

Meeting:	Council
Meeting date:	6 February 2015
Title of report:	Pay policy statement
Report by:	Employment panel

Classification

Open

Key Decision

This is not an executive decision.

Wards Affected

Countywide

Purpose

To approve the 2015 pay policy statement for publication; to approve the salary package for the director of adults and wellbeing in accordance with the provisions of the Localism Act 2011.

Recommendations

THAT:

- (a) the pay policy statement summarising existing council policies (at Appendix A) be approved; and**
- (b) the director of adults and wellbeing salary of £120,000 be approved.**

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. The statement does not of itself make any policy changes, but provides a summary of those policies already in place.
- 2 It is open to Council to approve an alternative salary level for the post of director of adults and wellbeing. However to mitigate any risk of equal pay challenge and in a competitive talent market Herefordshire Council must also take account of internal and external relativities (i.e. job evaluation and benchmarking).

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 (the act) and the Local Government Transparency Code 2014.
- 4 The council must have regard to the guidance issued by the secretary of state to under Section 40 of the act. This includes the requirement for council approval for salary packages in excess of £100,000.

Key considerations

Pay policy statement.

- 5 The 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 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
- 9 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.

- 10 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.
- 11 The statement draws together factual material and provides a summary of the current pay policies of the council.

Living Wage

- 12 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.
- 13 Following the resolution passed at Council on Friday 12 December 2014, a further report will be brought to the employment panel once the more detailed work requested by management board has been completed.

Director of adults and wellbeing

- 14 Under the act, Council has the opportunity to vote before large salary packages are offered in respect of a new appointment. The secretary of state considers that £100,000 is the right level for that threshold to be set. For this purpose, salary packages should include salary, any bonuses, fees or allowances routinely payable to the appointee and any benefits in kind to which the officer is entitled as a result of their employment; reimbursement of expenses is not included within the definition.
- 15 All posts, whether chief officer or not, have their level of remuneration established through assessment by a nationally recognised and independent job evaluation scheme; in the case of chief officers the Hay scheme is used. This incorporates a national benchmarking across posts with similar roles and accountabilities and provides a salary range suitable for the post with median, upper and lower quartiles.
- 16 The employment panel has considered and supports the proposed salary for the director of adults and wellbeing and therefore makes the recommendation above.
- 17 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.
- 18 Interim arrangements in respect of the director of adults and wellbeing post have been in place since 2013 to cover a period of significant change including transformation of adult social care and integration with public health but now need the stability offered by a permanent appointment mitigating the risks identified in the annual governance statement.
- 19 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.

20 The organisation chart at appendix b shows the chief officer structure.

Community impact

21 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 duty

22 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.

23 When conducting further living wage analysis, an equality impact assessment will be completed.

Financial implications

24 There are no financial implications relating to the pay policy statement arising from the report; the statement simply summarises current policies and pay levels.

25 The salary proposed for the director of adults and wellbeing is within existing budgetary provision. 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 not more than £15,000 to include agency fees and attraction. Efforts will be made to recruit without incurring specialist fees but should this prove necessary any such fees will be covered from existing budgets.

Legal implications

26 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 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 the act.

Risk management

27 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.

28 Failure to recruit to statutory roles for the long-term would risk the delivery of strategic transformation across our services.

29 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

- 30 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.