

Somerset County Council

HR Policy Committee
– 15th January 2018**Item No. 5****Pay Policy Statement – 2018/19**

Cabinet Member: Cllr Anna Groskop, Cabinet Member for Corporate and Community Services

Lead Officer: Chris Squire, HR&OD Director

Author: Vicky Hayter, Strategic Manager HR Business Relations

Contact Details: 01823 359858

Please complete sign off boxes below prior to submission to Community Governance

	Seen by:	Name	Date
Report Sign off	Legal	Honor Clarke	9/1/18
	Corporate Finance	Kevin Nacey	9/1/18
	Human Resources	Chris Squire	9/1/18
	Cabinet Member	Anna Groskop	9/1/18
	Monitoring Officer	Julian Gale	9/1/18
	Summary:	<p>The Report sets out proposed minor amendments to the Pay Policy Statement (PPS) for 2018/19. The tracked changes on the draft PPS attached as Appendix A look quite extensive but do not fundamentally change the main provisions. Instead they are aimed at clarifying and updating the contents. The main amendments remove reference to the term 'chief officers' where possible because the legal definition of the term as set out in Section 2 of the PPS – 'Definitions' is wide ranging and covers a number of posts that fall outside of the Council's Senior Leadership Team (SLT). Some of the references to 'chief officer' in the current version of the PPS are therefore incorrect. In place of the generic 'chief officer' term the revised contents are much more specific about the posts being referred to and at what grade under each section. These amendments are intended to ensure that the detail of the contents of the PPS in respect of references to the senior management structure accurately reflects the legal position.</p> <p>The report also sets out for information an update on the National Living Wage rate from 1 April 2018, the pay offer that was made in December 2017 for a 2 year period for NJC staff and the pay claim from the Association of Local Authority Chief Executives which includes SLT.</p>	
Recommendations:	<p>The HR Policy Committee is asked to :</p> <ol style="list-style-type: none"> 1. Agree to recommend the Council to approve the Pay Policy Statement for the Council for 2018-19 attached as Appendix A to this report to have effect from 1st April 2018. 2. Note the changed rate to apply from 1st April 2018 in 		

	<p>relation to the National Living Wage.</p> <p>3. Note the update on the NJC Pay Offer</p> <p>4. Consider the ‘Chief Exec and SLT Pay Claim’ for 2018 and 2019 and to agree that the pay award for posts graded 1-3 for 2018/19 and 2019/20 should match the pay award for NJC officers, subject to the award being no greater than a 2% increase – see paragraph 1.4 for further explanation. In the event that the pay award for NJC officers exceeds 2% for the years in question, then the issue of a pay award for grades 1-3 will be referred back to the Committee for further decision.</p>
Reasons for Recommendations:	<p>To ensure that the Council complies with the statutory requirement to publish a pay policy statement annually.</p> <p>Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a PPS for each financial year which must be approved formally by Full Council. Pay policy statements can be amended ‘in-year’ should the need arise but only by Full Council.</p> <p>As from 1st April 2012, determination of any salary/cost of living progression for Chief Executive and SLT is undertaken by the HR Policy Committee, subject to an annual review.</p>
Links to Priorities and Impact on Service Plans:	<p>Appropriate pay provisions for staff are fundamental to the delivery of the Council’s objectives and services as set out in the County Plan.</p>
Financial, Legal and HR Implications:	<p>The revised PPS meets the requirements of the Localism Act and related statutory guidance.</p> <p>Any financial consequences come from decisions taken by the Council in accordance with the PPS in place at the time. The annual cost of the 2% pay rise for NJC officers will be approximately £2.2m including on costs. The annual cost of a 2% pay rise for the Chief Executive and SLT will be approximately £60k including on costs.</p> <p>In terms of applying the requirements of the PPS to pay / grading / appointment and dismissal of staff, the Council will follow all HR requirements that apply to employers.</p>
Equalities Implications:	<p>The Council’s duty under Section 149 of the Equality Act 2010 is to have “due regard” to the matters set out in relation to equalities when considering and making decisions. There are no direct equality impacts associated with agreeing the PPS itself. There are also no direct impacts on sustainability, health and safety, community safety or privacy aspects as a result of the recommendations.</p>
Risk Assessment:	<p>Failure to comply with Section 38 (1) of the Localism Act could lead to a legal challenge to the Council and therefore it is important that the PPS reflects the Act, other relevant legislation and statutory guidance. The Council is required to have regard</p>

	<p>to statutory guidance and either comply with it fully or put in place appropriate alternative provisions.</p> <p>If the Council fails to comply with the requirements of the PPS in respect of the appointment / dismissal of officers then it could be subject to legal challenge.</p>
Scrutiny comments / recommendation (if any):	None

1. Background

- 1.1. It is a statutory requirement to review the Pay Policy Statement (PPS) annually and present it to Full Council for consideration and approval. The PPS takes effect from the beginning of the financial year. It will now go before Full Council on 21st February 2018 for approval and to have effect from 1st April 2018.
- 1.2. There are no substantive changes to the PPS. The amendments are relatively minor and are explained in the Summary at the beginning of this paper.
- 1.3. By way of an update on pay, it should be noted that the National Living Wage (NLW) rate with effect from 1 April 2018 will be £7.83 per hour, and will apply to those aged 25 and over.

The National Employers made a 2 year pay offer which was put to the unions on 5th December 2017. It is hoped that there will be an indication of whether this offer is accepted by the end of January.

The Employers' offer was constructed to achieve a two-year agreement with a headline of two per cent in each of 2018 and 2019 in addition to increasing the bottom pay points to take account of the National Living Wage increase.

The offer is as follows:

From 1 April 2018:

- On SCP 6, £1,380 (equivalent to 9.191%)
- On SCP 7, £1,380 (equivalent to 9.130%)
- On SCP 8, £1,380 (equivalent to 9.052%)
- On SCP 9, £1,380 (equivalent to 8.976%)
- On SCP 10, £1,250 (equivalent to 8.006%)
- On SCP 11, £1,200 (equivalent to 7.592%)
- On SCP 12, £1,050 (equivalent to 6.512%)
- On SCP 13, £900 (equivalent to 5.458%)
- On SCP 14, £900 (equivalent to 5.363%)
- On SCP 15, £900 (equivalent to 5.272%)
- On SCP 16, £900 (equivalent to 5.167%)
- On SCP 17, £900 (equivalent to 5.064%)
- On SCP 18, £800 (equivalent to 4.427%)
- On SCP 19, £700 (equivalent to 3.734%)
- On SCPs 20 and above, 2.0%

The second year (2019) will require further work to the current pay spine to make it a viable system for managing the increases in the National Living Wage. See the full offer at Appendix B. The National Employer's Offer sets out the proposal following:

- A bottom rate of £9.00 per hour (£17,364) on new SCP1 (equivalent to old SCP6)
- 'Pairing off' old SCPs 6-17 incl to create new SCPs 1-6 incl
- Equal steps of 2.0% between each new SCPs 1 to 21 incl (equivalent to old SCPs 6-28 incl)
- By creating equal steps between these pay points new SCPs 10, 13, 16, 18 and 21 are generated to which no old SCPs would assimilate. This would mean that in some organisations the current number of pay points in a grade would change. The Employers therefore suggest that we work together to consider appropriate advice as such issues arise
- On new SCPs 23 and above (equivalent to old SCPs 29 and above), 2.0%

Somerset will continue its work with the LGA to ensure that the pay spine is fit for purpose. It will also consult internally to ensure the Somerset grade bandings maintain the appropriate differentials.

- 1.4.** The Association of Local Authority Chief Executives pay claim matches the 2% (or whatever the final agreement) for 2018/19 and 2019/20 offer made to NJC staff at spinal column point 20 and above (see full claim at Appendix C). As a reminder, Somerset is not bound by the national arrangements for Chief Executive and SLT pay awards.

As stated earlier in the report, the Committee has delegated authority to determine any salary/cost of living progression for Chief Executive and SLT. In the difficult financial circumstances facing the Council it seems appropriate for the Committee to agree that the pay award for posts graded 1 to 3 for 2018/19 and 2019/20 should match the pay award for NJC officers, subject to the award being no greater than a 2% increase for each of the years in question. The expectation is that the additional costs will be met within existing budgets as part of the budget setting process by Council in February 2018.

If the pay award to NJC officers is more than 2%, the decision will come back to the Committee for a further discussion and decision. This will be by way of an extraordinary meeting if necessary.

2. Options Considered

- 2.1.** No options were considered in relation to the PPS for 2018/19.
- 2.2.** In terms of the pay award for the Chief Executive and SLT the recommendation is considered the best way forward to maintain the critical balance of affordability with the need to retain and recruit the necessary expertise into these key posts. It remains a challenging market into which to recruit at a senior level but this has to be balanced against the financial challenges facing the Council. No alternatives to the recommendation have therefore been considered.

3. Consultations undertaken

- 3.1. The NJC Pay Offer was made in December 2017 and is subject to national consultation.
- 3.2. The National Living Wage is a legal requirement and has to be adhered to.

4. Implications

- 4.1. The recommendations are intended to ensure that the Pay Policy Statement maintains an appropriate balance between rigorous governance of pay and reasonable flexibility for managers to manage.
- 4.2. The financial implications are as set out in this report.

5. Background papers

- 5.1 None.

Note: For sight of individual background papers please contact the report author.