

CHESHIRE EAST COUNCIL

Cabinet

Date of Meeting: 9th February 2016
Report of: Peter Bates
Subject/Title: Notice of Motion – Pay Ratios
Portfolio Holder: Cllr JP Findlow

1.0 Report Summary

- 1.1 The purpose of this report is to consider and respond to the following motion which had been moved by Councillor Sam Corcoran at the Council meeting on 17th December 2015 and referred to Cabinet for consideration:

“That this Council should publish pay ratios as recommended by the High Pay Centre and should move towards a situation where the highest paid workers in Cheshire East Council earn no more than 10 times the lowest paid workers.”

2.0 Recommendation

That for the reasons set out in this report, Cabinet reject the motion referred to in paragraph 1.1.

3.0 Reasons for Recommendations

- 3.1 Recognising the importance of appropriately managing pay bills and pay differentials within the public sector the Council already publishes pay ratios (or pay multiples as they are sometimes known) as a requirement of the Localism Act 2011 and the Local Government Transparency Code 2014. These pay ratios are in line with those recommended by the [High Pay Centre](#).
- 3.2 The Localism Act requires local authorities to publish an annual [Pay Policy Statement 2015/16](#), which includes the authority’s policy on pay dispersion – the relationship between remuneration of chief officers and the remuneration of other staff.
- 3.3 As at 1st January 2016 the current pay levels within the Council define the multiple between the median full time equivalent earnings (£20,253) and the highest paid Chief Officer, the Chief Executive (£150,000), as 7.41, and the multiple between the lowest full-time equivalent earnings (£15,145) and the Chief Executive (£150,000) as 9.90. Additionally, the multiple between the lowest paid employee (£15,145) and average Chief Officer salaries (£81,219) is 5.36. This information is based on basic salaries only.

- 3.4 In addition local authorities must, under the Transparency Code, publish the pay multiple on their [website](#), defined as the ratio between the highest paid total taxable earnings (the Chief Executive) for the given financial year. The median earnings figure of the whole of the authority's workforce as at 31st March 2015 is **1:7.2**. Other pay multiples are also provided including the ratio between highest and lowest paid workers, which, as at 31st March 2015 was **1:11.9**. This ratio is expected to reduce to around 1:10.7 by 31st March 2016 due to the introduction of the Living Wage supplement for lowest paid staff on 1st November 2015.
- 3.5 To put these figures in context, a number of public and private sector organisations share their pay ratios via a [pay compare](#) website. When comparing the Council's pay ratios in paragraph 3.4 above with the information available on the site, the Council's pay ratios are mid range when compared with other unitary authorities suggesting that the pay differentials are fair and reasonable.
- 3.6 Local Government walks a fine line in that it must create value for citizens by attracting and retaining talented individuals - otherwise it will become a second class sector of the economy. But equally it has to be vigilant and rigorous about ensuring value for money.
- 3.7 As such the Council does not however explicitly set the remuneration of any individual or group of posts by reference to a simple multiple of another post or group of posts. The use of multiples although a helpful indicator cannot fully capture the complexities of a dynamic and highly varied workforce in terms of job content and skills required or the demands of the external job market.

4.0 Wards Affected

- 4.1 This report does not have a major effect on Council Wards

5.0 Local Ward Members

- 5.1 This report has no effect on Ward Members

6.0 Policy Implications

- 6.1 As previously outlined the Council is required to publish a Pay Policy Statement which sets out its position with regards to pay for its staff, particularly Chief Officers.

7.0 Implications for Rural Communities

- 7.1 There are no implications for rural communities.

8.0 Financial Implications

- 8.1 Not applicable.

9.0 Legal Implications

9.1 There are no legal implications at this stage as no change to the current Council policies and procedures are proposed.

10.0 Risk Management

10.1 Pay ratios (or pay multiples) are a way of measuring and tracking pay dispersion, enabling the Council to compare trends over time with other Councils and identify any potential areas of inequality or unfairness.

11.0 Background

11.1 The High Pay Centre is an independent, non-party think tank established to monitor pay at the top of the income distribution. The Centre advocates identifying and monitoring the pay ratio between the top and the median in a business or organisation as this type of benchmark that can help businesses manage their position on pay and reduce inequality.

11.2 The Hutton Review of Fair Pay also recommended that the most appropriate pay multiple to track is that of top executive earnings to the median earnings of each organisation's workforce for the following reasons:

- Median earnings are more representative of the pay of the whole of an organisation's employees, so a median-based multiple would be a more appropriate mechanism for linking executive pay to that of the wider workforce.
- A multiple based upon median earnings would be less sensitive to changes in the bottom of the workforce structure, and so would be less susceptible to manipulation, for example through the outsourcing of low-paid workers.

11.3 The Council recognises the importance of paying a living wage to all staff and has already implemented an hourly living wage of £7.85 in November 2015 to employers and agency workers. This is above the Chancellors living wage from April 2016 of £7.20 which will become in effect the new National Wage for UK employers that employers are legally obligated to pay.

11.4 Future increases to the Chancellors Living wage from April 2017 will be guided by the Low Pay Commission (who currently set the national minimum wage). There were 447 employees / 109 FTE (excluding casuals) paid at the CEC Living Wage, across grades 1, 2 and 3, on 1st January 2016.

12.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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