

# Report

## Cabinet

---



### Part 1

Date: 13 March 2017

Item No: see above

### **Subject** Pay and Reward Statement 2017/18

**Purpose** For Cabinet to consider the updated Pay and Reward Policy for 2017/18 and recommend to Council

**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.

In March 2012, Council approved a Pay and Reward Policy which, as well as meeting the statutory requirements, widened the scope of the policy beyond that required by the Localism Act 2011 to cover the pay arrangements of all Council employees, including those in schools.

The Pay and Reward Policy has been updated to take account of revised guidance from the Public Services Staff Commission’s report on senior pay which was published in December 2016. In addition minor revisions have been made to the body of the Policy to better reflect the purpose, scope and application.

**Proposal** For 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 Manager

**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.

In particular the Council recognises that senior management roles in local government are complex and diverse functions in a highly politicised environment where national and local pressures often conflict. Newport's ability to continue to attract and retain high calibre leaders capable of delivering this complex agenda, particularly during times of financial challenge, is crucial if the Council is to retain its current high performance levels and to deliver for local people.

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.

## Updates since April 2016

Council received and approved a report (Review of Senior Pay) in September 2016 proposing to:

1. Acknowledge the outcome of a recent job evaluation exercise for Heads of Service and move three identified posts to HDS02 in line with the outcome of that exercise
2. Note the ongoing recruitment and retention issues for this staffing group due to market rate values being inconsistent with NCC's current pay levels

The proposals were agreed and as a result changes to the Head of Service pay bands took effect, moving three posts into the HDS02 pay range.

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.

## 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 point 8 of the NJC for Local Government Workers. As at 1 April 2017, this is £15,246 per annum (based on a full-time equivalent of 37 hours per week). This rate increased to **£16,257** on application of the living wage supplement.

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 **2017-18** 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 : 8:6
• 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 : 5:7
• the multiple between median earning of Council employees and the Chief Executive (full-time equivalent basis) as a ratio	1 : 6:5
• the multiple between median earning of Council employees and the average Chief Officer (full-time equivalent basis) as a ratio	1 : 4:3

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

In relation to the gender pay gap, the Council's Strategic Equality Plan 2015/16 outlines the gender pay gap between men and women in the Council.

## 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 Plan. The People Plan 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. Therefore, Cabinet will need to make a recommendation to full Council to approve and adopt the final Pay and Reward Policy. This revised Policy has been updated to take account of revised guidance from the Public Services Staff Commission Report on senior pay published in December 2016, the changes agreed to Chief Officers Pay grades in September 2016 and other minor revisions to better reflect the nature and scope of the policy. 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 2016. 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**

N/A

## **Children and Families (Wales) Measure**

N/A

## **Consultation**

As outlined within the report.

## **Background Papers**

Pay and Reward Statement 2017

**Dated:** 13 March 2017