



PART I Agenda Item No	11
Document Reference No	C/14/20

THE COUNCIL

DATE OF MEETING: 16 July 2014

PAY POLICY STATEMENT

The report recommends a pay policy statement for 2014/15 to be adopted by the Council in compliance with Section 38 of the Localism Act 2011.

1. **RECOMMENDED THAT:**

1.1 That the Council approves the Pay Policy Statement for 2014/15 attached as Appendix A, as recommended by the Personnel Committee on 24 June 2014.

2. **INTRODUCTION AND PROPOSAL**

2.1 From 2012, under Section 38 of the Localism Act 2011, all local authorities have been required to publish annual pay policy statements containing details of the pay and benefits payable to staff in Chief Officer and Deputy Chief Officer positions. The definition of Chief Officers and Deputy Chief Officers set out in the Housing and Local Government Act 1989 applies, regardless of whether the authority has posts that are called or designated deputy chief officers (see paragraph 7.1 below). In preparing such statements, local authorities are expected to have due regard for the government code on transparency regarding senior pay. Furthermore, the pay policy statement has to be approved by the full Council prior to its publication.

2.2 The Council is required to explain in its pay policy statement how the pay and benefits for senior staff relates to the pay and benefits for other staff in the Council. It is therefore necessary to set out the pay scales and the various pay policies and procedures governing decisions on pay for all groups of staff in the Council.

2.3 Guidance has been provided both by the Government and the Local Government Association/JNC for Chief Executives of Local Authorities, copies of which were attached to the first Pay Policy Statement report to the Council in February 2012 (see background documents). The first Pay Policy Statement followed this guidance and the same approach is recommended for the 2014/15 Pay Policy Statement.

2.4 On 20 February 2013, the government published Supplementary Guidance on Openness and Accountability in Local Pay, a copy of which is attached as Appendix B to this report. One of the key points concerns the presentation and accessibility of the Pay Policy Statement, which now needs to be a stand-alone document for ease of access, rather than a link to Council agenda and minutes of the decision. The supplementary guidance says that once the statement is approved, it should be published "as soon as possible". The updated Pay Policy Statement will therefore be published on the Council's website immediately after the decision is taken on 16 July 2014.

2.5 Other key points include the need to obtain the Council's approval for salaries on appointment to senior posts where the salary package exceeds £100,000. Appointments to Chief Officer posts are already subject to the Council's approval in Hertsmere but as we have not had any such new appointments since the 2013/14 Pay Policy Statement was issued, there is nothing requiring a Council vote in this regard. Similarly, we have not given any severance packages over £100,000 since the 2013/14 Pay Policy Statement was issued, nor have any restructuring proposals been reported to members that could command such a package. There is therefore nothing to report on, nor anything requiring a Council vote in this regard. In the event of either appointments or severance packages in excess of £100,000 being proposed, Council approval will be sought.

2.6 The statement prepared for Hertsmere Borough Council provides all of the required information about the pay scales, benefits and pay mechanisms applicable to senior posts and other posts in the Council, whilst respecting the privacy of individuals as far as is possible within the law, but not disclosing the actual base salary details for each person. Taxable benefits paid to individuals are disclosed in full as the value of these can vary from one individual to another and can change over time. An example of this would be the value and duration of interest free car loans.

### 3. **FINANCIAL AND BUDGET FRAMEWORK IMPLICATIONS**

3.1 None specifically identified by this report

### 4. **LEGAL POWERS RELIED ON AND ANY LEGAL IMPLICATIONS**

4.1 The Localism Act 2011 requires the Council to publish sufficient information to render transparent the decision making on senior pay and the relationship between senior pay and the pay of others in the workforce.

### 5. **EFFICIENCY GAINS AND VALUE FOR MONEY**

5.1 None specifically identified at this stage.

### 6. **RISK MANAGEMENT IMPLICATIONS**

6.1 None specifically identified.

### 7. **PERSONNEL IMPLICATIONS**

7.1 There are 12 posts for which information has to be disclosed. The Chief Officers (i.e. the Chief Executive and the Directors), together with all other members of the Senior Management Team, are directly affected. The definition of a Deputy Chief Officer is set out in the Housing and Local Government Act 1989 as follows; "a person who, as respects all or most of the duties of his post, is required to report directly or is directly accountable to one or more of the statutory or non-statutory chief officers." ( N.B. administrative or support staff are excluded from this definition). Consequently, a number of posts that are not designated Heads of Service are affected in addition to the 4 Heads of Service currently in post.

7.2 The personnel implications were considered by the Personnel Committee on 24 June 2014 in report PER14/14. The Personnel Committee agreed a variation to the terms and conditions of service for Chief Officers, such that they would with effect from 1 April 2014 be removed from the scope of the national collective agreement on pay (the NJC) and encompassed within the scope of local pay awards. The Pay Policy Statement for 2014/15 has been updated to reflect this minor change and the pay scales for Chief Officers have been amended in line with the local 1% pay award applied to all the staff in the authority.

8. **CORPORATE PLAN & POLICY FRAMEWORK IMPLICATIONS**

8.1 None other than those set out in the Pay Policy Statement for 2014/15

9. **APPENDICES ATTACHED**

9.1 Appendix A – Proposed Pay Policy Statement 2014/15

9.2 Appendix B – Supplementary Guidance on ‘Openness and accountability in local pay: (Department for Communities and Local Government – dated February 2013).

10. **BACKGROUND PAPERS USED IN PREPARATION OF THIS REPORT**

10.1 Council report on the Pay Policy Statement 2012/13 published February 2012

11. **AUTHOR**

11.1 Judith Fear  
Head of Human Resources and Customer Services      Ext 2917

**CONSULTATION ON DRAFT REPORT**

I have sent a copy of the draft of this report to the following on 8 July 2014 Chief Executive, Directors, Head of Financial and Business Services, Head of Partnerships and Community Services, Head of Street Scene, Democratic Services Manager, Legal Services Manager

## **Appendices A and B**

## APPENDIX A

### PAY POLICY STATEMENT FOR HERTSMERE BOROUGH COUNCIL 2014/15

This Pay Policy Statement is produced in accordance with Section 40 of Chapter 8 of the Localism Act 2011 and takes account of the Supplementary Guidance published by the Department for Communities and Local Government on 20 February 2013. It has been recommended by the Personnel Committee and is due to be approved by a meeting of Hertsmere Borough Council on 16 July 2014. It is available on the Council's website as a stand-alone document and contains hyperlinks to associated documents. The Council's website also includes separately published data on salary information relating to Chief Officers and other senior staff in the Statement of Accounts.

#### **Please note:**

- **Salaries on Appointment** – There have been no new appointments to senior posts with salary packages over £100,000 since the 2013/14 Pay Policy Statement was issued, nor are any such new appointments anticipated in the foreseeable future. There is therefore nothing to report on, nor anything requiring a Council vote in this regard.
- **Severance Payments** - There have been no severance packages over £100,000 since the 2013/14 Pay Policy Statement was issued, nor have any restructuring proposals been reported to members that could command such a package. There is therefore nothing to report, nor anything requiring a Council vote in prospect.

#### 1. **Introduction and local context:**

- 1.1. Hertsmere Borough Council is a district council located adjacent to the outer London boroughs of Harrow, Enfield and Barnet, just 13 miles from the centre of London. There is a high incidence of commuting in the borough, which impacts on the local labour market and levels of pay, particularly for jobs that require skills that are in relatively short supply. Whilst the recession eased some long standing recruitment difficulties and improved retention rates in key skill areas, the situation is not static and is capable of changing very rapidly. The Council's pay strategy and policies therefore need to continue playing an important role in attracting and retaining the best people, especially as the organisational structure has been significantly reduced, leaving fewer people to carry the responsibility for delivering essential services.
- 1.2. Major decisions on pay, such as annual pay awards, are determined for most local authorities in England and Wales by the National Agreement on Pay, arrived at through a system of central collective bargaining between representatives of the Local

Government employers and representatives of the relevant trades unions on the National Joint Council. Hertsmere Borough Council came out of the National Agreement on Pay for its staff more than 20 years ago and has conducted local pay negotiations since that time. This also enabled Hertsmere Borough Council to introduce performance related pay progression and there have been no automatic pay increments in the Council for many years now, whereas the majority of local authorities are still tied to the old 'time served' system of pay increments.

- 1.3. The pay structure for the majority of staff is underpinned by the 'PE Inbucon' job evaluation scheme (a private sector scheme which has been adapted for local government). However, the pay structure and job evaluation for Heads of Service and Chief Officers is based on HAY principles and was established with the assistance of the Local Government Employers in 2008 (HAY being another job evaluation system considered particularly relevant for senior management posts).
- 1.4. Decisions on the overall pay strategy and pay policies are taken by the Personnel Committee, subject to the financial implications being agreed by the Executive within the budgetary framework approved by the full Council. The application of agreed pay policies to individual employees below Chief Officer level is the responsibility of the Chief Executive as Head of the Paid Service, with specific responsibilities delegated to Chief Officers and other senior officers. The application of agreed pay policies to the Chief Executive is the responsibility of the Leader of the Council in conjunction with a panel of Members appointed to carry out functions such as the recruitment, appraisal and remuneration of the Chief Executive. The application of agreed pay policies to the Chief Officers is the responsibility of the Chief Executive and in the case of recruitment and appointment (including salary packages) of Chief Officers, the Chief Executive in conjunction with a panel of Members appointed to carry out such functions. The appointment of a Chief Executive or a Chief Officer and the salary packages on appointment, are ratified by the full Council. The application of agreed pay policies to Heads of Service is the responsibility of the Chief Executive in conjunction with the relevant Chief Officer.
- 1.5. The lowest paid employees in the Council are in jobs that were formerly designated as manual workers. Single Status was implemented in 2007 to harmonise the principal terms and conditions of these employees with other staff.
- 1.6. The Council's local decision making on pay resulted in a pay freeze being announced in advance of the national pay restraints and this was in place for more than two years, until 2012. In 2012, a local pay award of 2% was agreed by the Personnel Committee and implemented as part of an agreement for reductions to the

occupational sick pay scheme, to assist improved efficiency and value for money. This was a successful initiative and sickness absence levels actually fell significantly in the following year.

- 1.7. In April 2013, there was a national pay award of 1% for those authorities that are within the scope of the National Agreement on Pay but this did not apply to Hertsmere Borough Council employees and there was no local pay award in 2013. In April 2014, there was a local pay award of 1% for Hertsmere Borough Council employees.

## 2. **The Remuneration of the Chief Executive:**

- 2.1 The pay structure for the Chief Executive is set out in Table A below. The structure was fundamentally reviewed in 2008 with the assistance of a consultant from the Local Government Employers (LGE) when the recommendations of the LGE consultant were agreed by the Personnel Committee and the financial implications were agreed by the Executive within the budgetary framework approved by the full Council. The salary scales remained unaltered from that point, until 2012 when the Chief Executive, along with all other staff, accepted a 2% pay increase implemented as part of an agreement for changes to terms and conditions (reductions to the occupational sick pay scheme) effected under a variation of the employment contract. The latter change was also agreed by the Personnel Committee and the financial implications agreed by the Executive within the budgetary framework approved by the full Council.
- 2.2 Annual increments for progression to the next scale point are subject to successful performance assessed by a Members' Appraisal Panel, with advice from an external consultant from the Society of Local Authority Chief Executives (SOLACE). Although the Chief Executive had a successful appraisal in 2011, no increment was paid, as the Chief Executive decided to forego the contractual entitlement in view of the pay restraint applying across the workforce. No increment has been paid in either 2013 or 2014 but this was not connected with the outcome of the appraisals, which were successful.

<b>TABLE A</b>	<b>CHIEF EXECUTIVE'S SALARY SCALE 2014/2015</b>
Scale Point	Salary
1	£123,624
2	£126,715
3	£129,805
4	£132,896
5	£135,986
6	£139,077

- 2.3. An annual transport allowance of £5,614 is payable but whilst this is subject to the normal deductions for tax and National Insurance, this does not count towards pensionable pay and no pension contributions are paid for it, either by the Council or by the employee. Benefits in kind for 2013/14 include Health Care Insurance to the annual value of £2,411 which is taxable at the rate of 40%, and reimbursement of the costs of a home telephone line dedicated to business purposes at a set rate of £45 per quarter. An interest free car loan facility is available but has not been utilised by the Chief Executive. In the event that it was to be utilised, a calculation would be made of the value of the benefit i.e. the amount of interest the employee would otherwise have paid on the loan and this would be subject to taxation by the Inland Revenue.
- 2.4. It is the Council's policy that the full time equivalent (FTE) salary package for the post of Chief Executive, defined as the maximum of the FTE salary range plus the total value of any benefits in kind payable under the contract of employment, will normally be no greater than 6.5 x the average FTE salary of all employees in the workforce. This maximum is not currently being met.
- 2.5. The Chief Executive is also the Returning Officer for elections in Hertsmere and fees paid for this in the 2013 local elections amounted to £4,610 before tax. This is a separate employment and therefore not factored into the calculation of multiples referred to in paragraph 2.4 above. Hertsmere is not responsible for appointing the Returning Officer at County, Parliamentary or European elections or for national referendums and fees for any such appointments are therefore not included in this statement.

### 3. **The Remuneration of Chief Officers:**

- 3.1 There are two Chief Officers: the Director of Resources, who is also the Council's Section 151 Officer (a statutory Chief Officer role with responsibility for financial governance) and the Director of



Environment. The pay structure for the Chief Officers is set out in Table B below. The structure was fundamentally reviewed in 2008 with the assistance of a consultant from the Local Government Employers (LGE) when the recommendations of the LGE consultant were agreed by the Personnel Committee and the financial implications were agreed by the Executive within the budgetary framework approved by the full Council. The salary scales remained unaltered from that point, until 2012 when the Chief Officers, along with all other staff, accepted a 2% pay increase implemented as part of an agreement for changes to terms and conditions (reductions to the occupational sick pay scheme) effected under a variation of the employment contract. The latter change was also agreed by the Personnel Committee and the financial implications agreed by the Executive within the budgetary framework approved by the full Council.

- 3.2 Annual increments for progression to the next scale point are subject to successful performance, assessed by the Chief Executive with advice from an external consultant from the Society of Local Authority Chief Executives (SOLACE). Although both Chief Officers had a successful appraisal in 2011, no increments were paid, as both of the Chief Officers decided to forego their contractual entitlements in view of the pay restraint applying across the workforce. No increment has been paid in either 2013 or 2014 but this was not connected with the outcome of the appraisals, which were successful.

<b>TABLE B</b>	<b>DIRECTORS SALARY SCALE 2014/15</b>
Scale Point	Salary
1	£ 84,476
2	£ 86,588
3	£ 88,700
4	£ 90,812
5	£ 92,924
6	£ 95,036

- 3.3 An annual transport allowance of £5,614 is payable to Chief Officers but whilst this is subject to the normal deductions for tax and National Insurance, this does not count towards pensionable pay and no pension contributions are paid for it, either by the Council or by the employee. Benefits in kind for 2013/14 include Health Care Insurance to the annual value of £2,328, which is taxable at the rate of 40%, and reimbursement of the costs of a home telephone line dedicated to business purposes at a set rate of £45 per quarter. The healthcare insurance provision has been taken up by one of the Chief Officers but not by the other. An

interest free car loan facility is available and has been utilised by one of the Chief Officers in 2013/14. A calculation has been made of the value of the benefit i.e. the amount of interest the employee would otherwise have paid on the car loan and this will be subject to taxation by the Inland Revenue in the current tax year. This amounts to £240 for 2013/14.

- 3.4 It is the Council's policy that the FTE salary package for the posts of Director of Environment and Director of Resources, defined as the maximum of the FTE salary range plus the total value of any benefits in kind payable under the contract of employment, will normally be no greater than 4.5 x the average FTE salary of all employees in the workforce. This maximum is currently not being met by either post-holder.

**4. The Remuneration of Heads of Service and other posts reporting to Chief Officers:**

- 4.1 There are 4 Heads of Service currently in post: the Head of Partnerships and Community Engagement; the Head of Street Scene; the Head of Finance and Business Services; and the Head of HR and Customer Services. The post of Head of Planning and Building Control has been deleted.
- 4.2 The pay structure for the Heads of Service is set out in Table C below. The structure was fundamentally reviewed in 2008 with the assistance of a consultant from the Local Government Employers (LGE) whose recommendations for the pay structure were agreed by the Personnel Committee and the financial implications agreed by the Executive within the budgetary framework approved by the full Council. The salary scales have subsequently been updated by the amount of the local pay award in 2014.
- 4.3 Annual increments for progression to the next scale point are subject to successful performance, assessed by the relevant Chief Officer. Although Heads of Service had successful appraisals in 2011, no increments were paid in view of the pay restraint applying across the workforce. In 2014, following successful appraisals, an increment has been paid to Heads of Service.

<b>TABLE C</b>	<b>HEADS OF SERVICE SALARY SCALE 2014/15</b>
Scale Point	Salary
1	£ 58,700
2	£ 60,316
3	£ 61,932
4	£ 63,548
5	£ 65,163
6	£ 66,778

- 4.4 An annual transport allowance of £5,614 is payable to Heads of Service but whilst this is subject to the normal deductions for tax and National Insurance, this does not count towards pensionable pay and no pension contributions are paid for it, either by the Council or by the employee. Benefits in kind for 2013/14 include access to an interest free car loan facility. One Head of Service currently has an interest free car loan and this amounted to a taxable benefit of £240 in 2013/14.
- 4.5 It is the Council's policy that the FTE salary package for the 4 established Head of Service posts, defined as the maximum of the FTE salary range plus the total value of any benefits in kind payable under the contract of employment, will normally be no greater than 3 x the average FTE salary of all employees in the workforce. This maximum is currently not being met by any of the four post-holders.
- 4.6 There are five other posts reporting directly to Chief Officers: The Democratic Services Manager, who is also the Monitoring Officer – a statutory Chief Officer role; the Engineering Services Manager, who also manages the asset management function; the Housing Services Manager; the Chief Environmental Health Officer; and the Legal Services Manager, who also manages Land Charges and Freedom of Information services. These posts are not designated Heads of Service and are not remunerated according to the salary range for Heads of Service set out in Table C above but are remunerated in accordance with the PE Inbucon pay scales set out in Table D below. One post is on Grade 5, two posts are on Grade 4 of the PE Inbucon pay scales and two are on Grade 3.

## 5. REMUNERATION OF OTHER STAFF IN THE COUNCIL

5.1 **Pay and Benefits Policies:** A range of pay policies govern the remuneration of staff in posts other than those set out in paragraphs 2.1 to 4.5 above. Some of these apply to all such posts. For example, the Grading Review Procedure applies to all such posts. Others apply only to specific posts. For example, the Standby Scheme only applies to posts involving standby duties. For ease of reference, all those policies applying to all staff on PE Inbucon grades are listed first and those that apply only to specific posts or for which there are specific eligibility criteria are listed separately. These policies are available on the Council's website.

### **Policies applying to all staff on PE Inbucon grades:**

- Grading Review Procedure
- Competency Based Pay Progression Policy
- Individual Salary Review Scheme
- Acting up Policy and Procedure

### **Policies applying to specific posts on PE Inbucon grades:**

- Car Loan Policy
- Career Grade Scheme
- Mileage Rates
- Overtime Policy and Procedure
- Standby Scheme
- Subsistence Rates
- Telephone Rental Allowance

5.2 **Pay Scales:** The pay scales currently applying to staff in all posts, other than those set out in paragraphs 2.1 to 4.5 above, are set out in Table D below.

**TABLE D - Pay Scale 2014/2015**

**FROM 01/04/14**

<b>GRADE</b>	<b>MINIMUM (MIN)</b>	<b>MARKET RELATED POINT (MRP)</b>	<b>MAXIMUM (MAX)</b>
1	deleted 2001		
2	deleted 2001		
3	48175	54744	63445
4	43096	48972	56608
5	37526	42641	49165
6	33005	37504	43129
7	28963	32907	37646
8	25594	29082	33268
9	22510	25579	29185
10	19838	22543	25652
11	17452	19830	22507
12	15359	17452	19754

- 5.3 **Job Grades and Evaluation:** The grade assigned to any post is determined with reference to the agreed job description for that post and assessment by a panel of trained evaluators using the PE Inbucon Job Evaluation Scheme. There is an agreed policy and process for the evaluation and grading of jobs and a Grading Appeal Procedure
- 5.4 **Pay Progression: Since the Council opted out of the National Agreement on Pay** there have been no automatic pay increments given on a 'time served' basis in the Council. Where an employee has been appointed on a salary below the level considered to be the market rate for the job (MRP) a competency assessment takes place before the third year of service in the role is completed and an adjustment may be made if there is evidence of full competence in the role. This is set out in the Competency Based Pay Progression Policy. In certain circumstances, an employee may be considered for progression beyond the market related point (MRP) for the job if they are carrying out additional responsibilities and the process for this is set out in the Individual Salary Review Scheme. However, it should be noted that the maximum increase achievable through the Individual Salary Review Scheme is much smaller than the maximum allowable by either job evaluation or the Competency Based Pay Progression Scheme.
- 5.5 The average salary in the Council, calculated as the median salary in the range of salaries paid as at 1 April 2014, is £25,277. The average salary in the Council, calculated as the mean salary paid as at 1 April 2014, is £28,608. For the purpose of calculating the multiples referred to in paragraphs 2.4, 3.4, 4.5 above and 7.1 to 7.3 below, the mean salary value is used as the denominator.

## 6. **REMUNERATION OF THE LOWEST PAID EMPLOYEES IN THE COUNCIL**

- 6.1 The lowest paid employees are those employees paid on Grade 12 (see Table D above). In defining the 'lowest paid employees', this statement has taken cognisance of the Pay Policy Statements Guidance from the JNC for Local Authority Chief Executives dated 25 November 2011, which recommends using the lowest pay point routinely used by the Council for a competent employee in a substantive role, calculated at full time equivalent. There are 30 employees on this grade and the lowest rate of pay for an employee assessed as being fully competent is the Market Related Point (MRP) of £17,452.

- 6.2 There is the scope for employees in Grade 12 to earn overtime at premium rates and thus increase their overall earnings. However, this is subject to the need arising and is not conditioned overtime, so is difficult to estimate accurately. Also, the lowest paid employees in Grade 12 tend to be in roles where there is less scope for overtime to be available. Overtime payments have therefore been excluded from the definition.

## **7. RELATIONSHIP BETWEEN THE REMUNERATION OF CHIEF OFFICERS AND THE REMUNERATION OF OTHER EMPLOYEES**

- 7.1 The relationship between the total pay of the highest paid officer in the Council, the Chief Executive and the average FTE salary of other employees in the workforce is less than the maximum multiple of 6.5 allowed for by the Council's policy. The Council is therefore content that having due regard for the disparity of responsibilities and personal accountability between these roles, a multiple of less than 6.5 is both justifiable and equitable.
- 7.2 The relationship between the total pay of Chief Officers and the average FTE salary of all employees in the workforce, is less than the maximum multiple of 4.5 allowed for by the Council's policy. The Council is therefore content that having due regard for the disparity of responsibilities and personal accountability between these roles, this multiple is both justifiable and equitable.
- 7.3 The relationship between the total pay of Heads of Service and the average FTE salary of all employees in the workforce is less than the maximum multiple of 3 allowed for by the Council's policy. The Council is therefore content that having due regard for the disparity of responsibilities and personal accountability between these roles, this multiple is both justifiable and equitable.

## **8. SEVERANCE PAYMENTS**

- 8.1 Senior staff in the Council are treated in the same way as all other staff with regard to the calculation of severance payments in situations of redundancy. The policy on the calculation of redundancy payments is that a multiple of 2.2 is applied to the statutory calculator and based on actual pay, as distinct from the capped amount set in the statutory calculator.

- 8.2 With regard to severances under compromise agreements, which may be for reasons other than redundancy, e.g. voluntary severance or dispute resolution, the Chief Executive, as Head of the Paid Service, has delegated authority to conclude such agreements with staff below Head of Service level, following consultation with the Leader of the Council, the Chairman of the Personnel Committee and the Portfolio Holder with responsibility for Human Resources. In agreeing the terms for such cases of severance, consideration is given to ensuring that the Wednesbury Principles are upheld i.e. that the costs are justifiable in light of the circumstances and that the proposed outcome is in the best interests of the authority and represents a proper use of public funds. Where appropriate, the Head of the Paid Service will consult the Council's Section 151 Officer and External Auditors on individual cases.
- 8.3 However, this delegation does not extend to cases involving staff at Head of Service level or above, and any such cases are reported to the Personnel Committee for agreement, subject to the Executive agreeing the financial implications.
- 8.4 As noted in the preamble to this statement, there have been no severance packages over £100,000 since the 2013/14 Pay Policy Statement was issued, nor have any restructuring proposals been reported to members that could command such a package in 2014/15.
- 8.5 The Council's policy with regard to the potential future re-employment of any officer who has previously been granted early retirement, whether on grounds of redundancy or some other grounds, is to assess such matters on a case by case basis.





Department for  
Communities and  
Local Government

Council 16 July 2014  
C/14/20 Appendix B

# Openness and accountability in local pay: Guidance under section 40 of the Localism Act 2011

Supplementary Guidance

© Crown copyright, 2013

*Copyright in the typographical arrangement rests with the Crown.*

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or e-mail: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

This document/publication is also available on our website at [www.gov.uk/dclg](http://www.gov.uk/dclg)

Any enquiries regarding this document/publication should be sent to us at:

Department for Communities and Local Government  
Eland House  
Bressenden Place  
London  
SW1E 5DU  
Telephone: 030 3444 0000

February, 2013

ISBN: 978-1-4098-3799-2

# Openness and Accountability in Local Pay: Supplementary Guidance

1. Sections 38 to 43 of the Localism Act 2011 require relevant authorities to prepare a pay policy statement for the financial year 2012-13 and each subsequent financial year. Section 40 of the Act includes provision for the Secretary of State to issue guidance on the content and application of senior pay statements. Relevant authorities must have regard to this guidance in the exercise of their functions under the pay accountability provisions.
2. *Openness and Accountability in Local Pay: Guidance under section 40 of the Localism Act* was published in February 2012 and can be accessed here: [Pay Accountability Guidance](#)<sup>1</sup>. That Guidance still stands. This note supplements that Guidance and authorities in England must take account of when preparing their pay policy statements for 2013-14 and each subsequent financial year.
3. If a relevant authority has concluded that a particular section(s) of the Guidance is not applicable to their local circumstances, the relevant authority should set out clearly in their pay policy statements why they consider this to be the case.

## Presentation and accessibility

4. Pay policy statements are public documents to be used as an information source to enable local taxpayers to hold their councillors to account on pay matters.
5. The Localism Act 2011 requires that as soon as is reasonably practicable after approving or amending a pay policy statement, authorities must publish the statement or the amended statement in such manner as they see fit which must include publication on the authority's website. In addition, section 38 (4) requires authorities to set out in their pay policy statements their approach to the publication of and access to information relating to the remuneration of chief officers.
6. Once approved, authorities should ensure their pay policy statement is published as soon as is reasonably practicable. Evidence suggests that, while authorities had prepared their pay policy statements and published them online for 2012-13, a significant number of statements were not easily accessible and readily available to the public.<sup>2</sup> Authorities should

---

<sup>1</sup> Link to *Openness and Accountability in Local Pay: Guidance under section 40 of the Localism Act* published in February 2012

<sup>2</sup> One Society published a report: *Leading the way on fair pay – which is an assessment of principal local authorities in England & Wales using local authorities' pay policy statements as source of information. On availability and accessibility of pay policy statement it found that the statements in the majority of cases could not easily be found.*

<http://www.onesociety.helencross.co.uk/wp-content/uploads/2012/09/FairPayReport2012.pdf>

ensure that statements can be easily found, for example, by a simple search on their website. The statement itself should be published as a stand alone document in its final form, perhaps within the website's transparency section or with other pay and workforce information.

7. The information within pay policy statements should be presented in a clear and accessible format. Evidence suggests that authorities should do more to ensure that that jargon is kept to a minimum, any acronyms used are explained, and that any hyperlinks used to access other documents or websites work properly.<sup>3</sup> In addition, authorities should set out clearly and separately their policies against each of the requirements listed in the relevant sections of the Localism Act 2011. Where this is done effectively, it will help enable taxpayers to decide whether they are getting value for money in the way that public money is spent on local authority pay and reward.

## **Accountability**

### **Salaries on appointment**

8. The existing Guidance makes clear that full council (or a meeting of members for fire authorities) should be given the opportunity to vote before large salary packages offered in respect of a new appointment. The Guidance states that the Secretary of State considers that £100,000 is the right level for that threshold to be set and that figure remains the same.
9. For 2012-13, it appears that not all authorities chose to articulate in their statement if this was being done. Local taxpayers should know what their authority's policy is on senior appointments and, specifically, have a right to expect that decisions about the most senior - and most costly - appointments are being taken by those who are directly accountable to local communities. As with all aspects of this Guidance, authorities should address this issue within their policy statements and make clear how they have taken account of this policy.
10. There will be some authorities whose salary structures do not include posts or appointments over £100,000. Where this is the case, those authorities should seek to achieve a similar degree of openness and accountability. Specifically, such authorities should set their own salary threshold which is more suited to their local circumstances and should allow full council an opportunity to vote on salary packages for new appointments above that level.<sup>4</sup>

### **Severance payments**

11. There has been a great deal of public scrutiny of the level of severance payments awarded to senior local government staff and rightly so. Authorities should ensure that they manage their workforces in a way that best delivers best value for money for local taxpayers and sets the right

---

<sup>3</sup> One Society report: Leading the way on Fair Pay

<http://www.onesociety.helencross.co.uk/wp-content/uploads/2012/09/FairPayReport2012.pdf>

<sup>4</sup> Salary packages should include salary, any bonuses, fees or allowances routinely payable to the appointee and any benefits in kind to which the officer is entitled as a result of their employment.

example on restraint. This includes any payments offered to staff leaving the authority.

12. Authorities are already required to publish their policies on severance for chief officers<sup>5</sup> and their policy on discretionary compensation for relevant staff in the event of redundancy.<sup>6</sup> In addition, other regulations provide for disclosure of remuneration of senior employees including details of severance payments within authorities' annual statement of accounts.<sup>7</sup>
13. Taken together, these measures enable greater scrutiny of the money spent by authorities on severance. However, given continuing public concern about the level and frequency of such payments, there is a case for going further to ensure that decisions to spend local taxpayers' money on large pay-offs are subject to appropriate levels of accountability. Authorities should, therefore, offer full council (or a meeting of members in the case of fire authorities) the opportunity to vote before large severance packages beyond a particular threshold are approved for staff leaving the organisation. As with salaries on appointment, the Secretary of State considers that £100,000 is the right level for that threshold to be set.
14. In presenting information to full council, authorities should set out clearly the components of relevant severance packages. These components may include salary paid in lieu, redundancy compensation, pension entitlements, holiday pay and any bonuses, fees or allowances paid.
15. This follows on from the Secretary of State's announcement<sup>8</sup> that he intends to remove the costly and bureaucratic requirement for a designated independent person to investigate allegations of misconduct by senior officers from the Local Authorities (Standing Orders) (England) Regulations 2001. We are currently consulting with the Local Government Association and others on the draft regulations to give effect to these changes.

## Role of Mayors

16. The Localism Act requires that pay policy statements must be approved by full council. Our expectation would be that where councils have directly elected mayors, they would involve the directly elected mayor and have regard to any proposals the mayor may have before the statement is considered and approved.

---

<sup>5</sup> The Localism Act 2011, s.38 (4) (f)

<sup>6</sup> Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006

<sup>7</sup> Accounts and Audit (England) Regulations 2011

<sup>8</sup> Press Notice 9 November 2012 <https://www.gov.uk/government/news/eric-pickles-acts-to-limit-town-hall-chiefs-golden-goodbyes>

## Queries

17. If you have any queries on this guidance, please submit them using the details below.

Workforce and Pay Team  
Department of Communities and Local Government  
Zone 5/F5 Eland House  
Bressenden Place  
London  
SW1E 5DU  
[payaccountability@communities.gsi.gov.uk](mailto:payaccountability@communities.gsi.gov.uk)