

MEETING:	Council
MEETING DATE:	5 February 2016
TITLE OF REPORT:	Pay policy statement
REPORT BY:	Employment panel

Classification

Open

Key decision

This is not an executive decision.

Wards affected

County-wide

Purpose

To approve the 2016 pay policy statement for publication; to update Council on action following Council's resolution to consider how to introduce the living wage.

Recommendation(s)

THAT:

- (a) the pay policy statement summarising existing council policies (at appendix A) be approved;**
- (b) authority be delegated to the monitoring officer, following consultation with the chief executive, to make in year technical updates to the statement to reflect changes to post holder details or approved changes to local or national pay policy; and**
- (c) no further action be taken in response to Council's resolution to consider how to introduce the Living Wage Foundation living wage, following the introduction of the statutory national living wage effective April 2016.**

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 panel considered the implications of implementing the Living Wage Foundation

(LWF) living wage. This is not recommended given the introduction of the statutory national living wage (NLW) and the additional financial implications for council maintained schools and council contractors.

Reasons for recommendations

- 3 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 2015.
- 4 The government announcement about the introduction of the NLW was made after Council had asked for proposals about how to implement the LWF living wage. The latter is voluntary and determined each year and would have considerable financial implications for the council.

Key considerations

Pay policy statement

- 5 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.
- 6 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.
- 7 The statement must include the council's definition of 'lowest paid employees' and the reasons for adopting that definition.
- 8 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 performance related pay for chief officers
 - e) The use of bonuses for chief officers
 - f) The approach to the payment of chief officers on their ceasing to hold office under, or to be employed by the authority; and
 - g) The publication of and access to information relating to remuneration of chief officers
- 9 The local government transparency code came into effect in February 2015. 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 (e.g. 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.
- 10 The pay multiples presented in the pay policy statement comply with the transparency code requirements.
- 11 The statement draws together factual material and provides a summary of the current pay policies of the council.
- 12 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 must approve any new salary packages, or severance payments, exceeding £100,000.
- 13 The pay policy statement for 2015 was produced when the council was recruiting to a number of key senior posts. The 2016 statement shows those appointments are now in place, hence a more stable position with fewer contracted services.
- 14 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.
- 15 The pay policy statement follows a previous format and has been updated to reflect current data relating to roles, salaries and financial information. There have been no subsequent pay policy changes. The policy is subject to annual review by Council but can become out of date when data such as job titles, or national pay rates change. To prevent the need for referral back to Council to approve technical updates it is proposed that authority be delegated to the monitoring officer to effect such technical updates.

Living wage

- 16 On 12 Dec 2014 Council passed a motion *'that the chief executive, as head of paid service, be requested to report to the employment panel and council on how to achieve the following outcome: introduce the living wage into the council's pay policy in place of the inadequate minimum wage.'* This work was planned to be carried out mid-year however the July budget introduced the national living wage. As such the policy was reviewed in this context.
- 17 The living wage referred to by Council at that time was the Living Wage Foundation (LWF) living wage which is a voluntary rate set each year in November by the Living Wage Foundation. Further information about how it is calculated is available at www.livingwage.org.uk.
- 18 The statutory NLW being introduced from April 2016 will be at a rate of £7.20 per hour at age 25 and above, rising annually so that by 2020 it is 60% of median UK earnings per hour which, based on data available, is likely to be around £9.30 per hour. A comparison of the relevant rates, including national minimum wage for completeness, is provided in the following table:

		Per hour
National minimum wage (NMW) as at 1 Oct 15	Age 21 and over	£6.70
	Aged 18-20	£5.30
	Under 18	£3.87
	Apprentice aged 16-18 and 19 and over in 1 st year of scheme. All others: NMW for their age	£3.30
Living Wage Foundation LW as at 2 Nov 15		£8.25 (previously £7.85)
National Living Wage (NLW) as at 1 April 2016	Age 25 and over	£7.20 (rising to £9.00+ in 2020)

- 19 The council's policy is to have transparent pay structures that identify the rate for the job through job evaluation based on objective criteria, including the responsibilities and accountabilities of the role, so that it is free from bias. It does not take account of the job holder's age so the council will ensure that all employees are paid a minimum of the NLW regardless of age. This excludes apprentices who have their own scheme.
- 20 The council uses the nationally negotiated pay spines as the basis for its local pay rate; national pay negotiations are in progress and will be implemented in line with the appropriate terms and conditions of employment. These current negotiations are not expected to result in changes which will impact the 2016 pay policy statement or the implementation of the national living wage in 2016/17.
- 21 Taking account of the information above, the employment panel recommended that no further action be taken to pursue the Living Wage Foundation living wage at this time.

Community impact

- 22 The council, as an employer, has a significant role to play in the local economy. The corporate plan includes an 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 duty

- 23 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.
- 24 The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying "due regard" in our decision making in the design of policies and in the delivery of services.

Financial implications

- 25 There are no financial implications relating to the pay policy statement arising from the report; the statement simply summarises current policies and pay levels.
- 26 The financial impact of implementing the national living wage across the council is set out in the budget and MTFS report.

Legal implications

- 27 Sections 38 – 43 of the Localism Act 2011 require that the council 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 council is required to have regard under Section 40 of that Act
- 28 From 1 April 2016 there will be a requirement in law to pay the NLW to those over the age of 25. There will be no legal requirement to pay this rate to those employees not over the age of 25.
- 36 Any increases in pay as a result of the NLW will be directly payable to the council's own employees. The extent to which the council will be liable for increases in pay relating to staff working in services which the council has contracted for, will depend on the terms of the contracts with the providers.

Risk management

- 37 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.
- 38 To avoid equal pay claims any decision should be applied across both the council and maintained schools as support staff in schools have the same terms and conditions as core employees.

Consultees

- 39 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

Background Papers

None identified.