

Agenda Item No:

Report To: MT 2 March 2017
JCC 16 March 2017
Cabinet 6 April 2017



Date of Meeting:

Report Title: Pay Policy Statement- Annual Review

Report Author & Job Title: Michelle Pecci
Head of HR, Communications & Technology

Portfolio Holder Leader of the Council- Cllr Clarkson
Portfolio Holder for: Cllr. Knowles- Information, Technology and Communications

Summary:

The Localism Act 2011 requires the Council to publish an Annual Pay Policy Statement; this report will review the current Pay Policy statement, ensuring it is up to date and reflects the council's approach to pay.

The council also takes this annual review as an opportunity to review the rates of the Ashford Living Wage Allowance (ALWA) and the Ashford Apprentice Wage Allowance (AAWA). This report therefore provides recommendations on rates for the 2017/18 allowances.

Key Decision: YES

Significantly Affected Wards: None

Recommendations: **That Council:**

- I. Approve and Pay Policy Statement**
- II. Approve the Ashford Living Wage Allowance be maintained at £8.00 for 2017/18.**
- III. Approve the Ashford Apprentice Wage Allowance be maintained at 15 pence per hour over the National Minimum Wage rate applicable to the age of the apprentice.**
- IV. Note the forthcoming legislation that will impact on the Council's Pay Policy.**

Policy Overview: Sections 38 to 43 of the Localism Act 2011 require local government bodies to prepare a pay policy statement. These statements must articulate an authority's own policies towards a range of issues relating to the pay of its workforce, particularly senior staff and its lowest paid employees.

The Ashford Living Wage Allowance demonstrates the Council's commitment in ensuring that wages (salaries) of

our employees can sustain families and individuals and underpins a thriving economy.

The Ashford Apprentice Wage Allowance underpins the council's commitment to support lower paid members of staff by providing a fair wage to our apprentices. The council is committed to making apprenticeships accessible to all and encourages its local people to gain worthwhile careers by paying a rate which is comparable with entering any other form of employment; this in turn will benefit the local economy.

Financial Implications:

Maintaining the Ashford Living Wage Allowance will cost circa £3.5k plus on costs and is built into the 2017/18 budgets.

Maintaining 15 pence per hour over the national minimum wage rate for apprentices will cost circa £1.2k.

Legal Implications

The Council is required to review and publish its Pay Policy Statement on an annual basis.

Equalities Impact Assessment

The application of the Pay Policy will not result in any detrimental impact on any particular group of staff.

The ALWA and AAWA benefits the lowest paid groups of staff within the council regardless of any protected characteristic. The Council's Pay Policy ensures that our staff are remunerated appropriately, equitably and legally

Other Material Implications:

Exempt from Publication:

NO

Background Papers:

Contact:

Michelle.pecci@ashford.gov.uk – Tel: (01233) 330602

Report Title: Pay Policy Statement- Annual Review

Pay Policy Statement : Introduction & Background

1. Sections 38 to 43 of the Localism Act 2011 require local government bodies to prepare a pay policy statement. These statements must articulate an authority's own policies towards a range of issues relating to the pay of its workforce, particularly senior staff and its lowest paid employees.
2. The pay policy statement must be reviewed and approved each year by Full Council.
3. There are a number of statutory requirements relating to pay accountability in the Localism Act that need to be taken into account as well as a catch-all within the Act that states that members must have regard to any guidance issued or approved by the Secretary of State.
4. The statement encompasses both the statutory requirements as well as the 'broader' elements of guidance.
5. The Act requires the council to prepare a pay policy statement for this year and it must set out the authority's policies relating to:
 - (a) the remuneration of its chief officers,
 - (b) the remuneration of its lowest-paid employees, and
 - (c) the relationship between:
 - (i) the remuneration of its chief officers, and
 - (ii) the remuneration of its employees who are not chief officers.

The statement must include:

- (a) the definition of "lowest-paid employees" adopted by the authority for the purposes of the statement, and
- (b) the authority's reasons for adopting that definition.

The statement must also include the authority's policies relating to:

- (a) the level 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 chief officers,
 - (e) the use of bonuses for chief officers,
 - (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.
6. Pay policy statements may be amended during the course of a financial year to reflect changes or developments in an authority's pay policy. However,

section 39(5) of the Act requires that amendments can only be made by resolution of the full Council, or a meeting of members, and that any amended statement must be published as soon as is reasonably practicable.

7. The notable changes to the Policy Statement are that the average salary level has reduced from £29,055 to £28,681; this is due to an increase in manual roles due to Aspire joining the establishment as well as vacant posts at senior level (vacant Director of Operations, Head of Environmental Services, Head of Development Delivery).
8. The ratio between the highest paid and average salary has reduced from 4.3:1 to 3.53:1, this is due to the current highest paid (Chief Executive) being at the bottom of the grade, whereas the previous post holder was at the top of the grade and therefore paid more.
9. It is worth noting that there are no proposed changes to the Pay Policy Statement as a result of the Chief Executive's structure change report to cabinet on 6 April 2017.

Ashford Living Wage Allowance: Introduction & Background

10. The Council is committed to ensure that the wages (salaries) of our employees can sustain families and individuals as well as underpinning a thriving local economy.
11. This commitment is provided through the Ashford Living Wage Allowance (ALWA) implemented in 2013. As part of the Pay Policy review Members consider the application of an ALWA on an annual basis.
12. Historically the rate set for each financial year has taken account of the National Living Wage Foundation's out of London rate (LWF). In the 2015 budget the Government announced the introduction of a Statutory National Living Wage rate that will seek to raise living standards amongst the lowest paid. Projections indicate that this is set to reach £9 an hour by 2020. The target was also described as reaching 60% of median earnings by 2020. This could imply an even higher level; £9.35 an hour according to the Office for Budget Responsibility.
13. As a consequence of the introduction of the Statutory Living Wage rate by the Government in 2016 the Council's stated Commitment is currently:

"The council will aim to provide our lowest paid staff, irrespective of their age, with a rate of pay that is better than the Statutory National Living Wage rate."

Proposal/Current Position

14. The current minimum pay rate for ABC employees is set at £8.00 per hour, the Statutory National Living Wage rate for 2016/17 was £7.20.
15. The April 2017 Statutory Living Wage rate will be £7.50. It is recommended to continue with the current ALWA which provides the lowest hourly pay rate of

£8 for 2017/18. This rate continues to achieve the council's commitment to its lowest paid staff, and puts the council in an advanced position in being able to accommodate the forthcoming annual increases to the statutory National Living Wage Rate leading-up to 2020.

16. There are 12 staff in receipt of the ALWA which will cost up to £3.5k per annum to maintain, and is currently in the 2017/18 budget.
17. By applying the ALWA the council has been widely recognised as a responsible and considerate employer who voluntarily provides a fair and sustainable wage to their lowest paid staff. It is therefore important for the council to be able to continue to make such a strong statement of commitment in this regard.

Ashford Apprentice Wage Allowance: Introduction & Background

18. Apprentices are engaged to gain practical training in a job combined with study. The status of their employment is reflected by the fact that the National Minimum Wage (NMW) and the statutory Living Wage Rate is not applicable to them in the first year of their apprenticeship.
19. The current National Wage Rate for apprentices aged 16 to 18 and those aged 19 or over who are in their first year is £3.30 per hour. All other apprentices are entitled to the National Minimum and Statutory Living Wage rates as applicable to their age.
20. The AAWA aims to provide our apprentices with a pay rate that is "better" than the National Minimum Wage (NMW) applicable to the age of the apprentice and irrespective of whether the apprentice is in their first year.
21. The council's stated commitment in respect of pay rate for apprentices is:

"The council is committed to making apprenticeships accessible to all by paying a rate applicable to the apprentice's age that aims to be better than the respective Statutory National Living Wage and National Minimum Wage rates."

Proposal/Current Position

22. The current AAWA is 15 pence per hour above the respective NMW age rates. It is proposed that the 15 pence per hour differential is maintained for 2017/18. This will place circa £1,200 additional salary costs (plus on costs).

Summary

23. For ease of reference the following table details the pay rates referred to above:

Wage Rate	Current national rates	Ashford current rates 2016/17		National rates from 1 April 2017	Ashford proposed rates For 2017/18	
Statutory National Living Wage rate for over 25's	£7.20	£8.00		£7.50	£8.00	
		Aged 25+	£7.35		Aged 25+	£7.65

National Minimum Apprenticeship rate	£3.40	21-24	£7.10	£3.50	21-24	£7.20
		18-20	£5.70		18-20	£5.75
		Under 18	£4.15		Under 18	£4.20

Forthcoming Government Legislation

24. Last year this report highlighted to members potential changes to severance payments for the public sector. There were a number of proposals that aimed to reduce and standardise severance payments in the public sector, these can be summarised as:
- a. Requiring repayment of public sector exit payments in certain circumstances (as provided under the small Business, Enterprise and Employment Act 2015). Implementation of regulations to effect these changes was expected last year but these are still awaited.
 - b. Placing a cap on exit payments of £95k (Enterprise Act) Further consultation on draft regulations is now expected in early 2017.
 - c. Changes to the treatment of taxation of termination payments will have an impact on exit payments, changes are expected to come into effect from April 2018.
 - d. Introducing greater consistency to the basis of calculation of exit pay, a response to the consultation was published in September 2016. A new framework is required to be applied on a voluntary basis across the whole sector by June 2017, failing which primary legislation will be considered.
25. It will be necessary to review the council's policy on the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations by June 2017 in order to comply with the new framework referred to in (d) above, and this will be a separate report to members for approval in due course.

Implications and Risk Assessment

26. Reviewing and publishing the Pay Policy Statement will ensure that we are compliant with the requirements of the Localism Act 2011.
27. Continuing to apply both the ALWA and AAWA is a positive statement about the value the council places in all staff and provides a role model for other employers in the local community.

Equalities Impact Assessment

28. The application of the Pay Policy will not result in any detrimental impact on any particular group of staff.
29. The ALWA and AAWA benefits the lowest paid groups of staff within the council regardless of any protected characteristic. The Council's Pay Policy ensures that our staff are remunerated appropriately, equitably and legally.

Consultation Planned or Undertaken

30. UNISON representatives have been invited to provide feedback on this report and the proposals relating to the ALWA and AAWA.
31. This report together with the proposed pay policy statement was considered at the Joint Consultative Committee on 16 March 2017.

Other Options Considered and Reasons for Supporting Option Recommended

32. Other options included withdrawing both the ALWA and AAWA but this was not thought to be consistent with the council's desire to show its commitment to its lowest paid staff.
33. The AAWA has increased as the NMW rate has increased whereas the ALWA has remained the same as last year. A further option was to increase the ALWA however the ALWA continues to be 50 pence per hour over the Statutory Living Wage Allowance which is consistent with the Council's stated commitment.

Next Steps in Process

34. Once approved by Council the 2017/18 Pay Policy Statement will be published on the transparency section of the Ashford Borough Council website.
35. Written notification will be provided to those staff who are entitled to receive the ALWA and the AAWA to inform them of the respective rates that will be payable to them for 2016/17.
36. It will be necessary to review the council's policy on the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations by the May 2017 Cabinet meeting in order to comply with the governments new framework referred to in 23(d) above and when the implications of the other forthcoming government legislation become clearer it will be necessary to review and update the Pay Policy Statement and other related policies.

Conclusion

37. The pay policy statement reflects our current approach to pay and satisfies the requirements of the Localism Act.
38. The Ashford Living Wage Allowance endorses the council's commitment to its lowest paid staff by applying an hourly rate which aims "to be better" than the statutory National Living Wage irrespective of individual's age.

39. The Ashford Apprentice Wage Allowance provides a very positive statement that the council is committed to making apprenticeships accessible to all and encourages its local people to gain worthwhile careers by paying a rate which is comparable with entering any other form of employment; which in turn will benefit the local economy.
40. The government has recognised that for pay to be able to sustain families the National Minimum Wage is no longer appropriate. The introduction of the Statutory Living Wage continues to be a statutory 'benchmark' which to set the ALWA against.
41. There is a range of forthcoming legislation that will have a significant impact on public sector employees' entitlements to severance (redundancy) payments. We will continue to abreast on these developments and as guidance becomes available Members, Management Team and UNISON will be provided with options and recommendations to ensure that the Council's Pay Policy Statement and the council's policy for Local Government (Early Termination of Employment) (Discretionary Compensation Regulations) are compliant with this new legislation.

Portfolio Holder's Views

42. Cllr Knowles :

"I am pleased that the Council will be retaining both the Ashford Living Wage Allowance and the Apprentice Wage Allowance as it reinforces our commitment to helping the lowest paid staff access and sustain employment."

Contact and Email

Michelle.pecci@ashford.gov.uk
01233 330602

Ashford Borough Council

Pay Policy Statement

Financial Year 2017/18

Introduction

ABC is a large and diverse organisation providing a range of statutory and other services to a local community with a population of 123,000. It is responsible for managing a combined annual capital and revenue spend of £113 million.

To ensure the council is effectively led and efficiently managed, it must be able to attract and retain a range of high calibre staff in a competitive job market. The value and composition of the remuneration package offered to senior staff is a key factor in enabling the council to attract, recruit, motivate and retain staff with the skills sets required to deliver the Council's objectives and aspirations, which in turn have a significant impact on the lives of local residents.

Notwithstanding the statutory requirement to produce and publish this policy, the Council recognises the importance and benefits of applying a transparent policy to ensure that its staff are remunerated appropriately, equitably and legally.

Pay Policy

- 1 This policy statement is made in accordance with Section 38 (1) of the Localism Act 2011. The Act requires the authority to set out its policies for the financial year relating to:
 - (a) the remuneration of its chief officers,
 - (b) the remuneration of its lowest-paid employees and
 - (c) the relationship between:
 - i. the remuneration of its chief officers, and
 - ii. the remuneration of its employees who are not chief officers.

- 2 **Definitions:**
 - (a) The Definition of '**Chief Officer**' in the Localism Act reflects that in the Local Government and Housing Act 1989 and so is wide enough to include not only the Head of Paid Service, Monitoring Officer and other statutory and non-statutory Chief Officers but also those senior officers who report directly to them. It is not considered necessary to extend the scope of this definition due to any particular local circumstance or reward structure.

 - (b) A '**Lowest paid employee**' is an employee who is paid on the lowest pay grade used by the council. The definition does not include postholders engaged in apprenticeships, work placements and posts created through 'job creation schemes' e.g. the Future Jobs Fund as often the pay levels are recommended as part of the scheme and are not determined by the council's usual process.

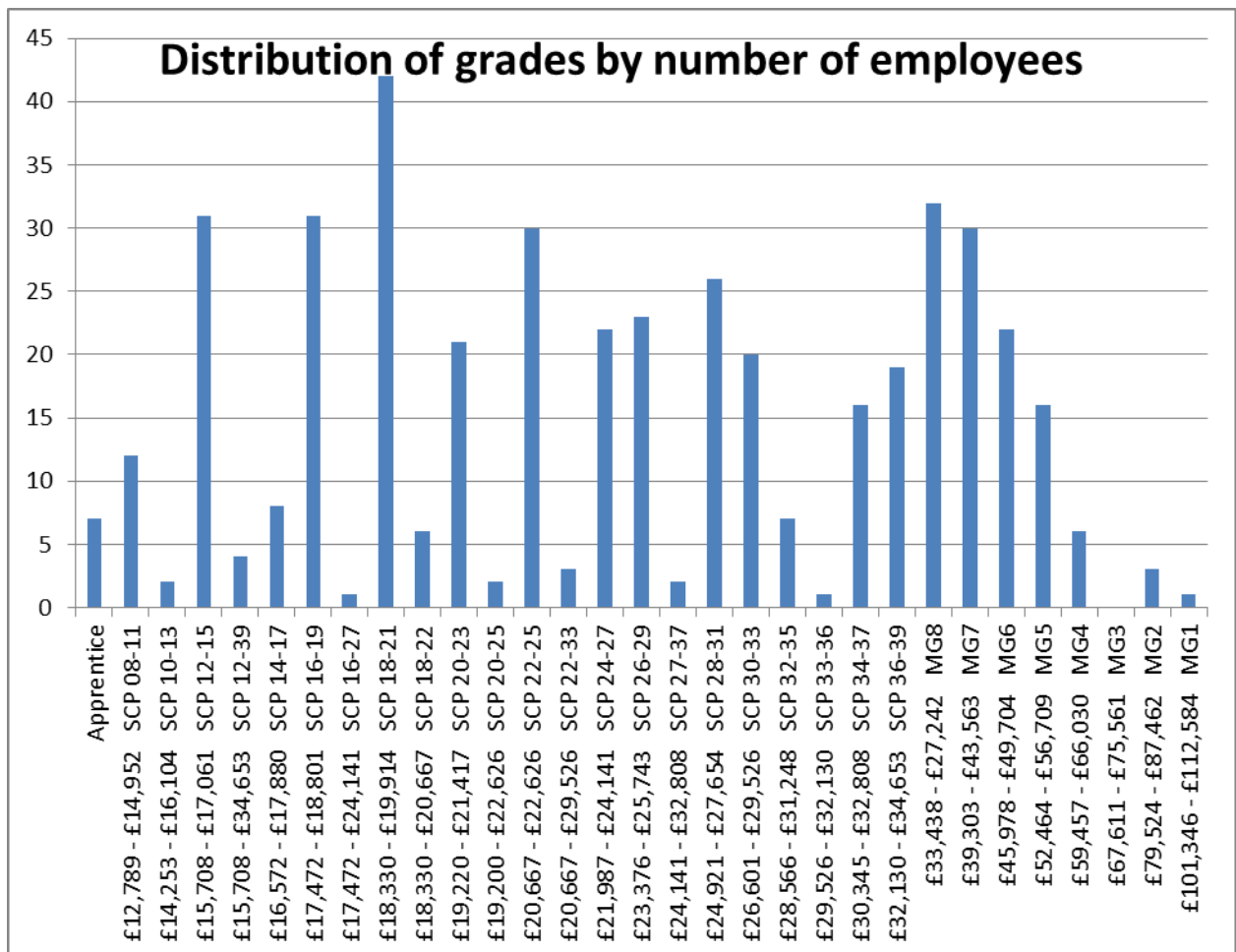
- 3 The policy statement will be reviewed and approved annually by Members and published on the transparency section of the Ashford Borough Council

website together with the pay data published in line with the code of recommended practice on data transparency. Data on pay for individuals employed under a 'contract for services' (opposed to contract of employment) can be found under the data on spend.

- 4 The council's pay framework has been in place for many years and the grade for each role is determined by a job evaluation scheme developed by Inbucon Pay Consultants.
- 5 The basic grade of all officers is determined by job evaluation process. Pay and all other elements of the remuneration package for the Chief Executive (Head of Paid Service), Director or Head of Service posts are approved by Members. The remuneration packages for all other roles are approved by senior managers.
- 6 The incremental progression for all roles, including Chief Officer roles, are automatic unless there are formal concerns over capability.
- 7 Cost of living pay awards are considered on an annual basis and take account of market forces, economic climate measures of inflation and budgetary position. The council is not subject to national pay bargaining. Pay awards are negotiated locally with UNISON and subject to approval by Members. Typically any percentage increase (which can be 0%) is applied equally to all grades.
- 8 The council is committed to ensuring that the pay of its employees can sustain families and individuals and underpin a thriving economy. To support this commitment it is the Council's aim to provide its lowest paid employees (excluding apprentices and those employed through job creation schemes (see para 2c) to receive a wage rate which is better than the Statutory National Living Wage rate irrespective of the age of the employee. As a consequence, the lowest paid employees receive the Ashford Living Wage Allowance (ALWA) as a supplement to the employee's hourly pay rate to provide a minimum rate of £8 per hour. The Council reviews the application of the ALWA on an annual basis.
- 9 Apprentices are engaged to gain practical training in a job combined with study. The council is committed to making apprenticeships accessible to all and aims to pay a rate by paying a rate applicable to the apprentice's age that aims to be better than the respective Statutory National Living Wage and National Minimum Wage rates; the Ashford Apprentice Wage Allowance (AAWA) is currently set at 15 pence per hour higher than these rates. The AAWA is reviewed annually and applied to those employed by the Council on an apprenticeship.
- 10 Grades MG1 and MG2 have two additional discretionary incremental points can be applied for recognition of performance, or as part of a retention package. These points are not automatically applied to all MG1 or MG2 roles, but if they are, they require confirmation from the officer's manager that there has been exceptional performance and the increment should be awarded.
- 11 The organisations Returning Officer for elections receives election fees in addition to their regular salary. These fees are set by the Cabinet Office for

national elections and referendums; or for borough and county elections through a countywide arrangement. The fees vary according to the election taking place. Any election fees paid during the year are included in the salary figure published in the council's annual statement of accounts.

- 12 We are required to publish pay related information. This includes the Code of Recommended Practice for Local Authorities on Data Transparency requirements to publish a Pay Multiple and information on senior salaries. The Pay Multiple is the ratio between the highest paid salary and the median average salary of the whole authority's salaries.
- 13 The current ratio between the highest paid employee and the mean average earnings across the organisation is **3.53:1** (excluding Returning Officer fees as these are determined by the Cabinet Office, or through a countywide arrangement. The fees are only paid in the event of an election). The council intends to maintain a pay multiple of 5 or less i.e. the highest paid employee is paid no more than 5 times the average salary which is £28,681.
- 14 Ashford pay grades are determined through job evaluation and reflect the breadth of impact the role has for example: the level and complexity of advice given by the postholder as well as the decisions made; the qualifications required to carry out the role, the level of autonomy the postholder has as well as the level of internal and external contacts routinely made by the postholder.
- 15 The ratio of **3.53:1** is explained by the types of roles we have in the organisation. For example we have very few 'manual' or 'unskilled' workers as most services of this nature are outsourced to contractors, we have streamlined many administrative processes which have reduced the requirement for low level routine clerical type work and the majority of our workforce have roles that are transactional or are professional and technical roles. The chart below shows the current dispersal of grades amongst the council's employees:



- 16 Salary information for senior staff is published annually on the transparency section of the council's website and total remuneration packages for Chief Officers are published in the council's annual statement of accounts also available on the council's website.
- 17 The Chief Executive and Deputy Chief Executive receive an annual mileage allowance to compensate for up to 3,000 work related miles travelled within Kent and are not allowed to submit mileage claims for the first 3,000 miles travelled in Kent.
- 18 The Head of Finance currently receives a special responsibility allowance equivalent to Grade MG3 for undertaking the responsibilities of the Section 151 Officer.
- 19 Posts may attract a subsidised lease car or cash alternative. Entitlement is usually determined as part of the recruitment process and the entitlement is intended to assist the officer in carrying out their duties or, in some cases, as a recruitment tool.
- 20 All officers are entitled to be reimbursed for legitimate expenses incurred in the course of their duties. Limits are laid out in the conditions of service and all expense claims must be accompanied by receipts.
- 21 The council does not have a performance related pay scheme or a bonus scheme. Managers do have the ability to make honorarium payments to any level officer in the following circumstances:

- Covering the full/partial duties of a more senior post (other than for annual leave)
- Taking on additional duties/responsibilities for a limited period
- Taking on additional responsibilities e.g. project work which would not normally fall within the employee's job description
- Taking on additional workload, which is not at an additional level of responsibility but which warrants financial recognition
- One-off merit payments in recognition of exceptional performance.

Where the request for the payment falls outside of the above criteria the Head of Personnel and Development will take the request to Corporate Management Team for discussion.

- 22 The council does have a market supplement scheme to address market pressures that cause recruitment and retention difficulties. Market supplements are applied in exceptional circumstances and any proposed payments for a Management Team post must be approved by Members. For all other roles Management Team is able to give approval.
- 23 If a Chief Officer, or any other officer, chooses to end their employment with the authority there are no termination benefits payable.
- 24 If the council terminates an officer's employment then the council's policy on the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 may apply.
- 25 The Council will comply with obligations under the Exit Payment Recovery Regulations.
- 26 Officers may also be entitled to release of their local government pension if they satisfy the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.
- 27 Employees who are Local Government Pension Scheme members aged 55 or over are entitled to request flexible retirement in accordance with the council's Flexible Retirement policy. This allows an officer to access their local government pension and continue working in a role at either reduced hours or in a lower paid role to help their transition into retirement. Member approval is required where there is a cost associated with the release of the pension. There must be a benefit to the council in agreeing to a flexible retirement request, the benefits may include: assisting with succession planning, delivering savings etc.
- 28 In exceptional circumstances we may find ourselves in the situation whereby an officer who has been previously employed by the council (or another authority) and who, on ceasing to be employed, was in receipt of a redundancy payment and/or a local government pension is subsequently reemployed by the council. It is not the policy of Kent County Council (the pension scheme administrators) to abate pensions in payment in these circumstances.
- 29 In cases where the council shares staff with other authorities/agencies this often results in different pay scales, terms and conditions between the two

parties. The council will ensure that for staff employed by Ashford Borough Council that there is internal comparability. This may result in discrepancies across teams with employees working for other employers.

- 30 The council does not intervene in the pay policy of external contractors; remuneration packages are a matter for the external contractor to determine not the council.
- 31 The Council is committed to tackling all forms of tax avoidance and therefore encourages the direct employment of staff and pays them via the payroll system. When a need arises for a temporary appointment, recruitment is normally secured by using the council's employment agency contract arrangement. In a few circumstances where it is necessary to engage self employed people who can provide exceptional skills/experience, the council will offer a contract for services. Such engagements would be in accordance with HMRC guidelines to ensure that the correct employment status has been applied for PAYE purposes.
- 32 This policy is required to be reviewed at least once a year proceeding the next financial year. Proposals to adjust the policy in a financial year must be approved by Members.