

CABINET

18 February 2019

Title: Pay Policy Statement 2019/20	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Decision
Wards Affected: (None)	Key Decision: No
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Accountable Strategic Leadership Director: Fiona Taylor, Director of Law and Governance	
Summary Under the terms of the Localism Act 2011 the council must agree, before the start of the new financial year, a pay policy statement covering chief officer posts. The Act also sets out the matters which must be covered in the policy. The council's draft Pay Policy Statement for 2019/20, attached at Appendix A, sets out the expected position at 1 April 2019. The report also seeks Cabinet's approval to apply the uplift in the London Living Wage with effect from 5 November 2018, which increased the minimum hourly rate of pay from £10.20 to £10.55 per hour.	
Recommendation(s) The Cabinet is recommended to: (i) Agree the implementation of the London Living Wage increase from £10.20 to £10.55 per hour for employees and apprentices operating in service areas covered by Green Book Terms and Conditions; and (ii) Recommend the Assembly to approve the Pay Policy Statement for the London Borough of Barking and Dagenham for 2019/20 as set out at Appendix A to the report, for publication on the Council's website with effect from April 2019.	
Reason(s) Under the terms of the Localism Act 2011 the Council must agree a pay policy statement in advance of the start of each financial year	

1. Introduction and Background

- 1.1 Section 38(1) of The Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement for senior officers (Chief Officers) to be agreed by all councillors at an Assembly meeting before the beginning of each financial year. This policy is timetabled to go to the Assembly on 27th February 2019.
- 1.2 The council produced its first Pay Policy Statement for the 2012/13 financial year in accordance with the Localism Act 2011. The definition of Chief Officer covers the Chief Executive, Chief Operating Officer, Directors, Commissioning and Operational Directors. The matters that must be included in the pay policy statement are as follows:
- The level and elements of remuneration for each Chief Officer.
 - The remuneration of its lowest paid employees (together with its definition of 'lowest paid employee' and the reasons for adopting that definition).
 - The relationship between the remuneration of its Chief Officers and other officers.
 - Other specific aspects of chief officer's remuneration: remuneration on recruitment, increase and additions to remuneration, use of performance related pay and bonuses, termination payments and transparency.
 - The Localism Act defines remuneration widely to include not just pay but also charges, fees, allowances, benefits in kind.
 - Enhancements of pension entitlement and termination payments.
- 1.3 The Pay Policy statement:
- Must be approved by the full council (Assembly).
 - Must be approved by the end of March each year.
 - Can be amended in year.
 - Must be published on the council's website (and in any other way the Council chooses).
 - Must be complied with when the council sets the terms and conditions for a chief officer

2. Proposal and Issues

- The proposal is to publish the Pay Policy as attached which ensures that the council is able to discharge its statutory duty as set out in the Localism Act.
- To increase the rate of pay for green book apprentices to ensure that they are paid the London Living Wage as a minimum.

3. Options Appraisal

- 3.1 The council is required to publish its pay policy and there is no alternative option to be appraised.
- 3.2 The Council has benchmarked its pay ratios against 9 other London Boroughs¹. The pay ratios in the policy indicate how many times higher the highest salary is

¹ Benchmark Data obtained from 2018/2019 published pay policies for LB Brent, LB Havering, LB Redbridge, LB Islington, LB Tower Hamlets, LB Waltham Forest, LB Hackney, LB Haringey, LB Bexley.

than the lowest and median salary. The pay ratio is calculated by dividing the highest salary by the lowest salary.

Example:	<i>Highest salary is 100k</i>	<i>Lowest Salary is 20k</i>
	<i>100k ÷ 20k = 5 therefore ratio would be 1:5</i>	

- The Council's Highest to Lowest salary ratio is 1:8.55 compared to 1:9.68 of the benchmark data. The highest salary is 8.55 times higher than the lowest salary.
- The council's highest to median salary ratio is 1:5.79 compared to 1:5.88 of the benchmark data. The highest salary is 5.79 times higher than the median salary. The median salary is the identified as the salary that sits at the middle of the entire range of employee salaries.
This benchmarking exercises identifies that Barking and Dagenham's pay ratios are comparable with the other London Boroughs selected as part of this exercise.
- When comparing the pay ratios against those from private industry in the FTSE 100, in 2016 the highest salary was 129 times that of the lowest salary; and in 2015 it was even higher at 148 times higher than the lowest salary.²

3.3 The council has previously given a commitment to ensure that it pays at minimum, the London Living Wage. The 2019/2020 pay policy continues with this commitment.

3.4 The number of Chief Officer positions in place at the 1st April 2019 remains the same as those in place at 1st April 2018. It is projected that changes already implemented in 2018/19 and further changes already planned for 2019/20 will further contribute to the reduction in the senior management costs.

4. Consultation

4.1 No consultation is required in respect of this matter.

4.2 The proposals in this report were considered and endorsed by the Workforce Board at its meeting on 16 January 2019.

5. Financial Implications

Implications completed by: Katherine Heffernan – Group Manager - Finance

The council's lowest pay rate for employees currently exceeds the London Living wage rate and therefore there is no financial impact from approving this recommendation. In increasing the rate of pay for apprentices to the London Living Wage introduces an average increase of circa £800 per apprentice with a total cost based upon the existing apprentice numbers of £18,122 per year. This will be managed within existing staffing budgets.

² CIPD and High Pay Centre Analysis <https://www.personneltoday.com/hr/executive-pay-ratio-regulations-come-before-parliament/>

6. Legal Implications

Implications completed by: Paul Field, Senior Employment Lawyer.

- 6.1 The Pay Policy sets out clearly and concisely the Authority's approach to Pay. There are no legal implications as the Policy and the approach which it outlines are consistent with employment law and HR best practice.

7. Other Implications

- 7.1 **Contractual Issues** – This makes no changes to employee's contractual position.

- 7.2 **Staffing Issues** - The staffing issues are fully explored within the main body of the report. There is no requirement to consult with the trade unions on this policy.

- 7.3 **Corporate Policy and Equality Impact** – The Council's approach to pay is based on the use of established job evaluation processes to determine the salary for individual roles, eliminating the potential for bias in the process

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- Appendix A – Pay Policy Statement 2019/20