

## **Meeting of the Council – 27<sup>th</sup> February, 2012**

### **Report of the Director of Corporate Resources**

#### **Pay Policy Statement**

##### **Purpose of Report**

1. To give an overview of the requirements in the Localism Act 2011 to prepare an annual pay policy statement. The draft policy statement sets out the anticipated position as at 1<sup>st</sup> April, 2012.

##### **Background**

2. Under provisions contained in the Localism Act 2011, the Council is required to prepare an annual pay policy statement setting out its policies for the financial year relating to the remuneration of chief officers; the remuneration of the lowest-paid employees; and the relationship between the pay of chief officers and that of other employees. These provisions came into force on 15<sup>th</sup> January, 2012.
3. The statement must 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; and
  - the publication of and access to information relating to remuneration of chief officers.
4. Before it takes effect, the pay policy statement has to be approved by a resolution of the Council. This must be done, for the first statement, no later than 31<sup>st</sup> March, 2012 and then on an annual basis. Following approval, the statement must be published as soon as possible on the Council's website (and in any other manner the authority thinks fit). The policy will need to be flexible and the Council may amend its pay policy statement by passing a resolution.
5. The Act's provisions add to the range of transparency obligations already placed upon local authorities. This includes the data required to be published under the Code of Recommended Practice for Local Authorities on Data Transparency and by the Accounts and Audit (England) Regulations 2011. It should be noted that these are separate data publication requirements.

6. The Council's draft pay policy statement, as set out in the Appendix, has been produced on the basis of a model document from West Midlands Councils. The information contained in the draft policy statement refers to the anticipated position at 1<sup>st</sup> April, 2012.
7. The statutory guidance states that pay policy statements should be used to explain the Council's approach to the reward of chief officers/directors who were previously made redundant from the authority, or later engaged as chief officers under a contract of service. There are currently no such arrangements in Dudley. Any such proposals would require the approval of the Appointments Committee. Authorities are permitted to include any additional information in the pay policy statement if they consider it appropriate to do so.

### **Finance**

8. The production of the pay policy statement and the associated work arising from the Localism Act 2011 will be undertaken within existing resources.

### **Law**

9. The provisions relating to pay accountability are contained in Chapter 8 (Sections 38 to 43) of the Localism Act 2011 and associated guidance.
10. For the purposes of the pay policy statement, senior management is taken to mean 'chief officers' as defined in Section 43 of the Localism Act 2011.
11. The Act specifies that the functions relating to pay accountability are not executive functions. Section 101 of the Local Government Act 1972, which gives local authorities powers to arrange for the discharge of their functions by committees, officers or other local authorities, does not apply to these functions. This means that full Council must approve the document. In complying with the duties in respect of pay accountability, the Council must also have regard to any guidance issued or approved by the Secretary of State.

### **Equality Impact**

12. In determining the pay and remuneration of all employees, the Council is required to comply with all relevant employment legislation and its own policies on equality and diversity. The pay policy statement includes appropriate references to the legislative framework.

### **Recommendations**

13. That the pay policy statement, as set out in the Appendix, be approved.
14. That the Director of Corporate Resources be authorised to amend the Constitution to provide for the submission of the pay policy statement to full Council on an annual basis.



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**Director of Corporate Resources**

**Dudley Metropolitan Borough Council**

**Pay Policy Statement 2012**

**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. 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 working in local authority schools) by identifying:

- the methods by which salaries of all 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 persons or bodies responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and recommending any amendments to the full Council.

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

**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.

**Pay Structure**

Based on the application of the Job Evaluation process, 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-school based 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.

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.

### **Senior Management Remuneration**

For the purposes of this statement, senior management means 'chief officers' as defined within Section 43 of the Localism Act 2011. In Dudley this is interpreted as posts at Assistant Director level and above. The posts falling within the statutory definition are set out below, with details of their basic salary as at 1<sup>st</sup> April 2012:

(a) Chief Executive

The current salary of the post is £157,000. This includes payment for returning officer duties in connection with local elections.

(b) Directors

The salaries of posts designated as Directors are as follows:

- Director of Adult, Community and Housing Services - £104,604
- Director of Children's Services - £104,604
- Director of Corporate Resources- £104,604
- Director of the Urban Environment- £104,604

(c) Treasurer and Assistant Directors

The salaries of these posts are as follows:

- Treasurer – £78,547 to £88,700 (3 point incremental range with progression by yearly increments)
- Assistant Director of Corporate Resources (Human Resources and Organisational Development) - £78,547
- Assistant Director – Chief Executive's Directorate - £70,049
- Assistant Directors of Corporate Resources (2 posts) - £70,049
- Assistant Directors of Adult, Community and Housing Services (4 posts plus one post currently seconded to Black Country shared service project) – £70,049
- Assistant Directors of Children's Services (4 posts including one post currently performing duties as the Acting Director of Children's Services) - £70,049
- Assistant Directors of the Urban Environment (4 posts) - £70,049

## **Recruitment of Chief Officers/Directors**

The Council's policy and procedures with regard to recruitment of chief officers is set out within the Officer Employment Procedure Rules as contained in Part 4 of the Constitution. When recruiting to all posts the Council will take full and proper account of its own Equality and Diversity, Recruitment and Redeployment Policies. The determination of the remuneration to be offered to any newly appointed chief officer/director will be in accordance with the pay structure and relevant policies in place at the time of recruitment. Where the Council is unable to recruit to a post at the designated grade, it may consider the use of temporary market forces supplements in accordance with its relevant policies.

Where the Council remains 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/director post, the Council may, 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. The Council does not currently have any chief officers/directors engaged under such arrangements.

## **Additions to Salary of Chief Officers/Directors**

The Council does not apply any bonuses or performance related pay to its chief officers/directors.

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 fulfillment of duties:-

- Fees are paid for deputy returning officer duties in accordance with the rates approved by the Council's Cabinet and increased in line with national pay awards. Employees who act as deputy returning officers at local elections are currently paid a fee of £65.50 per ward.
- Car allowances are payable in accordance with the casual user rate of 46.9p per mile and otherwise in accordance with the rules applied to staff. None of the chief officers/directors are designated as essential car users at 1<sup>st</sup> April, 2012.

## **Payments on Termination**

The Council's approach to statutory and discretionary payments on termination of employment of staff, prior to reaching normal retirement age, is set out within policies on managing employees at risk of redundancy, the discretionary severance payments scheme and any policies adopted in accordance with Regulations 5 and 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006, Regulations 12 and 13 of the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007.

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.

## **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.

## **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 1<sup>st</sup> April 2012, this is £12,312 per annum. The Council employs Apprentices who are not included within the definition of 'lowest paid employees' as they are employed under the terms and conditions and pay rates applicable to the relevant apprenticeship scheme. The relationship between the rate of pay for the lowest paid and chief officers/directors 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 2011 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 review was asked by the 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 (rounded to the nearest whole number) between the lowest paid full time equivalent employee and the Chief Executive as 1:13 and between the lowest paid employee and average chief officer as 1:6. The multiple between the median (average) full time equivalent earnings and the Chief Executive is 1:9 and between the median (average) full time equivalent earnings and average chief officer is 1:5. 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.

## **Accountability and Decision Making**

In accordance with the Constitution, the Council, the relevant Committee, elected members or officers with delegated authority are responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council.