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**Report to:** Pay & Grading Committee  
Cabinet  
Council

**Date of Meeting:** 23 February 2012  
1 March 2012  
1 March 2012

**Subject:** Localism Act 2011 - Pay Policy

**Report of:** Director of Corporate Support Services **Wards Affected:** All

**Is this a Key Decision?** No **Is it included in the Forward Plan?** Yes

**Exempt/Confidential** No

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### **Purpose/Summary**

To recommend a Pay Policy for the Council as required by the Localism Act 2011.

### **Recommendation(s)**

It is recommended that :

#### **(Pay and Grading Committee)**

This report and the proposed Pay Policy at Annex A be noted, including the amended functions of this Committee.

#### **(Cabinet)**

The proposed Pay Policy at Annex A to this report be recommended to the full Council for approval, including the changes to the functions of the Employment Procedure Committee and the Pay and Grading Committee.

#### **(Council)**

- (1) the proposed Pay Policy set out in Annex A to this report be approved; and
- (2) the changes to the functions of the Employment Procedure Committee and the Pay and Grading Committee set out in the report be approved and the Council Constitution be amended accordingly.

**How does the decision contribute to the Council's Corporate Objectives?**

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		√	
2	Jobs and Prosperity		√	
3	Environmental Sustainability		√	
4	Health and Well-Being		√	
5	Children and Young People		√	
6	Creating Safe Communities		√	
7	Creating Inclusive Communities		√	
8	Improving the Quality of Council Services and Strengthening Local Democracy		√	

**Reasons for the Recommendation:**

To comply with the Localism Act 2011.

**What will it cost and how will it be financed?**

**(A) Revenue Costs**

N/A

**(B) Capital Costs**

N/A

**Implications:**

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

<b>Legal</b> - The policy complies with Sections 38 to 41 of the Localism Act 2011.	
<b>Human Resources</b> - None	
<b>Equality</b>	
1. No Equality Implication	<input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

**Impact on Service Delivery:**

N/A

**What consultations have taken place on the proposals and when?**

The Head of Corporate Finance & ICT (FD1340/11) and Head of Corporate Legal Services (LD.700/12....) have been consulted and any comments have been incorporated into the report.

**Are there any other options available for consideration?**

NO

**Implementation Date for the Decision**

1 April 2012

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**Background Papers:**

Department of Communities and Local Government (DCLG) – openness and accountability in local pay: Draft Guidance under Section 40 of the Localism Act.

DCLG – Code of Recommended Practice for Local Authorities on Data Transparency.

Northwest Employers Organisation – The Localism Act 2011 – Pay Policy Statement Implications for Local Authorities.

Recognised trade unions – Union, Unite, GMB.

## **A. COMMENTS**

1. The Localism Act 2011 requires local authorities and fire and rescue authorities to produce a pay policy statement for 2012/13 and each subsequent financial year.
2. The pay policy statement must set out an authority's policies relating to:
  - Chief Officer remuneration (at recruitment, salary, bonus/performance related pay, charges/fees/allowances, benefits in kind, enhancement to pension, at termination)
  - Remuneration of its lowest paid employees (elements as above), the definition used for this group and the reason for adopting that definition.
  - The relationship between chief officer remuneration and that of other staff.
3. The definition of chief officers is not limited to Head of Paid Service or statutory chief officers. It also includes those who report directly to them (non-statutory chief officers), and to their direct reports (deputy chief officers). The provisions in the Act do not apply to the staff of local authority schools.
4. Authorities may amend their policy statement during the year but when making any relevant decision must comply with the existing policy framework set out within the statement.
5. Draft guidance supporting the act and a code of recommended practice on the publication of data on senior pay and workforce structure; identify a number of areas where authorities will be expected to identify detailed policies and the reasoning behind their remuneration strategy.
6. Previous legislation already requires authorities to publish certain information on remuneration including senior officers pay.

## **B. Considerations**

7. The guidance referred to in paragraph 5 sets out a number of specific expectations:
  - Full Council is to have the opportunity to vote on senior remuneration packages with a value over £100,000 prior to an offer being made in a new appointment.
  - Policies should explain the planned relationship between chief officer remuneration and that of other staff and the ratio between the highest paid and the median salary that the authority aims to achieve or maintain.
  - Authorities should consider Will Hutton's recommendations ('Fair Pay in the Public Sector : March 2011 – [www.hm-treasury.gov.uk/indreview.willhutton.fairpay.htm](http://www.hm-treasury.gov.uk/indreview.willhutton.fairpay.htm)) on the value of a system of 'earn back' pay, with an element of their basic pay 'at risk', to be earned back each year through meeting pre-agreed objectives.

- Any decision that an authority takes in relation to the award of severance to an individual chief officer, must comply with their published policy for that year.
  - Authorities should have an explicit policy in their pay statement on whether or not they permit an individual to be in receipt of a pension in addition to receiving a salary.
  - Policies toward chief officers who have returned to an authority; had received a severance or redundancy payment, returned under a contract for services or are in receipt of a LGPS / firefighter pension
8. Attached at **Annex A** is a recommended policy for Sefton. A comprehensive approach has been taken which embraces all of the specific expectations described above and what has been suggested in the guidance as best practice.
9. In large part the policy brings together previous policy decisions that have been taken in relation to the respective employment groups within the Council. Those matters not covered by previous decisions which need to be included in the policy are considered below.

***(Decision Making – Section D of Policy Document)***

10. This section of the policy is self explanatory but, in order to ensure compliance with the guidance, it will be necessary to amend the constitution in relation to the functions of the Employment Procedure Committee (EPC) and Pay & Grading Committee.
11. In particular it should be noted that the full Council is to have the opportunity to vote on senior officers remuneration packages where the value is over £100k. This is to be done prior to the offer being made in a new appointment.
12. The EPC is responsible for senior officer appointments and as such it is considered appropriate for the committee to consider the matter of remuneration (within the terms of the policy) and, as necessary, to make a recommendation to the full Council.
13. It is recommended that the following is included as a function of the EPC in the Council Constitution:
- “where the value of the proposed remuneration package is over £100k it will be recommended for approval to the full Council prior to the post being advertised.”
14. In the case of the Pay and Grading Committee it is recommended that the Committee’s current functions are amended in the Council Constitution to :
- (1) “To review the Council’s Pay Policy annually, or sooner if required, and make recommendations to the full Council for approval. (It is a statutory requirement to have a Pay Policy in place and published for each financial year).

- (2) To review and determine pay and grading structures and other employee pay arrangements (e.g. overtime, shift allowances), as required, and make recommendations to the Cabinet in relation to the financial consequences.
- (3) Make recommendations to the full Council if changes to the Pay Policy are required as a consequence of the above.
- (4) To make decisions on the implementation of review outcomes (e.g. date of implementation, appeals process, assimilation arrangements).
- (5) To mandate the Head of Corporate Personnel and/or other Directors responsible for consulting and/or negotiating with the recognised trade unions relative to the desired outcomes from reviews.
- (6) As necessary, to meet with representatives of the recognised trade unions for the purpose of consultation (not negotiation)".

***(Market Supplements – Section E, para 16)***

15. At the present time there is no policy in respect of market supplements. There has been one case in recent years where a supplement has (and continues to be) paid. This was with the approval of the EPC. It was done in the light of failures to recruit to the post in question and on the basis of market value information provided by the consultants who were assisting in the process.
16. Paragraph 16 of the policy recognises that situations may arise where market supplements should be considered.

***(Performance Payments – Section F, para 33)***

17. Paragraph 35 of the policy deals with the matter of 'earn back pay' for Senior Officers. This is one of the expectations referred to in the Guidance.
18. As indicated in the policy this is not a matter proposed for consideration at this time.

***(Pay Relationships – Section H)***

19. The Act requires pay relationships to be set out in an authority's policy.
20. Paragraph 38 identifies the pay multiples between the highest, median and lowest rates of pay.