

Agenda Item No: 6
Report To: Cabinet
Date of Meeting: 8 March 2018
Report Title: Pay Policy Statement- Annual Review
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Portfolio Holder: Leader of the Council- Cllr Clarkson
Portfolio Holder for: Cllr. Pickering- HR & Customer Services



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 2018/19 allowances.

Key Decision: YES

Significantly Affected Wards: None

Recommendations: That Cabinet recommend to Council:

- I. **Approve the updated Pay Policy Statement.**
- II. **Approve the Ashford Living Wage Allowance be increased to £8.35 for 2018/19.**
- 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.**

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:

Increasing the Ashford Living Wage Allowance will cost up to £10k plus on costs and maintaining 15 pence per hour over the national minimum wage rate for apprentices will cost circa £2k plus on costs and can be managed within the 2018/19 budgets.

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:

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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. A change to the data in the Policy Statement is that the average salary level is now expressed as a median, rather than mean and as a result has the reduced average salary figure to £24,492. As a consequence the ratio between the highest paid and the median salary is now 4.6:1, this is within our stated position of maintaining a pay multiple of 5 or less (paragraph 13 of the proposed pay policy statement attached).

Ashford Living Wage Allowance: Introduction & Background

8. 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.
9. 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.
10. In the 2016 the Government introduced a Statutory National Living Wage rate that aims to raise living standards amongst the lowest paid. Projections indicate that this is set to reach £9 an hour by 2020.
11. The Council's stated commitment with regard to the Ashford Living Wage 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

12. The current minimum pay rate for ABC employees is set at £8.00 per hour, the Statutory National Living Wage rate for 2018/19 has been set at is £7.83.
13. It is recommended that we increase the current ALWA to £8.35. 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.
14. At this revised rate there will be up to 22 staff who will receive the ALWA which will cost a maximum of £10k per annum and can be managed within the 2018/19 budget.
15. 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

16. 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.
17. The 2018 National Wage Rate for apprentices aged 16 to 18 and those aged 19 or over who are in their first year is £3.70 per hour. All other apprentices are entitled to the National Minimum and Statutory Living Wage rates as applicable to their age.
18. 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.
19. 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

20. 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 2018/19. The overall additional costs of maintaining 15 pence above NMW will be circa £2k.

Summary

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

Wage Rate	National rates from April 2017	Ashford current rates 2017/18		National rates from April 2018	Ashford proposed rates For 2018/19	
Statutory National Living Wage rate for over 25’s	£7.50	£8.00		£7.83	£8.35	
National Minimum Apprentice rate	£3.50	Aged 25+	£7.65	£3.70	Aged 25+	£7.98
		21-24	£7.20		21-24	£7.53
		18-20	£5.75		18-20	£6.05
		Under 18	£4.20		Under 18	£4.35

Forthcoming Government Legislation

22. The last two Pay Policy review reports to members highlighted 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 there has been no progress in finalising these changes.
23. The potential changes 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).
 - b. Placing a cap on exit payments of £95k (Enterprise Act)
 - c. Introducing greater consistency to the basis of calculation of exit pay.
24. Further legislation and regulations are still awaited to effect these changes and when this is available it will be necessary to review the council's policy on the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations and this will be a separate report to members for approval at the appropriate time.

Implications and Risk Assessment

25. Reviewing and publishing the Pay Policy Statement will ensure that we are compliant with the requirements of the Localism Act 2011.
26. 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

27. The application of the Pay Policy will not result in any detrimental impact on any particular group of staff.
28. 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

29. UNISON representatives have been invited to provide feedback on this report and the proposals relating to the ALWA and AAWA and are satisfied with the proposals.
30. This report together with the proposed pay policy statement was considered at the Joint Consultative Committee on 22 February 2018. No concerns were raised.

Other Options Considered and Reasons for Supporting Option Recommended

31. 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.
32. A further option was to retain the ALWA at its current rate. This would maintain a pay rate greater than the Statutory Living Wage rate however our lowest paid staff would have had static pay rates since 2015.

Next Steps in Process

33. Once approved by Council the 2018/19 Pay Policy Statement will be published on the transparency section of the Ashford Borough Council website.
34. 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 2018/19.

Conclusion

35. The pay policy statement reflects our current approach to pay and satisfies the requirements of the Localism Act.
36. 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.
37. 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.
38. 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 monitor 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

39. Cllr Pickering:

“Ashford Borough Council intends to maintain its position as the leading employer in the Borough with good employment practices and a remuneration structure to reward our staff based on systems to maintain fairness at all times.

We are conscious of the need to ensure the lower paid members of our staff and Apprentices are paid a rate that can sustain family life and make Apprenticeships accessible to all.”

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Ashford Borough Council

Pay Policy Statement

Financial Year 2018/19

Introduction

ABC is a large and diverse organisation providing a range of statutory and other services to a local community with a population of 128,700. It is responsible for managing a combined annual capital and revenue spend of £120 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.

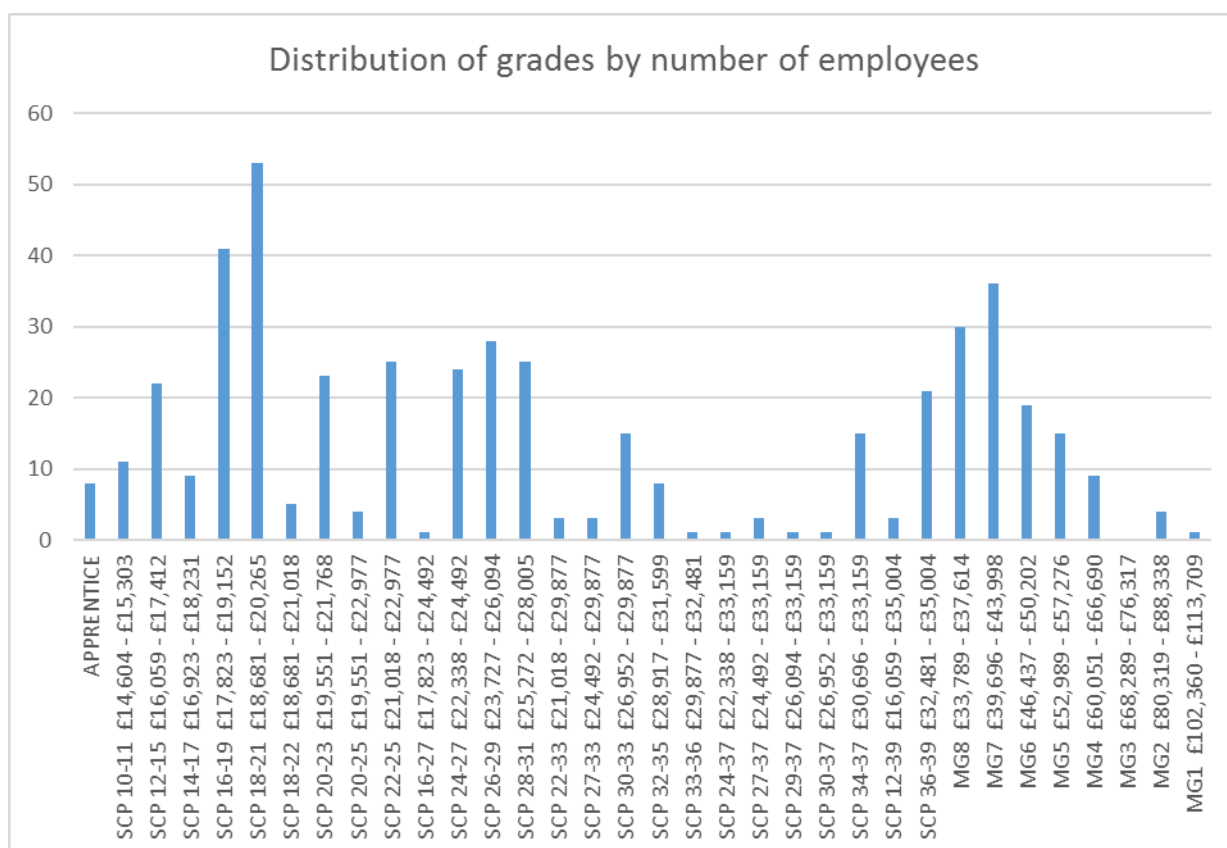
- 3 The policy statement will be reviewed and approved annually by Members and published on the transparency section of the Ashford Borough Council

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 as part of the recruitment process and other formal approval process such as restructuring reports. 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.
- 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 2b) 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 £8.35 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 median earnings across the organisation is **4.6:1** (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 median salary which is £24,492. The chart below shows the current dispersal of grades amongst the council's employees:
- 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 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.
- 16 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.
- 17 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.
- 18 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.
- 19 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.

- 20 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.
- 21 If a Chief Officer, or any other officer, chooses to end their employment with the authority there are no termination benefits payable.
- 22 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.
- 23 The Council will comply with obligations under the Exit Payment Recovery Regulations.

- 24 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.
- 25 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.
- 26 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.
- 27 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.
- 28 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.
- 29 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.
- 30 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.

March 2018