

## Leicester City Council

### Pay Policy Statement 2018/19

#### 1 Introduction and Purpose

- 1.1 Section 38(1) of the Localism Act 2011 requires all local authorities in England and Wales to produce and publish a Pay Policy Statement for each financial year from 2012/13 onwards. The principle behind this requirement is to ensure transparency and accountability in local approaches to public sector pay, particularly in respect of senior staff, by enabling public scrutiny.
- 1.2 As specified in the Act this requirement does not extend to schools and, therefore, the Statement does not include school based employees. Leicester City Council's Pay Policy Statement is set out in accordance with the mandatory requirements of the Localism Act and also takes account of The Local Government Transparency Code 2015. It sets out information on the council's pay and conditions of service for its chief officers and the wider workforce.
- 1.3 The Pay Policy Statement is designed to enable communities to access the information they need to determine whether remuneration, particularly senior remuneration, is appropriate and commensurate with responsibility. In addition, it helps to ensure that policies on pay and reward for the most senior staff are set clearly within the context of the pay of the wider workforce.
- 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. There is a requirement for the Pay Policy Statement to be approved by Full Council. Councils are encouraged to set up Remuneration Committees to oversee pay policy; councillors are also encouraged to have 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 Context

- 2.1 Leicester City Council is a unitary authority serving the largest city in the East Midlands region with a population of 348,300<sup>1</sup> in 2016. It is one of the largest employers in the city with a current workforce headcount of 12,634 (6,551 within schools), and a full time equivalent workforce of 10,140 (4,831 within schools).
- 2.2 The Council operates under a Mayoral model of governance and provides a comprehensive set of local authority services to the population of the city encompassing education, social services, environmental services, highways, economic regeneration, planning, libraries, museums, revenues and benefits,

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<sup>1</sup> Source: Office of National Statistics - <http://www.nomisweb.co.uk/reports/lmp/la/1946157130/report.aspx?town=leicester#tabrespop>

housing, parks and open spaces amongst others.

- 2.3 The Council is in the eighth year of the most severe period of spending cuts we have ever experienced. The Local Government Association has reported “councils, which have already experienced unprecedented funding cuts since 2010, will see their central government funding further cut by £2.7 billion between 2018/19 and 2019/20 – a 54 per cent reduction”<sup>2</sup>. The 10% of authorities most dependent on grant (generally, the least affluent areas) have cut spending by an average of 33% in real terms since 2009/10. The 10% least dependent on grant have cut spending by only 9%. Our own estimates, comparing cuts to the Index of Multiple Deprivation, point very strongly to the same conclusions.
- 2.4 Our government grant has fallen, on a like for like basis, from £289m in 2010/11 to an estimated £165.8m by 2019/20. The grant will have fallen by over 50%, after allowing for inflation, over ten years.
- 2.5 This has resulted in the Council’s budget, again on a like for like basis, falling from £355.7m in 2010/11 to an estimated £287.2m by 2019/20. These figures, however, mask the fact that additional funding has been required to manage pressures in statutory social care (both for adults and children). The amount available for all other services has consequently fallen by around 62% in real terms over the same period.
- 2.6 There are a number of employees who are on terms and conditions from their previous employer, which they have retained under the Transfer of Undertakings (Protection of Employment) Regulations. For this reason some or all of this Pay Policy Statement may not apply to those employees.
- 2.7 Although the Leicester and Leicestershire Enterprise Partnership (LLEP) is a separate legal entity, Leicester City Council is the employing body on behalf of that entity. The Director of the LLEP is employed by the Council on the same conditions of service as its Strategic and Divisional Directors, and the LLEP Director and its staff are covered by this Pay Policy Statement.
- 2.8 A key requirement 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 Statement 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.

### **3 Scope and Definitions**

- 3.1 This Pay Policy Statement covers all Leicester City Council employees except those employed in schools, apprentices, casual workers, and those employed on terms and conditions from a previous employer (see paragraph 2.6).
- 3.2 The Statement includes policies on:

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<sup>2</sup> Local Government Association <https://www.local.gov.uk/about/news/council-funding-be-further-cut-half-over-next-two-years-lga-warns>

- 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.
- 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<sup>3</sup>, Strategic Directors and Divisional Directors (i.e. directors employed on grade UCOC/T and the Director of Public Health).
- 3.5 In line with the Local Government Transparency Code 2015, the Council publishes a senior management structure chart on its website.

<http://www.leicester.gov.uk/your-council/how-we-work/data-protection-and-foia/transparency-and-open-data>

## **4. Senior Pay**

### Head of Paid Service

- 4.1 Under the mayoral model, the Council retains a statutory role of Head of Paid Service. The salary range for this post is £125,709 - £130,048 pa (two incremental points). There are no additional performance, bonus or ex gratia payments applicable to this role.

### Strategic and Divisional Directors

- 4.2 Appendix 1A details each Chief Officer's substantive salary range and current salary. The pay scale for Chief Officers increased by 1% on 1 April 2017. At the time of writing we do not have confirmation of the 2018 pay award.
- 4.3 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. Directors do not receive additional performance, bonus or ex gratia payments. Those who so wish may have access to workplace car parking at a cost of £870 pa, paid through a salary sacrifice arrangement; this arrangement is under review.
- 4.4 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.

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<sup>3</sup> The Council does not have a post of Chief Executive but is still legally required to have a Head of Paid Service.

## Placing on Grades and Incremental Progression

- 4.5 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 member of the Executive if required.
- 4.6 Progression through the grade is by one increment on 1 April each year, subject to satisfactory performance, until the maximum of the grade is reached.

## Fees

- 4.7 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.

## Termination Payments

- 4.8 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.
- 4.9 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 settlement agreements for staff in exceptional circumstances.
- 4.10 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.
- 4.11 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.
- 4.12 The government announced in 2015 that it is their intention to cap public sector exit payments to a maximum of £95,000. They also intend to recover exit payments for those who receive remuneration in excess of £80,000 in the last 12 months of service and re-join a public sector employer within 12 months. At the time of writing this statement these proposals have not been finalised.

## Comparison of Senior Pay with Similar Authorities

- 4.13 Geographically, the nearest unitary councils are Derby, Nottingham and Coventry City Councils. A comparison of Leicester's Chief Officer salary ranges against the salary ranges for similar posts in these authorities is shown in the table below. It should be noted that actual posts and structures vary between authorities and none of these other City Councils is a Mayoral authority. One key difference is that Leicester does not have a Chief Executive and the Head of Paid Service is undertaken by the Chief Operating Officer (who in effect acts as the Strategic Director for Corporate Resources and Support). The most senior role in the three other Councils (as their Head of Paid Service) is the Chief Executive.

<b>Authority</b>	<b>Most senior role in the Council (Head of Paid Service)</b>	<b>Top tier – Strategic Directors (from 1.4.2017)</b>	<b>Second tier – Divisional Directors (from 1.4.2017)</b>
<b>Leicester</b>	£125,709 - £130,048	£112,705 - £121,375	£79,834 - £92,110
<b>Coventry</b>	£175,000 - £185,000	£77,797 – £125,538	
<b>Derby</b>	£163,216	£110,257 - £121,280	£70,430 - £83,223
<b>Nottingham</b>	£165,000 - £185,000	£121,200 - £146,100	£93,930 - £107,060

- 4.14 The comparison table shows that Leicester's Strategic and Divisional Directors have comparable salaries to post holders in two of the surrounding unitary authorities, and one pays significantly higher. Leicester's most senior role and Head of Paid Service is paid considerably less than all three other authorities and reflects the fact we do not have a Chief Executive and have instead combined the Head of Paid Service with our Chief Operating Officer role.

## Value for Money

- 4.15 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.
- 4.16 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 areas, 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.

- 4.17 Most Directors 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 1A. Some senior roles hold statutory responsibilities, such as the Head of Paid Service, Section 151 Officer role (in charge of the Council's finances), Electoral Registration Officer, Local Returning Officer and the Monitoring Officer role, or responsibilities for safeguarding vulnerable adults or children.
- 4.18 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.
- 4.19 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 1B.
- 4.20 The job descriptions for all these roles are available on the Council's website:  
<http://www.leicester.gov.uk/your-council/how-we-work/performance-and-spending/senior-salaries-and-job-descriptions/>
- 4.21 The management competencies for Divisional Directors are set out in Appendix 1C.

## **5 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 1 July 2010. The grading of jobs is determined through job evaluation, using a scheme which is compliant in terms of equal pay for work of equal value principles.
- 5.2 The structure, which covers the majority of non-schools staff including most Heads of Service<sup>4</sup>, has 15 grades – see Appendix 1D. Each grade has four increments. Employees are normally appointed to the minimum point of the grade and progress through the grade by one increment on 1 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.

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<sup>4</sup> There are five Heads of Service paid on 'city officer' grade, which sits outside of this structure. Pay for the city officer grade is between £66,536 and £74,194 at 1 April 2017 and pay awards are determined in line with the Joint Negotiating Committee for Chief Officers Agreement, See para 4.3.

- 5.3 All employees on the Leicester Local Government Services salary scale are due to receive an increase from 1 April 2018. At the time of writing, national negotiations are ongoing. Currently, the lowest salary is £15,014 and the highest salary is £64,385.
- 5.4 The Council has made a positive commitment to support lower paid staff and their families. As such, on 1 April 2013, the Council adopted the 'UK Living Wage'<sup>5</sup>, to provide a better standard of living for lower paid employees. The rate has risen each year, and is currently set at £8.75 per hour. This is paid via a supplement to employees on points 3 to 11 of the pay scale, approximately 798 by headcount at 1<sup>st</sup> January 2018.
- 5.5 The following local provisions for staff are in place for certain posts:
- Overtime payment at plain time or time and a third
  - Payment at time and a third for work at night, on Saturday, Sunday or Bank Holiday
  - Standby allowance of £104.25 per week.
- 5.6 The Council offers apprenticeships and 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. The staff and management competencies are attached at Appendix 1C.
- 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.

### Market Pay

- 5.8 Sometimes job evaluation results in a salary range which is below the market rate for a particular role. Where there is significant difficulty with recruitment and retention because of this the manager may put forward a business case to the Market Pay Panel 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.
- 5.9 The use of market pay is subject to robust governance and control procedures. The number of posts in receipt of market pay, and the associated cost, has reduced significantly since 2013.

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<sup>5</sup> The UK living wage is an hourly rate set independently, and updated annually, by The Living Wage Foundation which Leicester City Council has signed-up to on a voluntary basis. It is different to the 'national living wage' which is set at £7.83 per hour from 1 April 2018 for workers aged 25 and over.

## 6 Relationship of Senior Pay to the Pay of the Wider Workforce

6.1 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 the ratio, based on the top earner's salary of £130,048 and a median full time equivalent salary of £24,174, is 5.38:1. The ratio has reduced from last year (5.74:1) when the median salary was £22,658. The ratio is significantly lower compared to our neighbouring unitary councils, Nottingham City Council; Derby City Council and Coventry City Council, which all had a ratio of more than 7:1 in 2016/17.

## 7 Pension

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

LGPS Contribution Band	Salary Range	Contribution Rate
1	£0 - £13,700	5.5%
2	£13,701 - £21,400	5.8%
3	£21,401 - £34,700	6.5%
4	£34,701 - £43,900	6.8%
5	£43,091 - £61,300	8.5%
6	£61,301 - £86,800	9.9%
7	£86,801 - £102,200	10.5%
8	£102,201 - £153,300	11.4%
9	More than £153,300	12.5%

7.2 At the time of writing this statement the Council makes employer's contributions to the scheme at a rate of 22.7 percent.

7.3 The Council's approach to termination payments is set out in paragraphs 4.8 to 4.12 and is the same for staff at all levels.

7.4 If a former employee in receipt of a pension re-joins the council, their pension is not normally abated. The only exception is when added years were awarded when the member previously retired. In this case, if new earnings plus existing pension exceed previous salary, then abatement applies.

## 8 Review

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