

Non-Executive Report of the:  <b>GP Committee</b>  26 February 2019	
<b>Report of:</b> Neville Murton, Interim Corporate Director Resources	<b>Classification:</b> Unrestricted
<b>Localism Act 2011 – Pay Policy Statement 2019/20</b>	

<b>Originating Officer(s)</b>	Amanda Harcus, Divisional Director HR and Organisational Development
<b>Wards affected</b>	All wards

## Executive Summary

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

A statement for 2019/20 (draft attached as Appendix 1) should be approved and adopted by 31 March 2019, to enable it to be published as soon as is practical in the new financial year. The council's first pay policy statement was in 2012/13 and subsequent pay policy statements were agreed for each of the subsequent years, with the latest being for 2018/19 (Appendix 2).

The Local Government Transparency Code 2015 (Appendix 3) includes further guidance on the calculation of the pay multiple, which forms part of the pay policy statement. No further supplementary guidance has been published in relation to the 2019/20 pay policy statement and the latest Local Government Transparency Code was published in 2015.

Should guidance or an updated Code be published after the 2019/20 pay policy has been considered by the GP Committee and/or Full Council, which requires minor amendments, it is proposed that GP Committee delegate the authority to make amendments to the Chief Executive following consultation with the Divisional Director of HR and Organisational Development, Chair of the GP Committee and Monitoring Officer. Should any fundamental changes be required, the pay policy statement will be sent back to GP Committee for consideration.

The 2019/20 proposed pay policy statement has to be approved by GP Committee and adopted by LBTH by the end of March 2019. At the meeting of Full Council, the statement will be considered for adoption, this will be held on 20 March 2019.

The pay policy statement sets out the council's current policies and practice in relation to pay for all parts of the workforce, 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 GP Committee is recommended to:

Consider the draft 2019/20 pay policy statement, proposing any changes and, subject to such changes, recommend that Full Council agrees the draft statement on March 20 2019.

Agree whether any minor changes to the 2019/20 pay policy statement are required as a result of future government guidance or an updated Local Government Transparency Code. These amendments be delegated to the Chief Executive, after consultation with the Divisional Director HR and Organisational Development, Chair of the GP Committee and Monitoring Officer. Should any fundamental changes be required, the pay policy statement will be sent back to the GP Committee for consideration.

## **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 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.
- 1.2 The Act's intention is to bring together the strands of increasing accountability, transparency and fairness, with regards to pay.
- 1.3 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 2019/20 pay policy statement takes into account 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 defines senior executives, and in this statement they are the Chief Executive, Directors, the Monitoring Officer and Divisional Directors.
- 3.5 The draft 2019/20 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. Should any minor changes to the 2019/20 pay policy statement be required as a result of the publication of an updated Code, these amendments could be made by the Chief Executive, after consultation with the Divisional Director HR and Organisational Development, Chair of the GP Committee and Monitoring Officer. Should any fundamental changes be required, the pay policy statement will be sent back to the GP Committee for consideration.

#### **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 mid-point between the highest and lowest salaries). This multiple is quoted in the draft 2019/20 pay policy statement. The ratio last year was 1:5.97 and this year it is also 1:5.97.

- 3.7 Since 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 ratio last year was 1:11.19 and this year is 1:12.91. This allows greater comparison with other boroughs that provide this ratio.
- 3.8 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. If this definition is applied, the ratio is 1:5.97. (Please note that this figure will be updated in April 2019, when a full tax year can be taken into consideration, to ensure it is accurate and up to date).
- 3.9 In 2015-16 pay policy HR Committee asked about schools and apprentices in relation to the pay multiples. For clarity, apprentices and schools' staff are not included in the pay multiple calculations. Apprentices are excluded due to the fact the multiples apply to employees only. Schools can adopt their own pay 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**

- 3.10 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."
- 3.11 The London Living Wage (LLW) increases annually and the latest rise was announced on 5 November 2018. The LLW rate increased from £10.20 to £10.55 per hour.
- 3.12 The council has 6 months in which to apply the new LLW rates, i.e. by end of May 2019.
- 3.13 The lowest paid staff in the council are currently paid on spinal column point 7, which equates to £11.02 per hour, which is already above the new LLW rate of £10.55 per hour. In addition, the national pay award for 2019, which has already been agreed, will mean the lowest paid employees will receive at least £11.63 per hour. Therefore the Council does not need to take any action to implement the new rate as we are already paying above it.

## **Changes to NJC pay scales**

### **2019/20 Pay Award**

- 3.14 The latest pay award agreed covered the years 2018-20, with the next annual pay increase due on 1<sup>st</sup> April 2019. In addition to the pay award, the 2019 deal requires that all organisations that employ staff who are covered by the NJC agreement to assimilate those staff onto a new pay spine.
- 3.15 The Council is currently engaged in discussions with Trade Union colleagues as to how this will be implemented, but all staff will receive the national pay award on 1<sup>st</sup> April 2019.

### **Public Sector Exit Payment Cap**

- 3.16 There has still been no implementation of the Public Sector Exit Cap Regulations that were first published in 2016, however there is a Private Members Bill which is currently working its way through Parliament, and if passed this would introduce the cap. Given this, section 12.4.3 has been added to the Pay Policy 2019-20 to cover this eventuality.

### **Redundancy/severance packages over £100,000**

- 3.17 The 2018-19 Pay Policy introduced the following paragraph 12.2, in relation to redundancy/severance packages

*A severance package for any member of staff of £100,000 or more (including an employee's right to contractual redundancy/severance and pension/pension lump sum payments) will be subject to the approval of General Purposes Committee and noting by Full Council.*

- 3.18 Given this requirement, appendix 4 provides a list of all the redundancy/severance packages that have been agreed since 1 April 2018 to the present.

## **4. EQUALITIES IMPLICATIONS**

- 4.1 An equality analysis will be carried out on the draft policy statement, but it should be noted that 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 report sets out the council's pay policy for 2019/20, 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 There are no specific financial implications arising from the recommendations within this report.
- 6.2 The Pay Policy will need to be contained within existing staffing budgets agreed through the Annual Budget and MTFS process. The annual Employees budget is around £160m and for 2019/20 an additional £4.1m has been set aside to cover inflationary increases and any changes to London Living Wage.

## **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 Any changes to pay scales or pay awards are dealt with through collective bargaining and will not require contractual amendments as these are already accounted for in current terms and conditions however any changes to the way in which staff are remunerated would need to be dealt with by consultation and an agreed contract variation or the offer of new contractual terms through re-engagement following the Council's agreed employment processes.
- 7.3 When formulating its annual Pay Statement, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector duty).

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

None

### **Appendices**

Appendix 1 – Draft Pay Policy Statement 2019/20

Appendix 2 – Pay Policy Statement 2018/19

Appendix 3 – Local Government Transparency Code 2015

Appendix 4 – Redundancy/severance packages over £100,000

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**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**

**Officer contact details for documents:**

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