

Report

Cabinet



Part 1

Date: 14th October 2020

Subject Pay and Reward Policy 2020/21

Purpose Cabinet to consider the updated Pay and Reward Policy for 2020/21

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Ward All

Summary The Localism Act 2011 required English and Welsh local authorities to produce a “pay policy statement”, initially for the financial year 2012-13, and then on an annual basis. The legislation outlined a number of statutory requirements which must be included in any pay policy statement.

The Pay and Reward Policy 2019/20 has been reviewed and two changes are proposed for the 2020/21 version; to remove the car block allowance for Chief Officers and to insert a clause regarding the restriction of re-employment for employees taking voluntary redundancy or settlement agreements from the Council.

Proposal Cabinet to approve the updated Pay and Reward Policy in order to meet the statutory requirement for a pay policy statement to be approved and published by Council on an annual basis.

Action by Chief Executive/Head of People and Business Change

Timetable Immediate

This report was prepared after consultation with:

- Chief Executive
- Head of Law and Regulation
- Head of Finance
- HR&OD Manager
- Trade unions

Signed

Background

The Localism Act 2011 required English and Welsh local authorities to produce a 'pay policy statement,' initially for the 2012-13 financial year, and then on an annual basis. Items which must be included in the statutory pay policy statement are as follows:

- A local authority's policy on the level and elements of remuneration for each chief officer
- A local authority's policy on the remuneration of its lowest-paid employees (together with its definition of 'lowest-paid employees' and its reasons for adopting that definition)
- A local authority's policy on the relationship between the remuneration of its chief officers and other officers
- A local authority's policy on other specific aspects of chief officers' remuneration: remuneration on recruitment, increases and additional to remuneration, use of performance-related pay and bonuses, termination payments, and transparency.

The Act also specifies that the pay policy statement:

- must be approved on an annual basis formally by the full Council meeting (the responsibility cannot be delegated to Cabinet or a sub-committee)
- can be amended in-year
- must be published on the authority's website (and in any other way the authority chooses)
- must be complied with when the authority sets the terms and conditions for a chief officer.

The Act requires an authority to have regard to any statutory guidance on the subject issued or approved by the Secretary of State or Welsh Ministers. The Welsh Government issued statutory guidance on "*Pay Accountability in Local Government in Wales*" in March 2012 and the Public Services Staff Commission published further supplementary guidance in December 2016.

Pay and Reward Policy

The Council recognises that, in the context of managing scarce public resources, remuneration at all levels needs to be adequate to secure and retain high quality employees dedicated to the service of the public; but at the same time needs to avoid being unnecessarily generous or otherwise excessive.

The Council's Pay and Reward Policy, initially approved in March 2012, was developed to meet the statutory requirements contained in the Localism Act 2011. However, in the spirit of transparency, the Council took the opportunity to take a wider view and include information relating to school based employees. Local authority schools are specifically excluded from the Localism Act's statutory requirements. However, as employees in community maintained and voluntary controlled schools are employees of the Council, reference has been made to school based employees within the Pay and Reward Policy. It is recognised that the pay decisions for these employees are delegated to school Governing Bodies by legislation and that each school is responsible for publishing its own Pay Policy. For the avoidance of doubt, the relevant school Pay Policies are the definitive version of policy for school based staff engaged by the governing body of the respective school.

Subject to approval by full Council, to meet the requirements of the Localism Act, this Pay and Reward Policy will be published on the Council's Website. In addition, in accordance with the provisions of Accounts and Audit (Wales) Regulations 2005, the Council's Annual Statement of Accounts will include a note setting out salary and remuneration information for Council posts where the full time equivalent salary is at least £60,000.

Updates since April 2019

The national employers and trade unions have agreed that with effect from 1st April 2020 a 2.75% pay award will be applied to all pay points for Chief Executives, Chief Officers and the NJC workforce. The pay award for teaching staff will apply from 1st September and the School Teachers Pay and Conditions Document (Wales) is out to consultation, with a publication date to be determined.

Car block allowance for Chief Officers

Chief Officers have provision in the policy to receive a block allowance for incurring business mileage in the course of undertaking their duties. They have the alternative option to claim through the HR and Payroll system, iTrent, and one Chief Officer has currently elected to do this. By removing the block allowance mileage incurred in order to undertake duties is accurately reimbursed and provides meaningful data to complement the wider workforce mileage undertaken and understand the journeys being taken by employees. Should a decision be taken to remove the block allowance, notice will need to be issued to the affected staff group and appropriate training provided to use the employee self-serve function to claim mileage expenses.

Restriction of re-employment

In the last five years 618 employees have chosen to return to the Council after terminating their employment. 67 of these employees chose to take voluntary redundancy with and without release of pension benefits at a significant cost to the Council. There is currently no restriction on re-employment within the Pay Policy. Other Councils across Wales have a range of different measures in place to restrict the employment of those staff who have volunteered for redundancy and/or early retirement. Of those who have responded to a request for information, 4 (including Newport) have limited restrictions, but the other 6 have variations of restrictions.

The proposed insertion recommends retaining the opportunity for compulsory redundant employees to return at any time due to the redundancy not being of their choosing, and that with the Council being the largest employer in the locality, refusing to re-employ could be detrimental to future employment opportunity. However, this report suggests that by introducing a 24-month restriction for those employees who have volunteered for redundancy, this gives sufficient time for newer delivery of services to have been embedded and gives greater opportunity for a more diverse workforce to be recruited.

Equally, those employees who have signed a settlement agreement to terminate their employment from the Council are recommended to be restricted on any return, whether on a contractual basis, as an agency worker or as a self-employed consultant providing services.

Consultation responses

The Council's recognised trade unions have been informed and consulted on the proposed changes. Responses have been received on the chief officer car block allowance removal from three trade unions who are in support of the proposal. Responses have been received from two trade unions on the restriction on re-employment proposal with broad support but requesting that exceptional circumstances can be applied based on the merits of each redundancy situation when a volunteer comes forward for the benefit of the wider pool in a compulsory situation.

The Gender Pay Gap

In accordance with the Equality Act (Gender Pay Gap Information) Regulations 2017, the Council is required to publish its gender pay gap information on its website and upload them onto a national Government website by 31st March 2020. The results from the analysis are as follows:

We have 2,558 relevant employees (excluding schools) for the purpose of establishing the gender pay gap, of which 72.5% are women and 27.5% are men.

Improvements since last year have shown the median pay gap close from 3% to 0%, and from 2019 women and men are paid the same median hourly rate. Similarly, the gender pay gap when comparing the mean hourly rate has altered from 4.8% last year to 3.6% in 2019. Newport City Council has one of the smallest gender pay gaps from amongst local authorities in Wales and compares favourably to the national average of 17%. Our gender pay gap report is published on the Council's transparency page each year [here](#)

Our Mean pay gap

- Our average hourly rate for women is £13.43
- Our average hourly rate for men is £13.92
- Our mean pay gap between men and women is 3.6%. This means that, on average, a woman's hourly rate of pay is 3.6% lower than a man's.

Our median pay gap

- Our median hourly rate for women is £11.98
- Our median hourly rate for men is £11.98
- Our median pay gap between men and women is 0%. This means that the median (or midpoint) hourly rate for a woman is equal to that for a man.

Our bonus pay gap

- Following the implementation of Single Status Pay and Grading Arrangements in 2015, the Council no longer makes any bonus payments to either men or women.

Our pay quartiles

We must report the percentage of men and women in each pay quartile. Quartiles are created by listing the rates of pay for all employees from lowest to highest, before splitting that list into four equal sized groups and calculating the percentage of men and women in each quartile.

	FEMALE	MALE	TOTAL
LOWER	76%	24%	100%
LOWER MIDDLE	70%	30%	100%
UPPER MIDDLE	70%	30%	100%
UPPER	70%	30%	100%

Pay Relativities within the Council

The relationship between the rate of pay for the lowest paid Council employee and that of the Council's Chief Officers is determined by the processes used for determining pay and grading structures set out in the Pay and Reward Policy. The Council's lowest paid employee is paid on spinal column point 1 of the NJC for Local Government Workers.

As part of its commitment to pay transparency, and following the recommendations of the Hutton Review, the Council will publish information on pay relativities on an annual basis in the Pay and Reward Policy. This information for **2020-21** is as follows:

Multiple of Salary	Ratio
<ul style="list-style-type: none"> the multiple between the annual salary of the lowest paid Council employee and the Chief Executive (full-time equivalent basis) as a ratio 	1 : 8:0
<ul style="list-style-type: none"> the multiple between the annual salary of the lowest paid Council employee and the average Chief Officer (full-time equivalent basis) as a ratio 	1 : 5:3
<ul style="list-style-type: none"> the multiple between median earning of Council employees and the Chief Executive (full-time equivalent basis) as a ratio 	1 : 4.4
<ul style="list-style-type: none"> the multiple between median earning of Council employees and the average Chief Officer (full-time equivalent basis) as a ratio 	1 : 2.4

Note:

- i) Column A provides the pay ratio as per the requirement of the Localism Act 2011
- ii) These figures exclude remuneration for appointments within organisations for which the Council provides a payroll service but is not the employer.
- iii) These figures exclude remuneration for joint appointments where the Council is not the employer

Financial Summary

There are no financial implications contained in the updated *Pay and Reward Policy*, as the policy confirms the current pay and reward arrangements in place in the Council.

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Failure to comply with statutory requirement to approve and publish a "pay policy statement" on an annual basis	H	L	Produced an updated <i>Pay and Reward Policy</i> which meets the statutory requirements and which is recommended for approval by Council	Chief Executive / Head of People and Business Change

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

The Pay and Reward Policy forms a key part of the Council's People and Culture Strategy. The strategy underpins the Council's Corporate Plan and strategic objectives - how employees are rewarded for their contribution is directly linked to the delivery of the council's key aims. The updated Pay and Reward Policy will ensure, when approved, that the Council complies with the statutory requirement to publish a "pay policy statement" on an annual basis.

Options Available

The options available are as follows:

1. For Cabinet to agree to recommend the updated Pay and Reward Policy to full Council for approval.
2. For Cabinet not to agree to recommend the updated Pay and Reward Policy to full Council for approval.

Preferred Option and Why

For the Cabinet to agree to recommend the updated Pay and Reward Policy to full Council for approval in order to meet the statutory requirements for a 'pay policy statement' to be published on an annual basis.

Comments of Chief Financial Officer

The Council's Budget is based on the overall pay structures in place, as outlined in the updated *Pay and Reward Policy*. There are therefore no direct financial implications contained in the report.

Comments of Monitoring Officer

The Council has a statutory duty under Section 38 of the Localism Act 2011 to approve and publish its Pay Policy on an annual basis. The proposed Pay and Reward Policy has been prepared in accordance with the legislation and Welsh Government Guidance. The policy has to be approved by full Council on an annual basis, in order to comply with the statutory requirements, albeit that this process has been delayed this year due to the Covid-19 lock-down restrictions. Therefore, Cabinet will need to make a recommended to full Council to approve and adopt the final Pay and Reward Policy. This revised Policy has been updated to take account of national pay awards and includes two substantive changes since last year, to remove the block travel allowances for Chief Officers and to restrict the re-employment of staff who have taken voluntary redundancy or signed a settlement agreement for a period of 24 months following the termination of their employment (unless there are exceptional circumstances). Once adopted, the Pay and Reward Policy will need to be published and the Annual Statement of Accounts will also need to include details of the remuneration of individual Chief Officers, to comply with the requirements of the Audit (Wales) Regulations.

Staffing Implications: Comments of Head of People and Business Change

Author of report, comments contained within main body of the report.

Comments of Cabinet Member

Council previously approved the Pay and Reward Policy in April 2019. The updated policy reflects the current position in relation to pay arrangements for employees of the Council, including changes approved during the past 12 months. I have agreed that the updated policy be presented to the Cabinet for consideration, and subject to Cabinet's approval, be recommended to full Council.

Local issues

N/A

Scrutiny Committees

N/A

Equalities Impact Assessment

An FEIA has been undertaken which identifies areas of potential disadvantage amongst older female workers due to the increased likelihood of them taking voluntary redundancy due to there being far fewer male counterparts from within the workforce.

Children and Families (Wales) Measure

N/A

Wellbeing of Future Generations (Wales) Act 2015

The Pay and Reward Policy contributes to the well-being goals for a more equal Wales and a prosperous Wales. The policy demonstrates how employees are rewarded for their contribution to the organisations local and national priorities, and will ensure the Council complies with the statutory requirement to publish a “pay policy statement” on an annual basis.

The five ways of working have been applied when considering this proposal. The Council is required to publish a Pay Policy Statement each financial year and this updated policy meets this requirement. This policy provides a framework for decision making on pay and allows the Council to demonstrate its key approaches to pay and reward for employees, ensuring resources are managed effectively both in the short and longer term.

This updated policy outlines the Council's approach to pay and reward of its employees in the interests of openness and transparency, and is in place to prevent problems and issues occurring with any decisions made in relation to public sector pay. The policy also forms a key part of the Council's People and Culture Strategy. The strategy underpins the Council's Corporate Plan and strategic objectives - how employees are rewarded for their contribution is directly linked to the delivery of the council's key aims and objectives.

As part of this policy, the Council's intention is to continue to develop collaborative working on a planned and strategic basis with local authority partners and other public and third sector organisations. In addition, the policy provides the public with the Council's policy on all aspects of pay and reward, including senior posts and the lowest paid posts, explaining the relationship between remuneration for senior post holders and other groups.

Crime and Disorder Act 1998

N/A

Consultation

As outlined within the report.

Background Papers

Pay and Reward Policy 2020/21

Fairness and Equality Impact Assessment – Pay and Reward Policy 2020/21

Dated: