
Council

13 March, 2018

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director Approving Submission of the report:

Deputy Chief Executive (People)

Ward(s) affected:

None

Title:

Annual Pay Policy Statement 2018/2019

Is this a key decision?

No

Executive Summary:

Local Authorities are required by sections 38 and 39 of the Localism Act 2011 to produce an annual Pay Policy Statement. The statement must articulate the City Council's policies towards a range of issues relating to the pay of the workforce, particularly the most senior staff (or "chief officers") and the relationship of their pay to the lowest paid employees. The proposed annual Pay Policy Statement for 2018/2019 is attached as appendix 1.

Recommendations:

1. Council is recommended to approve the Annual Pay Policy Statement 2018/19 attached at Appendix 1.

List of Appendices included:

Appendix 1 Annual Pay Policy Statement 2018/19
Appendix 2 Local Government Pension Regulations Statement

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 – 13 March, 2018

Report title: Annual Pay Policy Statement 2018/2019

1. Context (or background)

- 1.1 The Localism Act 2011 requires all local authorities to produce an annual Pay Policy Statement, setting out the Council's policies regarding the pay and grading of the workforce, which must be approved by full Council. The annual Pay Policy Statement is particularly required to highlight the relationship between the pay and remuneration of the most senior staff (chief officers) and the general workforce. The City Council has clearly established policies and processes for the determination of the pay and grading of its employees and these are summarised in the proposed Pay Policy Statement.
- 1.2 The annual Pay Policy Statement also sets out the relationship between the highest and lowest paid employees. Guidance on the development of Pay Policy Statements states that authorities should explain their policy in respect of chief officers who have been made redundant and later re-employed or engaged under a contract of service, and also their approach to any shared arrangements in place. The City Council has a policy not to re-employ or re-engage chief officers and this will continue in the future.

2 Options considered and recommended proposal

- 2.1 Council is recommended to approve the annual Pay Policy Statement for 2018/2019 to ensure compliance with sections 38 and 39 of the Localism Act 2011.

3 Results of consultation undertaken

- 3.1 There is no requirement to consult on the Pay Policy Statement

4. Timetable for implementing this decision

- 4.1 The proposed Pay Policy Statement will be effective for the financial year 2018/2019. Where actual earnings levels are referred to, these represent the latest figures available i.e. 2017/18.

5. Comments from Director of Finance and Corporate Services

5.1 Financial Implications

The costs associated with the implementation of the Pay Policy are built into the City Council's budget planning process. One-off costs arising from the termination of employment are met from specific reserves set aside for this purpose.

5.2 Legal implications

The agreement to and the publication of an Annual Pay Policy Statement is a requirement of sections 38 and 39 of the Localism Act, 2011.

6. Other implications

- 6.1 How will this contribute to achievement of the Council's Plan?
To assist the effective delivery of key objectives and corporate priorities the City Council must ensure key principles provide the foundation for the determination of the pay and grading of employees.

6.2 How is risk being managed?

By adopting a Pay Policy Statement as attached at Appendix 1 the City Council is compliant with sections 38 and 39 of the Localism Act 2011.

6.3 What is the impact on the organisation?

This document outlines the key principles for Coventry City Council's pay policy for 2018/19

6.4 Equalities / EIA

As a consequence of the Equality Act and the National Joint Council (NJC) conditions of Service the City Council is committed to publishing equal pay information on an annual basis.

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

None

Report author(s):

Name and job title: Barbara Barrett – Head of HR & OD

Tel and email contact: 024 7683 3200

Enquiries should be directed to the above person.

Table of Contributors and Approvers

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Sandeep Dhadday	Management Information	People	16/1/2018	1/2/2018
Nicole Firth	Human Resources	People	N/A	N/A
Helen Joyce	Human Resources	People	5/2/2018	7/2/2018
Philip Johnson	Human Resources	People	5/2/2018	7/2/2018
Liz Read	Manager – Electoral Services	Place	8/2/2018	8/2/2018
Names of approvers for submission: (officers and members)				
Pat Chen	Head of HR Policy and Practice	People	8/2/2018	15/2/2018
Deputy Chief Executive: Gail Quinton	Deputy Chief Executive	People	20/2/2018	20/2/2018
Director of Finance and Corporate Services: Barry Hastie	Director	Place	20/2/2018	20/2/2018
Members: Councillor J Mutton	Cabinet Member for Strategic Finance and Resources	N/A	19/2/2018	19/2/2018

Appendix 1

Coventry City Council – Annual Pay Policy Statement 2018/19

1. Introduction and Purpose

1.1 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 sets out the Council’s approach to setting the pay of its employees as required.

1.2 Coventry City Council is committed to operating consistent and equitable pay arrangements for all employees. The Pay Policy Statement is required to set out the Authority’s policies for the financial year relating to:

- The remuneration of its key chief officers (this includes Chief Executive, Deputy Chief Executives, Directors and other senior Managers)
- The remuneration of its lowest paid employees
- And the relationship between them

1.3 The Pay Policy Statement is required to state:

- The definition of ‘lowest paid employees’ for the purposes of this statement
- The Authority’s reasons for adopting this definition

1.4 The Statement is also required to state the level and elements for each chief officer on the following:

- Remuneration on recruitment
- Increases and additions to remuneration
- The use of performance related pay
- The use of bonuses
- The approach to payment on their ceasing to hold office under the authority or being employed by the authority
- The publication of and access to information relating to their remuneration

2. Current Pay Structure

2.1 The Council uses the NJC Job Evaluation scheme and the national pay spine as the basis for its local grading structure to determine the salaries of the vast majority (88.5%) of the non-school based workforce.

2.2 Progression within the grading structure is based on automatic annual increments until the top of the grade is reached. This is currently a long standing traditional approach to paying increments.

2.3 The national pay spine for 2018/19 will be increased in line with any award made by the NJC.

2.4 A similar incremental approach is also applied to other groups of employees who are governed by relevant national negotiating bodies. These groups include Soulbury Committee and JNC for Youth and Community schemes.

2.5 Increments for those centrally employed on teachers’ terms and conditions are based on performance in accordance with their national agreement.

- 2.6 From 2017, Chief Officers are evaluated in accordance with Local Government Job Evaluation Scheme. Performance is reviewed on an annual basis and may result in the award of an increment.
- 2.7 The above policies apply except where the operation of the Transfer of Undertakings (Protection of Employment) Regulations, or other statutory provision, dictates otherwise.
- 2.8 Where a person is appointed under a 'contract for service' rather than as an employee, the Council's 'contracts for services' arrangements are in place to ensure that maximum value for money is secured.

3. Legal Context

- 3.1 This policy is in operation to ensure that Coventry City Council meets its obligations under relevant legislation including the Localism Act 2011.
- 3.2 With regard to the equal pay requirements contained within the Equality Act, the Council ensures there is no pay discrimination in its pay structures and that all pay differentials are objectively justified through the use of an equality-proofed job evaluation mechanism, which directly relates salaries to the requirements, demands and responsibilities of the role.

4. Senior Management (Chief Officers) Remuneration

- 4.1 For the purposes of this statement, Chief Officers' are defined within S43 of the Localism Act and by Section 2 of the Local Government and Housing Act 1989 as the Chief Executive, Strategic Directors, Directors, Assistant Directors and Heads of Service.

4.2 Senior Management Hierarchy Table

<u>Position</u>	<u>Salary Grade</u>	<u>Salary Range</u>
<u>Chief Executive</u>	<u>CX1</u>	<u>£178,518 - £188,719</u>
<u>Deputy Chief Executive</u>	<u>D1 (SCP3)</u>	<u>£115,769 - £126,793</u>
<u>Directors</u>	<u>D1/ D2</u>	<u>£103,813 - £126,793</u>
<u>Assistant Directors</u>	<u>AD1/AD2</u>	<u>£78,575 - £102,009</u>
<u>Head of Service</u>	<u>SM1/2/3</u>	<u>£46,560 - £73,228</u>

- 4.3 The Chief Executive's salary is £178,518.

- 4.4 An additional payment is made for Returning Officer duties. The role of Returning Officer and its fees are independent and are determined and paid by the Cabinet Office for all National and European elections, rather than the Council. The Council covers the costs of any local elections. The payment made to the Chief Executive for this role in 2017 was:

Local Returning Officer Combined Authority Election/Parliamentary Election = **£21,876.60**.
 This, added to the salary payment, totals **£200,394.60**

- 4.5 Chief Officer remuneration currently falls within the range determined by the Council. These salary scales will be increased for 2018/19 in line with the relevant national pay award

5. Recruitment of Chief Officers

- 5.1 The determination of the remuneration 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. The Council's policy and procedures with regard to the recruitment of Chief Officers' are set out within the Council's Constitution.
- 5.2 The determination of the remuneration to be offered to any newly appointed Chief Officer will be in accordance with the Council's pay structure. Chief Officer's 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.
- 5.3 Where the Council is unable to recruit to a post, it will consider the use of temporary market force 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'.
- 5.4 The Council considers that decisions on annual salaries (£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 salary levels. The Council believes that the Audit and Procurement Committee will be able to do this better than full Council and make those decisions in consultation with the Cabinet Member for Strategic & Finance Resources.

6. Increases and additions to Remuneration of Chief Officers

- 6.1 The Council does not apply any bonuses to its Chief Officers.
- 6.2 Salary progression for Chief Officers is based upon an annual performance based assessment.
- 6.3 It is the Council's policy to pay temporary and reviewable 'market supplement' to Chief Officer salary levels within the JNC framework where there is clear and demonstrable evidence that the salary level otherwise attached to the post creates substantial recruitment or retention difficulties. In 2017, ten Chief Officers were receiving market supplements in addition to their basic salary, ranging from £5,000 to £13,000. However, with a review of senior management reward, the number of market supplements has reduced.
- 6.4 The gross fees paid to senior officers (other than the Returning Officer) covered in the pay policy for elections and referendums in 2017 totalled £13,187.75. Payments for Combined Authority are recoverable from the Combined Authority, Police and Crime Commissioner and national elections are recoverable from central government and the City Council meets the costs of local elections. Where more than one type of election takes place at the same time, costs are shared proportionately. The fees include those paid to the Returning Officer and senior staff for carrying out the responsibilities required to deliver these elections.

7. Payments on Termination

- 7.1 The Council's approach to discretionary payments on termination of employment of Chief Officers in a redundancy situation is set out within its Security of Employment Agreement. In accordance with the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006, the Council has used its discretion to calculate redundancy payments in accordance with the Security of Employment Agreement.

- 7.2 The Council does not exercise the discretion available to grant 'added years' of service under the Local Government Pension Scheme.
- 7.3 In some rare and exceptional circumstances, it may be appropriate and in the Council's best interests to reach a settlement agreement connected to the termination of an employee's service. Such agreements in all cases must be approved at the appropriate level.
- 7.4 The Council considers that severance payments, of £100,000 (or 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 in consultation with the Cabinet Member for Strategic Finance and Resources. The Audit and Procurement Committee have embraced the expectation of greater scrutiny in exit payments proposed in the Treasury consultation on 'Exit Payments in the Public Sector' and forthcoming legislation, to increase the scope of payments and remuneration it expects to be brought to the Committee for approval.
- 7.5 The City Council will not re-employ or re-engage previous employees within five years, if they have left as part of the voluntary redundancy/early retirement programme. 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 save in exceptional circumstances.

8. Publication

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

9. Lowest Paid Employees

- 9.1 At present, the lowest paid employees of Coventry City Council are paid £8.33 per hour. This figure will be reviewed following announcement of the national pay award for 2018/19.
- 9.2 The City Council employs a number of modern apprentices who are not included within the definition of "lowest paid employees" as they are employed under specific trainee contract terms. We also do not include trainees and interns within this definition.
- 9.3 The Code of Recommended Practice on Data Transparency recommends the publication of the ratio between the highest paid salary, the median average salary of the whole of the Council's workforce and the lowest salary level paid.
- 9.4 The current Council pay levels define the following rates of pay:-
- Chief Executive = £178,518
 - Median employee = £24,174
 - Lowest paid employee = £16,071
- 9.5 The current Council pay levels define the following pay ratios:-
- Chief Executive to lowest paid employee = **1:11.1**
 - Chief Executive to median employee = **1:7.38**
- 9.6 This pay ratio figure between the highest and the lowest paid employee is within the recommended boundary of 1:20, which was suggested by Lord Hutton in his 'Review of Fair Pay in the Public Sector'.

10. Monitoring and Review

10.1 Once approved by Full Council, the Pay Policy statement will come into effect and will be reviewed annually in accordance with the relevant legislation at the time.

**The Local Government Pension Scheme Regulations
2007
(as amended)
Statement of Policy
October 2008**

Under Regulation 66 of the Local Government Pension Scheme (LGPS) Administration Regulations 2007 (as amended), each employer must formulate, keep under review and publish their policies on certain discretions contained within the LGPS Regulations.

This Statement is applicable to all employees of Coventry City Council who are eligible to be members of the LGPS and, where applicable, deferred or pensioner members.

1. Regulation 30 BReg – Members request for early payment of benefits
Explanation

From age 55*, members who leave/ have left local government employment have the right to apply for early payment of their retirement benefits subject to the consent of their employer. However, members aged 60 and over do not need their employer's consent.

The pension benefits must be reduced in accordance with guidance provided by the Government actuary. Employers may determine on compassionate grounds that the benefits are not reduced.

For a member who joined the Scheme prior to 1 October 2006, where the member's age and membership (in whole years) satisfies the 'Rule of 85', then benefits would not be reduced. For a member who joined the Scheme on or after 1 October 2006, then reduced benefits would be payable if taken before age 65.

*Where a person was an active member on 31 March 2008 and makes an election before 31 March 2010, benefits can be paid if aged 50 or over.

Coventry City Council's Policy

- Active Members (current employees) - The City Council will allow early retirements on the grounds of redundancy/efficiency of the service. This discretion will otherwise only be used in rare and exceptional circumstances. It should be demonstrated that the City Council could fund the cost of release within a three-year period.

It would need to be funded by a lump-sum contribution into the Pensions Fund by the City Council. Each specific request raised under this Regulation will be judged equally and fairly on its own merits.

- This discretion will be exercised by those officers nominated to approve existing severance packages.
- Deferred Members – Early release of retirement benefits may be allowed in exceptional circumstances. The former employee must make an application in writing to the City Council. Each specific case will be judged equally and fairly on its own merits and where appropriate approved by the appropriate Cabinet Member.

- Waiver or reduction – Each specific case will be judged equally and fairly on its own merits and where appropriate approved by the appropriate Cabinet Member. Any cost would need to be funded by a lump-sum contribution into the Pension Fund by the City Council.
2. Regulation 12 BReg – "Augmentation" Increase in total membership of an active member

Explanation

An employer may resolve to increase the total membership of an active member. A member's total additional membership, including additional membership in respect of different employments, must not exceed 10 years.

An employer may make decisions on awarding augmented service for up to six months after termination of employment in cases of redundancy, in the interests of efficiency of the employing authority's functions or at the ending of a joint appointment because the other appointment holder has left.

Coventry City Council's Policy

This discretion will not be exercised by the City Council in any circumstances.

3. Regulation 13 BReg Power of Employing Authority to award additional pension

Explanation

An employer may resolve to award a member additional pension of not more than £5,000 per year, payable from the same date as their pension is payable under any other provisions of these regulations. Additional pension may be paid in addition to any increase of total membership resolved under Regulation 12.

Coventry City Council's Policy

This discretion will not be exercised by the City Council in any circumstances.

4. Regulation 18 BReg – Flexible Retirement

Explanation

A member who is aged *55 or over and with their employer's consent reduces their hours and/ or grade can then, but only with the agreement of their employer, make a written application to the administering authority (West Midlands Pension Fund) for payment of all or part of their accrued benefits without having retired from that employment.

If payment of benefits occurs before age 65 the benefits are actuarially reduced in accordance with guidance issued by the Government actuary.

The employer may choose to waive the reduction in whole or in part. If the employer chooses to do so, then the cost of waiving the reduction in whole or in part has to be paid to the Fund.

Coventry City Council's Policy

Each specific case will be judged equally and fairly on its own merits, having fully considered service delivery and financial costs. The Council will normally only approve the payment of benefits where there is no additional cost to the Council.

5. Regulation 25 AReg – Shared Cost AVC

Explanation

Employers may resolve to establish and maintain a Shared Cost Additional Voluntary Contribution Scheme (SCAVC). Who can join, how much the employer and employee will jointly contribute and the type of benefits provided must be considered.

Coventry City Council's Policy

Coventry City Council does not propose to introduce a Shared Cost Additional Voluntary Contribution Scheme.

6. Regulation 22 AReg – Optional contributions during absence

Explanation

Employing authorities have the discretion to extend beyond 30 days the period where a member can make a written request to make contributions. These contributions will cover a period of absence where pension contributions would otherwise not have been made.

Coventry City Council's Policy

Coventry City Council will extend the period of 30 days in rare and exceptional circumstances or where it was beyond the member's control.

7. Regulation 16 AReg – Re-employed and re-joining deferred members

Explanation

Where a deferred member becomes an active member again, before becoming entitled to the immediate payment of retirement benefits in respect of former membership(s), he/she may elect to have former membership(s) aggregated with their current active membership. An election must be made in writing to the member's appropriate administering authority (West Midlands Pension Fund) before the expiry of the period of 12 months, beginning with the date that the employee again became an active member (or any such longer period as the employer may allow).

Coventry City Council's Policy

Coventry City Council will extend the period of 12 months in rare and exceptional circumstances or where it was beyond the member's control.

8. Regulation 83 AReg – Inward transfers of pension rights

Explanation

A person who becomes an active member who has relevant pension rights may request their fund authority to accept a transfer value for some or all of their former rights. An election must be made in writing before the expiry of the period of 12 months beginning with the date that he/she became an active member (or any such longer period as his employer may allow).

Coventry City Council's Policy

Coventry City Council will extend the period of 12 months in rare and exceptional circumstances or where it was beyond the member's control.

9. Regulation 3 BReg - Contributions payable by active members

Explanation

Employers will determine the contribution rate payable based on whole-time pensionable pay for existing members at 1 April 2008 or a subsequent date of commencement of employment/ date of re-joining the Scheme. The employee contribution rate will be in accordance with the following table:-

Range	Contribution Rate
Up to £13,500	5.5%
£13,501 - £21,000	5.8%
£21,001 - £34,000	6.5%
£34,001 - £43,000	6.8%
£43,001 - £60,000	8.5%
£60,001 - £85,000	9.9%
£85,001 - £100,000	10.5%
£100,001 - £150,000	11.4%
Over £150,000	12.5%

* On 1st April 2009, and each subsequent anniversary thereof, the range figures may increase as if they were pensions to which the Pensions (Increase) Act 1971[4] applied.

Where there has been a material change to a member's pensionable pay in the course of a financial year, the employing authority may re-determine the contribution rate to be applied.

Coventry City Council's Policy

Coventry City review individual pension pay bands each month.

10. Regulation 57 AReg – The Internal Dispute Resolution Procedure

Explanation

An Internal Dispute Resolution Procedure applies to active members of the LGPS and to others such as deferred and pensioner members, whose position may be affected by decisions taken by their former employer or LGPS administering authority.

Responsibility for determinations under the first stage of the procedure rests with a “specified person” appointed by the employer. The employer must specify the job title and address of the person to whom applications should be directed.

Coventry City Council has determined that the specified person is:

Head of HR & OD
Coventry City Council
PO Box 15
Earl Street
Coventry
CV1 5RR