

**Personnel Committee–8 February 2021**

**Pay Policy Statement and Living Wage (LW) 2021/2022**

**1. Summary**

The purpose of this report is to seek approval for the updated Pay Policy Statement 2021/2022 (appendix 1), including the decision to pay the revised recommended Living Wage (LW) rate with effect from 1 April 2021 (appendix 2).

**2. Recommendations**

- 2.1 That Personnel Committee recommends the Full Council to approve the Pay Policy Statement for 2021/2022.
- 2.2 That Personnel Committee recommends the Full Council to approve the continuation of the living wage as detailed in the Pay Policy (section 6.5) and section 4.2, option a) of this report.

**3. Background Information**

- 3.1 Under the Localism Act 2011, the Council has to prepare a Pay Policy Statement each financial year outlining policies in relation to the level of remuneration for all employees from the Chief Executive to the lowest paid employees.
- 3.2 The 2021/2022 Pay Policy has been updated to reflect the current pay structure and level of remuneration across the Council.
- 3.3 The 2021/2022 national pay awards for NJC, Soulbury and JNC for Youth and Community Workers once confirmed will be automatically implemented for relevant employees as previously agreed by Personnel Committee (22 January 2019) and added to the Pay Policy appendices at such a time as implemented (subject to local adjustment to take into account the 1% reduction following the council's terms and conditions review (2017) where applicable). At the time of writing, the Government have announced a pay freeze for 2021/22 subject to some caveats; once these details have been confirmed, they will be incorporated into the Pay Policy.
- 3.4 The 2021/2022 Pay Policy also includes the following minor clarifications/ amendments:
  - I. Further clarity regarding the payment of an additional allowance for the Council's Monitoring Officer duties [refer to appendix 1 Pay Policy point 5.7]
  - II. The inclusion of retention payments (following Personnel Committee approval of the new Retention Payments Policy on 23 November 2020) which may apply where there are risks associated with workforce

- instability and concerns regarding retaining suitably skilled employees in the mid to long term [refer to appendix 1 Pay Policy point 13.1].
- III. Further clarity on Unsocial Hours payments and the qualifying requirements to ensure consistent application [refer to appendix 1 Pay Policy point 16.3].
  - IV. Additional information included on Exit Payments as a result of new regulations namely The Restriction of Public Sector Exit Payments Regulations 2020 coming into force on 4 November 2020 [refer to appendix 1 Pay Policy point 17.1].
  - V. Amendments made to the Pensions section linked to the above exit pay cap outlining regulations at the time of writing, are out to consultation [refer to appendix 1 Pay Policy Points 18.3 and 18.4].

#### **4. Options for application of the Living Wage (LW)**

- 4.1 The Council have been paying the Living Wage, reviewed annually since April 2015. Appendix 2 provides background information on the Living Wage and its application within Walsall Council
- 4.2 There are three options available to Personnel Committee in regards to the Living Wage.
  - a) Continue to pay an allowance for 2021/2022 to existing roles (including casual roles and higher and degree level Apprenticeships) that are below the Living Wage. This will mean the minimum rate of pay will be £9.50 per hour with effect from 1st April 2021. This will include all Walsall Council employees (excluding apprentices at advanced level and below and internships; those schools who decide not to apply the Living Wage and those schools, which are Voluntary Aided, Foundation or Academies).
  - b) Freeze the current allowance paid at £9.30 and review annually to see if this decision should be amended.
  - c) Cease the living wage allowance and revert to the appropriate pay point within the relevant pay structure and review annually to see if this should be re-introduced.

#### **5. Financial Implications**

- 5.1 If option a) at 4.2 is adopted, based on the current structure as at 19 November 2020, there is a potential financial impact, as there will be 11 employees plus casual workers and 10 higher level apprentices who will fall below the living wage rate of £9.50 per hour. The additional cost in 2021/2022 in applying the living wage increase is £6,268 plus on costs excluding casuals and the cost of any new employees commencing their employment from 1 April 2021.

If option b) at 4.2 is adopted the Council will not see any additional financial pressures.

If option c) is adopted and all employees revert, back to their substantive salary the Council will make a saving of approximately £23,877.

- 5.2 All costings are based on the existing pay-scales, taking into account incremental progression due on 1 April 2021. However, this does not take into account any national pay awards for 2021/2022 (where applicable), as these have not yet been confirmed.
- 5.3 Should option a) be agreed, the budget pressure will be funded as part of the annual review of the pay budget.

## **6. Legal Considerations**

- 6.1 The Localism Act 2011 introduced the concept of increased accountability over senior officer pay in local government by requiring councils to prepare and publish a pay policy statement every financial year, which is required to meet various statutory requirements as set out below. In performing this function the Council must have regard to any guidance issued by the Secretary of State for the Department of Communities and Local Government. A pay policy statement for a financial year must set out the Authority's policies for the year relating to: 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 its employees who are not chief officers. In addition, the statement must state the definition of "lowest-paid employees" adopted by the authority for the purposes of the statement, and the authority's reasons for adopting that definition. The statement must include the Authority's policies relating to the level and elements of remuneration for each chief officer; remuneration of chief officers on recruitment; 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 authority; and the publication of and access to information relating to remuneration of chief officers.
- 6.2 One of the key objectives of the primary legislation and subsequent statutory guidance is to provide local accountability through councillors having an input into how decisions on remuneration for chief officers are made. The 2012 statutory guidance stated that full Council or a meeting of members should be offered the opportunity to vote before large salaries are offered in respect of a new appointment. It provided for a notional threshold of £100,000 or above. The 2013 statutory guidance, which supplemented the 2012 guidance, extended this requirement to severance packages of £100,000 or above. On 1 June 2015 full Council delegated the determination of severance packages to the relevant committee. More recently, The Restriction of Public Sector Exit Payments Regulations 2020 have come into force on 4 November 2020 setting a £95,000 cap (please see 6.4 below for further details). The objective of increasing transparency in the Council's approach to pay is achieved through the publication of the pay policy statement itself, which itself builds upon the requirement to publish senior employees remuneration under Regulation 4 Accounts Audit (Amendment No 2) (England) Regulations as part

of its published salaries information, and more latterly the Local Government Transparency Code 2014.

- 6.3 Council policy in respect of the recruitment and appointment of Chief Officers is set out at Part 4.6 of the Council's Constitution, Officer Employment Procedure Rules, whereby the Council has historically delegated the power to approve remuneration levels for the Chief Executive, Executive Directors and Directors to the relevant committee since 2004. Therefore councillors have always had a significant input on the appointment of chief officers and their remuneration. As previously stated this is set out in the council's constitution which is a public document. All of these appointments are also subject to the well-founded objection process involving members of the Executive.
- 6.4 The Restriction of Public Sector Exit Payments Regulations 2020 were passed in Parliament on 14 October 2020 and came into effect on 4 November 2020. The practical effect of these regulations are that, save for some specified reasons, the exit payment costs for an employee cannot exceed £95,000. In calculating the £95,000, the redundancy payment, any compensation and any pension strain is used. Any payment in lieu of notice (PILON) is not to be included when calculating the £95,000 subject to the PILON not being more than a quarter of the salary. The Council may in certain circumstances apply for a waiver when the exit payment cost is greater than £95,000 but this will be subject to a number of conditions, one of which being that there must be a Full Council resolution passed. Thereafter, a business case must be submitted to the Treasury for its approval before any payment exceeding £95,000 can be made. All exit payments must be paid in accordance with those regulations with effect from 4 November 2020. Any exit payment in excess of £95,000 will be subject to recovery in accordance with legislative requirements.

There is also currently a review of the Pension Regulations which will be subject to change. Part of that change will be in order to align them with the Exit Payment Regulations 2020. The consultation on the Pension Regulations ends on 18 December 2020 and we are expecting the revised Pension Regulations to be issued sometime thereafter.

## **7. Risk Management**

- 7.1 An equality impact assessment is attached (appendix 3).

## **8. People**

- 8.1 There is no direct impact on our citizens as a result of this procedure. The procedure is however, part of the employment framework that helps to ensure that residents of Walsall get the best possible services from council employees.

## **9. Consultation**

9.1 The Pay Policy Statement 2021/22 has been consulted upon with senior managers across the Council between 5 November to 18 November 2020. Trade Unions nationally are in favour of paying the Living Wage.

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