

Non-Executive Report of the: GP Committee 22 nd March 2022	 TOWER HAMLETS
Report of: Kevin Bartle, Interim Corporate Director Resources	Classification: Unrestricted
Localism Act 2011 – Pay Policy Statement 2022/23	

Originating Officer(s)	Musrat Zaman, Director of Workforce, OD and Business Support
Wards affected	All wards

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 2022/23 (draft attached as Appendix 1) should be approved and adopted by 31 March 2022, 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 2021/22.

The [Local Government Transparency Code 2015](#) includes 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 2022/23 pay policy statement.

Should guidance or an updated Code be published after the 2022/23 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 minor amendments to the Chief Executive following consultation with the Director of Workforce, OD and Business Support, 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 further consideration.

The 2022/23 proposed pay policy statement should be approved and adopted by 31 March 2022, to enable it to be published as soon as is practical in the new financial year. Due to the timings of the report and committees, this year the report will be considered and agreed by GP Committee by 31 March 2022 but will not be considered by Full Council until 25 May 2022. It will be published as soon as possible after this.

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:

GP Committee is recommended to:-

Consider the draft 2022/23 pay policy statement, proposing any changes and, subject to such changes, recommend policy for adoption by Full Council on 25 May 2022.

Delegate to the Chief Executive, in consultation with the Director of Workforce, OD and Business Support, Chair of the GP Committee and Monitoring Officer, any minor changes to the 2022/23 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 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 2022/23 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, Corporate Directors, the Monitoring Officer and Directors.
- 3.5 The draft 2022/23 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 2022/23 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 Director of Workforce, OD and Business Support, 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 2020/21 pay policy statement. The ratio last year was 1:5.82 and this year it is 1:5.57.
- 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 ratio last year was 1:13.65 and this year is 1:11.43. This allows greater comparison with other boroughs that provide this ratio. Comparison of ratios for this year is not possible until after 01 April 2022 when pay policies are published. However, please see the table below which sets out a comparison of ratios against other London boroughs, including the other inner London boroughs, for the previous 2 years.

Borough	2020/21		2021/22	
	Highest to median	Highest to lowest	Highest to median	Highest to lowest
Tower Hamlets	1:5.82	1:13.65	1:5.57	1:11.43
Haringey	1:5.8	1:9.5	1:5.6	1:9.4
Camden	1:5	1:8.2	1:5.08	1:8.3
Hammersmith and Fulham	1:5.3	1:9.9	1:5.1	No data
Greenwich	1:6.12	No data	1:6.10	No data
Wandsworth	1:7.89	No data	1:7.89	No data
Kensington and Chelsea	1:5.2	No data	1:5.6	No data
Westminster	1:5.5	No data	1:5.7	No data
Islington	No data	1:8	1:5.68	1:8
Lewisham	No data	No data	1:4.75	1:9.34
Southwark	No data	No data	1:6.03	No data
City of London	No data	No data	1:7.38	No data
Lambeth	No data	No data	1:4.81	No data
Newham	No data	No data	1:6.1	No data

- 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 1:11.43.

- 3.9 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

- 3.10 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 15 November 2021. The LLW rate increased from £10.85 to £11.05 per hour.
- 3.12 The council has 6 months in which to apply the new LLW rates, i.e. by 15 May 2022.
- 3.13 The lowest paid staff in the council are currently paid on spinal column point 1, which equates to (£21,815 annual) £11.95 per hour, which is already above the new LLW rate of £11.05 per hour. The national NJC annual pay award for 2021/22 is still pending.

Changes to the Pay Policy

- 3.14 The only change to the Pay Policy 2022/23, other than minor changes to post titles to ensure they reflect recent restructures, is in section 8.1, which delegates the authority to agree a starting salary above the minimum spinal column point to Heads of HR/Senior HR Business Partners on behalf of the Director, Workforce, OD and Business Support. The Corporate Operating Procedures within the Council's Constitution have been amended to reflect this change.

Public Sector Exit Payment Cap

- 3.15 The Public Sector Exit Payment Regulations 2020 came into force on 4 November 2020 and introduced a £95k cap on the total value of exit payments. However, on 12 February 2021, after extensive review of the application of the Cap, the Government concluded that the Cap may have had unintended consequences and the Regulations should be revoked.
- 3.16 As there is still a proposal to implement the Cap, the paragraph previously included in the pay policy to cover the Cap before it was introduced has been

reinserted at section 12.4.3. Should the Cap come into effect, the Pay Policy 2022/23 will be reflected in year to cover this.

4. EQUALITIES IMPLICATIONS

- 4.1 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 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 2022/23, 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 direct financial implications arising from this report.
- 6.2 The costs of meeting the Council's Pay Policy will need to be contained within existing staffing budgets agreed through the Annual Budget and MTFS process. The annual Employees budget for General Fund areas is circa £219m.

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.

Linked Report

- None

Appendices

- Appendix 1 – Draft Pay Policy Statement 2022/23
- Appendix 2 – Redundancy/severance packages over £100,000

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:

Musrat Zaman, Director of Workforce, OD and Business Support 020 7364 4922