutory requirement and the statement does not of itself make any policy changes, but provides a summary of those policies already in place.
2. The alternative options for recruitment to the listed statutory roles could be:
 - a. To redesign roles and responsibilities to combine chief officer roles. This has been considered but not pursued as significant reduction of the senior team has already taken place and the council's leadership/ management of over £350m gross expenditure pa, over 1,000 staff, substantial external contracts and key strategic partnerships is now led by a small number: the CEx, three strategic directors and the director of resources (see below for new role description). There are significant ongoing and new accountabilities, transformations and challenges to be met and delivered; hence it is considered that it would risk destabilising the good progress already made were these key roles to be internally combined.
 - b. Continue with interim arrangements. This option has been considered but not seen as the optimum approach, due to the need for stability and continuity over the next three to five years to deliver strategic outcomes, and for organisational leadership: it is important that Herefordshire Council 'leads from the front' where possible, in seeking to appoint permanent employees for 'core' medium-to-long-term roles. The S151 officer is required by law to be an employee of the council.
 - c. To consider sharing chief officer roles with other local authorities. This option is not currently possible as overtures made to neighbouring authorities have not led to any advanced new shared leadership models being developed for the above roles – a pre-requisite to consideration of any financial, operational or strategic benefits; and Herefordshire is not at a point of transformation that would readily support a shared leadership model at this time. This position will be kept under ongoing review, but we currently view the optimum way forward for Herefordshire Council as being led/ managed by a small core group of permanent senior officers.
3. Alternative salary options have been considered: we believe that we will be at our most effective in recruitment and retention by expressing Herefordshire Council's strengths as a 'package', of which salary is an important component, as are wider aspects of the employment contract. Further consideration will be given to these wider terms and conditions to ensure that the costly process of recruitment is competitive with its recruitment package. We need to reflect the approved salary structure and existing reward policies, but in a competitive talent market Herefordshire Council must also take account of internal and external relativities (i.e. job evaluation and benchmarking) and the current recruitment market.

Reasons for Recommendations

4. To provide transparency with regard to the council's approach to setting the pay of its employees in compliance with the provisions of the Localism Act 2011 and the Local Government Transparency Code 2014.
5. To comply with the guidance issued by the Secretary of State for Communities and Local Government to which the Authority is required to have regard under Section 40 of that Act. This includes the requirement for council approval for salary packages in excess of £100,000.

Key Considerations

6. The Localism Act places a requirement on local authorities to produce an annual pay policy statement for each financial year and for this statement to be approved by council before the start of the financial year to which it relates.
7. The statement must set out the council's policies relating to:
 - a) The remuneration of its chief officers
 - b) The remuneration of its lowest paid employees; and
 - c) The relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers.
8. The statement must include the council's definition of 'lowest paid employees' and the reasons for adopting that definition.
9. The statement must include policies relating to:
 - a) The level and elements of remuneration for each chief officer
 - b) Remuneration of chief officers on recruitment
 - c) Increases and additions to remuneration for each chief officer
 - d) The use of bonuses for chief officers
 - e) The approach to the payment of chief officers on their ceasing to hold office under, or to be employed by the authority; and
 - f) The publication of and access to information relating to remuneration of chief officers
10. The local government transparency code came into effect in August 2014. Local authorities must, under this code, publish the pay multiple on their website, defined as the ratio between the highest paid taxable earnings for the given year (including base salary, variable pay, bonuses, allowances and the cash value of any benefits-in-kind) and the median earnings figure of the whole of the authority's workforce. The measure must:
 - a. Cover all elements of remuneration that can be valued (eg. all taxable earnings for the given year, including base salary, variable pay, bonuses, allowances and the cash value of any benefits-in-kind)
 - b. Use the median earnings figure as the denominator, which should be that of all employees of the local authority on a fixed date each year, coinciding with reporting at the end of the financial year, and

- c. Exclude changes in pension benefits, which due to their variety and complexity cannot be accurately included in a pay multiple disclosure.
11. The pay multiples presented in the pay policy statement comply with the transparency code requirements. In future the pay multiples will be included in the statement of accounts at the time of publishing.
 12. The statement draws together factual material and provides a summary of the current pay policies of the council.
 13. **Living Wage:** Management board has considered an initial review of the implications for moving from paying lowest paid workers at the national minimum wage to the living wage as a minimum level. They have requested further analysis to better understand the financial and non-financial implications for the council and bodies such as schools and organisations contracted to undertake work for the council. There are now only a very small number of posts within the council in this category and it is likely that following a review of distribution of duties, those roles may be evaluated at a higher grade which will be above the living wage. Following the resolution passed at Council on Friday 12 December 2014, a further report will be brought to Employment Panel once the more detailed work requested by Management board has been completed.
 14. All posts, whether chief officer or not, have their level of remuneration established through assessment by a nationally recognised and independent job evaluation scheme. Council have the opportunity to vote on any new salary packages exceeding £100,000.
 15. In order to attract suitably qualified and experienced candidates for roles across the organisation we need to consider reviewing our reward and grading structure, as well as elements of our terms and conditions of employment, to ensure that they are competitive both regionally and nationally.
 16. In line with our priority to be clear about good performance standards across our service areas, a key focus for Herefordshire Council in 'raising its game' in the next financial year will be reviewing and implementing a new approach to ensure a robust individual/service performance management system. This will be designed to encourage good performance, whilst identifying unacceptable performance and addressing it and will complement the existing quarterly performance review process and the continuous performance improvement programme (C-PiP) that is corporate wide.
 17. In approving its statement, council must have regard to any guidance issued by the secretary of state. This has been taken into consideration in the development of the statement.
 18. The pay policy statement follows a previous format and has been updated to reflect current data relating to roles, salaries and financial information.

Recruitment to statutory roles:

19. It is acknowledged that the organisation has made significant progress to respond to the financial challenges and transformation of service delivery over the last two years with significant challenges cited for the foreseeable future. It is important that our organisation continues to recruit quality candidates at best value to the core roles which are required to ensure that we have high calibre people working in our organisation to continue to lead and deliver further significant changes across the public services and in particular the continued challenges to local authorities.
20. Following the report to employment panel in relation to statutory officers on 3 June 2014 and the associated decisions made, we propose to commence a recruitment campaign in February for the recruitment to the posts listed below to put in place a permanent position for the medium term.
21. The statutory roles planned to be included in the recruitment campaign include the director of adults & wellbeing; director of public health; director of resources (section 151 officer) (encompassing previous chief financial officer role). For the panel's information, during the course of next year, in line with good practice there will be a review of posts filled by agency staff, and recruitment to those posts where they are long term core roles, although recruitment to those posts is not a responsibility of the panel. The first of these will be the assistant director – adults & wellbeing commissioning.
22. **Director of resources.** Following the 2013 departure of the corporate services director (deputy chief executive) and the chief officer (finance and commercial services) the decision was taken in mid-2013 to recruit to the chief financial officer role with a specific finance focus to enable prioritisation of fully addressing the financial challenges to the council. The council's financial position and its financial control has improved despite the extraordinary new yearly financial challenges placed upon the council and in April 2014 the post-holder took additional responsibility for ICT services and in December 2014 for property and estates services. This has enabled the deletion of two senior posts, the assistant director organisational development and directorate change manager. It is considered that these changes should be made permanent as director of resources although the principal focus of the role will remain finance. Streamlining the governance arrangements with Hoople Ltd may also enable further efficiencies to be made by appointing to this new post. It is therefore proposed that we start the recruitment process to this role. The salary for this post will be consistent with the council's current grading structure and subject to job evaluation. The spot salary for this post based on previous job evaluation is £90,000. It is anticipated that this role may attract an enhanced spot rate salary in line with the outcome of the job evaluation process.
23. The recruitment process will be defined and carried out in line with recruitment policies and procedures, and will comply with the requirements of the constitution and any legislative requirements specific to the Director of Public Health post.

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| Shortlisting | <ul style="list-style-type: none">• Employment panel• Chief executive and/or Herefordshire Council director (as appropriate)• Professional body• Cabinet lead |
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| Selection process | <ul style="list-style-type: none"> • Employment panel • Cabinet lead • Chief executive and/or Herefordshire Council director (AWB, CWB or ECC), • specialist professional body e.g. Public Health England, DAS, CIPFA, • partner organisations as appropriate e.g. CCG, • representative from appropriate forum or board e.g. health & wellbeing, safeguarding boards |
| Interview and Appointment decision | <ul style="list-style-type: none"> • Employment panel • Public Health England |

24. It is anticipated that the recruitment campaign will launch in February 2015 with anticipated start dates for appointed candidates from June 2015 to September 2015.
25. The role profile for the director for adults and wellbeing position has been subject to a job evaluation process and the salary applied is consistent with existing director level roles. The director salary level is a spot salary at £120,000 as detailed in the pay policy statement.

Community Impact

26. The council, as an employer, has a significant role to play in the local economy. We have an explicit corporate objective related to increasing the average wage and the number of people that work in Herefordshire. Consideration should continue to be given to the degree to which the commissioning approach adopted by the council may be used to influence pay policies of local contractors who supply goods or services on behalf of the authority. The council continues to ensure that the resources available are used in the most effective way.

Equality and Human Rights

27. The statement makes clear that the council's employment policies, and the processes by which pay levels for a post are set, have full regard to relevant equality legislation.
28. When conducting further living wage analysis, an equality impact assessment will be completed.

Financial Implications

29. There are no financial implications relating to the pay policy statement arising from the report; the statement simply summarises current policies and pay levels. Council has the opportunity to vote on any proposed pay packages exceeding £100,000.
30. There will be a cost for the recruitment campaign and any costs for using specialist agencies to source good quality candidates. The anticipated cost for this would be £60,000 (£10,000 to £15,000 per post) which would include agency fees and attraction. This will be covered from existing budgets.

31. The ongoing cost of appointments at this level would be within the existing budgets and subject to council approval as defined by the Localism Act 2011.

Legal Implications

32. Sections 38 – 43 of the Localism Act 2011 require that the Authority prepare a pay policy statement for each financial year. It must be prepared and approved before 31 March and once approved published. This policy statement meets the requirements of the Localism Act and also meets the requirements of the guidance issued by the Secretary of State for Communities and Local Government to which the Authority is required to have regard under Section 40 of that Act

Risk Management

33. Failure to approve and publish a statement would result on non-compliance with a statutory requirement. Arrangements are in place to ensure publication of the statement following approval by council.
34. Failure to recruit to statutory roles for the long-term would risk the delivery of strategic transformation across our services.
35. The annual governance statement and action plan highlights the risks associated with high levels of interim senior management cover, the proposed recruitment actions contribute to the mitigation of that risk.

Consultees

36. Management board, trade unions and employees will continue to be engaged as appropriate on future thinking and associated plans to make any further changes to elements of the pay policy, or terms and conditions of employment.

Appendices

Appendix A – Draft pay policy statement

Appendix B – Organisation charts

Background Papers

None identified.