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Chairman and Members of the
Human Resources Committee

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Date: 20 March 2014

cc. All other recipients of the Human
Resources Committee agenda

Dear Councillor

HUMAN RESOURCES COMMITTEE - 25 MARCH 2014

Please find attached the following report which was marked "to follow" on the agenda for the above meeting:

6. Pay Policy Statement (Pages 3 - 18)

Please bring these papers with you to the meeting next Tuesday.

Yours faithfully

Lorraine Blackburn
Democratic Services Officer
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MEETING : HUMAN RESOURCES COMMITTEE
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : TUESDAY 25 MARCH 2014
TIME : 2.00 PM

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EAST HERTS COUNCIL

HUMAN RESOURCES COMMITTEE - 25 MARCH 2014

COUNCIL - 14 MAY 2014

REPORT BY HEAD OF PEOPLE AND PROPERTY SERVICES

PAY POLICY STATEMENT 2014/15

WARD(S) AFFECTED: NONE

Purpose/Summary of Report

To approve the Pay Policy Statement 2014/15

RECOMMENDATIONS FOR HUMAN RESOURCES:

That:

(A)	The Pay Policy Statement 2014/15 is recommended for approval.
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RECOMMENDATIONS FOR COUNCIL:

That:

(A)	The Pay Policy Statement 2014/15 be approved
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1.0 Background

1.1 A pay policy statement is required to be produced annually under sections 38 to 43 of the Localism Act 2011. Regard is to be had to guidance section 40 from the Secretary of State in producing this statement.

1.2 A pay policy statement for a financial year must set out the Authority's policies for the financial year relating to:

- the remuneration of chief officers

- the remuneration of the lowest paid employees
- the relationship between chief officers remuneration and that of other officers

1.3 The statement must 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.

1.4 The term 'remuneration' covers:

- a) the chief officers salary or, in the case of chief officers engaged by the authority under a contract for services,
- b) payments made by the authority to the chief officers for those services
- c) any bonuses payable by the authority to the chief officers
- d) any charges, fees or allowances payable by the authority to the chief officers
- e) any benefits in kind to which the chief officers are entitled as a result of the chief officer's office or employment
- f) any increase in or enhancement of the chief officer's pension entitlement where the increase or enhancement is as a result of a resolution of the authority, and
- g) any amounts payable by the authority to the chief officers on the chief officers ceasing to hold office under or be employed by the authority, other than amounts that may be payable by virtue of any enactment.

1.5 A pay policy statement for a financial year may also set the Authority's policies for the financial year relating to the other terms and conditions applying to the authority's chief officers.

1.6 The Secretary of State published 'The Code of Recommended Practice for Local Authorities on Data Transparency' on 29 September 2011. The Code enshrines the principles of transparency and asks councils to follow three principles when

publishing data they hold; responding to public demand; releasing data in open formats available for re-use; and, releasing data in a timely way. This includes data on senior salaries and the structure of their workforce. The pay policy statement has been written using these principles.

1.7 The Department for Communities and Local Government published 'Openness and Accountability in Local pay: Guidance under Section 40 of the Localism Act 2011' in February 2013. The pay policy statement has been written taking into consideration this guidance.

2.0 Report

2.1 Pay Policy Statement 2014/15 (Essential Reference Paper B).

3.0 Implications/Consultations

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

None

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ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives <i>(delete as appropriate):</i>	People This priority focuses on enhancing the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable.
Consultation:	Not applicable
Legal:	Not applicable
Financial:	Not applicable
Human Resource:	None
Risk Management:	None

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Pay Policy Statement 2014/2015

Status of this statement

A pay policy statement is required to be produced annually under section 38 of the Localism Act. Regard is to be had to any guidance from the Secretary of State in producing this statement.

Any decision under powers delegated in the Council’s Constitution with regard to remuneration to be taken from 1 April 2014 to 31 March 2015 will be bound by and must comply with this Statement.

The Head of People and Property Services must be consulted prior to any decision impacting on remuneration where there is any question regarding compliance with the Statement.

Coverage

This statement sets out the Council’s policy with regards to:

- the remuneration of Chief Officers
- the remuneration of the lowest paid employees
- the relationship between Chief Officers remuneration and that of other officers

“Remuneration” for the purposes of this statement includes three elements:

- basic salary
- pension
- all other allowances arising from employment

“Chief Officers” covers more than the Council’s usual definition for the purposes of this statement.

The Council regards the following as its “Chief Officers”

Chief Executive and Director of Customer and Community Services
Director of Finance and Support Services
Director of Neighbourhood Services

There is a statutory requirement that for the purposes of producing this statement that the following posts (Senior Management Team) be covered by the policy statement along side the above 3 posts.

Head of Democratic and Legal Support Services
Head of People and Property Services
Head of Financial Services and Performance
Head of Revenues and Benefits Shared Service
Manager of Corporate Risk
Head of Environmental Services
Head of Information Customer Services and Parking
Head of Communications, Engagement and Cultural Services
Manager Economic Development
Head of Planning and Building Control Services
Head of Community Safety and Health Services
Manager of Housing Services

In this policy statement the term “Chief Officers” refers to the Chief Executive/Director and two Directors in that where there any differences in terms of the policy it is between this group and all other employees. For the second group of posts noted above there is no differentiation between this group and all other employees.

The Policy for 2014/15

Objectives of the policy

(a) to ensure a capable and high performing workforce

In respect of Chief Officers and all other employees the Council’s policy is to set remuneration sufficient to attract and retain adequately experienced, trained and qualified individuals to deliver the Council’s priorities.

(b) simplicity, clarity and fairness between employees and between the Council and the community.

The Council aims to be transparent on pay to its staff, prospective staff and the wider community. Therefore other than the 4% local award after 3 years service the Council does not pay any bonus, performance enhancement, hospitality or expenses allowance to any of its employees. This approach avoids processing costs of multiple allowance schemes and is fair in that “status” is never a determinant of entitlement to benefits or allowances.

(c) To differentiate between remuneration and other employee related expenses.

The Council will meet or reimburse authorised travel, accommodation and subsistence costs for attendance at approved business meetings and training events. The Council does not regard such costs as remuneration but as non

pay operational costs. This policy is applied consistently to Chief Officers and other employees.

Remuneration subject to national and local determination

The national context

Pay bargaining

The Council is a member of the local government employers association for national collective bargaining in respect of Chief Officers and other employees. There are separate negotiations and agreements in respect of each of these three groups. Changes from national negotiations generally take effect from 1 April each year and are retrospective to 1 April where agreements are struck later than 1 April. It is the Council’s policy to implement national agreements. Chief Officers are under the JNC conditions of service including pay. All other employees are under the NJC national agreement on pay and conditions of service.

Pay of the Chief Officers was last increased in April 2008 and of other staff in April 2013. Subject to negotiations the Council will apply any settlement reached in respect of April 2014 but is currently budgeting for a 1% increase. The current expectation is that the next increase will be a 1% in 2015 and 2.5% in 2016 and 2017. 2014 and 2015 budgeted increase will be offset by an equal reduction in respect of East Herts Council local award.

In addition to pay the national agreements cover other terms and conditions such as annual leave and allowances for use of private vehicles on council business. The Council pays car allowances in accordance with these national scales which are the same for Chief Officers and other staff. The current rates (which were last increased in April 2009) are:

Essential User Rates	451 - 999cc	1000 - 1199cc	1200 & Above
Lump sum per annum (Monthly payment pro rata)	£846 £70.50	£963 £80.25	£1,239 £103.25
Per mile - first 8,500 miles (Monthly mileage pro rata)	36.9p	40.9p	50.5p
Per mile - after 8,500 miles	13.7p	14.4p	16.4p
Amount of VAT per mile in Petrol element	1.5670p	1.7270p	1.88101p
Casual User Rates			

Essential Reference Paper “B”

Per mile - first 8,500 miles (Monthly mileage pro rata)	46.9p	52.2p	65.0p
Per mile - after 8,500 miles	13.7p	14.4p	16.4p
Amount of VAT per mile in Petrol element	1.5670p	1.7270p	1.88101p

The Local Government Pension Scheme and policy with regard to the exercise of discretions

Pension provision is an important part of the remuneration package.

All employees may join the local government pension scheme. The scheme is a statutory scheme with contributions from employees and from employers. For more comprehensive details of the local government pension scheme see

All Employees over 22 years of age, but below state pension age and earn more than the qualifying annual salary currently £10,000 per annum will automatically be enrolled into the LGPS pension scheme

<http://www.lgps.org.uk/lge/core/page.do?pagelid=1>

Neither the scheme nor the Council adopt different policies with regard to benefits for any category of employee: the same terms apply to the Chief Officers and other staff.

The scheme provides for the exercise of discretion that allow for retirement benefits to be enhanced. The Council will consider each case on its merits but has determined that its usual policy is not to enhance benefits for any of its employees. This policy statement reaffirms this in respect of Chief Officers and other employees.

The pension scheme provides for flexible retirement. In applying the flexible retirement provision no distinction is made between the Chief Officers and other employees. The scheme requires that a minimum reduction in working hours of 25% is made and/or there is a reduction in grade and that any consequential payments to the pension fund are recoverable in three years with the discretion to extend the three years in exceptional circumstances. The Council's Human Resources Committee will consider requests from a Chief Officer and directors will consider requests from other employees.

Local variations and allowances

Pay evaluation and the local award

All employees other than Chief Officers have their basic pay determined by a job evaluation scheme (the Hay scheme) which ensures that different jobs having the same value are paid at the same rate. The “job score” determines the pay scale for the job range within which there is provision for progression

by annual increments until the top of the pay scale is reached. Most pay scales have 5 increments.

A benchmarking exercise for Chief Officers using the HayGroup job evaluation scheme was completed in October 2012.

All employees other than Chief Officers currently become eligible for a 4% local award in addition to basic pay on completion of 3 years satisfactory service. The Council will reduce this payment to 2% by phased reduction at the same rate as any increase in pay is agreed under the national pay settlements.

Chief Officers are paid a fixed spot salary with no provision for incremental progression or additional payment on completion of a period of service. The salaries of these posts will however be reduced by 2% to reflect the reduction in the 4% addition paid to other employees with the same basis of phasing the reduction.

Discontinued benefits and allowances in run off

The Council's health insurance scheme was discontinued in January 2014.

The Council's car lease scheme was discontinued in January 2014 and all Chief Officers and Senior Management Team reverted to Casual Car Allowance Status.

Allowances on appointment

The Council's policy is to not pay any form of “signing on” fee or incentive payment when recruiting.

Where it is necessary for a newly appointed employee to relocate to take up appointment the Council may make a contribution towards relocation expenses.

The same policy applies to, Chief Officers and other employees in that payment will be made against a range of allowable costs for items necessarily incurred in selling and buying a property and moving into the area.

The costs include estate agents fees, legal fees, stamp duty, storage and removal costs, carpeting and curtains, short term rental etc. The council will pay 80% of some costs and 100% of others or make a fixed sum available.

If an employee leaves within three years of first employment they normally will be required to reimburse a proportion of any relocation expenses.

Details of the full scheme can be found in the Council's Relocation Policy.

Redundancy payments and payments on termination

The Council has a single redundancy scheme which applies to all employees without differentiation. The Council does not provide any further payment to employees leaving the Council's employment other than in respect of accrued leave which by agreement is untaken at the date of leaving. Where termination of employment is subject to a settlement agreement that agreement may include a negotiated payment in exchange for which the employee undertakes not to pursue claims against the Council. The relevant Director in respect of other employees and the Human Resources Committee in respect of a Chief Officer shall only approve such payments where having regard to all the circumstances of the case and in particular the potential costs of alternative action and after taking appropriate advice they determine the sum involved is reasonable.

The redundancy payment is based on the length of continuous local government service which is used to determine a multiplier which is then applied to actual pay. The maximum number of years service taken into account is 20 and the resulting maximum payment is 78 weeks pay for anyone aged 61 or older. Details of the full scheme can be found in the Council's Redundancy Policy.

Additional Payments, Professional fees and subscriptions.

The Council will meet the cost of a legal practicing certificate for all those employees where it is a requirement of their employment. No other professional fee or subscription is paid. The Council makes this distinction on the basis of the relative cost to the employee and does not differentiate between Chief Officers and other staff.

At December 2012, three employees receive this benefit one of whom is the Director of Neighbourhood Services as monitoring officer.

The post designated as the Council's S151 Officer will receive a payment of up to £10,000 per year.

The post designated as Monitoring Officer will receive a payment of up to £10,000 per year.

The post designated Head of Paid Service will receive a payment of up to £10,000 per year.

Provided that no one officer will receive more than one of the above additional payments.

Where any Head of Service post is evaluated at a level which the “Chief Executive and Director of” determines to be significantly above the level recognised by the evaluation scheme an addition of up to 10% may be paid subject to annual review.

This pay statement does not include the Returning Officer payment (see report to Council February 2007).

Higher level car user allowance

The Council has set a threshold of 2000 miles per year of business travel at which the higher rate of allowance the “Essential User Allowance” becomes payable. This threshold applies to Chief Officer as to all other employees.

Setting Salaries

For the posts of

Chief Executive and Director of Customer and Community services
Director of Finance and Support Services
Director of Neighbourhood Services

The Council will normally use external advisers when making an appointment. A major input from the adviser is information and advice as to the appropriate level at which to pitch the salary to be successful in recruiting. This statement is part of the process by which these salaries are reviewed. Fixed spot salaries will be set informed by the HayGroup Report on Senior Pay at East Herts Council (October 2012) as benchmarking information.

As part of the general review of all employees’ terms and conditions agreement was reached to forgo the first 2% of any future pay award arising from national agreements for these posts.

In respect of new appointments above the salary of £100,000 full council approval will be sought.

Pay ceilings

For 2014/15 the basic pay ceiling for Chief Executive and Director of Customer and Community services post will be £115,000 per annum (i.e. including additional payment for Head of Paid Service) The salary shall not be increased by any national pay settlement for at least two years from 1 April 2013.

The basic pay ceiling (i.e. excluding additional payments, professional fees and subscriptions and travel allowances) for Director posts will be £90,000. As noted above national agreed pay settlements will be applied. For other posts covered by this statement the pay ceiling will be

Post	£
Head of Democratic and Legal Services	56,007
Head of People and Property Services	56,007
Head of Finance and Performance	56,007
Manager of Corporate Risk	41,148
Head of Environmental Services	56,007

Head of Information Customer Services and Parking	56,007
Head of Communications, Engagement and Cultural Services	56,007
Head of Revenues and Benefits Shared Services	56,007
Manager Economic Development	33,998
Head of Planning and Building Control Services	56,007
Head of Community Safety and Health Services	56,007
Manager of Housing Services	41,148

Head of Revenues and Benefits post receives an additional payment of £5,545.20 per annum for shared services role.

Pay floor

The pay floor is the remuneration of the lowest paid employees. “Lowest paid” is defined as the average pay of the 2.97% (4 individuals) of the Council’s employees with the lowest hourly rate. Where any employee is less than full time their pay is multiplied up to full time and the aggregate full time equivalent pay for the group divided by 4 to determine the average.

This definition of lowest paid is used to capture a meaningful number of employees avoiding distortions of a lesser number or an extended group such as lowest quartile which would require excessive averaging.

As at February 2014 this average was £15,803.50.

The Council will not pay basic pay less than the amount applicable to the bottom point of the national pay scales as agreed from time to time by the local government employers. Employees in this group will be entitled to all other benefits – fringe payments, local allowance (4%), casual/essential car allowances, pension, relocation, redundancy as all other employees.

Pay multiples

The council does not explicitly set the remuneration of any individual or group of posts by reference to a simple multiple of another post or group of posts. The use of multiples cannot capture the complexities of a dynamic and highly varied workforce in terms of job content and skills required. Nor does it readily address the treatment of in house provided as against labour intensive bought in services if pay multiples are used as some sort of benchmark.

In terms of overall remuneration packages the Council’s policy is to differentiate by setting different levels of basic pay to reflect differences in responsibilities but not to differentiate on other allowances, benefits and payments it makes.

The Council would not expect the remuneration of its highest paid employee to exceed 10 times that of the lowest group of employees.

Essential Reference Paper “B”

Heads of Service reporting to Directors are paid basic salaries in a range of £46,043 to £56,007. There are 9 such posts.

Other than Chief Officers and heads of services pay ranges are as follows

Grade	Minimum £	Maximum £	Mid point £	Number of employees in the grade band ***
1/2	12,614	16,998	15,034	2.97
3	15,882	19,317	17,165	49.28
4	16,998	21,067	18,977	14.03
5	19,317	23,945	21,400	76.32
6	21,067	26,539	23,566	22.18
7	23,945	29,528	26,931	34.80
8	28,127	32,072	29,919	20.57
9	29,528	33,998	31,616	30.97
10	34,894	39,351	37,127	18.53
11	36,676	41,148	38,886	13.31
12	41,148	50,928	46,307	3.00
Total				285.96

*** Full Time Equivalent (excludes Casuals)

Future appointments and interim arrangements

In the event of a vacancy – Chief Officer or other employee – the arrangements set out above will apply in respect of permanent appointments.

If the need arises to provide agency or interim cover the policy is to seek to cap the cost of that appointment at no more than that of the permanent appointment taking into account additional employment costs – pension contributions, national insurance, paid leave etc. However, where necessary a higher “market rate” will be paid to secure a suitable individual and market rate will be established by reference to soft market testing, external advice and dialogue with peer authorities.

Publication and access to information

The publication of and access to information relating to remuneration of Chief Officers will be set out in this document and published on the Council’s website.

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