RECOMMENDATION

1. That the council’s pay policy statement, as set out in Appendix 1, be agreed.

BACKGROUND INFORMATION

2. The Localism Act 2011 (“the Act”) sets down requirements on authorities to prepare pay policy statements on an annual basis. These statements must describe an authority’s policy for the pay of its workforce and be agreed annually in advance of the coming financial year. The Department of Communities and Local Government published initial guidance for local authorities on preparing their statements, which they further supplemented in February 2013, and has been taken into account in developing the pay policy statement given in Appendix 1.

KEY ISSUES FOR CONSIDERATION

3. Pay policy statements must be published and thus open to public scrutiny. Under the Act, the statement must describe specific elements of remuneration paid to chief officers. The roles of chief officers are defined and accord with the descriptions used in the Local Government and Housing Act 1989, these being:

   - The head of the authority’s paid service designated under section 4(1) of that Act
   - Its monitoring officer designated under section 5(1) of that Act
   - A statutory chief officer mentioned in section 2(6) of that Act
   - A non-statutory chief officer mentioned in section 2(7) of that Act
   - A deputy chief officer mentioned in section 2(8) of that Act.

4. Nothing in the Act supersedes existing responsibilities and duties placed on authorities in their role as employers. Each local authority is an individual employer in its own right and has the autonomy to make decisions on pay that are appropriate. Instead, the Act focuses on requiring authorities to be more open about their policies and how decisions are made.

5. The Act does not require authorities to publish specific salary data as part of the pay policy statement. Doing so risks data being out of date where any pay awards apply. The declaration of specific salary information is managed by the publication of the statement of accounts and other information under data transparency arrangements. Such specific information is published on the council’s website.
6. Appendix 1 to this report sets out the proposed pay policy statement for agreement by council assembly. This reflects the scope of the posts to be captured and the range of information to be included, as defined in the Act. Additionally the Local Government Transparency Code 2015 requires that councils publish the pay multiplier, defined as the ratio between the highest paid taxable earnings for the given year and the median taxable earnings figure of the whole of the authority’s workforce. As per the regulations this will coincide with reporting at the end of the financial year and will be published on the council’s website. An assessment, using basic salary information from January 2018, shows that the ratio between the top earner and median earnings is 6.19 to 1. As shown in the table below this ratio has varied slightly from year to year.

<table>
<thead>
<tr>
<th>Year</th>
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<tbody>
<tr>
<td>2015</td>
<td>6.19</td>
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<td>2016</td>
<td>6.02</td>
</tr>
<tr>
<td>2017</td>
<td>6.03</td>
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7. Our ratio is lower than that reported by most other London boroughs. Information is available from 25 other London councils and only 8 have a lower ratio than Southwark.

8. For the purpose of this report Appendix 3 provides the council’s salary and grading structure for the current year (1 April 2017 to 31 March 2018). The Southwark pay spine is adjusted to consolidate the London Living Wage rate as the minimum spinal column point and to deliver on cabinet’s decision of 30 July 2013 that those earning less than £21,000 (full time equivalent) should at minimum receive an annual increase in pay of £250.

**Senior managers**

9. The pay policy statement is primarily concerned with the salary arrangements of chief officers as defined in the Local Government and Housing Act 1989 (as above).

10. Performance is rewarded through award of incremental progression based on clear achievement.

**New employees**

11. Members will note that the proposed pay policy statement also makes specific reference to the salary package for staff newly appointed to senior management posts. The Act amended section 112 Local Government Act 1972 (appointment of staff) to provide:

“A local authority’s power to appoint officers on such reasonable terms and conditions as the authority thinks fit is subject to section 41 of the Localism Act 2011 – (requirement for determinations relating to terms and conditions of chief officers to comply with pay policy statement)”.

12. Elected members have a special role in the appointment of chief officers and deputy chief officers as defined, whereby they are notified of the offer of appointment and given the opportunity to raise any well founded and material objection to the proposals for this appointment. To meet requirements under “the Act”, notification of an appointment includes confirmation of the salary
package which attaches to the post and accordance with the council’s pay policy statement.

**Lowest paid employees**

13. The Act requires the council to describe the relationship between the remuneration of its chief officers, and other staff and to define the “lowest-paid employees” adopted by the authority for the purposes of the statement. The specific information to be included on pay actuals is limited.

14. As described in the statement, the use of job evaluation and the grading structure is the method used to determine the relativities of posts across the Southwark structure. The council’s decision to adopt the London Living Wage rate sets the minimum pay rate for staff across the council. Employers’ participation in the London Living Wage is voluntary. The council has made a commitment to adopt the London Living Wage and support its intention to stop working Londoners from falling into poverty; making sure that the unemployed in London are better off in work than living on benefits. The latest London Living Wage rate was announced in November 2017, as part of “Living Wage” week. The hourly rate was set at £10.20 per hour. This rate is independently calculated by the Resolution Foundation and overseen by the Living Wage Commission. It is reviewed annually.

**Policy implications**

15. The statement is used as a method to articulate the council’s existing policy on remuneration, with specific details on senior manager posts in particular. As such it does not amend or introduce new policy. Should any current arrangements need amending as a consequence of the development of this statement; the policy implications and contractual implications would require review by cabinet.

16. Publication of the pay statement as presented in Appendix 1 does not create conflict with the Data Protection Act 1998 as it does not contain information relating to a particular individual.

**Community equality impact statement**

17. Development and publication of the pay policy statement is a useful step in increasing accountability and transparency of council business to the local community. This continues the trend of openness. It allows elected members, those who are directly accountable to the local community, to have input into how decisions on pay are made, particularly senior level pay.

18. The equality analysis provided in Appendix 2 to this report clarifies that there are no adverse implications for people of protected characteristics. Publication of the statement accords with good practice of openness in pay arrangements.

19. The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 introduce mandatory gender pay gap reporting for public sector employers. The council will publish data in advance of the March 2018 deadline. In future a summary of this information will also be incorporated within the equality analysis of our pay policy statement.
Resource implications

20. There are no specific implications arising from the development and publication of the pay statement so far as this represents existing policy. Were future statements seeking agreement to move away from established arrangements it would be necessary to consider financial resources and the employment implications. Changes to individual's terms and conditions are likely to reflect a contractual change requiring consultation and due process in order to be lawful.

Consultation

21. The trade unions have been advised of the need to publish the statement and have been provided with a copy. As the statement is a method to articulate existing policy rather than a change, it is not part of the formal consultation process.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law & Democracy

22. Section 38 of the Act requires a relevant authority (which includes a London Borough) to prepare a pay policy statement for each financial year, by 31 March of the year immediately preceding that to which the pay policy statement relates. The pay policy statement must be approved by a resolution of the authority, and it is a matter reserved to Council Assembly.

23. Pursuant to section 43 of the Act a London borough is defined as a 'relevant authority'. The statement must set out an authority's policies towards a range of issues relating to the pay of its workforce including the remuneration of its chief officers; the remuneration of its lowest-paid employees; and the relationship between the pay of its chief officers and that of other employees. Chief Officer is defined to include chief and deputy chief officers as defined in the Local Government and Housing Act 1989. The statement must state the definition of "lowest paid employees" adopted by the authority for the purposes of the statement and the authority's reasons for adopting that definition. Pay policy statements have to be prepared for each financial year; this began with year 2012/13.

24. The pay policy statement must also specifically cover the authority's policies relating to:

- The level and elements of remuneration for each chief officer (including salary, bonuses and benefits in kind)
- Remuneration of chief officers on recruitment
- Increases and additions to remuneration for each chief officer
- The use of performance-related pay for chief officers
- The use of bonuses for chief officers
- The approach to the payment of chief officers on their ceasing to hold office under or to be employed by the authority
- The publication of and access to information relating to remuneration of chief officers.

25. Section 39 of the Act states that an authority's pay policy statement must be approved by a resolution of the authority before it takes effect. This means that
the resolution must be by full council before 31 March 2018. Once approved the statement must be published as soon as possible on the authority’s website and in any other manner the authority thinks fit. An authority can amend its pay policy statement and any amendment must be made also by resolution by Council Assembly.

26. In complying with its duties relating to pay policy statements, regard must be had to Department of Communities and Local Government (‘DCLG’) guidance Openness and accountability in local pay: Guidance under section 40 of the Act in 2012 and supplementary guidance (February 2013). The guidance sets out the key policy principles that underpin the pay accountability provisions.

27. This guidance was taken into account in preparing this statement. There have not been any further updates since this time.

28. The draft pay policy statement in Appendix 1 will enable the council to meet its obligations under sections 38 to 43 of the Act.

29. The Director of Law & Democracy notes the requirement under the Local Government Data Transparency Code 2015, as given effect by the Local Government (Transparency Requirements) (England) Regulations 2015 to publish pay multiplier information, (see paragraph 6) and the mandatory reporting of the gender pay gap for public sector employers introduced by the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017.

30. When exercising any of its functions, section 149 Equality Act 2010 requires the authority to have due regard to the need to eliminate discrimination and other prohibited conduct and advance equality of opportunity and foster good relations between people who share a relevant protected characteristic and those who do not. Information about the consideration given to equalities issues is set out in paragraphs 18 and 19 of the report.
BACKGROUND DOCUMENTS

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<th>Background Papers</th>
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<tr>
<td>Communities &amp; Local Government: Openness and accountability in local pay</td>
<td>Human Resources Southwark Council 160 Tooley Street London SE1 2QH</td>
<td>Julie Foy 020 7525 0472</td>
</tr>
<tr>
<td>Localism Act – Sections 38 – 43</td>
<td>Human Resources Southwark Council 160 Tooley Street London SE1 2QH</td>
<td>Julie Foy 020 7525 0472</td>
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<td>Local Government Data Transparency Code 2015, as given effect by the Local Government (Transparency Requirements) (England) Regulations 2015</td>
<td>Human Resources Southwark Council 160 Tooley Street London SE1 2QH</td>
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<td>Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017</td>
<td>Human Resources Southwark Council 160 Tooley Street London SE1 2QH</td>
<td>Julie Foy 020 7525 0472</td>
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<td>Supplementary guidance issued by The Department of Communities and Local Government in February 2013</td>
<td>Human Resources Southwark Council 160 Tooley Street London SE1 2QH</td>
<td>Julie Foy 020 7525 0472</td>
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APPENDICES

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<tr>
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<td>Southwark Council – Pay Policy Statement</td>
</tr>
<tr>
<td>Appendix 2</td>
<td>Equality Analysis</td>
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<tr>
<td>Appendix 3</td>
<td>Salary &amp; Grading Structure – April 2017</td>
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AUDIT TRAIL

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<tr>
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<td>Director of Law &amp; Democracy</td>
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<tr>
<td>Julie Foy, Head of Human Resources</td>
<td>Strategic Director for Finance and Governance</td>
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</tr>
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<td>Cabinet Member</td>
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CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER

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Date final report sent to Constitutional Team: 1 March 2018
Southwark Council – Pay Policy Statement

The Localism Act 2011 requires the council to publish a pay policy statement for each financial year.

This statement relates to year 2018-19 and it is approved by Council Assembly.

Scope

The statement describes our policies towards the pay of senior managers (referred to in the Act as “chief officers”) and our approach to the pay of our lowest paid employees.

Provisions in the Act do not apply to the staff of local authority schools.

Under the Act a “chief officer” is defined as:

- The head of the authority’s paid service designated under section 4(1) of the Local Government and Housing Act 1989
- Its monitoring officer designated under section 5(1) of that Act
- A statutory chief officer mentioned in section 2(6) of that Act
- A non-statutory chief officer mentioned in section 2(7) of that Act
- A deputy chief officer mentioned in section 2(8) of that Act.

In Southwark, this applies to the Chief Executive, Strategic Directors and Directors. These positions are considered as our senior managers.

Remuneration

For existing senior managers the term remuneration is used to describe salary, expenses and other monetary allowances or benefits.

The council does not employ senior managers under a contract for services (people who are self-employed or work through a limited company), and therefore remuneration for such arrangements is not described. All senior managers are paid via the council’s payroll with appropriate tax and National Insurance deductions made in accordance with HMRC regulations.

Salary

In Southwark posts, including senior managers, are job evaluated using a single system (the Hay Group methodology) to determine the job size. All job evaluation results for senior managers are scrutinized by independent experts at the Korn Ferry Hay Group.

The job size determines a job’s placement against the pay spine, through an established grading structure.

The pay spine is increased in accordance with pay award settlements determined by the National Joint Council for Local Authorities Services.
Southwark has introduced special arrangements for its lowest paid workers, as described below. Were there any amendments, which are determined by the National Joint Council for Local Authorities Services, these will be applied to all relevant employees without further referral to council assembly.

Individual staff are paid within the grade. Employees may move through the grade range by incremental progression; in accordance with a performance management framework.

There is an element of flexibility that allows the payment of market factor supplements to specific roles that are recognised as “hard to fill”. Payment is subject to justification against external data and with annual review.

For posts at JNC level (grade 14 and above), specific benefits up to a financial cap may be taken in kind (e.g. season ticket purchase, addition pension contributions, health plan) or paid as an addition to salary. For senior managers the annual financial value of such benefits currently ranges from £3,503 up to £6,190, dependent on grade. Pay rates in appendix 3 reflect the current position.

**Other Payments & Expenses**

With the exception of standby payments made to a limited number of posts in social care, no additional allowances are paid to senior managers.

Senior managers are not eligible to receive overtime for excess hours worked. In line with all other (non-teaching) staff their full time equivalent weekly hours are 36. However, for senior managers the contract of employment states this as a minimum and individuals are required to do whatever hours are necessary to get the job done, with no additional payment. Where hours are worked outside “normal office hours”; senior managers do not receive enhancements nor shift allowances which other staff on NJC conditions for Local Authorities Services may be entitled.

Senior managers do not receive an expenses allowance. In line with all other staff, where essential expenses are incurred in the performance of their duties, costs can be reclaimed, where these are reasonable and public money is being used prudently.

**Fees for election duties**

Council staff can be employed on election duties of varying types. The fees paid to Council employees for undertaking these election duties differ according to the type of election they participate in and the nature of the duties they undertake.

Returning Officer duties (and those of deputy returning officers) are contractual requirements and fees paid to them for national elections/referendums are paid in accordance with the appropriate Statuary Fees and Charges Order and are paid by the body responsible for the conduct of the election.

**New Appointments**

Senior Managers joining the organisation:–

- Are paid on the grade for their post.
Join at the bottom spinal column point of the grade; unless the person can demonstrate that payment above the minimum is essential to match current earnings, or to reflect the prevailing market, or to recognise experience and skills to secure engagement. No staff are paid above the grade maximum.

- Do not receive any lump sum payments on joining.
- May receive expenses relating to their home relocation where this is necessary to secure engagement.

Members have the opportunity to question all salary packages to be offered as part of the recruitment to senior management posts.

**Leaving the Organisation & Pensioners**

All staff leaving the council (including senior managers) on a voluntary resignation basis do not receive a severance payment.

Where the council decides to terminate any employee’s service on the basis of redundancy, in employment law terms this is based on the facts of the case, (deletion or diminution of the post). Payment entitlements are enshrined in the council policy on redeployment redundancy and reorganisation and comprise contractual entitlements, (notice un-worked, leave not taken), plus redundancy element, in accordance with the statutory table. Payments are made as a multiple of an actual week’s pay. Also for those aged 55 and over, under the pension regulations they become entitled to immediate pension as earned; any costs accruing to the Council for pension payments are capital costs based on an actuarial calculation linked to service and age. Entitlements are not discretionary to an individual once a redundancy situation arises.

Regulations within the government’s Enterprise Act, when in force, will set a £95,000 cap on the total value of all public sector exit payments, including redundancy payments, pension strain costs, pay in lieu of notice and any other payments made in consequence of loss of employment e.g. as part of a settlement agreement. Any exemptions will require full council agreement and must be published in the annual Statement of Accounts.

New regulations have been proposed in relation to the recovery of exit payments. These may lead to the recovery of redundancy and other exit payments made to any employee earning more than £80,000 per annum. Individuals will be required to repay a proportionate amount if they return to any part of the public sector within 12 months of their departure. This will include payments made as a consequence of leaving employment and include the “pension strain” generated from the early unreduced payment of Local Government Pension Scheme benefits.

For senior managers, where redundancy or mutual termination occurs information would be included in the declared salary data included in the Statement of Accounts each year. Were an employee’s services to be terminated on these bases the council would not re-engage the individual on a contract for services (i.e. self-employed basis).

Vacant senior management positions are recruited to in accordance with the council’s recruitment policy with the overarching aim of employing on merit; to engage the best person for the job.

New recruits may be in receipt of a pension under the Local Government Pension Scheme (LGPS) e.g. as a result of service with another Authority. In such cases, the employee’s pension entitlement would be abated (reduced in accordance with
actuarial calculation) or capped as required under LGPS regulations. This would have no impact on the council’s remuneration arrangements.

Under the LGPS Regulations eligible employees may be considered for one of the Scheme’s flexible retirement options. This would include instances where the employee reduces to a part time basis or demotion. On such occasions the council’s remuneration arrangements would continue as described above plus any pension payable determined by application of LGPS Regulations and that person’s membership entitlements.

**Lowest Paid Staff**

All posts are job evaluated to determine their relative job size; the responsibilities and impact of the post, and the level of knowledge and skill required to carry out those responsibilities. Job sizes are used to determine the grade. Grades are linked to the salary scale. Staff have the potential to move through the grade by incremental progression, based on performance.

Appropriate terms and conditions, e.g. shift allowances, reflect the duties and obligations of posts in accordance with the NJC for Local Authorities Services. There are a small number of posts under different national schemes – education related, craft and retained conditions e.g. Public Health. Bonus payments are not a feature of pay arrangements. Staff are contracted to work 36 hours per week (full time equivalent). Where service provision demands that it is necessary for additional hours to be worked above the full time equivalent, overtime rates would apply. Rates are determined in accordance with NJC Conditions of Service.

Alongside the job evaluation and grading framework the council has determined that no employee should receive an hourly rate less than the London Living Wage; the current rate is £10.20 per hour. This is the baseline payment for the lowest paid staff.

**Other Information**

In addition to this statement the council publishes other information on the detail of payments. Information can be found on the Open Data section of the council’s website (www.Southwark.gov.uk). This includes:-

- The council’s grading structure and salary scales.
- The annual statement of accounts. This includes the numbers of people earning £50,000 per year or more in £5,000 bandings. The accounts also give detail, including the name, for those whose pay is £150,000 or more. This covers all remuneration elements including employer’s pension contribution.

In accordance with the Local Government Transparency Code 2015; to coincide with the reporting at the end of the financial year, the council publishes the ratio between the highest paid taxable earnings for the given year and the median earnings figure of the whole of the authority’s workforce. In January 2018 the ratio between the top earner and median earnings was 6.19 to 1.
EQUALITY ANALYSIS – PAY POLICY STATEMENT

Overview

1. The Localism Act 2011 requires Authorities to develop and publish a pay policy statement. This would include the remuneration arrangements for its most senior staff and approaches on remuneration to its lowest paid employees.

Impact

2. The development and publication of the pay statement does not in itself amend policy. Were changes to arise as a consequence, proposals would require scrutiny including the impact upon people of different protected characteristics.

3. The publication of the pay statement does however accord with good practice on managing equal pay; increasing transparency on organisational arrangements. There are no adverse impacts on people of specific protected characteristics arising from this development. Instead it may reasonably be argued that greater openness may reduce the fear of potential discrimination by setting out arrangements which are in force.

4. On a continuing basis the council undertakes monitoring of its workforce to identify and take action to address potential adverse impacts on people of specific protected characteristics. Monitoring data is published on the council’s website through the annual workforce report, in accordance with the specific duties of the Equality Act 2010.

5. The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 introduce mandatory gender pay gap reporting for public sector employers. Employers must publish data before the end of March 2018; and thereafter have to report annually. The council will publish data in advance of the March 2018 deadline.
## Appendix 3

### Salary & Wages Scales as at 1st April 2017

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<th>JNC</th>
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| 06 | £17,619 | £18,538 | £19,466 | £20,394 |
| 07 | £17,337 | £18,255 | £19,183 | £20,111 |
| 08 | £17,055 | £17,974 | £18,892 | £19,820 |
| 09 | £16,773 | £16,691 | £17,619 | £18,548 |
| 10 | £16,491 | £16,409 | £17,337 | £18,265 |
| 11 | £16,209 | £15,828 | £16,756 | £17,684 |
| 12 | £15,927 | £15,545 | £16,473 | £17,399 |
| 13 | £15,645 | £14,863 | £15,791 | £16,717 |
| 14 | £15,363 | £14,581 | £15,509 | £16,435 |
| 15 | £15,081 | £13,920 | £14,848 | £15,774 |
| 16 | £14,800 | £13,758 | £14,686 | £15,612 |

### Planned Overtime per hr

- **Grade 9**: £20.29
- **Grade 10**: £21.33
- **Grade 12**: £23.47

### On SAP these grades will be prefixed LBS-0. Grades prefixed LBS-1 see for work where +2 SCP apply.