

ISLE OF ANGLESEY COUNTY COUNCIL

MEETING:	
DATE:	6.3.12
TITLE OF REPORT:	Pay Policy Statement
REPORT BY:	Carys Edwards
PURPOSE OF REPORT:	To ensure that the Authority satisfies its statutory obligations under the Localism Act 2011 to have a published Pay Policy by 31.3.12

INTRODUCTION

Under Section 112 of the Local Government Act 1972 the Council has the “power to appoint officers on such reasonable terms and conditions as the authority thinks fit”. The Localism Act of 2011, Section 38, requires English and Welsh local authorities to produce and publish a pay policy statement for 2012/13 and for each financial year after that.

SCOPE OF THE POLICY

The Localism Act 2011 requires authorities to develop and make public their pay policy on all aspects of Chief Officer Remuneration. In the interest of transparency and accountability the Council has chosen to take a broader approach and produce a policy statement covering all employee groups, with the exception of school teachers as their remuneration is not within local authority control.

BACKGROUND

This Authority has recently conducted a review of senior pay as part of the restructuring of senior management. The content of that report, accepted by Full Council on the 14th December 2011, has been used to inform the production of the Pay Policy.

Other elements of the Pay Policy are constantly and continually evolving and changing. This in itself provides an opportunity to review and develop appropriately to suit the changing needs of the Authority and its economic situation.

RECOMMENDATION

It is recommended that the Council endorse the Pay Policy Statement attached to this report as its Pay Policy Statement for 2012/13.

Appendix 1 Pay Policy Statement

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ISLE OF ANGELESEY COUNTY COUNCIL

DRAFT PAY POLICY STATEMENT

FEBRUARY 2012

1. Introduction and Purpose

Under section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as the authority thinks fit”. This Pay Policy Statement (the ‘statement’) sets out the Council’s approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011, requiring English and Welsh local authorities to produce and publish a pay policy statement for 2012/13 and for each financial year after that. The purpose of the statement is to provide transparency with regard to the Council’s approach to setting the pay of its employees (excluding those teaching in local authority schools) by identifying;

- the methods by which salaries of employees are determined;
- the detail and level of remuneration of its most senior staff, i.e. ‘chief officers’, as defined by the relevant legislation;
- the Panel responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and recommending any amendments to the full Council.

Local authorities are large complex organisations with multi-million pound budgets. They have a very wide range of functions and provide and/or commission a wide range of essential services. The general approach to remuneration levels may therefore differ from one group of employees to another to reflect specific circumstances at a local, Welsh or UK national level. It also needs to be flexible when required to address a variety of changing circumstances and aligned to business objectives.

2. Legislative Framework

In determining the pay and remuneration of its employees, the Council will comply with all relevant employment legislation. This includes (but not exhaustively) the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Employment) Regulations.

3. Scope of the Pay Policy Statement

The Localism Act 2011 requires authorities to develop and make public their pay policy on all aspects of Chief Officer Remuneration (including on ceasing to hold office), and that pertaining to the ‘lowest paid’ in the authority, explaining their policy on the relationship between remuneration for Chief Officers and other groups. However, in the interests of

transparency and accountability the Council has chosen to take a broader approach and produce a policy statement covering all employee groups, with the exception of school teachers as their remuneration is not within local authority control.

Nothing within the provisions of the Localism Act 2011 detract from councils' autonomy in making decisions on pay that are appropriate to local circumstances and which deliver value for money for local tax payers. However, this policy statement will be complied with in setting remuneration levels for all groups within its scope.

4. Development of Pay and Reward Strategy

The primary aim of a reward strategy is to attract, retain and motivate suitably skilled staff so that the organization can perform at its best. One of the biggest challenges for the Council is to maximise productivity and efficiency within current resources. Pay policy is a matter of striking a sometimes difficult balance between setting remuneration at appropriate levels to facilitate a sufficient supply of appropriately skilled individuals to fill the authority's very wide range of posts, and ensuring that the burden on the taxpayer does not become greater than can be fully and objectively justified.

In this context it does need to be recognised that at the more senior levels in particular, remuneration levels need to enable the attraction of a suitably wide pool of talent and the retention of suitably skilled and qualified individuals once in post. It should be recognised that the Council will often be seeking to recruit in competition with other good public and private sector employers.

The Council is a major employer in the area and as must have regard to its role in improving the economic well-being of the people of Anglesey. The availability of good quality employment on reasonable terms and conditions and fair rates of pay has a beneficial impact on the quality of life in the community as well as on the local economy. The Council also has a role in setting a benchmark example on pay and conditions to other employers in the area for the same reasons.

In designing, developing and reviewing pay and reward strategy the Council will seek to balance these factors appropriately to maximise outcomes for the organisation and the community it serves, whilst managing costs appropriately and maintaining sufficient flexibility to meet future needs. This Pay Policy Statement will be reviewed and approved on an annual basis by the Full Council.

5. Pay Structure

The Council uses the nationally negotiated pay spine as the basis for its local grading structure. This determines the salaries of the large majority of the non-teaching workforce, together with the use of other nationally defined rates where relevant. There have been no increases in the national pay spine since April 2009. The Council remains committed to adherence with national pay bargaining in respect of the national pay spine and any annual cost of living increases negotiated in the pay spine.

New appointments will normally be made at the minimum of the relevant grade, although this can be varied up to the maximum incremental point, where necessary to secure the best candidate.

All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by Council Policy.

The Council has not historically utilised the practice of applying market supplements to take account of the external pay market in the attraction and retention of employees with particular experience, skills and capacity. There are no immediate plans to adopt such practice, but if this decision were to be reviewed the Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector.

With the exception of progression through the incremental scale of the relevant grade being subject to satisfactory performance, which is assessed on an annual basis, the level of remuneration is not variable dependent upon the achievement of defined outcomes or targets, for the majority of the workforce. However, this has now been subject to a policy change with regard to senior managers, outlined in section 7 below.

6. Other Benefits

Subject to qualifying conditions, employees have a right to join the Local Government Pension Scheme. The employee contribution rates, which are defined by statute, currently vary between 5.5% - 7.5% of salary, dependent upon defined pay bands relating to whole-time equivalent salary. The Employer contribution rates are set by Actuaries advising the Gwynedd Pension Fund and reviewed on a triennial basis in order to ensure the scheme is appropriately funded. The current rate is 21.5%.

The Council has a range of other terms and conditions applicable to its employees, based largely upon National Joint Council terms and conditions, supplemented by locally negotiated conditions and policies. Certain of these terms and conditions result in monetary payments, including car allowances, car loans, payment of professional fees and honoraria payments for undertaking additional responsibilities. For relevant 'additions to salary of Chief Officers', see paragraph 9 below. Staff terms and conditions are currently under review and the Council continues to consider its position and plans with regard to Single Status requirements and the adoption of a Job Evaluation Scheme.

7. Senior Management Remuneration

For the purposes of this statement, senior management means 'chief officers' as defined within S43 of the Localism Act. In December 2011, the Council commissioned the Hay Group to review and report on senior management structures and remuneration, in advance of a restructuring and recruitment process to establish the Council's new Senior Leadership Group. The posts falling within the statutory definition of 'senior management' in the context of this statement, and utilising the new titles adopted following the Hay Group review, are set out below, with details of their basic salary as at 1st April 2012;

- a) Chief Executive
The current salary for the post is £141,024 per annum, and is not incremental. The postholder will also receive additional fees for Returning Officer duties.
- b) Deputy Chief Executive
The current salary for the post is £113,630 per annum, and is not incremental.
- c) Corporate Directors
The salary for posts designated as Director of Sustainable Development, Director of Lifelong Learning and Director of Community is £98,581 per annum, and is not incremental.
- d) Head of Function (Resources)
The current salary for the post is £79,683 per annum, and is not incremental. This salary is inclusive of the requirement for this officer to act as the Authority's Statutory Section 151 Officer.
- e) Head of Function (Legal and Administration)
The current salary for the post is £72,404 per annum, and is not incremental. This salary is inclusive of the requirement for this officer to act as the Authority's Monitoring Officer.

The Hay Group Report was considered and approved by Full Council in December 2011. The new remuneration arrangements approved include:

- Two salary levels for roles within the Senior Leadership Group below Chief Executive, based on clearly identifiable significant differences in overall job size;
- Two further salary levels covering Heads of Function and Heads of Service roles (these go beyond the statutory definition of 'senior management');
- Spot salaries replacing incremental salary ranges;
- Salary levels positioned around a modestly competitive position for North Wales at no more than the medium quartile ;
- Salary increases based on performance of senior managers, linked to service outcomes, priorities and accountabilities;
- A variable team based 'performance supplement', up to a maximum of equivalent to 10% of the spot salaries for the members of the Senior Leadership Group;
- Salary progression and team based performance supplements to be underpinned and evidenced via a robust performance management process;
- No allowances for market premium payments or additional special allowances or increments.

At the time of writing this Pay Policy Statement, the above arrangements are in their infancy and, whilst there is a high level of confidence regarding their suitability and integrity, their design and application will be closely monitored via the accountability and governance arrangements defined in section 13 of this statement.

8. Recruitment of Chief Officers

The Council's policy and procedures with regard to recruitment of chief officers is set out within the Officer Employment Procedure Rules as set out in Part 4.10 of the Constitution. When recruiting to all posts the Council will take full and proper account of its own Equal Opportunities, Recruitment and Selection, and Redeployment Policies. The determination of the remuneration to be offered to any newly appointed chief officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment, and with reference to the Hay Group report during its period of currency.

Where the Council is unable to recruit Chief Officers under a contract of service, or there is a need for interim support to provide cover for a vacant substantive Chief Officer post, the Council will, where necessary, consider and utilise engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process, ensuring the council is able to demonstrate the maximum value for money benefits from competition, in securing the relevant service.

9. Additions to Salary of Chief Officers

Chief Officers are subject to the same qualifying criteria and arrangements as other employees with regard to receipt of additional monetary-based terms and conditions, including car allowances and mileage payments, and reimbursement of professional fees. The Council has not previously applied any bonuses or performance related pay to its chief officers, however, as already referred to in section 7 above, this policy has been subject to change as a result of the approval of the Hay Group recommendations in December 2011. At the time of writing this policy statement, no bonuses or performance related pay have yet been applied to officers.

10. Payments on Termination

The Council's approach to statutory and discretionary payments on termination of employment of chief officers and all employees falling within the scope of this statement, prior to reaching normal retirement age, is set out within its policy statement in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007. The enhancements provided within the Council's policy are applied to all staff, irrespective of grade or status.

Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made by the full Council or relevant elected members, committee or panel of elected members with delegated authority to approve such payments.

The Council does not currently have any instances of re-engagement of retired Chief Officers. If circumstances arose where this needed to be considered for business-critical reasons, any such decision would be made by the full Council or relevant elected members, committee or panel of elected members with delegated authority to approve such arrangements.

The Council will utilise its procurement processes to ensure that fair pay practices are adopted by external contractors commissioned to deliver services.

11. Publication

Upon approval by the full Council, this statement will be published on the Council's Website. In addition, for posts where the full time equivalent salary is at least £50,000, the Council's Annual Statement of Accounts will include a note setting out the total amount of

- salary, fees or allowances paid to or receivable by the person in the current and previous year;
- any bonuses so paid or receivable by the person in the current and previous year;
- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above.

12. Lowest Paid Employees

The lowest paid persons employed under a contract of employment with the Council are employed on full time 37 hours equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's grading structure. As at 1st April 2012, this is £12,145 per annum.

The relationship between the rate of pay for the lowest paid and chief officers is determined by the processes used for determining pay and grading structures as set out earlier in this policy statement.

The statutory guidance under the Localism Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010). The Hutton report was asked by Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. The report concluded that the relationship to median earnings was a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the authority's workforce.

As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the Council will use available benchmark information as appropriate.

13. Accountability and Decision Making

Paragraph 10 of the statutory guidance states "The provisions in the Actrequire Councilors to take a greater role in determining pay, ensuring that these decisions (no definition) are taken by those who are directly accountable to local people".

In accordance with the Constitution of the Council, the Pay and Grading Panel is responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council.

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