

CABINET

18 February 2016

WINCHESTER CITY COUNCIL – PAY POLICY STATEMENT 2016 - 2017

REPORT OF CHIEF EXECUTIVE

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RECENT REFERENCES:

PER 263 - Winchester City Council – Pay Policy Statement 2015 – 2016

CAB 2552 - Winchester City Council – Pay Policy Statement 2014 – 2015

RECOMMENDATIONS:

To Cabinet

That Members:

1. review the Pay Policy Statement (Appendix 1) and make any comments to Council; and
2. agree to the further development of a Winchester City Council Pay and Reward Policy.

To Council

That, subject to consideration of any comments made by Cabinet, Members approve the Pay Policy Statement in Appendix 1.

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### WINCHESTER CITY COUNCIL PAY POLICY STATEMENT 2016-2017

#### REPORT OF CHIEF EXECUTIVE

##### DETAIL:

- 1 Introduction
  - 1.1 Government have sought to encourage transparency on remuneration, and Councils now publish details of the pay of senior officers – in Winchester’s case for the 2016/17 organisational structure we publish data in respect of the Chief Executive, Corporate Director (Service Delivery) and Corporate Director (Professional Services), Assistant Directors and include all officers on Scale 10 and above.
  - 1.2 We are required to prepare a Pay Policy Statement and have that Statement approved by Council. This Statement must contain the policy for the remuneration of the Council’s chief officers on appointment, subsequent progression and any use of bonus or performance related pay. The approach to the payment of chief officers on their ceasing to hold office or to be employed by the authority must also be set out, reflecting press and Ministerial concerns about ‘golden goodbyes’.
  - 1.3 The Localism Act 2011 requires councils to define ‘lowest paid employees’, to consider the relationship between pay of the highest and lowest paid and to explain the rationale for their approach and to publish details of pay relativities to encourage fairness in remuneration.
  - 1.4 The Council’s first Pay Policy Statement was approved by Council in March 2013 and published. We are required to review it annually. Appendix 1 sets out the updated proposed Pay Policy Statement for Winchester City Council 2016 -2017 to comply with the Act. There are no substantial amendments to that published a year ago. Subject to endorsement by Cabinet and Council the Pay Policy Statement will be published.
  - 1.5 The Statement sets principles and rules by which we remunerate senior staff. It does not set out the details of individual payments made in accordance with these principles – although, as Members will know, there are separate requirements for the publication of payments made to senior staff in our accounts.

## 2 Key Pay Policy Issues

### 2.1 There are a number of matters to note in the attached Pay Policy Statement:

- a) the Policy uses the term “Chief Officers” to identify senior staff, or those in receipt of the highest remuneration. This reflects a requirement in the Act, where the definition covers a number of senior posts (for Winchester this equates to senior posts paid at Scale 10 and above, seven posts at present, for 2016-17). The Policy recommends our current practice of adopting national pay schemes and job evaluation procedures as a basis for determining remuneration, and so which posts cross the threshold for consideration under the Pay Policy;
- b) the definition of “lowest paid employees”, required to show pay relativities, draws on both Scale 1 and 2 of our pay scales. The highest 2 points on Scale 1 overlap with the 2 lowest points on Scale 2 and we have currently 1 permanent member of staff at present paid on the highest point of Scale 1 and therefore in the lowest effective pay band. This equates to an FTE salary of around £15,000 per annum (before the application of the Living Wage) so this is the reference point for comparison with highest salaries. The ratio of remuneration for highest to lowest paid is under 10:1 – the benchmark set by Government. It is proposed that for now, we maintain the maximum ratio of highest to lowest paid as 10:1. Officers recommend that the Committee consider further the relationship between the remuneration of the highest and lowest paid as part of a comprehensive Pay and Reward Policy at a future date.
- c) Members have agreed to adopt the payment of the so-called ‘Living wage’ (PER 233 Refers) which is a nationally agreed minimum hourly rate of pay which is applied to directly employed staff.
- d) All directly employed Council staff are paid the Living Wage and the Council is currently in discussion with Living Wage Foundation in order to seek full accreditation. This discussion is in relation to the Council’s sub contractors who are delivering council services and how they are applying the Living Wage to their staff. This includes consideration of how the Council may need to amend some contracts in order to meet the criteria’.
- e) A policy will be developed for members to consider fully the implications of requesting that our contractors and sub contractors delivering council services apply the Living Wage to their staff and applying for accreditation with the

Living Wage Foundation. If, after due consideration, that policy is adopted, it will need to be reflected in the Pay Policy Statement.

- f) the policy should also cover increases and additions to remuneration for each Chief Officer – for example bonus payments. This is already covered by our adopted pay scheme and policies on annual incremental increases, which the Policy refers to. The Policy also makes clear at present we have not adopted performance related pay or a system of bonus payments, and sets out our policy on payment of honoraria;
- g) we are required to give details of “charges, fees or allowances” and have elected to include “expenses” and “benefits in kind”. The Policy interprets this to include provision of lease cars and professional subscriptions, and to include relevant election fees (local elections only, payment for national elections is set in statutory instruments by the Cabinet Office; or other relevant Government Department);
- h) There is transparency on payments to those leaving employment, and so the Act requires we publish a policy on severance payments. Again, our approach is guided by national pay schemes, and by statute – and we are already required to publish a policy on discretionary compensation, which Personnel Committee have approved. The Government is considering a cap on severance pay which is planned to come into force in 2016/17. This may necessitate a review of the Severance and Pay Policies, depending on the final detail of the proposals.
- i) Finally we are required to publish our Pay Policy Statement and Pay Policy, which we will do through the Council’s website. It should also be reviewed annually and as a minimum this is done in February each year for implementation in the coming financial year.

2.2 The Government require that Council should have the opportunity to approve “large salary packages in respect of new appointments” – with Guidance suggesting “large” means over £100,000 (pay and benefits), but that the precise level is for individual Councils to agree. At present in Winchester the appointment of the Chief Executive is put to Council. In line with Government direction, and last year the policy was changed to require approval from Council to the employment package advertised covering senior staff in the authority paid at scale 12 and above which would include the Corporate Director (Service Delivery) and new post of Corporate Director (Professional Services).

- 2.3 We are also required to give Council the opportunity to consider severance package payments above a threshold. In this case, it is suggested that the threshold continues to be £100,000, regardless of the post. Importantly, Members should note that we already have policies governing the calculation of such payments. This report does not recommend those policies change at this stage – but a review may be needed in 2016/17, as referred to in paragraph 2.1 h) above. Members should also note that there are additional statutory provisions regarding severance of the contracts of statutory officers (the Head of Paid Service, Monitoring Officer and Section 151 Officer).
- 2.4 Officers on Joint National Terms and Conditions of Service (JNC) have a separate negotiating process for pay, terms and conditions from other staff employed on the National joint Council Terms and Conditions of Service (NJC). The Head of Paid Service (Chief Executive) has the authority to award any pay increases agreed and applied nationally to the NJC staff group and to the JNC staff group at Winchester City Council ( currently 4 members of staff) to maintain alignment of the pay scale within the authority. The JNC terms and conditions of service has ceased to be applied to any appointments within the Council and therefore the number of staff employed on this basis will cease over a period of time.

### 3 Future Actions

- 3.1 It is sometime since the Council undertook a full review of its approach to staff pay, grading and reward, covering all aspects of staff remuneration. A review would be timely given the emphasis we now put on recruiting and retaining the right calibre and skill-mix of staff, and our aim to be ‘an employer of choice’. Such a review should set out in detail the reward philosophy for the Council, including, for example, how pay costs are managed to promote staff flexibility, ensure fairness and equity, and take account of external competitiveness and preferred market position. It must also, of course, reflect the financial pressures the Council faces. It will also be an essential tool in managing our overall pay bill, as well as guiding workforce planning and development and ensuring we develop our workforce to be fit for the future.
- 3.2 Officers therefore are currently reviewing and working on proposals for a comprehensive Pay and Reward Policy which will be discussed at a future Personnel Committee. This will help ensure the Council continues to attract and retain staff who are committed to delivering excellent public service, supporting equality of opportunity and valuing the diversity with in the workforce.
- 3.3 This Report and Appendix has been circulated to Members of Personnel Committee which will enable Members to submit any comments they wish regarding the Pay Policy Statement to be brought to Cabinet.

OTHER CONSIDERATIONS:

4 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 4.1 In aiming to be “an efficient and effective Council” Winchester seeks to ensure rewards to staff are fair, and set in the context of wider financial considerations. We also seek to be open in all we do. The recommendations of this paper are intended to support these aims.

5 RESOURCE IMPLICATIONS:

- 5.1 There are no direct resource implications for the Council in this Pay Policy Statement. The levels of remuneration are set under nationally agreed schemes, and we already have an approach on matters such as honoraria or fees, charges and allowances, and on termination of contracts. The Budget assumptions fully reflect the Pay Policy Statement.

BACKGROUND DOCUMENTS:

None

APPENDICES:

Appendix 1 – Pay Policy Statement 2016 -2017

## Winchester City Council Pay Policy Statement – Financial year 2016-17

### 1) General

Area	Proposed Policy	Comment
Purpose	<p>The purpose of this pay policy statement is to set out Winchester City Council's (WCC's) policies relating to the pay of its workforce for the financial year 2016-17, in particular: -</p> <ul style="list-style-type: none"> <li>a) the remuneration of its Chief Officers</li> <li>b) the remuneration of its "lowest paid employees"</li> <li>c) the relationship between                             <ul style="list-style-type: none"> <li>▪ the remuneration of its Chief Officers</li> <li>▪ the remuneration of its employees who are not Chief Officers</li> </ul> </li> </ul>	<p>This Policy sets out the principles behind the City Council's approach to remuneration of senior officers, in accordance with the requirements of s.40 of the Localism Act 2011 (the Act) and Guidance there under. It does not give details of individual salary levels.</p>
Definitions	<p>For the purpose of this pay policy statement the following definitions will apply: -</p>	

	<p><b>“Chief Officer”</b> refers to the following roles within WCC: -</p> <ul style="list-style-type: none"> <li>▪ Chief Executive, as Head of Paid Service</li> <li>▪ Corporate Director (Professional Services) Corporate Director (Service Delivery), as non-statutory Chief Officer</li> <li>▪ Statutory Officers (S. 151 and Monitoring Officer) where that role is not discharged by any officer listed above</li> <li>▪ Assistant Directors and Heads of Service if reporting directly or is directly accountable to a statutory or non-statutory Chief Officer in respect of all or most of their duties</li> </ul>	<p>The statutory definition in the Act covers a range of roles within the City Council. All those are encompassed within the national pay schemes the Council has adopted (see below), so this Policy is consistent with the requirements of the Act</p>
	<p>The <b>“lowest paid employees”</b> refers to those staff employed within grade 1 and 2 of the Council’s pay framework.</p>	<p>The lowest paid permanent staff in the Council at present are paid on Scale 2 (£15,000 pa full time). This is therefore the appropriate point at this time on which to base comparisons of pay relativity. The Pay Policy Review will consider the option of the median point as a comparator as highlighted in the Hutton Report.</p>
	<p>An <b>“employee who is not a Chief Officer”</b> refers to all staff, who are not covered under the “Chief Officer” group above. This includes the “lowest paid employees” i.e. staff on grades 1 and 2.</p>	

**2) Remuneration of the “lowest paid employees” and “all other employees who are not chief officers”**

Area	Proposed policy	Comment
<p>Under the Act the Council is required to agree the basis of the remuneration of the “lowest paid employees”, including the following elements: -</p> <ul style="list-style-type: none"> <li>▪ Salary</li> <li>▪ Any allowance or other payments in connection with their role and shift patterns</li> <li>▪ Local Government Pension Scheme, where a member</li> <li>▪ Policy on severance</li> </ul> <p>Policies on each of these elements are set out below.</p>		
Salary	<p>The lowest grade in the Council’s pay framework is Grade 1. We have 1 member of staff at present paid on the highest point of Grade 1. . The lowest paid members of staff are in Grade 2 of the pay framework, and this should, for the purposes of the Act, be taken as the “lowest paid employees”.</p> <p><i>Details of the Council’s salary ranges are available on the website.</i></p> <p>Employees new to the Council will normally be appointed to the first step of the salary range for the grade of the role. Where the candidate’s current employment package would make the first step of the salary range unattractive (and this can be demonstrated by the applicant in relation to current earnings) or where the employee already operates at a level commensurate with a higher salary, a higher salary may be considered by the recruiting manager up to mid point of the grade when further approval is sought to appoint beyond this point but still within the grade band. This will be within the salary range for the grade. The candidate’s level of skill and experience should be consistent with that of other employees in a similar position on the salary range.</p>	<p>The bottom point on Scale 2 offers a salary of c.£15,000pa – full time. This is therefore the appropriate point on which to base comparisons of pay relativity</p>
Bonuses	<p>There is no current provision for making bonus payments to any employees.</p>	

	<p>There is however a system of Honorarium payments whereby a one-off payment may be awarded to a member of staff as a reward for a particular piece of work or a substantial effort or duties above what is expected as part of their ordinary day-to-day work. The size of the award paid, should be commensurate with the work being rewarded. An award made may be up to 10% of the employees basic salary. Any payment of this nature must have Chief Officer approval and may be classed as pensionable if classified as additional duties.</p> <p>There is also an acting up allowance which can be paid where an additional payment may be made for covering part of all of a higher graded post duties. This would be commensurate to the additional work being undertaken and the period of time these duties have been carried out. Any payment of this nature must have Chief Officer approval.</p>	
<p>Charges, fees or allowances</p>	<p>Any allowance or other payments will only be made to staff in connection with their role or the patterns of hours they work and must be in accordance with the Council’s collective agreements and subsequent amendments which were agreed by Members.</p>	<p>This includes allowances for being available “on-call” or for anti-social hours and professional membership fees or essential clothing telephone allowance or mobile phone for work use.</p>
<p>Performance related pay</p>	<p>The Council has not adopted a system of performance related pay. However, progression within the employee’s salary scale is through an annual assessment of performance. An employee’s contribution during the course of the year is reviewed within the Council’s Individual Performance Review process (IPR).</p> <p>The IPR process provides for the setting of targets on an annual basis and review of the employees achievement against those targets.</p> <p>Following assessment of the employee’s achievement against targets the reviewing manager will recommend a rating for each</p>	<p>The Council has already adopted policies on incremental progression through the agreed performance review process up to the top point of a grade.</p>

	<p>employee. This rating will be subject to consistency checks and once finalised will be taken into account. Subject to satisfactory performance the salary progression within the salary range, up one step per year until the top step of grade is achieved, will be implemented.</p> <p>Any salary changes following assessment under the IPR process will be effected from 1 April each year.</p>	
Expenses	All employees are entitled to claim certain expenses incurred in performing their duties (for example travel costs) or training expenses. These principles have been agreed by Members.	
Benefits in kind	<p>The Council has adopted policies which entitle employees, under certain circumstances, to a lease car or an allowance for essential car use in connection with their role. These policies can be found on the website.</p> <p>The Council pays professional subscriptions for officers in accordance with terms and conditions of service.</p> <p>The Council offers staff access to certain employee benefit schemes, for example child-care vouchers or the national cycle-to-work scheme as agreed by Members. These are provided at no additional cost to the Council.</p> <p>Car Parking/Park and Ride provision is available to all staff.</p>	
Pension	All employees as a result of their employment are eligible to join the Local Government Pension Scheme and are auto enrolled from October 2013. There are no increases or enhancement to pension entitlements as a result of a resolution of the authority.	
Severance payments	As set out in the Council's Severance Policy and agreed by Members	

### 3) Remuneration of Chief Officers

Area	Proposed policy	Comment
<p><b>Pay framework</b></p>	<p><b>“Chief Officers” who are members of the Corporate Management Team.</b></p> <p>Chief Executive, Corporate Director (Service Delivery), Corporate Director (Professional Services),</p> <p>The annual pay review for these Chief Officers is determined nationally.</p> <p><b>“Chief Officers” who are Assistant Directors, and Heads of Service</b></p> <p>Pay for Assistant Directors, and Heads of Service falls within the main pay framework as well and is described above.</p>	<p>The City Council's pay and framework is based on the nationally agreed scheme and this incorporates the pay framework for Chief Officers. This sets out the pay and grade framework utilising agreed Job Evaluation Schemes.</p> <p>Council has already endorsed the adoption of this framework, and the Pay Policy simply confirms it is the basis for our approach to pay.</p>
<p><b>Remuneration, including salary, allowances or other payments, pensions and severance payments.</b></p>		
<p>Salary</p>	<p><b>“Chief Officers” who are members of the Corporate Management Team and Assistant Directors, and Heads of Service.</b></p> <p>For this group of Chief Officers salary on appointment has regard to the relative size and challenge of the role compared to other Chief Officer roles within the Council. Account is also taken of other relevant available information, including the salaries of Chief Officers in other similar sized organisations.</p> <p><b>Chief Officers who are Assistant Director, and Heads of Service</b></p> <p>Assistant Directors, and Heads of Service are treated in accordance with the arrangements detailed above “all other employees who are not Chief Officers”.</p>	<p>Information is already included in current pay statement agreed by Members. Pay relativities will be considered in more detail with the full Pay &amp; Reward Policy to be brought forward in 2016/17.</p> <p>Following initial Guidance received from</p>

	<p>Ministers require that all remuneration packages above a threshold (Guidance suggest £100,000, although it is for Councils to decide) be approved by Full Council. The City Council's Constitution already requires that Council confirm the appointment of the Chief Executive, offering an opportunity for remuneration to be confirmed on appointment. The Pay Policy provides for formal approval of all packages at or above Scale 12 in our pay scheme <b>before</b> recruitment is commenced for any such post.</p> <p>Information on the remuneration of senior council officers is published in the Council's annual accounts on the City Council website.</p>	<p>the DCLG to cover the appointment of the Chief Executive and Corporate Directors and to be approved by Full Council. along with any severance payments over £100,000 (see below).</p>
<p>Bonuses</p>	<p>The City Council does not pay bonuses to Chief Officers.</p> <p>"Chief Officers" are subject to the same performance management process as the "lowest paid employees" and "employees who are not Chief Officers".</p> <p><b>"Chief Officers" who are members of the Corporate Management Team.</b></p> <p>Targets are set and performance against those targets is assessed. Chief Officers receive the same incremental or step progression.</p> <p><b>"Chief Officers" who are Assistant Directors and Heads of Service</b></p> <p>Assistant Directors and Heads of Service are treated in accordance with the arrangements detailed above for "lowest paid employees" and "all other employees who are not Chief Officers".</p>	<p>The guidance in relation to the Localism Act states that authorities should consider Hutton's recommendation on the value of a system of 'earn back' pay. This will be considered as part of the review of the Pay and Reward Policy.</p>
<p>Charges, fees or</p>	<p>No additional extra charges, fees or allowances are paid</p>	

<p>allowances (incl. election fees)</p>	<p>to Chief Officers.</p> <p>The Returning Officer is paid a fee in respect of his duties in managing local and national elections. For national elections, that fee is based on scales in Regulations made by the Cabinet Office or other relevant Govt Department. For local elections, that fee is based on Hampshire and Isle of Wight scales fees. Where appropriate, these are included in published details of remuneration.</p> <p>Other Chief Officers may be paid fees for assisting in the management of elections. These fees are determined by the Returning Officer having regard to the relevant scale fees.</p>	
<p>Performance Related Pay</p>	<p>The Council has not adopted a system of performance related pay for Chief Officers. However, progression within the employee’s salary scale is through an annual assessment of performance , as described in section 2 –</p>	
<p>Expenses</p>	<p>All employees are entitled to claim certain expenses incurred in performing their duties (for example travel costs). These are set out in the agreed policies</p>	
<p>Benefits in kind</p>	<p>The Council has adopted policies which entitle employees, under certain circumstances, to a lease car or an allowance for essential car use in connection with their role.</p> <p>The Council pays professional subscriptions for officers in certain circumstances in line with agreed policies.</p> <p>The Council offers staff access to certain employee benefit schemes, for example child-care vouchers or the national cycle-to-work scheme. These are provided at no additional cost to the Council.</p>	

	Car Parking/Park and Ride provision is available to all staff.	
Pension (increase/ enhancement) Payment twice	All employees as a result of their employment are eligible to join the Local Government Pension Scheme and will be auto enrolled from October 2013. The Council operates within an agreed policy for severance and flexible retirement practices.	
Severance payments – for any reason	The Council has an agreed Severance Policy	<p>Council have an agreed policy on offering discretionary compensation for relevant staff in the event of redundancy which is the Severance Policy.</p> <p>Following Guidance received from the DCLG the policy covers the severance payments currently of over £100,000 (regardless of the post to which they apply) which will be required to be considered by Full Council.</p>

**4) Relationship between remuneration of “Chief Officers” and “employees who are not Chief Officers”**

Guidance	Comment
<p>The Hutton Report on Fair Pay in the Public Sector recommended publication of a pay multiple (ratio between the total remuneration of the highest paid employee and the median earnings across the organisation)</p> <p>The Code of recommended Practice for Local Authorities on Data Transparency includes pay multiples within the minimum set of Data that Authorities should publish. Authorities should include their current policy towards maintaining or reaching a specific pay multiple within their broader policy on how pay and reward should be fairly dispersed across their workforce.</p>	<p>Winchester adopt a maximum multiple of 1:10 (ie. The remuneration of the highest paid officer should be no more than 10 times that of the lowest paid.</p> <p>The proposed maximum pay multiple and actual multiple will be published alongside other data on senior staff remuneration on the Council’s website. Annually based on the year end published account information which is reconciled and audited and in line with the Hutton report.</p>

**Publication of pay policy statement**

Guidance	Comment
<p>Statement must include WCC’s approach to the publication of and access to information relating to the remuneration of Chief Officers (incl. salary etc)</p>	<p>Pay policies, including this Senior Pay Policy Statement, will be published on the City Council’s website, alongside details of senior staff remuneration.</p>