

Report to Employment Panel

Agenda Item:

A.1

Meeting Date: 11th February 2019
 Portfolio: Finance, Governance and Resources
 Key Decision: No
 Within Policy and Budget Framework YES
 Public / Private Public

Title: PAY POLICY STATEMENT 2019/20
 Report of: Corporate Director of Finance and Resources
 Report Number: RD40/18

Purpose / Summary:

The Localism Act 2011 requires Authorities to produce and publish a pay policy statement for Chief Officers and to review the policy on an annual basis. The Council's Pay Policy for 2019/20 is attached to this report for Members approval.

The Employment Panel on 31 January 2018 also requested a report on comparison information on Chief Officer car allowances in other local authorities, other offers available and the impact of any potential change on existing staff and the Council's pension contributions.

Recommendations:

The Employment Panel:

- (1) approves the 2019/20 Policy Statement on Chief Officers' Pay, for recommendation to Council on 5th March 2019;
- (2) Considers the comparator information on Chief Officer car allowances as requested which is provided at paragraph 3.

Tracking

Employment Panel:	11th February 2019
Overview and Scrutiny:	Not applicable
Council:	5th March 2019

1. BACKGROUND

- 1.1 The Localism Act 2011 (Sections 38 to 43) introduced a requirement on all English and Welsh authorities to produce and review a pay policy statement for Chief Executives and Chief Officers on an annual basis.
- 1.2 The pay policy must set out the council's policies in relation 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.
- 1.3 The definition of 'lowest paid employees' must be stated along with the reasoning behind adopting that definition. Policies in respect of chief officers must also be included relating to:
- the levels and elements of remuneration;
 - remuneration on recruitment;
 - increases and additions to remuneration;
 - the use of performance related pay;
 - the use of bonuses;
 - the approach to any payments on their ceasing to hold office under or to be employed by council.
- 1.4 It is approved annually by full Council as recommended by the Employment Panel. Approval must be before the end of the 31 March immediately preceding the financial year to which it relates but may be amended during the year if need be, subject to Council approval.

2. PAY POLICY STATEMENT 2019/20

- 2.1 The definition of 'chief officers' includes the Chief Executive, Deputy Chief Executive and Corporate Directors. The Statement attached to this report, detailing the pay and associated benefits for Chief Officers, has been amended where necessary for 2019/20 which is now subject to the approval of full Council, as recommended by the Employment Panel.
- 2.2 The salary for all Chief Officers has been amended to reflect the Chief Officers' Pay Agreement 2018/19 – 2019/20.

3. CHIEF OFFICERS' CAR ALLOWANCE

- 3.1 The 2018/19 pay policy was approved on 31st January 2018 with the comment that the Employment Panel felt the Chief Officers Car Allowance scheme had become outdated and was not representative of a modern offer to recruit Chief Officers.

The panel requested comparator information from other local authorities and what the current trends were. The panel were clear that they did not want to reduce the Chief officer offer in a negative way but wanted to offer the most appropriate and modern incentives available.

- 3.2 The current Chief Officer pay policy allows for a car allowance based upon 9.09% of salary or participation in the Chief Officer Car Lease Scheme to the same value.

Of all 5 Chief Officers, only one Officer currently makes use of the lease car scheme.

Current value of the scheme is as follows:

Chief Executive £9,880 per annum
Chief Officers (x4) £26,911 per annum

Total cost £36,791 per annum

4. BENCHMARKING

- 4.1 An exercise was undertaken by reviewing 12 other local authorities from which only two offered a scheme for its Chief Officers.

Expert HR Benefits and Allowances Survey (2018) surveyed 224 companies broken down by economic sector as follows:

169 (74.5%) are in private-sector services;
37 (16.5%) are in manufacturing and production; and
18 (8.0%) are in the public sector.

Findings:

A move away from providing company cars continues, albeit at a fairly slow pace as the proportion of organisations doing so has fallen only slightly compared with last year. More noticeable is the decline in the use of car allowances, with fewer than half of organisations now offering them.

Where organisations do make cars and car allowances available, it is far more likely to be for directors and managers than for staff. For example, while 27.7% of organisations provide directors with a company car, only 12.9% do so for staff. Similarly, while 33.5% of organisations give a car allowance to directors, only 13.8% do so to staff. By sector, manufacturing and production are more likely than services companies to provide a company car or car allowance.

Where provided, directors are most likely to be given a company car as a retention tool, but it is notable that this is nowadays a rare occurrence and the provision is very much linked to the individual needing a vehicle in order to carry out their role. A similar picture emerges when we look at the availability of car allowances.

Where organisations offer a car allowance, the median annual values are £7,427 for a director, £5,650 for a manager and £4,200 for a staff member. A handful of organisations express their car allowance for directors as a percentage of salary, with both 10% and 25% of salary cited.

5. PENSIONABLE BENEFIT

Were the current car allowance to be subsumed within the salary and meet the HMRC definition of earnings in respect of pensionable pay, the additional employer costs are as follows:

Chief Executive	£9,880 pa	Additional Cost	£1,541 pa
Deputy Chief Executive	£7,911 pa	Additional Cost	£1,234 pa
Corporate Director x2	£12,870 pa	Additional Cost	£2,008 pa
Corporate Director x1	£6,130 pa	Additional Cost	£956 pa

With the CEO and 4 Chief Officers this would equate to an overall car allowance figure of £42,530 and an increase in cost to the Authority of £5,739 per annum pension contributions and £1,296 in increased NI contributions – a total of **£7,035**.

Furthermore, if the car allowance were made pensionable the individual Directors would see an increase in their NI and tax deductions which equates to between £235 and £447 worse off per month.

6. CONSULTATION

- 6.1 If Members of the panel wish to explore the remuneration offer available to all Chief Officer to, for example, remove the leased car scheme and subsume this within the overall salary, further work would be required and would be subject to full

consultation with effected Officers, as this would be a change in their terms and conditions.

8. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 8.1 The Employment Panel approves the 2019/20 Policy Statement on Chief Officers' Pay for recommendation to Council on 5th March 2019.

The Statement meets the requirements of the Localism Act. Under the Council's Constitution, the Employment Panel is responsible for recommending to Council matters relating to pay and employment conditions.

Having conducted local and regional benchmarking it is evident the current Car Allowance is significantly higher than local and regional comparators. It compares very well, indeed in excess of, private sector payments.

Turnover of staff at Chief Officer level is low with long lengths of service. It is not anticipated that the current car allowance would restrict recruitment should this situation change.

9. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 9.1 The Policy Statement on Chief Officers' Pay exists to provide Members and the general public with a transparent framework in which Chief Officers are paid and rewarded for their work and instil confidence in the public.

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Appendices: Appendix – Pay Policy Statement 2019/20 for Chief Officers attached to report:

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS:

LEGAL – S38 of the Localism Act 2011 requires that we must publish each year a pay policy statement setting out our policies relating to:

- The remuneration of Chief Officers
- The remuneration of our lowest paid officers
- The relationship between the remuneration of the Chief Officers and employees that are not Chief Officers.

The Policy must state our definition of 'lowest paid employees' together with our reasoning and it has to explain:

- CO levels on appointment/progression and increases and additions
- Performance related pay
- Bonuses
- Payment on ceasing to hold office

The Policy must be published in a manner deemed by the Council to be appropriate and this includes publication on the authority's website.

As stated in the report, an amendment to the Scheme may be a change to Chief Officers' terms and conditions of service therefore appropriate consultation procedures should be followed if that is the course of action chosen.

FINANCE – Not applicable

EQUALITY – Not applicable

INFORMATION GOVERNANCE – Not applicable

**CARLISLE
CITY COUNCIL**



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**PAY POLICY STATEMENT 2019/20
FOR CHIEF OFFICERS**

CARLISLE CITY COUNCIL

PAY POLICY STATEMENT FOR CHIEF OFFICERS

1 Introduction and Purpose

- 1.1 This pay policy statement sets out Carlisle City Council's approach to Chief Officers' pay in accordance with the requirements of section 38 to 43 of the Localism Act 2011.
- 1.2 The purpose of this statement is to provide transparency with regard to the Council's approach to setting the pay of its employees by identifying:
- the methods by which salaries of all employees are determined;
 - the detail and level of remuneration of its most senior employees i.e. 'chief officers' as determined by relevant legislation;
 - the detail and level of remuneration of the lowest paid employees'
 - the relationship between the remuneration for highest and lowest paid employees;
 - the Panel responsible for ensuring that the provisions set out in this statement are applied consistently throughout the Council and recommending any amendments to full Council.
- 1.3 Once approved by the full Council, this policy will come into immediate effect for the 2019/20 financial year and will be subject to review again for 2020/21 in accordance with the relevant legislation prevailing at the time. Where amendments are required during the year, these will be subject to approval by full Council.

2 Aims and principles

- 2.1 Carlisle City Council's aim to offer a remuneration package which is fair and equitable, complies with all the relevant legislation, enables it to attract and retain quality staff that will achieve its strategic and operational objectives and is underpinned by the need to achieve value for money having regard to its financial restraints.

3 Definitions

The Council's Senior Employees are those which fall under the definition of 'chief officers' as contained within section 43 of the Localism Act 2011. These are the Chief Executive, Deputy Chief Executive and Corporate Directors.

Lowest paid employees are those on grade A (£17,364) per year in April 2019. The Council uses this definition as it is the nearest equivalent to the old 'manual' grades which existed before job evaluation was used to determine pay and before Single Status was implemented. Jobs at this level are relatively straight forward, quick to learn and require limited pre-existing knowledge.

Employment Panel is a politically balanced (reflecting the balance of the different parties that make up the Council) group of Councillors who are responsible for recommending to Council pay and conditions for employees.

Multiplier is the ratio of pay between chief officers and other employees (at full time equivalent rates) i.e. the pay for the chief officer divided by that for the lower paid employees.

4 Pay Structure

- 4.1 The Pay Structure and pay related allowances for all employees below Chief Officer level (except apprentices and any employee on a “permitted work” scheme) is detailed in the document *Pay Policy and Arrangements* which was approved by Council initially in November 2009, following extensive consultation with staff, and updated in December 2013 to implement the Foundation Living Wage increase with other regular updates to reflect increases to the foundation living wage and national pay awards. It is a local pay and grading structure which uses some of the nationally negotiated pay spines configured into local pay grades. Nationally negotiated cost of living awards are applied to those spine points that form part of the local pay structure.
- 4.2 From time to time, it may be necessary to take account of the external pay levels in the labour market in order to attract and retain employees with particular knowledge, experience, skills, and capacity. The document *Pay Policy and Arrangements* details these.

5 Chief Officer Remuneration

- 5.1 Terms of employment for Chief Officers in Carlisle City Council are derived from a number of sources:
- pay rates determined by Carlisle City Council;
 - cost of living awards as negotiated nationally between the Local Government Employers’ Organisation and the recognised trade unions and applied to existing pay grades;
 - nationally negotiated terms and conditions of employment for Chief Officers and Chief Executives as appropriate;
 - policies determined and approved locally by Carlisle City Council.

6 Responsibility for determining pay and allowances

- 6.1 The Employment Panel is responsible for proposing the pay and grading structure to Council.
- 6.2 In the case of Chief Officers’ pay, the Employment Panel may seek advice from a suitably experienced external organisation such as North West Employers’ Organisation (NWEO) to inform their recommendations.

- 6.3 Pay rates (including car allowances) for the Town Clerk and Chief Executive are reviewed each time the job is vacant and may be reviewed between these periods on a decision by the Chair of the Employment Panel following a request from the post holder. A review can result in the pay remaining the same, an increase or a decrease. Market rates for District Councils form the basis of any review. The pay rate is a single pay point, within a three-point salary band, and determined on appointment by the Employment Panel and is based on experience of the successful candidate.
- 6.4 In the case of the other Chief Officer posts, these are reviewed when organisational structural changes take place and uses the Local Authority Senior Staff job evaluation scheme to determine the rank order, and market rates for a District Council to set the pay grade. The pay grades consist of three pay points.
- 6.5 Table 1, paragraph 10, gives current pay rates.

7 Elements of the remuneration package for Chief Officers

- 7.1 This is made up of
- actual pay as determined by the Council
 - car allowance of 9.09% of salary or participation in the Chief Executive or Chief Officer Car Lease Scheme to the same value*
- 7.2 Pay for the Town Clerk and Chief Executive consists of three pay point within a salary band plus car allowance as detailed above. This rate includes returning officer duties for elections relating to Carlisle City Council. Fees for election duties for other elections (County Council, national and European elections) are paid as an additional sum at the rate prescribed by government as and when each election occurs. The pay point may be reviewed on a decision by the Chair of the Employment Panel, following a request from the post holder.
- 7.3 Pay for the Deputy Chief Executive and Corporate Directors consists of three point scales and, subject to satisfactory performance, the officer progresses through the grade on an annual basis until the top of the grade is reached, in line with national conditions. A car allowance, as detailed above is also paid.
- 7.4 No bonuses, profit related pay or other allowances are paid as part of the regular pay. Honoraria for undertaking additional duties are only paid if the additional duties are significant.
- 7.5 The designation of the Monitoring Officer currently sits with the Corporate Director of Governance and Regulatory Services. The Monitoring Officer is paid on the normal salary for a Chief Officer.
- 7.6 The designation of the Section 151 Officer sits with the Corporate Director of Finance and Resources. The S151 Officer is paid on the normal salary for a Chief Officer.

8 Chief Executive and Chief Officers' Recruitment

- 8.1 Details of the appointment process for Chief Officers and Chief Executive are set out in the Council's constitution. Recruitment is the responsibility of the Employment Panel to recommend the successful candidate to full Council for approval.
- 8.2 In the case of the Chief Executive, the Employment Panel determines the salary and takes into account the knowledge, qualifications, skills and experience of the successful candidate.
- 8.3 In the case of the other Chief Officers, the starting salary is normally the bottom point of their grade unless there are good reasons to pay at a higher point in the scale to secure the best candidate. Such a decision is made by the Employment Panel.
- 8.4 Return of Chief Officers or Chief Executive to local government after redundancy or early release. The same principle applies to all recruitment and any appointment is made on merit, regardless of whether the candidate has been made redundant or given early release in former employment. The provisions of the Redundancy Payments Modification Order (1999) would be applied in that if return to local government occurred within a month of redundancy, the redundancy payment would be forfeited. Cumbria County Council, as the administering body for the pension scheme operated by Carlisle City Council, implements 'abatement' which means that if pension plus earnings in the new job is greater than earnings prior to leaving the pension is reduced accordingly.

The Government is still considering reforms to Public Sector exit payments and the recovery of such payments, with legislation expected in the foreseeable future. The Council will amend policies and processes as required to adhere to any forthcoming changes in legislation.

- 8.5 Interim Support. Where the Council has the need for interim support to cover work at Chief Officer or Chief Executive level, and there is no-one suitable within the Council, it will make use of agencies to recommend suitable candidates from which to select the most suitable. Selection will be in line with the appointment process for chief officers unless support is required too quickly to make this possible, when it will be reported to Council at the earliest opportunity. The services of the successful interim will be engaged by either:

- Secondment of an internal candidate where suitable
- Direct employment by the Council on a temporary contract
- On a self-employed basis where the person meets the HMRC definition (IR35) of 'self-employed'
- On an agency basis where the person is employed by the agency

Pay for temporary interim support will be at the required rate to secure a suitable candidate bearing in mind the temporary nature of the work, value for money, salaries within the Council and budgetary considerations.

At the date of this policy Statement, the Council has no temporary or interim support at Chief Officer level.

9 Other aspects of remuneration

- 9.1 Termination Payments – the Council’s policy on termination payments in the event of redundancy or early release in the interests of the service (ERS) apply to all employees, irrespective of level in the organisation. Full details are given in the document *Redundancy and Early Release Schemes Policy, Guidance Notes and Procedures*

In summary, the discretionary redundancy payments are 2.5 times the statutory redundancy payment but based on actual weeks pay, with the option to convert the sum above the statutory redundancy payment to additional pension. Compensatory payments are not normally paid in the cases of early retirement in the interests of efficiency unless there is a strong business case for doing so in a particular situation. Where payments are made, these are equivalent to 1.5 times the statutory redundancy payment that would have applied had the officer been made redundant with the option to convert this to additional pension.

Dismissal of the Chief Executive and Chief Officers (including redundancy and early release) are made by Council on the recommendation of the Employment Panel.

The Government is still considering reforms to the financial cap on exit payments of Public Sector employees and further legislation regarding such payments is expected in the foreseeable future. The Council will amend policies and processes to adhere to any forthcoming changes in legislation.

- 9.2 Flexible Retirement. The policy on flexible retirement applies to all employees alike and details are covered in the document *Flexible Retirement Policy Guidance Notes and Procedures*. In summary, flexible retirement (with pension) is agreed if it is supported by a business case. Hours must be reduced by a minimum of 20% and/or move to an alternative post of at least one grade reduction. Earnings plus pension after flexible retirement must not be more than earnings before it.
- 9.3 Pension. Where employees exercise their statutory right to become members of the Local Government Pension Scheme, the Council is required to make a contribution to the scheme representing a percentage of the pensionable remuneration due to that employee. The contribution rate is set by Actuaries advising Cumbria County Council Pension fund and reviewed on a triennial basis in order to ensure that the scheme is appropriately funded. The current rate is 15.6%. The employee contribution rates are defined by statute and relate to the salary level of that employee.

Carlisle City Council applies the discretions given to them as an employer under the Local Government Pensions Regulations to all employees on the same basis.

10 Chief Officers pay and its relation to that of other employees

10.1 All aspects of other employees' pay and related benefits are detailed in the document *Pay Policy and Arrangements*.

10.2 Table one, below, shows details of Chief Officer's current pay and the relationship to other staff's pay. The salary for the Chief Executive, Deputy Chief Executive and the other Chief Officers reflects the Chief Executive/Chief Officers' Pay Agreement 2018/19 – 2019/20.

TABLE 1: Chief Officers' pay and its relationship with others (wef 1st April 2019 for 2019/2020)

Position	£ Pay per year	Car Allowance	£ Total pay + car allowance per year	Ratio to median pay (note 1)	Ratio to lowest paid staff (note 2)
Town Clerk & Chief Executive	3 points in the range: - 102,562 - 104,618 - 108,694	9.09% of salary	- 111,885 - 114,128 - 118,574	- 5.0:1 - 5.1:1 - 5.3:1	- 6.4:1 - 6.6:1 - 6.8:1
Deputy Chief Executive	3 points in the range: - 79,116 - 83,073 - 87,029	9.09% of salary	- 86,308 - 90,624 - 94,940	- 3.9:1 - 4.0:1 - 4.2:1	- 5.0:1 - 5.2:1 - 5.5:1
Corporate Directors	3 points in the range: - 64,079 - 67,433 - 70,790	9.09% of salary	- 69,904 - 73,563 - 77,225	- 3.1:1 - 3.3:1 - 3.4:1	- 4.0:1 - 4.2:1 - 4.4:1

Note 1 - £22,401 per year for a full-time employee

Note 2 - Grade A staff – £17,364 per year for a full-time employee.

The ratio between the Chief Executive pay and other Chief Officers (at the top of the grade) is as follows:

Deputy Chief Executive	1.2:1
Corporate Directors	1.5:1

10.3 Carlisle City Council aims to keep the multipliers for median pay and lowest paid staff approximately the same in future years.