

DATA TRANSPARENCY AND PROPOSED CHIEF OFFICER PAY POLICY

To: **Cabinet**

Date: **6th March 2012**

From: **Local Government Shared Services (LGSS) Director of Human Resources (HR) and Organisational Development (OD)**

Electoral division(s): **All**

Forward Plan ref: **2012/24** *Key decision:* **Yes**

Purpose: **The purpose of this report is to present recommendations for Cabinet's consideration, to ensure greater transparency of Chief Officer pay practice and to ensure compliance with the Localism Act 2011.**

Recommendation: **Cabinet is asked to:**

- a) Consider the proposed amendments to current Chief Officer Pay Policy and practice**
- b) Recommend the amendments to Chief Officer Pay Policy for Full Council approval**
- c) Recommend the draft Chief Officer Pay Policy Statement for Full Council Approval, in line with the requirements of the Localism Act 2011**
- d) Note the recommendation from Strategic Management Team to publish senior officer pay arrangements in accordance with the Localism Act's Transparency Code of Practice**

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1. BACKGROUND

- 1.1 In September 2011, the Secretary of State for Communities and Local Government issued a Code of Recommended Practice for Local Authorities on Data Transparency. This code sets out the key principles for local authorities in creating greater transparency through the publication of data. The Council has already taken steps to ensure compliance with this Code, an outline of which is provided in Section 7.
- 1.2 Since this date, the Localism Act 2011 has also come into force. This requires local authorities to approve and publish annually a Pay Policy Statement for the financial year 2012/13 and each subsequent financial year. The Pay Policy Statement must cover the Council's policies relating to remuneration of its Chief Officers and its lowest paid employees. It must also include other terms and conditions relating to Chief Officers. This policy statement must be approved by a resolution of the authority, i.e. the Full Council, and is required to be approved and published before the end of March each year. Guidance produced under the Localism Act encourages councils to involve their elected members in decision making in relation to these matters.
- 1.3 In preparation for this, the Strategic Management Team (SMT) have considered the current pay arrangements for Chief Officers, and, in order to address a number of potential weaknesses with the current Corporate Leadership Team (CLT) pay scheme, are now submitting a number of recommendations for Cabinet's consideration.

2. CURRENT CLT PAY POLICY

- 2.1 Currently, there are three elements within the CLT pay scheme which allow for pay progression. These are as follows:

1. Cost of Living Award

The Leader of the Council determines on an annual basis the level of increase, if any, to be applied to the published pay rates. This is made by reference to the Council's performance against key targets and overall affordability, given the Council's prevailing budget decision. The increase is used as the norm increase for calculating individual salary increases.

2. Individual Salary Level – Annual Update

Each year the Chief Executive, in consultation with the Leader, determines any annual increase in individual salary level. The norm level pay rate increases is used as a factor in determining any increase in individual salary level. The other two factors taken into account are Council and individual performance against agreed targets.

3. Individual Salary Level – Progression through the Development Points.

Personal development in role may be recognised by the award of discretionary consolidated pay movements from 1st April, in accordance with the locally agreed step values, through the six pay/development

points. Application of individual development points is determined each year by the Chief Executive and the Leader, taking into consideration the individual's performance and overall affordability. Awards are considered where contribution and competence have been suitably evidenced and assessed via the performance management scheme.

3. MAIN ISSUES

CLT Pay Practice Review

- 3.1 As above, SMT have indicated that now is an opportune time to address potential weaknesses with the CLT pay scheme. At present the cost of living award applied to the CLT pay scales is at the discretion of the Leader and is based on performance and affordability. The drawback of this approach is that there is no independent advice and no set parameters within which to operate. Similarly, there are no clear parameters set in terms of the application of individual salary updates and progression through the development points.
- 3.2 To ensure greater transparency and robustness of approach, the following recommendations have been put forward by SMT for Cabinet's consideration – A draft pay policy statement based on these recommendations can be found in **Appendix 2 and supporting Appendices 3 and 4.**

4. Recommendations

Broaden the function of the Appointments Committee

- 4.1 It is recommended that responsibility for determining annual pay awards and reviewing annual progression recommendations is delegated to the existing Appointments Committee, e.g. it takes on a broader function and is renamed the Appointments and Remuneration Committee. In accordance with the Localism Act provisions on Pay Accountability, where the Appointments and Remuneration Committee decides to alter the underlying policy, this would require the approval of Full Council as it would constitute an alteration to the Council's Pay Policy Statement.
- 4.2 There would need to be an advisor to the Appointments and Remuneration Committee and it is recommended that this be the LGSS Director of HR and OD or his/her nominated representative. For pay decisions below the Chief Executive, it is recommended that the Chief Executive and the LGSS Director of HR and OD or his/her nominated representative would act as the advisors to the panel. It is also suggested that the Committee should have the flexibility to seek external advice on pay matters as and when it considers that this is required.
- 4.3 If the above recommendation is adopted, it will require a written change to the Constitution to revise the terms of reference and delegated functions of the existing Appointments Committee. The proposed amendments to the wording of the Constitution can be found in **Appendix 1.**

Removal of Individual % increases

- 4.4 It is recommended that % increases in pay on an individual basis, e.g. the individual annual salary update, be removed from the CLT pay scheme and that an annual cost of living award, if applicable, be applied to all.
- 4.5 It is recommended that the performance of the organisation and overall affordability should remain factors in determining the annual cost of living award. Likewise, the national award should continue to be used as a benchmark.

Flexibility for Non-Consolidated Payments

- 4.6 It is recommended that there be flexibility for the Appointments and Remuneration Committee to award one off non-consolidated performance awards. These would be applied in exceptional circumstances only, where individuals have performed above and beyond their job role. Affordability should also be a factor in determining whether a non-consolidated performance award is applied.
- 4.7 It is recommended that any non-consolidated payment should be based on the development points within each CLT Director pay grade to provide transparency of approach and to ensure that the individual's pay does not exceed the "absolute ceiling" for his/her pay band and grade boundary.

Progression through the Development Points

- 4.8 No changes are recommended to the core practice of individual progression through the development points other than agreed progression through the development points to the maximum "Absolute Ceiling" point is determined annually by the Appointment and Remuneration Committee and will not go beyond the "Absolute Ceiling" progression point in each grade.

5. CONSULTATION

- 5.1 As the CLT pay scheme is a contractual scheme, any proposed changes would need to be consulted on in the usual way, e.g. with the trade unions and those directly impacted by the proposals.

6. ANNUAL COST OF LIVING AWARD – 2012/13

- 6.1 A decision is still to be taken on the annual cost of living award to be applied to the CLT payscales for 2012/13. Last year, a decision was taken not to award development points for 2010/11 or to apply a cost of living award/individual salary updates or development points for 2011/12. This was based on the economic climate and overall affordability.
- 6.2 Should the existing Appointments Committee take on the delegated function of determining pay awards and progression, this will become the first decision for the Committee to make.

7. CODE OF RECOMMENDED PRACTICE AND THE TRANSPARENCY AGENDA

7.1 The Council has already taken some steps towards compliance with the recommended Code of Practice. Since February 2011, the following data has been published on the Council's external web page:

- The names and actual salaries of SMT members
- The post titles of the Council's Service Directors, with their salaries recorded in 5k bandings, e.g. £80 - 85k
- The numbers of employees reporting into each Service Director who are earning £50k or more. This threshold was selected initially to mirror the threshold used in the Audit and Accounts regulation 2009.

7.2 The Code of Recommended Practice is voluntary at this stage, although may become mandatory in the future, depending on the level of compliance by local authorities. The Code of Practice recommends, as a minimum, that the following data be published:

- Senior employee names and salaries (with the option, under Data Protection regulations, for individuals to refuse consent for their names to be published). 'Senior employee salaries, is defined as salaries which are £58, 200 and above
- Job descriptions, with details of budget responsibilities, budgets and numbers of staff
- An organisational chart of the staff structure, including salary bands and details of vacant posts
- The 'pay multiple' – the ratio between the highest paid salary and the mean salary of the whole of the authorities workforce. (The Council's current pay ratio is 1:8. The Hutton report recommends that the ratio be no more than 1:20, so the Council falls well within this range).

7.3 SMT agreed on the 9th February to the publication of this data. The HR Policy Team has compiled the data set and has written to those individuals affected to seek their consent to the publication of their salaries. Where individuals do not give consent to their salaries being published, salaries will be published in 5k bandings, e.g. 80 – 85k.

8. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

8.1 Supporting and protecting vulnerable people when they need it most

There are no significant implications for this priority.

8.2 Helping people live healthy and independent lives in their communities

There are no significant implications for this priority.

8.3 Developing the local economy for the benefit of all

There are no significant implications for this priority.

8.4 Ways of working

There are no significant implications for this priority.

9. SIGNIFICANT IMPLICATIONS

9.1 Resource and Performance Implications

Broadening the remit of the existing appointments committee, e.g. reforming it as an Appointments and Remuneration Committee, has resource implications. However, as decisions would be made at set points in the year, this could be planned and managed accordingly.

9.2 Statutory, Risk and Legal Implications

The statutory and legal implications of these recommendations have been outlined in paragraphs 1.2 and 4.1

9.3 Equality and Diversity Implications

The formation of an Appointments and Remuneration Committee, together with the removal of individual % increases, will reduce the potential risk for inequality. Decisions would be made within clear parameters, based on independent advice and tested for equality purposes.

9.4 Engagement and Consultation

The consultation requirements, should these recommendations be agreed, are outlined in Section 5.

Source Documents	Location
Code of Recommended Practice for Local Authorities on Data Transparency	http://www.communities.gov.uk/publications/localgovernment/transparency/code
Localism Act 2011	http://www.legislation.gov.uk/ukpga/2011/20/contents/enacted