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| DECISION-MAKER: | COUNCIL | | |
| SUBJECT: | Pay Policy 2019-2020 | | |
| DATE OF DECISION: | 20 th March 2019 | | |
| REPORT OF: | Chief Executive | | |
| <u>CONTACT DETAILS</u> | | | |
| AUTHOR: | Name: | Janet King | Tel: 023 8083 2378 |
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| STATEMENT OF CONFIDENTIALITY | | | |
| None | | | |
| BRIEF SUMMARY | | | |
| <p>The purpose of this report is to approve the Pay Policy for 2019-2020. The proposals reflect the two year national agreement (2018-2019 / 2019-2020) and affect all staff of the council with the exception of: teachers and support staff in Voluntary Aided (VA)/Trust; Modern Apprentices (separate pay framework); Non council staff who work for the council (NHS, including Public Health staff who transferred under COSOP (Transfer of Undertakings (TUPE) equivalent) and have retained NHS pay.</p> | | | |
| RECOMMENDATIONS: | | | |
| | (i) | To approve the Pay Policy statement for 2019-2020. | |
| | (ii) | To note the continued implementation of the Living Wage Foundation increase as the minimum hourly rate for NJC evaluated posts from 1 st April 2019. | |
| | (iii) | To note that the cost of living award was agreed for 2019 as part of the two year pay agreement for NJC evaluated roles and Chief Officer and Chief Executive pay and that implementation of this is delegated to the Service Director HR and OD to be applied for 2019/2020. | |
| REASONS FOR REPORT RECOMMENDATIONS | | | |
| 1. | Purpose | This Pay Policy Statement ("Pay Statement") is provided in accordance with the Localism Act 2011 ("Localism Act") and is updated prior to the commencement of each subsequent financial year. | |
| 2. | Context | <p>The Pay Policy reflects the two year, collective national agreements for NJC evaluated roles and Chief Officer and Chief Executive pay. Implementation of the Pay Policy is in accordance with the Revenue Budgets approved for 2019/20.</p> <p>This Pay Statement sets out Southampton City Council's pay policies relating to its workforce (excluding the groups noted above) for the financial year 2019-2020, including the remuneration of its Chief Officers, lowest paid staff and the relationship between its Chief Officers and that of the staff who are not Chief Officers.</p> | |

The Localism Act 2011 (the Act) reflects a requirement for transparency over both senior council officers' pay and that of the lowest paid staff. To support this, the Act requires Councils to publish an annual Pay Policy Statement covering Chief Officers (both Statutory and Non-Statutory Chief Officers and Deputy Chief Officers), a comparison of policies on remunerating Chief Officers and other staff and 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 reward strategy for the whole workforce. The Act requires councils to include the following in their Pay Policy

Statement:

- the level and elements of remuneration for Chief Officers;
- the remuneration of its lowest-paid employees (together with 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.

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. The Pay Policy Statement can be amended in-year but must be:

- approved formally by the Council meeting itself;
- approved by the end of March each year;
- published on the authority's website (and in any other way the authority chooses);

complied with when the authority sets terms and conditions for Chief Officers.

3.

Changes in legislation and national policies

There are a number of pieces of potential legislation still in the process of consultation or deferred by the Government. If confirmed these will need to be considered by the Council in a revised Pay Policy Statement. They include:

- A proposed cap (£95,000) on termination payments to staff.
- Implementation of the Repayment of Public Sector Exit Payment Regulations which will allow public sector exit payments to be recouped where high earning individuals (salaries over £80,000 p.a.) are re-employed within the public sector within 12 months.

Final details or timelines have yet to be published, however, the Council will ensure that appropriate policies and procedures are introduced to advise staff of the recovery rules and to take action to recover exit payments where the Regulations require it.

The Council's gender pay reporting requirements are published on the council's website as part of the Transparency Code. This was a new

requirement from 2018 onwards. The current pay gap for the Council shows that women's hourly rate is:

- 6% lower (mean)
- 6% lower (median)

The Council's mean and median gender pay gap is significantly lower than the UK national average, which is estimated at 18.1% based on data from the Office of National Statistics (ONS).

Whilst the Council does have a much lower gender pay gap than the national average, we recognise that a small gender pay gap does still exist due to the nature of our workforce profile and the job roles that men and women are employed to do.

Whilst we have higher female representation in all of our pay quartiles, we have a larger proportion of women in our lower pay quartiles, which explains our mean and median gender pay gap of 6% and 6% respectively. Within our lower pay quartiles, the majority of these roles are part time, and these tend to be more likely to be held by women. (It is estimated that 73% of part time workers in the UK are women).

The Council has significant female representation in our upper pay quartiles, demonstrating that we have a good gender balance amongst our most senior roles. At the time of publication, our Chief Executive is female and 43% of our Council Management Team are represented by women.

4.

Definitions

For the purpose of this Pay Statement the following definitions apply:

- "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 the following roles within the Council:

Statutory Chief Officer roles are:

- a) Chief Executive, as Head of Paid Service
- b) Service Director – Legal & Governance (Monitoring Officer)
- c) Service Director – Children & Families (DCS)
- d) Director of Adult Social Services (DASS) incorporated into the role of Director of Quality and Integration. The substantive post is a joint post with the Southampton City Clinical Commissioning Group (CCG) and employed by Health (lead on strategic, integrated commissioning of health and care services). The post holder is part of the Council Management Team but is only a City Council employee for the DASS role and hence the Pay Policy Statement does not cover this role.
- e) Service Director – Finance and Commercialisation (Chief Financial Officer, as Section 151 Officer)
- f) Joint Director of Public Health (Joint role with Portsmouth City Council)

Non Statutory Chief Officer roles are

- a) Deputy Chief Executive (Interim)
- b) Chief Operations Officer
- c) Service Director - Transactions & Universal Services

- d) Service Director – Growth
 - e) Service Director – Digital and Business Operations
 - f) Service Director – Intelligence, Insight and Communications
 - g) Service Director – Human Resources and Organisational Development
 - h) Service Director – Adults, Housing and Communities
- Deputy Chief Officers roles are 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.
 - “Lowest paid employees” refers to those staff 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 the posts have been 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” pay scale group above. This includes the “lowest paid employees” i.e. employees on Grade 1 and all other staff up to an including Grade 13.

5.

Relationship between remuneration of "Chief Officers" and "employees who are not Chief Officers"

This relates to the ratio of the Council’s the definition of “Chief Officers” and the median average earnings across the whole workforce as a pay multiple. 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 2018 - 2019, which includes basic salary and any contractual allowances/payments. The median salary and ratio for 2019 is calculated using pay data for all permanently employed staff and takes account of the confirmed pay award for April 2019. The ratio of the Council’s highest paid employee and the median average earnings across the whole workforce is published for comparison with the April 2018 position.

| | April 2019 (£) | April 2018 (£) |
|------------------------------|----------------|----------------|
| Highest paid employee | 165,253 | 151,237 * |
| Median FTE salary | 32,029 | 30,576 |
| Ratio | 5.12 : 1 | 4.92 : 1 |

*Highest paid employee salary for 2018 reflects the interim, internal appointment to the role prior to the permanent appointment to the Chief Executive post from January 2019.

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| 6. | <p>Pay Framework and remuneration levels – general</p> <p>The pay structure and pay scales have been designed to enable the Council to recruit and retain suitably qualified staff at all levels to meet the outcomes detailed in the Council Strategy and associated outcome plans within an affordable financial framework. With a diverse workforce the Council recognises that the Pay Policy needs to retain sufficient flexibility to cope with a variety of circumstances that can arise and may necessitate the use of market supplements or other such mechanisms for individual categories of posts where appropriate to service and business needs. The decision to apply a market premium will be approved by the Chief Executive and the Organisational Design Board based on advice from the Service Director HR and OD. Any approved premium will be subject to an annual review.</p> |
| 7. | <p>Responsibility for decisions on pay structures</p> <p>It is essential for good governance that decisions on pay are made in an open 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.</p> <p>The current mainstream pay structure was implemented in June 2015 under the Pay & Allowances Framework collective agreement. The pay structure for Chief Officers (CO) and Service Leads on CO Grades (Deputy Chief Officers) is determined separately and pay rates are assessed through the Hay job evaluation process.</p> <p>The Service Director HR and OD has the delegated authority to amend the pay levels to reflect the nationally agreed pay award for 2019.</p> |
| 8. | <p>Pay scales and grading framework</p> <p>All staff below the level of Chief Executive, Chief Officers and Service Leads (Deputy Chief Officers) on Chief Officer pay scales are within the main Council pay scale (with the exception of teachers).</p> <p>The main Council pay scale consists of 56 pay spine points (SCP) within 13 grades with grade 1 being the lowest and grade 13 the highest. All staff are 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 was reduced in length over a three year period to maintain progression whilst reducing grade overlap. The 2019 compression of spinal column points is in line with the national pay agreement to be implemented by the Council within budget and without affecting the top of any current grade or number of overall grades within the pay scale. All main scale posts are paid within the range £17,364 (Foundation Living Wage 2018/19) to £62,428 per year.</p> |

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| 9. | The Council has committed to ensuring that all staff receive a rate of pay at least equal to a Living Wage (in line with the Living Wage Foundation review and recommendations) and applies an additional payment to staff on any hourly pay rate which falls below the Living Wage. This has had the on-going effect of increasing annual salaries for the lowest paid Council staff. The additional payment is not required for 2019 as the minimum hourly rate of £9.00 aligns with the Living Wage Foundation recommendation. |
| 10. | The Chief Executive and Chief Officer pay grades reflect similar principles to the main Council pay structure. From 1st April 2016 the full range of pay points on the SMG Pay Rate were applied and this saw the re-introduction of pay points pay points 70-73 (CO5) and CO1A (pay points 103-104) to provide a more differentiated approach in line with the Council's operating model at senior levels and the inherent requirement for increased spans of control and responsibility across services. |
| 11. | Details of the Chief Officer pay scales (Appendix 1) and the Council's mainstream pay structure (Appendix 2) are appended to this Statement, are published on the Council's website and reflect the position with effect from 1 st April 2019. |
| 12. | 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 as per the recommendation for 2019-2020. If there is an occasion where to apply nationally agreed pay awards would distort the local pay structures, alternative proposals are developed, discussed with the trade unions and brought to Elected Members for formal approval. |
| 13. | <p>Remuneration – level and element</p> <p>“Chief Officers” are identified at 3 above. They are all paid within the Council's pay structures as follows:</p> <ul style="list-style-type: none"> a. Chief Executive, as Head of Paid Service will be paid a salary within the grade range £154,262 to £183,201. (2019/2020 pay level) b. Statutory and Non-Statutory Chief Officers and Service Leads (deputy chief officers) will be paid a salary within the grade range £64,898 to £149,045 (2019/20 pay levels) according to post rating under the Hay scheme (CO5 to CO1A). <p>Details of Chief Officer and Heads of Service remuneration are published on the Council's website.</p> |
| 14. | <p>Bonuses and Performance related pay</p> <p>There is no provision for bonus payments or performance related pay awards to any level of employee. There is, however, an honorarium provision for a one off or monthly agreed sum or an accelerated increment which may be awarded where an employee performs duties outside the scope of their post over an extended period or where there are agreed, short term additional duties and responsibilities. All such payments/increments are subject to approval by a Service Director and must be within existing budget provision.</p> |

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| 15. | Other pay elements The pay structure for Chief Officers takes account of the clearly defined additional statutory responsibilities in respect of the Section 151 and Monitoring Officer roles. |
| 16. | Charges, fees or allowances Allowances or other payments, for example linked to irregular or unsocial hours working, standby, first aid / fire responsibilities etc. are paid, as appropriate, to staff below Chief Officer pay grade in connection with their role or the pattern of hours they work and in accordance with the council's standard framework (Appendix 3) and national collective agreements. |
| ALTERNATIVE OPTIONS CONSIDERED AND REJECTED | |
| 17. | None |
| DETAIL (Including consultation carried out) | |
| 18. | National negotiations for pay and local discussion with Service Director Finance and Commercialisation and Trade Unions to implement the agreed compression of spinal column points. |
| RESOURCE IMPLICATIONS | |
| <u>Capital/Revenue</u> | |
| 19. | The implementation of the Pay Policy is in accordance with the Revenue Budgets approved for 2019/20. |
| <u>Property/Other</u> | |
| 20. | n/a |
| LEGAL IMPLICATIONS | |
| <u>Statutory power to undertake proposals in the report:</u> | |
| 21. | Localism Act 2011 |
| <u>Other Legal Implications:</u> | |
| 22. | none |
| RISK MANAGEMENT IMPLICATIONS | |
| 23. | N/a |
| POLICY FRAMEWORK IMPLICATIONS | |
| 24. | n/a |
| KEY DECISION? | No |
| WARDS/COMMUNITIES AFFECTED: | none |
| <u>SUPPORTING DOCUMENTATION</u> | |
| Appendices | |
| 1. | Chief Officer Pay scales |
| 2. | Main pay scales Grades 1-13 |
| 3. | 2019/20 Allowance Framework |

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| 4. | Pay Policy Transparency Statement 2019-2020 |
| 5. | Severance and Pensions Payment Discretionary Powers Policy |

Documents In Members' Rooms

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| 1. | None |
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Equality Impact Assessment

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| Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out. | No |
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Data Protection Impact Assessment

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| Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out. | No |
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Other Background Documents

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) |
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| 1. | None |