

# Middlesbrough Council – Pay Policy Statement 2016 - 2017

## INTRODUCTION

1. This Pay Policy Statement sets out the Council's policies on remuneration of its staff in accordance with section 38 of the Localism Act 2011. The policy must be approved by Full Council and is subject to annual review. Any amendments during the course of the year must also be considered by Full Council. The Pay Policy Statement will be published on the Council's website as soon as reasonably practicable after approval or amendment.
2. The Localism Act 2011 does not require the Council to consider individual schools therefore the arrangements set out in this document do not extend to members of staff employed within schools.

## DEFINITIONS

3. The Localism Act 2011 defines the following as Chief Officer posts:
  - Head of Paid Service designated under section 4(1) of the Local Government and Housing Act 1989
  - Monitoring officer designated under section 5(1) of that Act
  - Any statutory chief officer mentioned in section 2(6) of that Act
  - Any non-statutory chief officer mentioned in section 2(7) of that Act
  - Any deputy chief officer mentioned in section 2(8) of that Act.
4. Using this definition, the following posts within the Council fall within the definition of a Chief Officer post as set out within the Localism Act 2011:
  - Chief Executive
  - Executive Directors
  - Strategic Directors
  - Assistant Directors
5. The lowest paid employee of the Council is paid at the Living Wage Foundation Rate implemented on 1 April 2015 (£7.85 per hour), apprenticeships have been excluded. The salaries attributable to apprenticeships depend on age and are in line with those set out within the National Minimum Wage legislation.
6. The median salary figure for the organisation is the middle value of all employees' salaries listed in numerical order. The median salary figure is then used to calculate the organisation's pay multiple and is calculated on a fixed date each year, as at 31 December.

## CONTENT

7. To comply with the Localism Act 2011 the Council is required to approve a Pay Policy Statement which sets out details of the Council's policies on the following:
  - level of remuneration of Chief Officers
  - level of remuneration paid upon recruitment

- payment of increments
- enhanced / additional pension contributions
- payment of bonuses, performance related pay and severance pay for Chief Officers
- awarding additional fees for election work
- the creation of new posts with a salary package over £100,000 per annum
- employment of individuals already in receipt of a local government pension
- employment of ex-employees as Chief Officers under a contract for services.

8. The Pay Policy Statement also sets out:

- the Council’s approach to the pay of its lowest paid employees
- the relationship between Chief Officer pay and the Council’s remaining employees as set out within the context of the pay multiple calculation
- how this Pay Policy Statement will be publicised.

## **CHIEF OFFICER REMUNERATION**

### **Remuneration of Chief Officers**

9. The level of remuneration paid to Chief Officers is based on the Local Government Association scheme and the policy on this was approved in December 2005 by the Mayor and the outcome of phase three of the job evaluation process. The terms and conditions of Chief Officer Employment contracts incorporate nationally agreed Joint Negotiating Committee terms and conditions.

<b>Post</b>	<b>Salary Band</b>
Chief Executive <sup>1</sup>	£140,000
Executive Director	£102,681 - £113,484
Strategic Director <sup>2</sup>	£98,000
Assistant Director (1) <sup>3</sup>	£81,600 - £86,699
Assistant Director (2)	£71,398 - £76,500

### **Level of remuneration paid upon recruitment**

10. The Council’s policy on pay upon recruitment is set out within the Starting Salaries policy, which applies to all employees. The policy states that upon recruitment to a post, remuneration will begin at the bottom of the pay band unless agreed otherwise by the Assistant Director. In the case of Chief Officers, the Chief Executive and the Assistant Director of Organisation and Governance would be required to agree any variation to this policy.

### **Payment of increments and increases in salary**

11. The Council’s policy on the payment of increments is set out within the Starting Salaries policy, which applies to all employees. This policy states that all employees with less than six months service on the first day in April will receive their first increment six months after appointment, promotion or re-grading. Otherwise all employee increments are payable on an

<sup>1</sup> The Chief Executive’s post salary is a spot salary of £140,000 per annum.

<sup>2</sup> New evaluated banding for Strategic Director

<sup>3</sup> Includes the Director of Public Health TUPE transferred on VSM – NHS Very Senior Manager salary

annual basis on the first day in April. Other increases in pay for any employee will only occur where:

- there is a pay award agreed by way of national / local collective bargaining
- there is a significant change to a job role which results in a higher salary being appropriate which is confirmed by an appropriate job evaluation process
- recruitment and/or retention payments which, following consideration of the circumstances at the time, are deemed necessary and in the best interests of the Council and which are determined under a relevant policy relating to such payments.

### **Enhanced / additional pension contributions**

12. The Council's policy on enhanced or additional contributions to pensions is set out within the Teesside Pension Fund policy statement and the Council's statement of policy regarding the application of the discretionary elements of the Local Government Pension Scheme regulation. These apply to all employees. These statements set out:

- allocation of employee contribution bands
- awarding extra benefits for early retirement situations
- extending time limits for certain provisions
- setting up a shared cost AVC scheme
- waiving actuarial reductions for early / flexible retirements.

### **Payment of bonuses, performance related pay and severance pay**

13. The Council's policy on bonuses and performance related pay is that it does not operate bonus or performance related pay for its employees. The Council's policy on severance and redundancy pay is set out within the Consultation, Redundancy, Selection and Appeals policy, which applies to all employees. This policy states that calculation of any redundancy payment to an employee will be in accordance with the Council's policy in relation to Redundancy. Redundancy payments will be based on age and years' service in line with the Statutory Redundancy table up to a maximum of 30 weeks, however the Council retains the discretion under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales Regulations) 2006 to offer discretionary payments.

14. Corporate Affairs and Audit Committee has approved a temporary enhancement of the Council's Voluntary Redundancy Scheme. This policy currently enables a multiplier of 1.25 to be applied to voluntary redundancies that arise either as a result of a review within a specific service area or within a Council wide scheme.

15. Where a Council decision to terminate a contract of employment and negotiate a redundancy payment, bonus payment and/or salary in lieu of notice amounts to a single payment of £100,000 or more, full Council will be given an opportunity to vote before the package is approved. This process is set out within the Consultation, Redundancy, Selection and Appeals policy. Where an employee is contractually entitled to a payment in excess of £100,000 on the grounds of redundancy, failure to comply with this would place the Council in breach of contract and leave it exposed to litigation. Therefore, it is proposed to include an exemption from the requirement to give Council an opportunity to vote on those cases where the payment of a severance package does not involve any discretion, because the Council is legally bound to comply with severance terms in any event.

16. In the absence of any exceptional circumstances which render it necessary in the best interests of the Council to do so, the Council will generally not re-engage any individual who has previously been employed by the Council and left that employment with the benefit of a severance, early retirement or redundancy payment.

### **Awarding additional fees**

17. The policy on the payment of additional fees is set out within the Council's Constitution and decision making is delegated to the Corporate Affairs and Audit Committee. The Council's policy on the payment of additional fees to officers within the scope of this statement is that fees for election duties for Chief Officers are not included in salaries. These are determined separately in consultation with the other Tees Valley Councils. For contested elections, the fees are based on an agreed sum for the first 1,000 electors and a further sum for each additional 1,000 electors or fraction thereof, and a set, agreed sum for uncontested elections. This policy of payment is approved by the Council's Corporate Affairs Committee and is in line with national guidance and legislation.

### **Creation of new posts with a salary package over £100,000 per annum**

18. In line with the requirements of the Localism Act 2011, Council will be given the opportunity to approve salary packages for any new posts that would come within the scope of this Pay Policy Statement, defined within the Act as posts over £100,000 per annum. This includes any additional fees, charges or allowances that would be routinely payable. The approach to be taken when creating a new post is set out within the Constitution. Where a Chief Officer post is created which is under £100,000 the usual processes will be followed as set out within the Recruitment and Selection policy and the Pay Policy Statement will be amended accordingly.

### **Employment of individuals already in receipt of a local government pension**

19. The approach to the employment of individuals already in receipt of a local government pension is set by the administering authority for the pension. The Local Government Teesside Pension Fund has resolved not to abate pensions on re-employment, having regard to the enactment of regulations introducing flexible retirement, unless an enhanced ill-health retirement has been awarded. Some pensioners have been awarded extra pensions by their former employers to compensate them for retiring early. When this happens, the extra pensions, called compensatory added years (CAYs), are paid along with the Fund's retirement pension. These extra pensions may be abated upon re-employment or upon subsequent retirement, in accordance with the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended).

### **Employment of ex-employees as Chief Officers under a contract for services**

20. The Council's position is that this is generally discouraged, however there may be some specific circumstances where employment of an ex-employee under these terms could be the most effective and efficient way of meeting the Council's needs. If this situation applies formal approval must be sought from the Chief Executive in their role as Head of the Paid Service.

### **Chief Officers' Tax and National Insurance**

21. The Council does not enter into arrangements with individual employees to minimise their tax and national insurance contributions.

## **REMUNERATION OF THE LOWEST PAID EMPLOYEES WITHIN THE COUNCIL**

### **The Council's approach to the pay of its lowest paid employees**

22. The Council is committed to ensuring that pay and rewards policies are fair and that the needs of the lowest paid employees are properly considered. The Council has completed the job evaluation process to ensure that all employees receive a fair and equal rate of pay for the work that they undertake. It is also signed up to nationally negotiated pay agreements.

### **Lowest paid employees**

23. As at 1 January 2016 the lowest FTE salary within the Council structure is £15,150.
24. From 1 April 2015 the Council implemented payment of the Living Wage Foundation Rate (£7.85 per hour). From 1 April 2016 the Living Wage Foundation Rate rises and the lowest FTE pay will be £15,916.

### **Relationship between Chief Officer pay and other employees**

25. The Council publishes its pay multiple in line with the Code of Recommended Practice for Local Authorities on Data Transparency. The pay multiple is the ratio between the highest paid employee (£140,221.40) and the median earnings across the organisation (see paragraph 6 for information on the method used to calculate this). The current median salary earned within the Council is £17,081.04. The current pay multiple is 8.21. This figure is calculated based on figures as at 31 December each year to allow approval of the Pay Policy by Council to allow publication and approval by 1 April each year.

## **PUBLICATION OF THE PAY POLICY STATEMENT AND TRANSPARENCY INFORMATION**

26. The Pay Policy Statement is published on the Council's website. Further information on the remuneration of Chief Officers can be found on the open data section of the Council's website in line with the Code of Recommended Practice for Local Authorities on Data Transparency.

## **POTENTIAL FUTURE REVIEW**

### **£95k Exit Cap on Public Sector Employees**

27. The governments draft Enterprise Bill proposes to amend the Small Business, Enterprise and Employment Act 2015 to insert a provision for regulations to ensure the total exit costs of a member of staff when they leave the organisation do not exceed £95,000. The final bill is not yet published but has a potential implementation of autumn 2016 therefore this policy statement may need to be reviewed in line with any regulation changes.

### **Recovery of Public Sector Exit Costs**

28. The draft Enterprise Bill also proposes the implementation of a sliding scale of recovery payments if an employee earning in excess of £80,000 leaves a public sector organisation with an exit payment and then returns to the public sector within 12 months. The final bill is not yet published but has a potential implementation of autumn 2016 therefore this policy statement may need to be reviewed in line with any regulation changes.