

Pay Policy Statement 2013/14

1.0. Introduction

- 1.1. Section 38 of the Localism Act 2011 requires each local authority to produce a Pay Policy Statement for each financial year from 2012/13 onwards. The principle behind this requirement is to increase transparency and accountability in local approaches to public sector pay, particularly in respect of senior staff.
- 1.2. The national guidance states:

'The Act's provisions will ensure that communities have access to the information they need to determine whether remuneration, particularly senior remuneration, is appropriate and commensurate with responsibility. In addition, it will ensure that policies on pay and reward of the most senior staff are set clearly within the context of the pay of the wider workforce.'
- 1.3. The Pay Policy Statement must be approved by the authority's Full Council and be published on its website so that members of the local community have access to it.
- 1.4. The Act recognises that each local authority has the right to determine its own policy towards pay in order to address local priorities, the local market place and its own economic circumstances. However the requirement for the Pay Policy Statement to be approved by Full Council, and encouragement to councils to set up Remuneration Committees to oversee pay policy, involve councillors having a significant role in determining pay. At Leicester City Council decisions on terms and conditions are made by Employees Committee or the Executive. The Employees Committee serves as the Remuneration Committee.

2.0. Context

- 2.1. Leicester City Council is a unitary authority serving the largest city in the East Midlands region. The Council spends over £1 billion each year. It is the largest employer in the city with a current total workforce of 11,341 full time equivalents and a headcount of c.15,000. In May 2011 the Council moved to a Mayoral model of governance.
- 2.2. The Council provides a comprehensive set of local authority services to the population of the city encompassing schools, social services, environmental services, highways, economic regeneration, planning, libraries, museums, revenues and benefits, housing, parks and open spaces amongst others.
- 2.3. Due to the impact of the Comprehensive Spending Review the Council's grant funding will have reduced by £75 million per year between 2010/11 and 2014/15. This amounts to 29% of the Council's grant (38% in real terms). This reduction has led to 516 redundancies in the last two financial years and will lead to further redundancies in 2013/14 and 2014/15.

- 2.4. In 2012, in the context of significant budgetary constraints, the Council carried out a senior management review which has saved £1.1 million per year. Posts in the next tier down (Heads of Service) are being reviewed as part of ongoing service area reviews, resulting in further savings in management costs.

The review of the senior management structure not only reduced the number of Strategic and Divisional Director posts from 25 to 18 but also reduced the ceilings of the pay bands for these roles by between £5k and £15k pa. The structure, and associated pay scales, were approved by the City Mayor and Executive.

- 2.5. One of the main purposes of the Act is to set senior pay in the context of pay of the wider workforce, and specifically its lowest paid staff. The pay of most staff covered by this Pay Policy is governed primarily by a pay structure and associated terms and conditions of service which were implemented in March 2011 for all staff covered by the National Joint Council for Local Government Services (C12,000 staff by headcount).

3.0. Scope and Definitions

- 3.1. This Pay Policy Statement covers all Leicester City Council employees except those employed in schools, apprentices and casual workers.

- 3.2. The Statement includes policies on:

- a) The level and elements of remuneration for Chief Officers
- b) The remuneration of lowest paid employees
- c) The relationship between the remuneration of Chief Officers and other officers
- d) Other aspects of Chief Officer remuneration

- 3.3. Remuneration in the context of the Localism Act is defined widely to include salary, bonuses, performance related pay, allowances, fees, benefits in kind and contractual arrangements relating to any possible future severance payments.

- 3.4. The definition of Chief Officer includes Head of Paid Service*, Strategic Directors and Divisional Directors.

*The Council no longer has a post of Chief Executive but is still legally required to have a Head of Paid Service.

- 3.5. Following the senior management review the Council currently has:

- Acting Head of Paid Service x 1
- Strategic Director x 3
- Divisional Director x 15

The senior management structure can be found here [insert link to 'Latest Organisational Structure'](#). (There is one post on this structure which is below the level of Divisional Director, i.e. City Public Health and Health Improvement Officer.)

3.6. The policy for each group is set out in the following sections.

4.0. Senior Pay

4.1. Head of Paid Service

Following the introduction of a Mayoral model in May 2011 a review of the most senior role in the Council, that of Chief Executive, was undertaken. Under a Mayoral model, the role of City Mayor carries both leadership and executive functions which alters the requirement for the most senior management post. As a consequence of this review, Full Council decided to delete the role of Chief Executive. Subsequently a review of the senior management structure was undertaken, resulting in the retention of the statutory role of Head of Paid Service.

The salary range for this post is £123,231 - £127,485 pa (two incremental points) which reflects the reduced scope and size of the responsibilities under this model compared with those of the former Chief Executive role for which the salary range was £147,737 - £189,102. At present the Chief Operating Officer is acting up as Head of Paid Service. There are no additional performance, bonus or ex gratia payments applicable to this role.

The Acting Head of Paid Service receives pay protection which expires in January 2014.

4.2. Strategic and Divisional Directors

The review of Strategic and Divisional Directors' pay took into account a benchmarking exercise and a wish that levels of remuneration should reflect the significant financial pressures on the council due to substantial reductions in Government funding. This resulted in a reduction of the maxima of the salary ranges as shown below:

	Current	Previous
Strategic Directors	£110,484 £114,735 £118,983	£92,076 - £127,485
Divisional Directors	£76,725 £79,674 £82,626 £85,575	£63,945 - £88,527*

*There was also an enhanced Divisional Director grade, with a salary range of £92,076 - £99,150 pa, which was abolished and the four posts to which it applied were deleted.

All remaining postholders previously paid in excess of the maximum of the new salary range received two years' pay protection in accordance with the Council's policy. This will expire in January 2014 following which these Directors will see a significant reduction in pay.

Appendix 1 details each Chief Officer's substantive salary range and current salary.

The conditions of service for Strategic and Divisional Directors are in accordance with the Joint Negotiating Committee for Chief Officers Agreement and the local terms and conditions which apply to other staff (eg casual user car allowance when using their car for work). Directors do not receive performance related pay, bonuses, benefits in kind or any other additional payments. Those who so wish may have access to workplace car parking at a cost of £852 pa, deducted through a salary sacrifice arrangement.

Officers at this level are expected to work those hours necessary to fulfil their duties without additional pay. They receive no additional payments for overtime, standby etc.

4.3. Placing on Grades and Incremental Progression

Appointments to both Strategic and Divisional Director grades are normally made on the minimum point of the salary range, unless an appointee is already on a higher salary in which case placing on the grade will reflect this. The only other factor normally taken into account is market forces where necessary. However, market supplements above the grade of the post are not normally awarded at this level. Decisions on placement within the grade are normally taken by the most senior manager involved in the selection process, who may consult the relevant Assistant Mayor if required.

Progression through the grade is by one increment on 1st April each year, subject to satisfactory performance, until the maximum of the grade is reached.

4.4. Fees

The only Chief Officer who receives fees is the Returning Officer who receives payment in line with the guidelines supplied by the Electoral Commission. The Returning Officer is the Director of Delivery, Communications and Political Governance.

4.5. Termination Payments

The Council's policy on termination payments is the same for all staff.

Redundancy payments are based on the number of weeks' pay staff are entitled to in accordance with statute, with reference to their age and length of service, using an actual week's pay. The Council does not pay enhanced

redundancy payments for any staff under the Discretionary Payments Regulations.

In terms of early retirement, the Council's normal position is not to top up pension benefits but it will consider requests to do so on a case by case basis. This approach applies to all staff – there are no special arrangements for senior staff. However, the Council reserves the right to enter into compromise agreements for staff in exceptional circumstances.

Where the cost of redundancy pay plus the capital cost associated with the early release of pension is £60k or more, early retirement is subject to approval by the Head of Paid Service and the Director of Delivery, Communications and Political Governance in consultation with the City Mayor.

The Council has provisions for flexible retirement and for early retirement on compassionate grounds where the employee needs to provide care for a family member for two years or more. The Council does not award additional membership under Regulation 12.

4.6. How does Senior Pay Compare with Similar Authorities?

The geographically nearest unitary councils are Derby, Nottingham and Coventry City Councils. Leicester's salary ranges for Director posts are compared below with these authorities' ranges for comparable management tiers. However, it should be noted that actual posts and structures vary between authorities and none of these other City Councils is a Mayoral authority. For this reason no comparative salaries are included for Head of Paid Service (as the other Councils have a Chief Executive).

	Top tier – Strategic Directors	Second tier – Divisional Directors
Leicester	£110,484 - £118,983	£76,725 - £85,785
Nottingham	£120,000 - £144,653	£66,765 - £89,017
Derby	£108,084 - £118,890	£67,689 - £79,983
Coventry	£90,462 - £124,295	

It can be seen that Leicester has a lower maximum salary for both tiers than Nottingham and Coventry. At present, due to the insecurity of employment caused by public sector cut-backs, this may not prove a major issue in terms of retention. However, when pay protection ends for staff in receipt of this, retention may become an issue in some cases. Much will depend on the state of the employment market for senior roles at that time and the nature of the role occupied.

4.7. Value for Money

One of the key issues underlying the requirement to produce a Pay Policy Statement is consideration of whether senior pay levels represent value for money. What do officers provide in return for these levels of remuneration?

Leicester is a large unitary authority spending over £1 billion each year. It has a workforce of c 15,000 headcount, (full time equivalent 11,341 in total, 7822 non-school staff). Both Strategic and Divisional Directors have significant responsibilities for the delivery of the services under their control using the workforces and budgets they are responsible for. They advise the City Mayor and elected members on council decisions and on the future direction of the authority, guide major projects, plan and deliver a wide range of council services, are responsible for the effective performance of their service area, lead on complex changes, make tough day to day decisions on 'doing more with less' in an extremely challenging economic environment of cut-backs and commission services from others.

Most are responsible for large numbers of staff or manage highly complex technical areas with smaller staff complements. The numbers of staff managed are included in Appendix 1. Some senior roles hold statutory responsibilities, such as the Head of Paid Service, Section 151 Officer role (in charge of the council's finances) and the Monitoring Officer role, or responsibilities for safeguarding vulnerable adults or children.

Strategic Directors, with the City Mayor and the Executive, are responsible for setting out a strategic vision for the way forward for the service areas under their control and providing clear leadership to the organisation. Strategic Directors also provide effective management for their departments. Some senior roles focus around partnership working and relationship management with external partners to integrate strategy, maximise effective use of resources or to facilitate or deliver shared agenda.

Strategic Directors are responsible for overseeing large departments and Divisional Directors manage the divisions within departments. The size of budgets varies according to the nature of the service. Details of divisional budgets are attached at Appendix 2.

The job descriptions for all these roles are available at <http://www.leicester.gov.uk/PayPolicyandDirectorsJD> . The management competencies for Divisional Directors are set out in Appendix 3.

5.0. The Wider Workforce

- 5.1 Senior pay needs to be set in the context of the pay policy in relation to the rest of the workforce. The Council's current pay structure for all staff covered by the National Joint Council for Local Government Services and the Joint Negotiating Committee for Local Authorities Craft and Associated Employees results from a pay and grading review which was implemented in March 2011, with effect from 1st July 2010. The structure, which covers the majority of non-schools staff including Heads of Service, has 15 grades – see Appendix 4. The grading of jobs is determined through job evaluation, using a scheme which is compliant in terms of equal pay for equal value principles. The top salary is £61,146 pa.

- 5.2 Each grade has four increments apart from Grade 1 which has six. Employees are normally appointed to the minimum point of the grade and progress through the grade by one increment on 1st April each year, subject to satisfactory performance, until the maximum of the grade is reached. Sometimes, for market reasons, employees are appointed above the minimum point. Accelerated increments may also be awarded for exceptional performance.
- 5.3 The lowest salary in the structure – the minimum point of Grade 1 – is £12,145 pa or £6.29 per hour. However, with effect from 1 April 2013, the Council has adopted the 'Living Wage' resulting in a minimum hourly rate of £7.45 which equates to an annual salary of £14375. This is paid via a supplement to all employees on points 1 to 7 of the pay scale, a total of 1140 by headcount (of which 506 are in schools) – 8.6% of the total workforce.
- 5.4 The Council offers a wide range of training courses and post-entry qualification training to assist staff to progress in their careers. Managers are encouraged to develop career ladders linked to achieving relevant competencies, work of the relevant level and financial provision being available. New staff and management competencies were developed in 2011. These are attached at Appendix 3.
- 5.5 The following local provisions were developed as part of the new pay arrangements:
- Overtime payment at plain time or time and a third
 - Payment at time and a third for work at night, on Saturday and on Sunday
 - Payment at time and a third plus time off in lieu for work on a bank holiday
 - Standby allowance of £100 per week

The above represented an overall reduction in the level of allowances paid which enabled the new basic pay to be affordable. Full details of the relevant terms and conditions of service resulting from the pay and grading review can be found here [*insert link to Section 3 of Local Conditions.*](#)

5.6 Market Pay

Sometimes job evaluation results in a salary range which is below the market rate for a particular role. Where managers find difficulty with recruitment and retention because of this they may put forward a business case to the Market Pay Working Group which considers both this and independent market pay data in determining whether it is appropriate to award a market supplement. Market supplements are based on lower, median or upper quartile market pay data figures (or a level between these values) depending on the evidence and are reviewed every two years.

- 5.7 In addition to those staff covered by the pay and conditions described above a small proportion of the non-schools workforce is covered by national pay

scales for teachers, educational improvement professionals; educational psychologists, young people's/community service managers and youth and community workers.

6.0. Relationship of Senior Pay to the Pay of the Wider Workforce

The Hutton Report on Fair Pay recommended that local authorities should publish the ratio of top earner to the median earner in the authority (excluding schools staff and apprentices). At Leicester City Council this ratio, based on a median salary of £21,519, is currently 6.5:1. This figure is well within the acceptable tolerance of 10:1. The Council will continue to monitor this ratio each year in its Pay Policy.

7.0. Pension Issues

7.1. All staff belonging to the Local Government Pension Scheme make contributions to the scheme based on their salary level as illustrated below:

Local Government Pension Scheme Contribution Band (with effect from 1 April 2013)	Salary Range	Contribution Rate
1	£0-£13,700	5.5%
2	>£13,701-£16,100	5.8%
3	>£16,101-£20,800	5.9%
4	>£20,801-£34,700	6.5%
5	>£34,701-£46,500	6.8%
6	>£46,501-£87,100	7.2%
7	More than £87,100	7.5%

7.2. The Council makes employer's contributions to the scheme at a current rate of 18.7%.

7.3. The Council's approach to termination payments is set out in paragraph 4.5 and is the same for staff at all levels.

7.4. If a former employee in receipt of a pension rejoins the Council pension is not normally abated except where the employee has been granted added years. In this case if new earnings plus existing pension exceed previous salary, then abatement applies.

8.0. Disclosure

This Pay Policy Statement will be published on the Council's website. The Council already publishes details of all staff in scope of this Policy Statement paid above £58,200.

9.0. Review

The Pay Policy Statement will be updated annually as required by the Localism Act.