

# North Herts District Council - Pay Policy Statement 2018/19

## 1. INTRODUCTION

- 1.1 Local Authorities are required by section 38 of the Localism Act 2011 (the Act) to prepare a pay policy statement and have regard for any guidance issued under section 40 of the Act and the Supplementary Guidance released in February 2013 and viewed alongside the Local Government Transparency Codes 2014 and 2015. This statement outlines our current policy and matters required by the Act and the Transparency Codes relating to the pay of staff particularly senior staff and the lowest paid employees.
- 1.2 This is the seventh annual statement and covers the financial year, beginning 2018/19. The first pay policy statement was published in 2012, however the Council provided pay multiples in advance of the requirement to do so. The statement will be updated and approved annually by full Council. This statement is published on the Council's Website.

## 2. BACKGROUND

- 2.1 Under the 1997 National Joint Committee (NJC) Single Status Agreement, Councils were required to harmonise pay and conditions for comparable posts; a requirement that affected 1.5 million public sector employees. NHDC completed its pay review in 2004, adopting Hay Job Evaluation and other elements of remuneration. The Hay method of evaluation is widely used by both public and private sector organisations. The Hay method works across the board, all posts from the Chief Executive post down are evaluated by the Hay Job Evaluation Scheme using the same criteria.
- 2.2 In setting our pay scales Hay Consultants compared the job evaluation scores with market rates both nationally and in London and the South East. The salary range was set at median plus 3.5% for London and the South East. The rationale for this was as follows:
  - It was within the budget provision
  - It decreased those paid above the maximum of their new grade to a minimum (35% of staff)
  - It was intended to support recruitment and retention and enable the authority to be more competitive with other public and private sector organisations in the vicinity
- 2.3 The Council's pay and benefits package was given approval by Cabinet in February 2004.
- 2.4 Following a senior management reorganisation in 2009, another Job Evaluation was carried out by Hay on Senior Posts and included an update of market data at that time.
- 2.5 The People Strategy 2016 - 2020 identified considerable recruitment and retention issues ahead for the Council and during 2016 Hay consultants were asked again to carry out the process described in paragraph 2.2. This exercise was carried out and it identified the Council's pay rates to be 6.17% below the comparators, rising to an average of 8.75% for Chief Officer pay. Alongside this we considered a report produced by EELGA using data from the regional Epaycheck service which viewed senior manager pay by authority type, working age population, Council

expenditure and number of employees. That analysis showed Tier 3 pay rates (that of Heads of Service, and Corporate Managers) to be lower than the comparator rates for Tier 4.

- 2.6 For the majority of staff we have been following the progress of the review of the Local Government National Pay Scales. Councils were advised to expect a reasonable level of pay increase as a result. The pay offer for 2018/19 received on 5 December 2017 announced a two year offer of 2% for most staff and another bottom loaded increase for the lowest paid to keep pace with the rising National Living Wage. The unions reached agreement on this offer and it was paid to staff in May salaries backdated to 1 April.

### 3. GRADING

- 3.1 Our pay scales contain 16 pay bands which each contain 6 incremental points with the exception of Grade 16 which contains 5 incremental pay points. Grade 1 is the lowest and Grade 16 is the highest of these pay grades. Posts are allocated to a pay band through Hay job evaluation. Incremental progression through the pay points is annual, based on satisfactory performance. The Council does not operate performance related pay or a bonus system.

- 3.2 The lowest grade is Grade 1. Following the 2018/19 pay increase, the bottom of the Grade 1 pay band is £16,548. The top is £17,412 and the median is £16,950.

- 3.3 From 2013 onwards the Council employed a number of temporary apprentices and interns paid at the bottom of Grade 1 (now £16,548) in support of helping young people to gain paid meaningful work experience and to help them go on to find permanent employment.

The Enterprise Act 2016 regulations introduced a Levy for Apprenticeship training set at a rate of 0.5% of an employer's pay bill. The Enterprise Act 2016 also set out that public sector bodies will be required to employ apprentices and will be set targets to increase Apprenticeships. These provisions have led to some changes to the current Apprentice Scheme that will apply from 2018/19.

- 3.4 Service Managers are mainly grades 10 to 12. Grades 11 and 12 attract a grade related car allowance of £3,000. Grades 13 and 14 attract an allowance of £3,500 and Grades 15 and 16, an allowance of £4,000.

- 3.5 At the Councils July 2017 meeting it was agreed to delete the roles of Strategic Directors and replace those with a new post of Deputy Chief Executive. The next tier of the senior structure was also changed in spring 2018/19, this has resulted in the deletion of Head of Service posts, replaced by 6 new Service Director Posts and the structure retains 1 Corporate Manager post.

- 3.6 There are ten service managers at Grade 12 earning £44,736 to £52,620. These are typically professional senior technical officers or managers.

- 3.7 The table below shows the current positions for Chief Officers on Grades 12 to 16.

Position	Grade	Bottom of Pay Scale £	Top of Pay Scale £
Corporate Human Resources Manager (Part Time)	13	53,052 Pro Rata	62,412 Pro Rata

Service Director Commercial	14	62,532	73,560
Service Director Customers	14	62,532	73,560
Service Director Legal & Community	14	62,532	73,560
Service Director Place	14	62,532	73,560
Service Director Regulatory	14	62,532	73,560
Service Director Resources	14	62,532	73,560
Deputy Chief Executive	15	86,664	101,028
Chief Executive	16	107,076	117,804

- 3.8 The values of the pay points within these pay grades are up-rated by the pay awards notified from time to time by the National Joint Council for Local Government Services. For the Chief Executive and Deputy Chief Executive the up-rate is usually determined via the Joint Negotiating Committee for Chief Executives of Local Authorities and for Heads of Service and Corporate Manager grades usually up-rated by the Joint Negotiating Committee for Chief Officers of Local Authorities, as the JNC conditions of service apply to these posts. In the event of any pay awards after the statement is prepared, the pay policy statement is updated with the new pay rates and the median and multiple rates. These rates have been updated during June 2018.
- 3.9 The Car Allowance (See section 6 below) was last increased in 2004. The rates of employee pension contributions for Chief Officers rose sharply in 2008 and again rose sharply with the new Career Average Revaluated Earnings Scheme changes to the LGPS in 2014. The combination of these things has led to a decline in the overall value of the pay of Chief Officers since 2008.
- 3.10 Full Council will vote before a salary of £100,000 is offered in respect of a new appointment. A salary package includes salary and fees or allowances routinely payable to the appointee and any benefits in kind to which the officer is entitled as a result of their employment. This will apply to Chief Executive and Deputy Chief Executive recruitment, no other posts are expected to reach this threshold.
- 3.11 The current arrangements for Exit payments require Full Council to vote before any discretionary severance compensation payment award that is in excess of £100,000 is offered, namely:
- Salary paid in Lieu of Notice
  - Outstanding Holiday Pay
  - Redundancy/Compensation under the Discretionary Compensation Regulations 2006
  - Pension strain costs to the Employer
- 3.12 The Public Sector Exit Payment Regulations 2016 and Recovery Regulations were expected to come in to force from October 2016. It will apply to Voluntary and Compulsory exits and where a number of payments are made they will be aggregated together to be measured against the cap. The Exit payment cap will include:
- Redundancy,

- Pay in lieu of notice,
- Settlement agreement payments
- Costs arising from early pension access (the LGPS will be amended to limit strain costs)
- Other voluntary exits with compensation packages
- Ex gratia payments and special severance payments
- Other benefits granted as part of the exit process that are not payments in relation to employment
- Payments relating to the cashing up of outstanding entitlements

3.13 An update received in November 2016 stated there had been some slippage in the timetable and since that time there has been no further progress confirming the timetable for these regulations to commence.

3.14 Returning Officer/counting officer fees are paid by the parish, North Herts District Council or the Government and are payable to the Chief Executive/Returning Officer in respect of Elections and referendums. These fees are agreed annually by a report to Full Council and resolution. In setting a scale of fees and charges the Council is complying with The Representation of The People Act 1983, (section 36).

#### **4. FUTURE APPOINTMENTS AND INTERIM ARRANGEMENTS**

4.1 If the need arises to provide agency or interim cover the policy is to seek to cap the cost of that appointment at no more than that of the permanent appointment taking into account additional employment costs, pension contributions, national insurance, paid leave etc. However, where necessary a higher “market rate” will be paid to secure a suitable individual and market rate will be established by reference to soft market testing, external independent advice and dialogue with peer authorities.

4.2 Engaging senior people on a temporary basis as a self employed worker, a consultant or via an agency occurs in isolated instances only. This form of employment is a last resort when it is in the economic or operational interests of the Council.

4.3 The Use of severance agreements and “off payroll” arrangements was the subject of Guidance issued for local authorities in March 2015, IR35. From 6 April 2017, responsibility for assessing IR35 status and for deducting and accounting for PAYE and NIC will become the responsibility of the public sector body engaging them. The HMRC have developed an on-line tool to assess whether IR35 applies. HR and Accounts worked together on the processes to implement these changes.

#### **5 PAY MULTIPLES**

5.1 In the Hutton Report of March 2011, concern was expressed about multiples in the order of 20 or higher between the lowest and the highest paid employees in local authorities. The Council is not required to publish details of these pay multiples but has decided to do so in the interests of transparency. The Council is satisfied that the multiples shown in Table 2 below are justifiable and equitable as these rates are set out in the Job Evaluation scheme which applies to all of the Council’s posts.

5.2 Under the Local Government Transparency Codes 2014 and 2015, the Council must publish the ratio between the highest paid salary and the median salary of the whole of the Authority’s workforce. The highest paid salary including allowances is

£122,953. The median salary of the whole of the Local Authority's workforce is £23,292 and the multiple is 5.28.

- 5.3 The multiple of the median of the lowest paid compared to the highest paid has reduced from 7.94 in 2012/13 to 7.25 in 2018/19. These ratios were updated following the senior manager changes and the pay agreements for staff covered by NJC and JNC national negotiating arrangements.

Position/ Grade	Pay range	Median	
Grade 1	£16,548 - £17,412	£16,950	
Position/ Grade	Pay range	Median (inc Car Allowance)	Multiple of Grade 1 Median
Chief Executive - Grade 16	£107,076 – £117,804	£122,953	7.28
Deputy Chief Executive - Grade 15	£86,664 - £101,028	£97,599	5.75
Service Directors - Grade 14	£62,532 - £73,560	£71,534	4.22
Corporate Manager - Grade 13	£53,052 - £62,412	£61,232	3.61

The Council is satisfied that the multiples shown in 5.2 and 5.3 are justifiable and equitable and our rates are set by our Job Evaluation scheme and apply to all of the Council's posts.

## 6. CAR ALLOWANCES

- 6.1 Employees who need to use their cars on a frequent basis for work related travel get Frequent car user allowances of:-

Engine Size	Mileage Rate	Lump Sum
451 – 999	36.9p /mile	£846 p.a.
1000 – 1199	40.9p/mile	£963 p.a.
1200 – 1450	50.5p/mile	£1,239 p.a.

- 6.2 Employees who only use their cars on an occasional basis are refunded mileage only.

Engine Size	Mileage Rate
451 – 999	46.9p /mile
1000 – 1199	52.2p/mile

1200 – 1450	65.0p/mile

- 6.3 In setting car allowances for senior managers it was agreed that lease cars or the cash equivalent would be provided to Grades 11 and above as part of the overall reward package to attract and retain staff at the time. This was agreed at the meeting of Council on 12 February 2004.
- 6.4 A review of the benefit was carried out in 2011 and it was decided to phase out the provision of lease cars, but maintain the car allowance which has not been increased since 2004,

#### Car Allowance

Grade 11 -12 £3,000 p.a.  
Grade 13 -14 £3,500 p.a.  
Grade 15 -16 £4,000 p.a.

#### Car Allowance Mileage Rates

Size	Mileage Rate
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451 – 999	11.21p/mile
1000 – 1199	11.91p/mile
1200 – 1450	12.52p/mile
1451 – 1750+	13.23p/mile

## 7. OTHER PAYMENTS

- 7.1 Section 38 (4) of the Act specifies that in addition to senior salaries, authorities must also make clear what approach they take to the award of other elements of senior remuneration, including bonuses, performance related pay as well as severance payments. The Council does not use either performance related pay or bonuses. Any other payments such as market forces or long service are paid at exactly the same rates or calculated on the same basis as for all staff. All these rates are set out in the Council's Rates of Pay Policy.
- 7.2 Any severance payments should be made in accordance with the Council's Early Severance Policy and prevailing legislative requirements. The only other severance payments would be those set out in a severance settlement agreement or to settle an employment dispute to prevent, resolve or settle an Employment Tribunal Claim. In agreeing the terms for such cases due regard will be given to ensuring the cost is justifiable in relation to the circumstances and that the proposed outcome is in the best interests of the Council and represents a proper use of public funds.

## 8. LOCAL GOVERNMENT PENSION SCHEME CONTRIBUTIONS (LGPS)

- 8.1 With 4.6 million members, the Local Government Pension Scheme is one of the largest public sector pension schemes in the UK. The LGPS is a nationwide scheme and is a valuable part of the pay and reward package for employees working in local government. The LGPS differs from many other public sector pension schemes in that it is a funded scheme i.e. it has assets to pay its pensions. For North Herts District Council, the scheme is administered by Hertfordshire County Council via a contract with the South East fund, Local Pensions Partnership.

8.2 The current Employer contribution rate is 18.6% for all grades. This increased from 15.5% following the 2016 triennial valuation to reflect the changes to the accrual rate in the Career Average Revaluated Earnings scheme (CARE) introduced in April 2014.

8.3 There has been a significant number of changes to the scheme to that have gradually reduced benefits and increased employee contribution rates. This is due to the need to maintain the affordability of the scheme, with people living longer and drawing their pension for longer periods. The last significant change to the scheme was in April 2014. The table below shows the Career Average Revaluated Earnings (CARE) scheme which came into effect from 1 April 2014. The Employee Contribution bands for 2018/19 are set out in the table below. Further reforms to the LGPS are expected due to the Public Sector Exit Payment Cap.

<b>LGPS 2014</b>	
<b>Basis of Pension</b>	Career average revaluated earnings CARE
<b>Revaluation Rate</b>	Based on CPI
<b>Accrual Rate</b>	1/49 <sup>th</sup>
<b>Pensionable Pay</b>	Pay including non contractual overtime and additional hours for part time staff
<b>Employee Contribution Rates</b>	Up to £14,100 5.5% £14,101 £22,000 5.8% £22,001 £35,700 6.5% £35,701 £45,200 6.8% £45,201 £63,100 8.5% £63,101 £89,400 9.9% £89,401 £105,200 10.5% £105,201 £157,800 11.4%

8.4 The Single Tier State Pension ended the previous contracting out of NI arrangements from April 2016. As a result LGPS members pay an additional 1.4% of their earnings between £5,564 and £40,004. Employer NI contributions have also risen.

#### **Flexible Retirement Pension Discretion**

8.5 The Council allows flexible retirement under its pension discretions. This is where an employee draws their pension and carries on working at a lower grade and/or on reduced hours. It is available to LGPS members who are aged 55 or over, and who, with the Council's consent, permanently significantly reduce their hours and/or reduce their grade. The employee's pension is actuarially reduced if paid before age 65. This policy applies to all grades including Chief Officers but applications would be at the Council's discretion giving due regard to the business implications and succession planning.

### **9. PUBLICATION**

9.1 This is the seventh annual statement and applies to the financial year, beginning 1 April 2018 to 31 March 2019. This statement was approved by a meeting of full Council on 8 February 2018. The statement will be updated and approved annually

by full Council. This statement is published on the Council's Website and the statement has been updated with new rates of pay from 1 April 2018.

- 9.2 In addition to this statement, the Council is required to publish the details of Chief Officer pay in the annual Statement of Accounts and publish these on the Council's website.

## **10. BACKGROUND DOCUMENTS**

- Council Report 19 July 2017 Senior Management Arrangements
- Pay Policy Statement 2017/18
- Openness & Accountability in Local Pay: Guidance
- Under Section 40 of the Localism Act 2011 February 2012
- Openness & Accountability in Local Pay: Guidance Under Section 40 of the Localism Act 2011 February 2013 Local Government Transparency Code 2014
- Local Government Transparency Code 2015
- Small Business, Enterprise and Employment Act 2015
- (Draft) The Repayment of Public Sector Exit Payments Regulations 2015
- Enterprise Act 2016
- The use of Severance Agreements and off payroll arrangements - Guidance for Local Authorities March 2015
- Annual Statement of Accounts
- Rates of Pay Policy
- Early Severance Policy
- Market Forces Policy
- NHDC Pension Discretions
- Retirement Policy
- Additional Responsibility Pay Policy