

REPORT OF THE STRATEGIC DIRECTOR OF ORGANISATIONAL DEVELOPMENT

PAY POLICY STATEMENT

1. PURPOSE OF REPORT

- 1.1 To inform Members of the Council's duties under Section 38 of the Localism Act 2011 regarding the preparation of a Pay Policy Statement which will be applicable to the 2012/13 financial year.

2. RECOMMENDATION

- 2.1 That the Employment Committee notes the contents of the Pay Policy Statement as set out in **APPENDIX B** and makes any amendments it determines appropriate prior to this document being submitted to full Council.

3. DETAILS OF REPORT

3.1 Introduction and Purpose

- 3.11 Under section 112 of the Local Government Act 1972, the Council has the "power to appoint officers on such reasonable terms and conditions as authority thinks fit". The attached Pay Policy Statement sets out the Council's approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011 (attached on **APPENDIX A**).

The purpose of the statement is to provide transparency with regard to the Council's approach to setting the pay of its employees by identifying;

- the methods by which salaries of all employees are determined;
- the detail and level of remuneration of its most senior managers i.e. 'chief officers', as defined by the relevant legislation;
- the relationship between the remuneration of its chief officers, those who are not chief officers and the lowest paid.

3.2 Publication

This statement is required to be submitted to full Council for approval and will then be published on the Council's Website. In addition, for posts where the full time equivalent salary is £50,000, or more, 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

3.3 Legislative Framework

In determining the pay and remuneration of all of our employees, we will comply with all relevant employment legislation. This includes 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 Earnings) Regulations.

3.4 Pay Structure

- 3.41 The basis for the Council's pay structure is on having a job evaluation system in place which ensures that all employees are rewarded according to the demands and responsibilities of their job and that there are no discriminatory elements.
- 3.42 In 2002 this approach was adopted for the majority of employees using a National Joint Council for Local Government Services job evaluation scheme that had been developed for this purpose nationally and which was supported by both the national trade unions and local authority employees. All jobs were graded using the Scheme and a new Single Status Agreement put in place in 2003; making this Council one of the first local authorities nationally to have achieved this. Any changes to jobs or new jobs go through a rigorous job evaluation process to ensure that there is consistency and fairness in place. The salaries are set according to the national pay grading scale (pay grades attached at **APPENDIX C**).
- 3.43 In 2001/2 there was a major overhaul of the senior management structure within the Council which reduced the number down from 18 to 9. It was determined that it would be appropriate for the Chief Executive/Directors to also go through the job evaluation process to be consistent with the approach for all other employees, and this exercise was carried out by the West Midlands Local Government Employers' Organisation on the Council's behalf using the Hay job evaluation scheme. This not only ensures fairness but means that pay has been correctly benchmarked against jobs of a similar size.
- 3.44 Further savings were made in 2006 when the size of the top team was reduced from 9 to 7 – consisting of the Chief Executive, 3 Strategic Directors and 3 Directors. This will be further reduced to 6 in 2012 with the redundancy of the Strategic Director for Organisational Development.
- 3.45 When the job evaluation scheme was set up for Directors it was agreed by Council that an element of the salary would be linked to performance to reward the individual contribution made towards leading the organisation and delivering the corporate agenda. Information is included within the Statement regarding the operation of the scheme.

3.5 Statement Details

- 3.51 The detailed information regarding pay and conditions is set out in the statement attached at **APPENDIX B**. This will be updated annually in accordance with the legislative requirements.

4. CONSULTATION

- 4.1 Employee Representatives have been consulted with regard to this new legislative requirement.

5. FINANCIAL IMPLICATIONS

- 5.1 This report sets out the existing financial obligations regarding pay policy.

6. RISK MANAGEMENT ISSUES

- 6.1 The risks are identified below.

Description of Risk	Likelihood/ impact	Risk Status	Countermeasures
Non - compliance with legislation or challenges on equal pay	Low/medium	Tolerable	By publishing data and reviewing our policy and procedures as required we are complying with legislative requirements.

Background Documents:

Confidential Report on Performance Management for Senior Managers 25th September 2002, further updated 6th December 2005.
Single Status Agreement 2003

Status: This is the original version (as it was originally enacted). This item of legislation is currently only available in its original format.



Localism Act 2011

2011 CHAPTER 20

PART 1

LOCAL GOVERNMENT

CHAPTER 8

PAY ACCOUNTABILITY

Pay policy statements

38 Pay policy statements

- (1) A relevant authority must prepare a pay policy statement for the financial year 2012-2013 and each subsequent financial year.
- (2) A pay policy statement for a financial year must set out the authority's policies for the financial year relating to—
 - (a) the remuneration of its chief officers,
 - (b) the remuneration of its lowest-paid employees, and
 - (c) the relationship between—
 - (i) the remuneration of its chief officers, and
 - (ii) the remuneration of its employees who are not chief officers.
- (3) The statement must state—
 - (a) the definition of “lowest-paid employees” adopted by the authority for the purposes of the statement, and
 - (b) the authority's reasons for adopting that definition.
- (4) The statement must include the authority's policies relating to—
 - (a) the level and elements of remuneration for each chief officer,
 - (b) remuneration of chief officers on recruitment,
 - (c) increases and additions to remuneration for each chief officer,

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- (d) the use of performance-related pay for chief officers,
 - (e) the use of bonuses for chief officers,
 - (f) the approach to the payment of chief officers on their ceasing to hold office under or to be employed by the authority, and
 - (g) the publication of and access to information relating to remuneration of chief officers.
- (5) A pay policy statement for a financial year may also set out the authority's policies for the financial year relating to the other terms and conditions applying to the authority's chief officers.

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 authority thinks fit”. This Pay Policy Statement (the ‘statement’) sets out the Councils approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011 (the details of which are attached at Appendix A)

Once approved by the full Council, this policy statement will come into immediate effect and will be subject to review on an annual basis in accordance with the relevant legislation prevailing at that time.

2. Legislative Framework

In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. This includes 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 Earnings) Regulations. With regard to the Equal Pay requirements contained within the Equality Act, the Council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality proofed Job Evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

3. Pay Structure

The basis for the Council’s pay structure is on having a job evaluation system in place which ensures that all employees are rewarded according to the demands and responsibilities of their job and that there are no discriminatory elements.

In 2002 this approach was adopted for the majority of employees using a National Joint Council for Local Government Services job evaluation scheme that had been developed specifically for this purpose nationally and which was supported by both the national trade unions and local authority employees.

All jobs were graded using the Scheme and a new Single Status Agreement put in place in 2003; making this Council one of the first local authorities nationally to have achieved this with a number of authorities still working on putting this in place. The Agreement also brought into place a number of local terms and conditions including a commitment to flexible working. Any changes to jobs or new jobs go through a rigorous job evaluation process to ensure that there is consistency and fairness in place. Based on the application of the Job Evaluation process, the Council uses the nationally negotiated pay scale as the basis for its local grading structure. **APPENDIX C** shows the Lichfield Council pay grades.

The Local Government Association (LGA) represents the Council in national pay negotiations with trade unions and the government over pay and conditions. There have been no increases in the national pay scale since April 2009.

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. In determining its grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.

New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, 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.

4. Definition of Chief Officer

Section 43 of the Act defines the meaning of a Chief Officer, cross referring to the Local Government and Housing Act 1989

In relation to Lichfield District Council's management structure the following is included in the definition of a Chief Officer:

- The Head of Paid Service – this is the Chief Executive
- Statutory and non-Statutory Chief Officers – these are the Council's 5 Directors
- The Council's Monitoring Officer – this will be covered within the information on Deputy Chief Officers (below)
- Deputy Chief Officer – given the flat structure that exists within the Council which does not have any Deputy/Assistant Directors, this will incorporate Service Managers who report directly or are accountable to a Director

5. Chief Officers Remuneration (Chief Executive and Directors)

In 2001/2 there was a major overhaul of the senior management structure within the Council which reduced the number down from 18 to 9. It was determined that it would be appropriate for the Chief Executive/Directors to also go through the job evaluation process to be consistent with the approach for all other employees, and this exercise was carried out by the West Midlands Local Government Employers' Organisation on the Council's behalf using the Hay job evaluation scheme. This not only ensures fairness but means that pay has been independently benchmarked against jobs of a similar size.

Further savings were made in 2006 when the size of the top team was reduced from 9 to 7 – with the Chief Executive, 3 Strategic Directors and 3 Directors. This will be further reduced to 6 in 2012 with the redundancy of the Strategic Director for Organisational Development.

The current levels of remuneration are:

- a) Chief Executive
The current salary of the post is £96,906. The salary falls within a range of 4 incremental points between £91,369, rising to a maximum of £96,906, not inclusive of any payment for Returning Officer duties, with the exception of District and Parish elections, payment for which is included in the salary.
- b) Strategic Directors
The salaries of posts designated as Strategic Directors fall within a range of 4 incremental points between £72,956 rising to a maximum of £77,820
- c) Directors
The salaries of posts designated as Directors fall within a range of 4 incremental points between £65,391 rising to a maximum of £70,254

6. Additions to Salary –

Performance Related Pay for Chief Officers (Chief Officers and Directors)

When the current senior management structure was set up in 2002 it was agreed that an element of salary be linked to performance to reward an individual's contribution to the delivery of the corporate agenda. This was further updated in 2005 to reflect changes to the structure at that time.

The scheme allows for an assessment of performance on an annual basis and a payment to reflect performance achievement to the posts Chief Executive and Strategic/ Directors and Directors. The performance measures and targets are agreed for the Chief Executive who is appraised by the Leader, Deputy Leader and Leader of the Opposition with the support of an external adviser. The Chief Executive's targets are cascaded to Directors who are then appraised by the Chief Executive assisted by an external adviser. The amount awarded is based on the following

- Targets substantially met – full payment
- At least 50% met with good reason why it has not been substantially met – a payment of between 50% and 75%
- Less than 50% met – no payment

The maximum payable is 2% for Directors and 10% for the Chief Executive.

7. Other Pay Additions

In addition to basic salary, set out below are details of other elements of 'additional pay' which are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfilment of duties;

- Fees paid for Returning Officer duties where identified and paid separately. This applies solely to the Chief Executive and relates to fees which are set by the Government for Parliamentary, European and Referenda, and through agreement with Staffordshire County Council for County Council elections, using a pence per elector for the calculation. Fees for the District and Parish local elections are included in the salary level.
- Essential user car allowance is £80.25 or £70.50 per month dependent on the size of vehicle. These rates are applicable to all employees who are essential car users.

8. Chief Officers Remuneration (Service Managers which are classed by the Act as Deputy Chief Officers)

Managers reporting to Directors are classed by the Act as Deputy Chief Officers even though the Council's flat management structure does not have this layer in place. They are paid on the National Joint Council pay spine as described earlier, the detail of which is as follows:

Band	Pay scale	Numbers
G - SCP 26-30	£22,221- £25,472	2
H - SCP 30-34	£25,472- £28,636	1
I - SCP 34-38	£28,636- £31,754	1
J - SCP 38-41	£31,754 - 34,549	4
K SCP 41-45	£34,549 - £38,042	9
L SCP 45 - 49	£38,042 - £41,616	11

9. Other Pay Additions (Service Managers which are classed by the Act as Deputy Chief Officers)

In addition to basic salary, set out below are details of other elements of 'additional pay' which are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfilment of duties;

Additional Payments	Numbers	Pay range
Shared Service Payment	6	£4,415
Market Supplement pay range	3	£5000 - £9,073
Monitoring Officer	1	£5,000

Car Allowance payments are paid as described for Chief Officers in Paragraph 7. above.

10. Payments on Termination (All)

The Councils approach to statutory and discretionary payments on termination of employment of chief officers, 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 if adopted] Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007. The details of payments are set out in the Council's Discretionary Payment Policy; this policy is under review for 2012-13.

These policies apply equally to all Council employees.

11. Lowest Paid Employees

The lowest paid persons employed under a contract of employment with the Council would be employed on a full time [37 hours] equivalent salary set at the minimum pay point currently in use within the Council's grading structure (see **APPENDIX C**). There is no-one currently on this level, the lowest paid person is on £12,312 in Grade A.

From time to time, the Council may employ Apprentices [or other such categories of workers] who are not included within the definition of 'lowest paid employees' as they are employed under schemes and are paid at rates determined by central government/scheme organisers.

12. Pay Relationship

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.

The current pay levels within the Council define the multiple between the lowest paid (full time equivalent) employee and the Chief Executive ratio is 1 to 7.87 and between the lowest paid employee and average chief officer as 1 to 5.92. The multiple between the average full time equivalent earnings and the Chief Executive is 1 to 4.22, and between the average full time equivalent earnings and average chief officer it is 1 to 3.18.

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

13. 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

As needs arise the Chief Executive will contract for services to secure expert advice and professional support for specific areas. This may include engaging appropriately qualified personnel to fulfil Chief Officer or senior manager roles or in circumstances where specific expertise is needed on for example capital programme works or other projects, with the personnel secured as self employed or through a company. The remuneration will be negotiated at the time and take into account the market charge for such services and best value for the tax payer, ascertained by obtaining comparative quotations. The details of any payments will be published on our open data web site.

14. Accountability and Decision Making

In accordance with the Constitution of the Council, the Employment Committee is responsible to Council for functions relating to employment matters including establishing the overall framework for remuneration and terms and conditions of employment.

National Joint Council for Local Government Services
April 2012 – March 2013

BAND A	ANNUAL	HR		BAND G	ANNUAL	HR
A4	12145	6.2951		G26	22221	11.5177
A5	12312	6.3816		G27	22958	11.8997
A6	12489	6.4734		G28	23708	12.2885
A7	12787	6.6278		G29	24646	12.7747
				G30	25472	13.2028
BAND B				BAND H		
B7	12787	6.6278		H30	25472	13.2028
B8	13189	6.8362		H31	26276	13.6195
B9	13589	7.0435		H32	27052	14.0218
B10	13874	7.1913		H33	27849	14.4349
B11	14733	7.6365		H34	28636	14.8428
BAND C				BAND I		
C11	14733	7.6365		I34	28636	14.8428
C12	15039	7.7951		I35	29236	15.1538
C13	15444	8.0050		I36	30011	15.5555
C14	15725	8.1507		I37	30851	15.9909
				I38	31754	16.4589
BAND D				BAND J		
D14	15725	8.1507		J38	31754	16.4589
D15	16054	8.3212		J39	32800	17.0011
D16	16440	8.5213		J40	33661	17.4474
D17	16830	8.7234		J41	34549	17.9077
D18	17161	8.8950				
BAND E				BAND K		
E18	17161	8.8950		K41	34549	17.9077
E19	17802	9.2272		K42	35430	18.3643
E20	18453	9.5647		K43	36313	18.8220
E21	19126	9.9135		K44	37206	19.2849
E22	19621	10.1701		K45	38042	19.7182
BAND F				BAND L		
F22	19621	10.1701		L45	38042	19.7182
F23	20198	10.4692		L46	38961	20.1945
F24	20858	10.8113		L47	39855	20.6579
F25	21519	11.1539		L48	40741	21.1171
F26	22221	11.5177		L49	41616	21.5707