

Agenda Item No: 6
Report To: Cabinet
Date of Meeting: 28 April 2022
Report Title: Pay Policy Statement- Annual Review
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Head of HR & Customer Services
Portfolio Holder: Cllr. Pickering- HR & Customer Services
Portfolio Holder for:



Summary:

The Localism Act 2011 requires the Council to publish an Annual Pay Policy Statement; this report reviews 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 Ashford Living Wage Allowance (ALWA) and the Ashford Apprentice Wage Allowance (AAWA).

The report highlights the decision to consolidate the ALWA into the pay scales as a longer term and more sustainable way to support our lowest paid staff and cementing our commitment to provide our lowest paid staff with a rate of pay that is better than the statutory National Living Wage rate.

Key Decision: No

Significantly Affected Wards: None

Recommendations: That Cabinet:

- I. **Note that Council is asked to approve the updated Pay Policy Statement.**
- II. **Note that the Ashford Apprentice Wage Allowance will increase to 20 pence per hour over the National Minimum Wage rate applicable to the age of the apprentice.**
- III. **To note the Chief Executive has exercised her Urgent Matters Delegation to implement changes to the lower pay scales to address compression caused by changes to the statutory living wage rates and to consolidate the Ashford Living Wage Allowance into the pay scales.**

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.

Financial Implications: The increase to the Ashford Apprentice Wage Allowance to 20 pence per hour above the national minimum wage rate (from 15 pence) will an additional circa £600 plus on costs. In addition the changes to the lowest pay scales will cost circa £80k including on costs for 2022 /23 the additional costs will be managed by use of reserves/in year savings. Beyond 2023 it will be built into the MTFP.

Legal Implications
Text agreed by Solicitor to the Council and Monitoring Officer on 5 April 2022 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.

Data Protection Impact Assessment: n/a

Risk Assessment (Risk Appetite Statement): n/a

Sustainability Implications: n/a

Other Material Implications: n/a

Exempt from Publication: **NO**

Background Papers: n/a

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Report Title: Pay Policy Statement- Annual Review

Pay Policy Statement: Introduction & Background

1. The pay policy statement must be reviewed and approved each year by Full Council.
2. 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.
3. The statement encompasses both the statutory requirements as well as the 'broader' elements of guidance.
4. 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.
5. We are required to publish the ratio between the highest paid and the median salary figure. The ratio is currently 4.6:1 this is within our stated position of maintaining a pay multiple of 5 or less (paragraph 12 of the proposed pay policy statement attached).
6. Other than the changes to the Ashford Living Wage Allowance (detailed below) there are no material changes to the Pay Policy Statement.

Ashford Living Wage Allowance

7. The Council is committed to ensure that the salaries of our employees can sustain families and individuals as well as underpinning a thriving local economy. 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.
8. In the 2016 the Government introduced a statutory National Living Wage rate that aims to raise living standards amongst the lowest paid. This year the statutory National Living Wage rate rose by 6.6% from £8.91 per hour to £9.50.
9. It is the Government's ambition that the NLW will reach two thirds median pay by 2024. It is widely predicted that the NLW will be £10.50 in 2024. Although the pressure of inflation on pay rates could make this much higher, currently two thirds of the current average pay rate, based on ONS data for total pay is around £10.60 per hour which may suggest that the rate that the NLW is based on in 2024 will be higher than this.

10. 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.”

11. The April 2022 increase to the statutory National Living Wage rate will exceed our pay points up to SCP 14. It has been necessary to review the pay scales with a view to keep our rates ahead of the statutory National Living Wage rate, and to manage the impact of pay compression; i.e. whereby rates of pay compress, catch up or overlap as the lower spinal points increase at a faster percentage than rates further up the scale.
12. In previous reports we had highlighted the growing issue of pay compression caused by having the ALWA as an allowance. We committed to work with UNISON to review the position. This work has been underway and took into account the change to the NLW rates too.

Revised pay scales

13. To stay ahead of the NLW, and provide some resilience against future high percentage increases to NLW it is recommended that we no longer have an Ashford Living Wage Allowance but consolidate an Ashford Living Wage into the pay scales. This rate will attract future cost of living rises, help to reduce the likelihood of compression in future years and send a strong message that we no longer have an Ashford Living Wage Allowance that ‘tops-up’ our lowest salaries, but we have an Ashford Living Wage as a permanent feature of our pay scales instead.
14. The Chief Executive has exercised her Urgent Matters Delegation to implement the following amendments to the pay scales. This is on the basis that the Council will not meet until after the April pay day which would delay the implementation of these changes affecting the lowest paid staff in the authority.
15. With effect from 1 April 2022 the pay scales as detailed in the table below will be amended. This will have the effect of increasing our lowest hourly rate to from £9.27 to £10.35 per hour. The revised pay scales allow for some incremental increases up to SCP 20. From SCP 21 the pay scales will remain as they are. In order to achieve this it has been necessary to consolidate our lowest pay scales (SCP8-11 and SCP10-13) into SCP 12-15. This gives us greater flexibility in how we restructure the pay scales before the rate for SCP 21 is reached.

SCP	Current hourly rate	Proposed hourly rate
8	£ 9.27 Ashford Living Wage	Consolidate SCP8-11 into SCP 12-15
9	£ 9.27 Ashford Living Wage	Consolidate SCP8-11 into SCP 12-15
10	£ 9.27 Ashford Living Wage	Consolidate SCP8-11 and SCP 10-13 into SCP 12-15
11	£ 9.27 Ashford Living Wage	Consolidate SCP8-11 and SCP 10-13 into SCP 12-15

12	£ 9.27 Ashford Living Wage	£ 10.35
13	£ 9.27 Ashford Living Wage	£ 10.40
14	£ 9.47	£ 10.45
15	£ 9.73	£ 10.50
16	£ 9.95	£ 10.65
17	£ 10.16	£ 10.75
18	£ 10.41	£ 10.85
19	£ 10.66	£ 10.95
20	£ 10.87	£ 11.05
21	£ 11.25	£ 11.25 (no change)

16. The amendments will impact around 125 post holders and will cost circa £80k including on costs. The post holders are in a range of roles including Cleaners, Aspire Operatives, Customer Service Advisors, Monitoring Centre Operatives, Finance assistants, Civil Enforcement Officers.
17. The 2.5% cost of living increase will also be applied to these rates of pay.
18. The ALWA has been a success for the council, it has supported the council in being 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 and the revision to the pay scales ensures a long-term approach to remuneration of our lowest paid staff.

Ashford Apprentice Wage Allowance

19. 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 Living Wage rate is not applicable to them in the first year of their apprenticeship.
20. The 2022 National Wage Rate for apprentices aged 16 to 18 and those aged 19 or over who are in their first year is £4.81 per hour. All other apprentices are entitled to the statutory National Living Wage rates as applicable to their age.
21. The Ashford Apprentice Wage Allowance (AAWA) aims to provide our apprentices with a pay rate that is “better” than the statutory National Living Wage applicable to the age of the apprentice and irrespective of whether the apprentice is in their first year.
22. 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 rates.”
23. The current AAWA is 15 pence per hour above the respective NLW rates. It is proposed that the 15 pence per hour differential is increased to 20 pence per hour above NLW rates for 2022/23. The overall additional costs of increasing to 20 pence above NLW is minimal- less than £1k.

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

		National minimum rates from April 2021	Ashford rates for 2021/22			National minimum rates from April 2022	Proposed Ashford rates for 2022/23
Statutory National Living Wage rate		£8.91	£9.27			£9.50	£10.35
National Apprentice Rate			(+15p)	National Apprentice Rate			(+20p)
£4.30	Aged 23+	£8.91	£9.06	£4.81	Aged 23+	£9.50	£9.70
	21-22	£8.36	£8.51		21-22	£9.18	£9.38
	18-20	£6.56	£6.71		18-20	£6.83	£7.03
	Under 18	£4.62	£4.77		Under 18	£4.81	£5.01

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. The ALWA had created some 'grade compression' in a small number of posts. This is where there is little or no differential between posts evaluated on different grades, the recent increase to NLW had compounded this further.
27. We had committed to work with UNISON this year to resolve this situation and the changes to the pay scales are a result of this joint work. The goal is that the changes can provide a solution to the problems of pay compression. However, there is a risk that the NMW will rise sharply and create a similar problem in the future. The economy is currently very uncertain so it is difficult to provide a solution that we can be confident is a long-term solution, and we may need to revisit this approach in a few years.

Equalities Impact Assessment

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. The changes to the pay scales have been worked on as a joint project with UNISON who have jointly shaped the approach.
30. This report together with the proposed pay policy statement was considered at the Joint Consultative Committee on 21 April 2021 and minutes of the committee will be available at Cabinet on the 28 April 2021.

Other Options Considered and Reasons for Supporting Option Recommended

31. A range of options were considered to ensure our pay rates were consistent with our aim of ensuring pay for staff is 'better than the statutory National Living Wage'. Other options included withdrawing both the ALWA and AAWA, applying the National Living Wage, but this was not thought to be consistent with the council's desire to show its commitment to its lowest paid staff.
32. Different starting rates of pay were also considered, but the changes implemented aim to ensure that we avoid pay compression as national minimum wage rate increase.

Next Steps in Process

33. Once approved by Council the 2022/23 Pay Policy Statement will be published on the transparency section of the Ashford Borough Council website.

Conclusion

34. The pay policy statement reflects our current approach to pay and satisfies the requirements of the Localism Act.
35. The changes to the lower pay scales to consolidate the Ashford Living Wage Allowance into the regular pay scales 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 in a longer term and more sustainable way to support our lowest paid staff.
36. 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 that is comparable with entering any other form of employment; which in turn will benefit the local economy.

Portfolio Holder's Views

37. Cllr Pickering:

“Ashford Borough Council intends to maintain its position as an employer with good employment practices and a remuneration structure that rewards 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 2022/23

Introduction

ABC is a large and diverse organisation providing a range of statutory and other services to a local community with a population of 135,000. It is responsible for managing a combined annual capital and revenue spend of £183 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 or other job creation schemes.

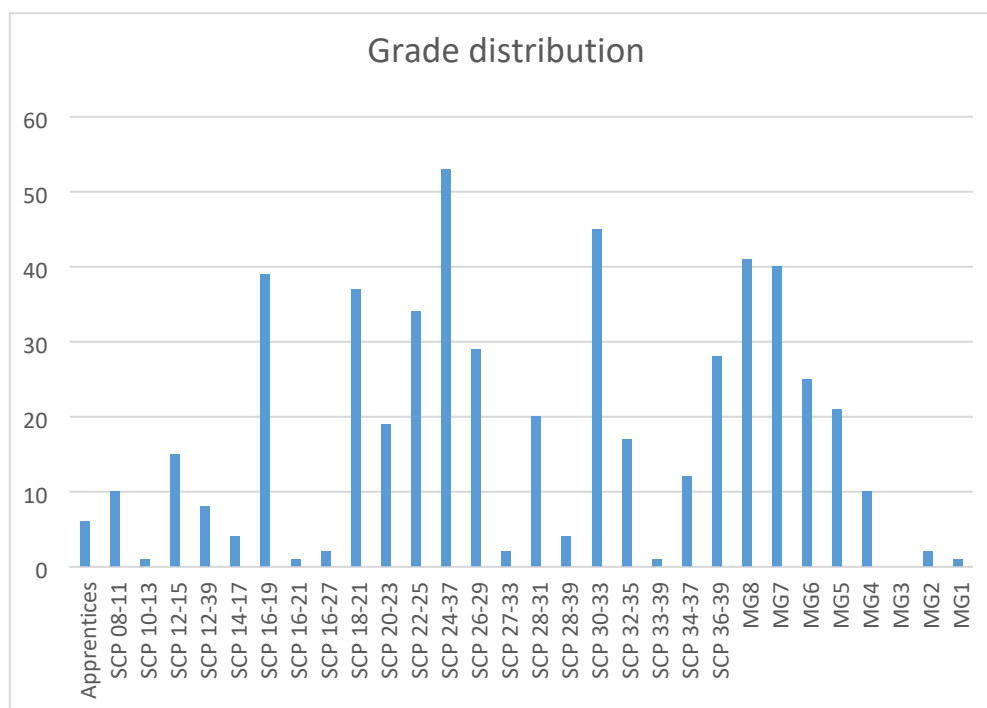
- 3 The policy statement will be reviewed and approved annually by Members and published on the transparency section of the Ashford Borough Council website together with the pay data published in line with the code of recommended practice on data transparency. Data on pay for individuals employed under 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), Deputy Chief Executive, as well as other Statutory Chief Officers, Non-Statutory Chief Officers and Deputy Chief Officers 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 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 that is better than the respective Statutory National Living Wage and National Minimum Wage rates; the Ashford Apprentice Wage Allowance (AAWA) is currently set at 20 pence per hour higher than these rates. The AAWA is reviewed annually and applied to those employed by the Council on an apprenticeship.
- 9 Grades MG1 and MG2 have two additional discretionary incremental points that 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.
- 10 The organisation's 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.
- 11 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.
- 12 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 £29,794. The chart below shows the current dispersal of grades amongst the council's employees.

- 13 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 post-holder.



- 14 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.
- 15 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.
- 16 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.
- 17 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.

- 18 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 Management Team for discussion.

- 19 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.
- 20 If a Chief Officer, or any other officer, chooses to end their employment with the authority there are no termination benefits payable.
- 21 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.
- 22 The Council will comply with obligations under the Exit Payment Recovery Regulations.
- 23 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.
- 24 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.
- 25 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.

- 26 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.
- 27 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.
- 28 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.
- 29 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 2022