

DECISION-MAKER:	COUNCIL		
SUBJECT:	PAY POLICY 2018-2019		
DATE OF DECISION:	21 MARCH 2018		
REPORT OF:	CHIEF EXECUTIVE		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY

None

BRIEF SUMMARY

The purpose of this report is to approve the Pay Policy for 2018-2019. The proposals 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).

RECOMMENDATIONS:

- (i) To approve the Pay Policy statement for 2018-2019.
- (ii) To note the continued implementation of the Living Wage Foundation increase as the minimum hourly rate for NJC evaluated posts from 1st April 2018.
- (iii) To note that the cost of living award has yet to be agreed for 2018 for NJC evaluated roles and Chief Officer and Chief Executive pay. Implementation of this is delegated to the Service Director HR and OD to be applied for 2018/19 once confirmed.

REASONS FOR REPORT

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. Scope

This Pay Statement sets out Southampton City Council's pay policies relating to its workforce (excluding the groups noted above) for the financial year 2018 - 2019, 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.

The Localism Act 2011 (the Act) reflects a requirement for improved 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. **Context**

The Council Strategy and the Workforce Strategy were approved in September 2016 and the revised Medium Term Financial Strategy was approved in February 2017. Implementation of the operating model agreed in February 2015 through phased restructures of the organisation gathered pace in 2017/18 and has been completed.

4. **Changes in legislation and national policies**

There are a number of pieces of forthcoming legislation which are 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 is a new requirement.

The current pay gap shows that women's hourly rate is:

- 4% lower (mean)
- 5% 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 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 4% and 5% respectively. Within our lower pay quartiles, the majority of these roles are part time, therefore 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 46% of our Council Management Team are represented by women.

5. 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 Associate Director, Systems Redesign Integrated Commissioning Unit (ICU)
- 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) Chief Strategy Officer
 - 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, Communities and Housing and Communities
 - i) Director of Quality and Integration – 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 not a City Council employee and hence the Pay Policy Statement does not cover this role. The post holder has management responsibility for the council’s Director of Adult Social Care (DASS) role; this was made permanent in October 2017.
- **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 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 staff up to Grade 13.

6. **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. 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 2017 - 2018, which includes basic salary and any contractual allowances/payments. The median salary and ratio for 2018 will be calculated using pay data for all permanently employed staff and taking account of the confirmed pay award for April 2018. The ratio of the council's highest paid employee and the median average earnings across the whole workforce will then be published for comparison with the April 2017 position.

	April 2018 (£)	April 2017 (£)
Highest paid employee	Chief Executive	176,087
Median FTE salary		27,668
Ratio	TBC once pay award confirmed	6.36:1

7. **Pay Framework and remuneration levels – general**

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. 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.

8. **Responsibility for decisions on pay structures**

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.

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 on CO Grades (Deputy Chief Officers)

is determined separately and pay rates are assessed through the Hay job evaluation process.

The Service Director HR and OD has the delegated authority to amend the pay levels to reflect the nationally agreed pay award for 2018 once confirmed.

Pay scales and grading framework

9. All staff below the level of Chief Executive, Chief Officers and some Service Leads (Deputy Chief Officers) are within the main council Pay Scale (with the exception of teachers).
10. The main council pay scale consists of 62 pay spine points (SCP) within 13 grades with grade 1 being the lowest and grade 13 the highest. All staff 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; one more point was removed from the bottom of grades 5 to 13 in April 2016 and the same again applied in April 2017, to leave a maximum of 6 SCP in each grade. All main scale posts are paid within the range £16,867 (Foundation Living Wage 2018) to £60,004 (2018 pay award pending) per year.
11. 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 currently applies an additional payment to staff on any SCP which falls below the Living Wage. This has had the on-going effect of increasing annual salaries for the lowest paid council staff.
12. The Chief Executive and Chief Officer pay grades reflect similar principles as 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.
13. 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 1st April 2018. These will be amended in 2018 once pay awards are confirmed.
14. 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 Elected Members for formal approval.

Remuneration – level and element

15. **Salaries**

“Chief Officers” are identified at 3 above. They are all paid within the council’s pay structures as follows:

- a. Chief Executive, as Head of Paid Service will be paid a salary within the grade range £148,272 to £176,087. (2017/18 pay level)
- b. 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 (2017/18 pay levels) according to post rating under the Hay scheme (CO5 to CO1A).

Details of Chief Officer and Heads of Service remuneration are published on the council’s website.

16. **Bonuses and Performance related pay**

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 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 an HR Service Lead.

17. **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.

18. **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.

19. The council recognises that some staff 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.

20. 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.)

21. **Benefits in kind**

The council is conscious of the requirement to demonstrate that staff 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. (June 2015) The framework is reviewed annually to reflect pay award changes negotiated and agreed at national level.

22. **Pension**

All staff, 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. Some Public Health staff remain under the NHS pension scheme – there are no increases or enhances to this scheme. Teachers are eligible to join the Teachers' Pension Scheme.

23. **Severance payments**

The council publishes its policy on discretionary payments on early termination of employment and flexible retirement as well as publishing its policy on increasing a member of staff's total pension membership and on awarding additional pension. This policy cover all levels of staff and is applied in support of efficient organisational change and transformation linked to the need for efficiencies and expenditure reduction. Details of the council's policy is attached as **Appendix 4**.

24. It is possible that the government will implement the Repayment of Public Sector Exit Payment Regulations during 2018. The Regulations as drafted will introduce new measures to cap exit payments and allow public sector exit payments to be recouped where high earning individuals are re-employed in the public sector within 12 months. Final details 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.

25. The council will retain the flexibility to respond to unforeseen/exceptional circumstances as regards re-employing former local government and other public sector staff. If the council were to re-employ a previous local government/public sector member of staff 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.

26. **New starters joining the Council**

Staff new to the council will normally be appointed to the first point of the salary scale for the evaluated grade of the job. In some circumstances a different starting salary point within the grade may be considered by the recruiting manager, e.g. 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 member of staff already operates at a level commensurate with a higher salary. Approval will be required from the Service Director and the

candidate's level of skill, competencies and experience should be consistent with that of other staff at a similar point on the salary scale within the grade.

27. Use of consultants, contractors and interim or temporary staff

The council always seeks to fulfil its obligation to secure value for money in the employment of its own staff and those who carry out work on its behalf. Staff will be employed directly by the council in most circumstances; where particular circumstances deem it necessary, staff 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. [Add reference to policy and attach as Appendix]

Where the use of consultants is considered for their 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 Chief Financial Officer, in line with the internal "Use of Consultants Policy" (published November 2017) and with due regard to HMRC requirements and IR35 rules.

RESOURCE IMPLICATIONS

Capital/Revenue

27 None

Property/Other

28 None

LEGAL IMPLICATIONS

28 The publication of an annual Pay Policy is required under the Localism Act 2011

Other Legal Implications:

29 None

POLICY FRAMEWORK IMPLICATIONS

30 None

KEY DECISION n/a

WARDS/COMMUNITIES AFFECTED:	none
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SUPPORTING DOCUMENTATION

Appendices

1.	SMG Pay Rates: Chief Officer Pay Structure
2.	SCC Main Pay scale (with Living Wage adjustment for 2018)
3.	SCC Allowance Framework
4.	Discretionary Arrangements for Severance and Pensions Payments

Documents In Members' Rooms

1.	None
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Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
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Privacy Impact Assessment

Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	No
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