


Non-Executive Report of the: HR Committee 13 th April 2016	 TOWER HAMLETS
Report of: Zena Cooke, Corporate Director Resources	Classification: [Unrestricted or Exempt]
Pay Policy Update Report	

Originating Officer(s)	Simon Kilbey – Service Head HR&WD
Wards affected	All wards

Summary

HR Committee on 21st January 2016 considered and agreed the Pay Policy 2016-17. The report that accompanied the pay policy highlighted a number of issues that required follow up, which were discussed at the committee. This report provides an update on those issues and information on further possible reforms to public sector exit payments.

Recommendations:

HR Committee is recommended to:-

Consider the report for information and provide comments.

1. REASONS FOR THE DECISIONS

1.1 The report is for information and comments only.

2. ALTERNATIVE OPTIONS

2.1 The report is for information and comments only.

3. DETAILS OF REPORT

3.1 The Pay Policy 2016-17 Report, considered by HR Committee on 21st January 2016, raised a few issues that require the provision of further information.

Pay Multiples

3.2 In the previous report, it was stated that benchmarking information on the pay multiples for other boroughs would be brought to HR Committee for information.

- 3.3 The table below shows how Tower Hamlets ratios compare to the latest ratios of other London Boroughs. As this report was written before 31st March, which is the date by which all councils must publish their pay policies, we have limited information at present. The information currently available is as follows:-

Council	Pay Ratio (highest:median)	Pay Ratio (highest:lowest)
Tower Hamlets	1:6.7	1:10.87
Bexley	1:7	N/A
Ealing	1:5.44	N/A
Hackney	1:5.56	1:10.12
Hounslow	1:6	1:10
Southwark	1:6.02	N/A

- 3.4 Further benchmarking information will be presented verbally to HR Committee on the 13th April, following the requirement for all authorities to publish their pay policies by 31st March.

London Living Wage (LLW)

- 3.5 There are 8 staff employed by the council who are based at the Gorsefield Centre. This is located outside London and they are therefore paid on the National pay scale rather than the pay scale applicable to Inner London. 2 of these staff currently receive an hourly pay rate that is lower than the LLW. The issue around their pay was discussed at the HR Committee on 21st January. The committee resolved at that meeting that in principle this issue should be looked into to include these staff in the LLW increase and then inform the committee of the outcome of consultation.
- 3.6 Final resolution of this issue is partially influenced by the 2016-18 NJC Pay award, since the differences in the current pay offer between grades (currently 6.6% proposed increase at Scale 1 level and 1% at Scale 3) has profound implications for pay differentials between staff at Gorsefield. An interim solution involving the payment of the London Living Wage with effect from 1st May 2016 (in line with the Living Wage Foundations timeline), together with a longer term resolution that also address the issue of pay differentials in the context of any national pay award, will be included in a report to CMT in mid-April. Agreed actions will be consulted on with the appropriate parties and information will be provided to the committee as to the outcome of this.

Pay Claim

- 3.7 The Employers Side has offered a two-year pay award with a one per cent increase in each of 2016 and 2017 in addition to increasing the bottom pay points by up to 6% to take account of the new National Living Wage.

- 3.8 This issue was not included in the previous report but is now included because the proposed national pay award will have a noticeable effect on the council's grading structure and the national negotiations appear to have reached an impasse.
- 3.9 The Trade Union Side submitted their national pay claim for 2016, which asked for £1 an hour on each spinal column point. As this claim was rejected by the Employers Side, Unison, GMB and Unite have balloted their members to determine whether the pay offer should be accepted.
- 3.10 GMB members voted to accept the pay offer but both Unison and Unite members voted to reject the offer.
- 3.11 If the current pay offer were to be agreed, it would have an effect on the Council's grading structure. The lowest Scale Column Point (SCP) currently used is SCP 8. This is because SCPs 6 (£16,524) and 7 (£16,680) are below the LLW and are therefore not used at present.
- 3.12 If the NJC pay offer were to be accepted, it would raise SCP 6 to £17,424 and SCP 7 to £17,580 with effect from 1st April 2016. Both these salary amounts would be higher than the LLW and therefore, in theory, these SCPs could start to be used again for new starters. The Trade Unions have requested that SCPs 6 and 7 not be used in future and that all new starters are placed on SCP 8.
- 3.13 As a result of the pay offer, there is likely to be an overlap between grades 1A1 and 1A2. This may need to be considered by CMT, following which the provision for minor changes in the pay policy (e.g. Chairs agreement) may need to be utilised.
- 3.14 As at 1st April 2016, if the pay award were to be implemented as proposed by the Employers Side, the difference between SCP 6 and SCP 8 would be £531 per annum. There are currently 576 employees on Scale1A1, all on SCP8, and 39 employees on Scale1A2 (SCP 8-10).
- 3.15 Further work will be undertaken on this issue and considered by CMT should the proposed pay award go ahead. In that case, it will be brought back to HR Committee for information.

Future Legislative Changes

Date of change unknown – Reforms to Public Sector Exit Payments

- 3.16 Further to the future legislative changes that were detailed in the Pay Policy Report considered by HR Committee on 21st January, the Government has published a further consultation with regard to further reforms to public sector exit payments.

- 3.17 The consultation, which closes on 3rd May 2016, looks at options which the government suggests will make public sector exit compensation terms fairer, more modern and more consistent.
- 3.18 The government is proposing to take action on some or all of the following elements across all mayor public sector compensation provision: -
- Setting the maximum tariff for calculating exit payments at three weeks' pay per year of service
 - Capping the maximum number of months' salary that can be used when calculating redundancy payments to 15 months. There may be a differential where employers distinguish between voluntary and compulsory redundancies by applying a lower limit to the latter.
 - Setting a maximum salary for the calculation of exit payments. This could potentially align with the NHS's redundancy scheme's salary cap of £80,000.
 - Enabling the amount of lump sum compensation an individual is entitled to receive to be tapered as they get close to the normal pension age or target retirement age of the pension scheme to which they belong, or could belong, in that employment.
 - Reducing the cost of employer-funded pension top up payments, such as limiting the amount of employer funded top ups for early retirement, or removing access to them, and/or increasing the minimum age at which an employee is able to receive an employer funded pension to up. The latter would link the minimum age more closely with the individual's Normal Pension Age in the scheme in which they are currently accruing, or have accrued, pension benefits.
- 3.19 Currently the council calculates redundancy compensation based on actual pay, with a maximum payment of 30 weeks' pay in respect of redundancy payment and 36 weeks' pay in respect of severance payment.
- 3.20 With regard to the payments in scope, general limits would be imposed on most employer-funded payments made in relation to leaving employment, including compensation packages for exits whether in impending or declared redundancy situations or in other situations where individuals leave public sector employment with employer-funded exit packages.
- 3.21 Any increase in the minimum age at which an employee might be able to receive a pension top up on voluntary or compulsory exit would apply to payments under the major compensation schemes (but not to any payments made in relation to death or injury attributable to duty or ill health retirement).
- 3.22 These proposals would impact on the council's redundancy terms and would require a change to the current policy, as well as having pension implications. If any of the proposals are to be taken forward following the consultation, a further report will be provided to HR Committee as appropriate.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 This report is for information only. There are no financial implications arising from the recommendations.

5. LEGAL COMMENTS

- 5.1 Under Section 38(i) of the Localism Act 2011 the Council is required to adopt a pay policy statement for each financial year. The statement for 2016/17 was approved and adopted by the Council at its meeting on 3 March 2016.
- 5.2 This report updates issues which were discussed by the Committee when the Pay Policy Statement was considered prior to approval by Council.
- 5.3 There are no immediate legal implications arising from this report.

6. ONE TOWER HAMLETS CONSIDERATIONS

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

7. BEST VALUE (BV) IMPLICATIONS

- 8.1 There are no Best Value implications.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 8.2 There are no implications.

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 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.

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 10.1 There are no implications.

Linked Reports, Appendices and Background Documents

Linked Report

- Pay Policy 2016-17 Report considered at HR Committee on 21st January 2016.

Appendices

- NONE.

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.

- NONE.

Officer contact details for documents:

- Simon Kilbey, Service Head (HR/WD) 020 7364 4922