

## **North Herts District Council - Pay Policy Statement 2016/17**

### **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 have regard for any guidance issued 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. It also briefly covers the Small Business, Enterprise and Employment Act 2015 provisions on potential repayment of “qualifying” exit payments and envisaged provisions of the Enterprise Bill 2015.
- 1.2 This is the fifth annual statement and covers the financial year, beginning 2016/7. 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.
- 2.5 The People Strategy 2016 -2020 has identified considerable recruitment and retention issues ahead for the Council and it is proposed to appoint Hay consultants again during 16/17 to carry out the process described in paragraph 2.2. The reason for this is our salaries are appearing to look uncompetitive in comparison to other Local Authorities nearby. The pay freezes and bottom loaded pay increases have also eroded the pay differences between grades.

### 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 £13,981 (temporarily pending a 2016 pay agreement, see paragraph 3.8) The top is £15,747 and the median is £14,574.
- 3.3 From 2013 onwards 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. The Enterprise Bill contains regulations that will introduce a new Apprenticeship training levy that is expected to be set at a rate of 0.5% of an employers pay bill, It's estimated that this will be a levy value of approximately £45,000 per annum for the Council. Further guidance on the levy is expected to be issued in spring 2016. The Enterprise Bill also sets out proposals that public sector bodies will be required to employ apprentices and will be set targets to increase Apprenticeships. These provisions are likely to mean that some changes to the current Apprentice and Intern Scheme will have to be made during 2016/17.
- 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.

[Note : Figures contained in this table are updated to include pay awards in 2015/16 and

Position	Grade	Bottom of Pay Scale £	Top of Pay Scale £
Corporate Legal Manager	13	50,980	59,973
Corporate Strategic Planning & Enterprise Manager Vacant post	12		
Corporate Human Resources Manager (Part Time)	13	50,980 pro rata	59,973 pro rata
Head of Revenues and Benefits	13	50,980	59,973
Head of Planning & Building Control	13	50,980	59,973
Head of Leisure & Environment	13	50,980	59,973
Head of Finance, Performance & Asset Management	13	50,980	59,973
Head of Housing & Public Protection	13	50,980	59,973
Head of Policy & Community Services	13	50,980	59,973
Strategic Director Customer Services	15	72,966	85,853
Strategic Director of Planning, Housing & Enterprise – Vacant	15	72,966	85,853
Strategic Director Finance, Policy & Governance	15	72,966	85,853
Chief Executive	16	102,897	113,205

will be updated to reflect any award for 2016/17. The pay multiples outlined in paragraph 5 will similarly be updated.]

- 3.5 There are eight service managers at Grade 12 earning £42,982 to £50,567. These are typically professional senior technical officers or managers.
- 3.6 The table above shows the positions for Chief Officers on Grades 12 to 16.
- 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. On 17 March a two year pay agreement for Chief Officers was reached of 1% in 2016 and 1% in 2017.

- 3.8 As part of the 2015 Budget the government announced that public sector pay increases would be capped at 1% a year for the next four years. In April the Government's new National Living Wage becomes law and persons aged 25 or over and not in the first year of an apprenticeship will be legally entitled to at least £7.20 per hour. The Local Government Employers made a pay offer in November 2016 that took into account these pay announcements so it's expected that pay will increase by 1% for most employees and more than 1% for the lowest paid. There has been no pay agreement at the point of preparing this statement. The Employers have advised Councils to adjust their lowest rate of pay to £13,891 from 1 April (from the 15/16 lowest pay rate of £13,773) to meet the requirements of the national living wage. When a full pay agreement is reached, the Pay Policy Statement will be updated in year to reflect the pay changes. The ratios in the statement will also be recalculated when we get a full pay agreement.
- 3.9 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.
- 3.10 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.  
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

The Small Business, Enterprise and Employment Act was passed in 2015 and since the last Pay Policy Statement it has been brought into force, with Regulations to follow<sup>1</sup> that deal with the legal requirement on individuals to repay “prescribed”<sup>2</sup> public sector exit payments if they are re-employed in the same public sector area within 1 year. The government has also announced it intends to proceed with the introduction of a £95,000 cap on the total value of exit payments as envisaged in the Enterprise Bill 2015 - 16. The payments that are likely to be included are:

- Redundancy payments
- Payments on voluntary exits
- Pension strain costs
- Severance or ex gratia payments
- Payments or compensation in lieu of notice and payments relating to the cashing up of outstanding entitlements (such as outstanding leave or allowances that are cashed up and added to the value of the sum)
- Share or share options
- The draft regulations also include a general provision of any other payment made as a consequence of, in relation to or conditional on loss of employment whether under a contract of employment or otherwise.

The Bill envisages a power to Full council to waive the cap.

3.11 The Government opened another consultation on 5 February regarding further proposed reforms to exit payments that includes:-

Setting the maximum tariff for calculating exit payments at three weeks’ pay per year of service. Capping the maximum number of months’ salary that can be used when calculating redundancy payments to 15 months.

Setting a maximum salary for the calculation of exit payments. This limit could be set at various levels and could potentially align with the NHS redundancy scheme’s salary cap of £80,000.

Enabling the amount of lump sum compensation an individual is entitled to receive to be tapered as they get close to the normal pension age of the LGPS.

Reducing the cost of employer-funded pension top up payments, such as limiting the amount of employer funded top ups for early retirement, or removing access to them, and / or increasing the minimum age at which an employee is able to receive an employer funded pension top up. The latter would link the minimum age more closely with the LGPS Pension Age.

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<sup>1</sup> The Repayment of Public Sector Exit Payments Regulations - anticipated coming in to force on 1 April 2016

<sup>2</sup> Ibid. Draft Regulation 7 sets out which exit payments would qualify for a potential repayment.

3.12 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.

4.3 The Use of severance agreements and “off payroll” arrangements was the subject of Guidance issued for local authorities March 2015. In so far as it is necessary the Council complies with the provisions of this non statutory guidance. In relation to performance management the Council does not have any performance related pay schemes and the appraisal scheme is the same for all officers 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	£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

multiples were calculated prior to the announcement of the 1% increase for Chief Officers and will be updated following confirmation of the pay settlement for all employees]

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 £21,410 and the multiple is 5.37 x £21,410.

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  
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 would be made in accordance with the Council's Early Severance Policy prevailing legislative requirements. . The only other severance payments would be those set out in a severance 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 has 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 1st 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% £13,501 £21,000 5.8% £21,001 £34,000 6.5% £34,001 £43,000 6.8% £43,001 £60,000 8.5% £60,001 £85,000 9.9% £85,001 £100,000 10.5% £100,001 £150,000 11.4% More than £150,000 12.5%

8.4 The new Single Tier State Pension ends the previous contracting out of NI arrangements from April 2016. As a result LGPS members will pay an additional 1.4% of their earnings between £5,564 and £40,004. 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 Council's discretion giving due regard to the implications for succession planning.

### **9. PUBLICATION**

9.1 This is the fifth annual statement and applies to the financial year, beginning 1 April 2016 to 31 March 2017. This statement was approved by a meeting of full Council on 12 April 2016. 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 Regulations 2015 .

### **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
- Small Business, Enterprise and Employment Act 2015
- (Draft) The Repayment of Public Sector Exit Payments Regulations 2015
- Enterprise Bill 2015 -16
- The use of Severance Agreements and off payroll arrangements - Guidance for Local Authorities March 2015
- Statement of Accounts 2013/14
- Rates of Pay Policy
- Early Severance Policy
- Market Forces Policy
- NHDC Pension Discretions
- Retirement Policy
- Additional Responsibility Policy



