

# North Tyneside Council

## Report to Council

### Date: 15 March 2012

#### ITEM 11

Title: Pay Policy Statement

Portfolio(s): Elected Mayor

Cabinet Member(s): Linda Arkley

Report from Directorate: Chief Executive's Office

Report Author: Alison Lazizzera, Strategic Human Resources Manager (Tel: (0191) 643 5012)  
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Wards affected: All

#### **PART 1**

##### **1.1 Purpose:**

The purpose of the report is to consider a pay policy for approval by the Council as set out in Appendix 1 to this report.

##### **1.2 Recommendation(s):**

It is recommended that Council:

- (1) Approves the Pay Policy Statement for 2012/13 and authorises publication of the Pay Policy Statement on the Council's Website.

##### **1.3 Forward Plan:**

This report appears on the Forward Plan for the period 1 February 2012 to 31 March 2012.

##### **1.4 Council Plan and Policy Framework**

This report relates to the following themes/programmes/projects in the 2011/15 Council Delivery Plan: Priority 3 – Our Resources.

##### **1.5 Information:**

#### **Background**

- 1.5.1 All local authorities are required by Section 38(1) of the Localism Act 2011 to prepare pay policy statements. These statements must articulate an authority's own policies towards a range of issues relating to the pay of its workforce, particularly its senior staff (or 'chief officers') and its lowest paid employees. Pay policy statements must be prepared for each financial year, beginning with 2012/13, approved by full Council and published.
- 1.5.2 This is the first year this will be required. Guidance was finally published in February of this year in relation to the interpretation of the legislation and production of pay policy statements.

### Policy Principles

- 1.5.3 The Localism Act requires the Council to agree an annual pay policy which sets out how pay structures and salaries are determined and what remuneration packages exist for the Council's senior workforce in relation to the rest of the workforce.
- 1.5.4 In addition the Code of Recommended Practice for Local Authorities on Data Transparency enshrines the principles of transparency and asks councils to follow three principles when publishing data they hold:
- a) responding to public demand;
  - b) releasing data in open formats available for re-use; and,
  - c) releasing data in a timely way.

This includes data on senior salaries and the structure of the Council's workforce.

### Hutton Review of Fair Pay

- 1.5.5 In March 2011 the final report of the Hutton Review of Fair Pay in the public sector was published. This report makes several recommendations for promoting pay fairness in the public sector by tackling disparities between the lowest and the highest paid in public sector organisations.

### Localism Act 2011

- 1.5.6 The Localism Act brings together these strands of increasing accountability, transparency and fairness in the setting of local pay. Members are required to take a greater role in determining pay, ensuring that these decisions are taken by those who are directly accountable to local people. Along with the Code on transparency, the Act's provisions ensure that communities have access to the information they need to determine whether remuneration, particularly senior remuneration, is appropriate and commensurate with responsibility. In addition, the Act requires that policies on the pay and reward of the most senior staff are set clearly within the context of the pay of the wider workforce.

### Accountability

- 1.5.7 Pay policy statements, and any amendments to them must be considered by a meeting of full Council and cannot be delegated to any sub-committee. All decisions on pay and reward for Chief Officers must comply with the current pay policy statement.

## Transparency

- 1.5.8 The pay policy has to include the authority's approach to the remuneration of Chief Officers. Remuneration includes salary (for Chief Officers who are employees) or payment under a contract of services (for Chief Officers who are self-employed), expenses, bonuses, performance-related pay as well as severance payments.
- 1.5.9 The Act sets out the information that authorities are required to include in their pay policies as a minimum. The guidance published by the Department for Communities and Local Government states that authorities should consider whether, in the light of local circumstance and their own reward structure, it would be appropriate to extend the scope of their pay policy statement to include highly paid staff that would not come within the definition of Chief Officers. The proposed Pay Policy Statement enclosed does include staff that would not come within the definition of a Chief Officer.
- 1.5.10 The Act does not require authorities to use their pay policy statements to publish specific numerical data on pay and reward. However the Council does publish data under the Code of Recommended Practice for Local Authorities on Data Transparency and by the Accounts and Audit (England) Regulations 2011. Authorities are asked to consider the opportunity this presents to put that data within the context of the Council's agreed policies, and to provide the public with a clear justification of how their money is being used appropriately in the pay and reward of senior staff.

## Section 38 Localism Act

1.5.11 This requires a pay policy statement to set out:

- 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.

1.5.12 The statement must state:

- the definition of "lowest-paid employees" adopted by the authority for the purposes of the statement, and
- the authority's reasons for adopting that definition.

1.5.13 The statement must include the authority's policies relating to:

- the level and elements of remuneration for each Chief Officer,
- remuneration of Chief Officers on recruitment,
- increases and additions to remuneration for each Chief Officer,
- the use of performance-related pay for Chief Officers,
- the use of bonuses for Chief Officers
- the approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the authority, and
- the publication of and access to information relating to remuneration of Chief Officers.

1.5.14 A pay policy statement for a financial year may also set out the authority's policies for the financial year relating to the other terms and conditions applying to the authority's Chief Officers.

## **Fairness**

### Data Transparency

1.5.15 The Hutton Report recommends the publication of an organisation's pay multiple – the ratio between the highest paid employee and the median average earnings across the authority – as a means of illustrating that relationship. The Code of Recommended Practice for Local Authorities on Data Transparency includes pay multiples within the minimum set of data that authorities should publish.

### Election Fees

1.5.16 Authorities should also include their policy to award additional fees for Chief Officers for their local election duties. While some authorities have taken a local decision to include such fees within a Chief Officer's overall salary, others pay separate fees. The pay policy statement must make clear what approach applies and, if separate fees are paid, describe their approach to setting and publishing these.

### Severance Payments

1.5.17 The Act requires authorities to state their approach to offering a severance payment to senior staff as part of a decision to terminate a contract for any reason. Any decision that the authority takes in relation to the award of severance to an individual Chief Officer, must comply with their published policy for that year and should represent value for money for taxpayers.

### Chief Officers who have previously been employed by the Council

1.5.18 Pay policy statements must explain policies towards the reward of Chief Officers who were previously employed by the authority and who, on ceasing to be employed, were in receipt of a severance or redundancy payment from the authority. This should include any local policy toward ex-employees later engaged as Chief Officers under a contract for services. In addition authorities should include their policies toward the reward of Chief Officers who are also in receipt of a pension under the Local Government Pension Scheme. The policy should take account of the agreed approach on abatement of pensions.

### Remuneration of lowest paid employees

1.5.19 Pay policy statements must include an authority's policies toward the remuneration of its lowest paid employees. The Act requires authorities to develop their own definition of "lowest paid", one which fits appropriately with their own local circumstances and to explain why they have chosen that definition.

## **Approach to be adopted by the Council**

1.5.20 The pay policy statement attached sets out the suggested approach for the Council to comply with its statutory obligations under the Localism Act. It also takes account of the

existing policies and processes that the Council already has in place to manage decisions around the recruitment, appointment and termination of employment of Chief Officers and the publication of data on senior salaries to comply with the Code on Data Transparency. The Statement includes all the relevant areas that the Localism Act requires us to report on.

## **Definitions**

1.5.21 The Localism Act has a clear definition of what constitutes a 'Chief Officer'.

This is defined as:

(a) the head of its paid service designated under section 4(1) of the Local Government and Housing Act 1989

(b) its monitoring officer designated under section 5(1) of that Act

(c) a statutory chief officer mentioned in section 2(6) of that Act,

(d) a non-statutory chief officer mentioned in section 2(7) of that Act, or

(e) a deputy chief officer mentioned in section 2(8) of that Act.

The proposed Pay Policy uses the above definitions to identify Chief Officers and Deputy Chief Officers and in addition includes some posts which fall outside of the definition of a Chief Officer.

## **Remuneration of Chief Officers**

1.5.22 This section of the statement briefly sets out the pay and grading structure the Council applies to its senior workforce and the job evaluation methodology that underpins it. The Council agreed its pay and grading structures in April 2007 and April 2008 and these continue to be applied.

1.5.23 Guidance suggests a role for Elected Members in approving salary packages in excess of £100,000.

1.5.24 The Council's Appointments and Disciplinary Committee is set up to appoint to the posts of:

- Chief Executive
- Strategic Directors
- Heads of Service.

In relation to posts that would pass the threshold of £100,000 it would be appropriate for this Committee to approve the salary package which would be offered when making appointments to these posts.

1.5.25 Currently the Council does not offer any bonuses or performance-related pay to Chief Officers so new appointments would have to have due regard to the salary set by the Council's pay and grading structures including any market supplement that would be deemed to be appropriate at the time of appointment in line with Council policy.

1.5.26 Also included are the terms and conditions of employment relevant to 'Chief Officer' roles and the fact that these are governed by nationally negotiated agreements.

1.5.27 The Appointments and Disciplinary Committee will therefore be advised of the salary and grade for those posts being considered which is in line with job evaluation and the pay and grading structure.

#### **Increases and additions to remuneration for each Chief Officer**

1.5.28 This section identifies the circumstances in which the salary of a Chief Officer may change and which policies would apply in determining the financial impact of that change.

#### **Payments to Chief Officers upon termination of their employment**

1.5.29 For those Chief Officers who terminate their employment with the Council this sets out which policy would apply in these circumstances. It also identifies that the Council retains discretion to manage a Chief Officer's early termination of employment by the use of these regulations, if it considers it appropriate.

#### **Policy towards the Reward of Chief Officers Previously Employed by the Authority**

1.5.30 The Localism Act requires the Council to set out its approach in these circumstances. The Council has a specific policy in place that deals with redundancy payments, what our practice is and that it applies to all employees. This paragraph also explains how the Council will deal with other circumstances in which a previous Chief Officer may return to the Council.

#### **Payments to Chief Officers for Election Duties**

1.5.31 This paragraph outlines what the current practice is.

#### **The Policy Relationship between Chief Officers Pay, the Lowest Paid Workers, and the Wider Workforce**

1.5.32 The information in this paragraph sets out the relationship in terms of:

- The pay multiple;
- The terms and conditions of service that apply to different groups of employees; and
- The job evaluation principles that apply to pay and grading.

#### **Publication of and access to information relating to remuneration of chief officers**

1.5.33 This paragraph states that the Pay Policy and other pay data can be found on the Council's website.

### **1.6 Decision options:**

1.6.1 The following decision options are available for consideration by Council:

#### Option 1

Approve the Pay Policy Statement for 2012/13.

#### Option 2

Not approve the Pay Policy Statement for 2012/13.

## **1.7 Reasons for recommended option:**

### **1.7.1** Option 1 is recommended for the following reasons:

The proposed Pay Policy Statement is a representation of how the Council manages its current pay decisions and complies with the requirements of the Localism Act 2011.

## **1.8 Appendices:**

Appendix 1: North Tyneside Council Pay Policy Statement 2012/13.

## **1.9 Contact officers:**

Alison Lazazzera, Strategic HR Manager, tel. 643 5012

Carol Murphy, Assistant HR Manager, tel. 643 5027

Stephen Ballantyne, Manager – Monitoring Officer Support and Employment, tel. 643 5329

Janice Gillespie, Senior Manager Corporate Finance, tel. 643 5701

## **1.10 Background information:**

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- (1) Localism Act 2011
- (2) Openness and accountability in local pay: Guidance under section 40 of the Localism Act – Department for Communities and Local Government February 2012.
- (3) The Code of Recommended Practice for Local Authorities on Data Transparency – Department for Communities and Local Government September 2011.
- (4) Hutton Review of Fair Pay in the public sector March 2011.
- (5) Localism Act: Pay Policy Statements Guidance for Local Authority Chief Executives – Local Government Association and Association of Local Authorities Chief Executives (ALACE). November 2011.
- (6) Local Government and Housing Act 1989

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

2.1.1 The Council must ensure that what is agreed in its Pay Policy is applied in practice and where there are financial thresholds these must be adhered to.

2.1.2 There are no other financial implications arising from this report.

## **2.2 Legal**

2.2.1 The Localism Act 2011 requires a Pay Policy Statement to be prepared for each financial year, beginning with 2012/13, approved by the end of March each year by Full Council and published.

2.2.2 The attached Pay Policy is compliant with Regulation 7 of the Local Government (Early Termination of Employment) (Discretionary Compensation)(England and Wales) Regulations 2006, and regulation 66 of the Local Government Pension Scheme (Administration) Regulations 2008.

2.2.3 The definition of the terms “chief officer” and “deputy chief officer” in the attached pay policy statement is in accordance with the definition of a statutory chief officer, non statutory chief officer and deputy chief officer in Section 2 of the Local Government and Housing Act 1989.

## **2.3 Consultation/community engagement**

### **2.3.1 Internal Consultation**

The relevant Cabinet Member and Mayor have been briefed on the proposed Pay Policy Statement.

### **2.3.2 External Consultation/Engagement**

The Senior Leadership Team and Trades Unions have been given the opportunity to comment on the Pay Policy Statement.

The Pay Policy Statement is a description of what the Council applies currently as part of its Constitution or through HR Policy and process all of which have been through the agreed consultation channels with managers and recognised trades unions.

As part of the requirements of the Localism Act 2011 any decisions on the pay and terms and conditions of employment affecting the workforce must be reflected in annual pay policy statements. National agreements cover the pay and terms and conditions of employment of the workforce and any proposed changes to these agreements would be shared and consulted on with the trades unions as part of an ongoing dialogue to comply with appropriate legal obligations on consultation.

## **2.4 Human rights**

2.4.1 The proposals in this report support the Council’s adherence to Human Rights legislation.

## **2.5 Equalities and diversity**

2.5.1 The proposals in this report support the Council’s equality and diversity standards.

## **2.6 Risk management**



2.6.1 The proposals in the Pay Policy Statement reflect the application of the Council's job evaluation schemes and pay and grading structures. Any deviation from this could destabilise the pay and grading structures leading to inconsistencies and a risk of further equal pay claims against the Council. In the last staff survey most employees stated that they perceived their pay to be fair.

2.6.2 Risks around pay and grading are managed through corporate risk management responsibilities.

## **2.7 Crime and disorder**

2.7.1 The proposals in this report do not relate to crime and disorder.

## **2.8 Environment and sustainability**

2.8.1 The proposals in this report have no impact on the environment.

### **PART 3 - SIGN OFF**

- Strategic Director(s)
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Strategic Director with Responsibility for Community Engagement