

[Changes from the 2015/15 Pay Policy Statement are shown in red]

## **DRAFT North Herts District Council - Pay Policy Statement 2015/16**

### **1. INTRODUCTION**

- 1.1 Local Authorities are required by section 38 of the Localism Act 2011 (the Act) to prepare a pay policy statement and guidance under section 40 of the Act and the Supplementary Guidance released in February 2013 and viewed alongside the Local Government Transparency Codes 2014 and 2015. This statement outlines our current policy and new matters required by the Act and the Transparency Codes relating to the pay of staff particularly senior staff and the lowest paid employees.
- 1.2 This is the fourth annual statement and covers the financial year, beginning 2015/6. The statement will be updated and approved annually by full Council. This statement is published on the Council's Website.

### **2. BACKGROUND**

- 2.1 Under the 1997 National Joint Committee (NJC) Single Status Agreement, Councils were required to harmonise pay and conditions for comparable posts; a requirement that affected 1.5 million public sector employees. NHDC completed its pay review in 2004, adopting Hay Job Evaluation and other elements of remuneration. The Hay method of evaluation is widely used by both public and private sector organisations. The Hay method works across the board, all posts from the Chief Executive post down are evaluated by the Hay Job Evaluation Scheme using the same criteria.
- 2.2 In setting our pay scales Hay Consultants compared the job evaluation scores with market rates both nationally and in the London and South East. The salary range was set at median plus 3.5% for London and the South East. The rationale for this was as follows:
- It was within the budget provision
  - It decreased those paid above the maximum of their new grade to a minimum (35% of staff)
  - It was intended to support recruitment and retention and enable the authority to be more competitive with other public and private sector organisations in the vicinity
- 2.3 The Council's new pay and benefits package was given approval by Cabinet in February 2004.
- 2.4 Following a senior management reorganisation in 2009, another Job Evaluation was carried out by Hay on Senior Posts and included an update of market data at that time.

### 3. GRADING

- 3.1 Our pay scales contain 16 pay bands which each contain 6 incremental points with the exception of grade 16 which contains 5 incremental pay points. Grade 1 is the lowest and Grade 16 is the highest of these pay grades. Posts are allocated to a pay band through Hay job evaluation. Incremental progression through the pay points is annual, based on satisfactory performance. The Council does not operate performance related pay or a bonus system.
- 3.2 The lowest grade is grade 1. The bottom of the grade 1 pay band is £13,773 this is above the national SCP 6 rate of £13,500. The top is £15,747 and the median is £14,760.
- 3.3 From 2013 the Council employed a number of temporary apprentices and interns paid at the bottom of grade 1 (£13,773 in support of helping young people to gain paid meaningful work experience and to help them go on to find permanent employment.
- 3.4 Service Managers are mainly grades 10 to 12. Grades 11 and 12 attract a grade related car allowance of £3,000. Grades 13 and 14 attract an allowance of £3,500 and Grades 15 and 16 an allowance of £4,000.
- 3.5 There are nine service managers at Grade 12 earning £42,982 to £50,567. These are typically professional senior technical officers or managers.
- 3.6 The table below shows the positions for Chief Officers on Grades 12 to 16.

| Position  | Grade | Bottom of Pay Scale<br>£ | Top of Pay Scale<br>£ |
|---|-------|--------------------------|-----------------------|
| Corporate Strategic Planning & Enterprise Manager Vacant post | 12    | 42,982                   | 50,567                |
| Corporate Legal Manager                                       | 13    | 50,475                   | 58,797<br>59,379      |
| Corporate Human Resources Manager (Part Time)                 | 13    | 50,475<br>pro rata       | 59,379<br>pro rata    |
| Head of Revenues and Benefits                                 | 13    | 50,475                   | 59,379                |
| Head of Planning & Building Control                           | 13    | 50,475                   | 59,379                |
| Head of Leisure & Environment                                 | 13    | 50,475                   | 59,379                |
| Head of Finance, Performance & Asset Management               | 13    | 50,475                   | 59,379                |
| Head of Housing & Public Protection                           | 13    | 50,475                   | 59,379                |
| Head of Policy & Community Services                           | 13    | 50,475                   | 59,379                |
| Strategic Director Customer Services                          | 15    | 72,244                   | 85,004                |
| Strategic Director of Planning, Housing & Enterprise – Vacant | 15    | 72,244                   | 85,004                |

|   |    |         |         |
|---|----|---------|---------|
| Strategic Director Finance, Policy & Governance | 15 | 72,244  | 85,004  |
| Chief Executive                                 | 16 | 102,897 | 113,205 |

- 3.7 The values of the pay points within these pay grades are up-rated by the pay awards notified from time to time by the National Joint Council for Local Government Services. In the event of any pay award it is proposed to update this pay policy statement with new pay rates and the median and multiple rates for 2016/17. For the Chief Executive the up-rate is usually determined via the Joint Negotiating Committee for Chief Executives of Local Authorities and for Strategic Directors, Heads of Service and Corporate Manager grades usually up-rated by the Joint Negotiating Committee for Chief Officers of Local Authorities, as the JNC conditions of service apply to these posts. A pay award for staff was agreed by the NJC during the course of 2014 which excluded Chief Officers. This was for 2.2% for most staff from January 2015 to April 2016. Grade 1 received higher increases in line with a bottom loaded National Pay Award. Those at the bottom of grade 1 received 5.15%. A national pay award of 2% was also agreed for Chief Officers with the exception of the Chief Executive. This pay award is also for the period January 2015 to April 2016
- 3.8 The Car Allowance (See section 6 below) was last increased in 2004. The rates of pension contributions for Chief Officers rose sharply in 2008 and again rose sharply with the new Career Average Revaluated Earnings Scheme changes to the LGPS in 2014. The combination of these things has led to a decline in the overall value of the pay of Chief Officers since 2008.
- 3.9 Full council will vote before a salary of £100,000 is offered in respect of a new appointment. A salary package includes salary and 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. This will apply to Chief Executive recruitment. No other posts are expected to reach this threshold.
- 3.10 Full Council will vote before any discretionary severance compensation payment award that is in excess of £100,000 is offered, namely:
- Salary paid in Lieu of Notice
  - Outstanding Holiday Pay
  - Redundancy/Compensation under the Discretionary Compensation Regulations 2006
  - Pension strain costs to the Employer
- 3.11 Returning Officer/counting officer fees are paid by either the parish, North Herts District Council or the Government and are payable to the Chief Executive/Returning Officer in respect of Elections and referendums. These fees are agreed annually by a report to Full Council and resolution. In setting a scale of fees and charges the Council is complying with The Representation of The People Act 1983, (section 36).

#### **4. FUTURE APPOINTMENTS AND INTERIM ARRANGEMENTS**

- 4.1 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 independent advice and dialogue with peer authorities.

- 4.2 Engaging senior people on a temporary basis as a self employed worker, a consultant or via an agency occurs in isolated instances only. This form of employment is a last resort when it is in the economic or operational interests of the Council.

## 5. PAY MULTIPLES

- 5.1 In the Hutton Report of March 2011, concern was expressed about multiples in the order of 20 or higher between the lowest and the highest paid employees in local authorities. The Council is not required to publish details of these pay multiples but have decided to do so in the interests of transparency. The Council is satisfied that the multiples shown in table 2 below are justifiable and equitable as these rates are set out in the Job Evaluation scheme which applies to all of the Council’s posts.

| Position/ Grade                              | Pay range              | Median                     |                            |
|--|------------------------|----------------------------|----------------------------|
| Grade 1                                      | £<br>£13,773 - £15,747 | £14,760                    |                            |
| Position/ Grade                              | Pay range              | Median (inc Car Allowance) | Multiple of Grade 1 Median |
| Chief Executive - Grade 16                   | £102,897 - £113,205    | £112,051                   | 7.59                       |
| Strategic Directors Grade 15                 | £72,244 - £85,004      | £82,624                    | 5.59                       |
| Heads of Service/Corporate Managers Grade 13 | £50,475 - £59,379      | £58,427                    | 3.49                       |
| Corporate Managers Grade 12                  | £42,982 -£50,567       | £49,774                    | 3.37                       |

- 5.2 Under the Local Government Transparency Codes 2014 and 2015, the Council must publish the ratio between the highest paid salary and the median salary of the whole of the Authority’s workforce. The highest paid salary including allowances is £114,628. The median salary of the whole of the Local Authority’s workforce is £20,474 and the multiple is 5.61 x £20,474.
- 5.3 The Council is satisfied that the multiples shown in 5.1 and 5.2 are justifiable and equitable and our rates are set by our Job Evaluation scheme and apply to all of the Council’s posts.

## 6. CAR ALLOWANCES

- 6.1 Employees that need to use their cars on a frequent basis for work related travel get Frequent car user allowances of:-

| Engine Size | Mileage Rate | Lump Sum    |
|-------------|--------------|-------------|
| 451 – 999   | 36.9p /mile  | £846 p.a.   |
| 1000 – 1199 | 40.9p/mile   | £963 p.a.   |
| 1200 – 1450 | 50.5p/mile   | £1,239 p.a. |

- 6.2 Employees that only use their cars on an occasional basis are refunded mileage only.

| Engine Size | Mileage Rate |
|-------------|--------------|
| 451 – 999   | 46.9p /mile  |
| 1000 – 1199 | 52.2p/mile   |
| 1200 – 1450 | 65.0p/mile   |

- 6.3 In setting car allowances for senior managers it was agreed that lease cars or the cash equivalent would be provided to Grades 11 and above as part of the overall reward package to attract and retain staff at the time. This was agreed at the meeting of Council on 12th February 2004.
- 6.4 A review of the benefit was carried out in 2011 and it was decided to phase out the provision of lease cars, but maintain the car allowance which has not been increased since 2004 and will remain at the current levels and continue to devalue.

#### **Car Allowance**

|              |             |
|--------------|-------------|
| Grade 11 -12 | £3,000 p.a. |
| Grade 13 -14 | £3,500 p.a. |
| Grade 15 -16 | £4,000 p.a. |

#### **Car Allowance Mileage Rates**

| Engine Size  | Mileage Rate |
|--------------|--------------|
| 451 – 999    | 11.1p/mile   |
| 1000 – 1199  | 11.8p/mile   |
| 1200 – 1450  | 12.4p/mile   |
| 1451 – 1750+ | 13.1p/mile   |

## **7. OTHER PAYMENTS**

- 7.1 Section 38 (4) of the Act specifies that in addition to senior salaries, authorities must also make clear what approach they take to the award of other elements of senior remuneration, including bonuses, performance related pay as well as severance payments. The Council does not use either performance related pay or bonuses. Any other payments such as market forces or long service are paid at exactly the same rates or calculated on same basis as for all staff. All these rates are set out in the Council's Rates of Pay Policy
- 7.2 Any severance payments should be made in accordance with the Council's Early Severance Policy. The only other severance payments would be those set out in a compromise agreement or to settle an employment dispute to prevent, resolve or settle an Employment Tribunal Claim. In agreeing the terms for such cases due regard will be given to ensuring the cost is justifiable in relation to the circumstances and that the proposed outcome is in the best interests of the Council and represents a proper use of public funds.

## 8. LOCAL GOVERNMENT PENSION SCHEME CONTRIBUTIONS (LGPS)

- 8.1 With 4.6 million members, the Local Government Pension Scheme is one of the largest public sector pension schemes in the UK. The LGPS is a nationwide scheme and is a valuable part of the pay and reward package for employees working in local government. The LGPS differs from many other public sector pension schemes in that it is a funded scheme i.e. it has assets to pay its pensions. (local Management LGPS Arrangements). For North Herts District Council, the scheme is administered by Hertfordshire County Council via a contract with the London Pension Fund Authority.
- 8.2 The current Employer contribution rate is 15.5% for all grades
- 8.3 There have been a whole raft of changes to the scheme to gradually reduce the benefits and increase the contribution rates. This is due to the need to maintain the affordability of the scheme, with people living longer and drawing their pension for longer periods. The last significant change to the scheme was in April 2014. The table below shows the Career Average Revaluated Earnings (CARE) scheme which came into effect from 1<sup>st</sup> April 2014.

| <b>LGPS 2014</b>                   |   |
|------------------------------------|---|
| <b>Basis of Pension</b>            | Career average revaluated earnings CARE   |
| <b>Revaluation Rate</b>            | Based on CPI  |
| <b>Accrual Rate</b>                | 1/49 <sup>th</sup>  |
| <b>Pensionable Pay</b>             | Pay including non contractual overtime and additional hours for part time staff   |
| <b>Employee Contribution Rates</b> | Up to £13,500 5.5%<br>£13,501 £21,000 5.8%<br>£21,001 £34,000 6.5%<br>£34,001 £43,000 6.8%<br>£43,001 £60,000 8.5%<br>£60,001 £85,000 9.9%<br>£85,001 £100,000 10.5%<br>£100,001 £150,000 11.4%<br>More than £150,000 12.5% |

### **Proposed New Single Tier State Pension**

- 8.4 Council is asked to note that employees in pension schemes such as the LGPS are contracted out and pay less national insurance contributions. The new Single Tier State Pension ends the previous contracting out of NI arrangements by April 2016. As a result LGPS members will pay an additional 1.4% of their earnings between £5,564 and £40,004. With the 2014 changes and these , we may see more staff seek to opt out of the pension scheme. Employer NI contributions are also expected to rise by 3.4%.

### **Flexible Retirement Pension Discretion**

- 8.5 The Council allows flexible retirement under its pension discretions. This is where an employee draws their pension and carries on working at a lower grade and/or on reduced hours. It is available to LGPS members who are aged 55 or over, and who, with the Council's consent, permanently

significantly reduce their hours and/or reduce their grade. The employee's pension is actuarially reduced if paid before age 65. This policy applies to all grades including Chief Officers but applications would be at the Councils discretion giving due regard to the implications for succession planning.

## **9. PUBLICATION**

- 9.1 This is the fourth annual statement and applies to the financial year, beginning 1 April 2015 to 31 March 2016. This statement was approved by a meeting of full Council on 9 April 2015. The statement will be updated and approved annually by full Council. This statement is published on the Council's Website.
- 9.2 In addition to this statement, the Council is required to publish the details of Chief Officer pay in the annual Statement of Accounts and publish these on the Council's website under the Accounts and Audit (England) Regulations 2011.

## **10. BACKGROUND DOCUMENTS**

- Openness & Accountability in Local Pay: Guidance Under Section 40 of the Localism Act 2011 - February 2012
- Openness & Accountability in Local Pay: Guidance Under Section 40 of the Localism Act 2011 – February 2013
- Local Government Transparency Code 2014
- Local Government Transparency Code 2015
- Statement of Accounts 2013/14
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- Rates of Pay Policy
- Early Severance Policy
- Market Forces Policy
- NHDC Pension Discretions
- Retirement Policy
- Additional Responsibility Policy