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**To:** Personnel Committee                      **Date:** 25 January 2012

**Subject:** Localism Act: Openness and accountability in local pay

**Classification:** Unrestricted

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**Summary:** This paper addresses the actions KCC are required to make on pay as part of delivering its responsibilities under the Localism Act 2011.

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## **1. BACKGROUND**

- 1.1 An objective of the Act is to increase transparency of local pay. This requires councils to publish the salaries of senior officials, enabling local people to better understand how public money is being spent in their area.
- 1.2 The Act requires a local authority pay policy to be openly approved by democratically elected councilors.

## **2. CONTENT OF REQUIRED STATEMENTS**

- 2.1 Authorities are required to prepare pay policy statements which cover in particular its approach towards its senior staff (or 'chief officers') and its lowest paid employees.
- 2.2 Pay policy statements must be in place by 31 March 2012. These statements must be:
- prepared for each financial year, beginning with 2012/13
  - approved by Full Council
  - published on the authority's website.
- 2.3 The statement must include the authority's policies relating to:
- (a) the level and elements of remuneration for each chief officer
  - (b) remuneration of chief officers on recruitment
  - (c) increases and additions to remuneration for each chief officer
  - (d) the use of performance-related pay (PRP) for chief officers
  - (e) the use of bonuses for chief officers
  - (f) the approach to the payment of chief officers on their ceasing to hold office under or to be employed by the authority
  - (g) the publication of and access to information relating to remuneration of chief officers.

For the purpose of the Localism Act, a Chief Officer in KCC is defined as being at “Director level”. This includes the County Councils’ Corporate Directors and Directors.

- 2.4 Large salaries are deemed as being £100k or over.
- 2.5 Any large bonuses, above inflation pay rises, or hiring a person already in receipt of retirement or severance money should be publically justified. The authority should have an explicit policy in their pay statement on whether or not they allow such practices.
- 2.6 The provisions do not apply to the staff of local authority schools.
- 2.7 Authorities should include their current policy towards maintaining or reaching a specific pay multiple within their broader policy.

### **3. GUIDANCE**

- 3.1 Pending additional guidance from Government, a number of interested parties and commentators have offered opinion on what could and should be included in the pay policy statement. Having used some of this additional guidance and the core of the Act a draft statement has been prepared and attached in Appendix 1.
- 3.2 It has been suggested that the statement could combine a number of other policy statements relating to termination payments and employer discretions over pension provision. However in the first year of publication this could be both ambitious and overly complex.
- 3.3 It is clear that statements can be adjusted within the year, and in any case must be reconsidered and agreed on an annual basis. It is therefore proposed that for the first year the statement is relatively concise and simple, anticipating that this will grow in scope and sophistication in coming years.

### **4. PAY MULTIPLE**

- 4.1 The definition of pay multiple as defined in the ‘Code of Recommended Practice for Local Authorities on Data Transparency’ document is the ratio between the highest paid salary and the median average salary of the authority's workforce.

KCC's current Pay Multiple figure is 7.4 : 1. This excludes schools.

### **5. RECOMMENDATION**

- 5.1 Personnel Committee recommend the attached Pay Policy Statement to County Council.

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**Reward Manager**  
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### **Kent County Council Pay Policy Statement 2012-13**

The Authority seeks to be able to recruit and retain staff in a way which is externally competitive and internally fair. The Kent Scheme pay policy applies in a consistent way from the lowest to the highest grade.

- The pay policy is influenced by a number of factors which include local pay bargaining, market information, market forces, economic climate, measures of inflation and budgetary position.
- The Kent scheme pay range consists of grades KR2 – KR20; details of which are attached.
- The details of the reward package for all Corporate Directors and Directors are published and updated on the County Council's web site.
- The appropriate grade for a job is established through a job evaluation process which takes into account the required level of knowledge, skills and accountability required for the role.
- The lowest point of KCC's grading structure (bottom of grade KR2) is set such that the hourly rate is above the National Minimum Wage.
- Staff who are new to the organisation must be appointed at the minimum of the grade unless there are exceptional reasons to appoint higher. These must be based on a robust business case in relation to the level of knowledge, skills and experience offered by the candidate and consideration is given to the level of salaries of the existing staff to prevent pay inequality. For senior staff any such business case must be approved by the relevant Corporate Director.
- Council signs off the pay structure. The subsequent appointment of individuals, including those receiving salaries in excess of £100k, is in accordance with the pay structure, the principles outlined in the pay policy, and in consultation with Personnel Committee.
- Staff who are promoted should be appointed to the minimum of the grade. However their pay increase should equate to at least 2.5%.
- All progression within a grade is subject to performance as assessed through Total Contribution Pay (TCP) process and a percentage awarded for each appraisal level. This applies to all levels in the Authority and there are no additional bonus schemes for senior managers.
- The award for each appraisal rating is set annually following the outcome of the appraisal process.

- People at the top of their grade have the opportunity to receive a pay award which is consistent with others who have the same appraisal rating. This amount will be paid separately and not built into base pay.
- The 'Lowest' paid employees are defined as those employees on the lowest pay point of KCC's lowest grade, KR2 (£12,903 for 2011-12). They receive relevant benefits and are remunerated in the same proportionate way as others.
- In order to establish the pay difference and the relative change in pay levels over time, a pay multiplier can be calculated. This is the base pay level of the highest paid employee shown as a multiple of the median Kent Scheme salary. This multiplier will be published on the County Council's website annually.
- KCC recognises that managers need to be able to reward performance in a flexible and appropriate way to the particular circumstances.
- Should it be shown that there is specific recruitment and retention difficulties, the Market Premium Policy may be used to address these issues.
- The Council would not expect the re-engagement of an individual who has left the organisation with a redundancy, retirement or severance package.
- Managers have delegated powers to make cash awards and ex-gratia payments when necessary and where not covered by any other provision as defined in the Blue Book.
- Termination payments and employer discretions under the Local Government Pension Scheme will be reviewed annually and published for all staff. These will be produced with the intention of only making additional payments when in the best interests of the Authority and maintaining consistency through all pay grades.

### Pay Range

£ (Maximum)		£ (Minimum)
£184,000	KR 20	£154,800
£153,000	KR 19	£132,701
£132,700	KR 18	£111,600
£105,900	KR 17	£89,100
£87,700	KR 16	£69,447
£69,446	KR 15	£61,083
£61,082	KR 14	£53,957
£53,956	KR 13	£48,153
£48,152	KR 12	£41,113
£41,112	KR 11	£35,725
£35,724	KR 10	£30,220
£30,219	KR 9	£26,422
£26,421	KR 8	£23,054
£23,053	KR 7	£20,263
£20,262	KR 6	£18,472
£18,471	KR 5	£16,794
£16,793	KR 4	£15,985
£15,984	KR 3	£14,100
£14,099	KR 2	£12,903