

**COUNCIL: 23 MARCH 2017**

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**CABINET PROPOSAL**

**AGENDA ITEM:**

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**PAY POLICY STATEMENT 2017/18**

**Reason for this Report**

1. To ask the Council to agree a Pay Policy Statement for 2017/18, in accordance with the requirements of the Localism Act 2011.

**Background**

2. The City of Cardiff Council understands the importance of having a clear written policy on pay for employees. The Pay Policy Statement provides a framework to ensure that employees are rewarded fairly and objectively without discrimination.
3. The Council also has a statutory requirement under the Localism Act 2011 to prepare a pay policy statement on an annual basis. The first statement was in place by 31<sup>st</sup> March 2012 and they have been produced annually since. Agreement (and subsequent publication) of this sixth annual Pay Policy Statement will ensure continued compliance with this legislation.
4. The focus of the legislation is about transparency of pay for Chief Officers and how their pay compares with lower paid employees in the Council. However, in the interests of transparency and accountability the Council has chosen since 2011 to take a broader approach and produce a Pay Policy Statement covering all employee groups with the exception of teachers (as the remuneration for this latter group is set by the Secretary of State and therefore not in local authority control). This Pay Policy Statement excludes Members of the Council as they are not employees and are governed by separate legislation via the Independent Remuneration Panel for Wales.
5. The legislation also requires the Council to provide information about redundancy payments that are made to employees who leave the organisation. The Voluntary Redundancy policy was last reviewed in January 2015 with the changes taking effect from 3<sup>rd</sup> April 2015. There will be no change to the Voluntary Redundancy policy for 2017/18.

Chief Officer Pay

6. The Standing Orders (Wales) Amendment Regulations 2014 introduced a requirement that: *“The relevant authority [i.e. full Council] must determine the level, and any change in the level, of the remuneration to be paid to a Chief Officer”*.
7. Chief Officers of this Authority are employed under JNC terms and conditions which are incorporated into their contracts of employment. They are therefore contractually entitled to any JNC pay rises and the withholding of such increases, pending agreement by full Council, could result in claims against the Authority of ‘unlawful deduction from wages’ or ‘breach of contract’.
8. Due to the practical implications of this requirement, Welsh Government, agreed that the requirement could be met by full Council voting on a resolution to pay the nationally agreed pay awards, as and when determined by the JNC for Chief Officers. Such a resolution was made by full Council and a clause has been included to this effect in the 2015/16 and subsequent Pay Policy Statements. This clause can only be revoked by full Council, and if such a decision was taken, the Pay Policy Statement would need to be amended accordingly.

#### Redundancy Packages

9. Currently, Welsh Government guidance on Pay Policy Statements states that where a Chief Officer will be in receipt of a redundancy package above £100,000 this must be agreed by full Council. In Cardiff, the cap on redundancy payments is £21,555 from 6<sup>th</sup> April 2016 (current weekly maximum is £479, April 2017 increase to be confirmed by the Department for Business, Innovation and Skills). Therefore, a redundancy payment alone will not need to go to full Council. However, as salary paid in lieu and the full cost of early release of pension must be included in the total cost of a redundancy package there may be instances where the agreement of full Council will be required. This is incorporated into the proposed Pay Policy Statement in paragraph 53.

#### UK Government Changes

10. Alongside the position set out in paragraph 9 above, the UK Government is in the process of introducing a number of changes which impact on public sector exit payments:

##### Introduction of a £95k Exit Payment Cap

- (i) As a result of the Enterprise Act 2016, the UK Government introduced legislation which included provisions to cap the total value of public sector exit payments, (including payment of compensation and pension strain) at £95,000. HM Treasury are yet to finalise the regulations and therefore the cap is not yet in place. Welsh Government will have the power to relax the cap in relation to exit payments made by authorities that wholly or mainly exercise devolved functions, which includes local authority staff.

Until the regulations are finalised it is unclear as to how Welsh Government will operate the waiver in practice.

#### Wider Review of the Public Sector Exit Payment Schemes

- (ii) Concurrently, the UK Government intend to introduce a framework of changes to the terms of public sector exit payment schemes which will affect local government employees, including teachers. Although it is expected that changes will be made to the relevant schemes by June 2017 the UK Government has not provided details on their proposed approach at the current time.

#### Recovery of Exit Payments (Clawback)

- (iii) The final change will be the ability to recover exit payments made to employees earning over £80,000 who leave the public sector but are then re-engaged in the public sector within a 12 month period.
11. There is a clear link between the changes outlined in (i) and (ii) above. Indications are that the changes to the terms used to calculate exit payments will (most likely) be less beneficial to the employee, and the consequence of this is that the cap of £95,000 is less likely to be breached in future.

#### Gender Pay Gap

12. The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, which relate to public sector employers in England and Wales, requires the publication of gender pay gap data based on a 'snapshot' date of 31<sup>st</sup> March.
13. Public sector employers are required to publish their first gender pay gap report within the period of 12 months beginning with the 'snapshot' date, and the first report is due by 31<sup>st</sup> March 2018. The plan is to include the gender pay gap report in the 2018/19 Pay Policy Statement.

#### **Reason for Recommendation**

14. To comply with the legal requirement under the Localism Act 2011 to produce a Pay Policy Statement, and at the same time to provide transparency and accountability in the Council's arrangements for rewarding its staff.

#### **Legal Implications**

15. Under Section 38 of the Localism Act 2011 the Council must prepare a Pay Policy Statement for each financial year before the commencement of that year. The Pay Policy Statement for 2017/18 must therefore be approved by 31<sup>st</sup> March 2017.

16. The Act requires that the Pay Policy Statement covers certain specific matters and the Welsh Government has issued statutory Guidance in relation to Pay Policies.
17. The proposed Pay Policy Statement for 2017/18 meets the requirements of the Act and Welsh Government Guidance.
18. The Pay Policy Statement must be published on the Council's website.
19. The Council's pay structures are considered to be compliant with Equalities legislation.

### **Financial Implications**

20. The rates of pay and conditions set out in the Pay Policy Statement are reflected in the Council's budget for 2017/18.

### **Human Resource Implications**

21. The recommendation will not impact on employees across the Council as it merely outlines in one policy, existing and agreed arrangements for pay and remuneration of employees.

### **CABINET PROPOSAL**

Council is recommended to approve the attached Pay Policy Statement 2017/18 (Appendix 1) for consideration by Council on 23 March 2017.

### **THE CABINET**

16 March 2017

*The following appendices are attached:*

Appendix 1 – Pay Policy Statement 2017/18

Appendix 2 – JNC for Chief Officers: Pay Award Agreement 2016/18

Appendix 3 – NJC for Local Government Services: Pay Award 2016/17

Appendix 4 – Salary scales documents detailing all Council grades.