

LOCALISM ACT 2011 – PUBLICATION OF A PAY POLICY STATEMENT FOR 2012/13

Submitted by: Chief Executive – John Sellgren

Portfolio: Resources and Efficiency

Ward(s) affected: Not applicable

Purpose of the Report

The Localism Act 2011 requires local authorities to prepare and publish a pay policy statement for the financial year 2012/13 and subsequent financial years. The statement should set out the authority's policies relating to the remuneration of its chief officers, the remuneration of its lowest paid employees and the relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers.

Recommendation

That the Pay Policy Statement attached at Appendix A to this report be approved and published on the council's website by 31 March 2012.

Reasons

To ensure the council complies with the requirements of the Localism Act 2011 and in accordance with the guidance issued by the Department for Communities and Local Government 'Openness and Accountability in Local Pay'.

1. Background

- 1.1 In the Coalition Agreement, the Government made a commitment to strengthen councillors' powers to vote on large salary packages for council officers. In addition, the Government has recently taken steps to increase transparency about how taxpayers' money is used, including in the pay and reward of public sector staff.
- 1.2 In June 2010, the Government asked Will Hutton to undertake an independent review of Fair Pay in the public sector.
- 1.3 Hutton is currently Principal of Hertford College, Oxford University and Chair of the Big Innovation Centre. From 2000 to 2008 he was Chief Executive of the Work Foundation. His report was published in March 2011 and made several recommendations for promoting pay fairness by tackling disparities between the lowest and the highest paid in public sector organisations.
- 1.4 The government welcomed the recommendations of Will Hutton's report and this resulted in part of the Localism Act being designed to increase accountability, transparency and fairness in the setting of local pay. The Act came into force on 15 January 2012.

2. Issues

- 2.1 To promote accountability, the Act requires pay policy statements, and any amendments to them, to be considered by a meeting of full council. In addition, full council should be offered the opportunity to vote before large salary packages are offered in respect of a new appointment (£100,000 and over).

- 2.2 For the purposes of transparency, it is considered that when the full council is discussing the pay policy statement, such discussions should be open to the public. Approved pay policy statements must be published on the authority's website and in any other manner that the authority thinks appropriate, as soon as is reasonably practicable after they are approved or amended.
- 2.3 With regard to fairness, Hutton recommended the publication of an organisation's pay multiple – the ratio between the highest paid employee and the median average earnings across the organisation – as a means of illustrating that relationship. Any policies on performance related pay must be included in the pay policy statement and authorities are encouraged to consider whether an element of the basic pay of senior staff should be subject to meeting pre-arranged objectives. The statement must also include the authority's policy on whether they permit individuals to receive salary and pension at the same time so that taxpayers can have the opportunity to question whether they are getting value for money from arrangements where it could appear that the authority is paying an individual twice for doing the same job.
- 2.4 The council's current approach to pay policy is set out at Appendix A.

3. **Options Considered**

- 3.1 A Pay Policy Statement could have been prepared based purely on the guidance received from the Department of Communities and Local Government 'Openness and Accountability in Local Pay'. However, West Midlands Councils has produced a Model Pay Policy Statement which draws together drafts from several authorities in the region with a view to a common approach being adopted.

4. **Proposal**

- 4.1 It is proposed that the council approves the format and content of the Pay Policy Statement for 2012/13, as set out at Appendix A, with a view to this being published on the council's website by 31 March 2012. This will ensure that the appropriate information is made available to the public in accordance with the requirements of the Localism Act 2011.

5. **Reasons for the Preferred Solution**

- 5.1 The view of the West Midlands Councils is that there is value to adopting a common approach to the production of Pay Policy Statement, as far as this is practically and reasonably possible, as this will be beneficial for future benchmarking and monitoring purposes.

6. **Outcomes Linked to Sustainable Community Strategies and Corporate Priorities**

- 6.1 Future benchmarking and monitoring of pay policy and an annual review will ensure accountability, transparency and fairness in the setting of levels of pay that are appropriate to local circumstances and which deliver value for money for local taxpayers.

7. **Legal and Statutory Implications**

- 7.1 Preparation of a Pay Policy Statement for 2012/13 is a requirement under section 38(1) of the Localism Act 2011.
- 7.2 Under Section 40(1) of the Act, Authorities must have regard to the guidance issued by the Department of Communities and Local Government in preparing and approving pay policy statements.

7.3 Before it takes effect, the Pay Policy Statement must be approved by a resolution of the authority. For the first statement, this must be done no later than 31 March 2012.

7.4 Following approval, the statement must be published as soon as possible on the authority's website (and in any other manner the authority thinks fit).

7.5 An authority may amend its Pay Policy Statement and this also requires resolution.

8. **Equality Impact Assessment**

8.1 The Statement at Appendix A sets out council's current approach to pay policy. No changes are incorporated and so there is no potential for any adverse impact on particular groups of employees.

9. **Financial and Resource Implications**

9.1 The Statement at Appendix A sets out the council's current approach to pay policy. No changes are incorporated and so there are no additional revenue costs or resource implications.

10. **Major Risks**

Not applicable.

11. **Sustainability and Climate Change Implications**

Not applicable.

12. **Key Decision Information**

The report is a key decision as defined in the council's constitution. The item is included in the Forward Plan.

13. **Earlier Cabinet/Committee Resolutions**

Council – 19 May 2010 – Resn 12/11
Establishment of the Chief Officer Appointment, Review and Appeals Committee.

14. **List of Appendices**

Appendix A – Pay Policy Statement 2012/13

15. **Background Papers**

Department of Communities and Local Government – Openness and Accountability in local pay: Draft guidance under Section 40 of the Localism Act.
Local Government Association and Association of Local Authority Chief Executives – Localism Act: Pay Policy Statements Guidance for Local Authority Chief Executives.
West Midlands Councils – Model Pay Policy Statement/Supplementary Notes and Guidance.

The above documents are available in the Members' Room and also from the Head of Human Resources.