

Committee/Meeting: HR Committee	Date: 12 th March 2014	Classification: Unrestricted	Report No: 4.1
Report of: Corporate Director (Resources) Originating officer(s) Simon Kilbey, Service Head (Human Resources & Workforce Development)		Title: Localism Act 2011 – Pay Policy Statement 2014/15 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.
- 1.2 The Council's first pay policy statement was adopted for 2012/13 and the Pay Statement for 2013/14 (Appendix 2) was agreed at the HR Committee on 27th March 2013. The statement for 2014/15 (Appendix 1) should be approved and adopted by 31st March 2014 to enable it to be published as soon as is practical in the new financial year.
- 1.3 The Department for Communities and Local Government has produced supplementary guidance to be read alongside existing accountability guidance, which governs pay policy statements, for the past two years. The 2013 guidance, published on 20th February 2013, was taken into consideration in the production of the 2013/14 pay policy statement.
- 1.4 To date, no supplementary guidance has been published in relation to the 2014/15 pay policy statement. Should guidance be published after the 2014/15 pay policy has been considered by the HR Committee and/or Full Council, which requires minor amendments to be made to the pay policy statement, it is proposed that the HR Committee delegate the authority to make such amendments to the Head of Paid Service after consultation with the Service Head (HR and WD), the Chair of the Committee and the Monitoring Officer. Should any fundamental changes be required, the pay policy statement will be sent back to the HR Committee for consideration.

- 1.5 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 2014. The next meeting of Full Council, during which the statement may be adopted, will be held on 26th March 2014.
- 1.6 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 – Legal comments.

2. DECISIONS REQUIRED

HR Committee is recommended to:-

- 2.1 Consider the draft pay policy statement and 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 2014/15 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 after consultation with the Service Head (HR and WD), the Chair of the Committee and the Monitoring Officer.
- 2.3 Agree that if any minor changes to the 2014/15 pay policy statement are required as a result of future government guidance, these amendments be delegated to the Head of Paid Service after consultation with the Service Head (HR and WD), the Chair of the Committee and the Monitoring Officer. Should any fundamental changes be required, the pay policy statement will be sent back to the HR Committee for consideration.

3. REASONS FOR THE DECISIONS

- 3.1 The Localism Act 2011 received Royal Assent on 15 November 2011. In addition to the Act, 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 to 'Openness and Accountability in Local Pay: Guidance under Section 40 of the Localism Act' was published on 20 February 2013.
- 3.2 The provisions of the legislation required Local Authorities to adopt and publish a pay policy statement for 2011/12 and for each subsequent financial year. Statements have to 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.

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 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).
- 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. 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, which stated that 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. Any guidance for 2014 has yet to be published.
- 6.2 The guidance defines 'senior executive' which for the purpose of the Council's statement are the posts of Head of Paid Service and Corporate Directors.
- 6.3 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.
- 6.4 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 1:6.1 and this year is 1:5.9.

- 6.5 For 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 is 1.9.92. This allows greater comparison with other boroughs that provide this ratio.
- 6.6 The information on the lowest paid staff in the council has been updated to confirm that as the London Living Wage rises in future years, the Council will continue to increase pay levels for the lowest paid staff to ensure that they are paid the nearest scale point above the London Living Wage.
- 6.7 Under the section on additional payments, a paragraph has been added regarding market supplements for recruitment purposes. Such payments are commonly used by other local authorities. In recent times there has been a need to increase the salary level for the Corporate Director of Education, Social Care and Wellbeing in order to secure an appointment. Also currently, in relation to the Director of Law, Probity and Governance, feedback has been received that we may not be able to recruit a suitable candidate at the current grade. In these and such other circumstances, an additional payment can be made, where there is a strong business case. If the payment is for a Service Head or Corporate Director, this would be agreed by the Head of Paid Service after consultation with the Chair of the HR Committee and Service Head Human Resources and Workforce Development (HR and WD). For any posts below Service Head, this would be agreed by the Head of Paid Service after consultation with the Service Head HR and WD.
- 6.8 The use of market supplements will be regularly reviewed and monitored to ensure that the council's pay policy complies with equal pay requirements.

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 that changes are proposed.

8. CONCURRENT REPORT OF LEGAL SERVICES

- 8.1 Guidance on Section 40 of the Localism Act was published in February 2012. Relevant authorities (which includes a London Borough Council) are required by section 38(1) of the Act to prepare pay policy statements which set out a range of issues relating to the Authority's policy towards a range of issues including that of its highest and lowest paid workers. The policy must be prepared for each financial year, approved by full Council and published for transparency.

- 8.2 Under Section 40 (1) of the Act the Authority must have regard to the guidance which sets out key policy principles which underpin the accountability provisions of the Act. The Council is still bound by relevant employment (and other) legislation as the employer and any changes which may be proposed by the policy must bear in mind the requirements of such legislation.
- 8.3 The Act and the guidance requires that Councillors take a greater role in ensuring that the remuneration, particularly that of the most senior staff, is appropriate and commensurate with their responsibility and within the wider context of the pay of the workforce as a whole. This requires the publication of data in respect of the remuneration of chief officers.
- 8.4 The Council can amend the pay policy on an annual basis as required by the Act but may also amend the policy as needed to take into account changing legislative requirements.
- 8.5 Given the requirement that the policy be approved by full Council, care must be exercised when seeking to delegate any authority to approve changes which are made to the policy subsequent to its approval by full Council.

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 2014/15

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**

**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**