

EMPLOYMENT MATTERS COMMITTEE

31 JANUARY 2018

PAY POLICY STATEMENT 2018/2019

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Summary

This report sets out the Pay Policy Statement for the financial year 2018/2019 in accordance with the Localism Act 2011 and asks Members to refer it to Full Council for agreement.

1. Budget and Policy Framework

1.1 Section 38(1) of the Localism Act 2011 (the Act) requires English and Welsh local authorities to produce a pay policy statement for each financial year.

2. Background

2.1 The Act requires Medway Council to compare the policies on remunerating chief officers and other employees, and to set out a policy on the lowest paid.

2.2 The Act defines remuneration widely, to include not just pay but also charges, fees, allowances, increases, enhancements of pension entitlements etc, and termination payments.

2.3 The Act does not apply to local authority schools, academies, foundation or voluntary aided schools.

2.4 The Pay Policy Statement for 2018/2019 for Medway Council is attached as Appendix one.

2.5 Guidance has been produced by the Department for Communities and Local Government and South Eastern Employers. The guidance has been taken into account in formulating this pay policy statement.

2.6 The pay policy statement must be approved by a resolution of Full Council before it comes into force and has to be prepared and

approved before 31 March 2018 for the following financial year. It may only be amended (including after the beginning of the financial year to which it relates) by Full Council.

- 2.7 Section five of the Pay Policy Statement 2018/2019 includes reference to other employment-related policies that have been agreed by the Employment Matters Committee. Any amendment to these policies that do not affect the pay policy statement will be agreed by the Employment Matters Committee as part of the normal approval process.

3. Advice and analysis

- 3.1 The equal application of the Council's remuneration policies across all levels of the organisation as detailed within the Council's Pay Policy Statement 2018/2019 is a positive reflection of the Council's attitude toward rewarding and recognising staff contribution. The main exception to this would be the special allowance awarded to senior managers.
- 3.2 The salaries of Assistant Directors and above are published in the Statement of Accounts and on the Council's website each year.
- 3.3 The policy statement covers remuneration policies relating to both the highest earners in the Council and the lowest earners. Those covered specifically are the Chief Executive, Directors, Deputy Directors, Assistant Directors, Monitoring Officer and the Section 151 Officer. In terms of the lowest paid, the policy refers to those at Range 1, this being the lowest range on the pay structure.
- 3.4 The policy statement allows for sufficient flexibility to cope with changes in circumstances (unforeseen or otherwise) by providing schemes such as those that enable a market premia payment to be made and also the scheme for awarding "acting-up" or additional duties payments.
- 3.5 Content of the Pay Policy Statement:
- 3.5.1 The following analysis highlights the matters that must be included in the Pay Policy Statement:
- (i) the Council's policy on the level and elements of remuneration for Assistant Directors and above. This is set out in Section two (pages 3-9) of the policy.
 - (ii) the Council's policy on other specific aspects of chief officers' remuneration, e.g. remuneration on recruitment, increases and additions to remuneration, any use of performance related pay and bonuses, termination payments and transparency. This is also set out in Section two of the policy.
 - (iii) the Council's policy on the remuneration of its lowest paid employees (together with its definition of "lowest paid

employees” and its reasons for adopting that definition). This is set out in Section three (pages 9 - 13)

Note: Both Sections two and three set out the remuneration packages appropriate to that particular level of staff. Both sections include a table setting out the elements of the remuneration package and highlights any differences between the two levels. By comparing both tables, it can be noted that the differences are minimal. This reinforces the message that the council does not differentiate significantly between senior and lower levels of personnel in terms of its application of pay and reward policies.

- (iv) the Council’s policy on the relationship between the remuneration of Assistant Directors and above and other officers. This is set out in Section four (page 14).

Note: The statutory guidance advises that the way of measuring pay relationships is to use a pay multiple. Will Hutton’s 2011 *Review of Fair Pay in the Public Sector* supported the idea of publishing the ratio of the pay of an organisations top earner to that of its median earner, and tracking it over time. The government has recommended the adoption of such a multiple in its code of recommended practice on data transparency and has gone further in its statutory guidance on pay policy statements.

3.5.1.1 The pay multiplier for the Council, calculated on the ratio of the top earner to that of its median earner for December 2017 equates to 6.30 (5.96 at December 2016).

3.5.1.2 The Hutton report also recommended a separate measurement, where the top earning salary should equal no more than 20 times that of the lowest earning salary. The Council’s ratio at December 2017 was 11.12 (11.12 at December 2016).

3.5.2 As well as prescribing mandatory content, the Act also states that the pay policy statement:

- (i) can be amended in-year. This is set out in Section seven (page 20)

- (ii) must be published on the council’s website. It is proposed that the policy be published on medway.gov.uk and on *Just4you*. This is set out in Section eight of the policy (pages 20 – 21).

- (iii) must be complied with when the authority sets the terms and conditions for Assistant Directors and above.

3.5.3 Section five identifies the remuneration policies that are applied across the workforce and where there is no status distinction. Whilst not mandatory, this section has been included intentionally. By indication that the majority of reward policies apply to all employees in the same way may allay concerns about any perceived generosity of senior recruitment within the Council.

4. Consultation

- 4.1 The Pay Policy Statement 2018/2019 has not been subject to consultation.

5. Risk Management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Failure to comply with s38 (1) of the Localism Act 2011	Non compliance with legislative requirements	Present the policy to EMC in February each year for referral to Full Council.	E3

6. Diversity Impact Assessment (DIA)

- 6.1 A Diversity Impact screening has been undertaken and it is considered that a full DIA is not required. The DIA is attached at Appendix 2 to the report.

7. Financial and legal implications

- 7.1 The Council is statutorily bound by the Localism Act 2011 to produce this policy statement.
- 7.2 There are no additional financial risks as the pay policy statement highlights policies that have already been agreed by Members and are in operation.

8. Recommendation

- 8.1 That the Employment Matters Committee notes the Pay Policy Statement 2018/19 as set out in Appendix One to the report and refers it to Full Council for agreement.

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Appendices:

Appendix 1 – Pay Policy Statement
Appendix 2 – Diversity Impact Assessment

Background papers

Joint Negotiating Committee for Chief Executives of Local Authorities, Localism Act: Pay Policy statements, Guidance for Local Authority Chief Executives 25 November 2011 and 12 January 2012.

The Hutton Report, *Review of Fair Play in the Public Sector*
http://www.hm-treasury.gov.uk/indreview_will_hutton_easyread.htm

The Code of Recommended Practice for Local Authorities on Data Transparency.