

Cheltenham Borough Council
Council 26th March 2012
Pay Policy Statement

Accountable member	Cabinet Member Corporate Services, Councillor Colin Hay
Accountable officer	Amanda Attfield Director People, Organisation Development and Change
Accountable scrutiny committee	N/A
Ward(s) affected	None
Significant Decision	No
Executive summary	The Localism Act 2011 requires councils to produce a pay policy statement in respect of its employees for 2012-13 and each subsequent financial year. This report sets out the rationale for and matters covered by the pay policy statement (attached). In addition the council is required under the LGPS regulations to produce a policy in respect of its discretions under the LGPS. That policy has been revised in respect of augmentation of service.
Recommendations	<p>That Council</p> <ul style="list-style-type: none"> i) approves the 2012-13 Pay Policy Statement (Appendix 2); ii) approves the revised LGPS Statement of Policy/Discretions (paragraph 2.23) (see Appendix 3).

Financial implications	<p>As contained in the body of the report, specifically at para 2.23, this delivers the best value for money for local taxpayers and sets the right example on pay restraint.</p> <p>Contact officer: Paul Jones paul.jones@cheltenham.gov.uk, 01242</p>
Legal implications	<p>The legal requirements for producing a pay policy statement are referred to in the body of this report.</p> <p>Contact officer: Peter Lewis, peter.lewis@tewkesbury.gov.uk, 01684 272012</p>
HR implications (including learning and organisational development)	<p>As contained in the body of this report.</p> <p>Contact officer: Amanda Attfield, amanda.attfield@cheltenham.gov.uk, 01242 264186</p>
Key risks	If the policy is not approved by the end of March, the Council risks non-compliance with legislation.

Corporate and community plan Implications	N/A
Environmental and climate change implications	N/A

1. Background and Issues

- 1.1** The Council is required by section 38(1) of the Localism Act to prepare a pay policy statement. The statement must articulate an authority's own policy towards a range of issues relating to the pay of its workforce, particularly its senior staff (or 'chief officers') and its lowest paid employees. Pay policy statements must be prepared for each financial year, beginning with 2012/13 and must be approved annually by Full Council.
- 1.2** Draft guidance has been issued by the Secretary of State for Communities and Local Government (<http://www.communities.gov.uk/openness/>) setting out the key policy principles that underpin the pay accountability provisions in the Act, and by section 40(1) of the Act, the Council must have regard to this guidance when preparing and approving its pay policy statements. This guidance has now been received, along with joint guidance from the LGA (Local Government Association) and ALACE (Association of Local Authority Chief Executives) on the implications, and Local Government Association guidance on "Strengthening the strategic approach to pay and rewards in the public sector", all of which have been considered in drafting the attached pay policy.
- 1.3** Nothing in the pay accountability provisions in the Act or in this guidance is intended to supersede existing responsibilities and duties placed on authorities in their role as employers, under relevant employment legislation, and authorities must, of course, bear in mind these responsibilities and duties when formulating a pay policy statement. Discussion of an authority's policies in relation to pay does not engage the Data Protection Act as it does not concern data relating to a particular individual.
- 1.4** CBC is an individual employer in its own right and has the autonomy to make decisions on pay that are appropriate to local circumstances and which deliver value for money for local taxpayers. The provisions in the Act do not seek to change this or to determine what decisions on pay should be taken or what policies CBC should have in place. Rather, the Act requires that authorities are more open about its own local policies and how its local decisions are made.
- 1.5** The Government's Guidance outlines that it is estimated that, between 2001 and 2008, median top salaries in local government grew at faster rates than entry salaries. In that context, around 800 local government employees are in the top 1% of all earners. The Guidance states that decisions about the pay and reward of senior local authority staff need more hence the requirement for all councils (whether there has been transparency or not in the past) to produce a pay statement.
- 1.6** In the Coalition Agreement, the Government made a commitment to strengthen councillors' powers to vote on large salary packages for council officers. As part of the Code of Recommended Practice for Local Authorities on Data Transparency on 29 September 2011, principles of transparency are enshrined, including publishing data in open formats available for re-use on a timely basis – this includes data on senior salaries and the structure of their workforce. CBC has fully complied with the Data Transparency requirement.
- 1.7** In June 2010, the Government asked Will Hutton to undertake an independent review of Fair Pay in the public sector. Hutton's Final Report (www.hm-treasury.gov.uk/indreview_willhutton_fairpay.htm) was published in March 2011 and made several recommendations for promoting pay fairness in the public sector by tackling disparities between the lowest and the highest paid in public sector organisations.

- 1.8** The provisions in the Localism Act bring together the strands of increasing accountability, transparency and fairness in the setting of local pay. They require councillors to take a greater role in determining pay, ensuring that these decisions are taken by those who are directly accountable to local people. Alongside the Code on transparency, the Act's provisions are intended to ensure that communities have access to the information they need to determine whether remuneration, particularly senior remuneration, is appropriate and commensurate with responsibility. In addition, they will ensure that policies on the pay and reward of the most senior staff are set clearly within the context of the pay of the wider workforce.
- 1.9** The Secretary of State considers that, for local government, decisions on pay policies should be taken by councillors as they are directly accountable to local communities, and that they have a significant input into how decisions on pay are made, particularly on decisions on senior pay, and that they are open about the policies that determine those decisions.
- 1.10** That is why the Localism Act requires that pay policy statements, and any amendments to them, are considered by a meeting of full council and cannot be delegated to any sub-committee. It is worth noting that the Secretary of State does not consider that any of the grounds for exclusion of the public would be met for discussions of pay policy statements. Such items at meetings of Council should, therefore, be open to the public and should not exclude observers. All decisions on pay and reward for chief officers must comply with the current pay policy statement.
- 1.11** In addition, under these arrangements, full council should be offered the opportunity to vote before large salary packages are offered in respect of a new appointment. The Secretary of State considers that £100,000 is the right level for that threshold to be set (this would include any bonuses, fees or allowances routinely payable and any benefits in kind).
- 1.12** The government guidance states that a council's approach to pay (as set out in the pay policy statement), needs to be accessible for citizens and enable local taxpayers to take an informed view of whether local decisions on all aspects of remuneration are fair and make best use of public funds. CBC's approved pay policy statement will, therefore, be published on the CBC website as soon as is reasonably practicable after it is approved..
- 1.13** As is required, CBC includes in its pay policy statement, the approach to the publication of and access to information relating to the remuneration of chief officers. Remuneration includes salary or payment under a contract for services, expenses, bonuses, any performance related pay as well as severance payments. CBC already publishes on an annual basis, the remuneration details of all its chief and deputy chief officers, and those earning over £55,000 pa.
- 1.14** The Act sets out the information that the Council is required to include in its pay policy statement as a minimum, however local discretion can be used as to additional information the Council wishes to include regarding its approach to pay and reward. The CBC statement sets out the approach to pay of all its employees.
- 1.15** The Council does not need to use a pay policy statement to publish specific numerical data on pay and reward. The information set out within the pay policy statement is consistent with other pay data it publishes separately (see para 2.13 above). This means that the current published data can be seen within the context of the Council's agreed statement, and will provide the public with a clear justification of how their money is being used appropriately in the pay and reward of Council staff.
- 1.16** In his interim report, Will Hutton found that top managers in local government have seen larger increases in pay than the lowest paid in their workforces and the pay ratios between local authority chief executives and the lowest paid in local councils have grown in the last ten years. In his final report, Will Hutton went on to highlight that there is value in ensuring that decisions about senior pay are taken in the context of similar decisions on lower paid staff, and that the relationship between those decisions is considered in order to ensure that pay levels across an organisation are fair, and that differing approaches to pay and reward can be justified.

- 1.17** In this context, the Act requires the Council to set its policy on remuneration for their highest paid staff alongside its policy toward the lowest paid employees, and requires it to explain what it believes the relationship should be between the remuneration of its chief officers and its employees who are not chief officers.
- 1.18** Will Hutton recommended the publication of an organisation's pay multiple – the ratio between the highest paid employee and the mean average earnings across an organisation – as a means of illustrating that relationship. The Code of Recommended Practice for Local Authorities on Data Transparency includes pay multiples within the minimum set of data that authorities should publish. CBC has included this information in the current policy, it is noted that it is currently 1:7 (NB 1:20 was the minimum cited by Will Hutton), and intends to maintain a low pay multiple within the broader policy on pay and reward.
- 1.19** Section 38(4) of the Act specifies that in addition to senior salaries, councils must also make clear their approach to the award of other elements of senior remuneration, including bonuses, performance related pay as well as severance payments. This should include any policy to award additional fees for chief officers for their local election (Returning Officer) duties. While some authorities have taken the local decision to include such fees within a chief officer's overall salary, others pay separate fees. CBC makes clear in its pay policy statement all of its relevant pay elements, including that separate fees are paid for the Returning Office role.
- 1.20** The draft government guidance states that if a Council operates any performance related pay, authorities should consider Will Hutton's recommendations on the value of a system of 'earn back' pay. CBC does not operate performance related pay system for any of its employees.
- 1.21** The draft guidance states that taxpayers interests also need to be borne in mind when senior staff move posts within the public sector, particularly when those moves could be perceived as driving up average pay levels across the sector. In addition, taxpayers should have the opportunity to question whether they are getting value for money from arrangements where it could appear that the public sector is paying an individual twice – through salary and a pension – for doing the same job. CBC has included an explicit statement on this practice in the pay policy statement.
- 1.22** Section 38(4) of the Act sets out in detail the specific elements which a pay policy statement must include in relation to senior pay, and these are contained in the CBC pay policy. In addition to the information which is required by section 38(2)(b) (policies on the remuneration of the lowest paid employees), it is open to councils to mirror this level of detail within the pay policy for their approach to the pay of those who are not chief officers – again, this is contained in the pay policy for CBC.
- 1.23** The draft guidance states that councils need to ensure that the way the workforce is managed (including payments offered to leavers) delivers the best value for money for local taxpayers and sets the right example on pay restraint. The Local Government Pension Scheme (Benefits Membership and Contributions) Regulations 2007 currently provide for the exercise of discretion for early retirement benefits to be enhanced. CBC currently offers an enhancement of up to six and two thirds additional pension years for those over the age of 55 (depending on length of service) who leave for reason of early retirement/redundancy. This additional cost is factored into any business case for agreeing early retirement requests, and any early retirement/redundancy situations. This provision is a significant cost, and the Council is mindful of its budget position and fiduciary duty to the taxpayers. Where a council has elected to exercise the discretion, it must be paid in each case i.e. it cannot be varied in any individual circumstances. This means that in practice, the business case to releasing individuals early is simply not viable in all cases. CBC is the only council in the county, and one of very few left in the south west that continues to exercise this discretion. In the Local Government Employers Report of the Early Retirement and Redundancy Compensation Survey 2011 (sent to the 375 employers), around nine-out-of-ten respondents did not award augmented membership under the LGPS. The pay statement therefore sets out that the CBC usual policy is to not enhance pension benefits for any of its employees. CBC must notify the Pension Scheme administrators within a month of agreement to

any variation to the exercise of its discretion, and publish it.

- 1.24** Finally, while section 38 of the Act specifies the information which must be included in a pay policy statement, the Council can include any additional information relating to its policies on pay that it considers appropriate, for example, its approach to the pay and remuneration of its employees (NB not other councils' employees) working in shared services.

2. Reasons for recommendations

- 2.1** To comply with the Localism Act 2011, to have an agreed Pay Policy in place by 31 March 2012 and to revise the LGPS Statement of Policy/Discretions.

3. Alternative options considered

- 3.1** None, as there are no options other than to comply with the Localism Act requirements. The continuation of the discretionary policy approach of pension augmentation is not considered to be viable (see paragraph 2.23 above).

4. Consultation and feedback

- 4.1** The Pay Policy Statement has been considered by the Trades Unions, Group Leaders, Senior Leadership Team.

5. Performance management –monitoring and review

- 5.1** There is a requirement for an annual review and agreement by Full Council, of the Pay Policy Statement.

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Appendices	1. Risk Assessment 2. Pay Policy Statement 3. LGPS Statement of Policy/Discretions (revised)
Background information	

Risk Assessment

Appendix 1

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-4	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	If the Council does not approve and publicise a Pay Policy, it risks non-compliance with legislation, with the corresponding legal, financial, and reputational implications	Amanda Attfield	16 12 12	3	1	3	Reduce	Ensure Pay Policy is approved	31 3 2012	Julie McCarthy	Service Risk Register –HR
2	If the Council does not approve the revised LGPS Statement of Policy/Discretions the Council's severance arrangements may not be seen to deliver the best value for money for local taxpayers and set the right example on pay restraint	Amanda Attfield	1 03 2012	3	3	9	Reduce	Ensure Pay Policy is approved	31 3 2012	Julie McCarthy	Service Risk Register –HR
3	If the Council does not approve the revised LGPS Statement of Policy/Discretions severance arrangements any business cases for early retirement/redundancy will continue to be unviable	Amanda Attfield	1 03 2012	3	3	9	Reduce	Ensure Pay Policy is approved	31 3 2012	Julie McCarthy	Service Risk Register –HR
4	If the Council does not ensure that the revised LGPS Statement of Policy/Discretions is lodged with one month of the revisions being agreed, and made public, it will not meet its statutory obligations under the LGPS Regulations.	Amanda Attfield	1 03 2012	3	3	9	Reduce	Ensure Pay Policy is approved	31 3 2012	Julie McCarthy	Service Risk Register –HR