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Council

23 July 2013

**Name of Cabinet Member:**

Cabinet Member (Strategic Finance and Resources) – Councillor Gannon

**Director Approving Submission of the report:**

Chief Executive

**Ward(s) affected:**

None

**Title:**

Pay Policy Statement 2013/14

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**Is this a key decision?**

No

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**Executive Summary:**

At the Full Council meeting on 19 March 2013, members approved the Pay Policy Statement for 2013/14, in accordance with the requirements of the Localism Act 2011. The Pay Policy Statement refers to various issues relating to the pay of the workforce, particularly the most senior staff. The purpose of this report is to seek approval to amend the Statement. This is required in order to facilitate organisational changes to address the changing needs of the City Council.

**Recommendations:**

1. Council is recommended to approve the amended 2013/14 Pay Policy Statement attached at Appendix 2
2. Delegate authority to the Audit and Procurement Committee to determine any salary or severance package of £100,000 or over, or such other sum as determined by legislation in respect of any new appointment or severance
3. Amend the Terms of Reference for the Audit and Procurement Committee within the Constitution to reflect Recommendation 2

**List of Appendices included:**

Appendix 1: current Pay Policy Statement 2013/14

Appendix 2: proposed amended Pay Policy Statement 2013/14

**Other useful background papers:**

None

**Has it been or will it be considered by Scrutiny?**

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?**

Yes, 23 July 2013

**Report title:**

**1. Context (or background)**

- 1.1 At the Full Council meeting on 19 March 2013, members approved the Pay Policy Statement (the Statement”) for 2013/14 which is required by the Localism Act and is attached at Appendix 1. The legislation and statutory guidance from the Secretary of State requires certain information to be included within the Statement which includes the salaries of its workforce. In particular, the salaries relating to the most senior staff and the relationship of their pay to the lowest paid employees. Any decisions to be made in relation to senior staff pay are to be made in accordance with the Statement.
- 1.2 Senior staff is described as ‘Chief Officers’ within the legislation and for the Council currently comprise the Chief Executive, Corporate Management Board and Assistant Directors. The guidance seeks to increase accountability and transparency around the issues of pay to ensure it is appropriate and commensurate with responsibility, particularly in relation to senior staff.
- 1.3 The Statement is required to be approved by Full Council on an annual basis before the end of 31 March of each year immediately preceding the financial year to which it relates. The Council may amend its Statement at any time.
- 1.4 Proposed changes to the organisational structure of the Council will required in order to facilitate a changing Council and a changing workforce and therefore needs to be aligned to the Statement. At this same time, the opportunity has also been taken to produce a more focussed document and streamline its contents so that the pertinent information is easily ascertainable. In addition, members are asked to consider the appropriate forum for any decisions on large new salary or severance packages (£100,000 and above).

**2. Options considered and recommended proposal**

- 2.1 The first recommended proposal is to amend the Statement as set out in Appendix 2 in order to facilitate organisational changes, introduce a more focussed document and allow some flexibility in a modern working environment.
- 2.2 The other option would be retain the current Statement but this would not accord with organisational requirements going forward in order to support and deliver key Council policies and aspirations for the City.
- 2.3 The second recommended proposal is to enable the scrutiny of decisions on any new salary or severance package of £100,000 or over to take place in committee rather than by full Council, and that the Audit and Procurement Committee would be the appropriate forum. It is considered that this committee is skilled and experienced in subjecting specific decisions to scrutiny, and will be able to test the strength of the explanations put forward better than full Council and make those decisions.
- 2.4 The other option to retain those decisions for full Council or to identify if another committee would be appropriate.
- 2.5 The third recommended proposal to enable the Constitution to be updated should the aforementioned Recommendations be approved.

### **3. Results of consultation undertaken**

3.1 None required.

### **4. Timetable for implementing this decision**

4.1 Recommendations 1 and 2 would take immediate effect. Recommendation 3 would take place as soon as possible.

### **5. Comments from Director of Finance and Legal Services**

#### **5.1 Financial implications**

Financial information on all posts where the full time equivalent salary is at least £50,000 PA (which includes chief officers as identified in the Pay Policy Statement) is published in the Council's Annual Statement of Accounts.

#### **5.2 Legal implications**

Section 39 of the Localism Act 2011 enables the Council to amend its Statement once it has been approved. Section 39 also requires the Council to publish its amended statement as soon as is reasonably practicable after it being amended and which must include publication on the Council's website.

Secretary of State guidance is that full council should be given the opportunity to vote before a large salary package is offered in any new appointment or when a large severance package is approved. 'Large' being £100,000 or above. However, as a matter of public law, it is open to the Council to depart from this recommendation if there is good reason for it to do so and if its approach would be a reasonable one. Therefore, it would be open to the Council to form the view that issues of accountability and addressing public concern could be met by requiring all of these decisions (ie those at £100,000 or above) to be approved by a cross-party committee of the Council, rather than by the full Council. The body of the report refers to the rationale as to why the Audit and Procurement Committee is considered to be best placed for those decisions to be made.

### **6. Other implications**

#### **6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?**

The Council continues to experience a period of significant change that will require changes to the structure of its workforce. The proposed amendments to the Statement would facilitate the changes required in order to provide some flexibility to accommodate a changing Council and workforce. The organisation will then be better placed to support the key Council policies and aspirations for the City.

#### **6.2 How is risk being managed?**

No risk has been identified.

### 6.3 What is the impact on the organisation?

Refer to paragraph 6.1.

### 6.4 Equalities / EIA

The Equality Act and the National Joint Council (NJC) conditions of Service require the publication of Equal Pay review information. The last review was conducted in January 2012. The City Council now publish the information annually and the data for 2013 will be published shortly.

### 6.5 Implications for (or impact on) the environment

None.

### 6.6 Implications for partner organisations?

None.

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|  |  |                                    |                          |   |

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[www.coventry.gov.uk/councilmeetings](http://www.coventry.gov.uk/councilmeetings)

## **Appendices**

### **Appendix 1**

## **Coventry City Council – Current Pay Policy Statement 2013/14**

### **1. Introduction and Purpose**

Under section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as 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 of the Localism Act 2011. The purpose of the statement is to provide transparency with regard to the Council’s approach to setting the pay of its employees (excluding those working in local authority schools) by identifying;

- the methods by which salaries of all employees are determined;
- the detail and level of remuneration of its most senior staff i.e. ‘chief officers’, as defined by the relevant legislation;
- the Cabinet Member responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and recommending any amendments to the full Council.

Once approved by the full Council, this policy statement will come into immediate effect and will be subject to review on a minimum of an annual basis in accordance with the relevant legislation prevailing at that time.

### **2. Legislative Framework**

In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. This includes the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Earnings) Regulations. With regard to the Equal Pay requirements contained within the Equality Act, the Council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality proofed Job Evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

### **3. Pay Structure**

Based on the application of the NJC Job Evaluation scheme, the Council uses the nationally negotiated pay spine as the basis for its local grading structure, set out in the Council’s Single Status Conditions document dated September 2004. This determines the salaries of the vast majority of the non school based workforce, together with the use of other nationally defined rates where relevant. There have been no increases in the national pay spine since April 2009.

The posts of senior managers (including Directors (Chief Officers), Assistant Directors and the Chief Executive) are evaluated through the Hay job evaluation scheme. There have been no increases in the pay rates for Hay graded employees since April 2008.

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 machinery and/or as determined by Council Policy. 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 expenditure, 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.

New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate. From time to time it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector.

#### **4. Senior Management Remuneration**

For the purposes of this statement, senior management means 'chief officers' as defined within S43 of the Localism Act. The posts falling within the statutory definition are set out below, with details of their basic salary as at 1<sup>st</sup> April 2013, are;

##### **a) Chief Executive**

The salary of the post designated as Chief Executive falls within a range of three incremental points between £175,000, rising to a maximum of £185,000. This salary is exclusive of the payment made for returning officer duties.

##### **b) Directors**

The salaries of posts designated as; Director of Children Learning and Young Peoples Services, Director of Community Services and Director of City Services and Development fall within a range of three incremental points between £113,488 rising to a maximum of £124,295.

The salaries of posts designated as; Director of Finance and Legal Services and Director of Customer and Workforce Services fall within a range of three incremental points between £99,722 rising to a maximum of £110,266.

The salary of the post of Director for Public Health is on a spot salary of £120,000.

##### **c) Assistant Directors**

The salary of the post designated as Assistant Director Performance and Scrutiny, falls within a range of three incremental points between £53,321 rising to a maximum of £58,837.

The salaries of the posts designated as; Assistant Director Corporate Policy and Research, and Assistant Director Democratic Services fall within a range of three incremental points between £63,675 rising to a maximum of £70,377.

The salaries of the five Public Health consultants, who are the equivalent to the Council's posts of 'Assistant Director' and who report directly to a Director, fall within a range of 6 incremental points between £77,079 rising to a maximum of £97,478.

The salary of the post designated as Assistant Director for Education and Learning falls within a range of three incremental points between £90,462 rising to a maximum of £99,983.

The salaries of the remaining fifteen Assistant Director posts fall within a range of three incremental points between £75,517 rising to a maximum of £83,549.

## 5. Recruitment of Chief Officers

The Councils policy and procedures with regard to recruitment of chief officers is set out within section 4.8 of the Council's Constitution. When recruiting to all posts the Council will take full and proper account of its own Recruitment and Redeployment Policies. 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. Where the Council is unable to recruit to a post at the designated grade, it will consider the use of temporary market forces supplements in accordance with its relevant policies.

Where the Council remains unable to recruit chief officers under a contract of service, or there is a need for interim support to provide cover for a vacant substantive chief officer post, the Council will, where necessary, consider and utilise engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process ensuring the council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. The Council does not currently have any chief officers engaged under such arrangements.

Guidance issued by the Secretary of State for Communities and Local Government specifies that any new appointment where the total salary package exceeds £100,000 should be subject to a vote at Full Council. Any appointments that exceed the £100,000 threshold will be referred to Full Council.

## 6. Additions to Salaries of Chief Officers

The Council does not apply any bonuses or performance related pay to its chief officers.

In addition to basic salary, set out below are details of other elements of 'additional pay' which are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfillment of duties. This information can only be provided retrospectively for the last financial year and is as follows;

| Post  | Gross Fees for Local Elections Duties including Referendum vote   | Gross Fees for Police Commissioner Election Duties |
|---|---|--|
| Chief Executive                                 | £7,500 (Returning Officer), £7,500 (Counting Officer, Referendum) |  |
| Director of Community Services                  | £210.00   |  |
| Director of City Services and Development       | £222.50   | £208.00  |
| Director of Customer and Workforce Services     | £320.00   | £344.00  |
| Director of Finance and Legal                   | £210.00   | £168.00  |
| Director of Children, Learning and Young People | £210.00   |  |
| Assistant Director Development Services         | £155.00   | £152.00  |
| Assistant Director (ASC) Strategic Ops          | £165.00   | £152.00  |
| Assistant Director Transformation               | £160.00   | £152.00  |
| Assistant Director Health, Libraries and        | £207.50   | £208.00  |
| Assistant Director Democratic                   | £320.00   | £384.00  |
| Assistant Director Corporate Policy and         | £160.00   | £212.00  |
| Assistant Director ICT                          | £210.00   |  |
| Assistant Director Highways Services            | £155.00   |  |
| Assistant Director Customer Services            | £210.00   |  |
| Assistant Director Revenues and Benefits        | £222.50   |  |
| Assistant Director Streetscene                  | £155.00   |  |



## **7. Payments on Termination**

The Council's approach to discretionary payments on termination of employment of all employees (including chief officers), prior to reaching normal retirement age, is set out within the Security of Employment Agreement in accordance with Regulations 5 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006. The Council does not apply the added years arrangements available under the Local Government Pension Scheme and therefore has no discretion over the pension benefit amounts payable to employees who are made redundant and who are entitled under the scheme regulations to be paid their pension benefits.

Any other payments falling outside of the provisions or the relevant periods of contractual notice shall be approved by the Assistant Director (Human Resources) in accordance with the Constitution of the Council unless the payment exceeds £100,000.

Guidance issued by the Secretary of State for Communities and Local Government on 20 February 2013 stated that Full Council should be given the opportunity to vote on any proposed severance payment to an employee where the total amount of the payment exceeds £100,000. As a consequence of this Guidance, Full Council shall make the decision about any severance payment to an employee (including a chief officer) that in total exceeds £100,000. The Council has no current (or proposed) discretionary termination payments that exceed £100,000.

## **8. Publication**

Upon approval by the full Council, this statement will be published on the Councils Website. In addition, for posts where the full time equivalent salary is at least £50,000, the Councils Annual Statement of Accounts will include a note setting out the total amount of:

- salary, fees or allowances paid to or receivable by the person in the current and previous year;
- any bonuses so paid or receivable by the person in the current and previous year;
- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above

## **9. Lowest Paid Employees**

The lowest paid persons employed under a contract of employment with the Council are employed on full time [37 hours] equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's grading structure. As at 1<sup>st</sup> April 2013, this is £12,312 per annum. The City Council employs a small number of modern apprentices who are not included within the definition of "lowest paid employees" as they are employed under specific trainee contract terms.

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 policy statement.

The statutory guidance under the Localism 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).

Lord Hutton was asked by Government to explore the case for a fixed limit on dispersion of pay through a requirement that no public sector manager can earn more than 20 times the lowest paid person in the organisation. Lord Hutton's report concluded that the relationship to median earnings was a more relevant measure and the Government's Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the Council's workforce.

The current Council pay levels define the following rates of pay:-

- Chief Executive = £175,000
- Median Chief Officer = £83,549
- Median employee = £20,198
- Lowest paid employee = £12,312

The current Council pay levels define the following pay multiples:-

- Chief Executive to lowest paid employee = 1:14.2
- Chief Executive to median employee = 1:8.7
- Median Chief Officer to lowest paid employee = 1:6.8
- Median Chief Officer to median employee = 1:4.1

As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the council will use available benchmark information as appropriate.

## **10. Accountability and Decision Making**

In accordance with the Constitution of the Council, the Assistant Director (Human Resources) is responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council.

## **Appendix 2**

### **Coventry City Council – Proposed Amended Pay Policy Statement 2013/14**

#### **1. Introduction and Purpose**

Under section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as 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 of the Localism Act 2011(“the Act”).

For the purposes of this statement, Chief Officers’ is defined within S43 of the Act.

#### **2. Pay Structure**

The Council uses the NJC Job Evaluation scheme and the nationally negotiated pay spine as the basis for its local grading structure. This determines the salaries of the vast majority of the non-school based workforce, together with the use of other nationally defined rates where relevant.

The posts of Chief Officers are evaluated in accordance with the Hay job evaluation scheme.

#### **3. Senior Management Remuneration**

The remuneration for Chief Officers are:

The Chief Executive falls within a range of £175,000 to £185,000 or as may be otherwise determined by the Council.

The remaining Chief Officer remuneration falls within a range of £75,517 to £124,295 or as may be otherwise determined by the Council.

#### **4. Recruitment of Chief Officers**

The determination of the remuneration offered to any newly appoint Chief Officer will be in accordance with the pay structure and relevant policies in place at the time of recruitment. The Council’s policy and procedures with regard to the recruitment of Chief Officers is set out within the Council’s Constitution. The determination of the remuneration to be offered to any newly appointed Chief Officer will be in accordance with the Council’s Hay pay and grading structure. Chief Officers jobs are allocated to a salary range based on a number of factors including the level of knowledge, skills and experience required and the responsibilities and accountabilities associated with the position.

Where the Council is unable to recruit to a post, it will consider the use of temporary market forces supplements. Where the Council remains unable to recruit chief officers under an employment contract, or there is a need for interim cover for a Chief Officer post, the Council will consider engaging individuals under ‘contracts for service’. These will be sourced through the Council’s Preferred Supplier List.

The Council considers that decisions on large salary packages (£100,000 and above) should be subject to accountability and scrutiny. The Council considers that it would be preferable for scrutiny of these decisions to take place in committee rather than by full Council, and that the Audit and Procurement Committee is the appropriate forum. This committee is skilled and experienced in subjecting specific decisions to scrutiny, and will be able to test the strength of the explanations put forward for particular appointment/severance packages. The Council believes

that the Audit and Procurement committee will be able to do this better than full Council and make those decisions.

## **5. Increases and additions to Remuneration of Chief Officers**

The Council does not apply any bonuses or performance related pay to its Chief Officers. The gross fees for local elections/referendums in 2012/13 was £20,272.50. £15,000 of that sum was paid to the Chief Executive as Returning Officer and Counting Officer. The remaining sum was apportioned between 16 relevant Chief Officers none of whom received a sum of more than £384.

## **6. Payments on Termination**

The Council's approach to discretionary payments on termination of employment of Chief Officers in a redundancy situation, is set out within the Security of Employment Agreement in accordance with the Discretionary Compensation Regulations 2006 which give all Councils the ability to determine redundancy payments. This Agreement sets out the processes to be used in cases of redundancy (for example consultation and redeployment possibilities).

The Council does not apply the added years arrangements available under the Local Government Pension Scheme and therefore has no discretion over the pension benefit amounts payable to Chief Officers who are made redundant and who are entitled under the scheme regulations to be paid their pension benefits.

In some rare and exceptional circumstances, it may be more appropriate and in the Council's best interests to reach mutual agreement to end employment. Such reasons can include speed and minimizing the risk of significant uncertainty and disruption. In reaching an agreement in a process of negotiation it is likely that the payment will be specific to the individual's circumstances.

The Council considers that decisions on large severance packages (£100,000 and above) should be subject to accountability and scrutiny. The Council considers that it would be preferable for scrutiny of these decisions to take place in committee rather than by full Council, and that the Audit and Procurement Committee is the appropriate forum. This committee is skilled and experienced in subjecting specific decisions to scrutiny, and will be able to test the strength of the explanations put forward for particular severance decisions. The Council believes that the Audit and Procurement committee will be able to do this better than full Council and make those decisions.

It is not envisaged that any Chief Officer who leaves the Council with a severance or redundancy payment will be considered for further employment with Coventry or for the hiring of their services in another capacity unless there are special circumstances.

## **7. Publication**

Upon approval by the full Council, this statement will be published on the Council's Website.

## **8. Lowest Paid Employees**

The lowest paid persons employed under a contract of employment with the Council are employed on full time [37 hours] equivalent salaries in accordance with the minimum spinal column point currently in use within the Council's grading structure. As at 1 April 2013, this is

£12,312 per annum. The City Council employs a small number of modern apprentices who are not included within the definition of "lowest paid employees" as they are employed under specific trainee contract terms.

The Code of Recommended Practice on Data Transparency recommends the publication of the ratio between highest paid salary and the median average salary of the whole of the Council's workforce.

The current Council pay levels define the following rates of pay:-

- Chief Executive = £175,000
- Median employee = £20,198
- Lowest paid employee = £12,312

The current Council pay levels define the following pay multiples:-

- Chief Executive to lowest paid employee = **1:14.2**
- Chief Executive to median employee = **1:8.7**

As part of its overall and ongoing monitoring of alignment with external pay markets, both within and outside the sector, the council will use available benchmark information as appropriate.