

Council

19 March, 2019

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 2019/20

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 2019/20 is attached as appendix 1.

Recommendations:

1. Council is recommended to approve the Annual Pay Policy Statement 2019/20 attached at Appendix 1.

List of Appendices included:

Appendix 1 Annual Pay Policy Statement 2019/20
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 – 19 March, 2019

Report title: Annual Pay Policy Statement 2019/20

1. Context (or background)

- 1.1 The purpose of the Pay Policy Statement is to ensure transparency and accountability with regard to the Council's approach to setting pay. The Pay Policy Statement when approved by Council, is publicised on the Council's website in accordance with the requirements of the Localism Act 2011. The 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.
- 1.2 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 2019/20 to ensure compliance with 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 2019/20. Where actual earnings levels are referred to, these represent the latest figures available i.e. 2018/19

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 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 2019/20

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 at regular intervals. The Council also publishes its Gender Pay Gap in accordance with the public sector reporting requirements

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

None

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Appendix 1

Coventry City Council – Annual Pay Policy Statement 2019/20

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 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
- 1.5 It should be noted that the Pay Policy Statement does not include information relating to the pay of Teachers or Support Staff in schools who are outside the scope of the Localism Act.

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 of the non-school based workforce.
- 2.2 Progression within the grading structure is based on the payment of increments until the top of the grade is reached.
- 2.3 The NJC national pay spine for 2019/20 has been amended and there has been a consequential change to parts of our grading structure. However, there has not been any change to the NJC Job Evaluation scheme nor has there been any change to individual pay other than the National pay increase agreed 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 Chief Officers and other senior managers' posts are evaluated in accordance with the Local Government Job Evaluation Scheme for Chief officers. Performance is reviewed on an annual basis and may result in the award of an increment within the respective grade.
- 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 Chief Officer 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. Currently, Coventry City Council does not employ any Chief Officers under a contract for service but this was the case, we would apply the 'contracts for services' arrangements.

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.
- 3.3 The Council publishes its Gender Pay Gap in accordance with the public sector reporting requirements

4. 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 Chief Officers' Salaries

| <u>Salary Grade</u> | <u>Salary Range</u> |
|----------------------------|----------------------------|
| <u>CX1</u> | £182,088 – £187,290 |
| <u>DCEO</u> | £143,898 - £148,000 |
| <u>D1/ D2</u> | £105,889 - £129,329 |
| <u>AD1/AD2</u> | £80,147 - £104,049 |
| <u>SM1/2/3</u> | £47,491 - £74,693 |

- 4.3 The Chief Executive's salary is £187,290

- 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 (financial year) 2018 was:

Local Returning Officer Local Elections = **£7,500**. This, added to the salary payment, totals £194,790. There was no national election in 2018/19.

- 4.5 Chief Officer remuneration currently falls within the range determined by the Council. These salary scales will be increased for 2019/20 in line with the relevant national pay award, which is 2%.

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 Officers jobs are allocated to a salary range in accordance with the job evaluation scheme.
- 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.

6. Increases and additions to Remuneration of Chief Officers

- 6.1 The Council does not award any bonuses to its Chief Officers.
- 6.2 Incremental progression within salary scales for Chief Officers and senior managers 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 2018, ten Chief Officers were receiving market supplements in addition to their basic salary, ranging from £5,000 to £13,000.
- 6.4 The gross fees paid to senior officers (other than the Returning Officer) covered in the pay policy for elections and referendums in 2018 totalled £3,695. 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.

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 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
- 7.4 The City Council will not re-employ or re-engage previous employees within five years, if they have left as part of any 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 £8.50 per hour. This figure will be reviewed following announcement of the national pay award for 2019/20.
- 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 = £187,290
 - Median employee = £24,730
 - Lowest paid employee = £16,394
- 9.5 The current Council pay levels define the following pay ratios:-
- Chief Executive to lowest paid employee = **1:11.42**
 - Chief Executive to median employee = **1:7.57**
- 9.6 This pay ratio figure between the highest and the lowest paid employee is within the recommended upper limit 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.

3. The Local Government Pension Scheme Regulations Statement of Policy

• February 2019

Under Regulation 60 of the Local Government Pension Scheme (LGPS) Regulations 2013 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 – Members request for early payment of benefits

2. Explanation

From age 55, members who leave or 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.

- **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 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 (Pre April 2014) – 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 TP Regs 1(1)© of Schedule 2 - The rule of 85 for members drawing benefits between age 55-59.**

Explanation

The rule of 85 applies to those members who joined the LGPS before 2006 and allows them to retire earlier than their normal pension age, taking their pension benefits in full. Under the LGPS 2014 Regulations members may lose some of the rule of 85 protections if they wish to access their benefits and they are aged 55-59. An employer may resolve to reinstate the protection which would have cost implications.

- **Coventry City Council Policy**

Each specific case will be considered on the grounds of efficiency of the service, having fully considered service delivery and financial costs.

4. Regulation 31 – Award of Additional Pension of an active member

Explanation

An employer may resolve to award a member additional pension of not more than £6,500 per year (as at 1st April 2014). An employer may make decisions on awarding additional pension 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.

5. Regulation 16(2)e & Regulation 16(4)d – Additional Pension Contribution (APC)

Explanation

An employer may make either a regular or lump sum Additional Pension Contribution (APC) to a member's account. This may be part or whole funded.

- **Coventry City Council's Policy**

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

6. Regulation 30(6) and Regulation 30 (8) – 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 normal retirement age the benefits can be 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.

7. Regulation 17 – 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 will allow a Shared Cost Additional Voluntary Contribution Scheme.

8. Regulation 16 – Optional contributions during absence

3. 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.

9. Regulation 22 – Re-employed and rejoining deferred members

4. 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.

10. Regulation 100 – Inward transfers of pension rights

5. 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.

11. Regulation 9 (3) - Contributions payable by active members

6. Explanation

Employing Authorities must review the contribution band to which they assign members each April, employers can also review band levels during the year

- **Coventry City Council Policy**

An employee's contribution percentage will be determined each pay period (e.g. each month's pay) based on the following:

- a) The pensionable pay to be paid in the pay period will be multiplied by 12 to give an annual equivalent and the contribution rate for that pay period determined according to the relevant tables.
- b) Any lump sums or retrospective arrears payments covering more than one pay period would be excluded from the calculation.

Employees will be notified of their pension contribution percentage on their payslip each month.

Details of the contribution rates can be found on the West Midlands Pension Fund's website by following the link <http://www.wmpfonline.com/activemember>

Members of the pension scheme have the right to appeal the pension banding decision within 6 months of the change of contribution rate; in the first instance they should contact Employment Services so that the matter can be reconsidered.

If they are still dissatisfied with this decision they can make a written application to the specified person, appointed by Coventry City Council, to give a decision under dispute.

12. Regulation 91-95 Forfeiture of pension rights

Explanation

If a member is convicted of a relevant offence committed in connection with their employment the former Scheme employer may apply for a forfeiture certificate. A forfeiture certificate certifies that the offence was 'gravely injurious to the state' or is liable to lead to a 'serious loss of confidence in the public service'. Where issued the former Scheme employer may direct that the member's rights under the regulations are forfeited.

- **Coventry City Council Policy**

Coventry City Council will apply the provisions of regulations 91 to 95.

13. Regulation 7 – The Internal Dispute Resolution Procedure

7. 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's Policy**

The specified person is:

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