

# Report

## Newport City Council

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### Part 1

Date: 24 November 2020

**Subject** Pay and Reward Policy 2020/21

**Purpose** For Council to consider the updated Pay and Reward Policy for 2020/21

**Author** Rhys Cornwall, Head of People and Business Change

**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 from the Council.

**Proposal** For Council 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
- Trade unions
- HR&OD Manager

## 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 April 2020 national pay award for all categories of Council staff, including schools based staff, have been implemented. The pay award for teaching staff has also been agreed and the rates have been uplifted in the policy accordingly. The living wage rate of £9.20 has been applied to eligible employees

and the 2020/21 rate has been confirmed as £9.50. This uplift will be applied when national agreement for all staff is reached for April 2021 pay awards.

The recognised trade unions have been consulted on the proposed updates and their feedback is included as an appendix to this report.

### **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 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.

### **Restriction of re-employment**

In the last five years, 618 employees have chosen to return to the Council after terminating their employment for a wide range of reasons. 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.

### **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 31<sup>st</sup> 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 the same as 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. It is not yet known what the pay award for 1 April 2020 will be but the Pay Policy will be updated accordingly once this is confirmed.

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
• 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
• 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 : 4.5
• the multiple between median earning of Council employees and the Chief Executive (full-time equivalent basis) as a ratio	1 : 4.4
• 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 Cabinet and full 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 Council to approve the updated Pay and Reward Policy.
2. For Council not to approve the updated Pay and Reward Policy.

## Preferred Option and Why

For the Council to approve the updated Pay and Reward Policy 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.

## **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

Trade union consultation feedback grid

**Dated:** 24 November 2020