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Council

20 March 2012

**Name of Cabinet Member:**

Cabinet Member (Strategic Finance and Resources) – Councillor Duggins

**Director Approving Submission of the report:**

Director of Customer and Workforce Services

**Ward(s) affected:**

None

**Title:**

Pay Policy Statement 2012/13

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**Is this a key decision?**

No

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**Executive Summary:**

Local Authorities are required by sections 38 and 39 of the Localism Act 2011 to produce an annual Pay Policy Statement. The statement must articulate the City Council's policies towards a range of issues relating to the pay of the workforce, particularly the most senior staff (or "chief officers") and the relationship of their pay to the lowest paid employees. The first annual Pay Policy Statement for 2012/13 is attached as appendix 1.

**Recommendations:**

Council is recommended to approve the 2012/13 Pay Policy Statement attached as Appendix 1.

**List of Appendices included:**

Appendix 1: Pay Policy Statement 2012/13

**Other useful background papers:**

None

**Has it been or will it be considered by Scrutiny?**

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?**

Yes, 20 March 2012

## **Report title: Pay Policy Statement 2012/13**

### **1. Context (or background)**

- 1.1 The Localism Act 2011 requires all local authorities to produce an annual Pay Policy Statement setting out the Council's policies regarding the pay and grading of the workforce. The first Pay Policy Statement must be approved by the Council and in place by 1 April 2012. The Pay Policy Statement is particularly required to highlight the relationship between the pay and remuneration of most senior staff (chief officers) and the general workforce. The City Council has clearly established policies and processes for the determination of the pay and grading of its employees and these are summarised in the proposed Pay Policy Statement. The Pay Policy Statement also sets out (as required) the relationship between the highest and lowest paid.
- 1.2 Guidance on the development of Pay Policy Statements states that authorities should explain their policy in respect of chief officers who have been made redundant and later re-employed or engaged under a contract of service, and also their approach to any shared arrangements in place. The City Council has no policy in relation to the re-employment or re-engagement of chief officers. No existing chief officers have been made redundant and subsequently re-employed or re-engaged and it is not anticipated this will occur in the future. No current chief officers are engaged on a shared basis.

### **2. Options considered and recommended proposal**

- 2.1 Council is recommended to approve the Pay Policy Statement for 2012/13 to ensure compliance with sections 38 and 39 of the Localism Act 2011.

### **3. Results of consultation undertaken**

- 3.1 There is no requirement to consult on the Pay Policy Statement.

### **4. Timetable for implementing this decision**

- 4.1 The proposed Pay Policy Statement will be effective for the financial year 2012/13.

### **5. Comments from Director of Finance and Legal Services**

- 5.1 Financial implications

Financial information on all posts where the full time equivalent salary is at least £50,000 PA (which includes chief officers as identified in the Pay Policy Statement) is published in the Council's Annual Statement of Accounts.

- 5.2 Legal implications

The City Council is required under sections 38 and 39 of the Localism Act 2011 to agree an annual Pay Policy Statement.

### **6. Other implications**

- 6.1 **How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?**

To assist the effective delivery of key objectives and corporate priorities the City Council must ensure a structured and objective system is in place for the determination of the pay and grading of employees.

**6.2 How is risk being managed?**

By not having an approved Pay Policy Statement in place by 1 April 2012 the City Council would not be compliant with sections 38 and 39 of the Localism Act 2011. This risk will be removed by approval of the Pay Policy Statement.

**6.3 What is the impact on the organisation?**

None

**6.4 Equalities / EIA**

The Equality Act and the National Joint Council (NJC) conditions of Service require the publication of Equal Pay review information. The last review was conducted in January 2010. The next review is scheduled for 2012 and will be published when completed. This will provide detailed equal pay information regarding pay levels within the Council workforce.

**6.5 Implications for (or impact on) the environment**

None

**6.6 Implications for partner organisations?**

None

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**Directorate: Customer and Workforce Services**

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This report is published on the council's website:

[www.coventry.gov.uk/councilmeetings](http://www.coventry.gov.uk/councilmeetings)

## **Appendix 1**

### **Coventry City Council – Pay Policy Statement 2012/13**

#### **1. Introduction and Purpose**

Under section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as authority thinks fit”. This Pay Policy Statement (the ‘statement’) sets out the Council’s approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011. The purpose of the statement is to provide transparency with regard to the Council’s approach to setting the pay of its employees (excluding those working in local authority schools) by identifying;

- the methods by which salaries of all employees are determined;
- the detail and level of remuneration of its most senior staff i.e. ‘chief officers’, as defined by the relevant legislation;
- the Cabinet Member responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and recommending any amendments to the full Council.

Once approved by the full Council, this policy statement will come into immediate effect and will be subject to review on a minimum of an annual basis in accordance with the relevant legislation prevailing at that time.

#### **2. Legislative Framework**

In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. This includes the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Earnings) Regulations. With regard to the Equal Pay requirements contained within the Equality Act, the Council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality proofed Job Evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

#### **3. Pay Structure**

Based on the application of the NJC Job Evaluation scheme, the Council uses the nationally negotiated pay spine as the basis for its local grading structure, set out in the Council’s Single Status Conditions document dated September 2004. This determines the salaries of the vast majority of the non school based workforce, together with the use of other nationally defined rates where relevant. There have been no increases in the national pay spine since April 2009.

The posts of senior managers (including Directors (Chief Officers) and the Chief Executive) are evaluated through the Hay job evaluation scheme. There have been no increases in the pay rates for Hay graded employees since April 2008.

All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by Council Policy. In determining its grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.

New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector.

#### **4. Senior Management Remuneration**

For the purposes of this statement, senior management means 'chief officers' as defined within S43 of the Localism Act. The posts falling within the statutory definition are set out below, with details of their basic salary as at 1<sup>st</sup> April 2012, are;

##### **a) Chief Executive**

The salary of the post designated as Chief Executive falls within a range of three incremental points between £175,000, rising to a maximum of £185,000. This salary is exclusive of the payment made for returning officer duties.

##### **b) Directors**

The salaries of posts designated as; Director of Children Learning and Young Peoples Services, Director of Community Services and Director of City Services and Development fall within a range of three incremental points between £113,488 rising to a maximum of £124,295.

The salaries of posts designated as; Director of Finance and Legal Services and Director of Customer and Workforce Services fall within a range of three incremental points between £99,722 rising to a maximum of £110,266.

The salary of the post designated as Assistant Chief Executive falls within a range of three incremental points between £90,462 and £99,983.

#### **5. Recruitment of Chief Officers**

The Council's policy and procedures with regard to recruitment of chief officers is set out within section 4.8 of the Council's Constitution. When recruiting to all posts the Council will take full and proper account of its own Recruitment and Redeployment Policies. The determination of the remuneration to be offered to any newly appointed chief officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment. Where the Council is unable to recruit to a post at the designated grade, it will consider the use of temporary market forces supplements in accordance with its relevant policies.

Where the Council remains unable to recruit chief officers under a contract of service, or there is a need for interim support to provide cover for a vacant substantive chief officer post, the Council will, where necessary, consider and utilise engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process ensuring the council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. The Council does not currently have any chief officers engaged under such arrangements.

#### **6. Additions to Salaries of Chief Officers**

The Council does not apply any bonuses or performance related pay to its chief officers.

In addition to basic salary, set out below are details of other elements of 'additional pay' which are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfillment of duties;

- Chief Executive: Fees for Returning Officer for local elections = £7,500
- Director of Customer and Workforce Services: Fees paid for Local Election duties = £347.50
- Director of Children Learning and Young Peoples Services: Fees paid for Local Election duties = £295.00
- Director of Finance and Legal Services: Fees paid for Local Election duties = £295.00
- Director of Community Services: Fees paid for Local Election duties = £227.50
- Director Of City Services and Development: Fees paid for Local Election duties = £225.00
- Assistant Chief Executive: Fees paid for Local Election duties = £227.50

## **7. Payments on Termination**

The Councils approach to discretionary payments on termination of employment of all employees (including chief officers), prior to reaching normal retirement age, is set out within the Security of Employment Agreement in accordance with Regulations 5 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006.

Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made by the full Council or relevant Cabinet Member with delegated authority to approve such payments.

## **8. Publication**

Upon approval by the full Council, this statement will be published on the Councils Website. In addition, for posts where the full time equivalent salary is at least £50,000, the Councils Annual Statement of Accounts will include a note setting out the total amount of:

- salary, fees or allowances paid to or receivable by the person in the current and previous year;
- any bonuses so paid or receivable by the person in the current and previous year;
- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above

## **9. Lowest Paid Employees**

The lowest paid persons employed under a contract of employment with the Council are employed on full time [37 hours] equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's grading structure. As at 1<sup>st</sup> April 2012, this is £12,312 per annum. The City Council employs a small number of modern apprentices who are not included within the definition of "lowest paid employees" as they are employed under specific trainee contract terms.

The relationship between the rate of pay for the lowest paid and chief officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.



The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010).

Lord Hutton was asked by Government to explore the case for a fixed limit on dispersion of pay through a requirement that **no public sector manager can earn more than 20 times the lowest paid person in the organisation**. Lord Hutton's report concluded that the relationship to median earnings was a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the Council's workforce.

The current Council pay levels define the following rates of pay:-

- Chief Executive = £175,000
- Median Chief Officer = £114,578
- Median employee = £20,198
- Lowest paid employee = £12,312

The current Council pay levels define the following pay multiples:-

- Chief Executive to lowest paid employee = **1:14.2**
- Chief Executive to median employee = **1:8.7**
- Median Chief Officer to lowest paid employee = **1:9.3**
- Median Chief Officer to median employee = **1:5.7**

As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the council will use available benchmark information as appropriate.

## **10. Accountability and Decision Making**

In accordance with the Constitution of the Council, the Assistant Director (Human Resources) is responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council.