

Report

Newport City Council

Part 1

Date: 24 April 2018

Subject Pay and Reward Policy 2018/19

Purpose For Council to consider the updated Pay and Reward Policy for 2018/19.

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Ward All

Summary The Localism Act 2011 required English and Welsh local authorities to produce a “pay policy statement”, initially for the financial year 2012-13, and then on an annual basis. The legislation outlined a number of statutory requirements which must be included in any pay policy statement.

The Pay and Reward Policy has previously been updated to take account of revised guidance from the Public Services Staff Commission’s report on senior pay which was published in December 2016. This year additional information regarding the gender pay gap has been included which is a requirement for the Council to publish this information by 5 April 2018.

Proposal For Council to approve the updated Pay and Reward Policy in order to meet the statutory requirement for a pay policy statement to be approved and published by Council on an annual basis.

Action by Chief Executive/Head of People and Business Change

Timetable Immediate

This report was prepared after consultation with:

- Chief Executive
- Head of Law and Regulation
- Head of Finance
- HR Manager

Background

The Localism Act 2011 required English and Welsh local authorities to produce a 'pay policy statement,' initially for the 2012-13 financial year, and then on an annual basis. Items which must be included in the statutory pay policy statement are as follows:

- A local authority's policy on the level and elements of remuneration for each chief officer
- A local authority'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)
- A local authority's policy on the relationship between the remuneration of its chief officers and other officers
- A local authority's policy on other specific aspects of chief officers' remuneration: remuneration on recruitment, increases and additional to remuneration, use of performance-related pay and bonuses, termination payments, and transparency.

The Act also specifies that the pay policy statement:

- must be approved on an annual basis formally by the full Council meeting (the responsibility cannot be delegated to Cabinet or a sub-committee)
- can be amended in-year
- must be published on the authority's website (and in any other way the authority chooses)
- must be complied with when the authority sets the terms and conditions for a chief officer.

The Act requires an authority to have regard to any statutory guidance on the subject issued or approved by the Secretary of State or Welsh Ministers. The Welsh Government issued statutory guidance on "*Pay Accountability in Local Government in Wales*" in March 2012 and the Public Services Staff Commission published further supplementary guidance in December 2016.

Pay and Reward Policy

The Council recognises that, in the context of managing scarce public resources, remuneration at all levels needs to be adequate to secure and retain high quality employees dedicated to the service of the public; but at the same time needs to avoid being unnecessarily generous or otherwise excessive.

The Council's Pay and Reward Policy, initially approved in March 2012, was developed to meet the statutory requirements contained in the Localism Act 2011. However, in the spirit of transparency, the Council took the opportunity to take a wider view and include information relating to school based employees. Local authority schools are specifically excluded from the Localism Act's statutory requirements. However, as employees in community maintained and voluntary controlled schools are employees of the Council, reference has been made to school based employees within the Pay and Reward Policy. It is recognised that the pay decisions for these employees are delegated to school Governing Bodies by legislation and that each school is responsible for publishing its own Pay Policy. For the avoidance of doubt, the relevant school Pay Policies are the definitive version of policy for school based staff engaged by the governing body of the respective school.

Subject to approval by full Council, to meet the requirements of the Localism Act, this Pay and Reward Policy will be published on the Council's Website. In addition, in accordance with the provisions of Accounts and Audit (Wales) Regulations 2005, the Council's Annual Statement of Accounts will include a note setting out salary and remuneration information for Council posts where the full time equivalent salary is at least £60,000.

Updates since April 2017

Council received and approved a report (Review of Chief Education Officer pay grade) in September 2017 proposing to:

1. Acknowledge the outcome of a re-evaluation under the Hay job evaluation scheme for the post of Chief Education Officer
2. Revise the pay grade of the Chief Education Officer in line with the other Heads of Service

The proposal was agreed and as a result changes to the pay grade for the Chief Education Officer took effect prior to recruitment for the vacant post. All Heads of Service are in the same pay grade.

The Gender Pay Gap

The Council is required to publish its gender pay gap from 5 April 2018. The results from the analysis are as follows:

We have 2,588 relevant employees (excluding schools) for the purpose of establishing the gender pay gap, of which 67% are women and 33% are men.

Our Mean pay gap

- Our average hourly rate for women is £12.85
- Our average hourly rate for men is £13.00
- Our mean pay gap between men and women is 1%. This means that, on average, a woman's hourly rate of pay is 1% lower than a man's.

Our median pay gap

- Our median hourly rate for women is £12.26
- Our median hourly rate for men is £11.88
- Our median pay gap between men and women is 3%. This means that the median (or midpoint) hourly rate for a woman is 3% higher than a man's.

Our bonus pay gap

- Following the implementation of Single Status Pay and Grading Arrangements in 2015, the Council no longer makes any bonus payments to either men or women.

Our pay quartiles

We must report the percentage of men and women in each pay quartile. Quartiles are created by listing the rates of pay for all employees from lowest to highest, before splitting that list into four equal sized groups and calculating the percentage of men and women in each quartile.

	FEMALE	MALE	TOTAL
LOWER	77%	23%	100%
LOWER MIDDLE	55%	45%	100%
UPPER MIDDLE	67%	33%	100%
UPPER	70%	30%	100%

Pay Relativities within the Council

The relationship between the rate of pay for the lowest paid Council employee and that of the Council's Chief Officers is determined by the processes used for determining pay and grading structures set out in the Pay and Reward Policy. The Council's lowest paid employee is paid on spinal point 8 of the NJC for Local Government Workers. As at 1 April 2018, should the national employers' proposed pay award be acceptable to the trade unions, this will be £16,626 per annum (based on a full-time equivalent of 37 hours per week). This rate increased to **£16,880** on application of the living wage supplement

As part of its commitment to pay transparency, and following the recommendations of the Hutton Review, the Council will publish information on pay relativities on an annual basis in the Pay and Reward Policy. This information for **2018-19** shows a pattern of decline over a three year period, showing that the gap between the Chief Executive pay and lowest paid Council employee has narrowed, as has the gap between average Chief Officer pay and the median earning of Council employees:

Multiple of Salary	Ratio	Ratio	Ratio	Ratio
	2018/19	2017/18	2016/17	2015/16
• the multiple between the annual salary of the lowest paid Council employee and the Chief Executive (full-time equivalent basis) as a ratio	1 : 8:5	1: 8.6	1: 9.9	1: 10
• the multiple between the annual salary of the lowest paid Council employee and the average Chief Officer (full-time equivalent basis) as a ratio	1 : 5:3	1: 5.7	1: 6.5	1: 6.6
• the multiple between median earning of Council employees and the Chief Executive (full-time equivalent basis) as a ratio	1 : 6:7	1: 6.5	1: 7.4	1: 6.8
• the multiple between median earning of Council employees and the average Chief Officer (full-time equivalent basis) as a ratio	1 : 4:2	1: 4.3	1: 4.9	1: 4.5

Note:

- i) Column A provides the pay ratio as per the requirement of the Localism Act 2011
- ii) These figures exclude remuneration for appointments within organisations for which the Council provides a payroll service but is not the employer.
- iii) These figures exclude remuneration for joint appointments where the Council is not the employer

Financial Summary

There are no financial implications contained in the updated *Pay and Reward Policy*, as the policy confirms the current pay and reward arrangements in place in the Council.

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Failure to comply with statutory requirement to approve and publish a "pay policy statement" on an annual basis	H	L	Produced an updated <i>Pay and Reward Policy</i> which meets the statutory requirements and which is recommended for approval by Cabinet and full Council	Chief Executive / Head of People and Business Change

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

The Pay and Reward Policy forms a key part of the Council's People and Culture Strategy. The strategy underpins the Council's Corporate Plan and strategic objectives - how employees are rewarded for their contribution is directly linked to the delivery of the council's key aims. The updated Pay and Reward Policy will ensure, when approved, that the Council complies with the statutory requirement to publish a "pay policy statement" on an annual basis.

Options Available

The options available are as follows:

1. For Council to approve the updated Pay and Reward Policy.
2. For Council not to approve the updated Pay and Reward Policy.

Preferred Option and Why

For the Council to approve the updated Pay and Reward Policy in order to meet the statutory requirements for a 'pay policy statement' to be published on an annual basis.

Comments of Chief Financial Officer

The Council's Budget is based on the overall pay structures in place, as outlined in the updated *Pay and Reward Policy*. There are therefore no direct financial implications contained in the report.

Comments of Monitoring Officer

The Council has a statutory duty under Section 38 of the Localism Act 2011 to approve and publish its Pay Policy on an annual basis. The proposed Pay and Reward Policy has been prepared in accordance with the legislation and Welsh Government Guidance. The policy has to be approved by full Council on an annual basis, in order to comply with the statutory requirements. Therefore, Cabinet has recommended to full Council to approve and adopt the final Pay and Reward Policy. This revised Policy has been updated to take account of the changes agreed to Chief Officers Pay grades in September 2017 and information on the Council's gender pay gap. Once adopted, the Pay and Reward Policy will

need to be published and the Annual Statement of Accounts will also need to include details of the remuneration of individual Chief Officers, to comply with the requirements of the Audit (Wales) Regulations.

Comments of Head of People and Business Change

Author of report, comments contained within main body of the report.

The policy outlines the approach to pay and reward in the interests of openness and transparency, and is in line with the sustainable development principle of the Wellbeing of Future Generations Act as outlined below.

Comments of Cabinet Member

Council previously approved the Pay and Reward Policy in April 2017. The updated policy reflects the current position in relation to pay arrangements for employees of the Council, including changes approved during the past 12 months. I have agreed that the updated policy be presented to the Cabinet for consideration, and subject to Cabinet's approval, be recommended to full Council.

Local issues

N/A

Scrutiny Committees

N/A

Equalities Impact Assessment

N/A

Children and Families (Wales) Measure

N/A

Wellbeing of Future Generations (Wales) Act 2015

The Wellbeing of Future Generations Act is about improving the social, economic, environmental and cultural wellbeing of Wales, and places a duty on public bodies to improve wellbeing in accordance with the sustainable development principle. Consideration of the five ways of working has been taken into account when updating the policy, as follows:

Long term – the Council is required to publish a Pay Policy Statement each financial year and this updated policy meets this requirement. This policy provides a framework for decision making on pay and allows the Council to demonstrate its key approaches to pay and reward for employees, ensuring resources are managed effectively both in the short and longer term.

Prevention – this updated policy outlines the Council's approach to pay and reward of its employees in the interests of openness and transparency, and is in place to prevent problems and issues occurring with any decisions made in relation to public sector pay.

Integration - the Pay and Reward Policy forms a key part of the Council's People and Culture Strategy. The strategy underpins the Council's Corporate Plan and strategic objectives - how employees are rewarded for their contribution is directly linked to the delivery of the council's key aims and objectives.

Collaboration – as part of this policy, the Council's intention is to continue to develop collaborative working on a planned and strategic basis with local authority partners and other public and third sector organisations

Involvement –this policy provides the public with the Council’s policy on all aspects of pay and reward, including senior posts and the lowest paid posts, explaining the relationship between remuneration for senior post holders and other groups.

This policy is part of the Council’s People and Culture Strategy, which informs the Council’s Corporate Plan and strategic objectives and contributes to achieving the Council’s wellbeing objectives and the national wellbeing goals.

Crime and Disorder Act 1998

N/A

Consultation

As outlined within the report.

Background Papers

Pay and Reward Policy 2017

Cabinet Report – Pay and Reward Policy April 2018

Dated: