

Report of the Chief Officer HR

Report to General Purposes Committee

Date: 9 February 2016

Subject: Approval of the 2016/17 Pay Policy Statement

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. This paper sets out an updated Pay Policy Statement for 2016/17. This is required under the Localism Act and must be annually approved by the Full Council before April.

Recommendations

2. The General Purposes Committee are recommended to:-
 - 2.1. Consider the review of the Pay Policy Statement and make recommendations to full Council in respect of the adoption of the review for the 2016/17 financial year.
 - 2.2. Make recommendations that any required in year amendment to the Annual Pay Policy Statement in respect of exit payment caps or as a consequence of changes to Leeds City Council's policy statement on Pension Scheme Discretions is undertaken by the Chief Officer (HR) and reported to the General Purposes Committee.
 - 2.3. Receive assurances from the Deputy Chief Executive that the senior management pay structure is appropriate and complied with.

1. Purpose of this report

- 1.1. The purpose of this report is to seek Members' views on the revised Pay Policy Statement and for the Committee to make recommendations to Full Council to approve the changes before the start of the 2016/17 financial Year.

2. Background information

- 2.1. Local Authorities are required under section 38 of the Localism Act 2011 to prepare an Annual Pay Policy Statement. The statement must articulate the Council's policy towards the pay of its most senior staff and relationships with the pay of the rest of the work-force. The provisions of the Act do not apply to the employees of local authority schools.
- 2.2. Each local authority is an individual employer in its own right and has the autonomy to make decisions on pay that are appropriate to local circumstances and which deliver value for money for local taxpayers. The provisions of the Localism Act do not seek to change this or to determine what decisions on pay should be taken. However they require individual employing authorities to be clearer about their own policies in relation to pay.
- 2.3. The Annual Pay Policy Statement has been written to comply with Section 40 of the Localism Act which requires authorities, in developing their Pay Policy Statement, to have regard to any guidance published by the Secretary of State. This includes Communities and Local Government guidance on Openness and Accountability in Local Pay and the Code of Recommended Practice for Local Authorities on Data Transparency ("Open Data").
- 2.4. Under Section 38 the Localism Act and related guidance a Pay Policy Statement must as a minimum include:
 - 2.4.1. Chief Officer salaries and in addition; any policy to award additional fees for local election duties, expenses, bonuses, PRP, earn back, honoraria and ex-gratia payments and any termination or severance award arrangements;
 - 2.4.2. policy on other aspects of Chief Officer remuneration – recruitment, pay increases and additions, transparency, re-employment when the Chief Officer is in receipt of LGPS pension and/or a redundancy/severance payment, and;
 - 2.4.3. policy on remunerating the lowest paid in the workforce including the authority's definition of the lowest paid employee and the reasons for the definition e.g. the authority's lowest pay point and how it was decided;
 - 2.4.4. policy on relationship between the remuneration of Chief Officers and other staff – policy towards maintaining or reaching a specific pay multiple;
 - 2.4.5. Full Council being given the opportunity to consider salary packages in excess of £100k for new appointments before they are offered.¹

¹ This is undertaken by the Employment Committee, the committee appointed by Full Council for the purpose of appointing Senior Officers. See Employment Committee Terms of Reference

3. Main issues

3.1. Policy Compliance 2015/16

- 3.1.1. The Chief Officer HR and Deputy Chief Executive give their assurance that the policy is up to date, fit for purpose, effectively communicated and routinely complied with and monitored. Due to the nature of the statutory framework the policy remains relatively static; with the only major amendment considered being the Governments proposals and consultation on capping exit payments. Otherwise variations to pay are subject to discussion between the Chief Executive, Deputy Chief Executive and Executive portfolio holder; with advice given by the Chief Officer (HR). Employment Committees are required to manage appointments to posts covered by the Policy where new appointments and grading issues can be considered. Finally the General Purposes Committee is able to consider the policy before it is presented to Full Council.
- 3.1.2. In drafting the Pay Policy Statement the Council has used guidance available from the national employers and Government legislation and the focus of the Statement is on ensuring that the Council complies with the requirements under the Localism Act as set out in paragraphs 2.3 and 2.4.
- 3.1.3. The focus of the legislation relates to an overall annual pay policy and not to individual post-holders. The key principles underpinning the Pay Policy Statement are that the Council:
- Is committed to equity and fairness of treatment across the whole workforce
 - Is committed to openness, transparency and public accountability
 - Has the right to determine senior officer pay locally
 - Has ensured that senior officer pay and terms and conditions are in line with those applicable to other employees
 - Has sufficient flexibility to cope with a variety of changing circumstances
 - Needs to reflect local circumstances such as a shortage of particular skills
- 3.1.4. The 2015/16 Policy was amended in year to include the updated JNC pay scales and also a delegated decision to apply the annual JNC/NJC pay uplift to TUPE transferred Public Health employees.
- 3.1.5. The pay multiple is the relationship between the median salary and the highest paid actual salary in the organisation, in Leeds the ratio between the Chief Executive's salary and median pay is 8.93:1². With effect from 1st April 2016 the Council will pay a 'real' living wage rate of £8.01 per hour, equivalent to an annual salary of £15454.
- 3.1.6. The pay multiple in other regional authorities and core cities at 2015/16 (where this has been made available) is contained within in the table below:-

² In 2011 the Chief Executive took a 5% voluntary pay reduction and a voluntary suspension to annual incremental progression which will continue to apply in 2016/17 under the latest policy. Overall this is £20k per annum and approximately 10% of salary entitlement.

Bradford	9:1
Calderdale ³	5.79:1
Kirklees ⁴	7.97:1
Wakefield ⁵	8.85:1
Birmingham	8.4:1
Bristol	8.75:1
Cardiff	9:1
Liverpool	8.25:1
Manchester	8.89:1
Nottingham	10:1
Sheffield	9.31:1

- 3.1.7. At the time of writing, legislation is being considered in the Enterprise Bill to cap exit payments for public sector workers. Final details are awaited. But it is expected a cap will stop payments exceeding £95k from July 2016. This includes the costs of the early release of pensions; which would affect staff covered by the annual pay policy. It is unclear whether and how any local discretion could be applied (.e.g. where exceeding a £95k cap can nevertheless deliver greater savings). Also it is not clear whether it would be necessary to amend the Annual Pay Policy and/or Leeds City Council's policy statement on Pension Scheme Discretions which are referenced in the Pay Policy.
- 3.1.8. Similar legislation is also being considered regarding the requirement for public sector employees to refund exit payments if they earned more than £80k on exiting their previous organisation and are subsequently re-employed in the public sector.
- 3.1.9. Accordingly it is recommended that the approval of the Pay Policy by the Full Council includes a proposal that any in year amendment to the Annual Pay Policy in respect of making exceptions to a £95k exit cap or as a consequence of changes to Leeds City Council's Policy statement on Pension Scheme Discretions is undertaken by the Chief Officer (HR) and is reported to the General Purposes Committee.

4. Corporate Considerations

4.1. Consultation and Engagement

³ Calderdale median salary is equivalent to £23k – Leeds median salary is £19k

⁴ Kirklees implemented a local living wage from 1st April 2015 and their lowest salary level is equivalent to scp 11

⁵ Wakefield CEX is taking a 5% voluntary pay reduction

Other Councils in the region and nationally will be publishing policies from January 2016 onwards. A responsive media engagement strategy will be prepared which will reference any advice taken from the LGE in relation to other relevant Pay Policy statements.

4.2. Inclusion and Diversity / Cohesion and Integration

Inclusion and diversity data has been compared with last year's information and it is noted that there has been a small percentage increase in the number of JNC positions held by BME, disabled and female employees.

4.3. Council policies and City Priorities

4.3.1. The Pay Policy Statement is required by law and must be approved annually by Full Council prior to 1st April.

4.4. Resources and value for money

4.4.1. The Pay Policy Statement is a point of reference for the Council in assessing its senior management costs and its budget strategy.

4.5. Legal Implications, Access to Information and Call In

4.5.1. The draft policy has been assessed as complying with the requirements of the Localism Act.

4.5.2. In terms of its formal adoption it is proposed to report the Policy to the Council meeting on 23rd March 2016, and is therefore compliant with the statutory requirements.

4.6. Risk Management

4.6.1. The Council will need to consider any reputational implications of the published policy in terms of how stakeholders and the media respond.

4.6.2. Also it is noted that in Reviewing the Policy all requirements regarding pay issues have been complied with in 2015/16. Members are asked to note this compliance.

5. Conclusions

5.1. All Councils are legally obliged to provide, on an annual basis, a Pay Policy Statement. The proposed revised policy is intended to meet this requirement.

6. Recommendations

6.1. The General Purposes Committee is recommended to:

6.2. Consider the review of the Pay Policy Statement and make recommendations to full Council in respect of the adoption of the review for the 2016/17 financial year.

6.3. Make recommendations that any required in year amendment to the Annual Pay Policy Statement in respect of exit payment caps or as a consequence of changes to

Leeds City Council's policy statement on Pension Scheme Discretions is undertaken by the Chief Officer (HR) and reported to the General Purposes Committee.

- 6.4. Receive assurances from the Deputy Chief Executive that the senior management pay structure is appropriate and complied with.