

<b>Item No.</b> 6.2	<b>Classification:</b> Open	<b>Date:</b> 28 March 2012	<b>Meeting Name:</b> Council Assembly
<b>Report title:</b>		Pay Policy Statement	
<b>Ward(s) affected:</b>	<b>or</b>	<b>groups</b>	All
<b>From:</b>		Acting Chief Executive	

## RECOMMENDATIONS

1. That the council's pay policy statement, as set out in Appendix 1, be agreed.
2. That the arrangements be agreed to determine the salary package for new appointments to top manager posts, as set out in paragraph 11 below.

## BACKGROUND INFORMATION

3. On the 10 October 2011 a report was considered by overview and scrutiny committee on top managers' pay. This set out the council's existing arrangements and plans for the future.
4. The Localism Act 2011 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. To include, specific information relating to senior staff and pay policies for the remuneration of its lowest paid employees. Unlike senior staff, that are defined in the Act, it does not seek to impose a single definition of the "lowest paid".

## KEY ISSUES FOR CONSIDERATION

5. The first statement, for year 2012/13, must be prepared and approved before the end of 31 March 2012. Thereafter pay statements must be approved annually for the coming financial year. Pay statements must be published and thus open to public scrutiny. It is recognised that this is a new development and therefore the content and format may change in future years as more information and examples of good practice become available.
6. Under the Localism 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 & Housing Act 1989; these being:
  - The head of the authority's paid service designated under section 4(1) of the 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.
7. 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.
  8. 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.
  9. Appendix 1 to this report sets out the proposed pay statement for agreement by members. This reflects the scope of the posts to be captured and the range of information to be included; as defined in the Act. Subject to members' agreement it is proposed to publish the document on the Southwark website as part of open data. For the purpose of this report Appendix 3 gives the salary and grading structure. The salary scales are as at 1 April 2009, i.e. the date that the last pay award took effect; there being pay freezes in 2010/11 & 2011/12. This information is retained on the Southwark website and will be referenced in the pay policy statement.

### **Top managers**

10. The pay policy statement is primarily concerned with the salary arrangements of chief officers as defined in the Local Government & Housing Act 1989 (as above). In Southwark this cadre of posts forms the top management team of the council. Members will be aware that the leader of the council has begun a process to review existing organisational arrangements with a view to save up to £1 million over a phased basis. This will be achieved through numbers rather than a dramatic shift from current pay policy. As reported to members at the Overview & Scrutiny Committee on 10 October 2011, arrangements are considered robust in rewarding individuals for the jobs that they do and allowing the council to be competitive in attracting talent. Concurrent with the structure review, new job descriptions and evaluation of posts will take place and suitable reward packages proposed. This will be incorporated into the annual reports on pay policy.

### **New employees**

11. Members will note that the proposed pay policy statement (Appendix 1) also makes specific reference to the salary package for staff appointed to top manager posts. The Localism Act has the impact of amending the Local Government Act 1972 (appointment of staff) as follows:

*“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. Members have a special role in the appointment of chief officers (roles as described in paragraph 6 above), whereby they must be given the opportunity to raise any well founded and material objection to appointment prior to an offer being made. It is proposed that to meet requirements under the Localism Act, this process is amended so that notification of an appointment includes confirmation of the salary package which attaches to the post and whether this accords with the council's pay policy statement. Were the proposed salary package to be outside the current statement, this to be deemed as an amendment to the pay policy which requires explicit members' approval.

### **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 and the council's commitment to adopt aims to stop working Londoners from falling into poverty; making sure that the unemployed in London are better off in work than living on benefits. London Living Wage is currently £8.30 (2011/12) per hour compared to the national minimum wage of £6.08 per hour, (October 2011). Rates will increase in line with inflation (as recommended by GLA economics, low pay unit) and be incorporated into the pay spine in year 2012/13.

### **Policy implications**

15. The statement is used as a method to articulate the council's existing policy on remuneration, with specific details on top manager posts in particular. As such it does not amend or introduce new policy. Were current arrangements to be amended as a result of the development of the statement; the policy implications and contractual implications of doing so, would require review by cabinet.

### **Community impact statement**

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

### **Resource implications**

18. 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.

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

### **Consultation**

20. 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.

### **Legal implications**

21. Section 38 of the Localism Act ('the Act') requires a relevant authority to prepare a pay policy statement. 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, beginning with 2012/13.
22. The pay policy statement must also specifically cover the authority's policies relating to:
  - the level and elements of remuneration for each chief (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 and
  - the publication of and access to information relating to remuneration of chief officers.
23. 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. For the first statement this must be done no later than 31 March 2012. Following approval 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 by a similar resolution.

24. In complying with its duties on the pay policy requirements relevant authorities in England must have regard to any guidance issued or approved by the Secretary of State. The Department of Communities and Local Government ('DCLG') will be publishing guidance to help English authorities understand and comply with their new duties. Draft guidance has already been published by DCLG entitled 'DCLG: Openness and accountability in local pay: Draft guidance under section 40 of the Localism Act'. The guidance sets out the key policy principles that underpin the pay accountability provisions.
25. The draft pay policy statement in Appendix 1 will enable the council to meet its obligations under sections 38 to 43 of the Act.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Communities & Local Government: Openness and accountability in local pay	Human Resources, 160 Tooley Street, London SE1 2QH	Bernard Nawrat 020 7525 7185
Localism Act – Sections 38 – 43	Human Resources, 160 Tooley Street, London SE1 2QH	Bernard Nawrat 020 7525 7185

## APPENDICES

No.	Title
Appendix 1	Southwark Council – Pay Policy Statement
Appendix 2	Equality Analysis – Pay Policy Statement
Appendix 3	Salary and Grading Structure

## AUDIT TRAIL

<b>Lead Officer</b>	Eleanor Kelly, Acting Chief Executive	
<b>Report Author</b>	Bernard Nawrat, Head of Human Resources	
<b>Version</b>	Final	
<b>Dated</b>	6 March 2012	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>	6 March 2012	