

PERSONNEL COMMITTEE - 8 February 2012

COUNCIL- 23 February 2012

WINCHESTER CITY COUNCIL – PAY POLICY STATEMENT

REPORT OF CHIEF EXECUTIVE

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RECENT REFERENCES:

None

EXECUTIVE SUMMARY:

The Localism Act 2011 requires local authorities to be explicit about certain aspects of pay and reward, particularly for senior managers. The Act requires councils to prepare an annual Pay Policy Statement from the financial year 2012-2013. 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 Act also requires councils to define 'lowest paid employees' and to explain the relationship between levels of pay for those staff and the highest paid. In addition, a policy for the payment of chief officers on their ceasing to hold office or to be employed by the authority must be adopted.

The Pay Statement shown in Appendix 1 brings together current practice and other information on agreed policies and asks Members to review this to ensure that it is fit for purpose, and to agree its adoption.

RECOMMENDATIONS

To Personnel Committee

That Members:

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

To Council

That, subject to consideration of any comments made by Personnel Committee, Members agree to the Pay Policy Statement in Appendix 1.

PERSONNEL COMMITTEE – 8 FEBRUARY 2012

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WINCHESTER CITY COUNCIL PAY POLICY STATEMENT

Report of Chief Executive

DETAIL:

- 1 Introduction
- 1.1 Senior pay in the public sector has become a controversial topic in recent years. The Government have sought to encourage transparency, and Councils now publish details of the pay of senior officers – in Winchester’s case in 2010/2011 we published data in respect of the Chief Executive, Corporate Directors and the Head of Finance. A wider disclosure of information will be published for 2011/2012 and subsequent years.
- 1.2 In the Localism Act 2011 Ministers have now gone a step further in requiring Councils to formally agree a ‘policy’ for senior pay. Details of what is required are included in draft Statutory Guidance (a final version of that Guidance has not yet been issued, although our Policy must be in place by 31 March 2012). We are required to prepare an annual Pay Policy Statement with effect from the financial year 2012-2013, 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 Ministers have also sought to link senior remuneration to a multiplier of the pay of an organisation’s lowest paid staff. In his report on fairness in public sector pay the economist Will Hutton rejected the idea of a formal link between pay levels but suggested organisations publish details of pay relativities to encourage fairness in remuneration. The Act has adopted that approach and 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.
- 1.4 Appendix 1 sets out the proposed Pay Policy Statement for Winchester City Council to comply with the Act and seeks Personnel Committee Members’ comment. This will be forwarded to Council for its formal adoption and publication. Importantly, the Policy is about setting 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.

- 1.5 The principles of transparency over the remuneration of senior public sector employees must be right and, whilst the detail is sometimes convoluted and unnecessarily prescriptive, we should have no fundamental difficulties in complying with the spirit or the detailed requirements of the Act.

2 Key Pay Policy Issues

- 2.1 There are a number of matters to highlight 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 (broadly, our Senior Management Team), but can also include staff reporting those post-holders. The Policy recommends our current practice of adopting national pay schemes and job evaluation procedures as a basis for determining remuneration;
 - b) the definition of “lowest paid employees”, required to show pay relativities, draws on both Scale 1 and 2 of our pay scales although we have no permanent staff at present in the lowest band. The lowest point on Scale 1 equates to an FTE salary of around £12,000 per annum so this is the reference point for comparison with highest salaries. The ratio of remuneration for lowest and highest paid is under 1:10. It is proposed that for now, we maintain that ratio as a maximum pay multiple. 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;
 - c) the policy should also cover increases and additions to remuneration for each chief officer. 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 we have not adopted performance related pay or a system of bonus payments, and sets out our policy on payment of honoraria;
 - d) 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 DCLG);

- e) Ministers have also sought 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;
 - f) finally, we are required to publish our Pay Policy, which we will do through the Council’s website. It should also be reviewed annually.
- 2.2 The Government have also sought to ensure that Council has the opportunity to approve “large salary packages in respect of a new appointments” – with Guidance suggesting “large” means over £100,000. At present, our Constitution requires only that the appointment of the Chief Executive be put to Council, and it will require minor amendment to comply with the emerging Statutory Guidance. Other amendments may also be required as a result of the detail of this Policy.

3 Future Actions

- 3.1 The Localism Act requirements focus on senior remuneration, and have been driven by recent political debates on the matter. That said, it is useful for us to have a Policy Statement on senior pay. Production of such a Statement opens up a number of questions about our broader approach to remuneration: both on the broad policy framework and more detailed matters such as comparative pay levels. These will be important factors as we seek to develop our workforce to be fit for the future.
- 3.2 A robust Pay and Reward Policy covering all aspects of remuneration 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 will also be an essential tool in managing our overall pay bill, as well as guiding workforce planning and development.
- 3.3 Officers therefore propose to draw together a comprehensive Pay and Reward Policy for discussion 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 within the workforce.

OTHER CONSIDERATIONS:

4 SUSTAINABLE COMMUNITY STRATEGY AND CHANGE 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. The Budget assumptions fully reflect the Pay Policy Statement.

BACKGROUND DOCUMENTS:

Head of Organisational Development File.

APPENDICES:

Appendix 1 – Pay Policy Statement 2012 -2013

Winchester City Council Pay Policy Statement – Financial year 2012-13

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 2012-13, in particular: -</p> <ul style="list-style-type: none"> a) the remuneration of its Chief Officers b) the remuneration of its "lowest paid employees" c) the relationship between <ul style="list-style-type: none"> ▪ the remuneration of its Chief Officers ▪ the remuneration of its employees who are not Chief Officers 	<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). 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>"Chief Officer" refers to the following roles within WCC: -</p> <ul style="list-style-type: none"> ▪ Chief Executive, as Head of Paid Services* ▪ Corporate Director (Governance)*, as the Council's statutory Monitoring Officer, Electoral Registration Officer and Returning Officer ▪ Corporate Director (Operations), as non-statutory Chief Officer* ▪ Head of Finance as Statutory Section 151 Officer ▪ 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.* Members of the Councils Corporate Management Team (CMT) 	<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>

	The “ lowest paid employees ” refers to those staff employed within grade 1 and 2 of the Council’s pay framework.	The lowest paid permanent staff in the Council at present are paid on Scale 2 (£13,000 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.
	An “ employee who is not a Chief Officer ” 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.	

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

Area	Proposed policy	Comment
Under the Act the Council is required to agree the basis of the remuneration of the “lowest paid employees”, including the following elements: - <ul style="list-style-type: none"> ▪ Salary ▪ Any allowance or other payments in connection with their role and shift patterns ▪ Local Government Pension Scheme, where a member ▪ Policy on severance Policies on each of these elements are set out below.		
Salary	The lowest grade in the Council’s pay framework is Grade 1. However, we do not at present employ any staff on that grade.	The bottom point on Scale 2 offers a salary of c.£13,000pa –

	<p>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 grade 1. 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>full time. This is therefore the appropriate point on which to base comparisons of pay relativity</p>
Bonuses	<p>There is no 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 to 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>	
Charges, fees or allowances	<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>
Performance related pay	<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 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>	<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>

Expenses	All employees are entitled to claim certain expenses incurred in performing their duties (for example travel costs) or training expenses. These 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>	
Pension	All employees as a result of their employment are eligible to join the Local Government Pension Scheme. 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
Pay framework	"Chief Officers" who are members of the Corporate Management Team.	The City Council's pay and framework is based on the nationally agreed scheme and this incorporates the pay framework

	<p>The annual pay review for these Chief Officers is determined nationally.</p> <p>“Chief Officers” who are Assistant Directors and Heads of Service Pay for Assistant Directors and Heads of Service falls within the main pay framework as well and is described above.</p>	<p>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>Remuneration, including salary, allowances or other payments, pensions and severance payments.</p>		
<p>Salary</p>	<p>“Chief Officers” who are members of the Corporate Management Team and Assistant Directors and Heads of Service. 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>Chief Officers who are Assistant Directors and Heads of Service 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>Ministers have asked that all remuneration packages above a threshold (Guidance suggest £100,000) 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. It is</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 & Reward Policy to be brought forward in 2012/13.</p>

	<p>proposed the Constitution be amended to provide for formal approval of all packages above the suggested threshold before 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>	
Bonuses	<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>"Chief Officers" who are members of the Corporate Management Team. Targets are set and performance against those targets is assessed. Chief Officers receive the same incremental or step progression.</p> <p>"Chief Officers" who are Assistant Directors and Heads of Service 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>
Charges, fees or allowances (incl. election fees)	<p>No additional extra charges, fees or allowances are paid 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 DCLG. For local elections, that</p>	

	<p>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>	
Performance Related Pay	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 –	
Expenses	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	
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.</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>	
Pension (increase/enhancement) Payment twice	All employees as a result of their employment are eligible to join the Local Government Pension Scheme. 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	Council have an agreed policy on offering discretionary compensation for relevant staff in the event of redundancy which is the Severance Policy
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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>The Hutton report considered, and rejected, a ceiling or maximum pay multiple of 1:20. It is suggested that 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
Statement must include WCC’s approach to the publication of and access to information relating to the remuneration of Chief Officers (incl. salary etc)	Pay policies, including this Senior Pay Policy Statement, will be published on the City Council’s website, alongside details of senior staff remuneration.

