

Updated Pay Policy Statement 2023

Report of the Leader of the Council

Date:	11 July 2023
Agenda Item:	13. Updated Pay Policy Statement 2023
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Key Decision?	NO
Local Ward Members	N/A



FULL COUNCIL

1. Executive Summary

- 1.1 To inform Full Council of the Council's duties under Section 38 of the Localism Act 2011 to prepare and update the annual Pay Policy Statement for 2023 in respect of new bonuses and employee incentives to aid recruitment and retention of staff.
- 1.2 To approve publication of the updated Pay Policy Statement.

2. Recommendations

- 2.1 It is recommended that Full Council approves the contents of the updated Pay Policy Statement as set out in **Appendix A** which includes updates to:
 - Annual performance related bonuses
 - Employee referral bonuses
 - An enhanced benefits package, including private health insurance
- 2.2 The committee delegate authority to the Assistant Director Operations, Regulation & Enforcement in consultation with the Chair of this committee, to update and republish the pay policy in respect of the pay spine set out at Appendix 1 and any ratios once the national pay negotiations for 2023 are concluded.

3. Background

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

- 3.3 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
- 3.4 The Council's pay structure is largely based on the Council's Single Status Agreement and on the National Joint Council for Local Government Services job evaluation scheme which has the support of both trade unions and employees. 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 1 within the Pay Policy Statement**).
- 3.5 Pay negotiations for all Lichfield District Council employees (below Chief Executive and Chief Officers) are conducted at a national level on our behalf by National Joint Council (NJC). As part of our collective agreement with Unison, we participate in national bargaining and therefore any negotiated settlement reached at a national level is mandatory and must be applied to our employees. Pay awards for Chief Officers are also determined at a national level by the Joint National Council (JNC) a separate machinery exists for Chief Executives.
- 3.6 The Pay Policy Statement is being updated to include provision for:
- Annual performance related bonuses
 - Employee referral bonuses
 - An enhanced benefits package, including private health insurance
- 3.7 The provisions set out in paragraph 3.6 will further strengthen our approach to workforce attraction, reward and retention. Over the last 12 months we have implemented a number of initiatives to strengthen our organisational resilience, and our approach to reward, retention and recruitment. Highlights include:
- Implementing a Belonging and Wellbeing Strategy
 - Implemented the Joseph Rowntree Living Wage
 - Revamping the annual appraisal process with all staff now the subject of 'Objectives and Key Results'
 - Implemented a talent acquisition approach to recruitment
 - Invested in apprentices and the LGA national graduate development programme
 - Staff satisfaction has increased from 66% in Oct 2021 to 75% in Apr 2023
- However we need to further develop our offer if we want to retain and recruit the best talent, to enable us to deliver on our priorities.
- 3.8 Nationally there are workforce shortages across a range of industries, including local government. We are an ambitious council who wants to be a beacon of best practice in the sector in terms of the success of our services, how we are structured as an organisation to allow that, and the people we employ. With an external workforce profile available to us of which people from local government backgrounds make up a significant minority, we want to think differently about who and how we attract and retain as talent in a challenging employment market.
- 3.9 The updates will provide us with a unique offer across the sector, giving us the competitive edge we need to compete with larger authorities and the private sector across our region.

4. Updates

- 4.1 Over the last 12 months we have further developed our approach to 'Objectives and Key Results' (OKRs), the council's innovative approach to staff performance management. We want to be a council that proactively encourages the continuous improvement and development of all our staff, and where all employees can see how they contribute to delivering our strategic goals - OKRs are a simple framework that supports staff to do this. We have developed a set of Key Results for 2023/24 for every grade in the organisation. They are ambitious and reflect our new confidence as an organisation. Progress against the OKRs will be reviewed regularly by line managers, with a formal assessment made at mid-year (Oct/Nov) and end-of-year (Apr/May). Assessments will be moderated, led by Leadership Team.
- 4.2 From July 2023 the Council will offer a one-off, annual, performance related bonus for those staff who are assessed and moderated as 'outstanding' at the end-of-year review. Staff who achieve the 'outstanding' assessment will demonstrate exceptional performance against all their OKRs and be working above the OKRs set for their pay grade. We anticipate this award will be applicable to no more than the top performing 5% of staff. These staff will be going above and beyond on a regular basis, and be proactive, positive role models for the values and behaviours that we are striving to embed across the whole council. To be eligible for the performance related bonus staff would need to:
- Have been in employment at the Council for more than 12 months;
 - Be permanent or fixed-term employees;
 - Have received a moderated 'outstanding' OKR assessment at both their mid-year and end-of-year review;
 - Have not been subject to any form of disciplinary, grievance or performance process during the 12 months.

The performance related bonus amount is offered to all staff, irrespective of grade – a net performance bonus of £1,000. Moderation of OKR assessments will be undertaken by Leadership Team. Annual reporting and monitoring of this bonus and how it is distributed will feature in future pay policy updates and our Gender Pay Gap Reports.

- 4.3 An employee referral bonus incentivises current employees to source new employees from within the networks of current staff, be it family, friends or previous work colleagues. Research shows that employee referral schemes can be very successful in attracting higher quality candidates, candidates that are a good cultural fit, speed up recruitment processes and increase retention rates. For employees there are also multiple benefits, as well as the reward itself, it helps to foster a sense of belonging and wellbeing and increase employee motivation and satisfaction.
- 4.4 From July 2023 the Council will offer an employee referral bonus set at £250 gross per successful referral, to be paid if a referral meets the following criteria:
- The referral must be for a permanent or fixed-term position;
 - The candidate must be successfully hired;
 - The candidate cannot have worked for the Council as an agency worker in the last 12 months;
 - The bonus will be paid to the employee once the referred employee has successfully passed their 6 month probation period.

Annual reporting and monitoring of this bonus and how it is distributed will feature in future pay policy updates and our Gender Pay Gap Reports.

- 4.5 Work is underway to review and enhance the current benefits package that we offer to Council staff, as part of this process we are proposing to include private health insurance. Including private health

insurance will support us to both retain existing staff and attract candidates from different sectors. It offers the opportunity for staff to gain access to treatment quicker, and potentially reduce workplace absences. The specific details of the private health insurance will be subject to a procurement process, however the proposal is we seek the best cover possible to include dental, optical, physiotherapy, preventative treatments, health screening, in-patient appointments, home recovery and consultations. For many staff, this will open up treatments they wouldn't necessarily be able to access via the NHS, as well as potentially gaining access to treatment quicker. Access to preventative and earlier help health services have been shown to have positive impacts on preventing and reducing workplace absences. This type of benefit has been the single most requested benefit by existing staff in the last 18 months via staff wellbeing surveys. The aim is to have the new package of benefits live by January 2024.

- 4.7 The addition of the proposed updates to the Pay Policy Statement will add to and strengthen our offer to both existing and future staff. There is no 'single answer' to the workforce challenges that the Council faces, however from research externally and internally, we believe these additions will make a positive impact, alongside existing initiatives, on staff satisfaction, wellbeing and help to reduce our staff turnover.
- 4.8 The Council will carefully monitor the roll out of all three initiatives, this will include seeking feedback from staff on the initiatives, monitoring of our key HR performance indicators, and monitoring any impact on workforce profile, to ensure we continue to have a representative and diverse workforce.

Alternative Options	The proposed initiatives will strength our offer to existing and new staff, in a challenging workforce market. Not implementing will lead to us continuing to experience significant challenges in retaining and recruiting talent.
Consultation	<p>Employee Representatives have been consulted with regard to this report requirement and proposed updates. This includes the Employee Liaison Group and the Belonging and Wellbeing Staff Group. Both groups were highly supportive of the proposed updates</p> <p>The Employment Committee were consulted on a draft of this paper on 29 June 2023, they requested further detail to be included in the report regarding private healthcare insurance and an update report to come to Committee in 12 months' time. During the Committee discussion, it was considered whether to trial these proposals for 12 months, prior to committing long-term. Whilst this is an option, it is highly likely to have a detrimental impact on workforce retention and recruitment. With existing and future staff perceiving it as a lack of commitment and therefore the benefits not having the intended impact on staff satisfaction, turnover or attracting new staff.</p>
Financial Implications	This report sets out the existing financial obligations regarding pay policy which have been built in to the revised MTFS. The new initiatives are to be funded from within existing budgets.
Approved by Section 151 Officer	Yes
Legal Implications	We have a statutory duty to report these figures annually. A fair and transparent Pay policy provides some assurance regarding equal pay and fair and consistent pay practices in line with collective bargaining agreements.
Approved by Monitoring Officer	Yes

Contribution to the Delivery of the Strategic Plan	The revised Pay Policy ensures that we are a good council, by maintaining an up to date and relevant pay structure that helps to retain and attract skilled officers.
Equality, Diversity and Human Rights Implications	An EIA has been produced to consider the impact of the updates on people with protected characteristics. The new initiatives will be open to all members of staff, across the whole organisation.
EIA logged by Equalities Officer	Yes
Crime & Safety Issues	None
Environmental Impact (including Climate Change and Biodiversity).	None
GDPR / Privacy Impact Assessment	All identifying information has been removed from narrative reporting.

	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	Non - compliance with legislation or challenges on equal pay	Yellow Likelihood (Green) and Impact (Yellow)	Through the publication of an annual pay policy statement and maintaining a consistent approach to conducting Job Evaluation.	Green Likelihood (Green) and Impact (Green)
B	Failure to adopt the new settlement for 2023 when agreed	Yellow Likelihood (Yellow) and Impact (Yellow)	Delegation has been sought to reflect the agreed settlement once it is confirmed.	Green Likelihood (Green) and Impact (Green)
C	Failure to savings budget related to staff turnover	Yellow Likelihood (Yellow) and Impact (Yellow)	<p>The MTFS assumes a level of staff turnover each year and assumes financial savings of £150,000 per annum and Talent Acquisition fees of £30,000 per annum.</p> <p>The approved savings target of £180,000 per annum equates to 2% of relevant employee budgets (excluding Operational Services and Building Control).</p> <p>Therefore, should the initiatives contained within this report be successful and lower staff turnover below the assumed level, then there would be a budgetary shortfall (each 0.5% is £39,000).</p> <p>The vacancy savings budget will continue to be monitored through Money Matters Reports and any changes will be considered through the MTFS process.</p>	Green Likelihood (Green) and Impact (Green)

		Background documents	
		Relevant web links https://www.emcouncils.gov.uk/write/Emp_Circ_update_on_2021_pay_round_02Feb22.pdf https://www.instituteforgovernment.org.uk/publication/whitehall-monitor-2022/civil-service	