

Committee/Meeting: HR Committee	Date: 27 th March 2013	Classification: Unrestricted	Report No: 3.1
Report of: Corporate Director (Resources) Originating officer(s) Simon Kilbey, Service Head (Human Resources & Workforce Development)		Title: Localism Act 2011 – Pay Policy Statement 2013/14 Wards Affected: All	

Lead Member	Cabinet Member for Resources
Community Plan Theme	All
Strategic Priority	Work efficiently and effectively as one Council

1. **SUMMARY**

- 1.1 Under Section 38(1) of the Localism Act 2011, the Council is required to adopt a pay policy statement for each financial year. The Council's first pay policy statement was adopted for 2012/13. The statement for 2013/14 should be approved and adopted by 31st March 2013 to enable it to be published as soon as is practical in the new financial year.
- 1.2 Appendix 1 to this report sets out the draft policy statement for consideration by the HR Committee. The proposed statement has to be published by the end of March 2013 but will not be fully adopted until the meeting of Full Council on 17th April 2013.
- 1.3 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 8.1 – Legal comments.

2. **DECISIONS REQUIRED**

HR Committee is recommended to:-

- 2.1 Consider the draft pay policy statement and to propose any changes to be made prior to publication and prior to recommending its submission to Full Council.
- 2.2 Agree that if any changes to the 2013/14 pay policy statement are proposed by HR Committee prior to publication of the statement, the final version is

delegated to the Head of Paid Service in consultation with the Service Head (HR and WD), the Chair of the Committee and the Monitoring Officer.

3. REASONS FOR THE DECISIONS

- 3.1 The Localism Act 2011 requires Local Authorities to adopt and publish a pay policy statement for each subsequent financial year by 31st March in any year. Statements have to be approved by Full Council and have regard to the guidance published by the Secretary of State. The most recent guidance was issued in February of this year and is reflected in this report. 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.

4. ALTERNATIVE OPTIONS

- 4.1 As the publication of a pay policy statement is a legislative requirement, there are no alternative options.

5. BACKGROUND

- 5.1 As detailed in the report to the HR Committee on 29 February 2012, the pay policy statement must set out the Authority's policies for the financial year relating to the remuneration of its officers. This 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).
 - The publication of and access to information relating to the remuneration of chief officers
- 5.2 Additionally, the Council must have regard to other statutory guidance or recommendations e.g. relating to pay multiples, but 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.

6. BODY OF REPORT

- 6.1 The draft pay policy statement takes into account the LGA/ALACE guidance issued to Local Authority Chief Executives, and the statement details the Council's current arrangements, using the definitions contained in the Act and associated guidance. It also follows the approach taken by other London Councils. The Act also requires the Council to have regard to statutory guidance entitled 'Openness and accountability in local pay' under the

Transparency Agenda. The original guidance was published in 2012, with updated guidance published in February 2013.

- 6.2 The guidance defines 'senior executive' which for the purpose of the Council's statement are the posts of Chief Executive/Head of Paid Service, Corporate Directors and the Assistant Chief Executive. The Act defines who is included under the term "chief officer". It includes the Head of Paid Services (Chief Executive), the monitoring officer, the statutory chief officers as well as non-statutory chief officers and deputy chief officers (managers who report directly to a chief officer.)
- 6.3 The February 2013 guidance states the pay policy statement should 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 and paragraphs to this affect are included in the 2013/14 pay policy statement.
- 6.4 The only other amendments from the 2012/13 pay policy statement are an update to the pay ratio figure as set out below, inclusion of reference to "Head of Paid Service" in relation to the Council's management team, expanded information on terms and conditions other than NJC and a paragraph on the Teachers' Pension Scheme.
- 6.5 The draft 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.
- 6.6 There is a requirement to publish a ratio, or pay multiple. There are a variety of ways to approach this, but 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 Head of Paid Service) to that of its median earner (i.e. the mid point between the highest and lowest salaries). This multiple is quoted in the draft statement. The ratio last year was 1:6.5 and this year is 1:6.1. This change can be accounted for by the vacant Chief Executive post.
- 6.7 The pay policy statement 2013/14 also includes a policy in relation to staff who leave the Council due to redundancy/early retirement and their re-employment by the Council. This follows a proposal to include such a policy being considered by HR Committee on 14th November 2012.

7. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 7.1 There are no financial implications of publishing a pay policy statement, which describes current practice. Should any changes to pay policy be proposed (that result in an amended statement being published in future), the financial implications will be assessed at the point of that changes are proposed.

8. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)

- 8.1 Section 38(1) of the Localism Act 2011 requires the Council to have a pay policy statement approved by full Council and published. The Act is clear that the function of setting the annual Pay Policy Statement may not be delegated to a committee, so the HR Committee will need to recommend the proposed Statement to Full Council for approval.
- 8.2 Although the pay statement covers all staff, particular focus is given to Chief Officers in the "Openness and accountability in local pay" Guidance issued by the government in 2012 and updated in new guidance in February 2013. The Council is required to have due regard to government guidance but provided it has done so it may decide not to follow it. Statutory regulations and Acts of Parliament must be followed.
- 8.3 The Guidance makes it clear that as the pay policy statement sets the general principles and does not contain personal data, there is an expectation that it will be considered in the parts of the meetings which are open to the public. That is consistent with Schedule 12A of the Local Government Act 1972 (as amended)
- 8.4 The Guidance also provides that Full Council should be offered the opportunity to consider salary packages in excess of £100k before they are offered. These packages include any form of remuneration which is defined widely and includes not just basic pay/salary but also any bonuses, charges, fees e.g. election fees or allowances, benefits in kind, increases in/enhancements of pension entitlements and termination/severance payments. Remuneration in relation to employees who are not chief officers is also similarly widely defined
- 8.5 Should there be any changes contemplated in the policy, these would need to go through a detailed consultation process, given the impact on contractual entitlements. Consequently, the approach with the pay policy is to recommend that it is adopted setting out current terms i.e. compliant with the legislation. If there are future proposed amendments then these can be advised on separately in the fullness of time.

9. ONE TOWER HAMLETS CONSIDERATIONS

- 9.1 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.

10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 10.1 There are no implications.

11. RISK MANAGEMENT IMPLICATIONS

11.1 The draft statement describes existing policies and practice. Any risks, e.g. from proposing changes in the future to pay and benefits, would be assessed at the time.

12. CRIME AND DISORDER REDUCTION IMPLICATIONS

12.1 There are no implications.

13. EFFICIENCY STATEMENT

13.1 No changes to service delivery or the use of resources are proposed.

14. APPENDICES

Appendix 1 – draft pay policy statement

**Local Government Act, 1972 Section 100D (As amended)
List of “Background Papers” used in the preparation of this report**

Brief description of “background papers”	Name and telephone number of holder and address where open to inspection.
Localism Act 2011	Simon Kilbey, Service Head (HR/WD) 020 7364 4922
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 2011’ Supplementary Guidance	

