

Non-Executive Report of the: GP Committee 25 February 2020	
Report of: Neville Murton, Corporate Director Resources	Classification: Unrestricted
Localism Act 2011 – Pay Policy Statement 2019/20	

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

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 2020/21 (draft attached as Appendix 1) should be approved and adopted by 31 March 2020, 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 2019/20.

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 2020/21 pay policy statement.

Should guidance or an updated Code be published after the 2020/21 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 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 further consideration.

The 2020/21 proposed pay policy statement has to be approved by GP Committee and adopted by LBTH by the end of March 2020. At the meeting of Full Council, the statement will be considered for adoption, this will be held on 18 March 2020.

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 2020/21 pay policy statement, proposing any changes and, subject to such changes, recommend policy for adoption by Full Council on March 18 2020.

Agree that the proposed changes to the Pay Policy 2020/21 that would be needed to reflect the implementation a revised grading structure are agreed and can be made as set out in this report.

Delegate to the Chief Executive, in consultation with the Divisional Director HR and Organisational Development, Chair of the GP Committee and Monitoring Officer, any minor changes to the 2020/21 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 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 2020/21 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 Divisional Directors.
- 3.5 The draft 2020/21 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 2020/21 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 2020/21 pay policy statement. The ratio last year was 1:5.97 and this year it is 1:5.82.
- 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 1:12.91 and this year is 1:13.65. This allows greater comparison with other boroughs that provide this ratio. Comparison of ratios is not possible until after 01 April 2020 when pay policies are published. We will bring back a further report to GP Committee to show comparisons and any changes in our ratios from the implementation of Tower Rewards.
- 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 1:6.03. (Please note that the ratio figures will be updated in April 2020, when a full tax year can be taken into consideration, to ensure they are accurate and up to date).
- 3.9 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 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 11 November 2019. The LLW rate increased from £10.55 to £10.75 per hour.
- 3.12 The council has 6 months in which to apply the new LLW rates, i.e. by end of May 2020.
- 3.13 The lowest paid staff in the council are currently paid on spinal column point 1, which equates to £11.63 per hour, which is already above the new LLW rate of £10.75 per hour.

Changes to the Pay Policy

- 3.14 The following changes have been proposed for the Pay Policy 2020/21 to reflect what will be in place in April 2020 and after a revised grading structure has been implemented:-
- Section 2.2 now reads:- “The **Lowest Paid Employees** are defined as employees paid on Spinal Column Point 1 of the National Joint Council (NJC) for Local Government Services pay scales. This definition has been adopted as it is the lowest level of remuneration attached to a post in this Authority (see section 6 below)”.

Sections 3.5 and 3.6 now read: - “The Council uses the national pay spine up to grade LPO8 (Grade O when a revised grading structure is implemented in April 2020) and determines the appropriate grade for each job in accordance with the Greater London Provincial Council (GLPC) job evaluation scheme”.

Above LPO8, local grades are in place as follows:

- LPO9 - evaluated under a local variation to the GLPC job evaluation scheme (Grade P when a revised grading structure is implemented in April 2020)
- Above LPO9 - evaluated under the Joint Negotiating Committee for Chief Officers job evaluation scheme
- Section 9.4 has had an additional sentence added to reflect the payment of Market Supplements so now reads:- “The Council’s Divisional Director HR and Organisational Development, also has the ability to agree the payment of market supplements for recruitment and retention purposes, where there is a strong business case and appropriate criteria are met. (Details are set out in the Council’s Market Supplement Policy)”.

Public Sector Exit Payment Cap

- 3.15 There has still been no implementation of the Public Sector Exit Cap Regulations that were first published in 2016, however there has been further government consultation on this issue. Section 12.4.3 was previously added to the Pay Policy 2019/20 to cover this eventuality and remains for the Pay Policy 2020/21.

Redundancy/severance packages over £100,000

- 3.16 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.

- 3.17 Given the requirement for Full Council to note such packages, appendix 2 provides a list of all the redundancy/severance packages that have been agreed since 1 April 2019 to the present.

Re-engagement following redundancy

- 3.18 The wording of section 12.4 has been changed to reflect the fact that the policy on the re-employment of people following redundancy has changed. Previously the policy was that there must be a break of 1 year for those who were compulsorily redundant and a break of 2 years for those who were voluntarily redundant.

- 3.19 The policy has changed to the following:-

“Any member of staff who has left the Council by reason of redundancy or early retirement and received a redundancy/severance payment is required to have a gap before reemployment. The gap should be at least 2 years after the date of termination for all staff who left due to compulsory redundancy or voluntary redundancy before they can return, either as a directly employed member of staff, an agency worker or a consultant. This does not prevent them from working in Tower Hamlets Schools during this period.”

Returning Officer Fees

- 3.20 The wording of this paragraph has been changed to say “The Chief Executive receives fee payments pursuant to his appointment as Returning Officer at elections.”

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 There are no specific financial implications arising from the recommendations within this report.
- 4.2 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 is around £160m.

5. **LEGAL COMMENTS**

- 5.1 The main legal considerations regarding the pay policy requirements are set out in the body of the report.
- 5.2 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.
- 5.3 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).

6. **ONE TOWER HAMLETS CONSIDERATIONS**

- 6.1 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.

7. **BEST VALUE (BV) IMPLICATIONS**

- 7.1 This report sets out the council's pay policy for 2020/21, 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.

8. **SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 8.1 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(s)

None

Appendices

Appendix 1 – Draft Pay Policy Statement 2020/21

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:

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