

CABINET

12 February 2013

Title: Pay Policy Statement 2013/14	
Report of the Cabinet Member for Adult Services and Human Resources	
Open Report	For Decision
Wards Affected: None	Key Decision: Yes
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Accountable Divisional Director: Martin Rayson, Divisional Director – Human Resources and Organisational Development	
Accountable Corporate Director: Graham Farrant, Chief Executive	
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 and above. The Act sets out matters which must be covered under the policy. A draft of the Pay Policy Statement for 2013/14, the second produced, is included at Appendix A . The policy must be agreed by the Council's Assembly in advance of each financial year and it is therefore planned to take the policy to the meeting on 25 February 2013. The Statement includes a section on "Fairness" (Section 12). This makes reference to the decision in 2011 to pay all permanent staff and agency staff working on Council assignments at least the London Living Wage (LLW) of £8.30 per hour. In November 2012 the LLW was increased to £8.55 per hour. This report includes a recommendation to ensure all permanent staff and agency staff are paid at least £9 per hour, backdated to 1 January 2013.	
Recommendation(s) The Cabinet is asked to: (i) Agree that all permanent Council staff and agency staff working on Council assignments be paid the equivalent of at least £9 per hour with effect from 1 January 2013; and (ii) Recommend the Assembly to approve the Pay Policy Statement for the London Borough of Barking and Dagenham for 2013/14, for publication with effect from 1 April 2013, as attached at Appendix A to the report.	

Reason(s)

Under the terms of the Localism Act 2011 the Assembly must agree a pay policy statement in advance of the start of each financial year.

1. Introduction and Proposal

- 1.1 Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement for senior staff (chief officers) to be agreed by all members at an Assembly meeting, before the beginning of each financial year. This policy is timetabled to go to Assembly on 25 February.
- 1.2 The Council produced its first pay policy statement for the 2012/13 financial year and this document follows the same format. The definition of “chief officers” covers the Chief Executive, Corporate Directors and Divisional Directors. The matters that must be included in the pay policy statement are a council’s policy on:
 - The level and elements of remuneration for each chief officer.
 - The remuneration of its lowest-paid employees (together with its definition of “lowest-paid employees” and its reasons for adopting that definition).
 - The relationship between the remuneration of its chief officers and other officers.
 - Other specific aspects of chief officers’ remuneration: remuneration on recruitment, increases and additions to remuneration, use of performance-related pay and bonuses, termination payments, and transparency.
- 1.3 The Localism Act defines remuneration widely, to include not just pay but also charges, fees, allowances, benefits in kind, increases in/enhancements of pension entitlements, and termination payments.
- 1.4 The pay policy statement:
 - Must be approved formally by the Council (Assembly) meeting itself
 - Must be approved by the end of March each year, starting with 2012
 - 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.
- 1.5 The statement has been updated to take account of changes during the course of the year, notably:
 - The sharing of the Chief Executive post with Thurrock Borough Council
 - The decision to keep the post of Corporate Director – Finance and Resources vacant
 - The deletion of the post of Divisional Director – Adult Commissioning
 - The appointment to the Director post following the transfer of the public health function (see Section 6)

- The appointment of the new Head of Legal and Democratic Services, a shared post with Thurrock Council

- 1.6 The Chief Executive has, at the request of Members, reviewed salary levels of senior posts as part of the process of fundamentally reviewing all aspects of the Council's expenditure as part of developing savings proposals for 2013/14 and beyond. It is the view of the Chief Executive that senior manager costs are best controlled through a reduction in the number of posts at that level, rather than by reducing salary levels for current staff.
- 1.7 This view is based on the need to ensure that we are able to recruit and retain staff at that level, capable of delivering the changes the Council needs to make to sustain services with reduced resources. We need to maintain motivation and morale at that level (and indeed across all staff groups) and need to be aware that alternative opportunities do exist for talented staff in and around London. There is also evidence that in most cases salary levels for senior staff now sit at about the median level in comparison with equivalent posts in other London Boroughs, rather than in the third quartile, where they were set in 2008. This reflects the fact that salaries have not been uplifted since that time.
- 1.8 The number of senior posts has reduce by 1.5 over the course of the last 12 months, taking account of the creation of a new Public Health Director post, following the transfer of responsibility and funding from the NHS. The Chief Executive will continue to review senior management levels during 2013 and, in particular, will explore opportunities to share posts with Thurrock Borough Council.

2. Pay Rates of Lowest Paid Staff

- 2.1 In Section 12 of the Pay Policy Statement, reference is made to "fairness" and the decision of the Council in November of 2011 that no member of staff at LBBDD (i.e. excluding apprentices) would receive less than the LLW, which at the time was £8.30 per hour. As of 1 January 2012, therefore relevant pay scales were uplifted. In the spring of 2012 the Council agreed that no agency staff working for the Council should be paid less than the LLW. An appropriate clause was therefore added to the new contract for agency staff with Adecco, which had a start date of June 2012.
- 2.2 At the beginning of November 2012 the Mayor of London announced that the London Living Wage (LLW) would increase to £8.55 per hour. No specific date was given for its implementation. In reviewing the position of the Council consideration has been given as to the extent to which an increase for the Council lowest paid staff to £8.55 is sufficient to ensure "fairness" in pay and supports the Council's ambition to increase average household incomes.
- 2.3 Members have made clear their intention that lowest-paid staff should receive help in these tough times – over and above the level recommended by the Mayor of London. This takes account of the uniquely challenging settlement for local government and the impact this has on lower paid staff. It is recommended, therefore, that the Council increases the rate of pay of its lowest paid permanent staff to the equivalent of at least £9 per hour (and annual salary of £16,425). It is further proposed that this increase be backdated to 1 January 2013.

- 2.4 This decision would benefit over 1,500 staff. The annual cost to the Council of increasing the pay of permanent staff is £314,000. The cost of paying £9 an hour to staff on agency contracts with the Council is estimated to be up to £100,000 annually. Implementation of the decision from 1 January 2013 adds an additional pressure to 2012/13 budgets of approximately £78,500, which services believe they can absorb.

3. Financial Issues

Implications completed by: Jonathan Bunt, Divisional Director, Finance

- 3.1 The annual cost to the Council of increasing pay rates to at least £9 per hour, based on the Council's current staffing structure, is set out in the table below:

	No. Staff	Add Cost of £9/hr	Add Cost of £9/hr (inc on-costs)
Chief Executive	1	£38	£48
Adult & Community Services Dept	25	£5,555	£6,946
Children & Young People	1,179	£105,749	£132,215
Finance And Resources	319	£140,057	£175,005
Housing & Environment	1	£134	£168
Total	1,525	£251,533	£314,382

- 3.2 An additional £1m has been included in the budget to cover the potential cost of a 1% pay award, which may be agreed as part of the national negotiations on pay. There is not currently, however, any specific provision in the 2013/14 budget for the extra cost to service budgets of raising the minimum hourly rate to £9, but the wider economic and social benefits associated with increasing pay rates at the bottom of the Council's pay scales is believed to outweigh the cost.

- 3.3 The options to fund the estimated £314,000 pressure are:

- To reduce the headroom in the agreed 2013/14 budget thereby increasing the overall budget gap for 2013/14 to 2014/15; or
- To fund from corporate contingency thereby reducing the available funds in 2013/14 to absorb any unforeseen pressures or invest in new corporate priorities and initiatives.

The additional pressure caused by implementing this increase during the 2012/13 budget year can be absorbed within existing budgets.

- 3.4 Where the staff impacted by this increase in pay work in services that are traded to schools or other bodies, the fee structure for those services will need to be considered as it currently operates on the principle of full cost recovery. There is a

potential risk to those income budgets if the additional costs make the services uncompetitive on price and lead to a reduction in the value for money offered.

3.5 There are no additional budget pressures caused by the agreement of the Pay Policy Statement, as this reflects the current position on pay.

4. Legal Issues

Implications completed by: Fiona Taylor, Head of Legal and Democratic Services

4.1 This report outlines our obligations with regards to senior officer pay and in particular in relation to the information to be provided pursuant to section 38 of the Localism Act. Legal comments are included in this report.

5. Other Implications

5.1 **Risk Management** – There are no risks attached to this statement as attached as it describes the current position.

5.2 **Contractual Issues** – This statement makes no changes to employees' contractual position.

5.3 **Staffing Issues** – The staffing issues are fully explored within the main body of the report.

Background Papers Used in the Preparation of the Report:

- Localism Act 2011

List of appendices:

Appendix A – Pay Policy Statement 2013/14