

Non-Executive Report of the: Human Resources Committee 7 March 2024	 TOWER HAMLETS
Report of: Julie Lorraine, Corporate Director Resources	Classification: Part Exempt (Appendix 2)
Localism Act 2011 – Pay Policy Statement 2024/25	

Originating Officer(s)	Pat Chen, Acting Director of Workforce, OD and Business Support
Wards affected	All Wards

Special Circumstances Justifying Urgent Consideration

This report was not available at the time of publication because it took longer to prepare than anticipated. The report cannot wait for the next scheduled Committee meeting because it is a requirement to take it to Council on 20th March for agreement and this is therefore the last available date for the Committee to consider its contents.

Executive Summary

Under Section 38(1) of the Localism Act 2011, the Full Council is required to adopt a pay policy statement for each financial year.

A statement for 2024/25 (draft attached as Appendix 1) should be approved and adopted by 31 March 2024 to enable it to be published as soon as is practical in the new financial year.

The [Local Government Transparency Code 2015](#) includes guidance on the calculation of the pay multiple, which forms part of the pay policy statement. On 12 May 2022, the Secretary of State issued new statutory guidance on the making and disclosure of Special Severance Payments (SSP) by local authorities. Amendments were made to the pay policy statement for 2022/23 to reflect this new guidance. No further supplementary guidance has been published in relation to the 2024/25 pay policy statement.

Should guidance or an updated Code be published after the 2024/25 pay policy has been considered by the Human Resources (HR) Committee and/or Full Council, which requires minor amendments, it is proposed that HR Committee delegate the authority to make minor amendments to the Chief Executive following consultation with the Director of Workforce, OD and Business Support, Chair of the Human Resources Committee and Monitoring Officer. Should any fundamental changes be required, the pay policy statement will be sent back to the HR Committee for further consideration.

The 2024/25 proposed pay policy statement should be approved and adopted by 31 March 2024 to enable it to be published as soon as is practical in the new financial year.

The pay policy statement sets out the council's current policies and practice in relation to pay for all parts of the Council's directly employed workforce (including some elements that cover agency workers), with the exception of school-based employees. Any changes to the way in which staff are remunerated would need to be dealt with as outlined in section 5 – Legal comments.

Recommendations:

The HR Committee is recommended to:

1. Consider the draft 2024/25 pay policy statement, proposing any changes and, subject to such changes, recommend policy for adoption by Full Council on 20 March 2024.
2. Delegate to the Chief Executive, in consultation with the Director of Workforce, OD and Business Support, Chair of the HR Committee and Monitoring Officer, any minor changes to the 2024/25 pay policy statement.

1. REASONS FOR THE DECISIONS

- 1.1 The Localism Act 2011 received Royal Assent on 15 November 2011. Additionally, the 'Code of Recommended Practice for Local Authorities on Data Transparency' was published in September 2011, under Section 2 of the Local Government, Planning and Land Act 1980. The Act's intention is to bring together the strands of increasing accountability, transparency and fairness, with regards to pay. The Code sets out key principles for local authorities in creating greater transparency through the publication of data. Supplementary guidance, 'Openness and Accountability in Local Pay: Guidance under Section 40 of the Localism Act', was published on 20 February 2013. Further statutory guidance 'Statutory guidance on the making and disclosure of Special Severance Payments by local authorities in England' was published on 12 May 2022.
- 1.2 The provisions of the legislation required Local Authorities to adopt and publish a pay policy statement for 2011/12 and then for each subsequent financial year. Statements must be approved by Full Council and have regard to the guidance published by the Secretary of State. Authorities will be constrained by their policy statement when making determination on senior officer pay, although the statement may be amended at any time by further resolution of Full Council.

2. ALTERNATIVE OPTIONS

- 2.1 As the publication of a pay policy statement and the nature of its content is a legislative requirement, there are no alternative options.

3. DETAILS OF THE REPORT

- 3.1 The pay policy statement must set out the authority's policies for the financial year relating to remuneration of its officers. It must include:
- A policy on the level and elements of remuneration for each Chief Officer
 - A policy on the remuneration of lowest paid employees (together with a definition of 'lowest paid employees' and reasons for adopting that definition)
 - A policy on the relationship between the remuneration of chief officers and the remainder of the workforce
 - A policy on other specific aspects of chief officers' remuneration (remuneration on recruitment, increases and additions to remuneration, use of PRP and bonuses, and the approach to termination payments).
- 3.2 Additionally, the council must have regard to other statutory guidance or recommendations, e.g., relating to pay multiples, it should be noted that, the statutory guidance emphasises that each LA has the autonomy to take its own decisions on pay and pay policies.
- 3.3 The draft 2024/25 pay policy statement considers Local Government Association (LGA)/Association of Local Authority Chief Executives (ALACE) guidance issued to local authority Chief Executives 'Localism Act: Pay Policy Statement Guidance for Local Authority Chief Executives'. The statement details the council's current arrangements; using the definitions contained in the Act and associated guidance. The pay policy statement should also set out the council's position in relation to appointments to posts with salary packages over £100,000 and redundancy packages over the same amount.
- 3.4 The Localism Act requires pay policy statements to give information regarding the pay of 'Chief Officers' and 'Deputy Chief Officers'. For Tower Hamlets' purposes 'Chief Officers' are the Chief Executive, Corporate Directors and the Monitoring Officer and S151 Officer. 'Deputy Chief Officers' are anyone reporting directly to a 'Chief Officer'; Directors fall into this category. The statutory definitions exclude anyone who may fall into these categories who undertake a predominantly administrative or PA support type role to 'Chief Officers' and 'Deputy Chief Officers'.
- 3.5 The draft 2024/25 pay policy statement refers to information already published by the council in relation to senior salary data, to meet with the requirements of the Government's transparency agenda. In addition, the Local Government Transparency Code 2015, also covers the way in which the pay multiple included in the pay policy should be calculated.

Pay multiple

- 3.6 There is a requirement to publish a ratio or pay multiple. There are a variety of ways to approach this and the Hutton Review of Fair Pay in the Public Sector (2011) supported the publication of the ratio of the council's highest paid

employee (the Chief Executive) to that of its median earner (i.e., the midpoint between the highest and lowest salaries). The Local Government Transparency Code 2015, states that the pay multiple is 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. This multiple is quoted in the draft 2024/25 pay policy statement. The ratio last year was 1:5.58 and this year has reduced to 1:4.77, showing in general terms a more equitable distribution of pay across the organisation.

- 3.7 Since the 2014/15 pay policy statement, an additional ratio demonstrating the relationship between the council's highest paid employee (total salary package) and the lowest salary of the non-schools workforce is included. This allows greater comparison with other boroughs that provide this ratio. This ratio last year was 1:10.47 and, again, has reduced to 1:8.67 this year, which supports the conclusion that pay distribution is becoming more equitable in Tower Hamlets.
- 3.8 For clarity, apprentices and schools' staff are not included in the pay multiple calculations, though posts that are designated as apprenticeships are. Apprentices are excluded due to the fact the multiples apply to employees only. Schools must publish their own pay policy, which is different to the Council's policy, and therefore their staff would be covered by these. The Pay Policy is clear that the pay multiples only apply to the non-schools workforce.

London Living Wage

- 3.9 The council is an accredited Living Wage Employer. This means that we adhere to the Living Wage Foundations accreditation statement, which states that "Employees based in London Boroughs (shall be paid) not less than the London Living Wage; and increase the amount which it pays to affected employees by the same amount as any increase to the London Living Wage, within 6 months of the date on which any increase in the London Living Wage is officially announced."
- 3.10 The London Living Wage (LLW) increases annually; the latest rise was announced in November 2023 and will be implemented in April 2024. The LLW rate increased from £11.95 per hour to £13.15 per hour.
- 3.11 The lowest paid staff in the council are currently paid on spinal column point 2, which equates to £27,306 per annum or £14.96 per hour, which is already above the new LLW rate of £13.15 per hour. The national NJC annual pay award for 2024//24 is still pending.

Changes to the Pay Policy

- 3.12 The changes to the Pay Policy 2024/25 are in section 3 (revisions to the evaluation of senior officer pay) and section 13 (updated pay ratios)

4. EQUALITIES IMPLICATIONS

- 4.1 The statement describes existing policies and practice rather than proposing new ones. Should there be amendments, further advice on the impact will be given.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

- 5.2 This report sets out the council's pay policy for 2024/25, which is required by law. It ensures that employees receive an appropriate salary for the work they undertake and that the council's approach to pay is set out clearly.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 The costs of meeting the Council's Pay Policy will need to be contained within the assumed total staffing budget agreed through the Annual Budget and MTFS process. The annual Employees budget for General Fund areas is circa £286m.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The main legal considerations regarding the pay policy requirements are set out in the body of the report.

- 7.2 The statements attached to this report are compliant with the relevant provisions (S.38 and 39) of the Localism act 2011.
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Linked Reports, Appendices and Background Documents

Linked Report

- None

Appendices

- Appendix 1 – Draft Pay Policy Statement 2023/24
- Appendix 2 - Redundancy/severance packages over £100,000 – exempt from publication.

Appendix 2 is restricted through Paragraphs 1 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as it contains information relating to an individual and the financial affairs of that individual.

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

List any background documents not already in the public domain including officer contact information.

- Localism Act 2011 LGA / ALACE - ‘Localism Act: Pay Policy Statement Guidance for Local Authority Chief Executives’
- DCLG - Openness and Accountability in Local Pay: guidance under section 40 of the Localism Act
- DCLG - ‘Openness and accountability in local pay: Guidance under section 40 of the Localism Act 2011’ Supplementary Guidance
- Communities and Local Government - The Code of Recommended Practice for Local Authorities on Data Transparency
- DLUHC - Statutory guidance on the making and disclosure of Special Severance Payments by Local Authorities

Officer contact details for documents:

Pat Chen, Acting Director of Workforce, OD and Business Support