



COUNCIL: 27 February 2019

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**Report of:** Borough Treasurer

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**SUBJECT: PAY POLICY STATEMENT 2019/20**

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Wards affected: Borough wide.

## **1.0 PURPOSE OF THE REPORT**

1.1 To agree a Pay Policy Statement for 2019/20 detailing the Authority's policy on Workforce remuneration, as required by the Localism Act 2011 (the 'Localism Act').

## **2.0 RECOMMENDATION**

2.1 That the Pay Policy Statement for 2019/20, attached at Appendix 1, be approved, published on the Council's website, and included in the Constitution.

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## **3.0 BACKGROUND**

3.1 The Localism Act refers to 'Pay Accountability' and sets out the requirements for Councils and fire and rescue authorities to prepare and publish annual pay policy statements. The pay policy statement must be approved by full Council, in advance of the financial year to which it relates.

3.2 The Council must publish the statement on the Council's website and may choose to expand the publication in other ways as part of its approach towards transparency. The pay policy statement must set out the Council'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.
- 3.3 The Council may amend its pay policy statement during the year but must comply with the statement in force in making decisions on relevant remuneration.
- 3.4 The definition of Chief Officers is not limited to those on Chief Executive and Chief Officer Terms and Conditions (JNC Conditions). It means Heads of Paid Service, statutory and non-statutory Chief Officers and those who report directly to them.
- 3.5 The Localism Act sets out the minimum requirements and authorities are encouraged to consider whether they wish to extend the scope of their pay policy statement to include highly paid staff not within the definition of 'Chief Officers'. At West Lancashire the scope of the 'Chief Officer' definition means that it is not necessary to so extend.
- 3.6 The information set out within the Pay Policy Statement complements the data on pay and reward that the Council is required to publish separately, under the Code of Recommended Practice for Local Authorities on Data Transparency and by the Accounts and Audit (England) Regulations and Local Government Transparency Code 2014. This is referred to on the Council's website.

#### **4.0 GUIDANCE ON OPENNESS AND ACCOUNTABILITY IN LOCAL PAY**

- 4.1 Under Section 40 of the Localism Act the Council must, when preparing and approving pay policy statements, have regard to any guidance issued or approved by the Secretary of State for Communities and Local Government. In February 2012, the Secretary of State issued guidance on openness and accountability in local pay setting out specific expectations including:
- Full council having 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 explaining the planned relationship between chief officers' 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 considering Lord Hutton's recommendations 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, complying with their published policy for that year;
  - Authorities having 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 and had received a severance or redundancy payment, returned under a contract for services or are in receipt of a LGPS / firefighter pension.
- 4.2 Additional supplementary guidance was issued in February 2013 which is summarised below:

- Pay Policy Statements are public documents to be used to hold Councillors to account on pay matters;
- The Pay Policy Statement should be published as soon as reasonably practicable after approval by full Council, it should include the Council's approach to the publication of and access to information on Chief Officer Remuneration.
- Building on existing guidance regarding the need for full Council approval for Senior Officer Appointments on salaries over £100,000, where Councils do not have posts within their structure of over £100,000, local salary thresholds should be set for full Council approval to senior officer appointments.
- There should be published policies on severance for Chief Officers and details of any redundancy payment discretions.
- Full Council should vote on large severance packages beyond a threshold of £100,000, the details should be set out to include all components of the severance, including salary paid in lieu, redundancy compensation, pension entitlement, holiday pay, bonuses, fees and allowances.

## **5.0 CURRENT APPROACH**

- 5.1 Members have been mindful for many years of ensuring that the remuneration available to the Chief Officers and senior managers within the Council is appropriate including in terms of ensuring the necessary skills are available to the Council.
- 5.2 The annual Pay Policy Statement provides information about the remuneration package offered by the Council to the Chief Officers within the structure, as well as relevant ratios.
- 5.3 Lord Hutton in his review of public sector pay, Fair Pay in the Public Sector, December 2010, recommended amongst a number of other things that the ratio between the lowest and highest paid officers within a public sector organisation should be no more than 1:20. With this recommendation in mind the Council is well within the boundaries of reasonable and appropriate pay differentials.
- 5.4 In producing the Pay Policy Statement, due consideration has been given to the guidance available and it is considered that the Pay Policy Statement presents a fair and appropriate approach to senior officer remuneration across the Council, which also represents good value for money.
- 5.5 It is Council policy to pay an additional supplement to those Council employees not currently receiving 'a Living Wage Foundation living wage'. This wage level is currently £9.00 per hour and this approach has been accounted for in the Pay Policy Statement 2019/20.
- 5.6 Employees who are members of the Local Government Pension Scheme (LGPS) pay annual contributions into the Scheme based on a banding structure, and the current contribution bandings are incorporated into the Pay Policy 2019/20.
- 5.7 The Pay Policy Statement contains the proposed revised grade structure for the Council, following the National Joint Council 2018/19 two year pay award. With effect from 1 April 2019, the national pay spine for all posts graded within the

National Joint Council for Local Government Services collective bargaining machinery, has been amended. This has resulted in the need for the Council to assimilate this revised pay spine within its own grade structure. The assimilation details have been agreed with the trade unions.

## **6.0 PROPOSALS**

- 6.1 The Council needs to agree a Pay Policy Statement and is recommended to adopt the Pay Policy Statement 2019/20, including the revised pay structure, as attached at Appendix 1. The Policy will be reviewed annually and further reports prepared for Council each year in order to ensure effective delivery of the Council's objectives.

## **7.0 SUSTAINABILITY IMPLICATIONS**

- 7.1 The report acknowledges the need to be transparent and open about Chief Officer Pay arrangements. The Council has put in place pay arrangements to ensure a suitably qualified and experienced set of Chief Officers are in place to deliver the Council's business, through appropriate remuneration at this senior level, whilst at the same time achieving value for money and being cognisant of the Council's objectives and budgetary circumstances.

## **8.0 FINANCIAL AND RESOURCE IMPLICATIONS**

- 8.1 The proposed Pay Policy Statement itself will not have any direct effect on the budgetary position of the Council as it encapsulates the current arrangements in relation to Pay and Conditions of its employees. However, the revised grading structure that will be effective from 1 April 2019 does detail changes to the salaries budget, which has been accounted for within the Council's overall budget, discussed elsewhere on the agenda.
- 8.2 Annual pay negotiations for both NJC and JNC officer salaries in 2018 both resulted in a two year deal, so the salaries quoted in Appendix 1 are based on levels approved for 1 April 2018 and 1 April 2019 onwards.

## **9.0 RISK ASSESSMENT**

- 9.1 A Pay Policy Statement must be approved and published to comply with various legislative and regulatory requirements. This provides an opportunity to demonstrate that the Council's approach to remuneration is fair and appropriate and demonstrates good value for money.

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### **Background Documents**

There are no background documents (as defined in Section 100D (5) of the Local Government Act 1972) to this Report.

### **Equality Impact Assessment**

There is a significant direct impact on members of the public, employees, elected members and / or stakeholders. Therefore an Equality Impact Assessment is required

and a formal assessment is attached as Appendix 2 to this report, the results of which have been taken into account in the Recommendations contained within this report.

## **Appendices**

Appendix 1 - Pay Policy Statement 2019/20

Appendix 2 - Equality Impact Assessment