

Item No. 6.1	Classification: Open	Date: 22 March 2017	Meeting Name: Council Assembly
Report title:		Pay Policy Statement	
Ward(s) or groups affected:		All	
From:		Chief Executive	

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 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.
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 Doing so risks data being out of date where any pay awards apply.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 Data Transparency Regulations 2014 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 2017, shows that the ratio between the top earner and median earnings is **6.03 to 1**; this figure shows little change from previous years. In January 2015 the ratio was 6.19 to 1 and in December 2015 it was 6.02 to 1. Our ratio is lower than that reported by most other London boroughs. Information is available from 24 other London councils and only 6 have a lower ratio than Southwark.
7. Subject to Council Assembly's agreement it is proposed to continue to publish the pay policy statement on the Southwark website as part of open data. For the purpose of this report Appendix 3 provides the council's salary and grading structure for the current year (1 April 2016 to 31 March 2017). The National Joint Council for Local Government Employees has agreed a pay award of 1% from April 2017. The salary and grading structure will be adjusted to reflect this increase. 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

8. 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).
9. Performance is rewarded through award of incremental progression based on clear achievement.

New employees

10. 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 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".
11. 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

12. 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.
13. 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 current London Living Wage is set at £9.75 per hour. This rate is independently calculated by the Resolution Foundation and overseen by the Living Wage Commission. The rate and is due for review later this year and any changes will be announced in the first week of November 2017, during “Living Wage” week.

Policy implications

14. 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.
15. 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.
16. The government is introducing two pieces of legislation in relation to the exit payments made to employees:
 - a cap of £95,000 on 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.
 - a ‘claw-back’ arrangement to recover public sector exit payments from high earning individuals (earning over £80,000), who will be required to repay a proportionate amount if they return to any part of the public sector within 12 months of their departure.
17. Final details of the regulations have not yet been confirmed, but the legislation is expected to come into force within the next six months. The Council’s pay policy statement will be reviewed to ensure that all statutory reporting requirements are met.

Community equality impact statement

18. 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.

19. 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.
20. The additional regulations (2017) to the Equality Act (2010) introduce mandatory gender pay gap reporting for public sector employers. This will apply first in respect of a pay "snapshot" as at 31 March 2017 and 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

21. 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

22. 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

23. 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.
24. 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.
25. 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.
26. 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 2017. 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.
27. 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.
28. This guidance was taken into account in preparing this statement. There have not been any further updates since this time.
29. The draft pay policy statement in Appendix 1 will enable the council to meet its obligations under sections 38 to 43 of the Act.
30. The Director of Law & Democracy notes that the requirement under the Local Government Data Transparency Regulations 2014 to publish pay multiplier information, as has been reflected in paragraph 6 of this report.
31. 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

Background Papers	Held At	Contact
Communities & Local Government: Openness and accountability in local pay	Human Resources Southwark Council 160 Tooley Street London SE1 2QH	Julie Foy 020 7525 0472
Localism Act – Sections 38 – 43	Human Resources Southwark Council 160 Tooley Street London SE1 2QH	Julie Foy 020 7525 0472
Supplementary guidance issued by The Department of Communities and Local Government in February 2013	Human Resources Southwark Council 160 Tooley Street London SE1 2QH	Julie Foy 020 7525 0472

APPENDICES

No.	Title
Appendix 1	Southwark Council – Pay Policy Statement
Appendix 2	Equality Analysis
Appendix 3	Salary & Grading Structure – April 2016

AUDIT TRAIL

Lead Officer	Eleanor Kelly, Chief Executive	
Report Author	Julie Foy, Head of Human Resources	
Version	Final	
Dated	9 March 2017	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Law & Democracy	Yes	Yes
Strategic Director for Finance and Governance	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		9 March 2017

APPENDIX 1

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 2017-18 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. The pay award effective from

1st April 2016 increased the pay rates by 1%. A further 1% increase is due on 1st April 2017.

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 Statutory 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

There are also new regulations pending 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 £9.75 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 Data Transparency Regulations 2014; 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 2017 the ratio between the top earner and median earnings was 6.03 to 1.

APPENDIX 2

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 (Regulations 2017) introduce mandatory gender pay gap reporting for public sector employers. The requirement will be implemented by amending the specific Public Sector Equality Duties, and will apply first in respect of pay as of 31 March 2017.

Employers will then have until 30 March 2018 to publish the data, and thereafter will have to report annually using the 'snapshot' date of 31 March and the subsequent 30 March deadline. This council will publish data in advance of the March 2018 deadline and a summary of this information will also be incorporated within the equality analysis of our pay policy statement.

SALARY & WAGES SCALES as at 1st April 2016

Inner London wef 1/4/16	
8	18162
9	18555
10	18846
11	18978
12	19299
13	19638
14	19947
15	20217
16	20607
17	20985
18	21330
19	21999
20	22677
21	23376
22	23895
23	24495
24	25185
25	25875
26	26601
27	27378
28	28158
29	29133
30	29994
31	30831
32	31635
33	32478
34	33294
35	33915
36	34725
37	35607
38	36549
39	37629
40	38532
41	39459
42	40380
43	41304
44	42228
45	43098
46	44055
47	44988
48	45918
49	46824
50	47757
51	48690
52	49620
53	50565
54	51555
55	52560

01		02		03		04		05	
				9	£18,555	13	£19,638	16	£20,607
				10	£18,846	14	£19,947	17	£20,985
		8	£18,162	11	£18,978	15	£20,217	18	£21,330
		9	£18,555	12	£19,299	16	£20,607	19	£21,999
		10	£18,846	13	£19,638	17	£20,985	20	£22,677
		11	£18,978	14	£19,947	18	£21,330	21	£23,376
8	£18,162	12	£19,299	15	£20,217	19	£21,999	22	£23,895
9	£18,555	13	£19,638	16	£20,607	20	£22,677	23	£24,495
06		07		08		09		10	
20	£22,677	24	£25,185	28	£28,158	32	£31,635	36	£34,725
21	£23,376	25	£25,875	29	£29,133	33	£32,478	37	£35,607
22	£23,895	26	£26,601	30	£29,994	34	£33,294	38	£36,549
23	£24,495	27	£27,378	31	£30,831	35	£33,915	39	£37,629
24	£25,185	28	£28,158	32	£31,635	36	£34,725	40	£38,532
25	£25,875	29	£29,133	33	£32,478	37	£35,607	41	£39,459
26	£26,601	30	£29,994	34	£33,294	38	£36,549	42	£40,380
27	£27,378	31	£30,831	35	£33,915	39	£37,629	43	£41,304
11		12		14		15		16	
40	£38,532	44	£42,228	2	£47,847	7	£56,193	12a	£70,455
41	£39,459	45	£43,098	3	£49,407	8	£58,044	13a	£72,777
42	£40,380	46	£44,055	4	£51,018	9	£59,943	14a	£75,207
43	£41,304	47	£44,988	5	£52,677	10	£61,926	15	£77,703
44	£42,228	48	£45,918	6	£54,411	11	£63,972	16	£80,316
45	£43,098	49	£46,824	7	£56,193	12	£66,093	17	£82,983
46	£44,055	50	£47,757	8	£58,044	13	£68,271	18	£85,761
47	£44,988	51	£48,690	9	£59,943	14	£70,551	19	£88,635
17		18		Chief Officer		Chief Executive			
17	£82,983	22	£97,878	31	£136,269	38	£172,359		
18	£85,761	23	£101,163	32	£140,916	39	£177,957		
19	£88,635	24	£104,586	33	£145,710	40	£183,744		
20	£91,602	25	£108,123	34	£150,681	41	£189,717		
21	£94,680	26	£111,771	35	£155,811	42	£195,882		
22	£97,878	27	£115,557	36	£161,133				
23	£101,163	28	£119,463	37	£166,647				
24	£104,586	29	£123,534	38	£172,359				

JNC wef 1/4/16	
2	47847
3	49407
4	51018
5	52677
6	54411
7	56193
8	58044
9	59943
10	61926
11	63972
12	66093
12a	70455
13	68271
13a	72777
14	70551
14a	75207
15	77703
16	80316
17	82983
18	85761
19	88635
20	91602
21	94680
22	97878
23	101163
24	104586
25	108123
26	111771
27	115557
28	119463
29	123534
30	130533
31	136269
32	140916
33	145710
34	150681
35	155811
36	161133
37	166647
38	172359
39	177957
40	183744
41	189717
42	195882

Planned Overtime per hr		sleeping in	unit standby
grade 9	£ 20.00	£34.34	£9.03
grade 10/11	£ 21.42		
grade 12	£ 23.24		

On SAP these grades will be prefixed LBS-0. Grades prefixed LBS-1 are for w/e working where +2 SCP apply