

**PAY POLICY STATEMENT 2018**

**1.0 Purpose of Report**

1.1 To review the content of the 2018 Pay Policy Statement (which reflects the known position as at 31 January 2017) and subject to any necessary revisions recommend the same to Council for approval.

**2.0 Background Information**

2.1 In accordance with Section 38 (1) of the Localism Act 2011, Newark and Sherwood District Council along with all other English and Welsh local authorities were required to produce a Pay Policy Statement for 2012/13 and for each financial year thereafter. In complying with the duties in respect of pay accountability the Council must have regard to any guidance issued or approved by the Secretary of State in summary:

2.1.1 A Pay Policy Statement for a financial year must set out the authority's policies for the financial year relating to:

- the remuneration of the authority's lowest-paid employees (together with a definition of "lowest-paid employees") and the reasons for adopting that definition;
- the relationship between remuneration of Chief Officers and that of other officers (pay multiples); and
- the remuneration of Chief Officers.

2.1.2 The statement should also set out the authority's policies for the financial year relating to:

- a) the levels and elements of remuneration for each Chief Officer;
- b) remuneration of Chief Officers on recruitment;
- c) increases and additions to remuneration for each Chief Officer;
- d) the use of performance related pay for each Chief Officer;
- e) the use of bonuses for each Chief Officer;
- f) the approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the authority, and
- g) the publication of and access to information relating to remuneration of Chief Officers.

2.1.3 The term 'remuneration' covers:

- a) the salary or the amount payable in the case of Chief Officers engaged by the authority under a contract for services;
- b) payments made by the authority to the Chief Officers for those services;
- c) any bonuses payable by the authority to Chief Officers;
- d) any charges, fees or allowances payable by the authority to Chief Officers;
- e) any benefits in kind to which the Chief Officers are entitled as a result of their office or employment;
- f) any increase in or enhancement of the Chief Officer's pension entitlement where the increase or enhancement is as a result of a resolution of the authority; and

- g) any amounts payable by the authority to the Chief Officer on the Chief Officer ceasing to hold office under or be employed by the authority other than amounts that may be payable by virtue of any enactment.

2.2 Existing legislation already required the Council to publish statements relating to certain elements of officer remuneration, details of which are set out below:

- regulation 7 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 requires an authority to formulate, review and publish its policy on making discretionary payments on early termination of employment;
- regulation 66 of the Local Government Pension Scheme (Administration) Regulations 2008 requires the Council to publish its policy on increasing an employee's total pension scheme membership and on awarding additional pension.

Appropriate links to published policies and information are included within the Pay Policy Statement.

2.3 The Transparency Code also carries specific legal requirements to publish pay multiples, a list of employees with remuneration above £50k (in brackets of £5k), names of employees earning in excess of £150k and a chart for the top 3 tiers of the organisation which includes details regarding levels of responsibility for people/budgets and services.

2.4 Guidance issued by the Department for Communities and Local Government (DCLG) during 2013/2014 set out the arrangements for approval of severance packages in excess of £100,000. The 2014/2015 pay policy statement adopted by the Council included arrangements for approving severance packages over £75,000 and arrangements for delegation regarding Settlement Agreements.

2.5 The DCLG also issued guidance during March 2015 regarding the use of severance agreements and 'off payroll' arrangements. Following receipt of the guidance the policy was updated to include a specific paragraph around the use of 'off payroll' arrangements.

### **3 Proposals**

#### **3.1 Summary of Changes to the 2018/19 Pay Policy Statement**

Changes to the pay policy statement are summarised below. The statement has been updated to:

- reflect the recent pay offer tabled by the National Employers to the Trades Unions (TU) for officers engaged on NJC terms. Note: The employers side have not yet received requests from the Trades Union (TU) representing Chief Officers engaged on JNC terms, although a request has been received from the TU in respect of Chief Executives engaged on JNC terms (refer to paragraph 3.3.1 below);
- reflect revisions to the Living Wage recommended by the Living Wage Foundation during November 2017 (increase from £8.45 to £8.75 per hour);
- include a summary of the transitional arrangements that have been put in place pending the appointment of a new Chief Executive and replacement of the Director Communities post has been appended to the statement for information.

### 3.1.1 National Pay Scales

A summary of negotiations/consultations that will impact on the contents of the Pay Policy Statement within the financial year in relation to pay negotiations are summarised below.

#### Pay Negotiations

- NJC (to include Business Managers graded up to NS16 and all other employees of the Council)

The National Employers made a final pay offer covering the period 1 April 2018 to 31 March 2020 on the 5 December 2017. A summary of the final pay offer is included below:

#### **1 April 2018 ('Year One'):**

##### ***Bottom-Loading on SCPs 6-19 inclusive***

The Employers considered it was necessary for higher increases on the lower pay points in order to continue to close the significant gap with the National Living Wage (NLW). Therefore this part of the offer would result in a new bottom rate of £8.50 per hour on SCP6

##### ***Increase on SCPs 20 and above***

A flat-rate increase of 2.0%

#### **1 April 2019 ('Year Two'):**

The Employers offer includes the introduction of a **new** national pay spine. It was agreed that the bottom rate of the new pay spine should not be pegged to the National Living Wage rate but should allow for some 'headroom'. Therefore the offer is for a bottom rate of £9.00 per hour.

In order to deal with the compacting of differentials at the lower end of the spine it is proposed that the existing bottom twelve pay points are 'paired off' into six new pay points.

To further dilute the impact of compacting of the lower pay points, the offer includes 'ironing out' the current random gaps between pay points and having even increments of 2.0% between the new SCPs 1 to 22 inclusive. From SCP23 onwards a flat-rate increase of 2.0% has been applied as well as retention of the current random differentials.

The Council are currently reviewing the implications of the offer to understand what impact it will have on the Council's existing pay and grading arrangements negotiated as part of the single status negotiations. Following completion of the review the likelihood is that the Council will need to re-enter negotiations with the Trades Unions at a local level with a view to introducing revised pay and grading arrangements to take account of the new national pay spine.

- Chief Executive

The National Employers have received a pay claim on behalf of Chief Executives engaged on JNC terms. A summary of the offer is included below:

*'pay increases for 1 April 2018 and 1 April 2019 that match whatever is implemented for the generality of staff covered by the National Joint Council for Local Government Services'*

In other words, 2.0% + 2.0%. The Employers' side will consider the pay claim at their next meeting scheduled to take place in February.

- Chief Officers (to include Deputy Chief Executive/Directors/Business Managers/Corporate Managers graded NS17)

The National Employers have now received a pay claim for Chief Officers engaged on JNC terms. The claim states that the Trades Unions are seeking "A substantial increase on all salaries and relevant allowances". The claim has been acknowledged and negotiations are now ongoing.

As part of the budget planning process a 2.5% pay increase was included in the budget for the forthcoming year to fund the pay offer and pay information contained within the Pay Policy Statement have been increased by this to reflect the anticipated salary increases.

### 3.1.2 Living Wage

#### Background

Following consideration of the 2017 Pay Policy Statement last year it was agreed that:

*"the Committee receive a report during 2017/18 which reflected on the difference between the National Living Wage and the Living Wage Foundation and set out the implications for the Council if it were to move towards the National Living Wage".*

An update on the Living Wage supplement including how it affects the Council was provided to the Corporate Management Team during October 2017.

The report confirmed that a review of salary scales was ongoing nationally as part of the Pay Negotiations with the TU. Facts/assumptions included as part of the negotiations at the time of writing the report are set out below:

- National Joint Council (NJC) lowest scale point rate as at 01.04.2017 - £7.80
- National Living Wage as at 01.04.2017 - £7.50
- Living Wage adopted by the Living Wage Foundation 01.04.2020 - £8.75
- Forecast National Living Wage 01.04.2021 £9.10?

Since submitting the report to CMT the National Employers have made a final pay offer to the TU for officers engaged on NJC terms covering the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2020 (refer to paragraph 3.1.1).

A summary of the offer along with other relevant facts is included below:

- National Joint Council (NJC) lowest scale point rate as at 01.04.2018 - £8.50
- Living Wage adopted by the Living Wage Foundation as at 06.11.2017 - £8.75
- National Living Wage 01.04.2018 - £7.83

The pay offer made to the TU by the National Employers includes a higher rate of pay than the National Living Wage (£7.83) due to be implemented on the 1 April 2018. If the TU accept the offer the minimum hourly rate for officers carrying out substantive roles within the Council will be £8.50 per hour. On that basis the remainder of the review has focussed on the difference between the NJC pay offer and the rate adopted by the Living Wage Foundation. For completeness the review also includes an analysis of the previous financial year from a financial perspective as well as projections for the forthcoming financial year.

If the Council were minded to continue paying the Living Wage supplement above the hourly rate included within the pay offer it would cost an additional £0.25 per hour for officers that will be in receipt of less than £8.75 per hour.

#### Financial Analysis

When reviewing costs the Council had regard to the 2016/17 period as this represented a complete financial year. During the reference period the Council paid £7,840.55. In total there were 48 employees in receipt of the supplement of which 28 were engaged on zero hour contracts by the Palace Theatre and Customer Services. The remaining employees were engaged on a mixture of temporary and permanent contracts ranging from 6 hours through to 37 hours per week.

A review was also undertaken to identify the value of payments made between April and August 2017. Supplements were paid to 39 employees during the reference period of which 24 were engaged on zero hour contracts. Of the 13 that were working contracted hours 12 were engaged on a part time – full time permanent basis. Payments made during the reference period equated to £2,557.32. At that time the total estimate for the year (including expenditure to that point in time) was £6,137.57.

Following notification of the pay offer (£8.50 per hour) a further analysis has now been undertaken to assess the difference between the pay offer (on the assumption that it will be accepted) and the revised Living Wage introduced by the Living Wage Foundation (£8.75 per hour).

If the Council opted to pay the Living Wage for the 2017/18 period the Authority would incur an estimated additional cost of £2,365 per annum plus associated on-costs e.g. Tax/NI/Pension contributions (where appropriate).

The calculation includes 39 employees projected to be in receipt of the supplement of which 30 are engaged on a zero hours' contract basis by the Palace Theatre. Costs for employees engaged on these contracts have been calculated on the basis of the average number of hours worked over the previous 18 months. The remaining 9 employees are engaged on a mixture of part/full time contracts working across Heritage, Culture and Visitors (7), Car Parks and Parks (1) and Amenities (1). Costs for this group have been calculated on the basis of contracted hours.

When reviewing costs Members may also wish to note the content of the pay offer that has been made to the TU in relation to Year 2 which includes a minimum hourly rate of £9.00 per hour. At the present time this is in excess of the rate adopted by the Living Wage Foundation although it is acknowledged that the Living Wage Foundation review their rate in November at which time it is likely to increase, although at this stage there is no indication as to what this might increase to.

*Implications if the Council were to move away from paying the rate adopted by the Living Wage Foundation*

In addition to assessing the financial implications regard has also been had to other implications arising from moving away from paying a Living Wage supplement.

Employees of the Council currently in receipt of a Living Wage supplement would no longer receive a supplement which would mean that they would receive an hourly rate equivalent to the pay offer of £8.50 per hour (assuming that the offer is accepted). This is likely to have an impact on employee morale given that the supplement has now been payable since April 2013. This may also have an impact on the Council's ability to retain and/or attract individuals that are in receipt of an hourly rate lower than the rate adopted by the Living Wage Foundation.

NSDC was the first Council in Nottinghamshire to actively work with the Trades Unions to consider alternatives to paying the Living Wage and the first to start paying a rate equivalent to that adopted by the Living Wage Foundation. Other Councils in Nottinghamshire have subsequently adopted a similar arrangement or have applied for Living Wage accreditation and incorporated the rate into their substantive salary scales. If NSDC was to move away from this rate it would mean that other authorities within Nottinghamshire were paying a higher rate for lower graded posts. A decision to move away from paying a rate equivalent to that adopted by the Living Wage Foundation may have an impact on the positive relationship that NSDC have with the Trades Unions.

Although NSDC are not an accredited Living Wage employer, a decision was taken to strongly encourage contractors to pay the Living Wage which in turn would improve conditions for employees providing services to or on behalf of the Council. Active 4 Today also pay the Living Wage to its employees and if the Council chose to move away from the Living Wage Active 4 Today and other contractors that are currently paying an amount equivalent to the Living Wage may also opt to pay a lower rate.

In the event that a decision was taken not to pay the Living Wage it would have a detrimental impact on some employees of the Council and employees of other organisations e.g. Active 4 Today which in turn would reduce overall income levels within a number of households across the district. This in turn may have impact on spend within the local economy.

A move away from paying the Living Wage and/or strongly encouraging contractors to do the same is likely to attract negative press/publicity particularly given the recent publicity around social mobility.

In light of the above analysis and estimated costs to the Council Members are asked to consider whether they wish to continue paying the Living Wage supplement in line with the proposed amendments set out at paragraph 3.1.

### 3.1.3 Transitional Arrangements

Details confirming the transitional arrangements that have been put in place pending the appointment of a new Chief Executive and to backfill the vacant post of Director Communities has been appended to the statement for information.

### 3.2 Legislative Updates

Members will recall having received updates in relation the Exit Payment Recovery Regulations and the Public Sector Exit Payment Cap in previous years. Further updates are awaited in respect of how and when these will be implemented and the Council will continue to monitor the position to ensure that the statement is updated as necessary once the final regulations/associated guidance documents are published.

### 3.3 Current Status

A copy of the full Pay Policy Statement including transitional arrangements has been appended to this report for review (refer to **Appendix A**). Members should note that where the appendices refer to links to other policy documents these will be included once the Pay Policy Statement is published on the Council's website. These policy documents can however be accessed by referring to the current Pay Policy Statement (on the Council's website) which contains the live links.

## 4.0 Equalities Implications

This policy has been developed with due regard and consideration for other policies, procedures and agreements currently in operation within the Council and follows the completion of an equality impact assessment, details of which are held in Human Resources. Given that the changes proposed to the policy are fairly minimal no adverse implications have been noted.

## 5.0 Impact on Budget/Policy Framework

The financial effects of the pay policy are reflected in the Council's budget to be presented to the Policy and Finance Committee on the 22<sup>nd</sup> February 2018.

## 6.0 RECOMMENDATION

**To review the content of the Pay Policy Statement for 2018 and subject, to any amendments, recommend the same to Council for approval.**

### Reasons for Recommendation

**Compliance with Section 38 (1) of the Localism Act 2011.**

## Background Papers

Localism Act 2011

The Code of Recommended Practice for Local Authorities on Data Transparency

Localism Act: Openness and accountability in local pay: Guidance under section 40 of the Localism Act. February 2012

Openness and Accountability in Local Pay: Guidance under Section 40 of the Localism Act 2011 – Supplementary Guidance. February 2013

Local Government Transparency Code 2014

DCLG – Use of severance agreements and off payroll arrangements. March 2015

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