

CABINET MEETING – 11 MARCH 2015

EXECUTIVE SUMMARY SHEET – PART I

Title of Report:

HUMAN RESOURCES COMMITTEE – 26 FEBRUARY 2015 – PAY POLICY STATEMENT 2015-2016

Author(s):

Director of Human Resources and Organisational Development

Purpose of Report:

To recommend to Cabinet approval of the draft Pay Policy Statement 2015-2016, for subsequent adoption by Council and publication by 31 March 2015.

Description of Decision:

That the Cabinet recommend adoption by Council and publication by 31 March 2015.

Is the decision consistent with the Budget/Policy Framework? Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

The provisions of the Localism Act 2011 came into force on 15th January 2012, bringing together the strands of increasing accountability, transparency and fairness in the setting of local pay. Section 38 of the Act requires English and Welsh local authorities to produce an annual pay policy statement, setting out councils' policies for the financial year in relation to the remuneration of their senior staff/chief officers, the remuneration of their lowest paid employees and the relationship between the pay of chief officers and that of other employees. The Local Government Transparency Code which came into force on 31st October 2014 under section 2 of the Local Government, Planning and Land Act 1980, also requires local authorities to publish certain data sets, including senior pay.

Alternative options to be considered and recommended to be rejected:

There are no alternative options recommended.

Impacts analysed;	
Equality N/A Privacy N/A Sustainability N/A Crime and Disorder N/A	
Is this a “Key Decision” as defined in the Constitution? No	Scrutiny Committee
Is it included in the 28 day Notice of Decisions? No	

**HUMAN RESOURCES COMMITTEE –
26 FEBRUARY 2015 – PAY POLICY STATEMENT 2015-2016**

Report of the Director of Human Resources and Organisational Development

1. Purpose

- 1.1 To recommend to Cabinet approval of the draft Pay Policy Statement 2015-2016, for subsequent adoption by Council and publication by 31 March 2015.

2. Description of Decision

- 2.1 That the Cabinet recommend adoption by Council and publication by 31 March 2015.

3. Background

- 3.1 In February 2012 Human Resources Committee considered the pay transparency implications of the Localism Act 2011, including the requirement to produce and publish an annual Pay Policy Statement. Human Resources Committee formally agreed this for recommendation to Cabinet. This was subsequently agreed by Cabinet and adopted by Council on 28th March 2012 and was published on the Council's website by 31st March 2012.
- 3.2 Updated policies for 2013-14 and 2014-15 were subsequently agreed by Cabinet and adopted by Full Council, and published on the council's website. The policy needs to be updated and published for 2015-16.
- 3.3 The 2014/15 Pay Policy is currently published on the Council's website, alongside the Statement of Accounts. This can be accessed at: www.sunderland.gov.uk/Council and Democracy/Senior Pay Information, or Website URL: <http://www.sunderland.gov.uk/index.aspx?articleid=4494>

4. Comments of the Human Resources Committee

- 4.1 **TEXT TO BE INSERTED.**
- 4.2 **TEXT TO BE INSERTED.**

5. Reason for Decision

- 5.1 The provisions of the Localism Act 2011 came into force on 15th January 2012, bringing together the strands of increasing accountability, transparency and fairness in the setting of local pay. Section 38 of the Act requires English and Welsh local authorities to produce an annual pay policy statement, setting

out councils' policies for the financial year in relation to the remuneration of their senior staff/chief officers, the remuneration of their lowest-paid employees, and the relationship between the pay of chief officers and that of other employees.

- 5.2 The provisions of the Local Government Transparency Code came into force on 31st October 2014 under section 2 of the Local Government, Planning and Land Act 1980. As part of the code, local authorities are now required to publish certain data sets, including information on senior salaries.

6. Alternative Options

- 6.1 There are no alternative options recommended.

7. Background Papers

Report to the Human Resources Committee on 26 February, 2015.

Minutes of the Human Resources Committee held on 21 February 2015: Web Link -

Human Resources Committee

26 February 2015

Pay Policy Statement 2015-2016

Report of the Director of Human Resources & Organisation Development

1.0 Purpose of Report

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2.0 Background

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- 2.2 Updated policies for 2013-14 and 2014-15 were subsequently agreed by Cabinet and adopted by Full Council, and published on the council's website. The policy needs to be updated and published for 2015-16.
- 2.3 The 2014/15 Pay Policy is currently published on the Council's website, alongside the Statement of Accounts. This can be accessed at: <http://www.sunderland.gov.uk> and search for Senior Pay, or Website URL: <http://www.sunderland.gov.uk/index.aspx?articleid=4994>
- 2.4 There continue to be both required and discretionary elements to the statutory pay policy :
- (i) Required elements:
- The level and elements of remuneration for each chief officer (including salary, bonuses and benefits in kind).
 - The remuneration of its lowest-paid employees (together with its definition of "lowest paid employees" and its reasons for adopting that definition).
 - The relationship between the remuneration of its chief officers and other officers.
 - Other specific aspects of chief officers' remuneration: remuneration on recruitment, increases and additions to remuneration, the use of performance-related pay and bonuses, termination payments, and transparency (i.e. publication of and access to information relating to their remuneration).

(ii) Discretionary elements (recommended in JNC guidance):

- The authority's policies relating to other terms and conditions for chief officers; making explicit whether the JNC conditions of service for chief officers are incorporated in their employment contracts.
- Any additional arrangements which may not amount to formal terms and conditions but which relate to employment and are a charge on the public purse.
- Combining into one statement, other statements relating to remuneration which the Council is already required to publish, in relation to discretionary payments on early termination of employment; on increasing an employee's total pension scheme membership; and awarding additional pension.

The Council's current policy is a combined Statement of Policy on Discretions relating to The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006, and The Local Government Pension Scheme Regulations 1997 (as amended).

2.5 On 3rd October 2014 the Government issued a revised Local Government Transparency Code. This came into force on 31st October 2014 under section 2 of the Local Government, Planning and Land Act 1980. As part of the code, local authorities are now required to publish certain data sets. The HR implications of the mandatory information are the annual publication of:

- An **Organisation chart** covering staff in the top three levels of the organisation (including grade, job title, local authority department and team, whether permanent or temporary staff, contact details, salary in £5,000 brackets, consistent with the details published for Senior Salaries, and the maximum salaries for the grade).
- Annual publication of **Trade union facility time** (including total number and full time equivalent of staff who are union representatives, and the total number and full time equivalent of union representatives who devote at least 50% of their time to union activity.)
- Senior salaries.
- Pay multiple – the ratio between the highest paid salary and the median salary of the whole of the authority's workforce. (Currently we publish the ratio between the highest to lowest pay).

The information was published within the required deadlines, i.e.:

- On the first occasion, not later than 2nd February 2015, and
- Thereafter, not less than annually and not later than one month after the year to which the data and information is applicable.

These data sets are published on the council's website under Transparency, alongside the Senior Pay information and can be accessed at:

<http://www.sunderland.gov.uk>, or by clicking [Transparency](#)

See related downloads:

- Senior salaries – Senior Employees 2013-14 showing Remuneration & Responsibilities : - Senior Salaries
- Organisation Chart – 1 January 2014 – showing top 3 levels of the organisation ; - Organisation Chart
- Pay multiple – 1 January 2015 – showing the pay multiple for median remuneration (base pay) as a ratio ; – Pay Multiple

The content of the Pay Policy Statement 2015-16 has not been affected by the Transparency Code requirements apart from the Pay multiple method – we are required to publish the ratio between the highest paid salary and the median salary of the whole of the authority's workforce. (We had previously published the ratio between the highest to lowest pay).

3.0 Proposal

The proposed draft Pay Policy Statement 2015-2016 is attached as an Appendix to this report. The amendments in comparison with the 2014-15 Pay Policy Statement are: the reference to related data sets published under the Transparency Code; changes to dates; an increase in JNC pay grades; a change in the pay multiple method; and updating references to new or deleted posts, etc.

4.0 Consultations

- 4.1 The Executive Management Team have been consulted about the content of the proposed Statement.

5.0 Recommendations

- 5.1 It is recommended that Human Resources Committee formally agree the attached draft Pay Policy Statement 2015-16 for recommendation to Cabinet and adoption by Council and publication by 31st March 2015.

Draft Pay Policy Statement 2015-16

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5. Pay relationship between Chief Officers, lowest paid employees and the wider workforce
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 - 5.3 Pay policy decisions for the wider workforce
6. The Approach towards Payment for those Officers Ceasing to Hold Office Under or be Employed by the Authority

1. Introduction and Purpose

1.1 Aims and Purpose

This document sets out the Council's pay policy for 2015-16 aimed at supporting the remuneration of the workforce in a fair and transparent way. This Pay Policy Statement has been produced having regard to Government Guidance issued under section 38 of the Localism Act 2011. The policy is subject to annual review and must be approved by full Council for each financial year from 2012-13 onwards. It will be published on the Council's website as soon as reasonably practicable after approval or amendment.

It sets out:

- The methods by which salaries of all employees are determined.
- The detail and level of remuneration of the Council's most senior staff, i.e. 'chief officers' as defined by the relevant legislation.
- The remuneration of the lowest paid employees.
- The relationship between the remuneration of its Chief Officers and the remuneration of employees who are not Chief Officers.

The Local Government Transparency Code 2014, published by the Government and which came into force on 31st October 2014 under section 2 of the Local Government, Planning and Land Act 1980, builds on the requirement for local authorities in creating greater transparency through the publication of public data. This includes publishing details of senior employee salaries, including a list of responsibilities, the inclusion of bonus details for all senior employees whose salary exceeds £50,000 and publication of the data on the authority's website). In line with this Code, the pay multiple in this Pay Policy now measures the ratio between the highest paid salary and the median salary of the whole of the authority's workforce.

These related data sets are published annually, including:

- An Organisation chart covering the top three levels of the organization (including grade, job title, local authority department and team, whether permanent or temporary staff, contact details, salary in £5,000 brackets, consistent with the details published for Senior Salaries, and the maximum salaries for the grade). Link to - [Organisation Chart](#)
- Senior Salaries – Senior employees (remuneration in the previous financial year, and Responsibilities). Link to - [Senior Salaries](#)
- Pay Multiple (the ratio between the highest paid taxable earnings for the given year and the median earnings figure of the whole of the council's workforce). Link to - [Pay Multiple](#)

Further information on senior pay is also published on the Council's website, alongside the Statement of Accounts. This can be accessed at:

<http://www.sunderland.gov.uk> and search for Senior Pay, or Website URL:
<http://www.sunderland.gov.uk/index.aspx?articleid=4773>

1.2 Not in Scope

The arrangements set out within this document do not extend to those employees who are employed within the control of school governing bodies.

1.3 Other legislation relevant to pay and remuneration

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 authority thinks fit, subject to Section 41 of the Localism Act 2011 (requirement for determinations relating to terms and conditions of chief officers to comply with the pay policy statement.)

In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. This includes legislation such as the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000 and where relevant, the Transfer of Undertakings (Protection of Earnings) Regulations. There is also significant legislation relating to pensions and payments upon termination of employment.

Sunderland City Council is an equal opportunity employer. The overall aim of our Single Equality Scheme is to ensure that people are treated fairly and with respect. The scheme also contains a specific objective to be a diverse organisation which includes recruiting and retaining a diverse workforce and promoting equality and diversity through working practices. This pay policy forms part of our policies to promote equality in pay practices. By ensuring transparency of senior pay and the relationship with pay of other employees, it will help ensure a fair approach which meets our equality objectives.

1.4 Context

In setting the pay policy arrangements for the workforce the Council seeks to pay appropriate salaries within the constraints of a public sector organisation. The pay policy is simply one aspect of the Council's whole approach to managing its human resources within the context of the Sunderland way of working, the Council's values and its organisational philosophy.

2. **Pay Structure and general principles regarding the remuneration of all staff**

2.1 Pay Structure

The Council operates a graded salary structure of incremental salary scales with a range of spinal column points (pay points), using the nationally negotiated pay spines as the basis for its local pay structures, together with some locally determined rates.

The large majority of the Council's (non teaching) workforce are covered by the National Joint Council for Local Government Services (NJC) pay spine (spinal column points 5-49), plus some additional local salary scales (spinal column points 50-58). Other appropriate nationally agreed spines apply to smaller defined groups of employees, such as Craft, JNC for Youth & Community Workers, Employees covered by the Soulbury Committee Agreement, and the Joint National Council for Chief Officers (JNC).

The salary figures in this report are gross salary figures before deductions, such as salary sacrifice, are made at the discretion of the employee.

2.2 Pay Awards

National and Provincial Agreements for the Council's workforce include the negotiation of collective agreements on pay and conditions, which are reviewed and negotiated annually, through agreements of the relevant national bodies such as the National Employers' Organisation for Local Government Services, on behalf of all local authorities in England and Wales, and the signatory Trade Unions. The annual pay awards, if any, take account of a number of issues, including what can be agreed with the relevant trade unions, the general economic situation, the results of consultation, the affordability position of local authorities, the average rate of pay settlements across the economy, the employee relations climate, etc. While the Council as an Employer is consulted as part of the negotiation process, it does not control the level of any national pay award.

2.3 Grading of posts

The grading of posts is determined by either the Council, following the consideration of recommendations from the Council's HR Committee or under delegated powers by the Director of HR & OD. For some categories of staff, job evaluation techniques are used.

2.4 Appointment to new and existing posts

Appointments are made in accordance with the Council's Code of Practice on Recruitment and Selection. For posts graded on incremental scales, appointments are normally made at the minimum of the salary grade, with employees progressing to the maximum point of the salary range via annual incremental progression where applicable, subject to relevant criteria being met. While provision exists to appoint above the minimum of the grade, this is applied in exceptional circumstances only. The equality impact of the decision is a key issue, and it is imperative that anomalies are not created as a result of such decisions. In cases where the criteria to appoint above the minimum of the grade is met, comprehensive records need to be maintained and monitored on an ongoing basis, for use in assessing recruitment and retention trends and for monitoring purposes.

2.5 Market Pay

From time to time it may be necessary to take account of the external pay levels in the labour market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using data sources available from within the local government sector and outside, as appropriate.

2.6 Temporary pay supplements

Where employees temporarily undertake either the full range of duties of a higher graded post or a proportion of the duties of that post, a commensurate salary may be paid.

3. Senior Management Information

3.1 Definition of Senior Management

For the purposes of this statement, senior management means 'chief officers' as defined within the Localism Act.

Specifically:

- "2 (a) The head of its paid service designated under section 4(1) of the Local Government and Housing Act 1989;
- (b) its monitoring officer designated under section 5(1) of that Act;
 - (c) a statutory chief officer mentioned in section 2(6) of that Act;
 - (d) a non-statutory chief officer mentioned in section 2(7) of that Act;
 - (e) a deputy chief officer mentioned in section 2(8) of that Act."

3.2 Key Principles

- i) The Chief Officer pay policy is designed to be easily understood and be transparent to the post holders, key stakeholders and the public. The structure and level of the pay arrangements is designed to enable the Council to attract, motivate, and retain key senior talent for the authority.
- ii) The policy is based upon salaries with clear differentials between levels of work/job size, within a range that is affordable now, will remain so for the medium term, and will be subject to review to ensure it continues to remain fit for purpose. It is intended that the authority will market test the rates of pay when vacancies arise, as part of consideration on whether or not roles continue to be required within the context of the Council's priorities and commitments at that time.
- iii) These posts do not attract performance related pay, bonuses or any other additions to basic salary. This approach enables the Council to assess and budget accurately in advance for the total senior pay bill over a number of years.

- iv) In setting the pay policy for senior staff, a market position has been established that aims to attract and retain the best talent available at a senior level within a national recruitment context, to lead and motivate the Council's workforce that is rewarded under a nationally agreed negotiating framework.
- v) The remuneration for roles at this level have been set following independent advice from external consultants, Robertson HR Consulting.
- vi) Other terms and conditions of employment for this group are as defined within the Joint Negotiating Committee for Chief Officers of Local Authorities Conditions of Service handbook, with discretion to set actual pay levels at a local level, but within a national negotiating framework. These national provisions are supplemented by the Council's local employment policies. These posts are part of the nationally defined Local Government final salary pension scheme.

3.3 Individual elements of the remuneration package:

- a) Chief Executive
The current salary of the post is £175,699.
- b) Deputy Chief Executive and Executive Directors
The current salary of these posts fall within a range of £107,573, rising to a maximum of £128,063. The current posts are: Deputy Chief Executive; Executive Director of Commercial Development; Executive Director of Enterprise Development; and Executive Director of People Services.
- c) Corporate Directors
The current salary of these posts fall within a range of £83,599 - £99,274. The current posts are Assistant Chief Executive; Director of Communications and Corporate Affairs; Director of Human Resources and Organisational Development; and Chief Operating Officer (People Services), and Director of Finance.
- d) The designated Monitoring Officer, which is the Head of Law and Governance, is paid within a range of £72,343 - £86,666.
- e) Heads of Service and other officers reporting directly to one of the statutory or non-statutory chief officers listed in (b), (c) and (d) above. The current salaries of these posts fall within four different ranges: Band 1 (£73,423 - £87,440); Band 2 (£64,592 - £77,379); Band 3 (£57,280 - £66,413) and Band 4 (£54,337 - £58,796).

The designated Returning Officer for the Council, who is the Head of Paid Service, also carries out the role of Acting Returning Officer at UK parliamentary elections and local returning/counting officer at European elections and at other referenda or electoral processes that occur from time to time. These additional roles usually carry an entitlement to payment from central government budgets at levels set by order in relation to each poll. The

payment scales for national elections are set out in a Statutory Instrument laid before Parliament in respect of each individual election and are applied to both national and local elections. The Statutory Instruments are published on www.legislation.gov.uk

4. Lowest Paid Employee Information

4.1 Definition of Lowest paid employees

The lowest paid employees are staff who are employed in jobs which are paid at Grade A level (spinal column point 5) (£13,500 per annum for a full time 37 hour week), this being the lowest salary paid to employees other than apprentices. This salary is only paid to newly appointed Cleaners for the first six months of service. The salaries attributable to apprentices depend on age and are those set out within the National Minimum Wage legislation. Given the specific nature of these appointments, the Council does not include apprentices within the definition of lowest paid employees for the purposes of this policy statement. The council has published plans to become a living wage employer in 2015.

5. The relationship between the highest and lowest paid employees

5.1 Pay Multiples

In setting the relevant pay levels a range of background factors were taken into consideration for senior pay alongside the significant scope and scale of the authority in the national context.

For example, the scope and scale of the Chief Executive's post encompasses responsibilities commensurate with a large city authority, including responsibility for:

- The provision of wide ranging services to 275,700 residents of Sunderland.
- An overall budget of £663.0 million for service delivery.
- Undertaking the role of the Head of Paid Service to 7,729* employees. (* This data is accurate at 1st January 2015, and includes maintained schools).
- Lead Policy Advisor to the Council's 75 Elected Members.

One way of measuring pay relationships is to use a pay multiple.

The ratio between the pay of the Chief Executive in Sunderland City Council and the median earnings figure for the Council's workforce is 1:8.87. (Information correct at 1st January 2015).

5.2 Pension Contributions

During 2015-16 the employer will contribute 15.9% of pensionable pay to the pension fund for all employees in the Local Government Pension Scheme. Employees also pay a contribution of between 5.5% and up to 12.5%.

5.3 Pay Policy Decisions for the Wider Workforce

These are determined by the Council, following consideration of recommendations of the Council's HR Committee which is composed of elected members. This ensures that decisions in relation to workforce pay are taken by those who are directly accountable to local people.

6. The approach towards payment of those officers ceasing to hold office under or be employed by the Authority

Payments to Chief Officers upon termination of their employment are determined by the Council's HR Committee. Decisions are made in line with the Council's policies which apply to all employees.

