

DECISION-MAKER:		COUNCIL	
SUBJECT:		PAY POLICY 2017-2018	
DATE OF DECISION:		15 MARCH 2017	
REPORT OF:		CHIEF EXECUTIVE	
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY			
None.			
BRIEF SUMMARY			
<p>The purpose of this report is to approve the council's Pay Policy Statement for 2017-2018 in accordance with the requirement under Section 38 (1) of the Localism Act 2011. The proposals affect all employees of the council (including schools based support staff) with the exception of: teachers; support staff in Voluntary Aided (VA)/Trust and Academy schools; Modern Apprentices (separate pay framework); staff who work for the Council but do not have council contracts of employment and/or terms and conditions (e.g. NHS staff in the Integrated Commissioning Unit, some Public Health staff who transferred under COSOP (Transfer of Undertakings (TUPE) equivalent) and have retained NHS terms and conditions).</p>			
RECOMMENDATIONS:			
	(i)	To approve the Pay Policy statement for 2017-2018.	
	(ii)	To note the implementation of the Living Wage Foundation increase as the minimum hourly rate for NJC evaluated posts from 1 st April 2017.	
	(iii)	To note the cost of living award (year 2 of the national pay award agreed for 2016 and 2017).	
REASONS FOR REPORT RECOMMENDATIONS			
1.	The council is required to approve its Pay Policy Statement ("Pay Statement") in accordance with the Localism Act 2011 ("Localism Act") prior to the commencement of each financial year. The Act requires the Pay Policy Statement to cover a range of disparate aspects of remuneration policy. By setting out clearly how the council is spending public money, the statement supports the Council Strategy and its aim to be a modern, sustainable organisation with the appropriate frameworks and governance to effectively manage pay and remuneration for all employees.		
2.	This Pay Policy Statement sets out Southampton City Council's pay policies relating to its workforce (excluding schools) for the financial year 2017-2018, including the remuneration of its Chief Officers, lowest paid employees and the relationship between its Chief Officers and that of its employees who are not Chief Officers.		

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
3.	No alternative options were considered as approval of an annual Pay Policy Statement is a statutory requirement.
DETAIL (Including consultation carried out)	
	Introduction
4.	The Localism Act 2011 (the Act) reflects a requirement for improved transparency over both senior council officers' pay and that of the lowest paid employees. To support this, the Act requires councils to publish an annual Pay Policy Statement. This covers Chief Officers (both Statutory and Non-Statutory Chief Officers and Deputy Chief Officers) as well as comparison of policies on remunerating Chief Officers and other employees, and to set out our policy on the lowest paid. The Act does not apply to local authority schools. In the interests of clarity and transparency it is important for local authorities to use the opportunity to set out their overall rewards strategy for the whole workforce.
5.	<p>The Act requires councils to include the following in their Pay Policy Statement</p> <ul style="list-style-type: none"> • policy on the level and elements of remuneration for Chief Officers • policy on the remuneration of its lowest-paid employees (together with a definition of "lowest-paid employees" and reasons for adopting that definition) • policy on the relationship between the remuneration of Chief Officers and other officers • policy on other specific aspects of Chief Officers' remuneration: remuneration on recruitment, increases and additions to remuneration, use of performance-related pay and bonuses, termination payments, and transparency.
6.	<p>The Act defines remuneration widely, to include not just pay but also charges, fees, allowances, benefits in kind, increases in/enhancements of pension entitlements, and termination payments.</p> <p>The Pay Policy Statement:</p> <ul style="list-style-type: none"> • must be approved formally by the council meeting itself • must be approved by the end of March each year • must be published on the authority's website (and in any other way the authority chooses) • must be complied with when the authority sets the terms and conditions for a chief officer • can be amended in-year.
	Changes in legislation and national policies
7.	<p>There are a number of pieces of forthcoming legislation which are in the process of consultation and once confirmed will need to be considered by the council in a revised Pay Policy Statement. They include:</p> <ul style="list-style-type: none"> • A proposed cap of £95,000 on termination payments to employees. It is anticipated that the government will implement the Repayment of Public Sector Exit Payment Regulations during 2017. The Regulations will introduce new measures to cap exit payments and also allow public sector exit payments to be recouped where high earning individuals are re-employed within the public sector within 12 months. Final details have yet to be published, however, the council will ensure that appropriate

	<p>policies and procedures are introduced to advise employees of the recovery rules and to take action to recover exit payments where the Regulations require it.</p> <ul style="list-style-type: none"> Proposals for public sector employees earning over £80,000 to repay in full, or in part, their termination payments if they are re-employed within the public sector within 12 months following the date of their termination From April 2017, where a public sector body engages an off-payroll worker through their own limited company, that body (or the recruiting agency if the public sector body engages through one) will become responsible for determining whether the rules should apply, and for paying the right tax.
8.	<p>The Council Strategy and the Workforce Strategy were approved in September 2016 and the Medium Term Financial Strategy was approved in February 2017. In addition considerable work has been completed and more work is underway to implement the operating model agreed in February 2015 through phased restructures of the organisation. In light of this strategic context and the proposed national changes the proposal is to present to Cabinet and Full Council an in year revision of the Pay Policy Statement for consideration later in the year.</p>
	<p>Definitions</p>
9.	<p>For the purpose of the council's Pay Statement the following definitions apply:</p> <ul style="list-style-type: none"> "Pay" in addition to base salary includes charges, fees, allowances, benefits in kind, increases in/enhancements to pension entitlements and termination payments. "Chief Officers" refers to roles graded at CO5 and above; this includes Statutory Chief Officers roles, members of the Council Management Team and some Service Lead roles with responsibilities at Chief Officer level.
10.	<p>Following completion of Phases 1 and 2 restructures Statutory Chief Officers roles are:</p> <ul style="list-style-type: none"> Chief Executive, as Head of Paid Service Service Director – Finance and Commercialisation (Chief Financial Officer, as Section 151 Officer) Service Director – Legal & Governance (Monitoring Officer) Service Director – Children & Families (DCS) Director Adult Social Care (DASS) Joint Director of Public Health (covering Southampton and Portsmouth City Councils)
11.	<p>Non Statutory Chief Officer roles included within the Council's Management Team are:</p> <ul style="list-style-type: none"> Chief Strategy Officer Chief Operations Officer Service Director - Transactions & Universal Services Service Director - Growth Service Director – Business Operations Service Director – Intelligence, Insight and Communications Service Director – Human Resources and Organisational Development
12.	<p>The Service Director, Strategic Integrated Commissioning is a joint post created across 2 organisations – the City Council and the Southampton City</p>

	Clinical Commissioning Group (CCG). This post holder is part of the Council’s Management Team and has management responsibility for the Director Adult Social Care (DASS) role on an interim basis until the discussions on further integration with health conclude an agreed way forward. This post holder is not a City Council employee and hence the Pay Policy Statement does not cover this role.															
13.	<p>Deputy Chief Officers roles are defined as those roles that report directly to/or are accountable to a statutory or non-statutory Chief Officer in respect of all or most of their duties. In the main they are Service Lead roles graded at a Chief Officer grade.</p> <ul style="list-style-type: none">• “Lowest paid employees” refers to those employees paid within Grade 1 of the council’s mainstream pay structure. This definition has been adopted because Grade 1 is the lowest grade on the Council’s mainstream pay structure and these posts have been as assessed through the NJC Job Evaluation Scheme as having the least amount of complexity and responsibility.• “Employee who is not a Chief Officer” refers to all employees who are not covered under the “Chief Officer” group above. This includes the “lowest paid employees” i.e. employees on Grade 1 and all other employees up to Grade 13.															
	Relationship between remuneration of "Chief Officers" and "employees who are not Chief Officers"															
14.	<p>This relates to the ratio of the council’s highest paid employee (falling within the definition of “Chief Officers”) and the median average earnings across the whole workforce as a pay multiple. By definition, the council’s highest paid employee is the Chief Executive. The median Full Time Equivalent (FTE) salary has been calculated on all taxable earnings for the financial year 2016 - 2017, which includes basic salary and any contractual allowances/payments. The median salary was calculated in February 2017 using pay data for all permanently employed staff and taking account of the confirmed pay award for April 2017. The ratio of the council’s highest paid employee and the median average earnings across the whole workforce is showing a favourable position for the year April 2017 onwards.</p> <table><tr><td></td><td>April 2017 (£)</td><td>April 2016 (£)</td></tr><tr><td>Highest paid employee</td><td>176, 087</td><td>174,344</td></tr><tr><td>Median FTE salary</td><td>27,668</td><td>25,440</td></tr><tr><td>Ratio</td><td>6.36:1</td><td>6.85:1</td></tr><tr><td></td><td></td><td></td></tr></table>		April 2017 (£)	April 2016 (£)	Highest paid employee	176, 087	174,344	Median FTE salary	27,668	25,440	Ratio	6.36:1	6.85:1			
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	Pay Framework and remuneration levels															
	<u>General approach</u>															
15.	<p>The pay structure and pay scales have been designed to enable the council to recruit and retain suitably qualified employees at all levels within an acceptable financial framework so that the council can achieve the priority outcomes detailed in the Council Strategy 2017-2020. With a diverse workforce the council recognises that the Pay Policy Statement needs to retain sufficient flexibility to respond in an agile and effective manner to a</p>															

	variety of circumstances that can arise and may necessitate the use of market supplements or other such mechanisms for individual categories of posts or business needs where appropriate. The decision to apply a market premium will be approved by the Senior Leadership Team (comprising the Chief Executive, Chief Strategy Officer and Chief Operations Officer) based on advice from the Service Director, HR and Organisational Development and any approved premium will be subject to an annual review.
	<u>Responsibility for decisions on pay structures</u>
16.	It is essential for good governance that decisions on pay are made in a transparent, fair and accountable manner. The council's locally determined pay structures are based on the outcome of recognised job evaluation schemes (Hay and National Joint Council - NJC). This is in line with the national requirement for all Local Authorities to review their pay and grading frameworks to ensure fair and consistent practice for different groups of workers with the same employer and to comply with employment legislation as well as the economic climate locally.
17.	The current mainstream pay structure was implemented in June 2015 under the Pay & Allowances Framework collective agreement. The pay structure for Chief Officers and Service Leads (Deputy Chief Officers) is determined separately and pay rates are allocated through the Hay Job Evaluation process. The transformation and implementation of the revised operating model has seen an overall reduction in Chief Officer roles from 2014/15 to 2016/17. The pay levels reflect the nationally agreed pay award for 1st April 2017 onwards (2 year award made for 2016/17 and 2017/18).
18.	It is recognised that the current job evaluation process needs a review as it is cumbersome, takes a huge amount of resources across the council and is not fit for purpose. Work has therefore commenced on a comprehensive review of the job evaluation process with the aim of introducing an agreed and more appropriate, job family framework, in line with the approach introduced by some other councils.
	<u>Pay scales and grading framework</u>
19.	All employees below the level of Chief Executive, Chief Officers and some Service Leads (Deputy Chief Officers) are within the council's main NJC Pay Scale (with the exception of teachers).
20.	<p>The council's main pay scale consists of 62 pay spine points (Spinal Column Points; SCPs) within 13 grades with grade 1 being the lowest and grade 13 the highest. Each employee will be on one of the 13 grades based on their job evaluated role. Each grade contains several spinal column points (SCP) to allow for incremental advancement within the grade. In line with the approved Pay & Allowances Framework (June 2015) each grade in the main pay scale has been reduced in length (a maximum of 8 SCP with effect from 1 June 2015). To further reduce or eliminate grade overlap, one more scale point was removed from the bottom of grades 5 to 13 in April 2016 and the same again will apply in April 2017, to leave a maximum of 6 SCP in each grade.</p> <p>The council is committed to ensuring that all employees receive a rate of pay at least equal to the Living Wage (in line with the Living Wage Foundation review and recommendations). Therefore the council currently applies an additional payment to employees in roles on the lowest SCP which fall below</p>

	the Living Wage. The impact of this commitment is the ongoing effect of increasing annual salaries for the council's lowest paid employees. All our main scale posts are therefore paid within the range £16,302 (Living Wage Foundation supplement which covers Grades 1, 2 and part of Grade 3; SCP 6-11) to £60,004 per year (SCP 62).
21.	The pay grades of the Chief Executive and Chief Officers reflect similar principles as the main SCC pay structure. From 1 st April 2016 the full range of pay points on the Senior Management Grade (SMG) Pay Rate were applied and this has seen the re-introduction of pay points at 70-73 (CO5) and pay points 103 - 104 (CO1A) to provide a more differentiated approach to roles in line with the council's new operating model at senior levels and the inherent requirement for increased spans of control and responsibility across services.
22.	Details of the Chief Officer pay scales (Appendix 1) and the council's mainstream pay structure (Appendix 2) are attached to this report and will be published on the council's website, reflecting the position with effect from 1 st April 2017.
23.	Pay awards are considered annually for all employees but are subject to restrictions imposed nationally by the Government and/or negotiated locally. The outcome of national consultations by the Local Government Association in negotiation with the Trade Unions in relation to the settlement of the annual pay award is normally applied. If there is an occasion where to do so would distort the local pay structures, alternative proposals are developed, discussed with the trade unions and brought to Members for formal approval. A two year deal pay award was confirmed for the period April 2016 - March 2017; April 2017- March 2018; reflecting a 1% increase in pay and allowances.
	<u>Remuneration – levels and other pay elements</u>
24.	<p>Details of Chief Officer and Deputy Chief Officer remuneration are published on the Council's website. They are all paid within the council's pay structures as follows:</p> <ul style="list-style-type: none"> • Chief Executive, as Head of Paid Service will be paid a salary within the grade range £148,272 to £176,087. • Statutory and Non-Statutory Chief Officers and Service Leads (Deputy Chief Officers) will be paid a salary within the grade range £62,377 to £143,258 according to evaluation of each role under the Hay scheme (CO5 to CO1A).
	<u>Bonuses and Performance related pay</u>
25.	The council's Pay and Allowances Framework does not have a provision for bonus payments or performance related pay awards to any level of employee. There is, however, provision to award an honorarium or an accelerated increment to recognise a situation where an employee performs duties outside the scope of their post over an extended period or where there are short term additional duties and responsibilities. All such payments/increments are subject to approval by the relevant Service Director following consultation with the HR and OD team.

	<u>Other pay elements: charges, fees or allowances</u>
26.	The pay structure for Chief Officers takes account of the clearly defined additional responsibilities in respect of the Section 151 and Monitoring Officer roles. The council's Returning Officer for elections and the Deputy Returning Officers receive a fee payable according to a scale of costs, charges and expenses set by the Hampshire and Isle of Wight Election Fees Working Party and allowed under the Local Government Act 1972. This fee is for the performance of election duties in respect of local (Council) elections. (The scale is published on the council's website.)
27.	Allowances or other payments, for example, linked to irregular or unsocial hours working, standby, etc. are paid, as appropriate, to employees who are paid below the Chief Officer pay grade. This will be in connection with their role or the pattern of hours they work in accordance with the council's standard framework (Appendix 3) and national collective agreements.
28.	The council recognises that some employees incur necessary expenditure in carrying out their responsibilities, for example travel, parking and subsistence costs. Reimbursement for reasonable expenses incurred on council business are paid in accordance with the council's collective agreement and List of Rates and any subsequent amendments to these as published.
	<u>Benefits in kind</u>
29.	The council is aware of the requirement to demonstrate that employees are paid fairly and in supporting this key principle removed all benefits in kind from its Pay and Reward structure and introduced a standard Allowance framework in June 2015.
	<u>Pension</u>
30.	All employees, as a result of their employment, are eligible to join the Local Government Pension Scheme (LGPS). There will be no increases or enhancement to pension entitlements. There are no increases or enhances to the scheme for those Public Health employees who come under the NHS Pension Scheme.
	<u>Severance payments</u>
31.	The council publishes its policy on discretionary payments on early termination of employment and flexible retirement as well as publishing its policy on increasing an employee's total pension membership and on awarding additional pension. These policies cover all levels of employee and are applied in support of efficient organisational change and transformation linked to the need for efficiencies and expenditure reduction.
	<u>New starters joining the council</u>
32.	Employees new to the council will normally be appointed to the first point of the salary scale for their grade. Where the candidate's current employment package would make the first point of the salary scale unattractive (and can be demonstrated by the applicant in relation to current earnings) or where the employee already operates at a level commensurate with a higher salary, a different starting salary point within the grade may be considered by the recruiting manager. The candidate's level of skill and experience should be consistent with that of other employees in a similar position on the salary scale within the grade.

	<u>Re-employing former local government and other public sector employees</u>
33.	It is important for the council to retain the flexibility to respond to unforeseen/exceptional circumstances as regards re-employing former local government and other public sector employees. If the council were to re-employ a previous local government/public sector employee who had received a redundancy or severance package on leaving, or who was in receipt of a pension covered by the Redundancy payments (Continuity of Employment in Local Government Modification order 1999, known as the Modification Order) (with the same or another authority) then the council's policy is to ensure that the rules of the Modification Order and the anticipated Repayment of Public Sector Exit Payment Regulations are applied. In addition the council will ensure that an open and fair selection process has taken place before any appointment is confirmed. The same principle would be applied to such a person if they were to be engaged by the council on a "contract for services" basis. This policy area will be reviewed in light of the changes in forthcoming legislation.
	<u>Use of consultants, contractors and interim or temporary staff</u>
34.	The council always seeks to fulfil its obligation to secure value for money in the employment of its own staff and those who carry our work on its behalf. Employees will be employed directly by the council in most circumstances; where particular circumstances deem it necessary, people may be employed through external agencies or the Temporary Employment Agency (TEA). When this situation arises the council will give detailed consideration to the benefit of doing so and will ensure value for money is achieved. Where any use of consultants is considered for specific expertise or short term project work any such arrangements will require prior approval by the Chief Strategy Officer or Chief Operations Officer in consultation with the Service Director, HR and OD, Service Director, Legal and Governance and the Chief Financial Officer, in line with the internal "Use of Consultants "policy (to be published Spring 2017) and with due regard to HMRC requirements and IR35 rules.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
35.	<p>In February the council set a two year budget based on the above principles, with staffing costs accounting for 30% of the council's expenditure. There must be adequate funding and budgetary provision in place prior to arrangements being made regarding the following:</p> <ul style="list-style-type: none"> • market supplements; • appointing above the lowest spinal column point; • paying a honorarium; • appointing temporary staff; and • appointing consultants. <p>The information regarding the actual management team salaries and pay bandings is also published within the Statement of Accounts each year. (MC)</p>
<u>Property/Other</u>	
36.	None.

LEGAL IMPLICATIONS		
<u>Statutory power to undertake proposals in the report:</u>		
37.	The publication of an annual Pay Policy is required under the Localism Act 2011.	
<u>Other Legal Implications:</u>		
38.	None.	
POLICY FRAMEWORK IMPLICATIONS		
39.	The Pay Policy Statement helps the council achieve the objectives in the Council Strategy 2017-2020 and the Workforce Strategy.	
40.	The Council's duty under section 149 of the Equality Act 2010 is to have due regard to the matters set out in relation to equalities when considering and making decisions. The Pay Policy Statement is designed to bring fairness and equality to the application of pay and remuneration within the Council. For example, commitment to ensure that all employees receive a rate of pay at least equal to the Living Wage (in line with the Living Wage Foundation review and recommendations).	
KEY DECISION?		No
WARDS/COMMUNITIES AFFECTED:		none
<u>SUPPORTING DOCUMENTATION</u>		
Appendices		
1..	SMG Pay Rates: Chief Officer Pay Structure	
2.	SCC Main Pay scale (with Living Wage adjustment)	
3.	SCC Allowance Framework	
Documents In Members' Rooms		
1.	None.	
Equality Impact Assessment		
Do the implications/subject of the report require an Equality and Safety Impact Assessments (ESIA) to be carried out?		No
Privacy Impact Assessment		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		No
Other Background Documents		
Equality Impact Assessment and Other Background documents available for inspection at:		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None	

