



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2020 / 2021

COUNCIL

10th MARCH 2021

THE COUNCIL'S 2021/22 PAY POLICY STATEMENT

**JOINT REPORT OF THE DIRECTOR OF HUMAN RESOURCES AND THE
DIRECTOR OF LEGAL SERVICES**

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1. PURPOSE OF THE REPORT

- 1.1 The purpose of this report is to provide Members with information in respect of the Council's 2021/22 Pay Policy Statement.

2. RECOMMENDATION

- 2.1 It is recommended that Council approves, the Pay Policy Statement at Appendix A of this report.

3. BACKGROUND

- 3.1 Under Section 38(1) of the Localism Act 2011 (the 'Act'), the Council is required to produce a pay policy statement, which must be prepared each financial year. The provisions of the Act do not apply to local authority schools and therefore teaching staff need not be brought within the scope of the Council's pay policy statement.
- 3.2. Each local authority is an individual employer in its own right and has the autonomy to make decisions on pay that are appropriate to local circumstances and which deliver value for money for local taxpayers. The provisions in the Act do not seek to change this or to determine what decisions on pay should be taken or what policies individual employing authorities should have in place. Rather, they only require that authorities are open about their own local policies and how local decisions are made.
- 3.3 The Act requires that the Council include in its pay policy statement, its approach to the publication and access to information relating to the remuneration of chief officers. Remuneration includes salary or payment for a

contract for services, expenses, bonuses, and performance related pay as well as severance payments. The definition of chief officers includes the head of paid service, statutory chief officers and non-statutory chief officers and those who report to them.

- 3.4 Section 38(2) of the Act also requires the Council to set out its policy on remuneration for its highest paid staff alongside its policies towards its lowest paid employees.
- 3.5 The Council must, in setting pay policy statements have regard to any guidance issued by the Welsh Ministers. In May 2017, the Welsh Government published updated guidance under Section 40 of the Act entitled 'Pay Accountability in Local Government in Wales'. Due regard has been given to this guidance in the preparation of the proposed Pay Policy Statement. The Pay Policy Statement also has due regard to the Accounts and Audit (Wales) Regulations 2014.
- 3.6 The Pay Policy Statement must be approved by a resolution of full Council before it comes into force. Once in force it must be complied with, although full Council may amend it during the relevant financial year. It must be published on the Council's website as soon as reasonably practicable after approval or amendment.
- 3.7 Members will be aware that back in November 2020, despite warnings from employers and the trade unions, the UK Government determined to introduce an Exit Cap on payments above £95,000. Whilst consultation on this cap was a few years ago, Members may also recall that the original intention of the cap was to stop any excessive payments, in particular to senior managers within organisations. Despite this initial intention, when the legislation was finally passed it did not distinguish between any level of employee and the UK Government also determined to include the 'pension strain cost' within the cap. Members will recall from reports that have previously come to Council that the pension strain is a cost to the employer and not a payment that an employee would actually receive. As a consequence of introducing the cap, this would have an immediate impact on employees as low as Grade 8 within this authority that where due to finish by reason of voluntary early retirement with redundancy.
- 3.8 Employers and trade unions determined to lodge judicial reviews against this decision and prior to the cases proceeding, the UK Government announced on the 12th February 2021 that following a review, they had now determined that the Exit Cap be disapplied. The wording that accompanied the announcement was as follows. *"The Government has concluded that the Cap may have had unintended consequences and the Regulations should be revoked. HM Treasury [HMT] Directions have been published that disapply the Cap until the Regulations have been revoked."*

This means the exit cap does not now apply to exits that took place on or after 12 February 2021, but the guidance was not clear on whether the 2020 Regulations will be revoked retrospectively. However, the Welsh Government has confirmed that, in their view, the exit cap no longer applies to exit

payments made by a devolved Welsh authority. In terms of this Council, thankfully we had no employees impacted by the Cap whilst it was in operation between November 2020 and the 12th February 2021.

- 3.9 A Pay Policy Statement meeting the legal requirements of the Localism Act 2011 and having regard to the Welsh Government guidance is attached at Appendix A and is recommended for approval by Council.
- 3.10 This report has been prepared and written by the Director of Human Resources and Director of Legal Services and the Pay Policy reflects the current grading of those officers. Given previous cases where concerns have been expressed about Officers being involved in the preparation of reports that affect their own pay, this point is explicitly drawn to the attention of Members of the Council.
- 3.11 It should be noted however that any officer of the Council writing this report would be in the same position. It is also important to note that this Pay Policy statement provides an accurate summary of the Council's current policy for the purposes of publication under the Localism Act. What is also important to note is that this policy is not specifically about the authors in an individual capacity otherwise than as part of the Council's group of Chief Officers.

APPENDIX A

RHONDDA CYNON TAF COUNCIL

PAY POLICY STATEMENT

2021/2022

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1. Introduction & Purpose

Leader's Introduction

- 1.1 Rhondda Cynon Taf Council recognises the importance of administering pay fairly, objectively and consistently in a way that encourages employees to make a positive contribution to the Council's business. The decisions that are taken regarding pay and grading are crucial to maintaining equality across the Council.
- 1.2 In setting its pay structure, the Council reflects on its corporate priorities, the important role that senior leadership plays in achieving those aims and also seeks to continually demonstrate value for money to the residents of the County Borough.

Purpose

- 1.3 Under Section 112 of the Local Government Act 1972, the Council has the "power to appoint officers on such reasonable terms and conditions as the authority thinks fit". This Pay Policy Statement (the 'statement') sets out the Council's approach to pay policy in accordance with the requirements of Section 38 and Section 40(2) of the Localism Act 2011 (the Act).

2. Legislative Framework

- 2.1 In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation.

3. Pay Structure

- 3.1 The Council has adopted and implemented an objective, analytical job evaluation system based on job demands and developed a pay and grading structure based on spot salaries.
- 3.2 This determines the salaries of the majority of the Council workforce. The features of the pay & grading structure are as follows:
 - Fifteen spot salaries;
 - There are no bonus payments;
 - There are no overtime or weekend enhancement payments.
- 3.3 The pay and grading structure applies to all employees covered by the NJC for Local Government Services.

- 3.4 The Council has been and is committed to the payment of the Foundation Living Wage (FLW) rate that has previously applied to Grades 1 to 3 of the fifteen spot salary scale detailed above. Members may recall that in last year's pay policy, due to the nationally negotiated pay increases in 2019, the minimum hourly rate from April 2019 was equal to the FLW rate so the Council did not need to process any additional payments during 2019/20 financial year. The next NJC pay award in 2020 resulted in a new hourly rate being introduced of £9.25 per hour from April 2020 but at the same time, the new FLW rate was raised to £9.30 per hour, which resulted in the Council having to make a pay adjustment to any employee on Grade 1 of our pay structure.

Despite ongoing national discussions between employers and the trade unions, at present there is no proposal currently in place for a NJC pay award uplift from the 1st April 2021. However, the FLW rate has changed and in accordance with the agreement we have in place with our trade union colleagues, the new rate of £9.50 will be introduced from the 1st April 2021. This will mean that based on the current salary values, then Grade 1 (£9.25 per hour) and Grade 2 (£9.43 per hour) would be affected, until such time as clarity is provided on any pay award for 2020/21.

- 3.5 Employees covered by Soulbury terms and conditions have their pay determined by the Soulbury Committee. There are no overtime, weekend enhancement or bonus payments for this group of employees.
- 3.6 The Council makes payments in respect of a 'holiday pay' supplement which was implemented to ensure all holiday payments to staff are made in accordance with the European Working Time Directive.
- 3.7 The determination of salary scales for employees covered by JNC for Local Authority Chief Executives and Chief Officers are dealt with under paragraph 4 below.
- 3.8 In addition to basic salary, the Council will reimburse all reasonable business travel and subsistence expenses on production of receipts and in accordance with the Council's scheme for payment of travelling expenses, subsistence allowances and redeployment expenses. The Council operates a single scheme that applies to all employees.
- 3.9 All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining arrangements and/or as determined by the Council's Constitution and the Scheme of Delegation contained therein. In determining its grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public funds, balanced against the need to recruit and retain

employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.

- 3.10 The process for paying any temporary additional payments for undertaking additional responsibilities are in accordance with the Council's Honoraria and Secondment Policies that apply to all Council employees (including Chief Officers).
- 3.11 The Council does not operate a performance related pay system for any of its employees (including Chief Officers).
- 3.12 There are occasions where it is necessary to take account of the external pay market through the payment of a 'market supplement', in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the Council has ensured that such requirements are objectively justified by reference to evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector.

4. Senior Pay Remuneration

Definition of Chief Officer Remuneration

- 4.1 For the purposes of this statement, 'chief officers' are as defined within Section 43 of the Act. The posts falling within the statutory definition are set out below:

- Chief Executive / Head of Paid Service
- Group Directors
- Directors
- Service Directors
- Heads of Service

Role of the Chief Executive

- 4.2 The role of the Chief Executive, as the senior officer, is to advise and support the Council's Cabinet to:

- Provide leadership, vision and strategic direction;
- Develop strategic policies to fulfil the Authority's objectives;
- Define the corporate culture and promote core values;
- Ensure the Authority meets its statutory obligations and exercises sound corporate governance and effective resource management;
- Ensure the performance of the Authority is managed effectively.

- 4.3 Rhondda Cynon Taf had a Net Revenue Budget of £508.747M for 2020/21 financial year and a 3-year capital programme of £190.962M (Quarter 2

Performance Report). The proposed revenue budget for 2021/22 is £527.903M and the updated 3-year capital programme for the period 2021/22 to 2023/24 amounts to £116.024M (both subject to Council approval). The Council delivers a wide range of services employing approximately 10,600 staff.

- 4.4 In Rhondda Cynon Taf the Chief Executive salary is determined by the criteria set out in the JNC for Local Authority Chief Executives National Agreement for Pay and Conditions of Service. The Chief Officer salary structure is based on a percentage of the Chief Executives salary and within the Education & Inclusion Services directorate, there are some Heads of Service positions which are remunerated at the senior Soulbury pay scale level. For details of the Chief Officer salary structure, please refer to Section 6 below.
- 4.5 Any change to the existing Chief Executive and Chief Officer pay structure for Rhondda Cynon Taf can only be determined by the Council's Cabinet and full Council as necessary. Should any changes to the existing value of the pay structure be considered, then due regard will be given to the Independent Remuneration Panel which is covered in Section 11 below.

5. Recruitment of Chief Officers

- 5.1 The Council's policy and procedures with regard to recruitment are set out within the Officer Employment Procedure Rules in Part 4 of the Council Constitution.
- 5.2 When recruiting to all posts the Council will take full and proper account of its own Equalities, Recruitment and Management of Change Policies.
- 5.3 The determination of the remuneration to be offered to any newly appointed chief officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment. Welsh Government recommends that full Council should be offered the opportunity to vote on salary packages of £100,000 and above in respect of new appointments.
- 5.4 Where the Council is unable to recruit to a post at the designated grade, it will consider the use of market forces supplements in accordance with its relevant policies.
- 5.5 Where the Council remains unable to recruit chief officers under a contract of employment, or there is a need for interim support to provide cover for a vacant substantive chief officer post, the Council will, where necessary, consider engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process ensuring that the Council not only meets its statutory obligations but can also demonstrate the maximum value for money benefits in securing the relevant service.
- 5.6 The Council does not currently have any chief officers engaged under such arrangements.

6. Additions to Salary of Chief Officers

- 6.1 The Council does not apply any bonuses, performance related pay, or any other benefits to its chief officers.

Chief Officer Remuneration Details

- 6.2 The Council publishes in the Council's Annual Statement of Accounts details of remuneration in respect of chief officer posts where the annual sum paid is at least £60,000. It is important to note that whilst Teaching posts are outside the scope of this Pay Policy, any Teacher whose earnings are over the £60,000 threshold will still be recorded within the Council's Statement of Accounts. The Council's Annual Statement of Accounts can be accessed via the following link:-

<http://www.rctcbc.gov.uk/EN/Council/PerformanceBudgetsandSpending/StatementofAccounts.aspx>

- 6.3 The Council must appoint a returning officer (currently the Director of Legal Services). All fees paid in relation to the performance of the returning officer duties are determined by the Minister for the Cabinet Office and published in the Fees Order for the relevant election/referenda or in the case of County Borough elections by the Council itself. The details of any such fees paid are published in the Council's Annual Statement of Accounts. The Council has determined that no fees shall be payable to the returning officer for duties associated with undertaking the County Borough elections.

7. Payments on Termination

- 7.1 The Council's approach to statutory and discretionary payments on termination of employment, prior to reaching normal retirement age, apply to all staff including chief officers and is set out within its policy statement in accordance with Regulation 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006 and Regulations 30(6), 30(7) and 30(8) of the Local Government Pension Scheme Regulations 2013.

- 7.2 Applications under these schemes are made in accordance with the Council Constitution and Scheme of Delegation and are agreed by the Council's Voluntary Early Retirement Committee (and full Council as necessary). All applications for early retirement will be considered objectively. The schemes will apply to the following groups of staff:

- JNC for Chief Executives
- JNC for Chief Officers

- NJC for Local Government Services
- Staff employed under Soulbury terms and conditions

- 7.3 Redundancy Payments are made in accordance with the Redundancy Payments (Continuity of Employment in Local Government) (Modification) Order 1999, for the purposes of continuous service, as is any such declared re-employment by a body covered by the Modification Order.
- 7.4 Welsh Government recommends that full Council should be offered the opportunity to vote before severance packages for chief officers of £100,000 and above are approved for staff leaving the organisation. Within Rhondda Cynon Taf, any such severance package will firstly be considered by the Voluntary Early Retirement Committee. This Committee will make a recommendation to full Council as to whether or not the Council should agree a particular severance package. Following consideration by full Council a vote will be taken on whether to agree the severance package.
- 7.5 However Members must be made aware of the statutory or contractual entitlements due to an employee and the consequences of non approval by Council which may allow an employee to claim damages for breach of contract.

The Welsh Government considers the following components of a severance package for chief officers should be included when determining whether the package exceeds £100k:

- (i) salary paid in lieu;
- (ii) lump sum redundancy / severance payment; and
- (iii) cost to the authority of the strain on the pension fund.

- 7.6 Any other payments falling outside the provisions or the relevant periods of contractual notice shall be subject to a formal decision made in accordance with the Council Constitution and Scheme of Delegation.

8. Re-employment

- 8.1 The Council will not re-employ or re-engage either as an employee, agency worker or consultant, any officer in receipt of an enhanced severance or redundancy payment which formed part of their early retirement. Those officers not of retirement age who accepted an enhanced severance payment as part of their voluntary redundancy will be precluded from being an employee, agency worker or consultant for a two year period following their termination.

9. Publication

- 9.1 Upon approval by the full Council, this statement will be published on the Councils website.

10. Pay Relativities

- 10.1 The lowest paid employee of the Council is paid at Grade 1 of the Council's pay and grading structure.
- 10.2 The relationship between the rate of pay for the lowest paid and chief officers is determined by the processes used for determining pay and grading structures as set out earlier in this statement.
- 10.3 In accordance with the requirements of Section 38(2) of the Act this statement must state the relationship between the remuneration of chief officers and the remuneration of its employees who are not chief officers.
- 10.4 The statutory guidance issued by the Welsh Ministers under Section 40(2) of the Act recommends the use of pay multiples as a means of measuring the relationship between pay rates across the workforce and that of senior managers, as included within the Hutton 'Review of Fair Pay in the Public Sector' (2010).
- 10.5 Hutton recommended the publication of an organisation's pay multiple -the ratio between the highest paid employee and the median average earnings across an organisation, as a means of illustrating that relationship and concluded that the most relevant measure for the median earnings figure should be the full time equivalent earnings of all staff employed.
- 10.6 In accordance with the recommendation of the Hutton report the ratio between the Chief Executive's pay and the median earnings of the workforce calculated using current pay levels within the Council is 1:7.
- 10.7 Whilst there is no legal requirement within Wales to publish separately, in the interests of transparency and equity, it is considered good practice to report on the Gender Pay Gap. Utilising the recommended calculation method, the combined pay gap within Rhondda Cynon Taf has reduced again and now stands at 10.41% (previously reported 11.66%, Pay Policy 20/21; 13.17%, Pay Policy 19/20 & 14.06%, Pay Policy 18/19). Further details will be contained within the Council's Annual Equality Report 2019/20 which will be published at the end of March 2021 and will be accessed at <https://www.rctcbc.gov.uk/EN/Council/EqualityandDiversity/AnnualEqualityReport.aspx>

11. Independent Remuneration Panel

- 11.1 In accordance with the Local Government (Democracy) (Wales) Act 2013, a new section 143A has been inserted into the Local Government (Wales) Measure 2011. This provision gives the Independent Remuneration Panel for Wales ("the IRP") powers to make recommendations in relation to any policy

in an authority's pay policy statement which relates to the salary of the head of paid service.

- 11.2 If the Council proposes to change the salary value of the head of paid service (except one which is commensurate to a change affecting the authority's other staff more generally) then the Council is obliged to consult the IRP about the proposed change. The Council is then required to have regard to the IRP's recommendations on the proposal.

12. Accountability and Decision Making

- 12.1 The Council Constitution and Scheme of Delegation sets out the procedure for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to all employees of the Council.

13. Reviewing the Policy

- 13.1 This Pay Policy Statement will be kept under review and developments considered in the light of external best practice and legislation. The Council will ensure the Pay Policy Statement is updated on an annual basis in line with the requirement of the Localism Act 2011. The annual Pay Policy Statement will be submitted to full Council each year for approval.