

Report To: Full Council

Date of Meeting: 10th May, 2016

Lead Member / Officer: Councillor Julian Thompson Hill
Councillor Barbara Smith

Report Author: Catrin Roberts

Title: Annual Pay Policy Review

1. What is the report about?

The Localism Act 2011 requires local authorities to prepare pay policy statements. These statements must articulate an authority's own policies 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 approved by the Council on an annual basis, and published on the relevant website.

The report also includes details of the work of the Remuneration Panel that was set up as part of the Pay Policy Review for 2015/16 to review Senior Leadership pay.

2. What is the reason for making this report?

To seek approval of the attached Pay Policy Statement which has been drafted in accordance with the requirements of 38 (1) of the Localism Act 2011 and incorporates all existing pay arrangements for the workforce groups within the Council, including Chief Officers and the lowest paid employees.

To seek approval for the recommendations of the Remuneration Panel on Senior Leadership Pay Review

3. What are the Recommendations?

- a. That Full Council agree the changes to the Pay Policy for 2016/17 (copy in Appendix A)
- b. That Full Council agree the recommendations of the Remuneration Panel on Senior Leadership Pay namely:
 - i. The Council agrees the rank order of the Senior Leadership Team
 - ii. That Council adopts a new Pay Structure with incremental grades for the Senior Leadership Team

4. Report details

Under Section 112 of the Local Government Act 1972 the Council has 'the power to appoint officers on such reasonable terms and conditions as the Council thinks fit'. This Pay Policy statement sets out the Council's approach to pay in accordance with the requirements of s38 (1) of the Localism Act 2011 which requires English and Welsh Local Authorities to produce and publish a Pay Policy Statement each financial year, detailing:

- a) The Council's Policies towards all aspects and elements of the remuneration of Chief Officers
- b) Their approach to the publication of and access to information relating to all aspects of the remuneration of Chief Officers
- c) The Council's Policies towards the remuneration of its lowest paid employees (including the definition adopted and reasons for it)
- d) The relationship between the remuneration of its Chief Officers and other employees.

The Pay Policy has been reviewed for 2016/17 and the following amendments made:

National Pay Awards

The Pay Policy is yet to be updated in line with the national pay awards which have not been agreed to date. As nationally no agreement has been reached Councils have been advised, as an interim measure to increase SCP 6 – 8 to £7.20 per hour to ensure we meet the new National Living Wage with effect from 1st April, 2016.

Included in paragraph 4.3.2 of the Pay Policy are details of the proposals for NJC, JNC and Chief Officers for 1st April, 2016, all of which are yet to be confirmed.

Chief Officer Pay Award

Recent Welsh Government amendments to the Local Authorities (Standing Orders) (Wales) Regulations 2006 effective from 1st July 2014 introduced a new requirement that:

"The relevant authority must determine the level, and any change in the level, of the remuneration to be paid to a chief officer"

Paragraph 5.2.1 of the Pay Policy now includes the requirement that any cost of living increases now need to be recommended by the Independent Remuneration Panel for Wales.

However, in the case of Chief Officers, the 1% increase that has been agreed for 2016/17, this has been included in the new Pay Structure proposals which are to be implemented from 1st April, 2016 pending Full Council approval.

SLT Remuneration Panel

Since the last report, a Remuneration Panel for Senior Leadership Pay has been set up to make the following recommendations to Full Council:-

- Recommendations on senior pay and reward issues to Council, ensuring consistency, transparency and accessibility.
- Recommendations on the management of and structure of senior pay and reward, and grounds for pay progression.
- Determine the level of pay and any award of Performance Related Pay for the Chief Executive

The panel was politically balanced and included the following members:

Councillor Julian Thompson-Hill – Chair
Councillor Stuart Davies
Councillor Joan Butterfield
Councillor Peter Evans
Councillor Barry Mellor
Councillor Huw Jones

Paragraphs 5.3.1& 2 of the policy set out the work of the panel so far, including the development of the new pay structure, and the role of the panel going forward in terms of advising and recommending to Full Council on any proposed changes.

Appendix B to this report details the outcome of the Senior Leadership Pay Review which has been undertaken by the Remuneration Panel, including organisation structures.

The process for making changes to Chief Officer salaries requires the proposals to be sent to the Independent Remuneration Panel for Wales under S143A of the Local Government (Wales) Measure Act 2011.

In relation to Chief Officer Pay, the Panel's role is limited to taking a view and making a recommendation. Although the Local authority concerned must have regard to the recommendation, they are not obliged to follow it. The authority must however notify the Welsh Ministers and the IRP of its response to a recommendation made by the Panel. If the Welsh Ministers consider that an authority's response is inconsistent with the Panel recommendation, the authority may be subject to a direction from the Welsh Ministers to reconsider the salary.

The IRP's recommendation is to make a variation to the Council's proposal namely:

- That the highest salary currently paid at the three proposed grade (SLT3, corporate direct, SLT2 head of service and SLT1 head of service) should be the maximum in that grade.
- The officers who have salaries currently below the highest can be raised to that level through a series of increments, over a three year period. The

increments should be structured so that no officer receives an increment of less than £1,000.

- Subject to point 2, the council has the discretion to set the minimum for the grade and the incremental steps to reach the maximum.

The Council's Remuneration Panel met on the 29th April 2016 to consider the recommendations made. Having given due consideration to the IRP's recommendations and their reasons for the recommendation, the Remuneration Panel **RESOLVED** that:

- (i) After due regard and consideration of the Independent Remuneration Panel's recommendations, the SLT Remuneration Panel consider that what was proposed originally, still stands and to take it to full Council on 10 May 2016 for approval.
- (ii) The Chair to write to the IRP Panel giving them the grounds on which the decision had been made.

The recommendation of the Remuneration Panel to Full Council are that:

- a. The Council agrees the rank order of the Senior Leadership Team
- b. That the Council adopts a new Pay Structure with incremental grades for Senior Officers

Payments on Termination

Central UK Government are introducing a cap at £95,000 on public sector exit payment, effective from 1st October, 2016 at the earliest. At this time it is unclear how this may operate in Wales, although early indications are that it may not be applied in its current form to the devolved Welsh Public Sector. As and when we receive clarification, all policies on severance payments in Denbighshire County Council will be reviewed as appropriate in due course to accommodate any relevant changes in legislation. Reference to the cap has been made in paragraph 5.7.4 in the Pay Policy for 2016/17 and will be updated as and when more information is received.

Recovery of Exit Payments following Re-employment

Central UK Government are introducing legislation to enable recovery of public sector exit payments, effective from 1st May, 2016. This will apply to employees returning to the public sector or sub sector within 12 months of leaving, who earn over £80,000 per annum. At this time it is unclear how this may operate in Wales, all policies on severance payments in Denbighshire County Council would be reviewed as appropriate in due course to accommodate any relevant changes in legislation.

Reference to the recovery of these payments has been made in paragraph 9.2 in the Pay Policy for 2016/17 and will be updated as and when more information is received.

5. How does the decision contribute to the Corporate Priorities?

Having a fair and transparent pay policy will contribute towards a well-motivated workforce who in turn will contribute towards achieving the corporate priorities.

6. What will it cost and how will it affect other services?

There are no new financial implications arising from this Pay Policy.

The pay review has been undertaken in conjunction with a review of the SLT structure which has resulted in the amalgamation of the Head of Children Services and Head of Education roles; the deletion of the Head of Communications, Marketing and Leisure role; and changes to the Head of Environment & Highways role which has changed the role from an SLT 2 pay grade to an SLT 1 pay grade.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision? The completed EqIA template should be attached as an appendix to the report

The Equality Impact Assessment forms for both the Pay Policy and the Senior Officer Pay Review are attached. There are no issues arising out of either assessment.

8. What consultations have been carried out with Scrutiny and others?

Consultation with the Head of Legal, HR and Democratic Services, the Section 151 Officer and CET to ensure all requirements of s38 (1) of the Localism Act are incorporated.

A politically balanced Remuneration Panel has led on the Senior Pay Review.

The Lead Officer for Legal, HR and Democratic Services has been informed of the Pay Policy review and the Senior Officer Pay review that has been undertaken.

9. Chief Finance Officer Statement

Finance are currently undertaking a review of budgets held for Senior Leaders Team posts taking into account savings given up during the Freedoms and Flexibilities budget process. It is currently projected that the proposed changes will be maintained within existing budgets.

10. What risks are there and is there anything we can do to reduce them?

The Council will be in breach of its legal obligations in respect of the Localism Act if it fails to adopt the Pay Policy.

11. Power to make the Decision

S38 (1) of the Localism Act 2011 and section 112 of the Local Government Act 1972 covering the power to appoint officers.

Paragraph 6 of Part 2 of Schedule 3 to the Local Government (Standing Orders)(Wales) Regulations 2006 as amended, requires that the decision to determine the level of remuneration, or any change to the level of remuneration, of a Chief officer must be made by Full Council.