

North Tyneside Council

Report to Council

Date: 23 March 2017

ITEM 8

Title: Pay Policy
Statement 2017/18

Portfolio(s): Deputy Mayor

Cabinet Member(s): Councillor Bruce
Pickard

Report from Service Area: Human Resources

Responsible Officer: Alison Lazazzera, Head of Human Resources & Organisational Development
Tel: (0191) 643 5012

Wards affected: All

PART 1

1.1 Executive Summary:

The preparation and publication of a Pay Policy Statement is a requirement of the Localism Act 2011 and all local authorities must publish a Pay Policy Statement on 1 April each year.

This Pay Policy Statement includes information on the Authority's approach to pay and grading relating to the workforce and in particular Chief Officers.

The Authority has a statutory duty to publish the Pay Policy Statement on its website.

1.2 Recommendation(s):

It is recommended that the Council approves the Pay Policy Statement for 2017/18 and authorises publication of the Pay Policy Statement on the Authority's website.

1.3 Forward Plan:

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on the 9th January 2017.

1.4 Council Plan and Policy Framework

The Pay Policy Statement supports the delivery of Our North Tyneside Plan.

1.5 Information:

Background

1.5.1 The Localism Act 2011 requires all local authorities to prepare and publish pay policy statements. These statements must set out 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, approved by full Council and published.

Areas of Change

1.5.2 The following areas of the Pay Policy Statement have been amended:

- the Pay Award Agreements effective from 1 April 2016 through to 31 March 2018 over a two year period include various % increases ranging from 1% to 6.6% for those on lower salaries;
- the Median average salary has moved from £21,566 to £21,745 per annum. The pay multiple when rounded remains the same as reported last year at 1:7; and
- current legislation requires that self employed contractors, who provide services to the Authority under personal service contracts (off payroll working), determine themselves whether the IR35 rules apply to a contract and if they do the contractor is currently liable to deduct any income tax and National Insurance Contributions (NIC) for payment to HRMC. This arrangement is to change from 6 April 2017 where the client is a public sector body. In these circumstances the public sector body rather than contractor will be responsible for IR35 rule determination and therefore responsible for income tax and NIC deductions.

Future Areas of Change

1.5.3 The anticipated implementation of the scheme to cap on exit payments made to employees; the recovery of exit payments for those employees who return to public service and the new gender pay gap monitoring and reporting requirements will have an impact on the Pay Policy Statement. Reference to these anticipated changes is provided in the Pay Policy Statement. When implemented amendments to the Pay Policy Statement may be required, if this is the case a further report will be presented to Full Council for its consideration.

Policy Principles

1.5.4 The Localism Act 2011 requires the Authority to agree an annual pay policy which sets out how pay structures and salaries are determined and what remuneration packages exist for the Authority's senior workforce in relation to the rest of the workforce.

1.5.5 In addition the Code of Recommended Practice for Local Authorities on Data Transparency enshrines the principles of transparency and requires authorities 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 data published by the Authority includes information on senior salaries and the structure of the Authority's workforce.

Member Involvement

- 1.5.6 The Localism Act requires Members to take a greater role in determining pay by ensuring that decisions in relation to pay are taken by those who are directly accountable to local people. Along with the Code on Data Transparency, the Act's provisions are in place to 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 a committee or 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 Statement has to include information on 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 2011 Act sets out the information that authorities are required to include in their Pay Policy Statements as a minimum. The statutory 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 Authority does publish data under the Code of Recommended Practice for Local Authorities on Data Transparency and also in accordance with the requirements of the Accounts and Audit (England) Regulations 2011. Authorities are asked in the Statutory Guidance to consider the opportunity this presents to put that data within the context of the Authority'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.

Future Requirement to report on Gender Pay Gap Monitoring

- 1.5.11 Under this new requirement public bodies with 250 or more employees must undertake gender pay gap reporting. Pay data will be captured from a 'snapshot' on 5th April each year from April 2017 onwards. Employers will be required to make a calculation based on the hourly pay rate for each employee during their pay period that includes 5th April. Employers will then have up to 12 months to analyse the data and publish their Gender Pay Gap Monitoring reports at any time up to 4th April 2018. Thereafter employers will have to publish their report annually by 4th April in the relevant year. This first report to comply with this duty will be included as part of the 2018/19 Pay Policy Statement.

Exit Cap and Repayment of Public Sector Exit Payments

1.5.12 Limits or caps to exit payments across the public sector are expected to be introduced by the Government in 2017 or early 2018. The framework to limit public-sector exit payments is being introduced with a proposed £95,000 individual cap on public-sector exit pay alongside a proposed requirement that employees with annual earnings above £80,000 repay exit payments if they return to work in the public sector within one year. The requirements can be waived in exceptional circumstances. Regulations relating to the repayment of exit payments in excess of £80,000 are expected to be introduced 2017 with the proposed £95,000 exit cap in late 2017/early 2018.

What must be included in Pay Policy Statements

1.5.13 Section 38 of the Localism Act 2011 sets out the requirements of what must be included in Pay Policy Statements. In particular, information must be included in an Authority's Pay Policy Statement in relation to:

- 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.

1.5.14 The statement must also 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.

1.5.15 Finally, the Pay Policy 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,
- changes to remuneration for Chief Officers,
- 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 or to be employed by the Authority, and
- the publication of and access to information relating to remuneration of Chief Officers.

1.5.16 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.

Approach adopted by the Authority

1.5.17 The Pay Policy Statement attached at Appendix 1 follows the approach agreed by Council which complies with requirements of the Localism Act 2011. It also takes account of the existing policies and processes that the Authority 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 2011 requires the Authority to report on.

Definitions

1.5.18 The Localism Act 2011 provides a definition of a 'Chief Officer' 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.

1.5.19 The proposed Pay Policy Statement 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.

The remuneration of Chief Officers

1.5.20 This section of the Statement briefly sets out the pay and grading structure the Authority applies to its senior workforce and the job evaluation methodology that underpins it. The Authority agreed its pay and grading structures in April 2007 and April 2008. On 13 July 2015 Cabinet agreed a restructure of the Senior Leadership Team to reflect service re-organisation.

1.5.21 The Statutory Guidance issued in relation to Pay Policy Statements suggests a role for Elected Members in approving salary packages in excess of £100,000. The Authority's Appointments and Disciplinary Committee has responsibility to appoint to all Chief Officer posts including all the Chief Officer posts created as a result of the recent restructuring of the Senior Leadership Team by Cabinet. These posts include:

- the Chief Executive;
- the Deputy Chief Executive;
- the Director of Public Health; and
- all Heads of Service.

In the current Senior Leadership Team Structure the only posts occupied with salary packages above £100,000 are the posts of the Chief Executive, the Deputy Chief Executive and the Head of Health, Education, Care and Safeguarding. The salaries for these posts are set out in the attached Pay Policy Statement at Appendix 1.

1.5.22 Currently the Authority 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 Authority's pay and grading structures including any market supplement that would be deemed to be appropriate at the time of appointment in line with the Authority's policy.

Changes to remuneration for Chief Officers

1.5.23 This section of the Statement 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

1.5.24 For those Chief Officers whose employment with the Authority terminates, this section of the Statement sets out the policy that would apply in these circumstances. It also identifies that the Authority retains discretion to manage a Chief Officer's early termination of employment, if it considers it appropriate.

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

1.5.25 This section of the statement explains how the Authority will deal with circumstances in which a previous Chief Officer may return to the Authority.

Payments to Chief Officers for Election Duties

1.5.26 This paragraph sets out the Authority's policy with respect to payments to Chief Officers undertaking local election duties.

The Relationship between Chief Officers' Pay, the Lowest Paid Workers, and the Wider Workforce

1.5.27 The information in this paragraph sets out the relationship between Chief Officers Pay, the Lowest Paid Workers, and the Wider Workforce 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

1.5.28 This paragraph states that the Pay Policy Statement and other pay data can be found on the Authority'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 2017/18.

Option 2

Not approve the Pay Policy Statement for 2017/18.

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 Authority 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 2017/18.

1.9 Contact officers:

Alison Lazazzera, Head of Human Resources & Organisational Development, tel. 643 5012

Carol Murphy, Strategic HR Specialist, tel. 643 5027

Stephen Ballantyne, Lawyer Specialist – Governance and Employment, tel. 643 5329

Janice Gillespie, Head of 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 Authority must ensure that what is agreed in its Pay Policy Statement is applied in practice and where there are financial thresholds these must be adhered to.

2.2 Legal

- 2.2.1 The Localism Act 2011 requires a Pay Policy Statement to be prepared for each financial year and approved by the end of March each year by Authority and published. The Full Council Meeting has responsibility for approving the Pay Policy Statement.

2.3 Consultation/community engagement

2.3.1 Internal Consultation

The relevant Cabinet Member and Elected Mayor and Senior Leadership Team have been briefed on the proposed Pay Policy Statement. The trades unions have also been consulted.

2.3.2 External Consultation/Engagement

The Trades Unions have been given the opportunity to comment on the Pay Policy Statement.

The Pay Policy Statement is a description of what the Authority applies currently as part of its Constitution, and through HR Policy and process. All have been through 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 for 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 Authority's adherence to Human Rights legislation.

2.5 Equalities and diversity

2.5.1 The proposals in this report support the Authority's equality and diversity approach. The Authority's pay and grading structures are underpinned by job evaluation schemes, the outcomes of which have been subject to an equality impact assessment.

2.5.2 The use of a job evaluation scheme provides a systematic way of comparing and assessing individual jobs in an objective way to make sure that there is a fair and equal pay system in place which does not discriminate between male and female employees

2.6 Risk management

2.6.1 The proposals in the Pay Policy Statement reflect the application of the Authority'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 Authority. 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 There are no environmental and sustainability implications directly arising from this report.

PART 3 - SIGN OFF

- Deputy Chief Executive

X

- Head of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Head of Corporate Strategy X