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<b>Date</b>	10 <sup>th</sup> March 2015

<b>Ward (s) affected</b>	All
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<b>Subject</b>	<b>Mole Valley District Council Annual Pay Policy Statement for 2015</b>
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**RECOMMENDATIONS**

It is recommended that the Council approves the Pay Policy Statement for the financial year 2015/16.

**CORPORATE PRIORITIES**

**Value for Money - Delivering quality, value for money services**

The Council is committed to ensuring that it delivers value for money and this is reflected in its arrangements for remuneration of staff. The Council is also committed to ensuring that it is open and transparent in order to support its priority theme of increasing access to council services and communication with the community that it serves. The publication of this Pay Policy Statement supports that commitment to openness and transparency

**The Council has the authority to determine the Recommendations**

As set out in the Part 3 of the Council's Constitution.

**1.0 BACKGROUND/INTRODUCTION**

The Localism Act 2011 requires relevant authorities (including county, district and borough councils and fire and rescue authorities) to prepare an annual pay policy statement setting out their arrangements for the financial year ahead. The content of the Statement is prescribed in the legislation and aims to ensure transparency and accountability of Local Authorities in their remuneration practices.

The content of the statement reflects our existing local conditions, it does not imply any changes to existing pay arrangements, it is merely a prescribed articulation of the Council's current terms.

Before it takes effect, the pay policy statement has to be approved by full Council. This must be done before the 31<sup>st</sup> March for the following financial year. Once approved, the Pay Policy Statement will be published on the Council's website.

In addition to this statement, the Council also publishes payments made to Chief Officers as part of the annual Statement of Accounts and complies with the Code of Transparency.

**Financial Implications** – There are no financial implications beyond those considered in the Budget Report for 2015/16.

**Legal Implications** – The publication of the pay statement is a specific requirement of the Localism Act 2011.

## **2.0 CORPORATE IMPLICATIONS**

**Monitoring Officer commentary** - The Monitoring Officer confirms that all relevant legal implications have been taken into account

**S151 Officer commentary** - The S151 confirms that all relevant financial implications have been taken into account.

**Risk Implications** - There are no risk implications to this report. The pay policy statement summarises or references provisions in staff contracts and in existing policies and does not imply any additional risk to the organisation.

**Equalities Implications** - The Council's Pay and Expenses Policy makes provision for matters of equal pay.

**Employment Issues** - There are no employment implications as a result of this report.

**Sustainability Issues** - There are no sustainability implications as a result of this report.

**Communications** - The Pay Policy Statement will be published on the Council's website.

## **BACKGROUND PAPERS**

Corporate Policies in relation to pay and conditions

2015/16 Budget and Council Tax Resolution - Council, 17<sup>th</sup> February 2015

## **Mole Valley District Council Pay Policy Statement 2015**

### **1.0 Purpose**

This Pay Policy Statement is provided in accordance with Section 38 of the Localism Act 2011 and this will be updated and publicised annually from April each year.

This pay policy statement sets out Mole Valley District Council's policies relating to the remuneration of its workforce, and in particular the relationship between the remuneration of the highest and lowest paid members of staff and between Chief Officers and non Chief Officers.

### **2.0 Chief Officers**

For the purposes of Mole Valley District Council's Pay Policy Statement the following posts are defined as Chief Officers.

- The Head of the Paid Service (Chief Executive)
- Section 151 Officer (Deputy Chief Executive)
- The Monitoring Officer
- Corporate Heads of Service reporting to the Head of Paid Service
- Corporate Heads of Service reporting to the Deputy Chief Executive/Section 151 Officer

### **3.0 Lowest paid Employees and Employees who are not Chief Officers**

"Lowest paid employees" refers to those staff employed up to and including scale point 21 of the Council's pay framework. This excludes staff governed by National consultation groups (e.g. Apprentices).

The above definition for the "lowest paid employees" has been adopted because the top of the band within the Council's pay framework provided the closest match to a definition referred to by central Government when recommending payment of £250 to 'lower paid workers' to reflect lack of cost of living rises over the years from 2010-2012 inclusive.

"Employee who is not a Chief Officer" refers to all staff not covered under the "Chief Officer" group above. This includes the "lowest paid employees", but excludes staff governed by National consultation groups (e.g. Apprentices).

### **4.0 Pay framework principles and cost of living**

#### **4.1 General approach**

Remuneration at all levels needs to be adequate to secure and retain high-quality employees dedicated to fulfilling the Council's business objectives and delivering services to the public. This has to be balanced by ensuring remuneration is not, nor is seen to be, unnecessarily excessive. Each council has responsibility for balancing these factors and each council faces its own unique challenges and opportunities in doing so. Flexibility to cope with various circumstances that may arise is retained by the use of market supplements or other such mechanisms for individual categories of posts where appropriate.

#### **4.2 Responsibility for decisions on remuneration**

With the exception of any groups where pay is governed by National consultation groups, pay for all employees bar the Chief Executive and Deputy Chief Executive is determined by the Chief Executive exercising the delegated powers as set out in the Constitution. Decisions on pay are determined according to the grading framework, details for which are set out below.

#### 4.3 Salary, grades and grading framework

All Mole Valley District Council staff are employed subject to locally agreed policies and other conditions of service.

Mole Valley District Council has a job grading system which is used to evaluate the grade of posts. This followed a national requirement for all Local Authorities and other public sector employers to review their pay and grading frameworks to ensure fair and consistent practice for different groups of workers with the same employer, in accordance with the legal principles relating to equal pay. The grade allocated to a post is determined by the duties, level of responsibility and competencies required as outlined in the job description and person specification.

Each employee is paid according to a pay scale based on the job evaluation of their role. The pay scale contains numbered incremental points. Employees can progress to the salary range maximum of their grade (the highest incremental point) subject to formal assessment of their performance during an annual review process.

#### 4.4 Cost of living elements

The Council has a contractual commitment with staff to award a cost of living rise equivalent to at least the Local Government national pay award each year.

Incremental and cost of living increases are normally paid with effect from 1st April.

A staff pay award of 1.5% plus £100, on all salaries was agreed for 2015/16.

The Council pays the Living Wage to all employees (this does not include Apprentices, for which we follow the maximum rates under the National Apprenticeship Scheme).

### **5.0 Mechanisms for approval of pay and appointments**

#### 5.1 The Chief Executive and Deputy Chief Executive:

The Chief Executive is appointed by the Council. The Deputy Chief Executive is also by Members and this can be via a committee. The salary of the Chief Executive and Deputy Chief Executive are determined by Members through the recruitment process.

The Chief Executive has delegated authority in the Constitution to make appointments and determine salaries for all officers other than those falling within the remit of Members.

#### 5.2 New starters joining the Council

Employees new to the Council will normally be appointed to the first point of the salary range for their grade.

Where the candidate's current employment package would make the first point of the salary range unattractive (and this can be demonstrated by the applicant in relation to current earnings) or where the employee already operates at a level commensurate with a higher salary, a higher salary may be considered by the recruiting manager providing it remains within the salary range for the grade.

These arrangements apply to all posts up to and including the Chief Executive and Deputy Chief Executive.

### 5.3 "Lowest paid employees"

Each "lowest paid employee" is paid within the appropriate salary range for their grade. For the financial year 2013/14 the lowest paid employees received a greater pay award than the rest of the organisation.

For the year 2014/15 the pay award incorporated a minimum payment threshold to provide a higher award for lower paid staff.

Similarly for 2015/16 a pay award of 1.5% plus £100, on all salaries was agreed which means those staff on the lower salaries receive an effective increase of 2.2%. This has the effect of a range of differential pay increases between 1.6% for highest paid and 2.2% for lowest paid employees.

## 6. Elements of Pay and Remuneration

### 6.1 Salary and other similar payments

As described in Section 4.3, the Council operates a performance related pay scheme whereby all staff can be awarded a single increment on the salary scale which will determine their salary.

This is dependent on satisfactory performance throughout the year as assessed at their annual performance review by the line manager. Once an employee reaches the top of their salary scale there is no opportunity to earn more. There are no additional performance related pay opportunities for Chief Officers.

In exceptional circumstances increments may be accelerated within the grade subject to the maximum of the grade not being exceeded. Any such accelerations are considered carefully in terms of the added value perceived as likely to lead to enhanced performance as well as assessment of prior strong performance through the performance review process. In the case of the Deputy Chief Executive such approval must be given by the Chief Executive. Any additional payments to the Chief Executive must be considered by the Council.

In addition there is scope subject to stringent criteria set out in Mole Valley District Council's Pay Policy to pay a market supplement. This is an additional, non-consolidated payment made to employees where the market value of their job is higher than the value placed on them by an internal pay structure. It is therefore intended to recognise the need to reflect external pressures whilst ensuring internal equity. Requests for market supplements require a business case to be approved by the Chief Executive in conjunction with advice from the s151 Officer and are always removed when circumstances change.

The Pay Policy also provides in exceptional circumstances for payment of recognition awards (a small one off lump sum) for exceptional and outstanding work over and

above duties required in the job description. Payments are subject to approval by the Chief Executive. There is no scope for such a payment to be paid to the Chief Executive or the Deputy Chief Executive.

In exceptional circumstances loyalty payments may be paid to retain employees where their function will cease at a future date and there is a need to maintain current service levels and staffing until that date. These payments are granted very rarely, only paid subject to the employees being in post at the future specified date, and must be approved by the Chief Executive and s151 Officer.

“Chief Officers” are subject to the same performance management process as the “lowest paid employees” and “employees who are not Chief Officers”.

Chief Officers receive incremental progression until the top of their grade is reached.

## 6.2 Charges, expenses, additional fees or allowances

Pay for all employees (including Chief Officers) comprises payments by way of salary, pensions, expenses legitimately incurred in connection with undertaking essential duties, and other standard elements of contractual remuneration required in law.

Fees for parish, borough and county elections vary according to the size of the electorate and number of postal voters and are calculated in line with the Surrey wide scheme. Payments for national and European elections are set by central government and are not paid by the Council as the money is reclaimed.

Prior to April 2012 Chief Officers and officers who required a car for the performance of their duties or who joined the authority where a car was part of their salary package were entitled to a lease car or car allowance. The lease car scheme is now closed but operating as a protected discontinued entitlement. Any vehicles secured under this discontinued benefit scheme post April 2012 must have a low CO2 emission level (below 120g/km).

Employees subsequently joining the authority who travel by virtue of their post in excess of 3,500 miles per year are entitled to a car allowance paid in monthly installments. The amount paid is dependant on the engine size of the employee's vehicle. Employees have to pay tax and national insurance on this allowance. Business mileage necessarily incurred is paid dependent on the engine size subject to a prescribed maximum. These amounts are paid in accordance with HMRC guidance.

## 6.3 Benefits in kind

Any benefits will need to meet the tests of being affordable and supporting or enhancing ability of staff to achieve optimum performance levels. Those considered to meet these tests currently include the following:

- Childcare voucher scheme to help working parents pay for registered childcare
- Preferential rates for local leisure centre membership
- Access to an Employee Assistance Programme (EAP)
- Referral to an occupational health scheme where recommended by the line manager (i.e. if health issues are affecting job performance)

- Annual flu, blood pressure and wellbeing clinics (subject to availability)
- Training (external or internal) to meet job/professional qualification requirements. This is subject to the establishment of a business case justifying any expenditure or authorised absence from normal duties.

#### 6.4 Pension

All employees as a result of their employment are eligible to join the Local Government Pension Scheme. Following auto enrolment legislation, all employees are automatically opted in to the scheme and need to actively elect to opt out. In addition, casual workers are also either opted in (depending on earnings thresholds), or eligible to join. If the Officer is a member of the Local Government Pension Scheme (LGPS) the employer's contribution is paid.

In accordance with our Early Retirement Policy Mole Valley District Council considers requests from staff or new employees who wish to draw their pension but continue working in a reduced capacity where it is in the Council's interests to do so and taking account of the employer costs of early payment of flexible retirement pension benefits. All costs falling on the Council must be affordable, therefore a request should typically involve a substantial reduction in salary, through reduced hours and/or reduced level of responsibility (grade). Authority to approve such requests rests with the Council (for the Chief Executive); the Executive (for members of the management team - Corporate Heads of Service and the Deputy Chief Executive) and the Management team for all other staff.

#### 6.5 Severance Payments

Chief Officers who leave the Council's employment, where appropriate, will receive compensation in accordance with the Council's Change Management policy or through a negotiated settlement the terms of which will be according to assessment of legal risk and consequent financial impact on the Council. In order to be eligible for redundancy payments, continuous service in line with legal eligibility is required (currently 2 years).

The Change Management policy applies to all staff below the Chief Executive and the Deputy Chief Executive. In the event of the redundancy of the Chief Executive or Deputy Chief Executive any redundancy payment would need to be approved by Council.

The Change Management policy sets out a consistent method of calculating redundancy pay allowing a discretionary enhancement to the statutory system by using a multiplier of 2 with no statutory cap on weekly earnings.

The payment is intended to recompense employees for the loss of their livelihood and provide financial support whilst they seek alternative employment.

The Change Management Policy sets out how we will calculate any payments made to support early retirements in the efficiency of the service. These are subject to the rules of the Surrey Pension scheme, and in all events will only be made where they facilitate an employee leaving which will result in the Council being enabled to make savings, for example by restructuring. Payments made to the Chief Executive or Deputy Chief Executive as a result of their employment being terminated also have to be approved by Council.

With regards to re-employing former local government staff who have been made

redundant, if there is less than a 4 week gap between someone being made redundant from another council and joining Mole Valley District Council they will be required to repay their redundancy payment to their previous employer.

#### **7.0 Relationship between pay and remuneration of “Chief Officers” and “employees who are not Chief Officers”**

The calculations below were taken from data as of 5<sup>th</sup> February 2015.

The mean salary for Chief Officers (as defined in section 2 above) is £76,286 and for employees who are not Chief Officers it is £28,157.

Therefore the ratio of mean Chief Officer Pay to the mean pay of other employees is just over 2.7:1.

The mean remuneration for Chief Officers is £88,002 and for employees who are not Chief Officers it is £31,522

Therefore the ratio of mean Chief Officer remuneration to the remuneration of other employees is less than 2.8:1.

#### **8.0 Relationship between pay and remuneration of Chief Executive post and the lowest paid worker**

The total annual salary for the Chief Executive post (according to the relevant pay scales currently in place) is £104,655. Total remuneration is £120,877. Using information as at 3<sup>rd</sup> February 2015 the ‘lowest paid employee’ is paid £15,224 as a full time equivalent employee (including pension contributions this becomes £17,584).

This gives a (rounded) ratio between the highest paid post and the lowest paid employee of just less than 7:1. Taking total remuneration into account the ratio stays the same.

#### **9.0 Relationship between pay and remuneration of Chief Executive post and all other employees**

The mean salary of all employees excluding the Chief Executive is £29,080. Mean remuneration is £32,801.

Therefore the pay ratio between the Chief Executive post and all other employees within the Council is less than 3.6:1 for pay and less than 3.7:1 for total remuneration.

All the above ratios are therefore within the maximum ratio of 20:1 identified as a maximum pay multiple within the Hutton review of Fair Pay in the Public Sector.