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09 February 2016

## **EMPLOYMENT COMMITTEE – ITEM 7 PAY POLICY STATEMENT**

Dear Councillor

The Pay Policy Statement that was issued as Item 7 of your Employment Committee papers was an early draft. Please find attached the final version for you to consider and is recommended for submission to Council for approval. Hard copies will be available at the meeting.

Yours Sincerely

Christine Lewis  
**Overview & Scrutiny Officer**



**REPORT OF THE CHIEF EXECUTIVE**

**PAY POLICY STATEMENT**

**1. PURPOSE OF REPORT**

- 1.1 To inform Members of the Committee 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 2016/17 financial year.
- 1.2 To approve publication of the Pay Policy Statement subject to Full Council approval.

**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 on 23rd February 2016

**3. DETAILS OF REPORT**

**3.1 Introduction and Purpose**

- 3.1.1 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 p.a. 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. Any changes to jobs or new jobs go through a 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 At the same time 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. 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.
- 3.44 The Committee will be aware that there are proposals in place to review the senior management structure of the council therefore any changes to the pay policy data will be updated in due course and published in line with the requirements of the legislation.

### 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. EQUALITY & DIVERSITY IMPLICATIONS

- 6.1 There are no implications for anyone with protected characteristics as this policy applies to all employees equally.

## 7. RISK MANAGEMENT ISSUES

- 7.1 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 25<sup>th</sup> September 2002, further updated 6<sup>th</sup> December 2005. Single Status Agreement 2003

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*Status: This is the original version (as it was originally enacted).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

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# 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,

## 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 council’s approach to its pay, terms and conditions and other related matters 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 Pay 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.

At time of publication there are proposals in place to change the Leadership structure of Lichfield District Council which will take place during the financial year 2016/17. Any subsequent amendments to the Pay Policy Statement will be approved by Full Council, after which the amended version of the Pay Policy Statement will be re-published at [www.lichfielddc.gov.uk/paypolicy](http://www.lichfielddc.gov.uk/paypolicy)

## Context of Lichfield District Council

Lichfield District Council employs 390 staff (as at 31 January 2016), excluding casual workers, contractors, and agency workers) and provides a wide range of services managed through the Chief Executive’s office and four directorates Plus Joint Waste Service:

### The Chief Executive

Is the lead adviser to Elected Members and the Head of Paid Service. The Chief Executive leads the organisation by translating members’ aspirations into practical solutions and delivery. The role leads and supports the council’s governance arrangements. The Chief Executive is directly responsible for corporate communications, personnel services, and member services - civic and ceremonial.

The Council is currently undergoing a senior management review however, at time of publishing the directorates are as described below. This document will be updated when changes are made following appropriate consultation.

## The Directorates

### 1. Democratic, Development and Legal Services:

Strategic lead on assets, premises and the council’s property portfolio. Lead on legal services, including probity, contracts, enforcement. Lead on democratic services, governance, data protection & Freedom of Information. Lead on electoral services, management of elections and licensing services. Lead on sustainable development, planning policy, development plans and implementation, development control and enforcement, urban design and conservation, building control and land charges, city and town centre regeneration and development. Lead on arboriculture services, countryside, biodiversity, rural strategy and planning. Lead on inward investment and

developing the economy, business support and partnerships, and tourism, car parking strategy and management of off street parking enforcement.

## **2. Community, Housing & Health**

Strategic lead on housing, including housing need and investment and affordable housing planning and development. Lead on housing partnerships, housing with support and travelling families. Lead on homelessness strategy and responsibilities, including private sector housing investment and regulation. Lead on enforcement and regulation, including contaminated land, pollution, nuisance, air quality. Lead on health and safety enforcement and regulation, including food safety, occupational health and safety, infectious disease. Lead on public health and protection, including taxi, liquor and miscellaneous licensing. Lead on community regeneration and development, including building social capital, community hubs and community transport. Lead on links with the voluntary sector; grant aid and commissioning grant funded services. Safer and Stronger communities including the Community Safety Partnership and closed circuit television.

Corporate lead on strategic planning for the council and the Lichfield District Strategic Partnership (LDSP) and District Board. Lead on older people, children and young people and safeguarding policy. Lead on performance management, including accountability to Members, quality assurance, customer complaints, ombudsman investigations, MP enquiries, community research, and equalities. Lead on provision of corporate customer services (Lichfield Connects), including development of supporting technology. Lead on emergency planning, with business continuity in conjunction with Staffordshire Civil Contingencies Unit.

## **3. Leisure and Parks**

Lead on the district's emerging leisure strategy, including the management of three leisure centres, sports development and partnerships, reservoir management, outdoor sports and play provision and the management of parks and open spaces, including Beacon Park.

Lead on supporting strategic partnerships focusing on green matters including Cannock Chase AONB and managing the council's countryside assets.

Lead on the quality of the local environment and the delivery of in-house street scene services, including street cleansing and fly-tipping, abandoned vehicles, fleet management, grounds maintenance, public conveniences, and shop mobility, Corporate lead on health and safety, insurance and the council's Employee Liaison Group.

## **4. Finance, Revenues and Benefits**

Lead on financial probity, strategic financial management, treasury and investment funds, and revenue and capital strategy. Management of accounts and reconciliation. Lead on external funding procedures. Lead on administration and collection of local taxation, including council tax and business rates (NDR), housing benefits and council tax reductions, arrears collection for council tax, business rates, benefits overpayments and sundry debts. Lead on policy development on debt recovery and its management.

Corporate lead on anti-fraud policy and awareness, internal audit, risk management, procurement, development & maintenance of corporate information systems, including geographical information systems (GIS), the Property Gazetteer and street naming and numbering.

## **5. Joint Waste Service**

The Joint Waste service now also includes the Director post, with Director of Assets and Environment at Tamworth Borough Council reporting to Chief Executive on waste collection and recycling, sustainable waste management, including partnership support, environmental education and awareness. Whilst this does not constitute a formal directorate of the council it remains a vital and important service areas for which we are responsible for delivering across Lichfield and Tamworth's administrative areas.

## 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 (TUPE).

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 underpinning mechanism in delivering the council's pay structure is the council's job evaluation system. This ensures 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 was developed specifically for this purpose nationally, and which was supported by both the national trade unions and local authority employees.

All jobs (except Leadership Team) were graded using the Scheme and a new Single Status Agreement was put in place in 2003. 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 this 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 District 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.

In determining its grading structure and setting remuneration levels for all posts, the council also takes into account the need to ensure value for money in respect of the use of public funds, balanced against the need to recruit and retain employees who are able to meet the requirements of their respective roles, and provide timely high quality services to the community, delivered effectively and efficiently.

New appointments will normally be made at the lowest level within the relevant grade, although this can be varied where necessary to ensure the best candidate is secured, and that if an internal candidate is appointed on promotion, that a pay rise ensues.

All potential recruitments are considered by Leadership team to ensure that at a time when staff reductions are likely to be required to meet budgetary pressures, appointments are made on the most appropriate basis and only when essential to ongoing service delivery.

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. This is known as market supplement.

All other pay related allowances are the subject to 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.

#### 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 four directors
- The council’s monitoring officer – this is covered in the information on Deputy Chief Officers (below)
- Deputy chief officer – the council does not have any deputy/assistant directors
- Service managers - these report directly or are accountable to a director

#### 5. Chief Officers remuneration

Chief Executive and Directors

The current levels of remuneration are:

##### Chief Executive

The current salary of the post is £98,845. The salary falls within a range of four incremental points between £93,196, rising to a maximum of £98,845, 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.

##### Strategic directors

The salaries of posts designated as Strategic Directors fall within a range of four incremental points between £74,416 rising to a maximum of £79,376

##### Directors

The salaries of posts designated as Directors fall within a range of four incremental points between £66,700 rising to a maximum of £71,659

##### Service Managers -are classed by Lichfield District Council as deputy chief officers

Managers reporting to Directors within Lichfield District Council have been classed as Deputy Chief Officers (for the purposes of the act). They are paid on the National Joint Council pay spine as described earlier, the detail of which is as follows:

Band	Pay scale £	Numbers
I - SCP 34-38	29,558-32,778	3
J - SCP 38-41	32,778- 35,662	3
K SCP 41-45	35,662-39,267	5
L SCP 45 - 49	39,267-42,957	9

\*SCP – Spinal Column Point

#### 6. Performance related pay for Chief Executive Officer and Directors only

When the current executive management structure was set up in 2002, it was agreed that an element of salary would be linked to performance, in order 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 achievements delivered by the posts of Chief Executive, 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. The Chief Executive’s targets are cascaded to Strategic Directors/Directors who are then appraised by the Chief Executive. The amount awarded is based on the following:

- The maximum payable is 2% of current salary for Directors and 10% for the Chief Executive.
- Targets substantially met – full payment.
- At least 50% of targets met, with justification all targets have not been substantially met – a payment of between 50% and 75%.
- Less than 50% of targets met – no payment.

## 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 elections, European elections and referenda, and through agreement with Staffordshire County Council, for County Council elections, using 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.
- There are currently 80 employees receiving an essential car user’s allowance.

Car allowance payments are paid as described for Chief Officers in Paragraph 5 above.

In addition to basic salary, 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, are set out below:

<b>Additional Payments</b>	<b>Numbers</b>	<b>Pay range FTE Per annum £</b>
Shared Service Payment	2	3528- 4459
Market Supplement pay range	6	2500-5767
Monitoring Officer	1	6305

## 8. Payments on termination

All staff

The council’s 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. These policies apply equally to all council employees.

## 9. Lowest paid employees

The lowest paid people 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 are currently no employees on this level.

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. We currently have two apprentice.

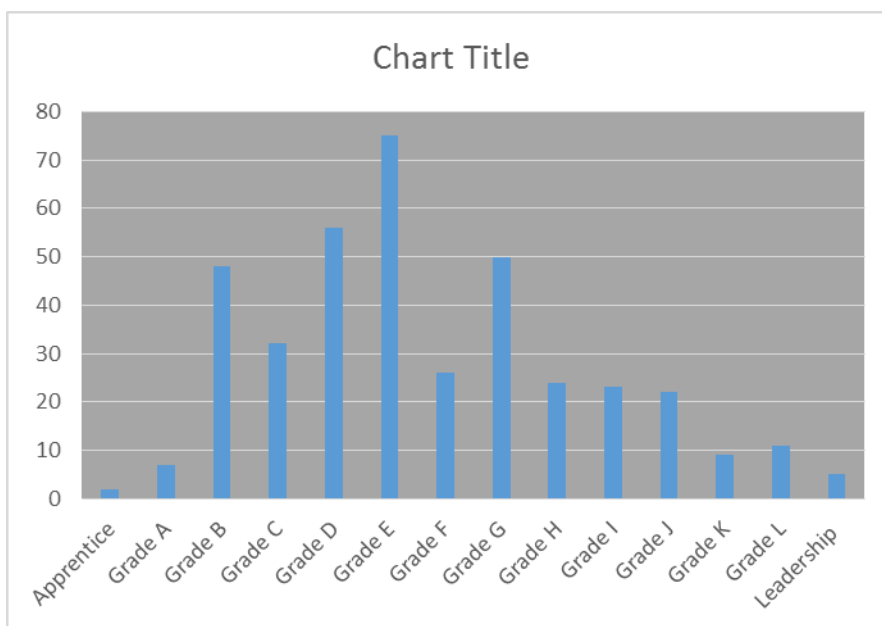
From April 2016 the National Living Wage (commencing at £7.20 per hour in 2016 rising to £9.00 per hour in 2020) will be introduced. This will impact on qualifying workers on Band B8 and below.

### 10. 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. This is detailed in 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 graph below shows the relationship numbers of staff on the different pay grades within the council:



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 7.5 and between the lowest paid employee and median average chief officer as 1 to 5.5 The multiple between the median average full time equivalent earnings and the Chief Executive is 1 to 4.88, and between the median average full time equivalent earnings and median average chief officer it is 1 to 3.73.

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.

## **11. Publication**

Upon approval by 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 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. Accountability and decision making**

In accordance with the constitution of the council, the Employment Committee is responsible to the 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**  
**January 2015 – March 2016**

<b>BAND A</b>	<b>ANNUAL</b>	<b>HR</b>		<b>BAND G</b>	<b>ANNUAL</b>	<b>HR</b>
A5	13500	6.9974		G26	22937	11.8889
A6	13614	7.0565		G27	23698	12.2833
A7	13715	7.1088		G28	24472	12.6845
				G29	25440	13.1862
				G30	26293	13.6284
<b>BAND B</b>				<b>BAND H</b>		
B7	13715	7.1088		H30	26293	13.6284
B8	13871	7.1897		H31	27123	14.0586
B9	14075	7.2954		H32	27924	14.4738
B10	14338	7.4318		H33	28746	14.8998
B11	15207	7.8822		H34	29558	15.3207
<b>BAND C</b>				<b>BAND I</b>		
C11	15207	7.8822		I34	29558	15.3207
C12	15523	8.0460		I35	30178	15.6421
C13	15941	8.2626		I36	30978	16.0567
C14	16231	8.4130		I37	31846	16.5066
				I38	32778	16.9897
<b>BAND D</b>				<b>BAND J</b>		
D14	16231	8.4130		J38	32778	16.9897
D15	16572	8.5897		J39	33857	17.5490
D16	16969	8.7955		J40	34746	18.0098
D17	17372	9.0044		J41	35662	18.4846
D18	17714	9.1816				
<b>BAND E</b>				<b>BAND K</b>		
E18	17714	9.1816		K41	35662	18.4846
E19	18376	9.5248		K42	36571	18.9557
E20	19048	9.8731		K43	37483	19.4284
E21	19742	10.2328		K44	38405	19.9063
E22	20253	10.4977		K45	39267	20.3531
<b>BAND F</b>				<b>BAND L</b>		
F22	20253	10.4977		L45	39267	20.3531
F23	20849	10.8066		L46	40217	20.8455
F24	21530	11.1596		L47	41140	21.3240
F25	22212	11.5131		L48	42053	21.7972
F26	22937	11.8889		L49	42957	22.2658