

<b>25 March 2015</b>		<b>ITEM: 19</b>
<b>Council</b>		
<b>Annual Pay Policy Statement 2015/16</b>		
<b>Wards and communities affected:</b> N/A	<b>Key Decision:</b> N/A	
<b>Report of:</b> Graham Farrant, Chief Executive		
<b>Accountable Head of Service:</b> Jackie Hinchliffe, Head of HR, OD & Transformation		
<b>Accountable Director:</b> Graham Farrant, Chief Executive		
<b>This report is public</b>		

## **Executive Summary**

The Localism Act 2011 requires the Council to publish an annual Pay Policy Statement for chief officers. This must be approved by Council by 31<sup>st</sup> March every year. Like many other local authorities, Thurrock's Statement includes a pay policy for all categories of employee. Council are asked to consider and approve the 2015/16 Pay Policy Statement.

### **1. Recommendations**

- 1.1 To approve the NJC cost of living pay award for staff on single status pay scales.**
- 1.2 That senior officers should not receive a cost of living pay award in 2015/16.**
- 1.3 To publish mandated, additional data about senior officer pay in accordance with the Government's new Transparency Code.**
- 1.4 To continue paying the UK Living Wage to the Council's lowest paid employees.**
- 1.5 To authorise an increase in the UK Living Wage from £7.65 to £7.85 per hour with effect from 1<sup>st</sup> April 2015.**
- 1.6 That apprentice pay rates should, on an annual basis, increase from the national apprentice rate to the national minimum wage (according to age) after 6 months' satisfactory performance.**
- 1.7 To approve the Pay Policy Statement for 2015/16.**

## **2. Introduction and background**

- 2.1 This report seeks to approve the Council's annual Pay Policy Statement for 2015/16. It includes the requirement, under the Localism Act 2011, to publish its policy relating to remuneration of Chief Officers.
- 2.2 The principles contained in this statement are in line with decisions taken during the approval process of previous years' statements.
- 2.3 The Government's aim in requiring this statement is to enhance accountability, transparency and fairness in the setting of pay in Local Government. Statutory guidelines<sup>1</sup> have been followed in drawing up the statement.
- 2.4 The Government also published a code of practice for transparency in 2014, which includes requirements for local authorities to publish more specific details of their senior officers' pay and responsibilities.
- 2.5 This report seeks to approve the publication of the 2015/16 statement. A copy of the statement can be found at Appendix 1 of this report.

## **3. Issues, Options and analysis of options**

### **3.1 Single status employees**

#### **National pay award**

- 3.1.1 All Thurrock Council employees, other than senior officers, are for the purposes of this report referred to as 'single status employees' as they are employed under pay, terms and conditions contained in the Council's 2006 Single Status Agreement.
- 3.1.2 The Agreement includes a local pay and grading scheme, however it also stipulates that any nationally agreed pay settlement must be awarded to Thurrock single status employees as a minimum.
- 3.1.3 A national pay award was agreed on 14<sup>th</sup> November 2014 as follows:
  - i) A 2.2% pay increase for all employees earning at least £14,880, effective from 1<sup>st</sup> January 2015 until 31<sup>st</sup> March 2016.
  - ii) Pay increases of 2.32% to 7.93% for staff earning under £14,880, to take effect as per (i) above. It should be noted that this will have a minimal effect on Thurrock's salary bill as few staff are paid less than £14,880. Those who are, have their salaries supplemented by the UK

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<sup>1</sup> 'Openness and accountability in local pay: guidance under section 40 of the Localism Act' published by DCLG: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/5956/2091042.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5956/2091042.pdf)

living wage (See Section 5 below). This equates to an annual, full-time salary of £14,760.

- iii) Non-consolidated, lump sum payments of £325 (for pay points 1-3); £150 (points 4-7) and £100 (points 8 to 46). These were paid to staff in December 2014.
- iv) A non-consolidated payment of 0.45%, minus £100, for those on pay points 22 to 46, paid in April 2015.

3.1.4 The cost of these increases in 2014/15 was £205,681 and £586,378 in 2015/16. £750,000 has been budgeted for pay increases in 2015/16.

### **Independent pay review**

3.1.5 The Single Status Agreement requires the Council to commission an annual, independent pay review to ensure that the Council's pay rates remain in line with market rates. The review for 2015/16 has been undertaken by Total Reward Projects Ltd. It notes that, in the year to November 2014, median pay settlements were as follows:

Private Sector	2.2%
Not-for-profit Sector	2.0%
Public Sector	1.0%

3.1.6 The public sector figure is a result of the government's continuing policy (ie since 2013) of capping annual pay budgets for public sector organisations.

3.1.7 The independent review concludes that Thurrock should implement the national pay award. It notes that single status staff received a 1% pay increase in April 2014, when no national pay increase had been agreed, and that staff should, therefore, receive a further 1.2% from April 2015 to bring the total percentage increase to 2.2% for the period 1st April 2014 - 31st March 2016.

### **Implementation**

3.1.8 The lump sum payments were effective from 1st December 2014. It was therefore necessary to seek special authority to process these amounts in order for them to be paid on time, rather than include them for consideration in this report.

3.1.9 The Leader of the Council therefore made an executive decision on 3<sup>rd</sup> December 2014 to authorise these payments so that they could be included in the December payrun. This decision was reported to Cabinet on 17<sup>th</sup> December 2014.

3.1.10 Appendix 1 shows the proposed new pay scales, including the 1.2% pay increase.

3.1.11 Council are therefore requested to approve the proposal to implement a 1.2% pay increase for single status employees, payable from 1 April 2015.

## **3.2 Senior officers**

### **Pay**

3.2.1 Senior officers (ie the chief executive, assistant chief executive, directors and heads of service for the purposes of this report) have not received a pay increase since 2010 and have undergone a number of restructures, including one in 2014/15, which has resulted in a reduction in their overall costs.

3.2.2 In addition, senior officers do not claim travel expenses (such as car mileage) within Thurrock boundaries, although a car allowance has been consolidated into their salary rates.

3.2.3 The NJC's 2014-16 pay agreement has awarded a 2% increase to chief officers receiving salaries of under £100,000; however Thurrock Council is not bound by this agreement.

3.2.4 As with single status employees, an annual, independent review is undertaken for senior officer pay in Thurrock. The January 2015 review has concluded that there should be no increase in chief executive and senior officer pay levels, as they continue to align closely with market rates.

3.2.5 It is recommended that the Council agrees that senior officers should not receive a pay increase in 2015/16.

### **Transparency code**

3.2.6 The Government published a code of practice for transparency in 2014<sup>2</sup>, which requires local authorities to publish more specific details of their senior officers' pay.

3.2.7 As part of Thurrock's adoption of the mandatory requirements of this code, the above information will be included in this, and future, pay statements and/or on the Council's website.

3.2.8 The 2015-16 statement therefore includes a more detailed explanation of the ratio between the Chief Executive's salary and the average salary at Thurrock Council. The 'What We Spend' page on the council's website<sup>3</sup> already includes other information about managers' salaries.

## **3.3 UK living wage**

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<sup>2</sup> 'Local Government Transparency Code 2014' published by DCLG:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/360711/Local\\_Government\\_Transparency\\_Code\\_2014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360711/Local_Government_Transparency_Code_2014.pdf)

<sup>3</sup> <https://www.thurrock.gov.uk/what-we-spend/council-pay>

- 3.3.1 It is recommended that Council agrees to continue paying the UK Living Wage. This was first implemented in April 2013 as part of the Council's commitment to help its lowest paid workers meet the cost of living.
- 3.3.2 The Living Wage Foundation have calculated that, for 2015, the UK living wage is £7.85 an hour (compared with the statutory minimum wage of £6.50 per hour). This is an increase of 20p per hour, or 2.6%, and equates to an annual, full-time salary of £15,149. To achieve this in Thurrock, employees on spinal column point 7 and below would receive a supplement to bring their salary up to this level.
- 3.3.3 There are currently 48 full time equivalent staff on pay points 1 – 7. It is recommended to the Council that all employees should continue to be paid a minimum of the UK living wage, and that this rate should increase from 1st April 2015 to £7.85 per hour.

### **3.4 Apprentices**

- 3.4.1 At present, the starting pay for Council apprentices is the national minimum wage apprentice rate, currently set at £2.73 per hour. This rate is revised by the Government on 1st October each year, with any increase being awarded to Thurrock apprentices from the following 1<sup>st</sup> April.
- 3.4.2 After six months' satisfactory service, Thurrock apprentices progress to the national minimum wage rate according to their age, as follows:-

<b>Age</b>	<b>21 and over</b>	<b>18 to 20</b>	<b>Under 18</b>	<b>Apprentice</b>
<b>2014/15 Rates</b>	£6.50	£5.13	£3.79	£2.73

- 3.4.3 The Council's success in running an apprenticeship scheme has provided young people with the opportunity to gain valuable skills and experience in the workplace. They also gain a qualification, free of charge. Many have gone on to secure permanent positions with Thurrock and other employers.
- 3.4.4 It is recommended that the current pay policy for apprentices described above, including progression to the national minimum wage after six months' satisfactory service, continues on a permanent basis.

## **4. Reasons for recommendations**

- 4.1 The council is contractually obliged to honour NJC pay awards for single status employees, and the independent pay review has confirmed that by doing so, Thurrock's pay rates will remain competitive and affordable.

- 4.2 The independent pay review for senior staff has concluded that, once again, there is no case for increasing senior salaries, despite the 2% increase in NJC pay rates (which Thurrock are not bound by).
- 4.3 Publishing additional information about the remuneration of senior staff helps to demonstrate Thurrock's commitment to transparency of information, and is in-keeping with the Government's new code of practice.
- 4.4 Increases in the UK living wage and apprentice pay rates help to demonstrate that Thurrock is an ethical employer which values its younger and/or low-paid employees, and sets a good example to other employers in the borough.

## **5. Consultation**

- 5.1 All of the above recommendations were approved by Directors' Board at their meeting on 25th November 2014.
- 5.2 The Council's recognised trade unions have been consulted about these proposals. They have not objected to any of them, and have welcomed the proposal to continue paying the UK living wage to the lowest paid staff.

## **6. Impact on Corporate Policies, Priorities, Performance and Community**

- 6.1 Supporting the UK Living Wage and apprenticeship initiatives complement the council's People Strategy and helps to promote the council as an employer of choice.
- 6.2 The 2015/16 Pay Policy Statement is designed to help the Council achieve two of its corporate priorities, namely:
- Create a great place for learning and opportunity
  - Encourage and promote job creation and economic prosperity
- 6.3 Officers are currently conducting a pay and reward review to modernise and streamline its pay structure. An objective of this review is to identify how best to design pay and reward in order to attract and retain the highest calibre staff. Achieving this objective would doubtlessly enhance the Council's ability to achieve all of its corporate priorities.

## **7. Implications**

### **7.1 Financial**

Implications verified by: **Sean Clark**  
**Head of Corporate Finance**

The financial impact of these pay increases has been considered through this report and has been accounted for in the 2014/15 and 2015/16 budgets.

## 7.2 Legal

Implications verified by: **Chris Pickering**  
**Principal Solicitor - Employment & Litigation**

The legal implications in connection with this report arise from consultation with trade unions which has been considered throughout. It is therefore noted that the trades unions presented no objections to these proposals.

## 7.3 Diversity and Equality

Implications verified by: **Natalie Warren**  
**Community Development and Equalities  
Manager**

This pay statement is mostly confirmation of either existing practice or standard protocols set by law and therefore there are no diversity and equality implications arising. The increases in the UK Living Wage and apprentice pay rates are both likely to have a positive impact on employees at lower end of the Council's pay scales.

## 7.4 Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Assessment, Sustainability, IT, Environmental

No other significant risks have been identified.

## 8. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Not applicable

## 9. Appendices to the report

- Appendix 1 – Pay Policy Statement 2015/16

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