

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Employment in Hampshire County Council Committee
Date:	11 November 2015
Title:	Hampshire County Council Pay Statement – Financial Year 2016/17
Reference:	6978
Report From:	Chief Executive

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1. Executive Summary

- 1.1. This report outlines the requirements on the County Council in respect of pay accountability placed on the County Council in consequence of the Localism Act (“the Localism Act”), Chapter 8, Sections 38 to 43.
- 1.2. By virtue of Section 38 of the Localism Act, the County Council is required to prepare a Pay Statement (“Pay Statement”) for each financial year. This Pay Statement needs to set out the County Council’s policies in respect of the remuneration of its Chief Officers, the remuneration of its lowest paid employees, and the relationship between the remuneration of its Chief Officers and the remuneration of employees who are not Chief Officers.
- 1.3. Section 39 of the Localism Act requires that a Pay Statement required under the Localism Act is prepared and approved by full Council prior to 31 March immediately preceding the year to which it relates. The County Council must comply with the provisions of the approved Pay Statement when making any determinations in respect of the remuneration of Chief Officers in the financial year to which such Pay Statement relates. A copy of the proposed Pay Statement for 2016/17 is attached at Appendix A to this report.
- 1.4. Since the report was last considered by the Committee the strategic development and expansion of the County Council’s corporate and business services has continued. Several posts are now shared with the Hampshire Constabulary and the Fire and Rescue Service. Proposals relating to a number of other posts are included in this report.
- 1.5. Senior Management costs were reduced by £8 million (25%) in the period to 2013. Building on this the programme of Transformation to 2015 has achieved a further £2.2 million savings (10%) in senior management costs.

In addition, the current programme of Transformation to 2017 is anticipating that senior management costs will drop by a further £3.3 million by 2017.

2. Contextual information

2.1. “Chief Officer” is defined as Section 43 (2) of the Localism Act, and means each of the following:

- The Head of Paid Service
- The Monitoring Officer
- A Statutory Chief Officer
- A Non-Statutory Chief Officer
- A Deputy Chief Officer

2.2. Together with the Head of Paid Service, the terms “Statutory Chief Officer” and “Non-Statutory Chief Officer” include the County Council’s current Corporate Management Team (CMT), and the post of Assistant Chief Executive.

2.3. The Statutory definition of “Deputy Chief Officer” is however much wider and goes beyond the County Council’s local definition of how a Chief Officer post might be described, and includes not only Deputy Directors, but also Assistant Directors and Heads of Service, if reporting directly or are directly accountable to a member of CMT in respect of all or most of their duties.

2.4. Section 38 (3) of the Localism Act also requires that the County Council includes within its Pay Statement a definition of its “lowest paid” employees, and the County Council’s reasons for adopting the definition. “Lowest paid” employees are defined at paragraph 5 of the Pay Statement to mean those members of staff employed at Grade A on the County Council’s main pay framework.

2.5. Section 38 (4) of the Localism Act sets out a number of mandatory matters which must be included within a Pay Statement. These are:

- The level and elements of remuneration of each Chief Officer
- Remuneration of Chief Officers on appointment
- Increases and additions to remuneration for each Chief Officer
- The use of performance-related pay for Chief Officers
- The use of bonuses for Chief Officers
- The approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the County Council
- The publication of an access to information relating to the remuneration of Chief Officers.

2.6. There is discretion within the Localism Act for the County Council to also include within its Pay Statement, policies in respect of the remainder of its workforce. In the interests of openness and transparency, the County

Council's Pay Policy in respect of employees who are not Chief Officers for the purposes of the Localism Act is set out at Section 1 of the Pay Statement.

3. Statutory Guidance

- 3.1. Section 40 of the Localism Act requires that in performing its functions under the Localism Act and in preparation and approval of a Pay Statement the County Council must have regard to any guidance issued by the Secretary of State. Guidance ('the Guidance') has been issued by the Department of Communities and Local Government 'Openness and Accountability in local pay' dated February 2012 in this regard. Further guidance ('the Supplementary Guidance') has been issued dated February 2013 supplementing the Guidance.
- 3.2. Under the provisions of the Guidance and the Supplementary Guidance the County Council is required to explain in its Pay Statement, its policies in respect of the employment of ex-Chief Officers in receipt of a redundancy payment, including its policy towards the re-engagement of Chief Officers previously employed by the County Council, under a Contract for Services.
- 3.3. The Guidance and the Supplementary Guidance also recommend that full Council should be offered the opportunity to vote before a salary or severance package of £100,000 or more is offered to any new Chief Officer appointee, or Chief Officer leaving the County Council.

4. Commentary

- 4.1. The draft Pay Statement attached at Appendix A is divided into three parts. These are an opening generic introduction covering the requirements of the Localism Act and specifically the definition of 'Chief Officers', followed by two policy sections. Section 1 describes the position in respect of employees who are not Chief Officers within the meaning of the Localism Act, and whose remuneration is covered by the County Council's main pay framework. Section 2 describes the position in respect of Chief Officers as defined by the Localism Act.
- 4.2. As indicated at paragraph 2.3 of this report, the Localism Act contains a wider definition than the traditional definition of 'Chief Officer'. Given the differing scale, size and responsibilities of the respective Chief Officer posts, it is sensible from an organisational perspective to group Chief Officers into four categories as set out below, and referred to at paragraphs 23–26 of the Pay Statement. In doing so the Pay Statement makes better sense of those existing post holders paid at or beyond grade K on the main pay framework. These four categories are:
 - a) the Head of Paid Service
 - b) Statutory Chief Officers and Non-Statutory Chief Officers
 - c) Deputy Directors, and

- d) the Monitoring Officer, the Assistant Chief Executive, Assistant Directors and Heads of Service falling within the definition of 'Chief Officer'.
- 4.3. The County Council's Constitution requires that the salaries of Chief Officers on appointment outside the main pay framework require Chief Executive and EHCC Committee approval. For practical business reasons, and to remain in line with the Constitution, it is proposed that, as per the case in the 2015/16 Pay Statement, the EHCC Committee continue to exercise this responsibility with regard to all Chief Officer salaries outside the main pay framework, whether on appointment or otherwise. This point is covered at paragraph 22 of the Pay Statement.
- 4.4. In exercising these responsibilities, it is recognised that the EHCC Committee will continue to be the responsible Committee for all Chief Officer appointments arising from the implementation of CSR and/or any appointments (joint or otherwise) arising from the formalisation of any new shared services arrangements or legislative changes. In specific cases, salaries connected with future Chief Officer appointments will be in excess of £100,000. This function was delegated to EHCC Committee by the County Council at its meeting on 19 February 2015. It is recommended again for practical business reasons that the County Council should agree that the EHCC Committee determine remuneration in respect of all future Chief Officer appointment arrangements or changes to Chief Officer remuneration after appointment in accordance with the policies set out in the Pay Statement. It is also recommended for practical business reasons that the County Council should agree that EHCC Committee be responsible for approval of any severance packages in respect of Chief Officers leaving the County Council.
- 4.5. It should be noted that the salary ranges of staff on Grades A-K referred to at paragraphs 9 and 12 and detailed at Annex 1 of the Pay Statement are as per January 2015, can cover the period to 31 March 2016. The question of whether there will be any pay award for staff for 2016-17 has not yet been determined. This will be considered in due course nationally for those staff on Grades A-G, and by EHCC Committee for staff on Grades H and above. Should there be any pay award for staff then the table at Annex 1 will be updated accordingly.
- 4.6. Interim Management Capacity
As reported previously to the EHCC Committee, the County Council continues to deploy its senior staff in a flexible way to meet the challenges and workstreams of Transformation to 2017. The EHCC Committee previously agreed that there would be flexibility at a senior level to respond to the challenge of finding a further £98 million of savings by 31 March 2017. In line with recent decisions a number of interim arrangements for senior staff have been developed, which would need to be confirmed to the EHCC Committee by 31 March 2017.

5. Recommendations

- 5.1. That the EHCC Committee recommend to the County Council approval of the Pay Statement as detailed in this report and at Appendix C, setting out the County Council's policies in respect of pay accountability for the financial year 2016/17 in accordance with the requirements of the Localism Act,
- 5.2. That the EHCC Committee recommends to the County Council that it remains the appropriate Committee to agree Chief Officer remuneration, for Chief Officers above Grade K, including individual salary offers in respect of any new Chief Officer appointments, any changes to Chief Officer salaries after appointment and any severance packages for Chief Officers leaving the County Council, in accordance with the Pay Statement.
- 5.3. That the EHCC Committee delegates authority to the Chief Executive, in consultation with the Chairman of the EHCC Committee, to make any changes to the draft Pay Statement consequential upon any changes to legislative requirements or other statutory guidance or changes to salaries of staff determined prior to consideration of the Pay Statement by full Council.

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because of the statutory requirements of the Localism Act

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Hampshire County Council Pay Statement Financial Year 2012/13	3721	23 February 2012
Hampshire County Council Pay Statement Financial Year 2013/14	4735	21 February 2013
Hampshire County Council Pay Statement Financial Year 2014/15	5663	20 February 2014
Hampshire County Council Pay Statement Financial Year 2015/16	6534	19 February 2015
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	
Localism Act	2011	
DCLG Guidance 'Openness and Accountability in Local Pay'	February 2012	
DCLG Supplementary Guidance 'Openness and Accountability in Local Pay'	February 2013	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

1.1. Equalities have been considered and no adverse impact identified.

2. Impact on Crime and Disorder:

2.1. The proposals will have no impact on crime and disorder

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?
No impact has been identified.
- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?
No specific measures have been identified.

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Hampshire County Council Pay Statement Financial Year 2016-17 (Draft)

1. The purpose of this Pay Statement (“Pay Statement”) is to set out Hampshire County Council’s pay policies relating to its workforce for the financial year 2016-17, including the remuneration of its Chief Officers and that of its lowest paid employees.
2. The responsibility for functions and delegated authority in respect of the determination of the terms and conditions of staff employed by the County Council is detailed in the County Council’s Constitution; in particular, Part 2: Chapter 2.1 and Part 2: Chapter 4, and this Pay Statement is subject to those provisions.
3. With the exception of teaching staff and associated youth and school advisory roles where pay is governed by National consultation groups and apprentices on the National Minimum Wage, pay for all staff, including Chief Officers, is determined by the Employment in Hampshire County Council (“EHCC”) Committee. The EHCC Committee is proportionally constituted and comprises elected County Councillors from the main political parties, and has responsibility for locally determined terms and conditions of employment for staff.
4. For the purposes of this Pay Statement and in accordance with the Localism Act 2011 (“Localism Act”), staff employed by the County Council have been separated into two groups:
 - (a) Employees who are not Chief Officers as defined by the Localism Act
 - (b) Chief Officers as defined by the Localism Act
5. An “employee who is not a Chief Officer” refers to all staff, who are not covered within the “Chief Officer” group as outlined below. This includes the “lowest paid employees”. In the context of the County Council other than apprentices the “lowest paid employees” are those employed at grade A on the County Council’s pay framework. This is because grade A is the lowest grade on the County Council’s pay framework.
6. Section 43(2) of the Localism Act defines Chief Officers for the purposes of the Localism Act. Currently, the following roles within the County Council fall within the definition of “Chief Officers”:
 - (a) Head of Paid Service (Chief Executive)

- (b) Monitoring Officer
- (c) Statutory Chief Officers (Director of Corporate Resources as Section 151 Officer, Director of Children's Services, Director of Adult Services and Director of Public Health)
- (d) Non-Statutory Chief Officers (Director of Culture, Communities and Business Services, Director of Economy, Transport and Environment, Director of Policy and Governance, Director of Transformation, and Director of Strategic and Business Development)
- (e) Other Non Statutory Chief Officer (Assistant Chief Executive)
- (f) Deputy Chief Officers (Deputy Directors, Assistant Directors and Heads of Service if reporting directly or are directly accountable to a Statutory or Non-Statutory Chief Officer in respect of all or most of their duties).

Section 1 - Employees who are not Chief Officers as defined by the Localism Act

7. These staff are subject to the County Council's main pay framework. This was implemented in April 2007 in line with National guidance, with the grade for each role being determined by a consistent job evaluation process. This followed a national requirement for all Local Authorities, and a number of other public sector employers, to review their pay and grading frameworks to ensure fair and consistent practice for different groups of workers with the same employer. As part of this, the County Council determined a local pay framework.
8. There are 11 grades (A-K) in the pay framework, grade A being the lowest and grade K the highest. Each employee will be on one of the 11 grades based on the job evaluation of their role. Each grade consists of 5 steps, with the exception of grades A and B which consists of 3 steps. Employees can progress within the salary range of their grade, having regard to the County Council's performance management arrangements.
9. All employees are paid within the salary range for their grade. Each "lowest paid employee" is paid within the salary range for grade A. All other employees are paid within the salary range for the grade of their role i.e. B-K. Details of the Council's salary ranges are published on the County Council's website, and a copy of those salary ranges as at 1 January 2015 is attached at Annex 1 to this Pay Statement.
10. Employees new to the County Council will normally be appointed to the first step of the salary range for their grade. Where the candidate's current employment package would make the first step of the salary range unattractive or where the employee already operates at a level commensurate with a higher salary, a different starting salary may be considered by the recruiting manager. This will be within the salary range for the grade. The candidate's level of skill and experience should be consistent

with that of other employees in a similar position on the salary range.

11. Employees' performance during the course of the year is reviewed within the County Council's performance management arrangements, and pay progression within the grade is subject to satisfactory performance.
12. Pay awards are considered annually for staff. For those staff up to and including grade G the outcome of the national consultations by the Local Government Employers in negotiation with the Trades Unions is applied. For staff at grade H and above the value of any pay award is determined by the EHCC Committee. Since the implementation of the County Council's pay framework, the EHCC Committee has applied the same percentage award determined nationally. Should there be a pay award for staff for the year 2016-17 then the table at Annex 1 will be updated accordingly.
13. There is no provision for bonus payments to any employees. There is however a Special Recognition Scheme, under which a one-off payment may be awarded to a member of staff as a reward for a particular piece of work or a substantial achievement above what is expected as part of their ordinary day-to-day work. The size of the award paid to an employee will be commensurate with the work being rewarded. All Special Recognition Scheme payments are subject to Chief Officer approval, are not consolidated into base salary and are funded from within existing budgets.
14. Allowances such as relocation assistance or other payments, for example shift working, may be made to staff in connection with their role or the patterns of hours they work in accordance with the County Council's collective agreement ('EHCC 2007') and subsequent amendments thereto, and other governance arrangements.
15. The County Council recognises that employees sometimes incur necessary expenditure in carrying out their responsibilities, for example travel costs. Employees will be reimbursed for reasonable expenses incurred on County Council business in accordance with the County Council's collective agreement ('EHCC 2007') and subsequent amendments.
16. Other than where required in order to carry out specific requirements of a role, for example the provision of accommodation for care workers required to live on site, there will be no benefits in kind payable to employees of the County Council
17. All employees as a result of their employment are eligible to join the Local Government Pension Scheme.. The County Council will not consider the purchase of additional pension for employees under the provisions of the Local Government Pension Scheme Regulations 2014. However, it will consider enabling employees to use part of any redundancy payment to buy additional pension, where they leave on the grounds of efficiency.

18. Redundancy payment arrangements will be based on the County Council's standard redundancy scheme. In support of efficient organisational change and transformation linked to the need for efficiencies and expenditure reduction, the County Council has also operated an enhanced voluntary redundancy scheme approved by EHCC Committee. This enhanced voluntary redundancy scheme expired on 31 March 2015. The County Council remains committed to enabling workforce reductions through voluntary measures wherever possible and any future voluntary redundancy or other termination measures will be in accordance with approved County Council policies. Details of the standard redundancy scheme is attached at Annex 2 to this Pay Statement.
19. Except in exceptional business circumstances, no employee who has left the County Council under the terms of the standard redundancy scheme, any voluntary redundancy scheme or severance arrangement will be re-employed by the County Council in any capacity for a minimum period of 12 months from the dismissal date, If re-employment is sought within 12 months of the termination date, approval is required from the relevant Chief Officer, Director of Corporate Resources as Section 151 Officer and the Head of Human Resources and Workforce Development. In addition, if the ex-employee was previously employed at grade H and above and/or is seeking re-employment at grade H and above, Chief Executive approval is also required.
20. Except in exceptional business circumstances, no employee who has left the County Council under the terms of the standard redundancy scheme, any voluntary redundancy scheme or severance arrangements, will be re-engaged by the County Council under a contract for services within a minimum period of 12 months of the dismissal date. In this case the authorisation requirements set out at Paragraph 19 of this Pay Statement in respect of re-engagement of ex employees will apply.

Section 2 - Chief Officers as defined by the Localism Act 2011

21. Chief Officers are paid either within the County Council's main pay framework, on "spot" salaries. Salaries of Chief Officers on appointment have regard to the relative size and challenge of the role compared to other Chief Officer roles within the County Council and follows the same principles operated within the main pay framework. Account is also taken of other relevant available information, including the salaries of Chief Officers in other similar sized organisations.
22. The Constitution requires that salaries of Chief Officers on appointment outside the main pay framework require Chief Executive and EHCC Committee approval. The EHCC Committee will continue to exercise responsibility for all Chief Officer salaries outside the main pay framework, whether on appointment or otherwise. Chief Officer salaries fall within 4

categories as outlined below. It is not anticipated that pay will be outside of these categories, when any remaining elements of the Corporate Services Review are implemented.

23. The Head of Paid Service is paid a salary of £211,935.
24. Statutory Chief Officers and Non-Statutory Chief Officers are paid a salary within the range of £128,772 - £171,500.
25. Deputy Directors are paid a salary within the range of £100,620 - £126,600.
26. The Monitoring Officer, Assistant Chief Officers and Heads of Service falling within the definition of "Chief Officer" are paid a salary within the range £76,167 – £112,500.
27. The annual pay review for Chief Officers paid outside the main pay framework is considered by the EHCC Committee each year, alongside recommendations for staff paid between grades H and K in accordance with Paragraph 12 of this Pay Statement. Likewise to support the annual review of salaries of these Chief Officers, information may be provided on inflation, earnings growth, and any significant considerations from elsewhere in the public sector.
28. Typically, Chief Officers have received the same percentage pay award as other managers and staff groups within the County Council. In each year since implementation of the new pay framework, EHCC Committee has applied the same percentage award determined nationally for other grades of employees within the County Council, save for the annual pay review for 2013/14, when the EHCC Committee determined that there should be no pay award for Chief Officers on Chief Officer terms and conditions. Prior to the 2013/14 pay award there has been no pay award for any group of staff since 2009. Chief Officers are subject to the same performance management arrangements as detailed for employees who are not Chief Officers. Chief Officers paid outside the main pay framework do not receive incremental pay progression. In years where a pay award is available, performance will be taken into account when determining whether any award will be made.
29. Within the above Chief Officer categories any increase to the remuneration of Chief Officers outside the annual review process, for example as a consequence of increased responsibilities arising from the formalisation or implementation of new shared services arrangements, requires Chief Executive and EHCC Committee approval.
30. There is no provision for bonus payments to Chief Officers. The Special Recognition Scheme referred to at Paragraph 13 of this Pay Statement is however also applicable to Chief Officers. Any proposed Special Recognition Payment in respect of CMT is subject to ratification by EHCC.

31. No other charges, fees or allowances or remuneration are payable to Chief Officers in connection with their responsibilities. No fees for election duties are included in Chief Officer salaries, nor are any additional fees payable for such responsibilities.
32. Chief Officers may where applicable receive allowances, such as relocation assistance in accordance with the County Councils collective agreement (EHCC 2007), and subsequent amendments thereto, and other governance arrangements.
33. The County Council recognises that Chief Officers sometimes incur necessary expenditure in carrying out their responsibilities e.g. travel costs. Chief Officers will be reimbursed for reasonable expenses incurred on County Council business in accordance with the County Council's collective agreement (EHCC 2007) and subsequent amendments.
34. There are no benefits in kind, such as private health insurance, payable to Chief Officers.
35. Chief Officers as a result of their employment are eligible to join the Local Government Pension Scheme in the same way as other employees. . The County Council will not consider the purchase of additional pension for employees under the provisions of the Local Government Pension Scheme Regulations 2014. However, it will consider enabling employees to use part of any redundancy payment to buy additional pension, where they leave on the grounds of efficiency.
36. Chief Officers are subject to the same redundancy payment and severance arrangements as other staff as outlined in Paragraph 18 of this Pay Statement.
37. Chief Officers, who have left the County Council under the terms of the standard redundancy scheme, any voluntary redundancy scheme or severance arrangements are subject to the same policy on re-engagement by the County Council outlined at Paragraph 19 of this Pay Statement as other employees.
38. Except in exceptional business circumstances, no Chief Officer who has left the County Council under the terms of the standard redundancy scheme, any voluntary redundancy scheme or severance arrangement, will be re-engaged by the County Council under a contract for services within a minimum period of 12 months of the termination date. In this case the authorisation requirements set out at Paragraph 20 of this Pay Statement in respect of re-engagement of ex-employees will apply. No Chief Officer, as defined at Paragraphs 23-26 of this Payment Statement, will be employed by the County Council on terms and conditions which allow such an officer to be an employee of the County Council whilst operating in practice as a limited company for taxation reasons.

39. Details of Chief Officer remuneration have been published annually since 2010 as an extract from the County Council's Statement of accounts and according to accountancy standards, as soon after the end of the relevant financial year as is reasonably practical. At that time the County Council will also update the publication of its pay multiple, that is the ratio between the highest paid employee and the median average earnings across the organisation, based on base pay.

Pay Statement Annex 1

Hampshire County Council's Pay Framework**Salary Ranges – 1 January 2015**

	Step	Grades	
		A	B
Salary Range	3	13,904	15,474
	2	13,765	15,024
	1	13,615	14,586

	Step	Grades								
		C	D	E	F	G	H	I	J	K
Salary Range	5	17,583	21,897	27,126	34,731	42,891	49,998	58,872	74,052	85,728
	4	17,070	21,258	26,337	33,720	41,643	48,543	57,156	71,895	83,232
	3	16,572	20,640	25,569	32,739	40,431	47,130	55,491	69,801	80,808
	2	16,089	20,040	24,825	31,785	39,252	45,756	53,874	67,767	78,453
	1	15,621	19,455	24,102	30,858	38,109	44,424	52,305	65,793	76,167

Note:

Salary ranges for Grades A–G are subject to the outcome of national pay negotiations.

Pay Statement Annex 2

Hampshire County Council

Standard Redundancy Schemes

Payments Based on Actual Weekly Pay

Current Age Groupings	Standard Redundancy Scheme (Weeks per year of service)
Service accrued up to and inc. 21	0.5
Service accrued between 22-40	1.0
Service accrued age 41 and above	1.5
Max Number of Weeks	30