



FULL COUNCIL REPORT

Date Written	10 th February 2016
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Service Area	Human Resources -Corporate
Exempt/Non Exempt	Non Exempt
Committee Date	23 rd March 2016

To: Mayor, Ladies and Gentlemen

PAY POLICY

1.0 SUMMARY OF THE REPORT

1.1 Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a Pay Policy Statement for each financial year which must be approved formally by Full Council. Pay policy statements can be amended 'in-year' should the need arise but only by Full Council.

2.0 RECOMMENDATION(S) that

2.1 The authority's Pay Policy Statement for 2016/17 to include the following paragraph which can be found at 14.2 of the Pay Policy Statement:

'The Council employs Chief Officers under JNC terms and conditions which are incorporated into their contracts (Director and Chief Executive). The JNC for Chief Officers negotiates on National (UK) annual costs of living pay increases for this group, and any award of same is determined on this basis. Chief Officers employed under JNC terms and condition are contractually entitled to any National JNC determined pay rises and this Council will therefore pay these as and when determined in accordance with current contractual requirements.'

2.2 The Pay Policy 2016-17, to be implemented 1st April 2016, be approved.

3.0 INTRODUCTION AND BACKGROUND

3.1 The Local Government Act 1972 (Section 112) sets out the Council's 'powers to appoint officers on such reasonable terms as the Authority thinks fit'.

- 3.2 More recently, the requirements within Section 38(1) of the Localism Act 2011 sets out the need for Welsh and English Authorities to produce and publish a Pay Policy statement for each financial year.
- 3.3 This is the fifth Pay Policy statement that has been produced and published by Merthyr Tydfil County Borough Council.

4.0 CONTENT OF THE PAY POLICY

- 4.1 To remind Members Welsh Government amendments to the Local Authorities (Standing Orders) (Wales) Regulations 2006 effective from 1st July 2014 introduced a new requirement that:

“The relevant authority must determine the level, and any change in the level, of the remuneration to be paid to chief officers”.

- 4.2 The impact of this amendment is that all changes to chief officers pay must be voted on by full Council, not just those which are determined locally. This includes any pay rises which have been nationally negotiated by the JNC for Chief Officers and these now cannot be paid, unless and until, they have been agreed by full Council.
- 4.3 As there are Chief Officers of this authority employed under JNC terms and conditions (Director) which are incorporated into their contracts of employment, they will be contractually entitled to any JNC pay rises and a decision to withhold payment (unless preceded by action to effect appropriate changes to contracts) could result in claims against the authority of ‘unlawful deduction from wages’ or ‘breach of contract’.
- 4.4 There is currently a delay in seeking approval for the JNC nationally agreed pay rises. Seeking full council’s determination to pay JNC nationally agreed pay rises at the time they agreed is likely to cause delay in their payment to Council employees. The WLGA has therefore pursued this matter with Welsh Government on behalf of councils in order to seek a pragmatic solution. As a result it has been agreed that the requirement that full council must determine nationally agreed contractually entitled pay rises for Chief Officers can be met by full council voting on an appropriate resolution to insert a suitable clause in their Pay Policy Statement to cover the issue (see 14.2 of the Policy).
- 4.5 This report is therefore presented to enable this authority to meet this new requirement as outlined.
- 4.6 Should the Council at any time decide that it does not wish to implement nationally negotiated JNC pay increases then it would need to be a decision of Full Council, and the Pay Policy Statement would need to be amended again to reflect that decision.
- 4.7 It should be noted that the Government has published draft regulations, the National Minimum Wage (Amendment) Regulations 2016, which will implement the new National Living Wage (NLW) rate with effect from 1 April 2016.

- 4.8 The hourly rate for the NLW will be £7.20 per hour, and will apply to those aged 25 and over. That rate is expected to increase on an incremental basis so that by 2020 it reaches 60% of national median earnings, so an estimated £9.35.
- 4.9 In terms of what this means for those affected by the NJC pay negotiations (Grades 17-4), The National Employers met with the unions on 3 December 2015 and have made a final pay offer.
- 4.10 The Employers' final offer was constructed to achieve a two-year agreement with a headline of one per cent in each of 2016 and 2017 in addition to increasing the bottom pay points to take account of the new National Living Wage, the National Employers made the following final offer to the unions:

From 1 April 2016:

- On SCP 6, £900 (equivalent to 6.6%)
- On SCP 7, £900 (equivalent to 6.6%)
- On SCP 8, £900 (equivalent to 6.5%)
- On SCP 9, £900 (equivalent to 6.4%)
- On SCP 10, £900 (equivalent to 6.3%)
- On SCP 11, £300 (equivalent to 2.0%)
- On SCP 12, £300 (equivalent to 2.0%)
- On SCP 13, £250 (equivalent to 1.6%)
- On SCP 14, £250 (equivalent to 1.5%)
- On SCP 15, £200 (equivalent to 1.2%)
- On SCP 16, £200 (equivalent to 1.2%)
- On SCP 17, £175 (equivalent to 1.01%)
- On SCPs 18 and above, 1.0%

From 1 April 2017:

- On SCP 6, £500 (equivalent to 3.4%)
- On SCP 7, £500 (equivalent to 3.4%)
- On SCP 8, £475 (equivalent to 3.2%)
- On SCP 9, £400 (equivalent to 2.6%)
- On SCP 10, £375 (equivalent to 2.5%)
- On SCP 11, £300 (equivalent to 1.9%)
- On SCP 12, £300 (equivalent to 1.9%)
- On SCP 13, £300 (equivalent to 1.9%)
- On SCP 14, £300 (equivalent to 1.8%)
- On SCP 15, £300 (equivalent to 1.8%)
- On SCP 16, £250 (equivalent to 1.5%)
- On SCP 17, £225 (equivalent to 1.3%)
- On SCPs 18 and above, 1.0%

The National Employers final offer in relation to Chief Executives pay which they believe balances the desire to provide a pay increase for all JNC employees with councils' limits of affordability is:

- One per cent on basic salary¹ with effect from 1 April 2016
- One per cent on basic salary¹ with effect from 1 April 2017

- 4.11 Council should also take note of the requirement of The Repayment of Public Sector Exit Payments Regulations 2015 (the 'Regulations') (currently in draft form) set out the proposed arrangements for requiring the repayment of certain high value exit payments. The Regulations are due to come into force on 1 April 2016. Repayment of such payments will be required if the employee or office holder in question earned £100,000 or more in the 12 months prior to the termination of their employment and is re-employed in the same "sub sector" of the public sector within 12 months of the date of termination. The Regulations cover a wide range of payments including:
- Redundancy payments
 - Payments on voluntary departure
 - Any payment to reduce or eliminate an actuarial reduction to pension on early retirement
 - Payments in respect of outstanding contractual entitlements e.g. payments in lieu of accrued but untaken annual leave
 - Compensation payable under a contractual term
 - Payment in lieu of notice
 - Payment in the form of shares or share options.
- 4.12 The other measure by the UK Government is the introduction of a cap of £95,000 on the total value of exit payments made to public sector employees. A consultation was carried out in relation to this, which concluded on 27 August 2015. The UK Government has announced that, having considered the responses to the consultation, it proposes to proceed to legislate to introduce a cap on exit payments.
- 4.13 The proposals would cover all types of payment made in relation to leave employment, including compulsory and voluntary exits. The monetary value of any extra leave, allowances or other benefits granted as part of the exit process would also be considered in the value of any exit payment and be subject to the cap. Any payments regarding death or injury attributable to employment, ill-health retirement and payments made following litigation in relation to unfair dismissal or breach of contract will not be subject to the cap.
- 4.14 Any waiver of this cap would require consent from full Council in the case of local government exit payments.
- 4.15 Other changes that are to be found within the Pay Policy for 2016-17 are:
- 4.15.1 Reference to the pay increases as set by the National Employers;
 - 4.15.2 Introduction of the Living Wage Foundation rates amends the grading structure locally where Grade 1 has moved from SCP 7 & 8 to SCP 13 & 14, Grade 2 has moved from SCP 8 to 14 to SCP 15 to 17 and Grade 3 has had the starting point increased from SCP 15 to SCP 18;
 - 4.15.3 Pay rules during redeployment;
 - 4.15.4 Exit payment cap
 - 4.15.6 Reclaiming of severance

4.16 A copy of the Pay Policy 2016-17 is available via the Background Papers link.

5.0 FINANCIAL IMPLICATION(S)

5.1 There are financial implications related to applying the Pay Policy, however these are already in place and are merely defined more clearly within this statement

6.0 SINGLE INTEGRATED PLAN AND SUSTAINABILITY IMPACT SUMMARY

6.1 There is no impact in relation to the SIP and sustainable impact as it sets out a fair and consistent approach to applying pay measures to the existing pay and grading structure.

7.0 EQUALITY IMPACT ASSESSMENT

7.1 An Equality Impact Assessment (EqIA) form has been prepared for the purpose of this report. It has been found that a full assessment is not required at this time. The form can be accessed on the Council's website/intranet via the 'Equality Impact Assessment' link.

GARETH CHAPMAN
CHIEF EXECUTIVE

COUNCILLOR PHIL WILLIAMS
CABINET MEMBER FOR GOVERNANCE
AND CORPORATE SERVICES

BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
<i>Pay Policy statement 2016-17</i>	February 2016	HR O drive
Does the report contain any issue that may impact the Council's Constitution?		No

Consultation has been undertaken with the Corporate Management Team in respect of each proposal(s) and recommendation(s) set out in this report.